

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, 2022 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, 2022, 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 15, 2023
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants

Saskatchewan Association of Rural Municipalities
Consolidated Statement of Financial Position

At December 31, 2022

(with comparative figures at December 31, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 11,248,002	\$ 4,666,015
High Interest Savings Accounts ^{Note 3}	42,942,713	37,787,356
Amounts Receivable	1,020,578	727,727
Accrued Insurance Recoveries & Deductibles	610,957	10,500
Accrued Interest & Dividends Receivable	249,881	118,920
Investments ^{Note 4}	18,235,747	19,085,778
Prepaid Expenses, Inventory & Deposits	104,165	104,924
	<u>74,412,043</u>	<u>62,501,220</u>
Long-Term Assets		
Investments ^{Note 4}	13,533,067	13,601,459
Capital Assets ^{Note 6}	6,189,225	6,404,313
	<u>19,722,292</u>	<u>20,005,772</u>
Total Assets	<u><u>\$ 94,134,335</u></u>	<u><u>\$ 82,506,992</u></u>
Liabilities & Fund Balance		
Current Liabilities		
Amounts Payable ^{Note 7}	\$ 4,828,997	\$ 4,505,460
Accrued Insurance Claims ^{Note 8}	5,318,968	957,494
Deferred Contributions ^{Note 6}	52,625	65,570
Deferred Revenue	536,034	168,067
Due to Investment Pool ^{Note 9}	175,000	350,000
Due to Members - High Interest Savings ^{Note 3}	24,155,376	19,065,872
	<u>35,067,000</u>	<u>25,112,463</u>
Long-Term Liabilities		
Deferred Contributions ^{Note 6}	245,039	292,620
Due to Investment Pool ^{Note 9}	1,065,205	1,240,205
	<u>1,310,244</u>	<u>1,532,825</u>
Fund Balance:		
General Fund	8,397,705	8,827,625
SARM Restricted Funds	21,916,323	27,055,647
Other Restricted Funds	27,443,063	19,978,432
	<u>57,757,091</u>	<u>55,861,704</u>
Total Liabilities & Fund Balance	<u><u>\$ 94,134,335</u></u>	<u><u>\$ 82,506,992</u></u>

Approved by the Board:





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, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
General Fund		
General Revenues		
Membership Fees	\$ 921,191	\$ 897,000
Investment Income: ^{Note 5}		
Realized Investment Income	222,955	124,673
Unrealized Change in Market Value	(327,574)	144,644
Administration Fees ^{Note 11}	2,380,673	2,281,023
Convention Income	520,618	158,800
Contributions	129,743	107,875
Other Revenue	11,468	3,730
	<u>3,859,074</u>	<u>3,717,745</u>
Member Services (Schedule1) ^{Note 12}	<u>19,383,872</u>	<u>16,722,895</u>
	<u>23,242,946</u>	<u>20,440,640</u>
General Expenses		
Conventions & Division Meetings	614,385	197,435
Board & Other Meetings	577,248	415,491
Advocacy & Engagement	187,000	126,126
Staff Salaries & Benefits	2,065,849	1,899,231
Administrative & Other Expenses	351,118	336,496
Contracted Services	309,927	254,550
Property, Insurance & Amortization	603,088	598,554
Loan Interest	37,586	20,397
	<u>4,746,201</u>	<u>3,848,280</u>
Member Services (Schedule1) ^{Note 12}	<u>18,926,665</u>	<u>16,102,228</u>
	<u>23,672,866</u>	<u>19,950,508</u>
General Fund (Deficit) Surplus	<u>(429,920)</u>	<u>490,132</u>
SARM Restricted Funds (Schedule 2)		
Premiums & Other Revenues	4,821,947	7,235,039
Claims Expense, SARM Fee & Other Expenses	9,932,292	5,433,919
SARM Restricted Funds (Deficit) Surplus	<u>(5,110,345)</u>	<u>1,801,120</u>
Other Restricted Funds (Schedule 3) ^{Note 13}		
Contributions, Fees & Interest	29,728,928	43,497,110
Program Expenses	22,264,297	26,916,168
Other Restricted Funds Net Change	<u>7,464,631</u>	<u>16,580,942</u>
Consolidated Surplus/Change in Fund Balance	<u>\$ 1,924,366</u>	<u>\$ 18,872,194</u>

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, 2022

	Fund Balance -	Member	Transfers	Surplus or Net	Fund Balance -
	Beginning of	Contributions	To (From)	Change for	End of
	the Year	(Withdrawals)	Fund	the Year	the Year
			Balance		
General Fund	\$ 8,827,625	\$ -	\$ -	\$ (429,920)	\$ 8,397,705
SARM Restricted Funds:					
SARM Benefits	5,102,541	-	-	(181,451)	4,921,090
Liability Self-Insurance	15,782,498	(7,674)	-	(3,711,162)	12,063,662
Fidelity Bond Self-Insurance	686,486	-	-	11,386	697,872
Property Self-Insurance	5,484,122	(21,305)	-	(1,229,118)	4,233,699
	<u>27,055,647</u>	<u>(28,979)</u>	<u>-</u>	<u>(5,110,345)</u>	<u>21,916,323</u>
Other Restricted Funds ^{Note 13}					
Rural Integrated Roads for Growth	18,412,229	-	-	6,264,936	24,677,165
Canadian Agricultural Partnership	1,314,277	-	-	1,079,467	2,393,744
Strategic Initiatives Program	223,911	-	-	115,892	339,803
Municipal Leadership Development Program	28,015	-	-	4,336	32,351
	<u>19,978,432</u>	<u>-</u>	<u>-</u>	<u>7,464,631</u>	<u>27,443,063</u>
Totals	<u>\$ 55,861,704</u>	<u>\$ (28,979)</u>	<u>\$ -</u>	<u>\$ 1,924,366</u>	<u>\$ 57,757,091</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, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Operating Activities		
General Fund (Loss) Surplus	\$ (429,920)	\$ 490,132
SARM Restricted Funds (Loss) Surplus	(5,110,345)	1,801,120
Other Restricted Funds Change in Fund Balance	7,464,631	16,580,942
Members' Contributions - Liability Self Insurance Plan	11,576	11,106
Members' Withdrawals - Liability Self Insurance Plan	(19,250)	-
Members' Withdrawals - Property Self Insurance Program	(21,305)	-
Change in Current Assets <small>Except Cash & High Interest Savings</small>	(1,023,510)	290,231
Change in High Interest Savings	(65,853)	(18,721,484)
Change in Current Liabilities <small>Except Deferred Contributions & High Interest Savings</small>	5,052,978	1,475,327
Items Not Affecting Cash:		
Amortization of Capital Assets	252,727	247,087
Amortization of Deferred Capital Asset Contributions	(63,526)	(63,307)
Amortization of Investment Discounts & Premiums	(69,784)	(73,188)
Unrealized Change in Market Value of Investments	2,854,135	(1,316,511)
Cash Provided	<u>8,832,554</u>	<u>721,455</u>
Financing and Investing Activities		
Capital Asset Contributions	3,000	15,000
Investment in Capital Assets	(37,639)	(64,173)
Loan Repayments to Investment Pool	(350,000)	(500,000)
Net Change in Investments	<u>(1,865,928)</u>	<u>(1,772,940)</u>
Cash Used	<u>(2,250,567)</u>	<u>(2,322,113)</u>
Increase (Decrease) in Cash	6,581,987	(1,600,658)
Cash, Beginning of Year	<u>4,666,015</u>	<u>6,266,673</u>
Cash, End of Year	<u>\$ 11,248,002</u>	<u>\$ 4,666,015</u>

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

Saskatchewan Association of Rural Municipalities
Schedule 1 - Member Services Operations Summary
For The Year Ended December 31, 2022
(with comparative figures for the year ended December 31, 2021)

	2022	2021
Member Purchasing ^{Note 12}		
Sales, Commissions & Rebates	\$ 11,036,924	\$ 8,758,994
Cost of Products & Services	10,794,561	8,457,881
Surplus	<u>242,363</u>	<u>301,113</u>
Legal Services ^{Note 12}		
Fees for Service & Other Revenues	695,206	672,572
Staff Salaries & Benefits	608,422	485,889
Other Direct Expenses	91,256	136,725
(Deficit) Surplus	<u>(4,472)</u>	<u>49,958</u>
Community Planning Services ^{Note 12}		
Fees for Service & Other Revenues	176,187	162,707
Staff Salaries & Benefits	228,816	221,565
Other Direct Expenses	119,020	98,536
Deficit	<u>(171,649)</u>	<u>(157,394)</u>
Insurance and Benefit Programs ^{Note 12}		
Premium Revenues	7,406,560	7,046,141
Premium Expenses	7,019,093	6,636,756
Surplus	<u>387,467</u>	<u>409,385</u>
Other Member Services ^{Note 12}		
Fees for Service	68,995	82,481
Expenses	65,497	64,876
Surplus	<u>3,498</u>	<u>17,605</u>
Total Revenues	19,383,872	16,722,895
Total Expenses	18,926,665	16,102,228
Surplus	<u><u>\$ 457,207</u></u>	<u><u>\$ 620,667</u></u>

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

Saskatchewan Association of Rural Municipalities
Schedule 2 - SARM Restricted Funds Operations Summary
For The Year Ended December 31, 2022

(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
SARM Benefits Plan		
Premiums	\$ 2,292,090	\$ 2,339,227
Investment Income: ^{Note 5}		
Realized Investment Income	249,953	160,284
Unrealized Change in Market Value	(495,077)	233,977
Total Revenues	<u>2,046,966</u>	<u>2,733,488</u>
Claims Expense	1,537,873	1,814,147
SARM Administration Fee ^{Note 11}	687,627	701,768
Other Expenses	2,917	7,231
Total Expenses	<u>2,228,417</u>	<u>2,523,146</u>
(Deficit) Surplus	<u>(181,451)</u>	<u>210,342</u>
 Liability Self-Insurance Plan		
Premiums	677,462	649,910
Investment Income: ^{Note 5}		
Realized Investment Income	700,056	446,726
Unrealized Change in Market Value	(1,386,587)	652,114
Other Revenue	3,850	9,000
Total Revenues	<u>(5,219)</u>	<u>1,757,750</u>
Claims Expense ^{Note 8}	3,082,825	288,171
SARM Administration Fee ^{Note 11}	203,239	194,973
Legal Expense	394,738	390,284
Other Expenses	25,141	5,922
Total Expenses	<u>3,705,943</u>	<u>879,350</u>
(Deficit) Surplus	<u>(3,711,162)</u>	<u>878,400</u>
 Fidelity Bond Self-Insurance Plan		
Premiums	71,460	70,915
Investment Income: ^{Note 5}		
Realized Investment Income	31,345	18,690
Unrealized Change in Market Value	(62,085)	27,283
Other Revenue	253	-
Total Revenues	<u>40,973</u>	<u>116,888</u>
Claims Expense ^{Note 8}	8,020	3,275
SARM Administration Fee ^{Note 11}	21,438	21,275
Other Expenses	129	3,003
Total Expenses	<u>29,587</u>	<u>27,553</u>
Surplus	<u>11,386</u>	<u>89,335</u>

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

Saskatchewan Association of Rural Municipalities
Schedule 2 - SARM Restricted Funds Operations Summary ^(Continued)
For The Year Ended December 31, 2022
(with comparative figures for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Property Self-Insurance Program		
Premiums	2,349,769	2,184,054
Rated Claims Surcharge	16,478	5,609
Investment Income ^{Note 5}		
Realized Investment Income	294,248	177,079
Unrealized Change in Market Value	(582,812)	258,493
Recovery of Claims & Other Revenue	661,544	1,678
Total Revenues	<u>2,739,227</u>	<u>2,626,913</u>
Claims Expense ^{Note 8}	2,631,290	812,769
SARM Administration Fee ^{Note 11}	704,931	655,216
Excess Insurance Expense	446,787	365,492
Adjuster Expense	71,152	71,886
Appraisal Expense	113,816	97,573
Other Expenses	369	934
Total Expenses	<u>3,968,345</u>	<u>2,003,870</u>
(Deficit) Surplus	<u>(1,229,118)</u>	<u>623,043</u>
 SARM Restricted Funds		
Total Revenues	4,821,947	7,235,039
Total Expenses	9,932,292	5,433,919
(Deficit) Surplus	<u>\$ (5,110,345)</u>	<u>\$ 1,801,120</u>

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

Saskatchewan Association of Rural Municipalities
Schedule 3 - Other Restricted Funds Operations Summary
For The Year Ended December 31, 2022
(with comparative figures for the year ended December 31, 2021)

	2022	2021
Rural Integrated Roads for Growth Program^{Note 13}		
Contributions	\$ 25,109,164	\$ 40,300,000
Interest	718,985	162,726
Recovery of Fees & Expenses	5,133	11,409
Total Contributions and Other Revenues	<u>25,833,282</u>	<u>40,474,135</u>
Road Construction Grants	10,568,492	13,301,579
Road Maintenance Grants	7,487,842	8,567,977
Traffic Counts & Sign Grants	286,046	380,842
Bridge & Culvert Grants	1,202	79,205
Bridge Inspections	523,969	574,424
Administration Expense	665,746	578,988
Special Projects	35,049	-
Total Grants and Other Expenses	<u>19,568,346</u>	<u>23,483,015</u>
Change in Fund Balance	<u>6,264,936</u>	<u>16,991,120</u>
Canadian Agricultural Partnership^{Note 13}		
Contributions	<u>3,391,873</u>	<u>2,659,993</u>
Plant Health Network Expenses	581,379	521,272
Beaver Control Rebates	978	704,907
Invasive Plant Control Rebates	251,986	292,804
Rat Control Rebates	1,180,528	1,170,493
Rat Control Program Delivery Expenses	12,535	33,723
CAP Administrative Expenses	285,000	285,000
Total Rebates and Expenses	<u>2,312,406</u>	<u>3,008,199</u>
Change in Fund Balance	<u>1,079,467</u>	<u>(348,206)</u>
Strategic Initiatives Funding^{Note 13}		
Contributions	<u>476,933</u>	<u>330,164</u>
Administrator Recruitment & Training	162,301	241,622
Community Planning	171,500	157,393
Other Projects	27,240	6,360
Total Expenses	<u>361,041</u>	<u>405,375</u>
Change in Fund Balance	<u>115,892</u>	<u>(75,211)</u>

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

Saskatchewan Association of Rural Municipalities
Schedule 3 - Other Restricted Funds Operations Summary ^(Continued)
For The Year Ended December 31, 2022
(with comparative figures for the year ended December 31, 2021)

	2022	2021
Municipal Leadership Development Program ^{Note 13}		
Registration Fees	26,390	31,393
Other Revenue	450	1,425
Total Revenues	<u>26,840</u>	<u>32,818</u>
Instructor's Fees and Expenses	12,550	13,250
Other Course Expenses	498	1,392
SARM Administration Fees	3,660	4,340
Other Expenses	5,796	597
Total Expenses	<u>22,504</u>	<u>19,579</u>
Change in Fund Balance	<u>4,336</u>	<u>13,239</u>
 Other Restricted Funds		
Total Revenues	29,728,928	43,497,110
Total Expenses	<u>22,264,297</u>	<u>26,916,168</u>
Change in Fund Balance	<u>\$ 7,464,631</u>	<u>\$ 16,580,942</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, 2022

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 operate 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 (RIRG) 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, 2022

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, 2020 and 2021.

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 2022, board members were eligible to receive the following:

- Per diem payments of \$370 per day (2021 - \$365 per day) for meetings and one day per month for meeting preparation time.
- Honorariums of \$15,000 (2021 - \$15,000) for the President, \$10,000 (2021 - \$10,000) for the Vice-President, and \$5,000 (2021 - \$5,00) for each director including the ex-officio director.
- Allowances for meals, travel time and the provision of phone and internet services.
- Reimbursement of travel expenses, including the use of a personal vehicle.

Board members, and the days of remuneration are shown below.

Board Member	Board Position	2022	2021
Orb, Ray	President	115.5	95.0
Huber, Bill	Vice President	92.0	79.5
Moulding, Bob	Director, Division 1	81.5	35.5
Nordgulen, Norm	Director, Division 2	78.5	68.5
Grant, Larry	Director, Division 3	58.0	53.5
Malanowich, Harvey	Director, Division 4	52.5	45.0
Harwood, Judy	Director, Division 5	104.2	78.0
Whitfield, Darwin	Director, Division 6	77.0	67.5
Lagrandeur, Guy	Director, Ex Officio	55.8	43.0
		<u>715.0</u>	<u>565.5</u>

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
December 31, 2022

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 SARM 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 SARM Restricted Funds and two trust funds administered by SARM as trustee.

(b) Revenue Recognition

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

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(b) Revenue Recognition (continued)

- Contributions for job and training grants are recognized in the year the expenses eligible for the grants are recognized.
 - Member purchasing revenues are typically commissions that are recognized in the year the goods or services are provided to or shipped to a program participant.
 - Revenues for 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 (received or accrued), amortized purchase premiums and discounts, 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 1.67% to 3.89% (2021 – 2.57% to 3.89%).

Investment income for externally managed portfolio investments (money market and fixed income exchange traded funds (ETF), 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 (received or accrued).

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% (2021 – 0.5%) for structured notes, 0.15% (2021 – 0.15%) for NVCC Subordinated Notes and other term investments, and 0.69% (2021 – 0.69%) for the externally managed portfolios. There are no fees for the internal loan.

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(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 8 and 9). 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 expenses eligible for funding under the Rural Integrated Roads for Growth Program 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 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 and equity investments is market value, with the market value as reported by CIBC Wood Gundy.

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(d) Financial Instruments (continued)

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. Capital assets, other than land, are amortized over the estimated useful life of the asset, with amortization commencing upon utilization of the asset. 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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(f) Liability Self-Insurance Plan (LSIP) Fund Balance *(continued)*

- (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 expenses 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 has cash balances of approximately \$1.6 million and investments of approximately \$54.4 million. The investments are invested in the debt of financial institutions or fixed income ETFs (59.8% of the total), and equity investments and structured notes where the principal is at risk (37.9% of the total), and an internal loan (2.3% 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 2022.

(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.

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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 interest rate paid on the funds in the pooled accounts is prime less 1.70%. The interest rate is 4.64% at December 31, 2022 (2021 – 0.75%). An administration fee of 0.05% is paid to SARM by CIBC.

The assets and liability for the amounts held in-trust are in the Statement of Financial Position. The difference between the asset amount and the liability amount is the funds held in a High Interest Savings Account on behalf of the Rural Integrated Roads for Growth Program.

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, 2022, was 58.38% (2021 – 57.24%).

The investment pool is managed within the investment policy adopted by SARM, that limits total equity investments to 40% 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, 2022, total equities were 36.8% (2021 – 39.1%) of the investment fund and non-Canadian equities were 4.6% (2021 – 5.3%) 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, 2022, the maturity timeframes for the term investments are:

- Term investments with terms of up to 1 year, 11.6% (2021 – 10.0%).
- Term investments with terms of 1 to 3 years, 10.1% (2021 – 21.4%).
- Term investments with terms of 3 to 7 years, 19.9% (2021 – 8.7%).

The externally managed portfolios are managed by the Investment Consulting Service of CIBC Wood Gundy. There are two managed funds, a Canadian Core Balanced portfolio, and a North American Yield Balanced portfolio. As of December 31, 2022, the externally managed portfolios are invested 2.2% (2021 – 2.1%) in money market ETFs, 34.8% (2021 – 31.3%) in fixed income ETFs, 54.4% (2021 – 56.7%) in Canadian equities or trust units, and 8.6% (2021 – 10.0%) in non-Canadian equities.

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4. Investments (continued)

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, 2022.

Investments by Asset Category	2022	2021
Current Assets		
Money Market ETFs	\$ 379,883	\$ 371,922
NVCC Subordinated Debt	3,818,963	3,064,191
Other Term Debt	-	322,411
Short Term Fixed Income ETFs	3,093,517	3,241,651
Canadian Equities and Trust Units	9,449,654	10,277,623
Non-Canadian Equities	1,493,730	1,807,980
	<u>18,235,747</u>	<u>19,085,778</u>
Long Term Assets		
NVCC Subordinated Debt	4,581,666	7,284,528
Other Term Debt	1,796,204	-
Structured Notes - At Risk	1,100,613	1,166,084
Structured Notes - Protected	2,390,100	1,803,745
Mid to Long Term Fixed Income ETFs	2,940,400	2,436,948
Internal Loan	724,084	910,154
	<u>13,533,067</u>	<u>13,601,459</u>
Total Investments	<u>\$ 31,768,814</u>	<u>\$ 32,687,237</u>

5. Investment Income and Expenses

The following tables provide a summary of SARM's share of the investment income (loss) for 2022 and 2021.

	2022				
	SARM General Fund	SARM Benefits	Liability Self- Insurance	Fidelity Bond	Property Self- Insurance
Term Investments:					
Interest	\$ 43,890	\$ 66,333	\$ 185,782	\$ 8,318	\$ 78,088
Amortization of Discount (Premium)	8,009	12,105	33,902	1,518	14,250
Realized Losses on Sales	-	-	-	-	-
Unrealized Change in Market Value	(113,807)	(172,002)	(481,735)	(21,570)	(202,483)
Portfolio Investments:					
Dividends	66,042	99,812	279,548	12,516	117,499
Realized Gains on Sales	58,448	88,335	247,404	11,078	103,989
Unrealized Change in Market Value	(213,767)	(323,075)	(904,852)	(40,515)	(380,328)
Other Investment Income & Expense					
Internal Loan Interest	2,457	3,713	10,400	466	4,371
Bank & Investment Account Interest	59,686	3,198	8,957	401	3,765
Investment Management Fees	(15,577)	(23,543)	(65,937)	(2,952)	(27,715)
Investment Loss	<u>(104,619)</u>	<u>(245,124)</u>	<u>(686,531)</u>	<u>(30,740)</u>	<u>(288,564)</u>
Investment Income	164,507	161,618	452,652	20,267	190,258
Realized Gains on Sales	58,448	88,335	247,404	11,078	103,989
Unrealized Change in Market Value	<u>(327,574)</u>	<u>(495,077)</u>	<u>(1,386,587)</u>	<u>(62,085)</u>	<u>(582,811)</u>
Investment Loss	<u>\$ (104,619)</u>	<u>\$ (245,124)</u>	<u>\$ (686,531)</u>	<u>\$ (30,740)</u>	<u>\$ (288,564)</u>

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5. Investments Income and Expenses (continued)

	2021				
	SARM General Fund	SARM Benefits	Liability Self- Insurance	Fidelity Bond	Property Self- Insurance
Term Investments					
Interest	\$ 37,933	\$ 61,360	\$ 171,015	\$ 7,155	\$ 67,789
Amortization of Discount (Premium)	8,041	13,007	36,253	1,517	14,370
Realized Losses on Sales	(3,387)	(5,479)	(15,272)	(639)	(6,054)
Unrealized Change in Market Value	(14,012)	(22,665)	(63,170)	(2,643)	(25,040)
Portfolio Investments					
Dividends	52,135	84,333	235,043	9,834	93,170
Realized Gains on Sales	18,014	29,139	81,212	3,398	32,192
Unrealized Change in Market Value	158,656	256,642	715,284	29,926	283,533
Other Investment Income & Expense					
Internal Loan Interest	1,249	2,020	5,629	236	2,231
Bank & Investment Account Interest	25,917	538	1,503	62	596
Investment Management Fees	(15,229)	(24,634)	(68,657)	(2,873)	(27,215)
Investment Income	<u>269,317</u>	<u>394,261</u>	<u>1,098,840</u>	<u>45,973</u>	<u>435,572</u>
Investment Income	110,046	136,624	380,786	15,931	150,941
Realized Gains on Sales	14,627	23,660	65,940	2,759	26,138
Unrealized Change in Market Value	144,644	233,977	652,114	27,283	258,493
Investment Income	<u>\$ 269,317</u>	<u>\$ 394,261</u>	<u>\$ 1,098,840</u>	<u>\$ 45,973</u>	<u>\$ 435,572</u>

6. Capital Assets

The following table is a summary of the capital assets as of December 31, 2022.

	2022			
Description	Cost	Accumulated Amortization	Net	2021 Net
Land	\$ 1,450,000	\$ -	\$ 1,450,000	\$ 1,450,000
Building	4,987,455	770,115	4,217,340	4,367,639
Equipment & Furniture	127,655	96,173	31,482	21,871
Benefits Software	742,809	274,697	468,112	533,592
Other Software	26,995	18,568	8,427	12,726
Vehicle	45,211	31,347	13,864	18,485
	<u>\$ 7,380,125</u>	<u>\$ 1,190,900</u>	<u>\$ 6,189,225</u>	<u>\$ 6,404,313</u>

SARM received external funding through Strategic Initiatives to pay for the acquisition of certain capital assets. SARM has received funding from Blue Cross in 2022 of \$3,000 (2021 - \$15,000) to fund enhancements to the Benefits Software. Deferred contributions for capital assets as of December 31, 2022, were \$297,664 (2021 - \$358,190). The amortization of deferred contributions in 2022 was \$63,526 (2021 - \$63,307).

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7. Amounts Payable

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

	<u>2022</u>	<u>2021</u>
SARM General Fund:		
SARM General Payables	\$ 1,053,763	\$ 528,363
SARM Salary	77,818	69,558
SARM Government Remittances	111,212	92,183
Insurance & Benefit Restricted Funds:		
SARM Group Benefits Plan Expenses	194,926	184,753
Liability Self-Insurance Plan Expenses	34,864	10,836
Property Self-Insurance Program	23,018	3,847
Other Restricted Funds:		
RIRG Program Grants & Expenses	3,331,259	3,615,920
Strategic Initiatives Program Expenses	937	-
MLDP Program Expenses	1,200	-
	<u>\$ 4,828,997</u>	<u>\$ 4,505,460</u>

8. Accrued Claims and Claims Expense

Details of the accrued claims and 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>2022</u>		
<u>Liability Self-Insurance Plan</u>	<u>Accrued Claims</u>	<u>Claim Payments</u>	<u>Claims Expense</u>
Balance - Beginning of Year	\$ 376,800		
Paid Accrued Claims	(79,800)	\$ 51,376	\$ (28,424)
Prior Year Claims	(127,000)	41,847	(85,153)
Current Year Claims	3,127,800	68,602	3,196,402
Balance - End of Year	<u>\$ 3,297,800</u>	<u>\$ 161,825</u>	<u>\$ 3,082,825</u>

	<u>2021</u>		
<u>Liability Self-Insurance Plan</u>	<u>Accrued Claims</u>	<u>Claim Payments</u>	<u>Claims Expense</u>
Balance - Beginning of Year	\$ 310,000		
Paid Accrued Claims	(105,000)	\$ 167,699	\$ 62,699
Prior Year Claims	(55,000)	1,500	(53,500)
Current Year Claims	226,800	52,172	278,972
Balance - End of Year	<u>\$ 376,800</u>	<u>\$ 221,371</u>	<u>\$ 288,171</u>

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8. Accrued Claims and Claims Expense (continued)

	2022		
	Accrued Claims	Claim Payments	Claims Expense
Fidelity Bond Self-Insurance Plan			
Balance - Beginning of Year	\$ 1,128		
Paid Accrued Claims	(1,128)	\$ 1,128	\$ -
Prior Year Claims	-	-	-
Current Year Claims	4,268	3,752	8,020
Balance - End of Year	\$ 4,268	\$ 4,880	\$ 8,020

	2021		
	Accrued Claims	Claim Payments	Claims Expense
Fidelity Bond Self-Insurance Plan			
Balance - Beginning of Year	\$ 368		
Paid Accrued Claims	(368)	\$ 368	\$ -
Prior Year Claims	-	-	-
Current Year Claims	1,128	2,147	3,275
Balance - End of Year	\$ 1,128	\$ 2,515	\$ 3,275

	2022		
	Accrued Claims	Claim Payments	Claims Expense
Property Self-Insurance Program			
Balance - Beginning of Year	\$ 579,566		
Paid Accrued Claims	(517,066)	\$ 458,973	\$ (58,093)
Prior Year Claims	(17,500)	59,549	42,049
Current Year Claims	1,971,900	675,434	2,647,334
Balance - End of Year	\$ 2,016,900	\$ 1,193,956	\$ 2,631,290

	2021		
	Accrued Claims	Claim Payments	Claims Expense
Property Self-Insurance Program			
Balance - Beginning of Year	\$ 451,297		
Paid Accrued Claims	(348,796)	\$ 301,649	\$ (47,147)
Prior Year Claims	3,814	-	3,814
Current Year Claims	473,251	382,851	856,102
Balance - End of Year	\$ 579,566	\$ 684,500	\$ 812,769

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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 2022 is \$1,240,205 (2021 – \$1,590,205). The loan repayment in 2022 was \$350,000 (2021 – \$500,000).

The interest rate for July to December 2022 was 3.576% (1.63% for the same period in 2021). The interest rate for January to June 2022 was 2.405% (0.885% for the same period in 2021). 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, 2022, there is no bank indebtedness for SARM or the trust funds (the line of credit was not drawn on in prior year).

10. 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 2020 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.

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11. 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.

	<u>2022</u>	<u>2021</u>
SARM Restricted Funds:		
SARM Benefits Plan	\$ 687,627	\$ 701,768
Fidelity Bond Self-Insurance Plan	21,438	21,275
Liability Self-Insurance Plan	203,239	194,973
Property Self-Insurance Program	704,931	655,216
Other Restricted Funds:		
Canadian Agricultural Partnership	277,259	280,787
Rural Integrated Roads for Growth	165,104	128,087
Community Planning - Strategic Initiatives	171,500	157,393
Tax Loss Compensation Trust Funds:		
TLE Trust Fund	78,633	75,134
Specific Claims Trust Fund	8,376	8,120
Other Programs:		
Municipal Habitat Conservation Fund	15,604	16,926
Municipal Potash Tax Sharing Board	21,000	20,800
Municipal Leadership Development Program	3,660	4,340
High Interest Savings Program	22,302	16,204
	<u>\$ 2,380,673</u>	<u>\$ 2,281,023</u>

The administration fees from the SARM Restricted Funds (SARM Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan and Property Self-Insurance Program) are 30% of the premiums. The fees are accounted for as an expense for the restricted funds in Schedule 2 and as revenue in the General Fund.

The administration fees for the Rural Integrated Roads for Growth Program and the Canadian Agricultural Partnership Program are in accordance with the agreements for delivery of the programs. The fees are either a specific amount set in the agreement, or a recovery of direct and allocated costs pursuant to the provisions of the agreement. The Strategic Initiative funding for Community Planning is the net cost of the Community Planning program. The fees accounted for as an expense for the restricted funds in Schedule 3 and as 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 tax loss compensation for the year for properties transferred to reserve. The remaining 95% of the 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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12. Member Services

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

Member Purchasing – SARM partners with Canoe Procurement Group of Canada and acts directly as a buying group on behalf of rural municipalities by leveraging the combined purchasing power of our members to achieve the best possible value from suppliers through competitive tender processes. A portion of the sales volumes generates revenue for SARM, through commissions, rebates, and/or price markups, which SARM uses towards funding programs and services that support the members and their communities. SARM's direct and indirect costs to administer the program are not allocated to Member Purchasing. The following table details the program's operating results for the current and prior year.

	2022			2021
	Revenues	Expenses	Net	Net
Commissions:				
Equipment Parts & Repairs	\$ 85,440		\$ 85,440	\$ 43,458
Tires & Tire Repair	22,207		22,207	25,780
Culverts	9,594		9,594	6,493
Road & Traffic Signs	35,528		35,528	42,540
Office Supplies & Equipment	7,177		7,177	6,767
Equipment Purchases	46,078		46,078	30,091
Other Commissions	5,348		5,348	9,502
Programs:				
Canoe Programs	5,486,158	\$ 5,486,158	-	(468)
Fuel & Lubricants	4,937,917	4,928,151	9,766	9,177
Rodent Control Program	221,854	204,699	17,155	113,042
Other Programs	179,623	175,553	4,070	14,731
Totals	<u>\$ 11,036,924</u>	<u>\$ 10,794,561</u>	<u>\$ 242,363</u>	<u>\$ 301,113</u>

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12. Member Services (continued)

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

	2022	2021
Revenues:		
Fees to SARM Members	\$ 300,948	\$ 266,702
Fees to SARM Funds	336,903	308,737
Other Revenue	57,355	97,133
	<u>695,206</u>	<u>672,572</u>
Expenses:		
Salaries & Benefits	608,422	485,889
Other Expenses	91,256	136,725
	<u>699,678</u>	<u>622,614</u>
Net (Expense) Income	<u>\$ (4,472)</u>	<u>\$ 49,958</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. Indirect expenses are not allocated to Legal Services. The net expense of Community Planning Services is funded through a contribution from the Strategic Initiatives Program.

	2022	2021
Revenues:		
Fees for Service	\$ 174,880	\$ 159,057
Other Revenue	1,307	3,650
	<u>176,187</u>	<u>162,707</u>
Expenses:		
Salaries & Benefits	228,816	221,565
Other Expenses	119,020	98,536
	<u>347,836</u>	<u>320,101</u>
Net Expense	<u>\$ (171,649)</u>	<u>\$ (157,394)</u>

Saskatchewan Association of Rural Municipalities

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12. Member Services (continued)

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.

Programs	2022			2021
	Revenues	Expenses	Net	Net
Extended Health & Dental	\$ 5,655,757	\$ 5,386,824	\$ 268,933	\$ 256,274
Long Term Disability	1,248,365	1,147,451	100,914	99,041
Group Life Insurance	223,725	203,429	20,296	19,659
Optional Life Insurance	32,470	29,188	3,282	3,549
Excesss Liability Insurance	246,243	252,201	(5,958)	30,862
Totals	\$ 7,406,560	\$ 7,019,093	\$ 387,467	\$ 409,385

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.

Programs	2022			2021
	Revenues	Expenses	Net	Net
Rural Councillor	\$ 34,030	\$ 50,312	\$ (16,282)	\$ 1,149
Email and Website Notices	20,813	-	20,813	20,750
Courses & Webinars	5,335	5,103	232	469
Calendars	8,260	9,688	(1,428)	(5,337)
Grid Road Maps	557	394	163	574
Totals	\$ 68,995	\$ 65,497	\$ 3,498	\$ 17,605

13. Other Restricted Funds

Schedule 3 details the financial results for programs delivered by SARM to support of rural and other municipalities. The programs are the result of agreements between SARM and provincial ministries or other municipal organizations. Each program is accounted for as a restricted fund with unexpended funds reported as a restricted fund balance. Due to the timing of contributions and expenses, a program could have a positive or negative net change in fund balance at the end of SARM's fiscal year. A negative restricted fund balance represents funds owed to SARM.

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13. Other Restricted Funds (continued)

Rural Integrated Roads for Growth Program (RIRG) – SARM entered into an agreement with Saskatchewan Ministry of Highways for the RIRG Program. The agreement is for the term April 1, 2019, to March 31, 2024. Funding is determined annually by the Province of Saskatchewan. The agreement establishes a Program Management Board to manage the program and details the responsibilities of SARM. In 2021, the Program Management Board passed a motion to internally restrict the interest revenue allocated to the RIRG program to fund special projects approved by the Program Management Board. The following tables provide a summary of contributions, revenues, and expenses, along with details of the opening and closing fund balance for each portion of the restricted fund.

Rural Integrated Roads for Growth Program	2022		
	General Programs	Special Projects	Total
Contributions	\$ 25,109,164	\$ -	\$ 25,109,164
Interest	-	718,985	718,985
Recovery of Fees & Expenses	5,133	-	5,133
Total Contributions and Revenue	25,114,297	718,985	25,833,282
Road Grants & Expenses	18,342,380	-	18,342,380
Bridge & Culvert Grants & Expenses	525,171	-	525,171
Administration Expenses	665,746	-	665,746
Communications Support	-	19,900	19,900
Bridge Rail Project	-	15,149	15,149
Total Grants and Other Expense	19,533,297	35,049	19,568,346
Change in Fund Balance	5,581,000	683,936	6,264,936
Fund Balance - Start of Year	18,249,503	162,726	18,412,229
Fund Balance - End of Year	\$ 23,830,503	\$ 846,662	\$ 24,677,165

Rural Integrated Roads for Growth Program	2021		
	General Programs	Special Projects	Total
Contributions	\$ 40,300,000	\$ -	\$ 40,300,000
Interest	-	162,726	162,726
Recovery of Fees & Expenses	11,409	-	11,409
Total Contributions and Revenue	40,311,409	162,726	40,474,135
Road Grants & Expenses	22,250,398	-	22,250,398
Bridge & Culvert Grants & Expenses	653,629	-	653,629
Administration Expenses	578,988	-	578,988
Communications Support	-	-	-
Bridge Rail Project	-	-	-
Total Grants and Other Expense	23,483,015	-	23,483,015
Change in Fund Balance	16,828,394	162,726	16,991,120
Fund Balance - Start of Year	1,421,109	-	1,421,109
Fund Balance - End of Year	\$ 18,249,503	\$ 162,726	\$ 18,412,229

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13. Other Restricted Funds (continued)

Canadian Agricultural Partnership – Pest Biosecurity Programs – SARM entered into an agreement with Saskatchewan Ministry of Agriculture to administer programs providing funding and support to rural municipalities and First Nations south of the Northern Administrative District. The agreement is for the term April 1, 2020 – March 31, 2023.

Strategic Initiatives – Since 2010 Saskatchewan 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 provided by the Province and undistributed surplus funds. The partners' share of the surplus funds is based on the registrations from each partner group. The partner group could approve a distribution of the undistributed surplus funds.

14. Contractual Obligations

SARM retains Crestview Strategy Inc. to provide government relations services in Ottawa. The term of the agreement is June 1, 2021, to December 31, 2023. The annual cost is \$115,000 in 2022, and \$125,400 in 2023, plus expenses.

SARM has an agreement with SaskTel for the provision of Integrated Business Communication Services (IBC). The agreement is for five years from November 15, 2022, to November 30, 2027. The commitment is \$11,230 in 2023.

SARM has a Services Agreement with WBM Office Systems (WBM) for the provision of certain hardware, software, and technical services. The Agreement commenced October 1, 2015, and is ongoing, until cancellation by SARM upon 30 days written notice. The annual cost for the service is \$106,630. A second agreement with WBM for equipment rental has a term of January 11, 2021, to January 11, 2024. Future commitments for lease payments are \$6,996 in 2023, and \$207 in 2024. A commitment to purchase a server was made October 28, 2022, with an estimated project investment remaining, at December 31, 2022, of \$25,730.

SARM has leases for copiers/printers and mailing equipment. Future commitments for lease payments are \$987 in 2023.

SARM has an agreement with SaskTel for the provision of internet service. The agreement is for five years from August 28, 2020, to August 25, 2025. The future commitments to the end of the contract are \$1,860 in each of 2023 and 2024 and \$1,240 in 2025.

SARM has a maintenance agreement with HVAC with a term from October 1, 2022, to September 30, 2025. Future commitments are \$30,404 in each of 2023 and 2024 and \$22,803 in 2025.

Saskatchewan Association of Rural Municipalities
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14. Contractual Obligations (continued)

SARM has a Facility Management Agreement with CIR Commercial Realty Inc. which commenced February 1, 2022, and is automatically renewed, until cancellation by SARM upon 90 days written notice. The annual cost for the service is \$10,910.

SARM has an agreement with McQueen Consulting for Strategic Engagement and Communications Consulting. The term of the agreement is from November 19, 2021, to December 31, 2024. Future commitments are \$123,000 annually for 2023 and 2024.

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. Map advertising revenue of \$11,064 is deferred as of December 31, 2022. Resolution will be pursued with respect to the remaining commitments pursuant to the agreement and the advertising.

SARM has entered into agreements with six contractors to deliver the services of the Plant Health Network program, which is funded through the Canadian Agricultural Partnership Agreement. The contracted services agreements, ending March 31, 2023, may be terminated by either party to the agreement subject to one month's written notice. The commitment for one month's services is \$37,734.

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 through Strategic Initiatives). The intern program provides funding of up to \$20,000, paid in monthly instalments of \$1,667. There are 9 intern agreements that have remaining commitments totaling \$96,011 in 2022 and \$8,667 in 2023. Program agreements may be terminated by any of the parties to the agreement subject to one month's written notice.

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, 2023. 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 entered into an agreement with Wood Environment and Infrastructure Solutions for road traffic data collection. An agreement was signed on April 30, 2021, for a three-year period. The annual contract estimate is \$407,808. This agreement will be funded through RIRG, and the agreement allows for SARM to terminate the traffic count program if the RIRG program is terminated prior to the end of the three-year agreement.

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, 2022, the remaining commitment for approved road projects is \$17,475,656. The road authority shall have two fiscal years to complete their approved project. The contribution allowed for approved RIRG bridge projects is \$500,000 per rural

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14. Contractual Obligations (continued)

municipality per project per program year. As of December 31, 2022, there is one bridge agreement that has a total maximum potential commitment of \$76,888. 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, 2022, there was \$259,956 in contributions committed to RMs under agreements for the RIRG program year ending March 31, 2022. 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 an agreement with Prairieland Park for the 2023, 2025, and 2027 annual conventions and at December 31, 2022, the penalty for cancellation is 100% of the deposits due which is \$16,000.

SARM has agreements for facility rentals for future annual and midterm conventions. There is a rental agreement with the Regina Exhibition Association Limited for the 2023 and 2025 midterm conventions as well as the 2024 and 2026 annual conventions. On December 31, 2022, the maximum penalty for cancellation is \$13,425.

SARM has an agreement with TCU place for the 2024 midterm convention and at December 31, 2022, the penalty for cancellation is 15% of total contract which is \$4,950.

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 \$239,471 in 2022 (2021 - \$218,603) 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, 2021, indicated that on a management valuation, the actuarial surplus was \$312.9 million (funded ratio of 100.8%). On a solvency basis, the plan has a surplus of solvency assets as compared to solvency liabilities of \$291.3 million (solvency ratio of 109.0%). The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 15,523 active members, of which 28 are employees of SARM.

16. Comparative Figures

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