



THE EXCHANGE

chartered accountants

Auditors' Report

To the Members of
Association of Manitoba Municipalities

We have audited the balance sheets of the Association of Manitoba Municipalities, General and Trading Account as at August 31, 2003 and the statements of income and balance of fund, General Account and Trading Account, and combined statement of cash flows for the year then ended. These statements are the responsibility of 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 of Manitoba Municipalities as at August 31, 2003 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants

Winnipeg, Manitoba
September 18, 2003

Financial Statement

**General Account
Balance sheet
As at August 31, 2003**

	2003	2002
ASSETS		
Current	\$ 35,854	\$ -
Cash and short-term deposits	297,013	302,398
Accounts receivable	70,000	103,500
Receivable from Trading Account	34,036	26,909
Prepaid expenses	<u>436,903</u>	<u>432,807</u>
Segregated cash	8,149	8,149
Garrison Trust fund	50,000	38,151
Legal fund, note 5	90,346	76,205
Employee benefits reserve, note 6	50,000	-
Building reserve, note 7	<u>198,495</u>	<u>122,505</u>
Property and equipment, notes 1 and 2	<u>459,845</u>	<u>462,045</u>
	<u>\$ 1,095,243</u>	<u>\$ 1,017,357</u>
LIABILITIES		
Current		
Bank overdraft	\$ -	\$ 28,902
Accounts payable and accrued liabilities	80,572	36,115
Prepaid revenue	294,514	301,628
	<u>375,086</u>	<u>366,645</u>
Garrison Trust fund	8,149	8,149
Legal fund, note 5	50,000	38,151
Employee benefits reserve, note 6	90,346	76,205
Building reserve, note 7	50,000	-
	<u>198,495</u>	<u>122,505</u>
FUND BALANCE		
Balance of fund	<u>521,662</u>	<u>528,207</u>
Approved on behalf of the board:	<u>\$ 1,095,243</u>	<u>\$ 1,017,357</u>

 Director

 Director

Financial Statement

General Account Statement of Income and Balance of Fund Year ended August 31, 2003

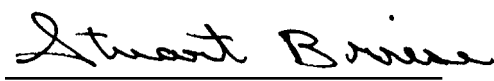
	2003	2002
Revenue		
Membership dues	\$ 292,810	\$ 282,577
Associate membership	750	750
Convention	296,329	209,601
Rental revenue	36,000	36,000
Merx revenue	1,120	1,160
Education	13,800	-
Newly elected seminar	19,300	-
Miscellaneous	1,378	3,369
Housing Conference	14,106	-
Trade show	44,610	37,356
Seminar revenue	69,100	64,800
Fall Forum	-	22,300
Interest earned	3,245	3,692
Administration fees, Manitoba Good Roads Association	2,500	5,000
Corporate membership	4,500	4,500
Pre-conference seminar	18,990	8,930
Magazine	8,787	6,084
Advertising - bulletin	1,150	1,125
	<u>828,475</u>	<u>687,244</u>
Expenses		
Functions, page 31	320,381	260,583
Executive, page 31	363,553	366,433
Other, page 31	286,524	215,808
Staffing, page 32	489,562	454,454
	<u>1,460,020</u>	<u>1,297,278</u>
Administration expense recovered	(25,000)	(25,000)
	<u>1,435,020</u>	<u>1,272,278</u>
Administration dividend, Trading Account	(180,000)	(162,000)
	<u>1,255,020</u>	<u>1,110,278</u>
Operating loss	426,545	423,034
Other income		
Dividend, Trading Account	420,000	425,000
Net income (loss)	<u>(6,545)</u>	<u>1,966</u>
Balance of fund, beginning of year	528,207	526,241
Balance of fund, end of year	<u>\$ 521,662</u>	<u>\$ 528,207</u>


Financial Statement

**Trading Account
Balance sheet
As at August 31, 2003**

	2003	2002
ASSETS		
Current		
Cash	\$ 1,406,137	\$ 1,017,920
Accounts receivable	761,494	807,512
Inventory, note 1	30,901	23,321
	2,198,532	1,848,753
Segregated cash		
Self-insurance loss pool, note 3	5,845,380	3,140,793
	\$ 8,043,912	\$ 4,989,546
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 937,616	\$ 600,692
Payable to General Account	70,000	103,500
	1,007,616	704,192
Self-insurance loss pool, note 3	5,845,380	3,140,793
FUND BALANCE		
Balance of fund	1,190,916	1,144,561
	\$ 8,043,912	\$ 4,989,546

Approved on behalf of the board:


 _____ Director


 _____ Director

Financial Statement

Trading Account Statement of Income and Balance of Fund Year ended August 31, 2003

	2003	2002
Sales	\$ 6,590,833	\$ 6,771,708
Cost of sales	6,440,616	6,601,747
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Gross profit (2003 - 2.3%, 2002 - 2.0%)	150,217	169,961
Insurance administration fees	657,284	425,853
Interest	392,863	387,643
	<hr/>	<hr/>
	1,200,364	983,457
	<hr/>	<hr/>
Expenses		
Administration dividend, General Account	180,000	162,000
Advertising and promotion	7,005	6,996
Miscellaneous	(2,378)	(3,441)
Interest and bank charges	408	103
Membership Rebate	548,994	-
Write-down of inventory	(20)	3,455
	<hr/>	<hr/>
	734,009	169,113
	<hr/>	<hr/>
Net income	466,355	814,344
Balance of fund, beginning of year	1,144,561	755,217
	<hr/>	<hr/>
	1,610,916	1,569,561
	<hr/>	<hr/>
Dividend, General Account	420,000	425,000
	<hr/>	<hr/>
Balance of fund, end of year	\$ 1,190,916	\$ 1,144,561
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Financial Statement

Combined Statement of Cash Flows Year ended August 31, 2003

	2003	2002
Cash Provided by (Used in):		
Operations		
Net income, Trading Account	\$ 466,355	\$ 814,344
Operating loss, General Account	(426,545)	(423,034)
Add: non-cash charges		
Depreciation	41,330	37,875
	<u>81,140</u>	<u>429,185</u>
Increase in non-cash working capital balances	410,963	55,416
Cash flows from operations	<u>492,103</u>	<u>484,601</u>
Investments	(39,130)	(58,490)
Purchase of fixed assets	<u> </u>	<u> </u>
Increase in cash	452,973	426,111
Cash, beginning of year	<u>989,018</u>	<u>562,907</u>
Cash, end of year	<u>\$1,441,991</u>	<u>\$ 989,018</u>
Represented by:	\$ 35,854	\$ (28,902)
General Account	1,406,137	1,017,920
Trading Account	<u>\$ 1,441,991</u>	<u>\$ 989,018</u>

Financial Statement

Notes to Financial Statements August 31, 2003

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Fund Accounting

The Association accounts for its operations in two funds as follows:

General Account

This fund includes transactions relating to the day-to-day operations of the Association.

Trading Account

This fund includes transactions relating to the day-to-day operations of the wholly-owned subsidiary, the Municipalities Trading Company of Manitoba Ltd.

(b) Inventory

Inventory is valued at the lower of specific cost and net realizable value.

(c) Property And Equipment

Property and equipment are stated at cost less applicable government grants. Depreciation is recorded on the straight-line basis using the following annual rates:

Building	-	2.5%
Office equipment	-	10%
Construction and renovations	-	2.5%
Sign	-	10%
Computer hardware	-	30%
Computer software	-	100%
Vehicle	-	25%
Photocopier	-	20%

Financial Statement

Notes to Financial Statements August 31, 2003

2. Property and Equipment

	Cost	Accumulated Depreciation	2003 Net Book Value	2002 Net Book Value
Land	\$ 90,000	\$ -	\$ 90,000	\$ 90,000
Building	363,916	55,396	308,520	306,799
Office equipment	108,374	86,152	22,222	22,293
Sign	9,128	4,581	4,547	4,025
Computer hardware	200,950	181,594	19,356	16,129
Computer software	22,725	22,725	-	-
Vehicle	64,001	50,039	13,962	20,943
Photocopier	17,905	16,667	1,238	1,856
	<u>\$ 876,999</u>	<u>\$ 417,154</u>	<u>\$ 459,845</u>	<u>\$ 462,045</u>

3. Self-Insurance Loss Pool

	2001/2002 and Prior Pool	2002/2003 Pool	2003 Total	2002 Total
Balance, beginning of year	\$ 3,140,793	\$ -	\$ 3,140,793	\$ 3,081,914
Current year loss pool additions	-	4,447,229	4,447,229	3,083,669
	<u>3,140,793</u>	<u>4,447,229</u>	<u>7,588,022</u>	<u>6,165,583</u>
Insurance claims paid	1,030,669	261,387	1,292,056	2,577,668
Amounts rebated	417,122	-	417,122	417,122
Other costs	30,000	3,464	33,464	30,000
	<u>\$ 1,663,002</u>	<u>4,182,378</u>	<u>5,845,380</u>	<u>3,140,793</u>

Financial Statement

Notes to Financial Statements August 31, 2003

3. Self-Insurance Loss Pool, continued

The "self-insurance loss pool" is operated by the Association of Manitoba Municipalities. The pool is funded annually by proportionate contributions from participating municipalities.

This joint loss pool is responsible for paying the first \$500,000 (2002 - \$500,000) per claim of certain types of claims, up to a maximum of \$5,125,000 (2002 - \$4,125,000) in aggregate for the year.

	2003	2002
The segregated cash is recorded at cost as:		
Bank	\$ 9,859	\$ 9,509
Great West Life - Loss Pool fund (market value \$5,861,095)	5,835,521	3,131,284
	<u>\$ 5,845,380</u>	<u>\$ 3,140,793</u>

4. Operating Lease Commitment

The Association of Manitoba Municipalities leases a portion of its building to an unrelated company. The lease expires August 31, 2004.

The following is a two year schedule of the future minimum lease payments under the lease agreement:

2004	\$ 36,000
2005	36,000
2006	36,000
2007	36,000
2008	27,000

Financial Statement

Notes to Financial Statements August 31, 2003

5. Legal Fund

During 1999, a Legal Fund was established to fund various matters that require the services of a lawyer, including preparation of by-laws, research and responding to any proposed legislative changes or lobbying on issues important to municipalities in Manitoba.

The Legal Fund will be funded, to a maximum of \$50,000, by retaining the excess premiums under the Municipal Insurance Programs that were previously rebated to municipalities each year.

6. Employee Benefits Reserve

This reserve was originally established to fund a human resource position and was augmented by the transfer of the general reserve in MAUM at December 31, 1998. Since that time, it has been used to fund superannuation, and the reserve is not to exceed \$100,000.

7. Building Reserve

This reserve has been established to fund major repairs, renovations, and expansion of the building.

Financial Statement

General Account Schedule of Expenses Year ended August 31, 2003

	2003	2002
Functions		
Municipal seminar	\$ 34,537	\$ 34,286
Trade show	23,804	23,182
Resolutions committee	2,713	2,320
Meeting expense	868	456
Pre-conference seminar	2,661	4,180
Fall forum	-	9,328
Education	9,599	-
Housing Conference	6,927	-
Newly elected officials seminar	6,986	-
Convention	232,286	186,831
	<u>\$ 320,381</u>	<u>\$ 260,583</u>
Executive		
Board - stipend	\$ 34,020	\$ 34,020
Board - sundry	1,776	2,521
Meeting expenses	327,706	327,066
Recoverable expenses	51	2,826
	<u>\$ 363,553</u>	<u>\$ 366,433</u>
Other		
Association fees	\$ 2,967	\$ 3,572
Audit fees	9,320	9,392
Bank charges	45	289
Building repairs and maintenance	17,422	15,047
Building reserve	50,000	-
Depreciation	41,330	37,875
Donations and gifts	3,034	3,170
Insurance	3,879	2,995
Legal	16,407	12,679
Magazine	-	37
Office	55,780	54,830
Postage	20,000	20,032
Printing and stationary	15,613	10,424
Promotional materials	720	2,837
Property taxes	26,322	19,025
Telephone	18,569	18,451
Vehicle expenses	5,116	5,153
	<u>\$ 286,524</u>	<u>\$ 215,808</u>

Financial Statement

**General Account
Schedule of Expenses
Year ended August 31, 2003**

	2003	2002
STAFFING		
Management expenses	\$ 11,866	\$ 8,527
Staff expenses	14,738	9,366
Salaries	387,264	351,783
Employee benefits	55,315	49,891
Workers compensation	720	321
Employee benefits reserve	10,000	10,000
Staff training and recruitment	9,659	24,566
	<hr/>	<hr/>
	\$ 489,562	\$ 454,454
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