

## Management's Responsibility for Financial Reporting


To the Members  
Saskatchewan Association of Rural Municipalities

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual financial report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained.

Ultimate responsibility for financial statements lies with the Board of Directors. The Board of Directors review financial statements in detail with management prior to their approval of the financial statements for publication.

External auditors are appointed by the Board of Directors to audit the financial statements and meet separately with both the Board and management to review their findings. The external auditors report directly to the members and their report follows. The external auditors have full and free access to the Board to discuss their audit and findings.



Jay B. Meyer  
Executive Director



Catherine Patterson, CPA, CA  
Director of Finance



## Independent Auditors' Report

To the Members  
Saskatchewan Association of Rural Municipalities

### *Opinion*

We have audited the consolidated financial statements of Saskatchewan Association of Rural Municipalities, which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of operations, changes in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report to members, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

## INDEPENDENT AUDITORS' REPORT continued

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

February 17, 2021  
Regina, Saskatchewan

*VIRTUS GROUP LLP*  
Chartered Professional Accountants


**Saskatchewan Association of Rural Municipalities  
Consolidated Statement of Financial Position**

**At December 31, 2020**

(with comparative figures at December 31, 2019)

	2020	2019
<b>Assets</b>		
Current Assets		
Cash	\$ 6,266,673	\$ 8,035,964
High Interest Savings Accounts <sup>Note 3</sup>	11,274,250	7,053,831
Amounts Receivable	842,428	639,868
Accrued Insurance Recoveries & Deductibles	178,950	30,490
Accrued Interest & Dividend Receivable	130,670	112,816
Investments <sup>Note 4</sup>	11,262,043	14,929,795
Prepaid Expenses, Inventory & Deposits	100,254	57,095
	<u>30,055,268</u>	<u>30,859,859</u>
Long-Term Assets		
Investments <sup>Note 4</sup>	18,262,555	15,408,618
Capital Assets <sup>Note 6</sup>	6,587,227	6,820,060
	<u>24,849,782</u>	<u>22,228,678</u>
<b>Total Assets</b>	<b>\$ 54,905,050</b>	<b>\$ 53,088,537</b>
 <b>Liabilities &amp; Fund Balance</b>		
Current Liabilities		
Amounts Payable <sup>Note 7</sup>	\$ 3,308,315	\$ 6,346,638
Accrued Insurance Claims <sup>Note 8</sup>	761,665	572,378
Deferred Contributions <sup>Note 6</sup>	61,793	61,793
Deferred Revenue	85,714	152,488
Due to Investment Pool <sup>Note 9</sup>	350,000	350,000
Due to Members - High Interest Savings <sup>Note 3</sup>	11,274,250	7,053,831
	<u>15,841,737</u>	<u>14,537,128</u>
Long-Term Liabilities		
Deferred Contributions <sup>Note 6</sup>	344,704	406,497
Due to Investment Pool <sup>Note 9</sup>	1,740,205	2,240,205
	<u>2,084,909</u>	<u>2,646,702</u>
Fund Balance:		
General Fund	8,337,493	7,647,646
Insurance & Benefit Restricted Funds	25,243,421	23,505,825
Other Restricted Funds	3,397,490	4,751,236
	<u>36,978,404</u>	<u>35,904,707</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 54,905,050</b>	<b>\$ 53,088,537</b>

Approved by the Board:

  
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The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Consolidated Statement of Operations**  
**For The Year Ended December 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<b>2020</b>	<b>2019</b>
<b>General Fund</b>		
<b>General Revenues</b>		
Membership Fees	\$ 897,009	\$ 871,070
Investment Income: <sup>Note 5</sup>		
Realized Investment Income	259,724	203,408
Unrealized Change in Market Value	(3,375)	215,196
Administration Fees <sup>Note 10</sup>	2,098,665	2,158,680
Convention Income	344,198	341,131
Contributions	115,840	119,979
Other Revenue	3,138	59,254
	3,715,199	3,968,718
Member Services (Schedule 1) <sup>Note 12</sup>	15,870,447	15,739,842
	19,585,646	19,708,560
<b>General Expenses</b>		
Conventions & Division Meetings	258,488	412,848
Board & Other Meetings	370,082	547,716
Advocacy & Engagement	152,570	154,383
Staff Salaries & Benefits	1,614,792	1,665,989
Administrative & Other Expenses	322,936	333,205
Contracted Services	169,587	41,112
Property, Insurance & Amortization	554,539	528,483
Loan Interest	53,167	72,905
	3,496,161	3,756,641
Member Services (Schedule 1) <sup>Note 12</sup>	15,399,638	15,210,146
	18,895,799	18,966,787
<b>General Fund Surplus</b>	689,847	741,773
<b>Insurance &amp; Benefit Restricted Funds (Schedule 2)</b>		
Premiums & Other Revenues	6,517,262	6,792,292
Claims Expense, SARM Fee & Other Expenses	4,786,163	4,456,299
<b>Insurance &amp; Benefit Funds Surplus</b>	1,731,099	2,335,993
<b>Other Restricted Funds (Schedule 3)<sup>Note 13</sup></b>		
Contributions, Fees & Interest	10,508,373	20,918,501
Program Expenses	11,862,119	17,995,696
<b>Other Restricted Funds Net Change</b>	(1,353,746)	2,922,805
<b>Consolidated Surplus/Change in Fund Balance</b>	\$ 1,067,200	\$ 6,000,571

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities  
Consolidated Statement of Changes in Fund Balance**

For The Year Ended December 31, 2020

	Fund Balance - Beginning of the Year	Member Contributions (Withdrawals)	Surplus or Net Change for the Year	Fund Balance - End of the Year
<b>General Fund</b>	\$ 7,647,646	\$ -	\$ 689,847	\$ 8,337,493
<b>Insurance &amp; Benefit Restricted Funds:</b>				
SARM Benefits	4,448,454	-	443,745	4,892,199
Liability Self-Insurance	14,229,317	6,497	657,178	14,892,992
Fidelity Bond Self-Insurance	542,252	-	54,899	597,151
Property Self-Insurance	4,285,802	-	575,277	4,861,079
	<u>23,505,825</u>	<u>6,497</u>	<u>1,731,099</u>	<u>25,243,421</u>
<b>Other Restricted Funds</b> <sup>Note 13</sup>				
Rural Integrated Roads for Growth	2,981,039	-	(1,559,930)	1,421,109
Canadian Agricultural Partnership	1,327,417	-	335,066	1,662,483
Strategic Initiatives Program	428,715	-	(129,593)	299,122
Municipal Leadership Development Program	14,065	-	711	14,776
	<u>4,751,236</u>	<u>-</u>	<u>(1,353,746)</u>	<u>3,397,490</u>
<b>Totals</b>	<u>\$ 35,904,707</u>	<u>\$ 6,497</u>	<u>\$ 1,067,200</u>	<u>\$ 36,978,404</u>

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Consolidated Statement of Cash Flows**

**For The Year Ended December 31, 2020**

(with comparative figures for the year ended December 31, 2019)

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
General Fund Surplus	\$ 689,847	\$ 741,773
Insurance & Benefit Restricted Funds Surplus	1,731,099	2,335,993
Other Restricted Funds (Loss) Surplus	(1,353,746)	2,922,805
Members' Contributions - Liability Self Insurance Plan	6,497	6,552
Change in Current Assets Except Cash	(412,033)	(29,689)
Change in Current Liabilities Except Deferred Contributions	(2,915,810)	4,141,274
	(2,254,146)	10,118,708
Items Not Affecting Cash:		
Amortization of Capital Assets	249,033	246,010
Amortization of Deferred Capital Asset Contributions	(61,793)	(61,793)
Amortization of Investment Discounts & Premiums	(104,148)	(138,371)
Unrealized Gain(Loss) on Investment Sales	21,484	(1,318,967)
Cash (Used) Provided	(2,149,570)	8,845,587
<b>Financing and Investing Activities</b>		
Investment in Capital Assets	(16,200)	(214,025)
Repayment of Loan to Investment Pool	(500,000)	(500,000)
Net Change in Investments	896,479	(2,366,369)
Cash Provided (Used)	380,279	(3,080,394)
<b>(Decrease) Increase in Cash</b>	(1,769,291)	5,765,193
<b>Cash, Beginning of Year</b>	8,035,964	2,270,771
<b>Cash, End of Year</b>	\$ 6,266,673	\$ 8,035,964

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Schedule 1 - Operations Summary - Member Services**  
**For The Year Ended December 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Trading Services</b> <sup>Note 12</sup>		
Sales, Commissions & Rebates	\$ 8,287,498	\$ 8,077,833
Cost of Products and Services	<u>7,951,842</u>	<u>7,826,833</u>
Surplus	<u>335,656</u>	<u>251,000</u>
<b>Legal Services</b> <sup>Note 12</sup>		
Fees for Service and Other Revenues	452,942	550,562
Staff Salaries & Benefits	464,005	422,738
Other Direct Expenses	<u>93,144</u>	<u>146,781</u>
Deficit	<u>(104,207)</u>	<u>(18,957)</u>
<b>Community Planning Services</b> <sup>Note 12</sup>		
Fees for Service and Other Revenues	87,763	114,378
Staff Salaries & Benefits	232,521	285,132
Other Direct Expenses	<u>43,922</u>	<u>39,032</u>
Deficit	<u>(188,680)</u>	<u>(209,786)</u>
<b>Insurance and Benefit Programs</b> <sup>Note 12</sup>		
Premium Revenues	6,953,677	6,929,215
Premium Expenses	<u>6,547,073</u>	<u>6,441,404</u>
Surplus	<u>406,604</u>	<u>487,811</u>
<b>Other Member Services</b> <sup>Note 12</sup>		
Fees for Service	88,567	67,854
Expenses	<u>67,131</u>	<u>48,226</u>
Surplus	<u>21,436</u>	<u>19,628</u>
<b>Total Revenues</b>	15,870,447	15,739,842
<b>Total Expenses</b>	<u>15,399,638</u>	<u>15,210,146</u>
<b>Surplus</b>	<u>\$ 470,809</u>	<u>\$ 529,696</u>

The accompanying notes are an integral part of the financial statements.



**Saskatchewan Association of Rural Municipalities**  
**Schedule 2 - Operations Summary -**  
**Insurance & Benefit Restricted Funds**  
**For The Year Ended December 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>SARM Benefits Plan</b>		
Premiums	\$ 2,322,469	\$ 2,251,266
Investment Income: <sup>Note 5</sup>		
Realized Investment Income	255,869	160,933
Unrealized Change in Market Value	<u>(3,734)</u>	<u>227,958</u>
Total Revenues	<u>2,574,604</u>	<u>2,640,157</u>
Claims Expense	1,531,705	1,563,428
SARM Administration Fee <sup>Note 10</sup>	580,617	562,816
Other Expenses	<u>18,537</u>	<u>17,817</u>
Total Expenses	<u>2,130,859</u>	<u>2,144,061</u>
Surplus	<u>443,745</u>	<u>496,096</u>
<b>Liability Self-Insurance Plan</b>		
Premiums	620,053	620,168
Investment Income: <sup>Note 5</sup>		
Realized Investment Income	699,177	454,047
Unrealized Change in Market Value	<u>(10,203)</u>	<u>643,148</u>
Total Revenues	<u>1,309,027</u>	<u>1,717,363</u>
Claims Expense <sup>Note 8</sup>	210,435	187,472
SARM Administration Fee <sup>Note 10</sup>	186,016	186,051
Legal Expense	251,908	436,824
Other Expenses	<u>3,490</u>	<u>43,404</u>
Total Expenses	<u>651,849</u>	<u>853,751</u>
Surplus	<u>657,178</u>	<u>863,612</u>
<b>Fidelity Bond Self-Insurance Plan</b>		
Premiums	66,895	58,485
Investment Income: <sup>Note 5</sup>		
Realized Investment Income	27,457	16,796
Unrealized Change in Market Value	<u>(401)</u>	<u>23,791</u>
Other Revenue	<u>418</u>	<u>512</u>
Total Revenues	<u>94,369</u>	<u>99,584</u>
Claims Expense <sup>Note 8</sup>	18,871	6,205
SARM Administration Fee <sup>Note 10</sup>	20,069	17,546
Other Expenses	<u>530</u>	<u>1,532</u>
Total Expenses	<u>39,470</u>	<u>25,283</u>
Surplus	<u>54,899</u>	<u>74,301</u>

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Schedule 2 Continued - Operations Summary -**  
**Insurance & Benefit Restricted Funds**  
**For The Year Ended December 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Property Self-Insurance Program</b>		
Premiums	\$ 2,047,064	\$ 1,931,364
Recovery of Claims	237,565	47,490
Investment Income: <sup>Note 5</sup>		
Realized Investment Income	258,404	147,460
Unrealized Change in Market Value	(3,771)	208,874
Total Revenues	<u>2,539,262</u>	<u>2,335,188</u>
Claims Expense <sup>Note 8</sup>	881,544	514,492
SARM Administration Fee <sup>Note 10</sup>	614,119	579,409
Excess Insurance Expense	311,393	250,375
Adjuster Expense	51,643	47,492
Appraisal Expense	104,631	29,370
Other Expenses	655	12,066
Total Expenses	<u>1,963,985</u>	<u>1,433,204</u>
Surplus	<u>575,277</u>	<u>901,984</u>
 <b>Insurance &amp; Benefit Restricted Funds</b>		
Total Revenues	6,517,262	6,792,292
Total Expenses	<u>4,786,163</u>	<u>4,456,299</u>
Surplus	<u>\$ 1,731,099</u>	<u>\$ 2,335,993</u>

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Schedule 3 - Operations Summary -**  
**Other Restricted Funds**

**For The Year Ended December 31, 2020**

(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Rural Integrated Roads for Growth Program</b> <sup>Note 13</sup>		
Contributions	\$ 7,500,000	\$ 17,500,000
Recovery of Fees & Expenses	18,449	14,667
Interest	<u>28,144</u>	<u>41,524</u>
Total Contributions and Other Revenue	<u>7,546,593</u>	<u>17,556,191</u>
Administration Expense	507,535	491,491
Traffic Counts	328,838	293,994
Bridge Inspections	511,474	605,040
Corridor Grants	-	2,617,566
Heavy Haul Road Grants	-	2,148,843
Corridor Maintenance & Sign Grants	6,169,920	5,399,800
Bridge & Culvert Grants	<u>1,588,756</u>	<u>2,633,519</u>
Total Grants and Other Expense	<u>9,106,523</u>	<u>14,190,253</u>
Change in Fund Balance	<u>(1,559,930)</u>	<u>3,365,938</u>
<b>Canadian Agricultural Partnership</b> <sup>Note 13</sup>		
Contributions	<u>2,685,843</u>	<u>2,884,753</u>
Plant Health Network Expenses	520,709	576,405
Beaver Control Rebates	5,066	698,584
Invasive Plant Control Rebates	295,113	247,578
Rat Control Rebates	1,213,818	1,191,917
Rat Control Program Delivery Expenses	31,071	29,661
CAP Administrative Expenses	<u>285,000</u>	<u>362,354</u>
Total Rebates and Expense	<u>2,350,777</u>	<u>3,106,499</u>
Change in Fund Balance	<u>335,066</u>	<u>(221,746)</u>
<b>Strategic Initiatives Funding</b> <sup>Note 13</sup>		
Contributions	<u>227,439</u>	<u>427,241</u>
Administrator Recruitment & Training	159,388	240,163
Community Planning	177,889	298,300
SARM Strategic Priorities Initiatives	19,136	55,930
Management Essentials Training	619	9,839
Standing Committees	-	30,340
Other Projects	<u>-</u>	<u>6,323</u>
Total Expense	<u>357,032</u>	<u>640,895</u>
Change in Fund Balance	<u>(129,593)</u>	<u>(213,654)</u>

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Schedule 3 Continued - Operations Summary -**  
**Other Restricted Funds**  
**For The Year Ended December 31, 2020**  
(with comparative figures for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Municipal Leadership Development Program</b> <sup>Note 13</sup>		
Registration Fees	\$ 42,123	\$ 50,316
Other Revenue	<u>6,375</u>	<u>-</u>
Total Revenue	<u>48,498</u>	<u>50,316</u>
Instructor's Fees and Expenses	16,037	21,579
Other Course Expenses	24,857	28,143
SARM Administration Fees	5,860	7,040
Other Expenses	<u>1,033</u>	<u>1,287</u>
Total Expense	<u>47,787</u>	<u>58,049</u>
Change in Fund Balance	<u>711</u>	<u>(7,733)</u>
<b>Total Revenues</b>	10,508,373	20,918,501
<b>Total Expenses</b>	<u>11,862,119</u>	<u>17,995,696</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,353,746)</u>	<u>\$ 2,922,805</u>

The accompanying notes are an integral part of the financial statements.

**Saskatchewan Association of Rural Municipalities**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**Governance and Purpose of the Organization**

The Saskatchewan Association of Rural Municipalities (SARM) was incorporated in 1932 by Chapter 80 of the Statutes of Saskatchewan. Chapter 80 was assented to on March 11, 1932. *The Act respecting the Saskatchewan Association of Rural Municipalities* has been amended several times, with the most recent amendments in 2002. The Act establishes SARM and details the authority for SARM's operations, including the authority to operating insurance and benefit programs, the authority to appoint officers, and the authority to make bylaws.

The mission of SARM is to influence government policy and facilitate municipalities to work together to foster rural development and build strong, sustainable communities; and deliver timely dependable programs and services to meet the needs of its members. Programs and services delivered by SARM include:

- Member services delivered by SARM include programs for the purchase of products (fuel, office supplies, tires, equipment, equipment parts and services, culverts, and rodent control products) and the provision of legal and planning services.
- The SARM Benefits Plan provides short-term disability and other benefits to employees and officials of participating SARM members. SARM also provides benefit programs for long term disability, extended health and dental care, and group and optional life insurance.
- The Liability Self-Insurance Plan and Property Self-Insurance Program provide comprehensive property and liability insurance coverage for participating SARM members.
- The Fidelity Bond Self-Insurance Plan provides fidelity bond coverage for employees of participating SARM members, along with coverage for cash, securities, and registered mail.
- The Excess Liability Program is an optional program that provides increased limits of liability insurance coverage to Liability Self-Insurance Plan participants. Participants may also purchase additional coverage for administrative errors and omissions.
- SARM delivers programs that assist rural municipalities and rural Saskatchewan, pursuant to agreements with Provincial Ministries. Programs include the Rural Integrated Roads for Growth Program (RRIG) and the Canadian Agricultural Partnership (CAP) Program. The CAP program includes initiatives for rat control, beaver control, plant health support and invasive plant control.
- SARM, on behalf of several municipal organizations, is the administrator of the Municipal Leadership Development Program (MLDP).

SARM is exempt from income tax.

**Saskatchewan Association of Rural Municipalities**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

Pursuant to the authority provided in the Act, on March 10, 2016, at the SARM Annual Convention, Governance Bylaw 2016-01 was adopted. The Governance Bylaw has been amended at conventions in 2017, 2019 and 2020.

The Governance Bylaw 2016-01 provides for the election and appointment of officers, with the officers constituting the Board of Directors. The officers consist of a President, Vice-President, six directors and one ex-officio director. The President and Vice-President are elected at large at the Annual Convention. The six directors, each representing a division, are elected by delegates of the six divisions of SARM members. The ex officio director is the President of the Rural Municipal Administrators Association.

Annually, the Board adopts a policy that details the remuneration and expenses board members are eligible to claim while representing SARM. Pursuant to the policy, in 2020, board members were eligible to receive the following:

- Per Diem payments of \$360 per day (2019 - \$350 per day) for meetings and one day per month for meeting preparation time.
- Honorariums of \$12,500 (2019 - \$12,500) for the President, and \$7,500 (2019 - \$7,500) for the Vice-President.
- Allowances for meals, travel time and the provision of phone and internet services.
- Reimbursement of travel expenses, including the use of a personal vehicle.

Current Board members, and the days of remuneration are:

- Ray Orb, President, 109.5 days of remuneration in 2020 (2019 – 149.5 days).
- Bill Huber, Acting Vice-President, and Director - Division 1, 61.0 days of remuneration in 2020 (2019 – 90.0).
- Norm Nordgulen, Director - Division 2, 79.0 days of remuneration in 2020 (2019 – 86.0).
- Larry Grant, Director - Division 3, 53.5 days of remuneration in 2020 (2019 – 62.0).
- Harvey Malanowich, Director - Division 4, 48.5 days of remuneration in 2020 (2019 – 67.0).
- Judy Harwood, Director - Division 5, 71.0 days of remuneration in 2020 (2019 – 99.0).
- Darwin Whitfield, Director – Division 6, 59.0 days remuneration in 2020 (2019 – 63.5 days).
- Guy Lagrandeur, Ex Officio Director, 26.5 days of remuneration in 2020 (2019 – none).

Former Board members, and the days of remuneration are:

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- Carmen Sterling, Vice President, 67.5 days of remuneration in 2020 (2019 – 124.0 days).
- Rodney Wiens, Director - Division 6, no days of remuneration in 2020 (2019 – 16.5).
- Wendy Gowda, Ex Officio Director, 24.0 days of remuneration in 2020 (2019 – 60.5).

## **1. Significant Accounting Policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant policies:

### **(a) Fund Accounting**

SARM follows the restricted fund method of accounting for contributions.

The general operations of SARM, along with member services, are accounted for through the General Fund. The fund reports unrestricted resources and contributions.

Revenues and expenses related to the operation of the SARM Benefits Plan, the Liability Self-Insurance Plan, the Fidelity Bond Self-Insurance Plan, and the Property Self-Insurance Program are accounted for through the Insurance and Benefit Restricted Funds. The Agreements for the Liability Self-Insurance Plan and the Property Self-Insurance Program specify that the Fund Balances of these Funds are the beneficial property of the individual participants. The agreements for the SARM Benefits Plan and Fidelity Bond Self-Insurance Plan provide for the retention of a reserve as determined by the SARM Board of Directors – the fund balance is deemed to be the required reserve.

Contributions, allocated interest, and expenses for programs or initiatives funded through externally restricted contributions or revenues are accounted for through the Other Restricted Funds. Program agreements for programs funded by the Province require unexpended funds to be returned to the Province. Pursuant to the agreement for SARM to administer the MLDP Program, the fund balance is attributable to the program partners, with the surplus periodically distributed to the partners. Strategic Initiatives funding is provided by the Province – allocation of funding to specific initiatives must be approved by the Ministry of Government Relations.

An Investment Fund is used to account for an investment pool that includes the investments of the General Fund, the benefit and insurance restricted funds and two trust funds administered by SARM as trustee.

### **(b) Revenue Recognition**

- (i) In the SARM General Fund and the Insurance and Benefit Restricted Funds, revenues are recorded using the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. Additional details with respect to revenue recognition include:
  - Membership fees are recognized in the year applicable to the fees.

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- For the Insurance and Benefit Restricted Funds and the other benefit programs, premiums are recognized in the year applicable to the insurance or the benefit.
  - Administration fees are typically either a percentage of program revenues, or an offset to expenses incurred. Administration fees that are a percentage of program revenues are recognized in the year the program fees are earned. Administration fees that are an offset to expenses, are recognized in the year the expenditures are recognized.
  - Contributions for job and training grants are recognized in the year the expenditures eligible for the grants are recognized.
  - Trading services revenues are typically commissions that are recognized in the year the goods or services are provided to or shipped to a program participant.
  - Revenue legal or community planning services are recognized in the year the services are provided. If a legal file or community planning project is not completed at year end, a revenue amount for the work in progress is recognized.
- (ii) In the Other Restricted Funds (RIRG, CAP and Strategic Initiatives), contributions from provincial ministries are recognized as revenue when the funds are received. For the MLDP Fund, revenues are recognized as of the date of the MLDP course.
- (iii) Contributions restricted for the purchase of capital assets are deferred and taken into revenue annually in an amount equal to the amortization for those assets.
- (iv) Investment income is income allocated from the investment pool (see Note 5).

Investment income for term investments (non-viability contingent capital subordinated debt investments, other fixed income debt investments, and structured notes) includes interest earned in the year (accrued or received), amortized premium and discount, realized gains or losses on the sale of investments, and the unrealized change in the market value of the investments. Purchase premiums and discounts are amortized on a straight-line basis over the term of the earlier of the maturity or call date. NVCC Subordinated Debt investments that earn interest have effective interest rates ranging from 2.6% to 3.9%.

Investment income for externally managed portfolio investments (money market and fixed income exchange traded funds, Canadian equities and trust units and non-Canadian equities) includes dividends earned in the year (accrued or received), realized gains or losses on the sale of investments, and the unrealized change in the market value of the investments.

Investment income on the internal loan is interest earned in the year (accrued or received).

The allocated investment income is net of investment management fees. The fees are based on the average daily market value of the assets. The fee rates are 0.5% for structured notes, 0.15% for NVCC Subordinated Notes and other term



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investments, and 0.75% for the externally managed portfolios. There are no fees for the internal loan.

**(c) Expense Recognition**

- (i) Expenses are accounted for in the period the goods and services are acquired, and a liability is incurred, or transfers are due.
- (ii) Insurance claims (property, fidelity bond and liability claims) are expensed when liability is established, and the amount of the loss can be reasonably determined (see Notes 9 and 10). This practice is appropriate for the Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan and Property Self-Insurance Program as the agreements permit the Board to assess a special levy upon Plan participants should the Plan resources become depleted. The terms of the contracts oblige the participants to pay any such levy regardless of whether they subsequently withdraw from the Plan. Participants who withdraw are also liable for their pro-rata share of claims or expenses which subsequently become payable, but which were incurred during the period of their participation, even if not recovered through a special levy. The continued existence of the Plans due to any significant losses is not limited by future premium renewals.
- (iii) Claims from rural municipalities for reimbursement of expenditures eligible for funding under the Rural Integrated Roads for Growth Program (RIRG) are recognized by SARM when a valid claim, based on program guidelines, has been received by December 31.

Claims under the Canadian Agricultural Partnership Programs are recognized by SARM after eligible rebate amounts have been confirmed by the Canadian Agricultural Partnership Technical Committees.

- (iv) SARM participates in a contributory defined benefit plan for its employees. The defined benefit plan is a multi-employer plan, and as such, the contributions are expensed when due and payable. The obligation for accrued vacation pay and banked time has been accounted for at an undiscounted value at the rate of pay for the upcoming year.

**(d) Financial Instruments**

SARM initially measures its financial assets and financial liabilities at fair value.

Financial assets subsequently measured at fair value are cash, high interest savings accounts, amounts receivable, accrued interest receivable, term investments (including non-viability contingent capital (NVCC), subordinated debt investments, other fixed income debt investments, and structured note investments), equity investments, and the internal loan made by the investment pool to SARM. Financial liabilities subsequently measured at fair value are amounts payable, accrued liabilities, high interest savings accounts due to members, and the loan payable to the investment pool. The fair value of amounts receivable and amounts payable approximate their carrying value due to their nature or capacity for prompt liquidation. The fair value of the term investments

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and equity investments is market value, with the market value as reported by CIBC Wood Gundy.

At the end of each reporting period, SARM assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. When there is an indication of impairment that has a significant adverse change in the expected timing or amount of future cash flow from a financial asset, the carrying amount of the asset is reduced to the net realizable value. There are no financial assets that have been recorded at net realizable value.

Investments are reported on the Statement of Financial Position as either current assets or long-term assets. Investments classed as current assets are term investments that mature within one year, money market ETF investments, short-term fixed income ETF investments, and equity and trust unit investments. Term investments with maturities greater than one year, the internal loan and mid to long-term fixed income ETF investments are classified as long-term assets.

**(e) Capital Assets**

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when fair value can reasonably be determined. Amortization is provided for, upon the commencement of the utilization of the assets, over the assets' estimated useful lives. When a capital asset no longer contributes to SARM's ability to provide services the carrying amount is written down to the residual value.

The amortization categories and estimated useful lives and amortization rates are:

- (i) Building and land improvements are amortized on a straight-line basis. The building structure is amortized over 40 years, the building service systems and land improvements over 25 years and building finishes over 20 years.
- (ii) Equipment and furniture are amortized on a straight-line basis over 5 years.
- (iii) Computer software – the group benefits system is amortized on a straight-line basis over 10 years, with other software amortized on a straight-line basis over five years.
- (iv) The vehicle is amortized using the declining balance method at a rate of 25%.

**(f) Liability Self-Insurance Plan (LSIP) Fund Balance**

The fund balance of this Plan is the beneficial property of the individual participants and is accounted for through Individual Member Accounts for each participating member. The fund balance was initially augmented by each participant contributing three times their annual premium for each of the first three years they participated in the Plan. These contributions also apply to new members. Each year, the individual member's account is adjusted for the following amounts:

- (i) The LSIP agreement includes provisions whereby there could be a refund of a portion of a member's individual account if the member chooses to withdraw from LSIP.

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- (ii) The investment income for the Plan for the year is apportioned based on the member's average fund balance for the year, in relation to the average total fund balance for the year.
- (iii) The claims expense for the year, for claims with a cost of \$10,000 or more, are apportioned to member accounts based on the member's premium as of the date of the claim in relation to total member premiums as of the date of the claim. For apportionment, the claims expense includes either claim payments or the amounts for accrued claims.
- (iv) The remaining balance of the annual surplus or deficit, after the apportionment of the investment income and specific claims expense as per the two previous points, is apportioned to member accounts based on the member's premium for the current year in relation to total member premiums for the current year.

**(g) Property Self-Insurance Program (PSIP) Fund Balance**

The fund balance of this Program is the beneficial property of the individual participants and is accounted for through Individual Member Accounts for each participating member. Each year, the individual member's account is adjusted for the following amounts:

- (i) Member withdrawals for the current year. A withdrawal is only permitted when a member ceases to participate in PSIP.
- (ii) The annual surplus or deficit, excluding investment income, is apportioned to member accounts based on the premium paid by each participant for the year in relation to the total premiums for the year.
- (iii) The investment income for the year is apportioned to member accounts based on each member's Individual Member Account balance in relation to the total fund balance – the account balances used are after the apportionment of the annual surplus or deficit in the second point.

**(h) Use of Estimates**

The preparation of financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenditures during the year. Management reviews all significant estimates affecting the financial statements. The significant estimates that affect the financial statements are the market values used in the valuation of investments and estimates for accrued claims. These estimates have implications on the valuation of certain investments, the determination of investment income and the determination of the claims expense for the insurance plans.

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**2. Financial Risk Management**

SARM has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which SARM is exposed are:

**(a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

SARM is exposed to credit risk on amounts receivable from its customers and members, however it does not have a significant exposure to any individual customers. Amounts receivable are monitored to ensure collection of accounts. SARM has incurred insignificant bad-debt expense during the past three years.

SARM is exposed to credit risk with respect to cash and investments. The investment pool of approximately \$55.2 million is primarily invested in the debt of financial institutions (62.6% of the total) and structured notes and equity investments (30.7% of the total). The credit risk for term investments is minimized by ensuring that these assets are invested in financial obligations of governments or major financial institutions that have been accorded investment grade ratings by a primary rating agency. The credit risk is further minimized by establishing investment policies that set limits on the investments by sector, by issuer, and the term of the investments. The credit risk for equity investments is minimized through engaging external investment managers to actively manage these investments.

**(b) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. SARM manages its liquidity risk by monitoring cash flows from operations along with the cash flow of the investment pool. SARM has an authorized line of credit in the event there are short-term cash flow requirements – the line of credit was not used in 2020.

**(c) Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Exposure to price risk exists for the investments as they are measured at market value. The entities that comprise the investment pool typically do not require cash that would necessitate the sale of investments. Equity investments are considered a prudent long-term investment and given the limited potential to require disposal of investments to meet cash obligations, the investment pool is well positioned to weather market fluctuations that will inevitably occur. SARM does not use any derivative financial instruments to alter the effects of this risk.

**3. High Interest Savings Accounts**

SARM has partnered with CIBC Commercial Banking to offer members a pooled High Interest Savings Account. Funds are held in-trust for the member in their own account. The

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interest rate paid on the funds in the pooled accounts is prime less 1.70%. The interest rate is 0.75% as of December 31, 2020 (2019 - 2.25%). An administration fee of 0.05% is paid to SARM by CIBC.

The liability for the amounts held in-trust for members is shown as Due to Members – High Interest Savings.

#### **4. Investments**

The investment pool includes investments of SARM (General Fund, SARM Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan, and Property Self-Insurance Program), the Rural Municipal Tax Loss Compensation Trust Fund and the Rural Municipal Specific Claims Tax Loss Compensation Trust Fund. The assets and liability attributed to each fund is apportioned based on the investment of each fund in the pool as of the end of the year and is reflected in each fund's statement of financial position. The apportionment of investment income is attributed to each fund based on the investment of each fund in the pool throughout the year and is reflected in each fund's statement of operations. SARM's share of the assets of the investment fund as of December 31, 2020 was 55.92% (2019 – 56.03%).

The investment pool is managed within the investment policy adopted by SARM, that limits total equity investments to 30% of the investment fund, and total non-Canadian equity investments to 15% of the investment fund. The investment fund includes investments and cash balances and excludes accrued amounts. As of December 31, 2020, total equities were 26.8% (2019 – 30.8%) of the investment fund and non-Canadian equities were 4.0% (2019 – 7.7%) of the investment fund.

Term investments include NVCC subordinated debt investments, other term debt investments, and structured notes. There are two structured notes, one with the principal at risk and one with the principal protected. The term investments are managed internally with support through CIBC Wood Gundy. As of December 31, 2020, the maturity timeframes for the term investments are:

- Term investments with terms of up to 1 year, 0% (2019 – 28.0%).
- Term investments with terms of 1 to 3 years, 26.5% (2019 – 20.1%).
- Term investments with terms of 3 to 7 years, 73.5% (2019 – 51.9%).

The externally managed portfolios are managed by the Investment Consulting Service of CIBC Wood Gundy. Investments were transferred to these funds in January 2020 from two previous externally managed equity funds. There are two managed funds, a Canadian Core Balanced portfolio, and a North American Yield Balanced portfolio. As of December 31, 2020, the externally managed portfolios are invested 2.4% in money market ETFs, 38.0% in fixed income ETFs, 49.4% in Canadian equities or trust units, and 9.4% in non-Canadian equities.

The following table provides a summary of SARM's share of the investments in the investment pool by type of asset. The investments are measured at market value, as reported by CIBC Wood Gundy, as of December 31, 2020.

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<b>Investments by Asset Category</b>	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Money Market ETFs	\$ 314,246	\$ -
NVCC Subordinated Debt	-	5,210,086
Other Term Debt	626,887	218,548
Short Term Fixed Income ETFs	2,494,433	-
Canadian Equities and Trust Units	6,569,778	7,134,748
Non-Canadian Equities	1,256,699	2,366,413
	<u>11,262,043</u>	<u>14,929,795</u>
<b>Long Term Assets</b>		
NVCC Subordinated Debt	12,502,389	13,053,813
Other Term Debt	309,687	903,574
Structured Notes - At Risk	527,644	-
Structured Notes - Protected	1,084,725	-
Mid to Long Term Fixed Income ETFs	2,669,292	-
Internal Loan	1,168,818	1,451,231
	<u>18,262,555</u>	<u>15,408,618</u>
<b>Total Investments</b>	<u>\$ 29,524,598</u>	<u>\$ 30,338,413</u>

## 5. Investment Income and Expenses

The following tables provide a summary of SARM's share of the investment income (loss) for 2020 and 2019.

	<b>2020</b>				
	<b>SARM General Fund</b>	<b>SARM Benefits</b>	<b>Liability Self- Insurance</b>	<b>Fidelity Bond</b>	<b>Property Self- Insurance</b>
<b>Term Investments:</b>					
Interest	\$ 59,470	\$ 65,788	\$ 179,771	\$ 7,060	\$ 66,441
Amortization of Discount (Premium)	16,363	18,101	49,462	1,942	18,280
Realized Losses on Sales	(500)	(553)	(1,511)	(59)	(559)
Unrealized Change in Market Value	40,596	44,909	122,716	4,819	45,353
<b>Portfolio Investments:</b>					
Dividends	59,022	65,292	178,415	7,006	65,939
Realized Gains on Sales	110,085	121,781	332,774	13,068	122,987
Unrealized Change in Market Value	(43,971)	(48,643)	(132,919)	(5,220)	(49,124)
<b>Internal Loan Interest</b>	4,700	5,199	14,206	558	5,251
<b>Other Investment Income &amp; Expense</b>					
Investment Account Interest	648	717	1,959	77	724
General Bank Interest	56,572	-	-	-	-
Investment Management Fees	(18,492)	(20,456)	(55,899)	(2,195)	(20,659)
Allocated Interest	(28,144)	-	-	-	-
<b>Investment Income</b>	<u>\$ 256,349</u>	<u>\$ 252,135</u>	<u>\$ 688,974</u>	<u>\$ 27,056</u>	<u>\$ 254,633</u>
<b>Net Investment Income</b>	\$ 150,139	\$ 134,641	\$ 367,914	\$ 14,448	\$ 135,976
<b>Realized Gains on Sales</b>	109,585	121,228	331,263	13,009	122,428
<b>Unrealized Change in Market Value</b>	(3,375)	(3,734)	(10,203)	(401)	(3,771)
<b>Investment Income</b>	<u>\$ 256,349</u>	<u>\$ 252,135</u>	<u>\$ 688,974</u>	<u>\$ 27,056</u>	<u>\$ 254,633</u>

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	2019				
	SARM General Fund	SARM Benefits	Liability Self- Insurance	Fidelity Bond	Property Self- Insurance
<b>Term Investments</b>					
Interest	\$ 70,553	\$ 74,737	\$ 210,859	\$ 7,800	\$ 68,480
Amortization of Discount (Premium)	22,576	23,915	67,471	2,496	21,913
Realized Losses on Sales	(5)	(4)	(11)	-	(4)
Unrealized Change in Market Value	53,945	57,144	161,224	5,964	52,360
<b>Portfolio Investments</b>					
Dividends	52,790	55,920	157,770	5,836	51,239
Realized Gains on Sales	15,541	16,462	46,445	1,718	15,084
Unrealized Change in Market Value	161,251	170,814	481,924	17,827	156,514
<b>Internal Loan Interest</b>	6,482	6,867	19,373	717	6,292
<b>Other Investment Income &amp; Expense</b>					
Investment Account Interest	1,250	1,324	3,736	138	1,213
General Bank Interest	93,009	-	-	-	-
Investment Management Fees	(17,264)	(18,288)	(51,596)	(1,909)	(16,757)
Allocated Interest	(41,524)	-	-	-	-
<b>Investment Income</b>	<u>\$ 418,604</u>	<u>\$ 388,891</u>	<u>\$ 1,097,195</u>	<u>\$ 40,587</u>	<u>\$ 356,334</u>
<b>Net Investment Income</b>	\$ 187,872	\$ 144,475	\$ 407,613	\$ 15,078	\$ 132,380
<b>Realized Gains on Sales</b>	15,536	16,458	46,434	1,718	15,080
<b>Unrealized Change in Market Value</b>	215,196	227,958	643,148	23,791	208,874
<b>Investment Income</b>	<u>\$ 418,604</u>	<u>\$ 388,891</u>	<u>\$ 1,097,195</u>	<u>\$ 40,587</u>	<u>\$ 356,334</u>

## 6. Capital Assets

The following table is a summary of the capital assets as of December 31, 2020.

	2020			
Description	Cost	Accumulated Amortization	Net	2019 Net
Land	\$ 1,450,000	\$ -	\$ 1,450,000	\$ 1,450,000
Building	4,987,454	469,515	4,517,939	4,665,104
Equipment & Furniture	98,627	57,031	41,596	50,486
Benefits Software	670,025	134,005	536,020	603,022
Other Software	26,995	9,970	17,025	18,585
Vehicle	45,211	20,564	24,647	32,863
	<u>\$ 7,278,312</u>	<u>\$ 691,085</u>	<u>\$ 6,587,227</u>	<u>\$ 6,820,060</u>

SARM received external funding through Strategic Initiatives to pay for the acquisition of certain capital assets. Deferred contributions for capital assets as of December 31, 2020 were \$406,497 (2019 - \$468,290). The amortization of deferred contributions in 2020 was \$61,793 (2019 - \$61,973).

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**7. Amounts Payable**

Details of the amounts payable are shown in the next table.

	<u>2020</u>	<u>2019</u>
<b>SARM General Fund:</b>		
SARM General Payables	672,629	367,066
SARM Salary	60,823	108,043
SARM Government Remittances	88,716	50,050
<b>Insurance &amp; Benefit Restricted Funds:</b>		
SARM Group Benefits Plan Expenses	184,208	176,403
Liability Self-Insurance Plan Expenses	5,167	7,234
Fidelity Bond Self-Insurance Plan Expenses	-	815
Property Self-Insurance Program Expenses	12,248	29,178
<b>Other Restricted Funds:</b>		
RIRG Program Grants & Expenses	2,280,618	5,274,548
CAP Program Rebates & Expenses	888	333,301
Strategic Initiatives Program Expenses	-	-
MLDP Program Expenses	3,018	-
	<u>\$ 3,308,315</u>	<u>\$ 6,346,638</u>

**8. Accrued Claims and Claims Expense**

Details of the claims expense for the Liability Self-Insurance Plan, Property Self-Insurance Program and Fidelity Bond Self-Insurance Plan are shown in the following tables.

	<u>2020</u>		
	<u>Accrued Claims</u>	<u>Claim Payments</u>	<u>Claims Expense</u>
<b>Liability Self-Insurance Plan</b>			
Balance - Beginning of Year	\$ 252,400	\$ -	\$ -
Prior Year Claim Payments	(47,400)	86,855	39,455
Current Year Claim Payments	-	69,888	69,888
Changes to Accrued Claims for Prior Year Claims	20,000	-	20,000
Accrued Claims for Current Year Claims	85,000	-	85,000
Claim Deductibles	-	-	(3,908)
Balance - End of Year	<u>\$ 310,000</u>	<u>\$ 156,743</u>	<u>\$ 210,435</u>



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	2019		
	Accrued Claims	Claim Payments	Claims Expense
<b>Liability Self-Insurance Plan</b>			
Balance - Beginning of Year	\$ 154,500	\$ -	\$ -
Prior Year Claim Payments	(82,500)	64,188	(18,312)
Current Year Claim Payments	-	30,147	30,147
Changes to Accrued Claims for Prior Year Claims	138,900	-	138,900
Accrued Claims for Current Year Claims	41,500	-	41,500
Claim Deductibles	-	-	(4,763)
Balance - End of Year	\$ 252,400	\$ 94,335	\$ 187,472

	2020		
	Accrued Claims	Claim Payments	Claims Expense
<b>Property Self-Insurance Plan</b>			
Balance - Beginning of Year	\$ 287,469	\$ -	\$ -
Prior Year Claim Payments	(263,470)	228,423	(35,047)
Current Year Claim Payments	-	489,293	489,293
Changes to Accrued Claims for Prior Year Claims	(9,302)	-	(9,302)
Accrued Claims for Current Year Claims	436,600	-	436,600
Balance - End of Year	\$ 451,297	\$ 717,716	\$ 881,544

	2019		
	Accrued Claims	Claim Payments	Claims Expense
<b>Property Self-Insurance Plan</b>			
Balance - Beginning of Year	\$ 204,423	\$ -	\$ -
Prior Year Claim Payments	(159,423)	103,491	(55,932)
Current Year Claim Payments	-	327,955	327,955
Changes to Accrued Claims for Prior Year Claims	(10,000)	-	(10,000)
Accrued Claims for Current Year Claims	252,469	-	252,469
Balance - End of Year	\$ 287,469	\$ 431,446	\$ 514,492

	2020		
	Accrued Claims	Claim Payments	Claims Expense
<b>Fidelity Bond Self-Insurance Plan</b>			
Balance - Beginning of Year	\$ 4,003	\$ -	\$ -
Prior Year Claim Payments	(4,003)	4,003	-
Current Year Claim Payments	-	18,503	18,503
Accrued Claims for Current Year Claims	368	-	368
Balance - End of Year	\$ 368	\$ 22,506	\$ 18,871

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<b>Fidelity Bond Self-Insurance Plan</b>	<b>2019</b>		
	<b>Accrued Claims</b>	<b>Claim Payments</b>	<b>Claims Expense</b>
Balance - Beginning of Year	\$ 800	\$ -	\$ -
Prior Year Claim Payments	(800)	776	(24)
Current Year Claim Payments	-	2,226	2,226
Accrued Claims for Current Year Claims	4,003	-	4,003
Balance - End of Year	<b>\$ 4,003</b>	<b>\$ 3,002</b>	<b>\$ 6,205</b>

**9. Long Term Liability and Bank Indebtedness**

In August 2016, the Board approved an internal loan from the investment pool of up to \$4 million to fund the construction of the office building. The Board delegated to the SARM Investment Management Committee decisions on the loan amount (subject to the approved limit), interest rate, and repayment schedule. The policy adopted by the Investment Management Committee with respect to the repayment of the internal loan is:

- A minimum repayment each year of \$175,000,
- An additional repayment each year of the lesser of \$175,000 or 50% of the prior year's General Fund surplus, and,
- Such further repayments as approved by the Executive Director based on an analysis of SARM's cash.

The loan balance as the end of 2020 is \$2,090,205 (2019 – \$2,590,205). The loan repayment in 2020 was \$500,000 (2019 – \$500,000). The interest rate for July to December 2020 was 2.05% (2.49% for July to December 2019). The interest rate for January to June 2020 was 2.63% (2.96% for January to June 2019). The rate is reviewed every six months and is set based on bond rates for 3, 5 and 7-year bonds.

SARM has an authorized line of credit of \$500,000 with the Canadian Imperial Bank of Commerce that can be drawn on by SARM, for use in its operations or those of the trust funds. The amount drawn on the line of credit bears interest at the bank prime rate. As of December 31, 2020, there is no bank indebtedness for SARM or the trust funds.

**10. Administration Fees**

Administration fees and cost recoveries are a major component of SARM's general revenue. The following table provides details on the sources of the administration fees and cost recoveries.

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	<b>2020</b>	<b>2019</b>
<b>Insurance &amp; Benefit Funds:</b>		
SARM Benefits Plan	\$ 580,617	\$ 562,816
Fidelity Bond Self-Insurance Plan	20,069	17,546
Liability Self-Insurance Plan	186,016	186,051
Property Self-Insurance Program	614,119	579,409
<b>Other Restricted Funds:</b>		
Canadian Agricultural Partnership	281,070	287,618
Rural Integrated Roads for Growth	114,996	108,522
Community Planning - Strategic Initiatives	177,889	298,300
<b>Tax Loss Compensation Trust Funds:</b>		
TLE Trust Fund	69,935	69,928
Specific Claims Trust Fund	7,300	6,979
<b>Other Programs:</b>		
Municipal Habitat Conservation Fund	15,371	14,408
Municipal Potash Tax Sharing Board	20,600	19,682
Municipal Leadership Development Program	5,860	7,040
High Interest Savings Program	4,823	380
	<b>\$ 2,098,665</b>	<b>\$ 2,158,679</b>

The administration fees from the Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan and Property Self-Insurance Program are 30% of the premiums. The fee from the SARM Benefits Plan is 25% of premiums.

The administration fees for the Provincial Program Funds are in accordance with the agreements for delivery of the programs. The administrative fees are either a specific fee set in the agreement, or a recovery of allocated SARM costs pursuant to the provisions of the agreement. The Strategic Initiative funding for Community Planning is to fund the net cost for community planning services.

The fees for the restricted funds are accounted for as an expense in the restricted funds (Schedules 2 and 3) and revenue in the General Fund.

The fees from the TLE Trust Fund and Specific Claims Trust Funds are pursuant to the agreements for the administration of the trust funds. The fees are 5% of the potential tax loss compensation for the year for properties transferred to reserve. The remaining 95% of the potential tax loss compensation is paid to the participating rural municipalities. The fees from the Municipal Potash Tax Sharing Administration Board and the Municipal Habitat Conservation Fund are pursuant to agreements to cover the costs of administration of the programs.

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**11. Contingencies**

The General Fund is contingently liable as a past participant in all the Insurance Plans for its proportionate share of any special levy that may be assessed in the event resources become depleted and its share of claims expense paid in future years for claims initiated in 2019 and prior years.

Accrued claims reported in the consolidated financial statements represent management's best estimate of the Liability Self-Insurance Plan, Property Self-Insurance Program, and Fidelity Bond Self-Insurance Plan liabilities for claims in progress. This estimate is based on information at year-end. Circumstances beyond the control of SARM or information not available during the preliminary investigations could result in settlement significantly higher or lower than the current estimate.

At year-end, the Liability Self-Insurance Plan and Property Self-Insurance Program were conducting preliminary investigations on potential claims. The result of these claims is not determinable at this time and in some instances may result in a significant claim to be accrued by the Plan in a future period.

**12. Member Services**

Schedule 1 summarizes the revenues and expenses for member services undertaken by SARM to support rural municipalities. Services include:

- **Trading Services** – SARM has partnered with other municipal organizations to offer members access to products and services based on pricing that results from competitive tenders. Through negotiated arrangements with suppliers, SARM provides savings to participating municipalities, while generating revenue (commissions, rebates, and price markups) for SARM to fund services that serve members. The costs of salaries and benefits and other costs are not allocated to Trading Services. The following tables detail the products and services provided, along with the program's operating results for the current and prior year.

	2020			2019 Net Revenue
	Program Revenues	Program Costs	Net Revenue	
Fuel & Lubricants	\$ 2,579,512	\$ 2,569,157	\$ 10,355	\$ 11,389
Equipment Parts & Services	1,665,651	1,618,459	47,192	49,346
Rodent Control Products	1,569,597	1,437,372	132,225	61,161
Tire Purchase & Repair	789,493	767,865	21,628	24,136
Culverts	340,431	335,108	5,323	-
Road & Traffic Signs	749,129	713,701	35,428	32,773
Office Equipment & Supplies	493,375	463,667	29,708	35,896
Capital Equipment Commission	42,637	-	42,637	34,054
Other Revenues & Expenses	57,673	46,513	11,160	2,245
Totals	<u>\$ 8,287,498</u>	<u>\$ 7,951,842</u>	<u>\$ 335,656</u>	<u>\$ 251,000</u>

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- **Legal Services** – SARM provides legal services on a fee for service basis to members and the SARM benefit and insurance funds. The fees to the SARM funds are an expense to those funds. Indirect expenses are not allocated to Legal Services.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Fees to SARM Members	\$ 182,849	\$ 108,404
Fees to SARM Funds	220,536	338,748
Other Revenue	49,557	103,410
	<u>452,942</u>	<u>550,562</u>
<b>Expenses:</b>		
Salaries & Benefits	464,005	422,738
Other Expenses	93,144	146,781
	<u>557,149</u>	<u>569,519</u>
<b>Net Expense</b>	<u>\$ (104,207)</u>	<u>\$ (18,957)</u>

**Community Planning Services** – SARM provides community planning services on a fee for service basis to members and other municipalities. SARM has set the community planning rates to ensure that rural municipalities have access to professional community planning services at a reasonable cost. The following tables detail the program's operating results for the current and prior year. The net expense of Community Planning Services is funded through a contribution from the Strategic Initiatives Program.

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Fees for Service	\$ 86,269	\$ 110,436
Other Revenue	1,494	3,942
	<u>87,763</u>	<u>114,378</u>
<b>Expenses:</b>		
Salaries & Benefits	232,521	\$ 285,132
Other Direct Expenses	43,922	39,032
Allocated Expenses	-	88,600
	<u>276,443</u>	<u>412,764</u>
<b>Net Expense</b>	<u>\$ (188,680)</u>	<u>\$ (298,386)</u>

- **Insurance and Benefit Programs** – In addition to the insurance and benefit funds administered by SARM, SARM offers other insurance and benefit programs to member municipalities. The following tables details the programs provided, and the program's operating results for the current and prior year. The additional programs are provided through external carriers, with SARM responsible for the administration with participating members.

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	2020			2019 Net Revenue
	Program Revenues	Program Costs	Net Revenue	
Extended Health & Dental	5,274,865	5,024,848	250,017	326,576
Long Term Disability	1,209,252	1,111,092	98,160	106,004
Group Life Insurance	213,052	193,747	19,305	19,386
Optional Life Insurance	40,923	36,842	4,081	4,471
Excesss Liability Insurance	215,585	180,544	35,041	31,375
Totals	\$ 6,953,677	\$ 6,547,073	\$ 406,604	\$ 487,812

- **Other Member Services** - includes the publication and distribution of the Rural Councillor magazine, printing and distribution of calendars (desk, wall and pocket calendars), the printing and sale of grid road maps, and the distribution by email and the SARM website of notices and advertisements. These services are funded through advertising fees, service fees, and sale of the products.

	2020			2019 Net Revenue
	Program Revenues	Program Costs	Net Revenue	
Rural Councillor	38,705	43,567	(4,862)	(282)
Email and Website Notices	20,875	-	20,875	18,625
Courses and Webinars	12,340	12,480	(140)	-
Calendars	11,295	9,817	1,478	113
Grid Road Maps	5,352	1,266	4,086	1,171
Totals	\$ 88,567	\$ 67,130	\$ 21,437	\$ 19,627

### 13. Other Restricted Funds

Schedule 3 details the revenues and expenses for programs undertaken by SARM to support rural municipalities and other communities. Programs are the result of agreements between SARM and other entities. Each program is accounted for as a restricted fund with unexpended funds reported as a restricted fund balance. Due to the timing of the receipt of contributions and the timing of expenditures, in SARM's fiscal year, a program could have a positive or negative net change in fund balance. A negative restricted fund balance represents that funds are owed to SARM.

- **Rural Integrated Roads for Growth Program (RIRG)** – SARM has entered into an agreement with the Province (Ministry of Highways) for the RIRG Program (formerly called the MREP Program). The current agreement is for the term April 1, 2019 to March 31, 2024. Funding is determined annually by the Province. The agreement establishes a Program Management Board to manage the program and details the responsibilities of SARM.
- **Canadian Agricultural Partnership – Pest Biosecurity Programs** – SARM has entered into an agreement with the Province (Ministry of Agriculture) to administer programs providing funding and support to rural municipalities and First Nations (south

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of the Northern Administrative District). The agreement is from April 1, 2020 – March 31, 2023.

- **Strategic Initiatives** – Since 2010 the Province (Ministry of Government Relations) has provided funding to SARM for Strategic Initiatives that benefit rural municipalities. The initiatives and funding allocated are subject to the approval of the Ministry.
- **Municipal Leadership Development Program (MLDP)** - The program is a partnership between the Rural Municipal Administrators Association (RMAA), Urban Municipal Administrators Association (UMAAS), Saskatchewan Urban Municipalities Association (SUMA), the New North and SARM. The program delivers education and training programs to municipal clerks, administrators, and elected officials. SARM is the program administrator. The fund balance includes unexpended funds initially provided by the Province and undistributed surplus funds. The partners' share of the surplus funds is based on the registrations from each partner group each year. The partner group could approve a distribution of the undistributed surplus funds.

#### **14. Contractual Obligations**

SARM retains Hill & Knowlton Canada to provide government relations services in Ottawa. The contract commenced May 9, 2009 and continues unless terminated by either party upon not less than 90 days written notice. The monthly cost for the services is \$7,500 plus expenses. The commitment upon termination would be \$22,500 for three months of service.

SARM has a Services Agreement with WBM Office Systems for the provision of certain hardware, software, and technical services. The monthly fee for the service is \$6,588 plus taxes. The Agreement commenced October 1, 2015 and is ongoing, until cancellation by SARM upon 30 days written notice. The commitment upon termination would be \$6,588 plus taxes.

SARM has leases for copiers/printers and mailing equipment. Future commitments for lease payments are \$5,508 in 2021, \$5,508 in 2022, and \$2,547 in 2023.

SARM has an agreement with SaskTel for the provision of Integrated Business Communication Services (IBC). The agreement is for five years from November 30, 2017 to November 30, 2022. The commitment based on minimum requirements is \$10,512 in 2021, and \$9,636 in 2022. SARM can terminate up to 10% of the packages with no penalty. Termination charges are 50% of the packages cancelled, more than 10% of the total, for the remaining months of the contract.

SARM entered into an agreement, with the Ministry of Highways, to publish and distribute a Rural Municipal Road Map for the Province of Saskatchewan. The term of the agreement was November 24, 2015 to November 23, 2020. SARM was responsible to manage, finance and print 50,000 copies of the map prior to the expiration of the term. Due to reduced demand for grid road maps, 27,000 maps have been printed to date. Advertising revenue funded the printing of the map and \$11,064 of advertising revenue is deferred as of December 31, 2020. Resolution will be pursued with respect to the remaining commitment for the printing of maps and the deferred advertising revenue.

SARM has entered into agreements with several rural municipalities to provide funding for the hiring of interns under the Rural Municipal Administrator Internship Program (funded

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through Strategic Initiatives). The intern program provides funding of up to \$20,000, paid in monthly instalments of \$1,667. There are 10 intern agreements that have remaining commitments totaling \$102,083 in 2021. Program agreements may be terminated by any of the parties to the agreement subject to one month's written notice.

SARM has entered into agreements with several rural municipalities to pay a percentage of eligible project costs, funded through RIRG, for road and bridge projects. The contribution for approved RIRG road projects shall not exceed \$500,000 per rural municipality per year. As of December 31, 2020, agreements have been signed for 32 road projects, under Phase I, totaling \$10,521,174. Under Phase II, an additional 52 road projects, totaling \$14,358,045, have been approved. The road authority shall have two fiscal years to complete their approved project. The contribution allowed for approved RIRG bridge projects is \$750,000. Starting with the 2021-22 program, the allowable contribution will be reduced to \$500,000 per rural municipality per project per program year. As of December 31, 2020, there are 2 bridge agreements that have remaining commitments, with a total maximum potential commitment of \$157,300. To receive the outstanding committed funding, the rural municipalities must meet obligations under the agreement and a completed application for Grant Payment, with supporting documentation, by a pre-determined deadline.

On behalf of the Ministry of Highways and Infrastructure, funded through RIRG, SARM has entered into agreements with several rural municipalities to make an annual contribution towards the incremental maintenance costs of primary weight municipal roads. As of December 31, 2020, there was \$2,135,568 in contributions committed to RMs under agreements for the RIRG program year ending March 31, 2021. To receive the outstanding committed funding, the rural municipalities must meet obligations under the agreement, including submission of a Statutory Declaration of incremental road maintenance by a pre-determined deadline.

SARM has entered into an agreement with Stantec Consulting Ltd. for the inspection of bridges on rural municipal roads. The term of the agreement is April 14, 2020 to March 31, 2022. The maximum billing over the term of the agreement shall not exceed \$1,443,180. This agreement will be funded through RIRG and the agreement allows for SARM to terminate the bridge inspection program if the RIRG program is terminated prior to the end of the five-year agreement.

SARM has an agreement with McQueen Consulting for work on organizational capacity enhancement. The term of the agreement is from June 2020 to July 2021. The commitment upon termination would be \$8,500 for two months of service.

SARM had an agreement to use TCU Place in Saskatoon for the 2020 Midterm Convention. A deposit of \$4,000 was provided. The convention was cancelled due to the pandemic. TCU Place has agreed to carry forward the deposit to be applied against the future use of the facility.

## **15. Employee Pension Benefits**

SARM and its eligible employees contribute to the Municipal Employees Pension Plan, a multi-employer defined benefit plan. Employer contributions, which match the employee contributions, are 9.0% of an employee's salary. Contributions of \$203,030 in 2020 (2019 -



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\$197,034) were expensed during the year. Periodically an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan as of December 31, 2018 indicated that on a management valuation, there was a surplus of \$494.3 million (funded ratio of 124.6%). On a solvency basis, the plan has a shortfall of solvency assets as compared to solvency liabilities of \$276.8 million (funded ratio of 89.8%). The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 14,341 active members, of which 27 are employees of SARM.

**16. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

**17. Significant Events**

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. The Association is following health advisories and mandatory requirements from local, provincial, and national health and government organizations. The Association's office has been closed to the public for much of the year and staff have been successfully continuing to provide services to members while working from home. The Association's financial position has not been adversely affected in 2020 and the future impacts of the pandemic on operations and finances, if any, are unknown at this time.