



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, 2023 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, 2023, 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 timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

February 14, 2024
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants

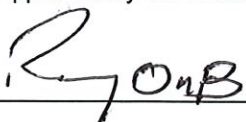
Saskatchewan Association of Rural Municipalities
Consolidated Statement of Financial Position

At December 31, 2023

(with comparative figures at December 31, 2022)

	2023	2022
Assets		
Current Assets		
Cash	\$ 5,688,687	\$ 11,248,002
High Interest Savings Accounts ^{Note 3}	72,533,869	42,942,713
Amounts Receivable	837,279	1,020,578
Accrued Insurance Recoveries & Deductibles	1,000	610,957
Accrued Interest & Dividends Receivable	271,209	249,881
Investments ^{Note 4}	20,019,804	18,235,747
Prepaid Expenses, Inventory & Deposits	192,029	104,165
	99,543,877	74,412,043
Long-Term Assets		
Investments ^{Note 4}	13,206,372	13,533,067
Capital Assets ^{Note 6}	5,977,262	6,189,225
	19,183,634	19,722,292
Total Assets	\$ 118,727,511	\$ 94,134,335
 Liabilities & Fund Balance		
Current Liabilities		
Amounts Payable ^{Note 7}	\$ 3,702,964	\$ 4,828,997
Accrued Insurance Claims ^{Note 8}	3,653,985	5,318,968
Deferred Contributions ^{Note 6}	52,114	52,625
Deferred Revenue	524,115	536,034
Due to Investment Pool ^{Note 9}	350,000	175,000
Due to Members - High Interest Savings ^{Note 3}	43,955,003	24,155,376
	52,238,181	35,067,000
Long-Term Liabilities		
Deferred Contributions ^{Note 6}	193,764	245,039
Due to Investment Pool ^{Note 9}	540,205	1,065,205
	733,969	1,310,244
Fund Balance:		
General Fund	8,928,876	8,397,705
SARM Restricted Funds	24,906,902	21,916,323
Other Restricted Funds	31,919,583	27,443,063
	65,755,361	57,757,091
Total Liabilities & Fund Balance	\$ 118,727,511	\$ 94,134,335

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, 2023
(with comparative figures for the year ended December 31, 2022)

	2023	2022
General Fund		
General Revenues		
Membership Fees	\$ 994,900	\$ 921,191
Investment Income: ^{Note 5}		
Realized Investment Income	338,235	222,955
Unrealized Change in Market Value	159,537	(327,574)
Administration Fees ^{Note 11}	2,406,351	2,366,769
Convention Income	652,379	520,618
Contributions	79,199	129,743
Other Revenue	8,550	11,468
	4,639,151	3,845,170
Member Services (Schedule 1) ^{Note 12}	19,802,676	19,383,872
	24,441,827	23,229,042
General Expenses		
Conventions & Division Meetings	641,249	622,289
Board & Other Meetings	610,722	572,916
Advocacy & Communications	155,966	176,050
Staff Salaries & Benefits	2,278,674	2,065,849
Administrative & Other Expenses	340,180	344,571
Contracted Services	250,953	309,948
Property, Insurance & Amortization	613,616	603,088
Loan Interest	33,364	37,586
	4,924,724	4,732,297
Member Services (Schedule 1) ^{Note 12}	18,985,932	18,926,665
	23,910,656	23,658,962
General Fund Surplus (Deficit)	531,171	(429,920)
SARM Restricted Funds (Schedule 2)		
Premiums & Other Revenues	7,711,279	4,821,947
Claims Expense, SARM Fee & Other Expenses	4,733,207	9,932,292
SARM Restricted Funds Surplus (Deficit)	2,978,072	(5,110,345)
Other Restricted Funds (Schedule 3)^{Note 13}		
Contributions, Fees & Interest	24,941,784	29,728,928
Program Expenses	20,465,264	22,264,297
Other Restricted Funds Net Change	4,476,520	7,464,631
Consolidated Surplus/Change in Fund Balance	\$ 7,985,763	\$ 1,924,366

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, 2023

	Fund Balance - Beginning of the Year	Member Contributions (Withdrawals)	Transfers To (From) Fund Balance	Surplus or Net Change for the Year	Fund Balance - End of the Year
General Fund	\$ 8,397,705	\$ -	\$ -	\$ 531,171	\$ 8,928,876
SARM Restricted Funds:					
SARM Benefits	4,921,090	-	-	512,911	5,434,001
Liability Self-Insurance	12,063,662	12,507	-	718,842	12,795,011
Fidelity Bond Self-Insurance	697,872	-	-	98,875	796,747
Property Self-Insurance	4,233,699	-	-	1,647,444	5,881,143
	<u>21,916,323</u>	<u>12,507</u>	<u>-</u>	<u>2,978,072</u>	<u>24,906,902</u>
Other Restricted Funds ^{Note 13}					
Rural Integrated Roads for Growth	24,677,165	-	-	5,380,166	30,057,331
Sustainable Canadian Agricultural Partnership	-	-	-	1,187,542	1,187,542
Canadian Agricultural Partnership	2,393,744	-	-	(2,393,744)	-
Strategic Initiatives Program	339,803	-	-	305,180	644,983
Municipal Leadership Development Program	32,351	-	-	(2,624)	29,727
	<u>27,443,063</u>	<u>-</u>	<u>-</u>	<u>4,476,520</u>	<u>31,919,583</u>
Totals	<u>\$ 57,757,091</u>	<u>\$ 12,507</u>	<u>\$ -</u>	<u>\$ 7,985,763</u>	<u>\$ 65,755,361</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, 2023
(with comparative figures for the year ended December 31, 2022)

	2023	2022
Operating Activities		
General Fund Surplus (Loss)	\$ 531,171	\$ (429,920)
SARM Restricted Funds Surplus (Loss)	2,978,072	(5,110,345)
Other Restricted Funds Change in Fund Balance	4,476,520	7,464,631
Members' Contributions - Liability Self Insurance Plan	12,328	11,576
Members' Withdrawals - Liability Self Insurance Plan	179	(19,250)
Members' Withdrawals - Property Self Insurance Program	-	(21,305)
Change in Current Assets <small>Except Cash & High Interest Savings</small>	684,064	(1,023,510)
Change in High Interest Savings	(9,791,529)	(65,853)
Change in Current Liabilities <small>Except Deferred Contributions & High Interest Savings</small>	(2,802,935)	5,052,978
Items Not Affecting Cash:		
Amortization of Capital Assets	243,788	252,727
Amortization of Deferred Capital Asset Contributions	(52,886)	(63,526)
Amortization of Investment Discounts & Premiums	(111,005)	(69,784)
Unrealized Change in Market Value of Investments	(1,257,536)	2,854,135
Cash (Used) Provided	(5,089,769)	8,832,554
Financing and Investing Activities		
Capital Asset Contributions	1,100	3,000
Investment in Capital Assets	(31,825)	(37,639)
Loan Repayments to Investment Pool	(350,000)	(350,000)
Net Change in Investments	(88,821)	(1,865,928)
Cash Used	(469,546)	(2,250,567)
(Decrease) Increase in Cash	(5,559,315)	6,581,987
Cash, Beginning of Year	11,248,002	4,666,015
Cash, End of Year	\$ 5,688,687	\$ 11,248,002

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, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Member Purchasing ^{Note 12}		
Sales & Commissions	\$ 10,042,896	\$ 11,018,764
Cost of Products & Services	<u>9,723,210</u>	<u>10,774,127</u>
Net Sales	319,686	244,637
Contributions and Fees	10,539	18,160
Procurement Training and Consulting Expenses	<u>27,180</u>	<u>20,434</u>
Surplus	<u>303,045</u>	<u>242,363</u>
Legal Services ^{Note 12}		
Fees for Service & Other Revenues	972,001	695,206
Staff Salaries & Benefits	624,087	608,422
Other Direct Expenses	<u>196,418</u>	<u>91,256</u>
Surplus (Deficit)	<u>151,496</u>	<u>(4,472)</u>
Community Planning Services ^{Note 12}		
Fees for Service & Other Revenues	66,525	176,187
Staff Salaries & Benefits	185,796	228,816
Other Direct Expenses	<u>39,936</u>	<u>119,020</u>
Deficit	<u>(159,207)</u>	<u>(171,649)</u>
Insurance and Benefit Programs ^{Note 12}		
Premium Revenues	8,627,230	7,406,560
Premium Expenses	<u>8,131,749</u>	<u>7,019,093</u>
Surplus	<u>495,481</u>	<u>387,467</u>
Other Member Services ^{Note 12}		
Fees for Service	83,485	68,995
Expenses	<u>57,556</u>	<u>65,497</u>
Surplus	<u>25,929</u>	<u>3,498</u>
Total Revenues	19,802,676	19,383,872
Total Expenses	<u>18,985,932</u>	<u>18,926,665</u>
Surplus	<u>\$ 816,744</u>	<u>\$ 457,207</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, 2023

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

	<u>2023</u>	<u>2022</u>
SARM Benefits Plan		
Premiums	\$ 2,380,513	\$ 2,292,090
Investment Income: ^{Note 5}		
Realized Investment Income	164,907	249,953
Unrealized Change in Market Value	219,953	(495,077)
Total Revenues	<u>2,765,373</u>	<u>2,046,966</u>
Claims Expense	1,535,483	1,537,873
SARM Administration Fee ^{Note 11}	714,154	687,627
Other Expenses	2,825	2,917
Total Expenses	<u>2,252,462</u>	<u>2,228,417</u>
Surplus (Deficit)	<u>512,911</u>	<u>(181,451)</u>
Liability Self-Insurance Plan		
Premiums	706,689	677,462
Investment Income: ^{Note 5}		
Realized Investment Income	451,054	700,056
Unrealized Change in Market Value	601,619	(1,386,587)
Other Revenue	-	3,850
Total Revenues	<u>1,759,362</u>	<u>(5,219)</u>
Claims Expense ^{Note 8}	237,781	3,082,825
SARM Administration Fee ^{Note 11}	212,007	203,239
Legal Expense	582,129	394,738
Other Expenses	8,603	25,141
Total Expenses	<u>1,040,520</u>	<u>3,705,943</u>
Surplus (Deficit)	<u>718,842</u>	<u>(3,711,162)</u>
Fidelity Bond Self-Insurance Plan		
Premiums	73,479	71,460
Investment Income: ^{Note 5}		
Realized Investment Income	21,787	31,345
Unrealized Change in Market Value	29,060	(62,085)
Other Revenue	254	253
Total Revenues	<u>124,580</u>	<u>40,973</u>
Claims Expense ^{Note 8}	3,455	8,020
SARM Administration Fee ^{Note 11}	22,044	21,438
Other Expenses	206	129
Total Expenses	<u>25,705</u>	<u>29,587</u>
Surplus	<u>98,875</u>	<u>11,386</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, 2023
(with comparative figures for the year ended December 31, 2022)

	2023	2022
Property Self-Insurance Program		
Premiums	2,671,931	2,349,769
Rated Claims Surcharge	26,028	16,478
Investment Income: ^{Note 5}		
Realized Investment Income	185,459	294,248
Unrealized Change in Market Value	247,367	(582,812)
Recovery of Claims & Other Revenue	<u>(68,821)</u>	<u>661,544</u>
Total Revenues	<u>3,061,964</u>	<u>2,739,227</u>
Claims Expense ^{Note 8}	142,318	2,631,290
SARM Administration Fee ^{Note 11}	801,579	704,931
Excess Insurance Expense	289,772	446,787
Adjuster Expense	56,128	71,152
Appraisal Expense	118,918	113,816
Other Expenses	<u>5,805</u>	<u>369</u>
Total Expenses	<u>1,414,520</u>	<u>3,968,345</u>
Surplus (Deficit)	<u>1,647,444</u>	<u>(1,229,118)</u>
 SARM Restricted Funds		
Total Revenues	7,711,279	4,821,947
Total Expenses	<u>4,733,207</u>	<u>9,932,292</u>
Surplus (Deficit)	<u><u>\$ 2,978,072</u></u>	<u><u>\$ (5,110,345)</u></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, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Rural Integrated Roads for Growth Program ^{Note 13}		
Contributions	\$ 20,215,679	\$ 25,109,164
Interest	1,674,518	718,985
Recovery of Fees & Expenses	2,973	5,133
Total Contributions and Other Revenues	<u>21,893,170</u>	<u>25,833,282</u>
Road Construction Grants	9,046,288	10,568,492
Road Maintenance Grants	5,741,900	7,487,842
Traffic Counts & Sign Grants	275,145	286,046
Bridge & Culvert Grants	143,485	1,202
Bridge Inspections	394,963	523,969
Administration Expense	671,852	665,746
Special Projects	239,371	35,049
Total Grants and Other Expenses	<u>16,513,004</u>	<u>19,568,346</u>
Change in Fund Balance	<u>5,380,166</u>	<u>6,264,936</u>
Sustainable Canadian Agricultural Partnership ^{Note 13}		
Contributions	<u>3,083,330</u>	-
Plant Health Network Expenses	1,010,576	-
Gopher Rebates	515,755	-
Rat Control Program Delivery Expenses	14,857	-
S-CAP Administrative Expenses	<u>354,600</u>	-
Total Rebates and Expenses	<u>1,895,788</u>	-
Change in Fund Balance	<u>1,187,542</u>	-
Canadian Agricultural Partnership ^{Note 13}		
Contributions	<u>(531,985)</u>	<u>3,391,873</u>
Plant Health Network Expenses	139,993	581,379
Invasive Plant Control Rebates	331,842	978
Beaver Control Rebates	200,934	251,986
Rat Control Rebates	1,168,577	1,180,528
Rat Control Program Delivery Expenses	20,413	12,535
CAP Administrative Expenses	<u>-</u>	<u>285,000</u>
Total Rebates and Expenses	<u>1,861,759</u>	<u>2,312,406</u>
Change in Fund Balance	<u>(2,393,744)</u>	<u>1,079,467</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, 2023
(with comparative figures for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Strategic Initiatives Funding ^{Note 13}		
Contributions	459,886	476,933
Administrator Recruitment & Training	154,737	162,301
Community Planning	-	171,500
Other Projects	(31)	27,240
Total Expenses	<u>154,706</u>	<u>361,041</u>
Change in Fund Balance	<u>305,180</u>	<u>115,892</u>
Municipal Leadership Development Program ^{Note 13}		
Registration Fees	36,033	26,390
Other Revenue	1,350	450
Total Revenues	<u>37,383</u>	<u>26,840</u>
Instructor's Fees and Expenses	19,724	12,550
Other Course Expenses	14,290	498
SARM Administration Fees	5,060	3,660
Other Expenses	933	5,796
Total Expenses	<u>40,007</u>	<u>22,504</u>
Change in Fund Balance	<u>(2,624)</u>	<u>4,336</u>
Other Restricted Funds		
Total Revenues	24,941,784	29,728,928
Total Expenses	<u>20,465,264</u>	<u>22,264,297</u>
Change in Fund Balance	<u>\$ 4,476,520</u>	<u>\$ 7,464,631</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, 2023

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), the Sustainable Canadian Agricultural Partnership (S-CAP), and the Canadian Agricultural Partnership (CAP) Program. The S-CAP program includes initiatives for beaver control, gopher control, rat 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, 2023

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 2023, board members were eligible to receive the following:

- Per diem payments of \$375 per day (2022 - \$370 per day) for meetings and one day per month for meeting preparation time.
- Honorariums of \$15,000 (2022 - \$15,000) for the President, \$10,000 (2022 - \$10,000) for the Vice-President, and \$5,000 (2022 - \$5,000) 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	2023	2022
Current Board Members:			
Orb, Ray	President	119.5	115.5
Huber, Bill	Vice President	92.0	92.0
Moulding, Bob	Director, Division 1	79.5	81.5
Jordison, Cody	Director, Division 2	41.5	-
Grant, Larry	Director, Division 3	59.0	58.0
Kopec, Myron	Director, Division 4	68.0	-
Harwood, Judy	Director, Division 5	99.5	104.2
Whitfield, Darwin	Director, Division 6	64.0	77.0
Lagrandeur, Guy	Director, Ex Officio	52.5	55.8
Former Board Members:			
Nordgulen, Norm	Director, Division 2	16.5	78.5
Malanowich, Harvey	Director, Division 4	11.0	52.5
		703.0	715.0

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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.

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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, S-CAP, 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 and other fixed income investments that earn interest have effective interest rates ranging from 1.67% to 4.85% (2022 – 1.67% to 4.85%).

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% (2022 – 0.5%) for structured notes, 0.15% (2022 – 0.15%) for NVCC Subordinated Notes and other term investments, and 0.69% (2022 – 0.69%) for the externally managed portfolios. There are no fees for the internal loan.

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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). 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 Sustainable Canadian Agricultural Partnership Program and the Canadian Agricultural Partnership Program are recognized by SARM after eligible rebate amounts have been confirmed by the Sustainable 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.

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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.

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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.

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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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 \$1.2 million and investments of approximately \$56.2 million. The investments are invested in the debt of financial institutions or fixed income ETFs (59.9% of the total), and equity investments and structured notes where the principal is at risk (38.5% of the total), and an internal loan (1.6% 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 2023.

(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.

Saskatchewan Association of Rural Municipalities
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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 each 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 5.50% at December 31, 2023 (2022 – 4.64%). 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, 2023, was 59.12% (2022 – 58.38%).

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, 2023, total equities were 37.6% (2022 – 36.8%) of the investment fund and non-Canadian equities were 3.9% (2022 – 4.6%) of the investment fund.

Term investments include NVCC subordinated debt investments, other term debt investments, and structured notes. There are nine structured notes, two with the principal at risk and seven with the principal protected. The term investments are managed internally with support through CIBC Wood Gundy. As of December 31, 2023, the maturity timeframes for the term investments are:

- Term investments with terms of up to 1 year, 12.8% (2022 – 11.6%).
- Term investments with terms of 1 to 3 years, 6.0% (2022 – 10.1%).
- Term investments with terms over 3 years, 18.6% (2022 – 19.9%).

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, 2023, the externally managed portfolios are invested 2.0% (2022 – 2.2%) in money market ETFs, 37.8% (2022 – 34.8%) in fixed income ETFs, 53.3% (2022 – 54.4%) in Canadian equities or trust units, and 7.0% (2022 – 8.6%) in non-Canadian equities.

Saskatchewan Association of Rural Municipalities
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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, 2023.

<u>Investments by Asset Category</u>	<u>2023</u>	<u>2022</u>
Current Assets		
Money Market ETFs	\$ 379,072	\$ 379,883
NVCC Subordinated Debt	4,377,492	3,818,963
Other Term Debt	-	-
Short Term Fixed Income ETFs	3,645,828	3,093,517
Canadian Equities and Trust Units	10,276,695	9,449,654
Non-Canadian Equities	1,340,717	1,493,730
	<u>20,019,804</u>	<u>18,235,747</u>
Long Term Assets		
NVCC Subordinated Debt	2,860,785	4,581,666
Other Term Debt	1,836,861	1,796,204
Structured Notes - At Risk	1,180,800	1,100,613
Structured Notes - Protected	3,164,745	2,390,100
Mid to Long Term Fixed Income ETFs	3,636,925	2,940,400
Internal Loan	526,256	724,084
	<u>13,206,372</u>	<u>13,533,067</u>
Total Investments	<u>\$ 33,226,176</u>	<u>\$ 31,768,814</u>

5. Investment Income and Expenses

The following tables provide a summary of SARM's share of the investment income (loss) for 2023 and 2022.

	2023				
	SARM General Fund	SARM Benefits	Liability Self- Insurance	Fidelity Bond	Property Self- Insurance
Term Investments:					
Interest	\$ 27,758	\$ 38,270	\$ 104,677	\$ 5,056	\$ 43,040
Amortization of Discount (Premium)	14,083	19,416	53,106	2,565	21,835
Realized Losses on Sales	-	-	-	-	-
Unrealized Change in Market Value	57,710	79,564	217,624	10,512	89,480
Portfolio Investments:					
Dividends	76,823	105,915	289,701	13,993	119,116
Realized Gains on Sales	13,129	18,101	49,510	2,391	20,357
Unrealized Change in Market Value	101,827	140,389	383,995	18,549	157,888
Other Investment Income & Expense					
Internal Loan Interest	2,470	3,405	9,313	450	3,829
Bank & Investment Account Interest	223,068	6,127	16,758	809	6,890
Investment Management Fees	(19,096)	(26,327)	(72,011)	(3,478)	(29,609)
Investment Income	<u>497,772</u>	<u>384,860</u>	<u>1,052,673</u>	<u>50,847</u>	<u>432,826</u>
Investment Income	325,106	146,806	401,544	19,395	165,101
Realized Gains on Sales	13,129	18,101	49,510	2,391	20,357
Unrealized Change in Market Value	159,537	219,953	601,619	29,061	247,368
Investment Income	<u>\$ 497,772</u>	<u>\$ 384,860</u>	<u>\$ 1,052,673</u>	<u>\$ 50,847</u>	<u>\$ 432,826</u>

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Notes to the Consolidated Financial Statements
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5. Investments Income and Expenses (continued)

	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	(327,574)	(495,077)	(1,386,587)	(62,085)	(582,811)
Investment Loss	<u>\$ (104,619)</u>	<u>\$ (245,124)</u>	<u>\$ (686,531)</u>	<u>\$ (30,740)</u>	<u>\$ (288,564)</u>

6. Capital Assets

The following table is a summary of the capital assets as of December 31, 2023.

Description	2023			2022 Net
	Cost	Accumulated Amortization	Net	
Land	\$ 1,450,000	\$ -	\$ 1,450,000	\$ 1,450,000
Building	4,987,455	920,414	4,067,041	4,217,340
Equipment & Furniture	144,980	105,296	39,684	31,482
Benefits Software	742,809	348,978	393,831	468,112
Other Software	41,495	25,187	16,308	8,427
Vehicle	45,211	34,813	10,398	13,864
	<u>\$ 7,411,950</u>	<u>\$ 1,434,688</u>	<u>\$ 5,977,262</u>	<u>\$ 6,189,225</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 2023 of \$1,100 (2022 - \$3,000) to fund enhancements to the Benefits Software. Deferred contributions for capital assets as of December 31, 2023, were \$245,878 (2022 - \$297,664). The amortization of deferred contributions in 2023 was \$52,886 (2022 - \$63,526).

Saskatchewan Association of Rural Municipalities
Notes to the Consolidated Financial Statements
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7. Amounts Payable

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

	<u>2023</u>	<u>2022</u>
SARM General Fund:		
SARM General Payables	\$ 879,443	\$ 1,053,763
SARM Salary	78,637	77,818
SARM Government Remittances	86,874	111,212
Insurance & Benefit Restricted Funds:		
SARM Group Benefits Plan Expenses	198,417	194,926
Liability Self-Insurance Plan Expenses	5,650	34,864
Property Self-Insurance Program Expenses	130	23,018
Other Restricted Funds:		
RIRG Program Grants & Expenses	1,968,413	3,331,259
Sustainable Canadian Agriculture Program Rebates & Expenses	485,007	-
Strategic Initiatives Program Expenses	393	937
MLDP Program Expenses	-	1,200
	<u>\$ 3,702,964</u>	<u>\$ 4,828,997</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>2023</u>		
	<u>Accrued Claims</u>	<u>Claim Payments</u>	<u>Claims Expense</u>
Liability Self-Insurance Plan			
Balance - Beginning of Year	\$ 3,297,800		
Paid Accrued Claims	(135,900)	\$ 192,098	\$ 56,198
Prior Year Claims	(15,300)	16,014	714
Current Year Claims	97,300	83,569	180,869
Balance - End of Year	<u>\$ 3,243,900</u>	<u>\$ 291,681</u>	<u>\$ 237,781</u>

	<u>2022</u>		
	<u>Accrued Claims</u>	<u>Claim Payments</u>	<u>Claims Expense</u>
Liability Self-Insurance Plan			
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>

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8. Accrued Claims and Claims Expense (continued)

Fidelity Bond Self-Insurance Plan	2023		
	Accrued Claims	Claim Payments	Claims Expense
Balance - Beginning of Year	\$ 4,268		
Paid Accrued Claims	(3,873)	\$ 4,243	\$ 370
Prior Year Claims	-	-	-
Current Year Claims	-	3,085	3,085
Balance - End of Year	\$ 395	\$ 7,328	\$ 3,455

Fidelity Bond Self-Insurance Plan	2022		
	Accrued Claims	Claim Payments	Claims Expense
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

Property Self-Insurance Program	2023		
	Accrued Claims	Claim Payments	Claims Expense
Balance - Beginning of Year	\$ 2,016,900		
Paid Accrued Claims	(1,820,900)	\$ 1,560,608	\$ (260,292)
Prior Year Claims	(57,100)	-	(57,100)
Current Year Claims	270,790	188,920	459,710
Balance - End of Year	\$ 409,690	\$ 1,749,528	\$ 142,318

Property Self-Insurance Program	2022		
	Accrued Claims	Claim Payments	Claims Expense
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

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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 2023 is \$890,205 (2022 – \$1,240,205). The loan repayment in 2023 was \$350,000 (2022 – \$350,000).

The interest rate for July to December 2023 was 3.887% (3.576% for the same period in 2022). The interest rate for January to June 2023 was 3.560% (2.405% for the same period in 2022). 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, 2023, 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>2023</u>	<u>2022</u>
SARM Restricted Funds:		
SARM Benefits Plan	\$ 714,154	\$ 687,627
Fidelity Bond Self-Insurance Plan	22,044	21,438
Liability Self-Insurance Plan	212,007	203,239
Property Self-Insurance Program	801,563	704,931
Other Restricted Funds:		
Sustainable Canadian Agricultural Partnership	265,950	-
Canadian Agricultural Partnership	69,811	277,259
Rural Integrated Roads for Growth	156,000	151,200
Community Planning - Strategic Initiatives	-	171,500
Tax Loss Compensation Trust Funds:		
TLE Trust Fund	77,857	78,633
Specific Claims Trust Fund	8,878	8,376
Other Programs:		
Municipal Habitat Conservation Fund	17,367	15,604
Municipal Potash Tax Sharing Board	22,250	21,000
Municipal Leadership Development Program	5,060	3,660
High Interest Savings Program	33,410	22,302
	<u>\$ 2,406,351</u>	<u>\$ 2,366,769</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, the Sustainable Canadian Agricultural Partnership 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 2022 Strategic Initiative funding for Community Planning is the net cost of the Community Planning program. The 2022 fees were 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, 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.

	2023			2022
	Revenues	Expenses	Net	Net
Commissions:				
Equipment Parts & Repairs	\$ 88,365		\$ 88,365	\$ 85,440
Tires & Tire Repair	29,441		29,441	22,207
Culverts	4,512		4,512	9,594
Road & Traffic Signs	36,230		36,230	35,528
Office Supplies & Equipment	7,369		7,369	7,177
Equipment Purchases	116,481		116,481	46,078
Other Commissions	4,354		4,354	5,348
Programs:				
Canoe Programs	5,385,832	\$ 5,385,832	-	-
Fuel & Lubricants	3,889,813	3,881,230	8,583	9,766
Rodent Control Program	256,817	237,021	19,796	17,155
Other Programs	223,682	219,127	4,555	6,344
Totals	<u>\$ 10,042,896</u>	<u>\$ 9,723,210</u>	<u>\$ 319,686</u>	<u>\$ 244,637</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.

	<u>2023</u>	<u>2022</u>
Revenues:		
Fees to SARM Members	\$ 373,279	\$ 300,948
Fees to SARM Funds	456,876	336,903
Other Revenue	141,846	57,355
	<u>972,001</u>	<u>695,206</u>
Expenses:		
Salaries & Benefits	624,087	608,422
Other Expenses	196,418	91,256
	<u>820,505</u>	<u>699,678</u>
Net Income (Expense)	<u>\$ 151,496</u>	<u>\$ (4,472)</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.

	<u>2023</u>	<u>2022</u>
Revenues:		
Fees for Service	\$ 63,994	\$ 174,880
Other Revenue	2,531	1,307
	<u>66,525</u>	<u>176,187</u>
Expenses:		
Salaries & Benefits	185,796	228,816
Other Expenses	39,936	119,020
	<u>225,732</u>	<u>347,836</u>
Net Expense	<u>\$ (159,207)</u>	<u>\$ (171,649)</u>

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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 detail 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	2023			2022
	Revenues	Expenses	Net	Net
Extended Health & Dental	\$ 6,331,831	\$ 6,030,754	\$ 301,077	\$ 268,933
Long Term Disability	1,695,989	1,559,522	136,467	100,914
Group Life Insurance	260,561	236,875	23,686	20,296
Optional Life Insurance	33,971	30,558	3,413	3,282
Excess Liability Insurance	304,878	274,040	30,838	(5,958)
Totals	\$ 8,627,230	\$ 8,131,749	\$ 495,481	\$ 387,467

Other Member Services - Includes the publication and distribution of the Rural Councillor magazine, the distribution of notices and advertisements both by email and by posting on the SARM website, Respect in the Workplace and Cyber Security courses, printing, and distribution of pocket calendars, and the printing and sale of grid road maps. These services are funded through advertising fees, service fees, and sale of the products.

Programs	2023			2022
	Revenues	Expenses	Net	Net
Rural Councillor	\$ 38,500	\$ 48,205	\$ (9,705)	\$ (16,282)
Email and Website Notices	37,516	-	37,516	20,813
Courses & Webinars	6,480	6,641	(161)	232
Calendars	30	1,904	(1,874)	(1,428)
Grid Road Maps	959	806	153	163
Totals	\$ 83,485	\$ 57,556	\$ 25,929	\$ 3,498

13. Other Restricted Funds

Schedule 3 details the financial results for programs delivered by SARM to support 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.

	2023		
	General Programs	Special Projects	Total
Rural Integrated Roads for Growth Program			
Contributions	\$ 20,215,679	\$ -	\$ 20,215,679
Interest	-	1,674,518	1,674,518
Recovery of Fees & Expenses	2,973	-	2,973
Total Contributions and Revenue	<u>20,218,652</u>	<u>1,674,518</u>	<u>21,893,170</u>
Road Grants & Expenses	15,063,333	-	15,063,333
Bridge & Culvert Grants & Expenses	538,448	-	538,448
Administration Expenses	671,852	-	671,852
Communications Support	-	-	-
Bridge Rail Project	-	239,371	239,371
Total Grants and Other Expense	<u>16,273,633</u>	<u>239,371</u>	<u>16,513,004</u>
Change in Fund Balance	3,945,019	1,435,147	5,380,166
Fund Balance - Start of Year	23,830,503	846,662	24,677,165
Fund Balance - End of Year	<u>\$ 27,775,522</u>	<u>\$ 2,281,809</u>	<u>\$ 30,057,331</u>

	2022		
	General Programs	Special Projects	Total
Rural Integrated Roads for Growth Program			
Contributions	\$ 25,109,164	\$ -	\$ 25,109,164
Interest	-	718,985	718,985
Recovery of Fees & Expenses	5,133	-	5,133
Total Contributions and Revenue	<u>25,114,297</u>	<u>718,985</u>	<u>25,833,282</u>
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	<u>19,533,297</u>	<u>35,049</u>	<u>19,568,346</u>
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	<u>\$ 23,830,503</u>	<u>\$ 846,662</u>	<u>\$ 24,677,165</u>

Saskatchewan Association of Rural Municipalities
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13. Other Restricted Funds (continued)

Sustainable 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, 2023 – March 31, 2028.

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 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 \$12,478 in each of 2023 through 2026, and \$10,918 in 2027.

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 \$115,733. A second agreement with WBM for equipment rental has a term of January 11, 2021, to January 11, 2024.

SARM has leases for copiers/printers and mailing equipment. Future commitments for lease payments are \$6,030 in 2024, \$5,924 in each of 2025 through 2027, and \$2,650 in 2028.

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 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 2024 and \$22,803 in 2025.

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SARM has a grounds maintenance contract with Yards by Mike with a term from May 1, 2021, to April 30, 2024. Future commitments are \$1,528 in 2024.

SARM has an annual building cleaning contract with Excel Cleaning Services. The annual cost of the service is \$26,088. The cancellation policy is 30 days' notice which is \$2,174.

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, with cancellation terms of 60 days' notice. The annual commitment in 2024 is \$123,000.

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, 2023. 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, which is funded through the Sustainable Canadian Agricultural Partnership Bilateral Agreement. The contracted services agreements, ending March 31, 2028, may be terminated by either party to the agreement subject to one month's written notice. The commitment for one month's services is \$38,866.

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 \$17,000, paid in monthly instalments of \$1,416, as a subsidy for the intern's salary. Upon successful completion of the internship, SARM will provide the RM with funding in the amount of \$3,000 to be paid to the supervising RM Administrator. There are 6 intern agreements that have remaining commitments totaling \$57,215 in 2024. 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 WSP Canada Inc. for the inspection of bridges on rural municipal roads. An agreement was signed on April 26, 2023, for a three-year period. The maximum billing over the term of the agreement shall not exceed \$1,125,000. 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 the Saskatchewan Ministry of Highways and WSP E&I Canada Ltd. for rural municipal road traffic data collection. The agreement was signed in June 2023 and ends April 30, 2026. The term may be extended to a maximum of two end dates, the first end date of April 30, 2027, and the second end date of January 31, 2028. The maximum billing over the first three-year term of the agreement shall not exceed

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\$1,110,060. 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, 2023, the remaining commitment for approved road projects is \$12,661,106. 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 municipality per project per program year. As of December 31, 2023, there are fourteen bridge agreements that have a total maximum potential commitment of \$4,911,209. 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, 2023, there was \$461,334 in contributions committed to RMs under agreements for the RIRG program year ending March 31, 2023. 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 Boreal Events Inc. for registration and trade show coordination. The 30-day cancellation commitment at December 31, 2023 is \$1,455.

SARM has agreements for facility rentals for future annual and midterm conventions.

SARM has an agreement with TCU place for the 2024 midterm convention and at December 31, 2023, the penalty for cancellation is 30% of total contract which is approximately \$8,000

There is a rental agreement with the Regina Exhibition Association Limited for the 2025 midterm convention as well as the 2024 and 2026 annual conventions. On December 31, 2023, the maximum penalty for cancellation is \$31,990.

SARM has contracted Saskatchewan 102179799 Corporation (dba Oursask.info) to develop the infrastructure for a digital communication platform and a strategy to support its implementation. The agreement was signed December 8, 2023, and the work is contracted to be completed by December 31, 2024. Total fees shall not exceed \$211,000. The digital communication platform project has been approved for funding through the Targeted Sector Support Initiative: Strategic Action Projects. The total grant approved is up to \$211,000 for work completed by December 31, 2024.

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 \$252,853 in 2023 (2022 - \$239,471) were expensed during the year. Periodically an actuarial valuation is performed

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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, 2022, indicated that on a management valuation, the actuarial surplus was \$704.88 million (funded ratio of 126.4%). On a solvency basis, the plan has a surplus of solvency assets as compared to solvency liabilities of \$600.99 million (solvency ratio of 122.8%). The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 15,572 active members, of which 29 are employees of SARM.

16. Comparative Figures

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