

Executive Directors Message

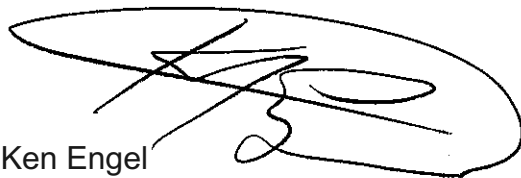
The year 2007 will be remembered for many years to come as the year when the CTP Primary Corridor System began. This successful venture has been a win/win project for both the province and our municipalities. Truckers can move goods more efficiently and economically throughout our province while reducing the impact on our secondary highway system.

The past year has also been a successful year financially for SARM. The General Fund had a surplus of \$202,845. Contributing to the surplus was an increase in net revenues from the sale of goods and services of about \$100,000 due in large part to increased sales in the Trading Department. Expenditures were also below budget by a similar amount.

The Liability Self-Insurance Plan ended the year with a \$230,313 surplus and the Property Self-Insurance Program came in with a \$372,532 surplus. The surplus amounts include the investment income.

If you have any questions regarding the financial statements please do not hesitate to contact our office.

Sincerely,

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'Ken Engel'.

Ken Engel
Executive Director

Saskatchewan Association of Rural Municipalities
Supplementary Information to the Financial Statements
(Unaudited)

Board Remuneration

The Board of Directors receives the following remuneration:

1. Per Diem Payments – The President receives \$250 per meeting day, the Vice-President \$225 per meeting day, and the Directors, including the ex-officio Director receive \$200 per meeting day. The per diem payments include one day per month for meeting preparation time.

The following table is a summary of the number of days in 2006 and 2007 for which the Board received per diem payments.

	Number of Days	
	2007	2006
President Marit	157.0	134.0
Past President Hardy	-	27.0
Vice-President Hallick	120.5	137.0
Director, Division 1 - Taylor	123.0	111.0
Director, Division 2 - Orb	102.0	111.0
Director, Division 3 - Steele	104.0	116.0
Director, Division 4 - Malanowich	77.5	54.0
Director, Division 5 - Purcell	98.5	98.0
Director, Division 6 - Senecal	90.0	8.0
Past Director, Division 6 - Gronning	-	68.0
Director, Ex Officio - McCallum	31.0	-
Past Director, Ex Officio - Ritchie	31.0	51.0

2. The President receives an annual honorarium of \$8,000, and the Vice-President receives an annual honorarium of \$4,000.
3. Board members also receive \$0.10 per kilometer for travel time.

Board Expenses

The Board of Directors is reimbursed for expenditures incurred on SARM business. Actual expenditures incurred are reimbursed for expenses such as hotels, airfare, taxis and sundry expenditures. Allowances received by the Board as reimbursement for other expenditures include a meal allowance of \$45 per day while on SARM business, \$0.55 per kilometer for mileage, and a phone allowance. For telephone costs, the President is reimbursed for 90% of his cell phone costs. The Vice-President and Directors receive a phone allowance of \$25 per month or \$70 per month if they have a Blackberry.

Saskatchewan Association of Rural Municipalities

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 judgements and estimates in accordance with Canadian generally accepted accounting principles.

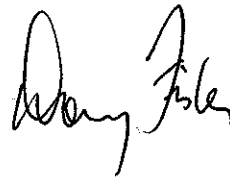
In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded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

Ultimate responsibility for financial statements to members 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 their findings as to the integrity of the Association's financial reporting and the adequacy of the system of internal controls.



Ken Engel
Executive Director



Doug Fisher, CA
Controller

Auditors' Report

To the Members
Saskatchewan Association of Rural Municipalities

We have audited the Consolidated Statement of Financial Position of The Saskatchewan Association of Rural Municipalities as at December 31, 2007, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

Chartered Accountants
February 1, 2008
Regina, Saskatchewan

Saskatchewan Association of Rural Municipalities
Consolidated Statement of Financial Position

At December 31, 2007

	2007	2006
Assets		
Current Assets		
Cash	\$ 1,145,380	\$ 42,581
Accounts Receivable	570,541	575,705
Accrued Interest Receivable (Note 4)	185,988	244,622
Short-term Investments (Note 4)	1,383,047	1,415,400
Inventory	57,234	55,001
Prepaid Expenses & Deposits	27,030	20,715
	<u>3,369,220</u>	<u>2,354,024</u>
Long Term & Fixed Assets		
Long-term Investments (Note 4)	14,083,539	13,837,166
Property and Equipment (Note 5)	447,442	491,889
Liability & Property Insurance Reserves	20,050	18,104
	<u>14,551,031</u>	<u>14,347,159</u>
Total Assets	\$ 17,920,251	\$ 16,701,183
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	\$ 453,082	\$ 520,912
Deferred Revenue (Note 6)	43,350	10,427
Accrued Insurance Claims	516,129	450,026
	<u>1,012,561</u>	<u>981,365</u>
Other Liabilities		
Funds Under Administration (Note 9)	68,269	133,610
Total Liabilities	<u>1,080,830</u>	<u>1,114,975</u>
Net Assets		
Unrestricted Net Assets	861,135	612,551
Invested in Property & Equipment (Note 5)	447,442	491,889
Restricted Net Assets:		
Federal Lobbyist Fund	94,176	81,489
Group Benefits Plan	2,071,292	1,706,386
Liability Self-Insurance Plan	12,135,966	11,861,997
Fidelity Bond Self-Insurance Plan	180,679	154,557
Property Self-Insurance Program	1,048,731	677,339
Total Net Assets	<u>16,839,421</u>	<u>15,586,208</u>
Total Liabilities & Net Assets	\$ 17,920,251	\$ 16,701,183

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

Saskatchewan Association of Rural Municipalities
Consolidated Statement of Operations
For The Year Ended December 31, 2007

	2007	2006
General Revenue		
Membership Fees	\$ 516,541	\$ 516,592
Investment Income	54,969	57,141
Administration Fees (Note 10)	654,265	625,170
Convention Income	112,869	114,740
Other Revenues	3,297	14,430
	1,341,941	1,328,073
Member Services (Schedule 2)(Note 12)	10,568,686	9,686,354
Special Projects (Schedule 2)(Note 12)	592,322	288,994
Total General Revenues	12,502,949	11,303,421
General Expenses		
Conventions and Meetings	206,439	189,920
Directors Meetings	434,646	435,440
Staff Salaries and Benefits	815,215	777,617
Office Expenses	70,464	75,437
Support Service Expenses	38,928	33,474
Property and Amortization	118,426	89,609
Other Expenses	23,403	35,541
	1,707,521	1,637,038
Member Services (Schedule 2)(Note 11)	10,027,815	9,307,793
Special Projects (Schedule 2)(Note 11)	564,768	332,582
Total General Expenses	12,300,104	11,277,413
General Surplus	202,845	26,008
Restricted Fund Revenues (Schedule 1)		
Federal Lobbyist Fund	78,051	77,762
Group Benefits Plan Fund	1,139,527	998,666
Liability Self-Insurance Plan Fund	968,664	1,051,257
Fidelity Bond Self-Insurance Plan Fund	37,570	37,197
Property Self-Insurance Program Fund	776,551	703,196
Total Restricted Fund Revenues	3,000,363	2,868,078
Restricted Fund Expenses (Schedule 1)		
Federal Lobbyist Fund	65,364	79,296
Group Benefits Plan Fund	777,286	962,615
Liability Self-Insurance Plan Fund	738,351	472,946
Fidelity Bond Self-Insurance Plan Fund	11,696	22,493
Property Self-Insurance Program Fund	404,019	603,205
Total Restricted Fund Expenses	1,996,716	2,140,555
Restricted Funds Surplus	1,003,647	727,523
Consolidated Surplus	\$ 1,206,492	\$ 753,531

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

Saskatchewan Association of Rural Municipalities
Consolidated Statement of Changes in Net Assets

For The Year Ended December 31, 2007

	Unrestricted Net Assets	Invested in Property & Equipment	Federal Lobbyist Fund	Group Benefits Plan	Liability Self- Insurance Plan	Fidelity Bond Self- Insurance Plan	Property Self- Insurance Program
Net Assets - Beginning of the Year	\$ 612,551	\$ 491,889	\$ 81,489	\$ 1,706,386	\$ 11,861,997	\$ 154,557	\$ 677,339
Adjustment For Accounting Policy Change (Note 3)	1,292	-	-	2,665	18,807	248	1,342
Adjusted Balance-Beginning of the Year	613,843	491,889	81,489	1,709,051	11,880,804	154,805	678,681
Net Amortization - Property & Equipment	41,198	(41,198)	-	-	-	-	-
Net Investment - Property & Equipment	3,249	(3,249)	-	-	-	-	-
Members Reserve Contributions	-	-	-	-	24,599	-	-
Past Member's Obligation	-	-	-	-	250	-	-
Member's Reserve Withdrawal	-	-	-	-	-	-	(2,482)
Surplus	202,845	-	12,687	362,241	230,313	25,874	372,532
Net Assets - End of Year	\$ 861,135	\$ 447,442	\$ 94,176	\$ 2,071,292	\$ 12,135,966	\$ 180,679	\$ 1,048,731

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

Saskatchewan Association of Rural Municipalities
Consolidated Statement of Cash Flows

For The Year Ended December 31, 2007

	2007	2006
Operating Activities		
Surplus	\$ 1,206,492	\$ 753,531
Amortization	70,775	51,355
Unrealized Losses	115,861	-
Change in Funds Under Administration	(65,341)	13,799
Loss on Sale of Property & Equipment	-	1,754
Liability Reserves - Member Contributions	24,599	19,386
Liability Reserve - Prior Member's Obligation	250	-
Property Reserve - Member Withdrawal	(2,482)	-
Change In Non-Cash Current Assets and Liabilities	118,799	(182,712)
Cash Provided	1,468,953	657,113
Financing and Investing Activities		
Sale of Property and Equipment	-	1,470
Liability & Property Insurance Reserves	(1,946)	(1,182)
Investment in Property and Equipment	(26,329)	(155,796)
Investment in Long-term Investments	(337,879)	(262,605)
Cash Used	(366,154)	(418,113)
Increase in Cash Position	1,102,799	239,000
Cash (Bank Indebtedness), Beginning of Year	42,581	(196,419)
Cash, End of Year	1,145,380	42,581

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

Saskatchewan Association of Rural Municipalities
Schedule 1 - Summary of Operations - Restricted Funds

For The Year Ended December 31, 2007

	Federal Lobbyist Fund	Group Benefits Plan	Fidelity Bond			2007	2006
			Liability Self- Insurance Plan	Self- Insurance Plan	Property Self- Insurance Program		
Revenues							
Members' Contributions	\$ 78,051	-	\$ -	\$ -	\$ -	78,051	\$ 77,762
Premiums	-	1,051,364	484,544	30,555	722,341	2,288,804	2,067,257
Investment Income	-	88,163	480,020	7,015	46,810	622,008	722,059
Other Revenue	-	-	4,100	-	7,400	11,500	1,000
Total Revenues - Restricted Funds	78,051	1,139,527	968,664	37,570	776,551	3,000,363	2,868,078
Expenses							
Claims Expense	-	556,986	390,271	1,250	145,468	1,093,975	1,317,120
SARM Administration Fee	-	220,000	145,363	9,166	216,702	591,231	569,697
Legal Fees	-	-	188,212	454	-	188,666	141,655
Lobbyist Fees	60,609	-	-	-	-	60,609	60,572
Other Expenses	4,755	300	14,505	826	41,849	62,235	51,511
Total Expenses - Restricted Funds	65,364	777,286	738,351	11,696	404,019	1,996,716	2,140,555
Restricted Funds' Surplus	\$ 12,687	\$ 362,241	\$ 230,313	\$ 25,874	\$ 372,532	\$ 1,003,647	\$ 727,523

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

Saskatchewan Association of Rural Municipalities
Schedule 2 - Summary of Operations - Member Services & Special Projects

For The Year Ended December 31, 2007

	2007			2006		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Member Services						
Prairie Petroleum Buying Group	\$ 5,462,606	\$ 5,457,956	\$ 4,650	\$ 5,610,895	\$ 5,627,287	\$ (16,392)
Trading Department	2,284,924	2,089,320	195,604	1,438,661	1,339,231	99,430
Legal Services	197,622	3,504	194,118	170,821	6,949	163,872
Extended Health & Dental Benefit Program	1,924,948	1,850,916	74,032	1,828,959	1,758,617	70,342
Long Term Disability Benefit Program	575,515	538,963	36,552	520,279	487,373	32,906
Optional Life Insurance Benefit Program	52,572	47,138	5,434	49,619	44,463	5,156
Rural Councillor, Calendars & Notices	24,787	7,590	17,197	18,828	7,925	10,903
Municipal Leadership Development Program	45,712	32,428	13,284	48,292	35,948	12,344
Total Member Services	10,568,686	10,027,815	540,871	9,686,354	9,307,793	378,561
Special Projects						
Invasive Alien Weed Program	161,338	161,338	-	93,518	93,518	-
Weed Survey & Mapping Workshops	6,600	6,600	-	-	-	-
Mapping Weed Spread	3,000	3,000	-	-	-	-
Municipal Capacity Development Program	279,981	260,781	19,200	14,009	10,309	3,700
Clearing the Path Project - Phase 1	24,809	9,861	14,948	43,099	72,467	(29,368)
Prairie Grain Roads Project	27,110	28,356	(1,246)	57,270	57,463	(193)
Phostoxin Courses	27,112	30,644	(3,532)	-	-	-
Nuclear Forum	-	-	-	38,090	30,355	7,735
Land Survey Fund	16,410	15,639	771	19,050	17,540	1,510
Municipal Restructuring	43,482	43,482	-	17,966	17,966	-
Strategic Planning Process	-	-	-	-	26,972	(26,972)
Producer Car Manual	2,480	-	2,480	5,992	5,992	-
4R Study	-	5,067	(5,067)	-	-	-
Total Special Projects	592,322	564,768	27,554	288,994	332,582	(43,588)
Total Member Services & Special Projects	11,161,008	10,592,583	568,425	9,975,348	9,640,375	334,973

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

Saskatchewan Association of Rural Municipalities

Notes to the Consolidated Financial Statements

December 31, 2007

1. Operations

The Saskatchewan Association of Rural Municipalities (SARM) is a non-profit organization incorporated under a special act of the Province. The mission of SARM is to deliver timely, dependable services to meet the needs of its members while influencing government policy and facilitating municipalities to work together to foster rural development and build strong, sustainable communities.

A bylaw of The Saskatchewan Association of Rural Municipalities 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 are elected by delegates, one from each of the six divisions of SARM members.

The general operations of SARM, along with certain member services and special projects are accounted for through the General Fund. The Group Benefits Plan, the Liability Self-Insurance Plan, the Fidelity Bond Self-Insurance Plan and the Property Self-Insurance Program are each accounted for as a restricted fund. The investment pool (investments of the General Fund, the four restricted funds and two trust funds administered by SARM as trustee) is accounted for through an Investment Fund.

The Group Benefits Plan provides short-term disability, vision care and other benefits to the employees and officials of SARM members. The Fidelity Bond Self-Insurance Plan provides fidelity bond coverage for municipal employees, along with coverage for cash, securities and registered mail. The Liability Self-Insurance Plan and Property Self-Insurance Program provide comprehensive property and liability insurance coverage for participating SARM members.

SARM is exempt from income tax.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant policies (also see Note 3 – Change in Accounting Policy):

(a) Revenue Recognition

(i) Revenues are recorded using the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. SARM follows the deferral method of accounting for contributions recorded in the General Fund. SARM follows the restricted fund method of accounting for contributions recorded in the Group Benefits Plan Fund, the Liability Self-Insurance Plan Fund, the Fidelity Bond Self-Insurance Plan Fund and the Property Self-Insurance Plan Program.

(ii) Investment income includes bank interest and investment income allocated from the investment pool (see Note 4). The investment pool includes fixed return investments and variable return investments.

Investment income for fixed return investments includes accrued interest, amortized premium and discount, and realized gains or losses on the sale or redemption of investments. Purchase premiums and discounts are amortized on a straight-line basis – discounts are amortized over the term to maturity, with

premiums amortized to the first call date, or over the term to maturity if there is no call feature. Investment income for variable return investments includes interest received in the year, realized gains or losses on the sale or redemption of investments, and unrealized gains or losses resulting from the change in market value for the variable return investments.

(b) Expenditure Recognition

(i) Expenditures 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 7 and 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) SARM participates in a contributory defined benefit plan for its employees. The defined benefit plan is a multi-employer plan, and as such, the contributions are expensed when due and payable. The obligation for accrued vacation pay has been accounted for at an undiscounted value at the current rate of pay.

(c) Investments

Short-term investments are investments in the investment pool that mature within one year. Short term investments are all fixed return investments and are recorded at cost, including the unamortized premium or discount.

Long-term investments include investments classified as fixed return investments and investments classified as variable return investments. Variable return investments are valued at market value, with the market value determined by CIBC Wood Gundy. Fixed return investments are recorded at cost, including the unamortized premium or discount. If there was a decline in value that was not considered temporary in investments recorded at cost, the investments would be recorded at net realizable value – there are no fixed return investments that have been recorded at net realizable value.

(d) Deferred Revenue

Deferred revenue represents trade show and subscription fees, insurance premiums, and liability reserve contributions received in the current fiscal year which will be earned or are due in the next fiscal year.

(e) Accounts Receivable and Accounts Payable

Accounts receivable are classified as held for trading and are recorded at fair market value. The fair market value is equal to its carrying value given the short term nature of the amounts. Accounts payable and accrued liabilities are classified as other liabilities and are recorded at amortized cost.

(f) Inventory

Inventory is valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out basis.

(g) Property and Equipment

The cost of property and equipment, less estimated salvage value, is amortized over the estimated useful life. For the building and vehicle the amortization is calculated on the declining balance, at a rate of 2.5% for the building and 20% for the vehicle. For office equipment, computer hardware and computer software, amortization is calculated using the straight line method, with an annual amortization of 10% for office equipment and certain custom software (group benefits system, tax loss compensation system and liability insurance system), 20% for the website software, and 25% for computer hardware and other computer software.

(h) Liability Self-Insurance Reserves

The reserves of this Plan are the beneficial property of the individual participants. Each participant's share of the total reserve consists of:

(i) Initial reserve contributions – Each participant, upon joining the Plan, is required to make reserve contributions of three times their annual premium for each of the first three years they are participate in the Plan.

(ii) Investment income – The investment income for the Plan for the year is allocated to the reserves based on the participants reserve balance at the start of year and reserve contributions made during the year.

(iii) Claims expense for prior years – When a claim for a prior year is resolved and paid in the current year, if the claim is in excess of \$10,000, the expense is allocated against the reserves of the participants of the Plan in the year that the claim was initiated. The claims expense is allocated based on each participant's premiums for the prior year as a percent of the total premiums paid in the prior year.

(iv) Net surplus or deficit for the current year – The net surplus or deficit for the current year (excluding investment income and claims expense for prior years) is allocated to the reserves based on each participant's premiums for the year as a percent of the total premiums paid in the year.

(i) Property Self-Insurance Reserves

The reserves of this Program are the beneficial property of the individual participants. Each participant's share of the total reserve consists of:

(i) Net surplus or deficit for the current year – The net surplus or deficit for the current year (excluding investment income) is allocated based on each participant's premiums for the year as a percent of the total premiums paid in the year.

(ii) Investment income – The investment income for the Program for the year is allocated to the reserves of the participants based on the participants reserve balance, after the allocation of the net surplus or deficit for the current year.

(j) Use of Estimates

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

3. Change in Accounting Policy

During the year, SARM adopted a new accounting standard (Section 3855 – Financial Instruments, Recognition and Measurement) issued by the Canadian Institute of Chartered Accountants. The adoption of this standard resulted in a change in the accounting for investments, and as a result, there is a transition adjustment recorded in opening net assets. The adjustment for the Consolidated Statement of Changes in Net Assets is \$24,354. The adjustment is the unrealized gain resulting from valuing variable return investments (classified as held for trading) at market value at December 31, 2006.

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities which are recorded in the Consolidated Statement of Financial Position. Under this standard, except in certain instances not applicable to SARM, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale, or other financial liabilities. Financial assets and financial liabilities held for trading are measured at fair value with changes in those fair values recognized in revenue. Financial assets held to maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Accounts receivable are classified as held for trading and are recorded at fair market value. The fair market value is equal to its carrying value given the short term nature of the amounts. Accounts payable and accrued liabilities are classified as other liabilities and are recorded at amortized cost. There were no transition adjustments attributable to the re-measurement of financial assets and financial liabilities, other than the adjustment of \$24,354 for investments described in this note.

4. Investments

The investment pool includes cash and short-term and long-term 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 investment income attributed to each fund is apportioned based on the investment of each fund in the pool. The following table provides a summary of the assets in the investment pool at December 31, 2007 and the assets apportioned to the Consolidated Statement of Financial Position for SARM (44.5615% of the investment pool). The portion of the investment pool held by each fund is 1.3339% for the General Fund, 5.6315% for the Group Benefits Plan, 33.94% for the Liability Self-Insurance Plan, 0.4787% for the Fidelity Bond Self-Insurance Plan, and 3.1774% for the Property Self-Insurance Program.

Investment Pool Assets	Total	SARM's Portion of Total
Investments:		
Unamortized Premium or Discount	\$ 430,196	\$ 191,702
Fixed Return Investments	32,104,000	14,306,011
Variable Return Investments	2,174,241	968,873
Total Investments	34,708,437	15,466,586
Cash	1,613,471	718,986
Accrued Interest Receivable	417,374	185,988
	<u>\$ 36,739,282</u>	<u>\$ 16,371,560</u>
Investment Categories:		
Short-term Investments	\$ 3,103,681	\$ 1,383,047
Long-term Investments	31,604,756	14,083,539
Total Investments	<u>\$ 34,708,437</u>	<u>\$ 15,466,586</u>

Fixed return investments are classified as held to maturity and are valued at historical cost, including the unamortized premium or discount. At December 31, 2007, the book value of fixed return investments was \$32,534,196, including the unamortized premium or discount. The estimated market value of the fixed return investments at December 31, 2007 was \$32,103,432.

Variable return investments are classified as held for trading. Variable return investments are valued at their estimated market value. The estimated market value at December 31, 2007 is \$2,174,241. The cost of the variable return investments is \$2,380,000. As a result of a change in accounting policy (see note 3), the value of the variable return investments was restated to \$2,635,170 at December 31, 2006 (unamortized cost of \$2,580,000). The unrealized gain of \$55,170 (\$24,354 apportioned to SARM) is reflected in the Consolidated Statement of Changes in Net Assets as a change in the beginning net assets. The unrealized loss included in investment income for 2007 is \$260,929 (\$115,861 apportioned to SARM and the restricted funds).

The following table is a summary of the investments at December 31, 2007.

Description	Range of Maturity Dates	Amortized Cost	Estimated Market Value
Fixed Return Investments (Held to Maturity)			
Financial Institutions			
Bank of Montreal	2013 to 2021	\$ 8,737,050	\$ 8,346,676
CIBC Bank	2008 to 2014	2,600,560	2,531,852
Royal Bank	2011 to 2015	3,692,253	3,642,908
TD Bank	2018	745,361	724,754
Bank of Nova Scotia	2010	651,105	654,589
Other Institutions	2012	380,000	380,000
		<u>16,806,329</u>	<u>16,280,779</u>
Provincials			
Saskatchewan	2009 to 2013	4,533,881	4,596,584
Ontario	2010 to 2015	3,662,207	3,730,179
New Brunswick	2012 to 2015	1,617,412	1,595,957
Manitoba	2013	655,221	673,427
Nova Scotia	2009	587,352	586,959
		<u>11,056,073</u>	<u>11,183,106</u>
Others			
Farm Credit Canada	2011 to 2022	3,083,282	3,061,088
BC Municipal Financing	2014	972,659	961,919
Westcoast Energy	2008	615,853	616,539
		<u>4,671,794</u>	<u>4,639,546</u>
Total Fixed Return Investments		<u>32,534,196</u>	<u>32,103,431</u>
Variable Return Investments (Held for Trading)			
CIBC Deposit Notes	2009 to 2012	1,330,000	1,239,665
CIBC Mutual Fund	2013	250,000	213,113
Manitoba Allocation Notes	2009	500,000	447,713
BDC Canadian Notes	2014	300,000	273,750
Total Variable Return Investments		<u>2,380,000</u>	<u>2,174,241</u>
Total Investments		<u><u>\$ 34,914,196</u></u>	<u><u>\$ 34,277,672</u></u>

The variable return investments are protected as to the principal if the investment is held to maturity. The interest paid on the investment is linked to the change in value of certain shares or market indices.

5. Property and Equipment

Property and equipment is comprised of the following:

Description	Cost	Accumulated Amortization	2007 Net	2006 Net
Land	\$ 23,000	\$ -	\$ 23,000	\$ 23,000
Building	441,489	253,920	187,569	192,379
Vehicle	20,223	6,435	13,788	17,235
Office Equipment	89,182	72,375	16,807	16,802
Computer Hardware & Software	181,796	149,147	32,649	32,386
Customer Software:			-	-
Fidelity Bond System	8,500	8,500	-	-
Group Benefits System	130,345	127,706	2,639	15,673
Tax Loss System	117,942	73,087	44,855	56,650
Liability Insurance System	130,430	13,043	117,387	130,429
SARM Website	10,935	2,187	8,748	7,335
	<u>\$ 1,153,842</u>	<u>\$ 706,400</u>	<u>\$ 447,442</u>	<u>\$ 491,889</u>

6. Deferred Revenue

Deferred revenue is comprised of the following:

	2007	2006
Trade Show Fees	\$ 31,293	\$ 3,700
Fidelity Bond Premiums	975	775
Group Benefits Plan Premiums	-	5,952
Liability Insurance Premiums	2,764	-
Liability Reserve Contributions	8,294	-
Rural Councillor Subscription	24	-
Total Deferred Revenue	<u>\$ 43,350</u>	<u>\$ 10,427</u>

7. Contingencies

The General Fund is contingently liable as a 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 2007 and prior years.

Accrued claims reported in the consolidated financial statements represent management's best estimate of the Liability Self-Insurance Plan and Property Self-Insurance Program 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 the Property Self-Insurance Program were conducting preliminary investigations on a number of 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.

8. Claims Expense

Claims expense for the Liability Self-Insurance Plan and the Property Self-Insurance Program are comprised of the following:

	<u>2007</u>	<u>2006</u>
Liability Self-Insurance Plan		
Claims Paid During The Year	\$ 241,938	\$ 105,341
Adjustment to Accrued Claims	148,333	77,177
Total Claims Expense	<u>\$ 390,271</u>	<u>\$ 182,518</u>
Property Self-Insurance Program		
Claims Paid During The Year	\$ 227,698	\$ 270,265
Adjustment to Accrued Claims	(82,230)	109,258
Total Claims Expense	<u>\$ 145,468</u>	<u>\$ 379,523</u>

9. Funds Under Administration

Funds Under Administration are comprised of the following:

	<u>2007</u>	<u>2006</u>
Wilkinson Foundation	\$ 1,171	\$ 471
Land Claim Survey Funds	20,271	35,139
Municipal Restructuring Funds	12,552	56,034
Municipal Leadership Development Funds	34,275	33,746
Municipal Awards Funds	-	5,765
Best Practices Guide Funds	-	2,455
Total Funds Under Administration	<u>\$ 68,269</u>	<u>\$ 133,610</u>

The Wilkinson Foundation was created in honour of a former Executive Director of SARM to provide funding for initiatives that preserve Saskatchewan history. Funding is provided through annual donations of \$1,000 from SARM and the Wilkinson family. Expenditures in 2007 were \$1,300 (2006 - \$1,500).

Land Claim Survey funds were transferred by the Government of Canada to SARM. The funding was provided to reimburse municipalities for a portion of the cost of road surveys necessitated by the settlement of Indian land claims. Expenditures in 2007 (Schedule 2) were \$15,639 (2006 - \$17,540).

Municipal Restructuring funds were provided to SARM by the Province to assist municipalities with the cost of voluntary restructuring. Expenditures in 2007 (Schedule 2) were \$43,482 (2006 - \$17,966).

The Municipal Leadership Development Program is a program that 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 was created to deliver education and training programs to municipal clerks, administrators and elected officials. SARM is the program administrator and receives fees for each registrant and for printing of the program materials. The fees received in 2007 were \$8,997 (2006 - \$9,943). SARM and the other partners share in the surplus generated by the program. In 2007, SARM received \$4,287 (2006 - \$2,401) as its share of the surplus. The total amount received by SARM of \$13,284 (2006 - \$12,344) is the net revenue for MLDP shown in Schedule 2. The Funds Under Administration for the MLDP program includes a deferred contribution from the Province of \$7,456 (2006 - \$8,050), undistributed program surplus of \$12,879 (2006 - \$8,059), and registration payments and credits to be applied to future courses \$13,940 (2006 - \$17,638).

10. Administration Fees

Administration Fees are comprised of the following:

Source of Administration Fee	2007	2006
Group Benefits Plan	\$ 220,000	\$ 220,000
Liability Self-Insurance Plan	145,363	143,462
Fidelity Bond Self-Insurance Plan	9,166	8,925
Property Self-Insurance Program	216,702	197,310
Rural Municipal Tax Loss Compensation Trust Fund	40,315	36,960
Rural Municipal Specific Claims Tax Loss Compensation Trust Fund	1,270	1,240
Municipal Potash Tax Sharing		
Administration Board	10,000	6,000
Municipal Habitat Conservation Fund	10,000	10,000
Provincial Sales Tax Commission	1,449	1,273
Total Administration Fees	<u>\$ 654,265</u>	<u>\$ 625,170</u>

In addition to the Administration Fees listed in the table above, SARM receives fees to cover administration costs for certain programs included in the list of Member Services and Special Projects in Schedule 2 (also see note 11).

The Administration Fees from the restricted funds (Group Benefits Plan, Liability Self-Insurance Plan, Fidelity Bond Self-Insurance Plan and Property Self-Insurance Program) are 30% of the premiums for the current year, subject to a fee cap of \$220,000 for the Group Benefits Plan. These fees are accounted for as an expense in the restricted funds (see Schedule 1) and revenue in the General Fund in order to determine the net assets of the restricted funds.

11. Member Services and Special Projects

Schedule 2 summarizes the revenues and expenditures for a number of programs or services undertaken by SARM to pursue its mission. Information on the Municipal Leadership Program, Land Survey Fund and Municipal Restructuring is provided in Note 9. Information on other member services or special projects includes.

- Prairie Petroleum Buying Group – Prairie Fuel Advisors (PFA) manages a fuel buying program for a number of entities in Alberta, Saskatchewan and Manitoba. The program enables the participants to benefit from the pricing received through volume contracts with fuel suppliers. SARM coordinates the participation of rural municipalities in Saskatchewan. There are 77 municipalities that purchase fuel and lubricants through the program, along with SARM and four urban municipalities. In addition to the price of the fuel or lubricants, a fee of 1 cent per litre on fuel and 5 cents per litre on lubricants is added to cover administrative costs of the program. The fee is split, with 90% paid to PFA and 10% retained by SARM.

- The SARM Trading Department coordinates the purchase of certain goods and services for member municipalities. The majority of purchases are for stationary and office products, road signs, tires and rodent control poisons. Through negotiated arrangements with suppliers, SARM is able to pass on savings to participating municipalities while generating revenue to support the delivery of other SARM services.

- SARM staff provides legal services on a fee for service basis to member municipalities and the SARM restricted funds. In 2007, the fees charged to member municipalities totaled \$49,096 (2006 - \$66,236). The fees charged to the SARM restricted funds were \$148,526 (2006 - \$104,585). The fees

to the restricted funds are recorded as an expense to those funds (see Schedule 1).

- SARM coordinates three benefit programs for participating member municipalities. These are a long term disability program, an extended health and dental benefits program and an optional life insurance program. The benefit programs are provided through external carriers. SARM coordinates the participation in the program, collecting premiums from participating municipalities and paying the plan carriers. The net revenue for these programs shown in Schedule 2 is the program administration fee retained by SARM.
- Invasive Alien Weed Program – In May 2006, SARM entered into an agreement with the Government of Canada (represented by the Department of Agriculture and Agri-Food) for SARM to undertake Agri-Environmental Group Planning (AEGP) in Saskatchewan. Saskatchewan is utilizing AEGP as one tool to achieve the objectives of environmental farm planning, specifically increasing producer awareness of environmental risks and benefits as well as affecting positive changes on the landscape. The agreement provides funding to a maximum of \$341,919 for SARM to undertake the program. The agreement provides for the program to end March 31, 2008. The expenditures for the program in 2007 were \$161,338 (2006 - \$93,518).
- In November 2006, SARM, the Saskatchewan Urban Municipalities Association (SUMA) and the New North jointly entered into an agreement with the Government of Saskatchewan for the delivery of the Municipal Capacity Development Program (MCDP) to Saskatchewan municipalities. The program is to assist the municipal associations in developing municipal capacity and promoting inter-municipal co-operation. The term of the program is from November 2006 to March 31, 2009. The total approved funding for the program is \$718,780. The net revenue of \$19,200 (2006 - \$3,700), is the amount provided to SARM pursuant to the agreement to cover the financial administration costs incurred by SARM for the project. SARM pays all expenses for the program and submits the funding claims. The project is funded through the Municipal Rural Infrastructure Fund.

12. Commitments

SARM is one of 17 parties to the Saskatchewan Geospatial Imagery Collaborative Members Agreement dated September 20, 2007. The agreement expires December 31, 2011. The purpose of the agreement is to set up a province-wide data base to contain geospatial imagery to be accessible by the funding members. SARM is participating in the project to enable all SARM members to access the data. The total commitment by SARM is \$100,000, with \$25,000 to be paid each year from 2008 to 2011. SARM is currently seeking access to senior government funding to fund SARM's commitment.

Agreements that extend to March 31, 2009 have been entered into on behalf of the joint sponsors of the Municipal Capacity Development Program (see note 12) with three consultants for the delivery of services related to the program. The consultants are DGMercer Eco Research, Karen Thogerson and Kinetic Ventures Ltd. Each contract provides for a maximum total cost, an hourly rate for the work performed, and minimum and maximum number of hours per month. The total paid to December 31, 2007 for consulting services (excluding reimbursement for expenses) pursuant to these contracts was \$93,193. The potential commitment for further payments pursuant to the contracts is approximately \$135,000. The program costs, including these consulting services, are funded through the Municipal Rural Infrastructure Fund.

SARM has leases for copiers and mailing equipment. Future commitments for lease payments are \$13,011 in 2008, \$9,944 in 2009 and \$3,240 in 2010.

13. Employee Pension Benefits

SARM and its employees contribute to the Municipal Employees Pension Plan, a multi-employer defined benefit plan. Employer contributions (5.4% of the employee's salary) to the Municipal Employees Pen-