



THE EXCHANGE

chartered accountants

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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, 2004 and the statements of income, General Account and Trading Account, statement of net assets, 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, 2004 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 LLP

Winnipeg, Manitoba
September 20, 2004

ASSOCIATION OF MANITOBA MUNICIPALITIES

GENERAL ACCOUNT
BALANCE SHEET
AS AT AUGUST 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT		
Cash and short-term deposits	\$ 57,896	\$ 35,854
Accounts receivable	273,233	297,013
Receivable from Trading Account	-	70,000
Prepaid expenses	<u>59,930</u>	<u>34,036</u>
	<u>391,059</u>	<u>436,903</u>
SEGREGATED CASH		
Garrison Trust Fund	-	8,149
Legal Fund, note 6	50,000	50,000
Employee benefits reserve, note 7	100,000	90,346
Building reserve, note 8	<u>100,806</u>	<u>50,000</u>
	<u>250,806</u>	<u>198,495</u>
PROPERTY AND EQUIPMENT, notes 2 and 3	<u>439,799</u>	<u>459,846</u>
	<u>\$ 1,081,664</u>	<u>\$ 1,095,244</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 79,706	\$ 80,573
Due to employee benefits reserve	4,915	-
Prepaid revenue	<u>310,581</u>	<u>294,514</u>
	<u>395,202</u>	<u>375,087</u>
GARRISON TRUST FUND	-	8,149
LEGAL FUND, note 6	50,000	50,000
EMPLOYEE BENEFITS RESERVE, note 7	100,000	90,346
BUILDING RESERVE, note 8	<u>100,806</u>	<u>50,000</u>
	<u>250,806</u>	<u>198,495</u>
NET ASSETS		
UNRESTRICTED	(4,143)	61,816
INVESTED IN CAPITAL ASSETS	<u>439,799</u>	<u>459,846</u>
	<u>435,656</u>	<u>521,662</u>
	<u>\$ 1,081,664</u>	<u>\$ 1,095,244</u>

APPROVED ON BEHALF OF THE BOARD:

Director_____
Director

ASSOCIATION OF MANITOBA MUNICIPALITIES

**GENERAL ACCOUNT
STATEMENT OF INCOME
YEAR ENDED AUGUST 31, 2004**

	<u>2004</u>	<u>2003</u>
REVENUE		
Membership dues	\$ 294,264	\$ 292,810
Associate membership	1,000	750
Convention	258,765	296,329
Rental revenue	36,000	36,000
Merx revenue	1,600	1,120
Education	42,600	13,800
Newly elected seminar	-	19,300
Miscellaneous	9,486	1,378
Housing conference	-	14,106
Trade show	42,185	44,610
Seminar revenue	68,200	69,100
Interest earned	3,419	3,245
Administration fees, Manitoba Good Roads Association	-	2,500
Corporate membership	4,000	4,500
Pre-conference seminar	8,800	18,990
Magazine	7,119	8,787
Advertising - bulletin	800	1,150
	<u>778,238</u>	<u>828,475</u>
EXPENSES		
Functions, page 12	250,578	320,381
Executive, page 12	346,306	363,552
Other, page 12	308,551	286,524
Staffing, page 13	538,809	489,563
	1,444,244	1,460,020
Administration expense recovered	-	(25,000)
	1,444,244	1,435,020
Administration dividend, Trading Account	(180,000)	(180,000)
	<u>1,264,244</u>	<u>1,255,020</u>
OPERATING LOSS	486,006	426,545
OTHER INCOME		
Dividend, Trading Account	400,000	420,000
NET INCOME (LOSS)	<u>\$ (86,006)</u>	<u>\$ (6,545)</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

TRADING ACCOUNT
BALANCE SHEET
AS AT AUGUST 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT		
Cash	\$ 1,525,736	\$ 1,406,137
Accounts receivable	852,443	761,494
Inventory, note 2	<u>29,357</u>	<u>30,901</u>
	2,407,536	2,198,532
SEGREGATED CASH		
Self-insurance loss pool, note 4	<u>6,645,458</u>	<u>5,845,380</u>
	<u>\$ 9,052,994</u>	<u>\$ 8,043,912</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,020,033	\$ 937,616
Payable to General Account	<u>-</u>	<u>70,000</u>
	1,020,033	1,007,616
SELF-INSURANCE LOSS POOL, note 4	6,645,458	5,845,380
NET ASSETS		
UNRESTRICTED	<u>1,387,503</u>	<u>1,190,916</u>
	<u>\$ 9,052,994</u>	<u>\$ 8,043,912</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

ASSOCIATION OF MANITOBA MUNICIPALITIES

TRADING ACCOUNT
STATEMENT OF INCOME
YEAR ENDED AUGUST 31, 2004

	<u>2004</u>	<u>2003</u>
SALES	\$ 6,826,432	\$ 6,590,833
COST OF SALES	<u>6,670,006</u>	<u>6,440,616</u>
GROSS PROFIT (2004 - 2.3%, 2003 - 2.3%)	156,426	150,217
INSURANCE ADMINISTRATION FEES	546,688	657,284
INTEREST	<u>425,772</u>	<u>392,863</u>
	<u>1,128,886</u>	<u>1,200,364</u>
EXPENSES		
Administration dividend, General Account	180,000	180,000
Advertising and promotion	5,833	7,005
Miscellaneous	(3,032)	(2,378)
Interest and bank charges	2	408
Membership rebate	349,436	548,994
Write-down of inventory	<u>60</u>	<u>(20)</u>
	<u>532,299</u>	<u>734,009</u>
OPERATING INCOME	596,587	466,355
OTHER EXPENSE		
Dividend, General Account	<u>(400,000)</u>	<u>(420,000)</u>
NET INCOME	<u>\$ 196,587</u>	<u>\$ 46,355</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

STATEMENT OF NET ASSETS
YEAR ENDED AUGUST 31, 2004

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total 2004</u>	<u>Total 2003</u>
<u>General Account</u>				
BALANCE, beginning of year	\$ 459,846	\$ 61,816	\$ 521,662	\$ 528,207
Net income (loss)	(47,492)	(38,514)	(86,006)	(6,545)
Investment in capital assets	<u>27,445</u>	<u>(27,445)</u>	<u>-</u>	<u>-</u>
BALANCE, end of year	<u>\$ 439,799</u>	<u>\$ (4,143)</u>	<u>\$ 435,656</u>	<u>\$ 521,662</u>
<u>Trading Account</u>				
BALANCE, beginning of year	\$ -	\$ 1,190,916	\$ 1,190,916	\$ 1,144,561
Net income	<u>-</u>	<u>196,587</u>	<u>196,587</u>	<u>46,355</u>
BALANCE, end of year	<u>\$ -</u>	<u>\$ 1,387,503</u>	<u>\$ 1,387,503</u>	<u>\$ 1,190,916</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2004

	<u>2004</u>	<u>2003</u>
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Net income, Trading Account	\$ 196,587	\$ 46,355
Net loss, General Account	(86,006)	(6,545)
Add: non-cash charges		
Depreciation	<u>47,492</u>	<u>41,330</u>
	158,073	81,140
Increase in non-cash working capital balances	<u>11,013</u>	<u>410,963</u>
Cash flows from operations	169,086	492,103
INVESTMENTS		
Purchase of fixed assets	<u>(27,445)</u>	<u>(39,130)</u>
INCREASE IN CASH	141,641	452,973
CASH, beginning of year	<u>1,441,991</u>	<u>989,018</u>
CASH, end of year	<u>\$ 1,583,632</u>	<u>\$ 1,441,991</u>
REPRESENTED BY:		
General Account	\$ 57,896	\$ 35,854
Trading Account	<u>1,525,736</u>	<u>1,406,137</u>
	<u>\$ 1,583,632</u>	<u>\$ 1,441,991</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2004

1. NATURE OF ORGANIZATION

The Association was established to provide lobbying activities, professional development seminars and to aid in the development of policies that are of importance to its member municipalities in the Province of Manitoba. As well, the Association operates, through the Municipalities Trading Company of Manitoba Ltd. (MTCML), a program which offers member municipalities group discounts on various products and services. The Association is exempt from income tax on its earnings under Section 149 of the Income Tax Act.

2. 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.

ASSOCIATION OF MANITOBA MUNICIPALITIES

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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%
Sign	-	10%
Computer hardware	-	30%
Computer software	-	100%
Vehicle	-	25%
Photocopier	-	20%

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	2004 <u>Net Book Value</u>	2003 <u>Net Book Value</u>
Land	\$ 90,000	\$ -	\$ 90,000	\$ 90,000
Building	367,011	64,572	302,439	308,521
Office equipment	110,018	90,877	19,141	22,222
Sign	9,128	5,493	3,635	4,547
Computer hardware	212,958	195,974	16,984	19,356
Computer software	33,424	33,424	-	-
Vehicle	27,924	20,943	6,981	13,962
Photocopier	<u>17,905</u>	<u>17,286</u>	<u>619</u>	<u>1,238</u>
	<u>\$ 868,368</u>	<u>\$ 428,569</u>	<u>\$ 439,799</u>	<u>\$ 459,846</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2004

4. SELF-INSURANCE LOSS POOL

	2002/2003 And Prior <u>Pool</u>	2003/2004 <u>Pool</u>	2004 <u>Total</u>	2003 <u>Total</u>
Balance, beginning of year	\$ 5,845,380	\$ -	\$ 5,845,380	\$ 3,140,793
Current year loss pool additions	<u>-</u>	<u>3,529,296</u>	<u>3,529,296</u>	<u>4,447,229</u>
	5,845,380	3,529,296	9,374,676	7,588,022
Insurance claims paid	696,247	1,032,971	1,729,218	1,292,056
Amounts rebated	1,000,000	-	1,000,000	417,122
Other costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,464</u>
Balance, end of year	<u>\$ 4,149,133</u>	<u>\$ 2,496,325</u>	<u>\$ 6,645,458</u>	<u>\$ 5,845,380</u>

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 (2003 - \$500,000) per claim of certain types of claims, up to a maximum of \$4,100,000 (2003 - \$5,125,000) in aggregate for the year.

	<u>2004</u>	<u>2003</u>
The segregated cash is recorded at cost as:		
Bank	\$ 37,423	\$ 9,859
Great West Life - Loss Pool Fund (market value \$6,656,047, 2003 - \$5,861,095)	<u>6,608,035</u>	<u>5,835,522</u>
	<u>\$ 6,645,458</u>	<u>\$ 5,845,381</u>

5. OPERATING LEASE COMMITMENT

The Association of Manitoba Municipalities generates revenue by leasing a portion of its building to an unrelated company. The lease expires May 1, 2008.

The Association will receive the following lease revenue in the years ended August 31:

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

ASSOCIATION OF MANITOBA MUNICIPALITIES**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2004****6. 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.

7. 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.

8. BUILDING RESERVE

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

ASSOCIATION OF MANITOBA MUNICIPALITIES

**GENERAL ACCOUNT
SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2004**

	<u>2004</u>	<u>2003</u>
FUNCTIONS		
Municipal seminar	\$ 27,308	\$ 34,537
Trade show	22,986	23,804
Resolutions committee	3,485	2,713
Meeting expense	-	868
Pre-conference seminar	1,000	2,661
Education	20,021	9,599
Housing conference	-	6,927
Newly elected officials seminar	-	6,986
Convention	<u>175,778</u>	<u>232,286</u>
	<u>\$ 250,578</u>	<u>\$ 320,381</u>
EXECUTIVE		
Board - stipend	\$ 33,186	\$ 34,020
Board - sundry	3,349	1,776
Meeting expenses	309,771	327,705
Recoverable expenses	<u>-</u>	<u>51</u>
	<u>\$ 346,306</u>	<u>\$ 363,552</u>
OTHER		
Association fees	\$ 3,039	\$ 2,967
Audit fees	11,875	9,320
Bank charges	45	45
Building repairs and maintenance	19,670	17,422
Building reserve	50,000	50,000
Depreciation	47,492	41,330
Donations and gifts	4,309	3,034
Insurance	2,926	3,879
Legal	7,880	16,407
Office	65,777	55,780
Postage	24,000	20,000
Printing and stationary	13,956	15,613
Promotional materials	8,828	720
Property taxes	25,806	26,322
Telephone	19,425	18,569
Vehicle expenses	<u>3,523</u>	<u>5,116</u>
	<u>\$ 308,551</u>	<u>\$ 286,524</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

GENERAL ACCOUNT
SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2004

	<u>2004</u>	<u>2003</u>
STAFFING		
Management expenses	\$ 10,445	\$ 11,867
Staff expenses	13,356	14,738
Salaries	441,160	387,264
Employee benefits	63,367	55,315
Workers compensation	566	720
Employee benefits reserve	4,915	10,000
Staff training and recruitment	<u>5,000</u>	<u>9,659</u>
	<u>\$ 538,809</u>	<u>\$ 489,563</u>