**MINISTER OF FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

Her Honour the Honourable Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Your Honour:

It is my privilege to present for the information of Your Honour the Annual Report of the Vehicle and Equipment Management Agency (VEMA) for the year ended March 31, 2017.

This report marks VEMA's second year of reporting as a part of the Department of Finance. Their transition from Infrastructure resulted in several modifications to their reporting functions, and I am pleased to say that VEMA's reporting structure to Finance is now completed and is functioning smoothly.

I commend the management and staff at VEMA on the many successes that they have achieved during their eight years as a Special Operating Agency, and I look forward to the work they will do in the coming year.

Respectfully submitted,

Original signed by
Cameron Friesen

Honourable Cameron Friesen

**Finance**
Central Services Division
Suite 300 – 215 Garry Street
Winnipeg, Manitoba R3C 3Z1
T 204 945-7457 F 204 948-3442

Honourable Cameron Friesen
Minister of Finance
Room 103 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

Dear Minister Friesen:

It is my pleasure to submit for your review and consideration the Annual Report of the Vehicle and Equipment Management Agency (VEMA) for the year ended March 31, 2017.

VEMA continues to manage the complete life cycle of its vehicles and equipment including selection and acquisition, financing, licensing, monitoring operating expenses, and re-marketing. One of the more significant results of its management efforts is safer, more environmentally friendly vehicles and equipment that operate throughout their useful lives at a relatively low cost to the Province.

I would like to thank VEMA's management and staff for the dedication and commitment to public service that they consistently demonstrate in performing their duties and responsibilities.

Respectfully submitted,

Original signed by
Scott Sinclair

Scott Sinclair
Associate Deputy Minister

VEMA
Vehicle and Equipment Management Agency

To the Many Stakeholders of Vehicle and Equipment Management Agency (VEMA):

This is my first message to VEMA's Stakeholders as A/Chief Operating Officer, a position that I have now officially held for just a little more than five months.

I am regularly in both of VEMA's light duty and heavy duty Winnipeg shop locations. During the past couple of months, however, I have also been privileged to visit each of the full shop facility locations in Beausejour, Brandon, Dauphin, Thompson and The Pas to see the facilities first-hand and to get to know and visit with the staff in each location. I would like to think that I now have a better understanding of the needs and requirements in each of VEMA's main locations.

VEMA is reporting a net income of $194,942 for the year ended March 31, 2017. On more than $91 million in revenues, that's about as close to our break-even mandate as we probably can ever hope to come. I would like to thank VEMA's management and staff for their hard work, diligence, and dedication during the year in achieving those results.

VEMA's carrying value for tangible capital assets at just over $140 million and its borrowing from the Province at just over $119 million are the highest those respective numbers have been in the eight years that VEMA has been a Special Operating Agency. It's quite likely, however, that those numbers are going to level off in the next few years. One reason for the levelling off is that the heavy duty fleet of vehicles and equipment has now been significantly upgraded from its condition at the date of the amalgamation. Looking ahead, our Business Plan for 2017/18 projects cutbacks in the dollar amount of purchases for both heavy duty and light duty vehicles and equipment. Those cutbacks will probably continue for the next few years. Purchases totalling lower amounts than we've experienced in the past several years will require less borrowings, and the carrying value and borrowings numbers should therefore remain constant or even decrease as a result.

One of my goals is to make VEMA a more cohesive group than it perhaps has been in the past, and to ensure that the policies and procedures are consistent from location to location. Once that goal is on the road towards accomplishment, I would like our management and staff to continue to hone in on VEMA's main goal: Providing vehicles and equipment that meet the job for which they are intended, with the lowest fuel emissions possible, and at the lowest possible cost. I continue to believe that's a goal worth shooting for.

Original signed by
Sean Savage

Sean Savage
A/Chief Operating Officer



An Agency of the Manitoba Government

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# Contents



**Vehicle and Equipment Management Agency is an Agency of the Manitoba Government**

# Profile of Vehicle and Equipment Management Agency

Vehicle and Equipment Management Agency (VEMA, or the Agency) provides acquisition, management and disposal services for both heavy duty and light duty vehicles and equipment. It has one of the larger fleets of vehicles and equipment in Manitoba and, as an Agency within the Department of Finance, its main customers are the departments, agencies and Crown corporations of the provincial government.

*Mission Statement*

*To provide clients with superior vehicles, equipment, products and services that offer sustainable solutions that are financially and socially responsible.*

VEMA's full service shop and stores facilities are located in Beausejour, Brandon, Dauphin, The Pas, Thompson and Winnipeg, with satellite shops in several other locations in the province. In addition, VEMA also provides services as required to Northern Airports and to Marine Operations locations throughout the province.

On March 31, 2017, the fleet totaled 5,553 units comprised of light duty vehicles (54%), heavy duty vehicles and equipment (40%), ambulances (4%), and miscellaneous units and attachments (2%).

*Vision Statement*

*To be the recognized leading provider of asset management services to the broader public sector.*

Annual distance travelled by the owned and managed fleet currently approximates 75 million kilometres and fuel consumption for both heavy and light duty vehicles and equipment owned and managed by VEMA totals more than 20 million litres a year.

Radio Services is a division that rounds out the services offered by the Agency. The division's technicians are responsible for the servicing of existing radio base stations in areas where cellular phone service is not currently available, and for the evaluation, installation, repair and maintenance of two-way radios and Automatic Vehicle Locator (AVL) equipment used by its provincial and other clients in those areas.

# Products and Services

A wide range of products and services has been developed over the past several years to meet the needs of the Agency's provincial government clients, with those services falling into three main groups: Vehicle and Equipment Services, Fleet Management Services, and Radio Services.

Vehicle and Equipment Services for light duty vehicles and equipment include leases, long-term rentals, short-term (daily) rentals, and vehicle insurance and registration. For heavy duty vehicles and equipment, services are primarily to the Department of Infrastructure, with those services designed to provide reliable equipment that is right for the job on a timely basis.

Fleet Management Services cover a whole range of services including a credit card for fuel purchases, repair authorizations, preventive maintenance programs, an invoice payment service, a taxable benefit program, and information on the cost, maintenance and distance driven or utilization for each vehicle or piece of equipment.

Radio Services plays a significant role in maintaining communications in remote areas, especially during the annual periods of time when Sustainable Development works to suppress forest fires.

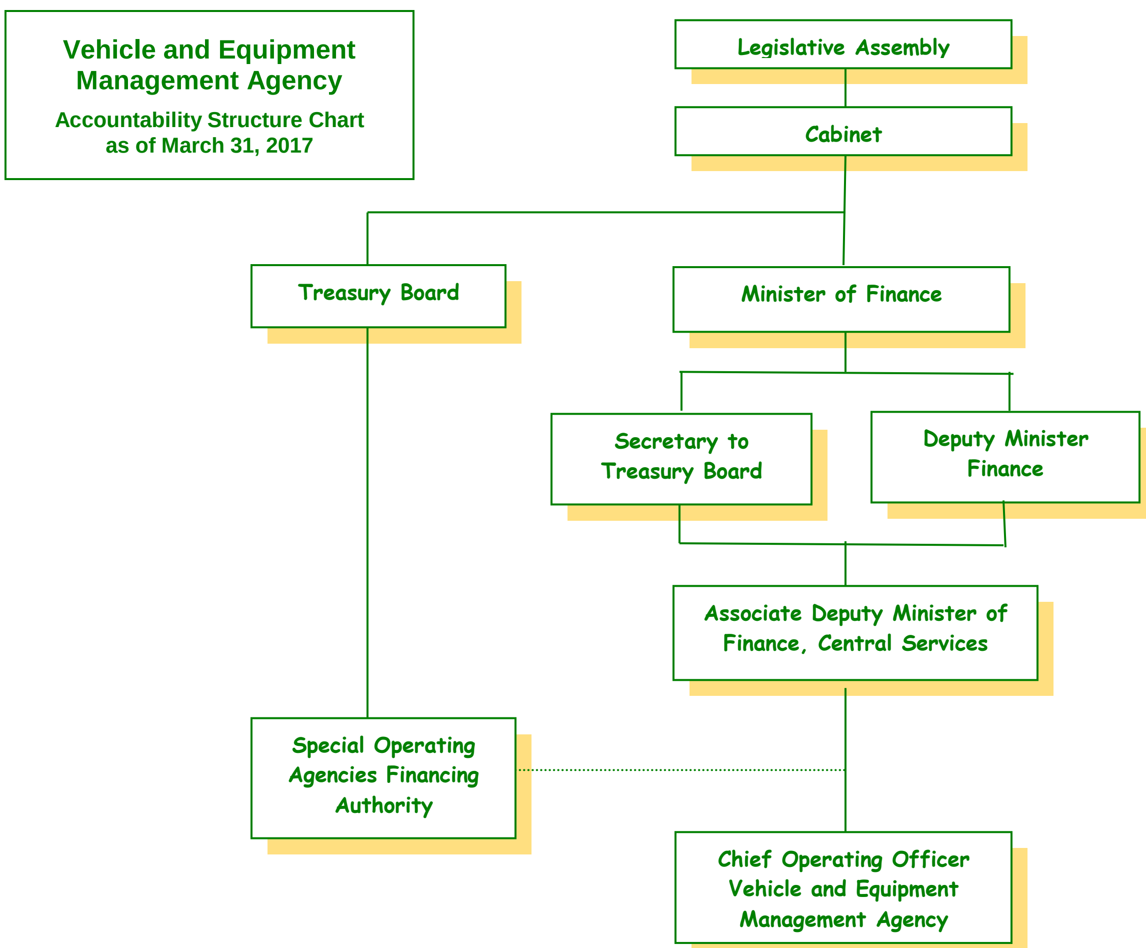
Stores facilities are located within each full service shop to arrange for, and stock, parts for the maintenance and repair of vehicles and equipment owned or managed by the Agency.

# Structure for Operations

## *Accountability Structure*

As a Special Operating Agency within Manitoba Finance, VEMA reports directly to the Associate Deputy Minister of Finance, Central Services, and is held accountable to the Secretary of Treasury Board and the Minister of Finance for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities. Governance and accountability are substantiated by VEMA's compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by *The Special Operating Agencies Financing Authority Act*. Financial and operational information and requirements are disseminated to and from Treasury Board through a SOA Coordinator at Treasury Board Secretariat.



### *Staff Complement at VEMA*

VEMA has a total of 205 approved Full Time Employee (FTE) positions. The Agency continues to operate with several vacancies amongst its 205 FTEs.

Throughout most of the 2016/17 year, the number of vacancies approximated 50, including the positions of Chief Operating Officer, Materials Manager, and Manager, Finance and Administration, as well as shop and office positions in all locations. The Agency is currently attempting to fill some of the shop and office positions on a short term basis with temporary staff. In January 2017, the Operations Manager, Light Duty, was appointed Acting Chief Operating Officer for one year. The Materials Manager and Manager, Finance and Administration positions are currently being covered by managers from Materials Distribution Agency who are attempting to cover desks at both agencies.

The problem of vacancies has been evident for several years in the north and other outlying areas, but is now also present in Winnipeg for the majority of the shop and office positions that are vacant. The problem is primarily caused by the salary scale currently offered, especially for both light duty and heavy duty mechanics. The private sector is offering $5 to $7 more per hour for mechanics to start, together with signing bonuses, and it too is having difficulty filling positions. There is no doubt that VEMA's service delivery is suffering, especially in the north.

It is quite likely that the current staffing situation will continue throughout much of the 2017/18 year.

## The Public Interest Disclosure (Whistleblower Protection) Act

*The Public Interest Disclosure (Whistleblower Protection) Act* came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service, and strengthens protection from reprisal. *The Act* builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under *the Act* may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. *The Act* is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with *the Act*, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under *the Act,* whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under *the Act*, and must be reported in a department's annual report in accordance with Section 18 of *the Act*.

There were no disclosures of wrongdoing that were made to a supervisor or designated officer of the Department of Finance – Vehicle and Equipment Management Agency during the 2016/17 fiscal year. In connection with the information required annually, VEMA confirms the following:

| Information Required Annually (by Section 18 of the Act) | 2016/17 Fiscal Year |
|---|---|
| The number of disclosures received, and the number acted on and not acted on. *Subsection 18(2)(a)* | **NIL** |
| The number of investigations commenced as a result of a disclosure. *Subsection 18(2)(b)* | **NIL** |
| In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken. *Subsection 18(2)(c)* | **NIL** |

# Promoting Energy-Related Opportunities

VEMA's management and staff formally and informally meet with customers during each year, providing consultation and expertise on the specifics of their intended vehicle and equipment purchases. In all meetings, VEMA's primary intention is to ensure that its customers are ordering the right vehicles and equipment to meet the requirements of the job for which they are intended. Where environmentally friendly vehicles and equipment are available at competitive prices, they are recommended.

VEMA's fleet included 52 hybrid-electric vehicles as of March 31, 2017, with those models ranging in age from 2008 to 2017. In addition, the fleet includes three all electric vehicles, with those units purchased primarily for testing purposes. Hybrid-electric vehicles currently are only produced as passenger vehicles. The majority of VEMA's fleet, however, is composed of work vehicles—trucks and vans. For those units, VEMA's management has recommended, and will continue to recommend wherever possible, vehicles that have lower fuel emission levels.

For the past several years, the Province has had a committee, or committees, dealing with various facets of the development of policies and procedures to promote practices that are instrumental in furthering the tenets of their Sustainable Development Procurement Guidelines. VEMA's former Chief Operating Officer and certain staff members have had input into the drafting of those policies and procedures. More recently, the Department of Sustainable Development has been developing climate change adaptation priorities through its *Tomorrow Now: Manitoba's Green Plan.* Where possible, it is VEMA's intention to attempt to meet the requirements of that Plan in recommending vehicle and equipment replacements.

# Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2017, to the projections for the same period and to the actual results for the year ended March 31, 2016. This review and analysis should be read in conjunction with VEMA's financial statements for the year (pages 11 to 25) and the summarization of key elements from the statement of operations in Table 1 below.

***All dollar amounts in the review and analysis are in thousands of dollars.***

## *Operating Results*

- As indicated in Table 1, VEMA is reporting a net income of $195 for the year ended March 31, 2017, compared to a projected net income of $15 for that same period, and to a net loss of $612 for the year ended March 31, 2016.
- VEMA reported a relatively small net loss in each of the first three quarterly reports for the year, with a projected loss for the year of $619 in the third quarter report.
- The major reason for the positive bottom line is that there is an extremely tight reporting deadline for each of the three quarterly reports during the year. With the tight deadline, we have to accrue utilization, fuel, and other revenues and expenses and, in doing so, we attempt to be conservative. At year-end, the only real deadline is to be ready for when our auditors are scheduled to arrive. This year they arrived to commence their year-end

| **Table 1**<br><br>*(in thousands of dollars)* | **Actual**<br>Year ended Mar 31/17 | **Projected**<br>Year ended Mar 31/17 | **Actual versus Projected**<br>Increase/ decrease | **Actual**<br>Year ended Mar 31/16 | **Actual versus Actual**<br>Increase/ decrease |
|---|---|---|---|---|---|
| Vehicle and equipment utilization | **$ 58,110** | $ 55,950 | $ 2,160 | $ 55,758 | $ 2,352 |
| Fuel billings | **19,058** | 18,600 | 458 | 18,228 | 830 |
| Insurance and other billings | **5,151** | 4,600 | 551 | 4,845 | 306 |
| Other revenue | **9,362** | 9,665 | (303) | 9,742 | (380) |
| **Total revenues** | **91,681** | **88,815** | **2,866** | **88,573** | **3,108** |
| Salaries and wages | **9,188** | 10,000 | (812) | 9,651 | (463) |
| Vehicle and equipment operating expenses | **69,457** | 65,634 | 3,823 | 66,636 | 2,821 |
| Administrative expenses | **6,344** | 6,426 | (82) | 6,504 | (160) |
| Community service | **61** | 40 | 21 | 27 | 34 |
| Interest expense | **3,936** | 4,200 | (264) | 3,867 | 69 |
| **Total expenses** | **88,986** | **86,300** | **2,686** | **86,685** | **2,301** |
| **Income from operations** | **2,695** | **2,515** | **180** | **1,888** | **807** |
| Transfers during the year to the Province of Manitoba | **2,500** | 2,500 | 0 | 2,500 | 0 |
| **Net income (loss)** | **$ 195** | **$ 15** | **$ 180** | **$ (612)** | **$ 807** |

examination on May 15. Six weeks after the actual year-end provides us with the necessary time to record actual revenues and expenses for the year, instead of utilizing the conservative approach that has to be adopted during the year.

- There are several reasons as to why the 2016/17 final results are a positive $195 whereas the 2015/16 results presented for comparative purposes are a negative $612. Three of the more significant reasons follow:

  - One reason is that VEMA's salaries and wages expense in 2015/16 included an accrual of $347 for retroactive pay relating to Years One and Two of a new five year contract between the Province and the MGEU union. The contract was finalized during the fourth quarter of 2015/16.

  - A second reason is that the Agency has several key positions that are now vacant, or are being filled by staff members who are trying to cover more than one position. Some details on the vacancies are included in the *Staffing Complement at VEMA* section on page 3 of this Report.

  - A third reason for the difference in VEMA's bottom line between years is that, with the acquiescence of Infrastructure, modifications were made to the billing arrangements for heavy duty vehicles and equipment towards the end of the 2015/16 year, resulting in an increase in the monthly rental rate on older units. In addition to providing VEMA with more revenue, the major purpose for the modifications is to hopefully force the rationalization of equipment, eliminating older equipment items that are currently underutilized but retained as a stop-gap measure because previously it didn't cost much to do so.

- Under the flow through concept used by VEMA for invoicing fuel to customers, fuel expense essentially follows the pattern of fuel revenues quite closely. The result for the year ended March 31, 2017, portrays this picture, with fuel billings at $19,058 and fuel expense at $18,848. Billings exceed expense as the result of a modest administrative fee included in the billing amount.

- Fuel billings are $458 more than projected for the year ended March 31, 2017, and fuel expenses for that same period are $152 less than projected. VEMA's projected price for gasoline per litre at the pumps for the 2016/17 year was $0.95. Throughout the year ended March 31, 2017, the price at the pumps was roughly equal to or lower than the projected price on an overall basis (when VEMA's negotiated discounts with suppliers are considered).

- The net gain on disposal of tangible capital assets at $768 is $18 more than the projected gain. The gain breaks down to $1,151 for light duty vehicles and equipment, with heavy duty vehicles and equipment coming in at a loss of $339, and ambulances showing a loss of $44. The loss for ambulances is primarily because five replaced ambulances were donated to the Ukraine as part of a Canadian initiative. The donation is the primary reason that VEMA's Community Service expense is $21 more than the projected $40. Statistics relating to the number of vehicle and equipment units disposed during the year are included on page 26 of this Report.

- Garage regular service for the year ended March 31, 2017, shows a $32 negative variance compared to projections and a $385 negative variance compared to the previous year. Garage regular service primarily represents chargeback revenues billed to customers. Regular repairs and maintenance costs and expenses are generally billed as a part of the variable and utilization billings. As a result, negative or positive variances in garage regular service revenue are not necessarily indicative of how busy the garages are; they merely reflect an increase or decrease in amounts charged to customers that are not considered to be regular repairs and maintenance.

- Radio Services revenue for the year ended March 31, 2017, is $488 less than projected, but only $81 less than last year. The Radio Services staff was very busy during the year, and is still very busy, providing tower and electronics inspections and maintenance throughout the province. It is difficult to project their revenues each year because in some years significant equipment and parts are included in their billings to customers, and in other years their billings are primarily composed of labour at hourly billing rates with no significant amount of equipment or parts.

- Vehicle and equipment operating expenses are $3,823 more than projected and $2,821 more than they were for the same period a year ago. Amortization and repairs and maintenance are the two categories primarily contributing to the increases. Amortization of heavy duty vehicles and equipment was $12,104 this year compared to $10,878 last year. With the acquiescence of Infrastructure, the useful lifespan of certain pieces of heavy duty equipment was decreased in 2016/17, and amortization has therefore increased accordingly. Repairs and maintenance are higher primarily as a result of increased costs and expenses for parts and service performed outside of VEMA, both for heavy duty and light duty vehicles and equipment.

## *Financial Position*

- Vehicle and equipment units total 5,553 as of March 31, 2017. During the year then ended, VEMA received 599 units and disposed of 508 units. Details are included in the VEMA Statistics on page 26.

- Although the arrival of model year 2016 light duty vehicle additions has closed and the arrival of model year 2017 units is just getting underway, our number of units on hand is still high. Our unit numbers swell during this period each year, because many of the replaced units are either put into our seasonal program over the summer or are still on hand, being readied for disposal.

- Heavy duty vehicle and equipment additions for the 2016/17 year were originally projected to amount to $20,000, with just over $3,000 of that purchase actually received in the fourth quarter of 2015/16. Actual heavy duty additions during 2016/17, however, amounted to only $13,678, a number that is approximately $3,300 less than projected. Light duty vehicle and equipment additions during the year amounted to $14,866 and replacement ambulances numbered 33 at a cost of $4,423. The $32,967 in additions is $5,053 less than projected and $10,596 less than it was in 2015/16.

- To assist in paying for the vehicles and equipment received, VEMA drew down $15,000 from its activated Loan Act authority on September 30, 2016, and a further $12,000 on March 31, 2017.

- Many factors contribute to VEMA's cash or working capital position at any given moment in time. Management's preference is to utilize its working capital availability, choosing to draw down from Loan Act authority only when it is absolutely necessary. As a result, VEMA's bank account reflects a working capital advances position for the majority of the period from October 1 to March 31 each fiscal year.

- The carrying, or net book value, of VEMA's tangible capital assets at March 31, 2017, of $140,004 represents an increase of $2,231 from the position at March 31, 2016. That increase is significantly less than the $6,610 increase in borrowings from the Province of Manitoba. In spite of that anomaly, the general trend over the past several years is for each to increase relatively commensurate with the other. As of April 1, 2009 (the date of the amalgamation), the carrying value of the combined tangible capital assets at that date amounted to only $99,976 and the amount of the borrowings from the Province amounted to only $73,828.
- All of the increase in net book value of VEMA's tangible capital assets has come from borrowed funds. In the eight years since amalgamation, tangible capital assets have increased $40,028. During that same period, borrowings from the Province have increased $45,303. As an Agency mandated to break even on an annual basis, there's no other place from which an increase in the carrying value of tangible capital assets can be derived.

## Ratio Analysis

- The non-financial assets to net debt ratio indicates the net book value of the assets available to pay out the net debt, primarily the borrowings from the Province of Manitoba.
- The net debt to accumulated surplus ratio is akin to the debt to equity ratio previously used by VEMA. It continues to portray the highly leveraged position from which the Agency operates.
- The days sales in receivables ratio suggests that at any point in time there is less than one month's billings outstanding.

| **Table 2** | | **Year ended March 31** | |
|---|---|---|---|
| **Ratio** | **Projected** | **Actual** | |
| | 2016/17 Year | **2017** | 2016 |
| Return on total revenues | 0.02% | **0.21%** | (0.69)% |
| Non-financial assets to net debt | 1.21 to 1 | **1.22 to 1** | 1.23 to 1 |
| Net debt to accumulated surplus | 4.65 to 1 | **4.46 to 1** | 4.42 to 1 |
| Days sales in receivables | 31.6 days | **21.8 days** | 20.9 days |

## Public Sector Compensation Disclosure

Pursuant to Section 2(1) of *The Public Sector Compensation Disclosure Act*, employees of VEMA who have received compensation of $50,000 or more, directly or indirectly, including benefits and severance payments, in the year ended March 31, 2017, are disclosed in Volume 2 of the Public Accounts of the Province of Manitoba.

# Management's Responsibility for Financial Reporting

## Management's Responsibility for Financial Reporting

The Vehicle and Equipment Management Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position, results of operations, change in net debt, and cash flows, in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In management's opinion, the financial statements have been properly prepared, within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available through June 29, 2017.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions in all material respects, and that established policies and procedures are followed.

The Agency's financial statements have been audited by MNP LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Original signed by
Sean Savage

Sean Savage
A/Chief Operating Officer

Original signed by
Joel Hershfield

Joel Hershfield
A/Manager, Finance and Administration

Winnipeg, Manitoba
June 29, 2017

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# Independent Auditors' Report

## Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Vehicle and Equipment Management Agency (VEMA):

We have audited the accompanying financial statements of Vehicle and Equipment Management Agency (VEMA) (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

*Auditors' Responsibility*
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Vehicle and Equipment Management Agency (VEMA) (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), as at March 31, 2017, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
MNP LLP

Winnipeg, Manitoba

June 29, 2017

Chartered Professional Accountants

# Financial Statements

## Statement of Financial Position
**March 31, 2017**
*(In thousands of dollars)*

| | March 31 2017 | March 31 2016 |
|---|---|---|
| ***Financial assets*** | | |
| Cash and cash equivalents | $ 447 | $ 1,345 |
| Receivables *(Note 5)* | 6,069 | 5,670 |
| Portfolio investments *(Notes 6 and 10)* | 1,433 | 1,433 |
| Inventory for resale | 4,553 | 4,666 |
| | 12,502 | 13,114 |
| ***Liabilities*** | | |
| Working capital advances *(Note 7)* | 955 | - |
| Accounts payable and accrued liabilities | 4,314 | 9,788 |
| Unearned revenue | 3,294 | 3,966 |
| Severance pay liability *(Note 6)* | 1,500 | 1,531 |
| Borrowings from the Province of Manitoba *(Note 8)* | 119,131 | 112,521 |
| | 129,194 | 127,806 |
| ***Net debt*** | (116,692) | (114,692) |
| ***Non-financial assets*** | | |
| Prepaid expenses | 2,831 | 2,867 |
| Tangible capital assets *(Note 9)* | | |
| Vehicles and equipment | 139,371 | 137,179 |
| Office and shop equipment | 406 | 432 |
| Computer hardware and software | 4 | 1 |
| Leasehold improvements | 223 | 161 |
| | 140,004 | 137,773 |
| | 142,835 | 140,640 |
| ***Accumulated surplus*** | $ 26,143 | $ 25,948 |

Designated assets *(Note 10)*
Commitments *(Note 11)*

*See accompanying notes to financial statements.*

# Financial Statements

**Statement of Operations**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

| | 2017 Projected | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***Revenues*** | | | |
| Vehicle and equipment utilization | $ 55,950 | **$ 58,110** | $ 55,758 |
| Fuel billings | 18,600 | **19,058** | 18,228 |
| Insurance and other billings | 4,600 | **5,151** | 4,845 |
| Other revenue (Page 25) | 9,665 | **9,362** | 9,742 |
| | 88,815 | **91,681** | 88,573 |
| ***Expenses*** | | | |
| Salaries and wages | 10,000 | **9,188** | 9,651 |
| Vehicle and equipment operating expenses (Page 25) | 65,634 | **69,457** | 66,636 |
| Administrative expenses (Page 25) | 6,426 | **6,344** | 6,504 |
| Community service | 40 | **61** | 27 |
| Interest expense | 4,200 | **3,936** | 3,867 |
| | 86,300 | **88,986** | 86,685 |
| ***Income from operations*** | 2,515 | **2,695** | 1,888 |
| Transfers during the year to the Province of Manitoba | 2,500 | **2,500** | 2,500 |
| ***Net income (loss)*** | 15 | **195** | (612) |
| Accumulated surplus, beginning of year | 25,913 | **25,948** | 26,560 |
| ***Accumulated surplus, end of year*** | $ 25,928 | **$ 26,143** | $ 25,948 |

*See accompanying notes to financial statements.*

# Financial Statements

**Statement of Change in Net Debt**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

| | 2017 Projected | 2017 Actual | 2016 Actual |
|---|---|---|---|
| Net income (loss) | $ 15 | **$ 195** | $ (612) |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | (38,624) | **(33,118)** | (43,686) |
| Amortization of tangible capital assets | 25,000 | **27,590** | 26,437 |
| Gain on disposal of tangible capital assets, net | (750) | **(768)** | (966) |
| Proceeds from disposal of tangible capital assets | 4,004 | **4,065** | 3,884 |
| Net acquisition of tangible capital assets | (10,370) | **(2,231)** | (14,331) |
| Decrease (increase) in prepaid expenses during the year | - | **36** | (71) |
| ***Increase in net debt*** | (10,355) | **(2,000)** | (15,014) |
| Net debt, beginning of year | (110,246) | **(114,692)** | (99,678) |
| ***Net debt, end of year*** | $ (120,601) | **$ (116,692)** | $ (114,692) |

*See accompanying notes to financial statements.*

# Financial Statements

**Statement of Cash Flows**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

Cash provided by (applied to):

| | 2017 | 2016 |
|---|---|---|
| ***Operating activities*** | | |
| Net income (loss) | **$ 195** | $ (612) |
| Amortization of tangible capital assets | **27,590** | 26,437 |
| Gain on disposal of tangible capital assets, net | **(768)** | (966) |
| Increase in severance pay liability | **124** | 126 |
| Payment of severance pay benefits | **(155)** | (136) |
| | **26,986** | 24,849 |
| Change in: | | |
| Receivables | **(399)** | 221 |
| Inventory for resale | **113** | (876) |
| Accounts payable and accrued liabilities | **(5,474)** | 5,786 |
| Unearned revenue | **(672)** | 1,425 |
| Prepaid expenses | **36** | (71) |
| Cash provided by operating activities | **20,590** | 31,334 |
| ***Capital activities*** | | |
| Proceeds from disposal of tangible capital assets | **4,065** | 3,884 |
| Acquisition of vehicles and equipment | **(32,967)** | (43,563) |
| Acquisition of office and shop equipment | **(59)** | (98) |
| Acquisition of computer hardware and software | **(4)** | - |
| Acquisition of leasehold improvements | **(88)** | (25) |
| Cash applied to capital activities | **(29,053)** | (39,802) |
| ***Financing activities*** | | |
| Borrowings from the Province of Manitoba | **27,000** | 29,000 |
| Debt repayments to the Province of Manitoba | **(20,390)** | (17,179) |
| Cash provided by financing activities | **6,610** | 11,821 |
| ***Increase (decrease) in cash*** | **(1,853)** | 3,353 |
| Cash and cash equivalents, net of working capital advances (working capital advances, net of cash and cash equivalents), beginning of year | **1,345** | (2,008) |
| ***Cash and cash equivalents, net of working capital advances (working capital advances, net of cash and cash equivalents), end of year*** | **$ (508)** | $ 1,345 |

*See accompanying notes to financial statements.*

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

### *1. Nature of organization*

In 1934, Fleet Vehicles was created as a branch of the Manitoba provincial government to provide a centralized fleet management program. On April 1, 1992, the branch was approved as a special operating agency, the first such agency at the provincial level in Canada. Since inception, Fleet Vehicles Agency primarily provided light duty vehicles and equipment services, with ambulances becoming a part of the fleet starting in 2001/02. On April 1, 2003, the Agency assumed responsibility for Radio Services, a division that evaluates and supplies the fixed and mobile radio requirements of its provincial and other clients.

Following the advent of engineering-based highway management in the 1960s, the Province established a highways department. The Mechanical Equipment Services branch emerged as an integral and important part of the department, primarily providing heavy duty vehicles and equipment, as well as warehousing services. The provided services support the safe and efficient delivery of the department's construction, maintenance and preservation programs, and its remote airport programs, in a manner that incorporates the principles of sustainable development and environmental awareness.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services branch were amalgamated into a new special operating agency named Vehicle and Equipment Management Agency ("VEMA", or the "Agency"). VEMA combines the acquisition, management and disposal of both light duty and heavy duty vehicles and equipment under common management.

VEMA was a part of the Department of Infrastructure and Transportation through March 31, 2015, under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister. As of April 1, 2015, the Agency was transitioned from Infrastructure and Transportation to the Department of Finance, and is now under the direction of the Associate Deputy Minister of Finance, Central Services, and ultimately the policy direction of the Minister of Finance.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables VEMA to operate in a business-like manner according to public policy expectations.

A Management Agreement assigns responsibility to VEMA to manage and account for the Agency-related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

### *2. Basis of accounting*

The Agency's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

## *3. Summary of significant accounting policies*

Revenues

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed. All revenues are recorded on an accrual basis.

Expenses

All expenses incurred for goods and services are recognized at the gross amount on an accrual basis. Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts and bank borrowings are considered to be financing activities.

(ii) Receivables

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

(iii) Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

(iv) Inventory for resale

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amounts involved.

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

### *3. Summary of significant accounting policies* (continued)

(i) Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year that the goods or services are consumed.

(ii) Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs such as freight charges, transportation, insurance costs and duties. Modifications or additions to the original asset are capitalized and recognized at cost.

The values of tangible capital assets are written down when conditions indicate that the values of the future economic benefits associated with the tangible capital assets are less than their book values.

The costs of tangible capital assets, less their estimated residual values, are amortized over their useful lives in the following manner:

| | |
|---|---|
| Vehicles and equipment | 30%, declining balance method |
| Vehicles and equipment (signed lease agreement) | Straight-line over term of lease |
| Office and shop equipment | 20%, declining balance method |
| Computer hardware and software | 20%, straight-line method |
| Leasehold improvements | 10%, straight-line method |

<u>Measurement uncertainty</u>

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Judgment is required in determining the future economic benefit of all non-financial assets, especially in the estimation of the useful lives of tangible capital assets. Actual results could differ from these estimates.

### *4. Financial instruments and financial risk management*

<u>Measurement</u>

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, receivables and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include working capital advances, accounts payable and accrued liabilities, and borrowings from the Province of Manitoba.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

***4. Financial instruments and financial risk management*** (continued)

re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

As the Agency has no financial instruments measured at fair value, it did not incur any re-measurement gains and losses during the year ended March 31, 2017 (2016 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, receivables and portfolio investments.

The maximum exposure of the Agency to credit risk as of March 31, 2017, is:

| | **2017** | 2016 |
|---|---|---|
| Cash and cash equivalents | **$ 447** | $ 1,345 |
| Receivables | **6,069** | 5,670 |
| Portfolio investments | **1,433** | 1,433 |
| | **$ 7,949** | $ 8,448 |

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and Crown corporations with the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. The receivable balances are from a large client base, and payment in full is typically collected when it is due. An allowance for doubtful accounts was not recorded as of March 31, 2017 (2016 - $nil).

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements with draw downs from its available working capital advances and its other borrowings from the Province of Manitoba. Regular determinations of the Agency's working capital advances limit and its other debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due. The

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

### *4. Financial instruments and financial risk management* (continued)

contractual maturities of the Agency's borrowings from the Province of Manitoba are included in note 8. Working capital advances are due on demand.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income from operations or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents, portfolio investments, working capital advances, and to other borrowings.

The interest rate risk on cash and cash equivalents and working capital advances is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long term borrowings through the exclusive use of fixed rate terms on each amount borrowed.

### *5. Receivables*

| | **March 31 2017** | March 31 2016 |
|---|---|---|
| Trade | **$ 5,196** | $ 2,386 |
| Accrued trade | **123** | 2,534 |
| Insurance rebate receivable | **750** | 750 |
| | **$ 6,069** | $ 5,670 |

### *6. Severance pay liability*

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Province. There is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. For the Fleet Vehicles Agency employees, that responsibility is reflected through the payment by the Province of $270 on March 31, 2009. For the Mechanical Equipment Services employees, that responsibility is reflected through the payment by the Province of $1,163 on July 31, 2010. The $1,433 in combined payments is held in an interest bearing trust account until the cash is required to discharge the related liability.

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2016**
*(In thousands of dollars)*

### *6. Severance pay liability* (continued)

An actuarial valuation report was completed for the severance pay liability as of December 31, 2013. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability.

Significant long-term actuarial assumptions used in the December 31, 2013, valuation were:

| | |
|---|---|
| Annual rate of return | |
| Inflation component | 2.00% |
| Real rate of return | 4.00% |
| | 6.00% |
| Assumed salary increase rates | |
| Annual productivity increase | 1.00% |
| Annual general salary increase | 2.75% |
| | 3.75% |

Actuarial valuation report updates are prepared every three years. Actuarial adjustments that result from the updates are absorbed by VEMA as a part of the benefits and interest accrued during the year in which the adjustment amounts are known.

The severance pay liability as of March 31 included the following components:

| | **2017** | 2016 |
|---|---|---|
| Severance pay liability, beginning of year | **$ 1,531** | $ 1,541 |
| Benefits and interest accrued during the year | **124** | 126 |
| Severance benefits paid during the year | **(155)** | (136) |
| | **$ 1,500** | $ 1,531 |

### *7. Working capital advances*

The Agency had an authorized line of working capital advances of $10,000 through March 31, 2017, $955 of which was used as of that date (2016 - $nil). As of April 1, 2017, the authorized line of working capital advances was reduced to $5,000. Advances bear interest at prime less 1% and are unsecured.

### *8. Borrowings from the Province of Manitoba*

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Vehicle and Equipment Management Agency.

Borrowings obtained through the use of available Loan Act authority are repayable in semi-annual instalments of principal and interest, as follows:

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

## *8. Borrowings from the Province of Manitoba* (continued)

| Interest rate | Semi-annual payment ($) | Maturity date | 2017 | 2016 |
|---|---|---|---|---|
| 2.5625% | 271 | September 30, 2016 | $ - | $ 268 |
| 2.05% | 581 | September 30, 2016 | - | 576 |
| 3.45% | 186 | March 31, 2017 | - | 362 |
| 2.375% | 213 | March 31, 2017 | - | 419 |
| 2.25% | 269 | September 30, 2017 | 266 | 788 |
| 2.125% | 530 | September 30, 2017 | 524 | 1,556 |
| 2.125% | 212 | March 31, 2018 | 417 | 825 |
| 2.2% | 232 | September 30, 2018 | 682 | 1,125 |
| 2.75% | 754 | September 30, 2018 | 2,201 | 3,619 |
| 2.5% | 535 | September 30, 2019 | 2,578 | 3,565 |
| 2.5% | 482 | September 30, 2019 | 2,320 | 3,208 |
| 2.625% | 272 | March 31, 2020 | 1,559 | 2,052 |
| 1.875% | 631 | September 30, 2020 | 4,258 | 5,425 |
| 1.8125% | 265 | March 31, 2021 | 2,036 | 2,522 |
| 2.125% | 530 | March 31, 2021 | 4,042 | 5,000 |
| 2% | 267 | September 30, 2021 | 2,283 | 2,763 |
| 2.3125% | 269 | September 30, 2021 | 2,288 | 2,766 |
| 1.875% | 789 | September 30, 2021 | 6,781 | - |
| 2.25% | 478 | March 31, 2022 | 4,500 | - |
| 2.8% | 526 | September 30, 2022 | 5,333 | 6,218 |
| 2.4375% | 338 | March 31, 2023 | 3,750 | - |
| 4.875% | 237 | September 30, 2023 | 2,613 | 2,947 |
| 3.4% | 102 | September 30, 2023 | 1,182 | 1,343 |
| 2.625% | 488 | September 30, 2023 | 5,796 | 6,604 |
| 5% | 334 | March 31, 2024 | 3,910 | 4,366 |
| 4.875% | 192 | March 31, 2024 | 2,254 | 2,519 |
| 2.625% | 349 | March 31, 2024 | 4,431 | 5,000 |
| 4.5% | 162 | September 30, 2024 | 2,039 | 2,263 |
| 2.3% | 516 | September 30, 2024 | 7,070 | - |
| 2.75% | 263 | March 31, 2025 | 3,750 | - |
| 4% | 201 | September 30, 2025 | 2,872 | 3,150 |
| 3.9% | 158 | September 30, 2025 | 2,263 | 2,484 |
| 4.55% | 162 | March 31, 2026 | 2,375 | 2,584 |
| 3.3% | 213 | September 30, 2027 | 3,748 | 4,043 |
| 3.25% | 127 | September 30, 2027 | 2,247 | 2,424 |
| 3.375% | 86 | March 31, 2028 | 1,561 | 1,676 |
| 5% | 80 | March 31, 2030 | 1,510 | 1,591 |
| | | | 95,439 | 86,051 |

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

## 8. *Borrowings from the Province of Manitoba* (continued)

Amount of debt owing in connection with the transfer of Mechanical Equipment Services branch net assets on April 1, 2009

| | | | | |
|---|---|---|---|---|
| 4.875% | 2,018 | March 31, 2024 | **23,692** | 26,470 |
| Amount of borrowings owing to the Province of Manitoba at year-end | | | **$ 119,131** | $ 112,521 |

Unused loan authority of $6,000 was available as of March 31, 2016. An additional $29,000 of loan authority availability was approved in The Loan Act, 2016, with $15,000 of that availability drawn down on September 30, 2016, and a further $12,000 of that availability drawn down on March 31, 2017. Unused loan authority available as of March 31, 2017, was $8,000.

All borrowings from the Province of Manitoba are payable in instalments of principal and interest on March 31 and September 30 each year. Interest cost is measured using the effective interest method.

As of March 31, 2017, principal repayments in each of the next five years on the combined outstanding balances owing to the Province of Manitoba are as follows:

| | |
|---|---|
| 2018 | $ 21,567 |
| 2019 | 19,986 |
| 2020 | 18,578 |
| 2021 | 16,946 |
| 2022 | 13,932 |

## 9. *Tangible capital assets*

| | 2017 | | | |
|---|---|---|---|---|
| Cost | Opening balance | Additions | Disposals | **Closing balance** |
| Vehicles and equipment | $ 270,507 | $ 32,967 | $ (25,495) | **$ 277,979** |
| Office and shop equipment | 1,724 | 59 | - | **1,783** |
| Computer hardware and software | 399 | 4 | (9) | **394** |
| Leasehold improvements | 919 | 88 | - | **1,007** |
| | 273,549 | 33,118 | (25,504) | **281,163** |
| Accumulated amortization | | | | |
| Vehicles and equipment | 133,328 | 27,478 | (22,198) | **138,608** |
| Office and shop equipment | 1,292 | 85 | - | **1,377** |
| Computer hardware and software | 398 | 1 | (9) | **390** |
| Leasehold improvements | 758 | 26 | - | **784** |
| | 135,776 | 27,590 | (22,207) | **141,159** |
| Net book value | $ 137,773 | $ 5,528 | $ (3,297) | **$ 140,004** |

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

### 9. *Tangible capital assets* (continued)

| | 2016 | | | |
|---|---|---|---|---|
| Cost | Opening balance | Additions | Disposals | Closing balance |
| Vehicles and equipment | $ 243,928 | $ 43,563 | $ (16,984) | $ 270,507 |
| Office and shop equipment | 1,626 | 98 | - | 1,724 |
| Computer hardware and software | 399 | - | - | 399 |
| Leasehold improvements | 894 | 25 | - | 919 |
| | 246,847 | 43,686 | (16,984) | 273,549 |
| Accumulated amortization | | | | |
| Vehicles and equipment | 121,074 | 26,320 | (14,066) | 133,328 |
| Office and shop equipment | 1,208 | 84 | - | 1,292 |
| Computer hardware and software | 395 | 3 | - | 398 |
| Leasehold improvements | 728 | 30 | - | 758 |
| | 123,405 | 26,437 | (14,066) | 135,776 |
| Net book value | $ 123,442 | $ 17,249 | $ (2,918) | $ 137,773 |

### 10. *Designated assets*

The Agency has allocated $1,433 (2016 - $1,433) of its portfolio investments as designated assets for its severance pay liability.

### 11. *Commitments*

(a) VEMA has arrangements with the Government of Manitoba for the rental of facilities in Beausejour, Brandon, Dauphin, The Pas, Thompson and Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2017/18 are established annually based on the approved budget for the Accommodation Services division of Central Services, Finance. Occupancy charges for 2017/18 are estimated at $2,500 for the year, to be paid in quarterly instalments during 2017/18.

(b) VEMA's approved 2017/18 Business Plan calls for $2,500 to be paid to the Consolidated Fund of the Province of Manitoba for the year in quarterly instalments of $625.

### 12. *Pension benefits*

Employees of VEMA are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

# Financial Statements

**Notes to Financial Statements**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

### *12. Pension benefits* (continued)

The pension liability related to the CSSA's defined benefit plan is included in the Province of Manitoba's financial statements. Accordingly, no provision is required in the Agency's financial statements relating to the effects of participation in the plan by the Agency and its employees.

The Agency is regularly required to pay to the Province an amount equal to the current pension contributions paid by its employees. The amount paid for 2017 was $787 (2016 - $730).

# Financial Statements

**Schedule of Other Revenue and Expenses**
**Year Ended March 31, 2017**
*(In thousands of dollars)*

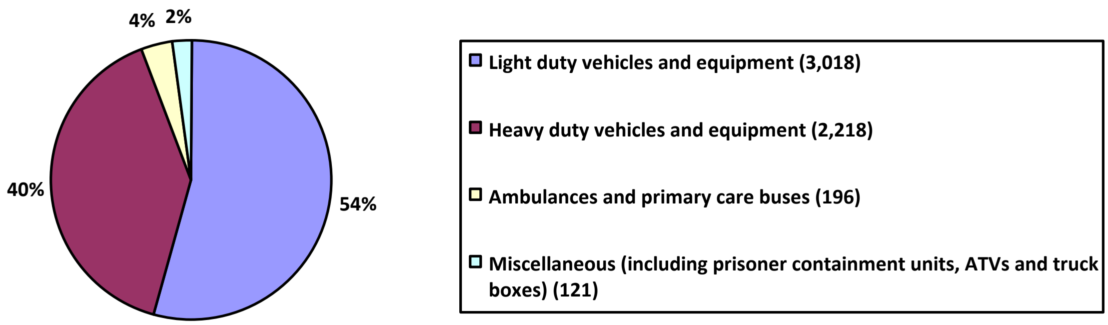
| | 2017 Projected | 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***Other revenue*** | | | |
| Autopac service | $ 750 | **$ 779** | $ 640 |
| Gain on disposal of tangible capital assets, net | 750 | **768** | 966 |
| Garage regular service | 5,000 | **4,968** | 5,353 |
| Insurance premium rebates | 1,500 | **1,670** | 1,575 |
| Interest income | 15 | **9** | 9 |
| Other service revenue | 150 | **156** | 106 |
| Radio Services | 1,500 | **1,012** | 1,093 |
| | $ 9,665 | **$ 9,362** | $ 9,742 |
| ***Vehicle and equipment operating expenses*** | | | |
| Amortization of tangible capital assets | $ 24,900 | **$ 27,478** | $ 26,320 |
| Fuel | 19,000 | **18,848** | 18,222 |
| Insurance premiums | 5,000 | **5,625** | 5,279 |
| Licenses | 160 | **149** | 151 |
| Repairs and maintenance | 16,574 | **17,357** | 16,664 |
| | $ 65,634 | **$ 69,457** | $ 66,636 |
| ***Administrative expenses*** | | | |
| Amortization of tangible capital assets | $ 100 | **$ 112** | $ 117 |
| Fleet management information system | 450 | **431** | 466 |
| Human resource overhead | 2,400 | **2,384** | 2,306 |
| Occupancy costs | 2,600 | **2,488** | 2,498 |
| Other costs | 350 | **386** | 412 |
| Professional fees | 20 | **28** | 20 |
| SOAFA charges | 6 | **7** | 6 |
| Supplies and materials | 300 | **236** | 453 |
| Telephone and communication | 200 | **272** | 226 |
| | $ 6,426 | **$ 6,344** | $ 6,504 |

# VEMA Statistics

| | Year ended March 31 2017 Projected | For the year ended March 31 2017 Actual | 2016 Actual |
|---|---|---|---|
| ***Vehicles and equipment*** | | | |
| Light duty | 2,827 | **3,018** | 2,890 |
| Heavy duty | 2,111 | **2,218** | 2,236 |
| Ambulances | 183 | **193** | 207 |
| Primary care buses | 4 | **3** | 3 |
| Miscellaneous (including prisoner containment units, ATVs and truck boxes) | 141 | **121** | 126 |
| Number of units in the fleet (including replaced units being prepared for disposal) | 5,266 | **5,553** | 5,462 |
| Acquisitions – light duty | 390 | **434** | 484 |
| Acquisitions – heavy duty | 125 | **132** | 151 |
| Acquisitions – ambulances | 35 | **33** | 52 |
| Acquisitions – primary care buses | 1 | **0** | 1 |
| Acquisitions – miscellaneous units | 15 | **0** | 10 |
| Average purchase price – light duty | $ 32.1 | **$ 34.3** | $ 32.7 |
| Average purchase price – heavy duty | $ 160.0 | **$ 103.6** | $ 134.5 |
| Average purchase price – ambulances | $ 132.0 | **$ 134.0** | $ 129.6 |
| Average purchase price – primary care buses | $ 600.0 | **$ N/A** | $ 524.1 |
| Average purchase price – miscellaneous units | $ 20.0 | **$ N/A** | $ 16.5 |
| Disposals – light duty | 450 | **306** | 451 |
| Disposals – heavy duty | 125 | **150** | 6 |
| Disposals – ambulances | 35 | **47** | 37 |
| Disposals – miscellaneous units | 0 | **5** | 16 |
| Average disposal proceeds – light duty | $ 6.5 | **$ 7.6** | $ 7.5 |
| Average disposal proceeds – heavy duty | $ 7.0 | **$ 8.3** | $ 45.0 |
| Average disposal proceeds – ambulances | $ 6.0 | **$ 6.4** | $ 4.8 |
| ***Fuel*** | | | |
| Consumption in litres for owned and managed vehicles and equipment (000s) | 20,000 | **20,373** | 20,427 |
| Fuel cost for light duty vehicles ($000s) | $ 14,725 | **$ 14,654** | $ 14,416 |
| Fuel cost for heavy duty vehicles and equipment ($000s) | $ 4,275 | **$ 4,194** | $ 3,806 |
| ***Utilization*** | | | |
| Kilometres driven on owned and managed metered units (000s) | 80,000 | **75,314** | 77,119 |
| Machine hours for owned heavy duty equipment | 275,000 | **274,685** | 265,564 |
| Years utilized for owned heavy duty equipment | 150 | **109** | 126 |

# VEMA Statistics (continued)

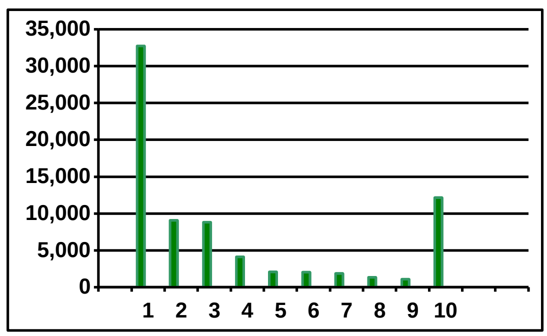
### Vehicle and Equipment Type as of March 31, 2017 (*in units*)



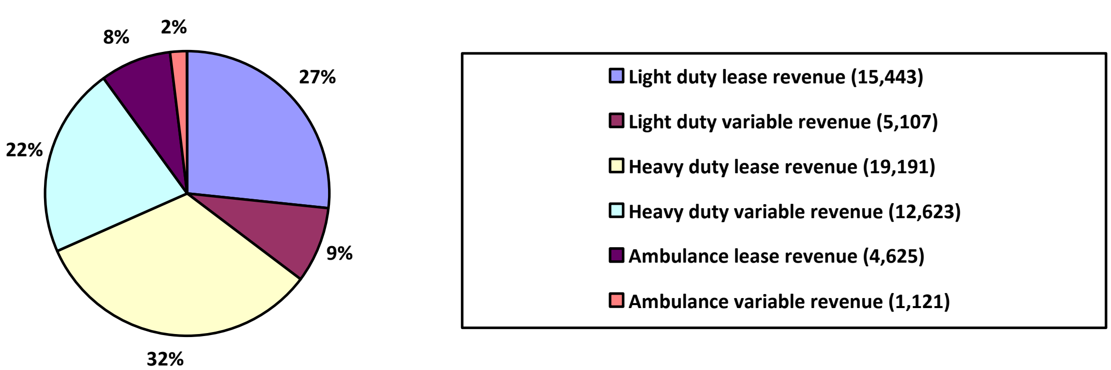

### Vehicle Distance by Department in 2016/17
*(in thousands of kilometres)*

**Distance by Department Legend**
(*in thousands of kilometres*)

| | | |
|---|---|---|
| 1. | Infrastructure | 32,738 |
| 2. | Sustainable Development | 9,081 |
| 3. | Health – Emergency Services | 8,799 |
| 4. | Justice | 4,119 |
| 5. | Interlake Eastern Regional Health Authority | 2,074 |
| 6. | Manitoba Housing and Renewal Corporation | 2,049 |
| 7. | Families | 1,865 |
| 8. | Agriculture | 1,326 |
| 9. | Office of the Fire Commissioner | 1,104 |
| 10. | All other customers | 12,159 |
| | Total distance in 2016/17 | 75,314 |




### Breakdown of $58,110 in Vehicle and Equipment Utilization Revenues in 2016/17
*(in thousands of dollars)*



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## Vehicle and Equipment Management Agency

With full shop facilities in
Beausejour, Brandon, Dauphin, The Pas, Thompson and Winnipeg
Satellite shop locations in
Ashern, Birtle, Boissevain, Gimli, Morden, Portage la Prairie, Steinbach and Swan River
And services to Northern Airports and Marine Operations locations throughout Manitoba

**VEMA's vision is to be the recognized leading provider of asset management services to the broader public sector.**