

26th

Annual REPORT 2018–2019

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An Agency of the
Manitoba Government



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MINISTER'S LETTER OF TRANSMITTAL



**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
Winnipeg, MB R3C 0V8

May It Please Your Honour:

It is my privilege to present the Annual Report of the Materials Distribution Agency (MDA) for the year ended March 31, 2019.

This report marks the completion of MDA's twenty-sixth year as a Special Operating Agency, providing the Province and the broader public sector with quality, cost-effective centralized mail and material management services. MDA works hard to establish expertise in the core competency of logistics. This allows departments to focus on delivering services within their established areas of expertise to Manitobans.

I acknowledge the dedication of the staff and management of MDA on the accomplishments they achieved in the last year. MDA continues to work diligently in order to bring greater value and achieve the objectives of the Manitoba Government.

Respectfully submitted,



Honourable Scott Fielding

DEPUTY MINISTER'S LETTER OF TRANSMITTAL



Deputy Minister of Central Services
Room 314, Legislative Building
Winnipeg, Manitoba, Canada R3C 0V8
T 204 945-2536 F 204 948-7700
www.manitoba.ca

Honourable Scott Fielding
Minister of Finance
Room 103, Legislative Building
Winnipeg Manitoba R3C 0V8

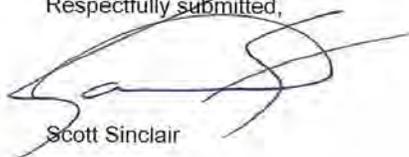
Dear Minister Fielding:

It is with pleasure that I present the Twenty-sixth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2019.

The Agency continues to streamline logistics operations, which offer value for the benefit of provincial clients. I appreciate the dedication of MDA's management and staff as they work towards achieving the goals of the Manitoba Government.

MDA continues to meet the challenges of being a service leader and is an Agency of which the government can be very proud.

Respectfully submitted,



Scott Sinclair

CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

August 1, 2019

To Our Valued MDA Stakeholders:

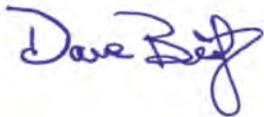
I have the honour to present the Agency's Twenty-sixth Annual Report as a Special Operating Agency.

Materials Distribution Agency (MDA) has a vision to be the leader for centralized distribution services for the provincial government. To save clients resources and time, MDA must be prompt, competitively priced and reliable, and offer clients the services they require.

The Agency is proud of its ability to generate value for our government clients by offering a cost effective one-stop-shop for goods and services. Clients such as Employment and Income Assistance Program, Home Care Therapeutic Mattress Program and Manitoba Health have realized costs savings and time efficiencies using MDA for their distribution of goods.

Finally, I would like to thank all clients for their continued support of MDA. When they ask MDA to take on their distribution projects, it is an endorsement of the Agency's vision and commitment to service excellence and MDA strives to exceed government mandates and expectations.

Sincerely,

A handwritten signature in blue ink that reads 'Dave Bishop'. The signature is written in a cursive, flowing style.

Dave Bishop
Chief Operating Officer - MDA

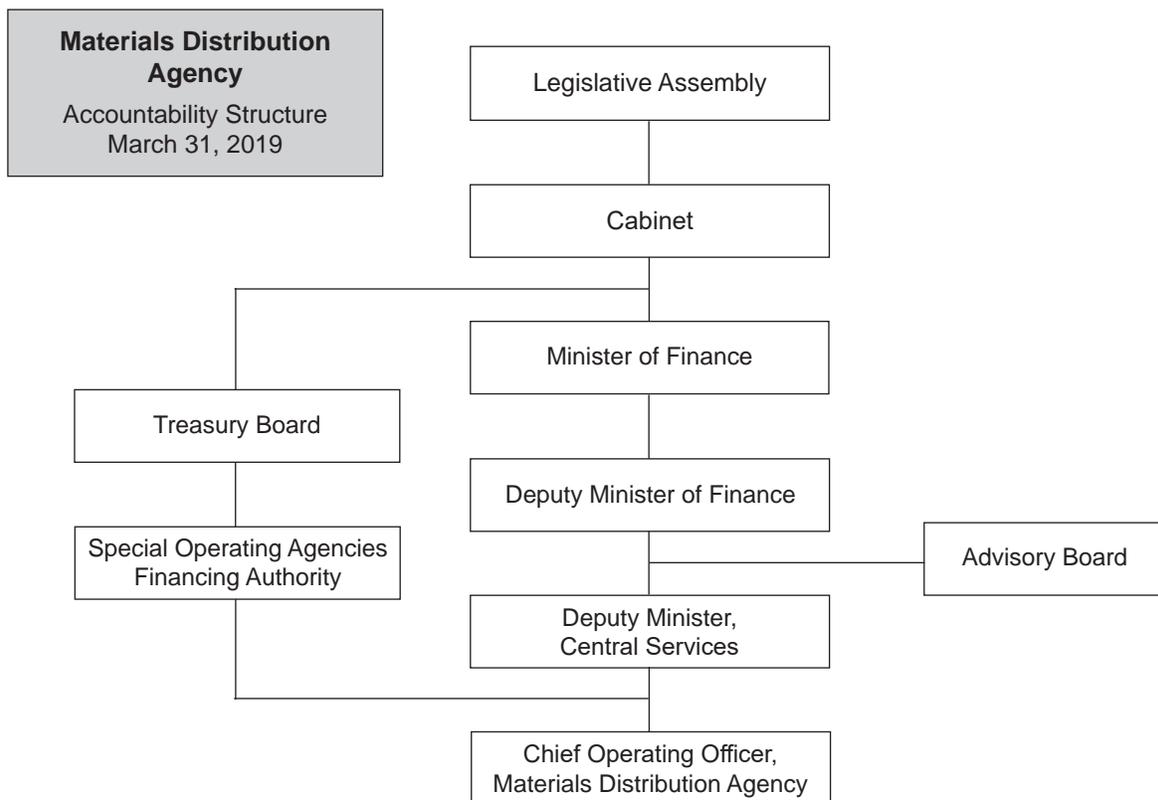
STRUCTURE FOR OPERATIONS

Accountability Structure

As a Special Operating Agency within Manitoba Finance, MDA reports directly to the Deputy Minister, Central Services, and is held accountable to the Deputy Minister and 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 MDA’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 an SOA coordinator at Treasury Board Secretariat.

The Accountability Structure chart presented below outlines the current structure:



Advisory Board

The Advisory Board for the Materials Distribution Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan and any proposed changes to the Agency's Charter. The Board's members offer advice and direction on reporting and management issues of concern, and on short and long term strategic planning.

Members of the MDA Advisory Board, as of March 31, 2019, are listed below.

Members of the Advisory Board for Materials Distribution Agency		
<u>CHAIR</u>	Scott Sinclair Deputy Minister Central Services	
<u>MEMBERS</u>		
Client Representatives	Vacant	Vacant
Ex Officio	David Bishop Chief Operating Officer Materials Distribution Agency	
Staff Representative	Vacant	

THE PUBLIC DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The Agency confirms that there were no disclosures of wrongdoing that have been made to a supervisor or designated officer during the fiscal year under review.

MDA MISSION & VISION STATEMENTS

Mission

MDA is committed to provide economical products, services and logistics solutions. We strive to meet clients' needs which helps them focus on what they do best.

Vision

The Agency is a reliable source for diverse products and services committed to be the preferred public sector source for mail and material logistics solutions.

ORGANIZATIONAL GOALS

Employees – To increase employee job satisfaction and foster a respectful workplace

Service – To sustain and improve client service by developing partnerships, setting standards and meeting or exceeding client needs

Growth – To grow business while maintaining or increasing overall government value

Sustainable Development – To actively participate in government's environmental initiatives by offering solutions to clients looking for ecologically friendly products and services

ORGANIZATIONAL VALUES

The Agency supports its mission and vision statements with its operating values.

Reliability

- Continually improves all aspects of its organization
- Provides consistent services
- Establishes and follows standards
- Does not make promises it can't keep
- Meets deadlines
- Is fair
- Demonstrates integrity

Teamwork

- Communicates
- Is positive and recognizes achievements
- Views each call as an opportunity
- Values diversity of backgrounds and opinions
- Creates and supports a common direction and common goals
- Fosters a respectful workplace

Accountability

- Meets deadlines
- Provides clients with quality assured goods
- Saves government clients money
- Strives to fully understand client needs



BACKGROUND

In 1974, MDA was created to provide the government with centralized materials management for government departments, boards, commissions and agencies. It became an SOA in 1993. Postal Services was created in 1954 to provide government-wide postal services and became an SOA in 1996. The organizations amalgamated on April 1, 2005. MDA's mandate is to cost-effectively meet the mail and material distribution requirements of organizations within the broader public sector.

AGENCY PRODUCTS

MDA bulk purchases a variety of commonly used supplies and distributes these goods in smaller units as needed by its clients. These distinct product lines are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,188
Janitorial Supplies	134
Medical Supplies	1,777
Home Care Equipment	415
Office Furnishings and Furniture	73
Publications	229
Total Line Items	3,816

AGENCY SERVICES

MDA provides the following lines of business and related key services:

Mail Processing

MDA processes different types of mail for clients. Mail staff:

- Weigh and ascertain postage of standard and oversized mail through high speed mail machines
- Forward letter mail that exceeds the maximum dimensions or weight through one of two computerized shipping systems
- Process high volume mail through permit mail using pre-printed indicia on envelopes
- Coordinate prepaid mailings through use of numerically controlled Canada Post envelopes

The current cost to clients consists of actual postage and a separate processing fee which varies depending on type (i.e. metered or permit mail). Vendor rate increases will not automatically increase the Agency's processing fee. MDA has other products, such as variable rate services, including Business Reply Mail, Returned Mail and Short Paid Mail where the rate does not remain constant.

Mail Finishing

MDA provides clients with various types of mail finishing services, such as:

- Envelope addressing
- Folding printed material
- Envelope insertion
- Manual collating of items into kits or envelopes

Current prices vary, both with type of activity (i.e. folding) and volume. MDA may offer high volume clients lower rates, but eligibility for this pricing is dependent on the quality of the clients' printed materials.

Inter-departmental Mail (IDM)

Clients purchase Prepaid Labels in four denominations (Letter, Oversize Letter, Small Packet and Parcel).

Label fees are based upon the size of the item being mailed or the service provided. MDA IDM also offers Signature Service which provides clients with mail delivery confirmation.

Contract Administration

MDA offers broader public sector clients with access to volume-based contracted courier and parcel rates.

Digital Printing

MDA's Variable Data Printing Service provides clients with "just in time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing and IDM lines of business. Pricing is on a per impression basis.

Home Care Equipment Rental

MDA provides a comprehensive rental, repair and service program. The Agency receives, repairs and disinfects any damaged or non-functioning component before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure items remain in good working condition. MDA also electronically tracks equipment usage for the Employee and Income Assistance Branch (EIA) program.

Warehouse and Distribution Services

MDA provides distribution services to other agencies and departments. This includes picking, packing and transportation for provincial, national and international distribution. These services are offered at very competitive rates and continue to show favourable growth for the Agency. Key distribution services include:

Janitorial and Stationery products

- Wide range of janitorial and stationery items (currently 1,322 products)
- 301 products are environmentally friendly (increasing annually)
- Toner recycling program
- Pricing is the same throughout the province and is competitive with private companies (three independent audits were conducted and support claims that MDA is more cost-effective than buying directly from retailers)

Medical Supplies

- Medical supplies for rural home care - Regional Health Authority, Health, Seniors and Active Living
- Nutritional supplements and child care items - Employee & Income Assistance, Families
- Lab & X-ray facilities - Diagnostic Services of Manitoba (DSM), Health, Seniors and Active Living
- Health booklets/pamphlets - Health, Seniors and Active Living

Manitoba Learning Resource Centre (MLRC)

- MLRC is an SOA that distributes textbooks and other school-related items
- Work is year-round with a heavy order period between June and October

Storage

- Secure storage facilities are provided for government clients
- Rates are well below private industry

Office Relocation/Moving and Disposal Services

- Significant cost savings and consistent positive client feedback
- Furnishings that offices/workplaces no longer need are recycled to other offices or through recycling companies

Provincial Vaccine Program

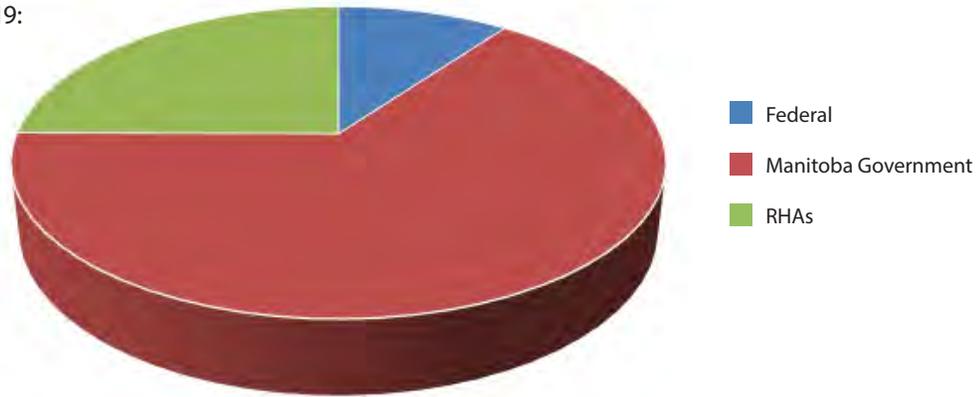
- Distribution of vaccines throughout the province on behalf of Manitoba Health, Seniors and Active Living. These vaccines must be maintained between two and eight degrees Celsius at all times until consumed by the end user.
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased risk management control for products within this program

Special projects

- Timely and cost-effective management of projects that are short in nature (3 – 12 months)
- Example: Pandemic warehousing and distribution for the Office of Disaster Management
- Example: Provincial Low Cost Bike Helmet Program

MARKET SEGMENT INFORMATION

Total Revenue 2018/19:
\$27,700,000



WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of orders	2018/19	2017/18	2016/17	2015/16	2014/15
Warehouse orders	45,800	45,200	57,000	58,300	54,400
Equipment orders	19,985	22,504	20,497	15,973	15,465
Mail Finishing jobs	3,316	3,761	3,920	4,276	3,995
Vaccine orders	7,249	7,380	8,780	8,274	7,000
Federal Mail processed (pieces)	1.30 million	1.40 million	1.40 million	1.60 million	1.60 million
Inter-Departmental Mail (pieces)	241,250	192,500	239,300	252,000	258,000
Payroll Advice Letters	92,000	105,800	121,200	140,800	135,800
MLRC orders	10,400	11,000	11,089	12,080	13,963
Moves	672	776	753	863	725

Distribution of Products By Area	2018/19	2017/18	2016/17	2015/16
Winnipeg	54%	55%	57%	54%
Rural	46%	44%	43%	46%

Delivery of Winnipeg Orders	2018/19	2017/18	2016/17	2015/16	2014/15
Regular (2 days)	96%	95%	94.3%	92.5%	93%
Same day	2%	2%	2.0%	4%	4%
Pickup	2%	3%	3.7%	3.5%	3%

2018/19 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS

1. Human Resources Overview

MDA has identified several internal areas which need to be improved. Improvements will take place using management recommendations, government initiatives and employee suggestions. This section will comprise MDA's strategic human resource plan, tracking mechanisms and reporting on a quarterly basis to deal with these issues.

Safety Management Program

MDA management, the Safety Facilitator and the Safety Committee will develop an internal Safety Management Program to ensure all potential accidents are investigated and improvements implemented.

Strategy results:

- The Safety Facilitator conducted a safety audit at MDA in the second quarter. Results were communicated to the Agency.
- MDA passed the safety audit and has made corrections resulting from the audit.
- MDA's Safety Committee has developed safety topics with training aids to be discussed in monthly area meetings.

Communication Improvements

Communication remains a concern for the Agency. Improvements made in 2018/19 will help to ensure morale and efficiencies remain high this fiscal year.

1. Hold a minimum of 10 meetings for each MDA area in the 2018/19 fiscal year, with minutes distributed to managers and the COO.

Strategy results:

Business Area	Standard	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Customer Serv. & Equipment	10/yr	3	3	2	3	11
Contracts & Purchasing	10/yr	3	3	2	2	10
Warehouse – Distribution	10/yr	3	3	1	3	10
Warehouse – Mail Services	10/yr	3	2	2	2	9
Finance & IT	10/yr	3	2	1	2	8

2. Conduct an employee survey in the first quarter, with a management review and implementation of recommendations in the remainder of the fiscal year.

Strategy results:

- Employee survey was deferred until fiscal year 2019/20.

3. Hold two meetings with all staff in fiscal year 2018/19 to update staff on business initiatives, new policies, MDA's financial situation and answer questions.

Strategy results:

- MDA's COO and Manager of Finance met with all staff to present MDA's financial numbers from 2017/18 and answer questions in May.
- The COO conducted a meeting with all MDA staff at the Employee Appreciation awards in June.
- The COO held area meetings throughout the Agency in the third quarter to discuss the departments strategic plan and answer questions.

Staff Newsletter

A quarterly newsletter will continue to be developed and distributed to all MDA staff.

Strategy results:

- Newsletters were distributed each quarter. The feedback from staff was very positive.

Wellness Plan

To be an employer of choice, MDA must reflect the population it serves and provide a positive workplace environment. With an aging employee base, the Agency is experiencing higher absenteeism, increased health concerns and a need to accommodate staff while remaining attractive to potential employees. MDA has developed a plan for improvements to staff health. MDA's Wellness Committee and management have identified the following plans:

- Organize employee tournaments in ping pong and cribbage
- Hold Wellness fair
- Arrange for two healthy lunches and four healthy snack days
- Track staff that use alternative travel methods to/from work and participate in the government's Commuter Challenge

Strategy results:

- Held a "ParticiPaction" event in June
- A healthy snack was arranged for staff in June for the Employee Appreciation Day
- Held annual singles and doubles cribbage tournament
- Held annual singles ping-pong tournament in January

2. New and Growth Business Initiatives Overview

MDA's traditional clients continue to shop at alternate suppliers. MDA must implement more frequent communications to focus on the benefits, and dispel negative impressions associated with price, product availability and reliable delivery. This will include a combined strategic approach to market a full-service Agency featuring a wide range of products, not just stationery and janitorial supplies.

MDA is shifting towards being more sales focused in a traditionally finance-driven Agency. This shift will require dedication, persistence, and increased marketing-related activities to raise the level of exposure to new and existing clients. This section will comprise MDA's strategic marketing and sales initiatives, tracking mechanisms and quarterly reporting requirements.

Mail Services

The MDA Mail area offers a variety of services such as printing, addressing, folding, inserting, mail processing and IDM delivery. The Marketing & Communications Group (MCG) and MDA management will implement a communication strategy to increase client contact for this business line. Departments will experience significant cost savings by utilizing MDA for ID mail and mail processing.

Strategy results:

- MCG will enhance client contact by arranging meetings with MDA's top 10 clients in each mail business area. – Completed

Email Encryption

MDA has partnered with Business Transformation and Technology (BTT) and now provides mass mailing email encryption technology for electronic distribution of mail. This would be for departments with stored databases of client emails. Instead of sending physical copies, encrypted emails would be sent. With the major increases from Canada Post over the last year, this will save departments money.

Strategy results:

- Program will be officially launched in April 2019.
- All MDA mail staff have been trained in this technology.

Department of Families

MDA entered into a partnership with Families for medical supplies/equipment and nutritional supplements for the Employee Income Assistance Branch, Child Special Services and Community Living Disability Services programs. The Agency will track volumes throughout 2018/19 to verify the effectiveness of this initiative.

Strategy results:

- Sales are as follows:

Time Period	Sales 2018/19 (\$)	Sales 2017/18 (\$)	Difference (\$)	Increase/Decrease
Totals	4,730,000	5,000,000	(270,000)	(5.4%)

Marketing and Communications Group (MCG)

The Supply and Services' MCG works closely with MDA management to source and implement many key business and communication initiatives. MCG is tasked with sourcing five new business opportunities.

Strategy results:

- This initiative was deferred due to focusing on achieving the departments strategic plan.

Manitoba Health

MDA has a strong partnership with Manitoba Health through the Provincial Vaccine Program. The Agency is being asked to look at the potential of providing distribution of products for the Provincial Sexually Transmitted Infection Program.

Strategy results:

- The STI Program will be added into the vaccine MOU.
- MDA will continue to work with MB Health to transition the program once Health is ready.

Federal Government

MDA has taken on new business with the Federal Government for distribution of medical supplies to northern communities. The Agency has absorbed this business into its regular operations without any additional resources. Negotiations are underway to discuss supplying two northern hospitals with medical supplies. It is unclear when this new business will begin. One or two additional warehouse staff will be required for this increase in business when it occurs. Once the northern hospital business is closer to starting, MDA will review operations and determine if additional staff is required.

Strategy results:

- This is an ongoing process and MDA continues to work closely with the federal government to expand this business line.

Shared Health Services - Winnipeg Home Care Supplies

MDA is working with Shared Health Services (SHS) to provide home care supplies within Winnipeg. The Agency currently distributes most rural home care supplies. These two programs should be merged once again to increase efficiencies and reduce costs. MDA is confident that it could do this business for less money and at a higher service level. The Winnipeg home care program is around \$6 million in revenue.

Strategy results:

- Meetings were held in the first quarter between MDA and SHS management to discuss moving forward on nine business lines.
- The therapeutic mattress program was transitioned to MDA in June 2018 as a pilot project.
- A savings of \$170,000 was realized for the therapeutic mattress program in the first three months.
- MDA is working towards improving internal automation within the warehouse to facilitate the SHS business without increasing staff.

3. Internal Project Initiatives Overview

MDA management and staff identify key areas that need improvement, updating or removal each year. MDA reacts quickly to issues brought forth by staff, clients, vendors and management. These projects could be small (updating an existing SOP) or large (feasibility study of all mail satellite offices).

MDA has identified several important internal improvements that need to be completed in 2018/19. There may be additional projects throughout the year based on operational requirements and client needs.

MDA Website

Over the past five years, MDA has created a website to market its products and services. The COO has tasked MCG with providing basic requirements to BTT and scheduling initial meetings. BTT will assume overall maintenance of the site and create an easy to search and interactive website that can be updated with new products in real time. This will allow clients to utilize the website, instead of relying on printed catalogues and monthly flyers to update outdated information and products. MDA could reduce the amount of catalogues printed each year, save money and become more environmentally friendly. The Manager of Finance and IT will assume the long term lead of this project.

Strategy results:

- The Finance and IT manager met and discussed options for MDA's website with a representative from Business Transformation and Technology (BTT). The manager will submit a report on recommendations.
- It was decided that the return on investment was not realized and only minor enhancements are completed on the website.

Warehouse Space and Staffing Review

The Manager of Logistics will complete an analysis of all warehousing functions and equipment to determine areas and processes to improve/eliminate. This will involve working with staff in each area.

Strategy results:

- MDA submitted a request to BTT for a consultant to come into the Agency and make recommendations for automation of the distribution centre.
- Lean initiatives are occurring throughout MDA to improve efficiencies.

Key Performance Indicators (KPI's)

The COO has tasked each manager to review/develop KPI's for their areas to confirm overall productivity and service levels are being achieved.

Strategy results:

- Finance area: the performance is measured by reviewing the aging of the receivables and payables. The sooner an organization collects receivables the easier it is to pay its creditors. The collection module improved the collection of receivables.

A/R



A/P



Orientation Checklist

MDA has a comprehensive orientation checklist for new staff. This checklist needs to be customized for each area to ensure proper training is taking place. This will include agency operational and safety items as well as departmental information.

Strategy results:

- The Agency has implemented an on boarding strategy. Each area will customize their orientation checklist to ensure that required training/reviews are taking place in 2019/20 fiscal year.

Information Technology Projects

MDA relies heavily on its Great Plains system for ensuring clients' needs are met. There are many small projects which occur throughout each year. These projects improve the information we can supply to clients and increase internal staff efficiencies. There are four projects identified for analysis and upgrades in the 2018/19 fiscal year:

- Continuation of the conversion of Y2K MS Access Application to a .NET Application
- Transportation Moving Request Billing Application
- MDA "Ship To" Client Database Archiving Application
- MDA Electronic Order Importer Enhancement

Strategy results:

- All projects have been completed.

4. Sustainable Development & Green Initiatives Overview

MDA supports government procurement initiatives by offering sustainable products and services to its clients. The Agency considers sustainably responsible purchasing an important component of the Manitoba government's *Sustainable Development Act*.

The *MDA Sustainability Action Plan* promotes sustainability through these four components:

- Awareness
- Pollution Prevention
- Resource Conservation
- Social Responsibility

MDA carries 251 sustainable stationery, kitchen and janitorial products including ECOLOGO, Forest Stewardship Council (FSC) and Sustainable Forest Initiative (SFI) third-party certified items. In 2018/2019, MDA introduced 12 new sustainable products.

MDA provides disposal services on behalf of the Province ensuring items, such as used furniture, are re-distributed, recycled or disposed of in the proper manner. The Agency also provides toner and cell phone recycling for all provincial offices through interdepartmental mail. For statistics on these and other materials, see the table below.

MDA tracks toner cartridge returns from government offices sending them to Hewlett Packard for recycling. Since 2016/2017, 82,216 pounds of toner cartridges were recycled.

MDA does not officially track cell phone returns from government offices but is the conduit for the government recycling program. Since 2017, over 587 pounds of cell phones came through interdepartmental mail on their way to Bell MTS.

Social responsibility is an important component in MDA's business principals. The Agency recycles mattresses through Mother Earth Recycling (MER). MER is a Winnipeg-based Aboriginal Social Enterprise, a not-for-profit facility providing jobs for people with barriers to employment. MDA recycled 221 mattresses in 2018/2019.

Staff Participation

MDA holds an annual Earth Day Clean-up. Since 2014, staff members collected 263 pounds of litter including paper, cigarette butts, plastic, cardboard and other materials from the parking lots around MDA. Since 2016/2017, MDA staff donated 21 pairs work boots/shoes to Winnipeg Harvest, providing opportunities for those without footwear to work and participate in training. MDA recycles batteries and cell phones through the Call2Recycle Battery program. Since 2015/16, MDA has collected 617 pounds of batteries.

Recycled Material Types				
Program Type	2015/2016	2016/2017	2017/2018	2018/2019
Batteries (pounds)	208	109	149	151
Cellular Phones (pounds)	NA	258	396	308
Mattresses (each)	NA	NA	NA	222
Toner Cartridges (pounds)	NA	31,682	27,217	23,319
Work Boots (each)	NA	6	13	2

MDA Sustainability Initiatives

- **Batteries:** collecting used batteries for Call-2-Recycle program
- **Calendars and Catalogues:** printing with Forest Stewardship Council (FSC) paper
- **Cardboard:** dedicating bins for recycling and reusing for packaging
- **Cell Phones:** partnering with Bell MTS to recycle small electronics
- **Electronics:** sending items to depots
- **External Communications:** informing clients about sustainable products through MDA Connected
- **Green Choice Products:** providing environmentally-friendly product choices
- **Interdepartmental Mail:** reusing delivery bags and paper envelopes
- **Internal Communications:** informing staff about sustainability through MDA Bitz
- **Invoice Attachment in Great Plains:** reducing printing and storage in MDA Finance
- **Mattresses:** recycling through Mother Earth Recycling
- **Medical Equipment:** reusing medical equipment in a safe and cost-efficient manner
- **Metal Scrap:** collecting metal scrap for pickup and remuneration
- **Minimum Orders:** consolidating orders reduces deliveries, fuel and emissions
- **Office Supplies:** repurposing, re-distributing, recycling or disposing of supplies
- **Plastic Bags:** reusing and recycling plastic shopping bags
- **Recycling Centres:** providing mixed recycling centres for internal reuse program and collection
- **Storage and Shipping:** reusing wood pallets and cardboard for storage and shipping
- **Surplus Furniture:** offering gently pre-owned office furniture
- **Toner Cartridges:** returning used toners to suppliers
- **Work Boots:** collecting gently-used work boots for Winnipeg Harvest

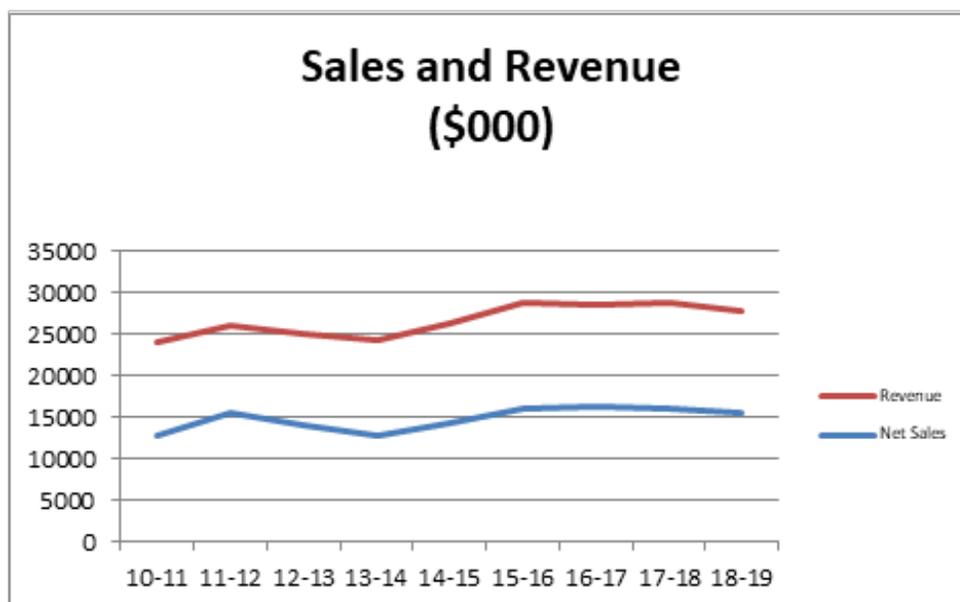
FINANCIAL OVERVIEW

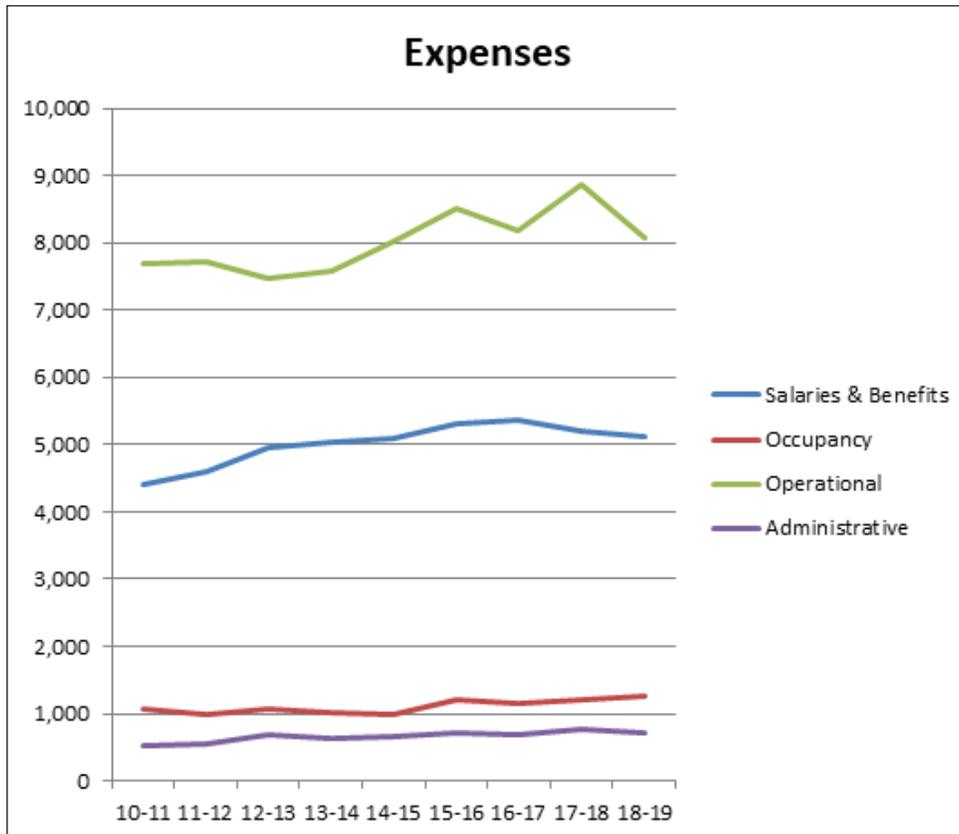
Review of Operations

MDA is working with clients to increase efficiencies, which will bring financial value to the provincial government distribution commodities. As needs change, clients look to MDA to assume warehousing and distribution at lower costs.

MDA reported a net income of \$163,000 compared to a projected income of \$100,000 for the year ended March 31, 2019. The increase is due to MDA's increase in health equipment revenue.

	2018-19 Actual	2018-19 Budget	Actual vs. Budget	2017-18 Actual	Actual vs. Actual
Warehouse Sales	15,498	16,600	(1,102)	16,003	(505)
Service Revenue	12,218	12,862	(644)	12,886	(668)
Total Revenue	27,716	29,462	(1,746)	28,889	(1,173)
Salaries & Benefits	5,126	5,628	(502)	5,189	(63)
Cost of Sales	12,096	12,894	(798)	12,478	(382)
Occupancy Costs	1,267	1,186	81	1,202	65
Operational Costs	8,087	8,660	(573)	8,876	(789)
Administrative Cost	702	719	(17)	763	(61)
Revenue Share	275	275	0	200	75
Total Expenses	27,553	29,362	(1,809)	28,708	(1,155)
Net Income/(loss)	163	100	63	181	(18)





Financial Position

The Agency did not use its working capital payable line of credit at any time during this fiscal year. Remaining cash generated by operations was used to purchase capital and inventory.

Ratio Analysis

Ratio	2019	2018	2017	2016	2015
Return on Total Revenue*	1.6%	1.3%	.94%	1.03%	.91%
Days Sales in Receivables	34.3 days	27.17 days	31.6 days	35.0 days	26.70 days
Inventory Turnover	8.05 times	7.8 times	7.92 times	8.0 times	5.5 times

*before revenue share

MDA Performance Measures

* Internal Turnaround Times:	2019	2018	2017	2016	2015
<i>(In number of days)</i>					
Health Orders – Urban	1	1	1	1	1
Health Orders – Rural	1	1	1	1	1
Other Goods – Urban	1.5	1.5	1.5	1.5	1.5
Other Goods – Rural	1.5	1.5	1.5	1.5	1.5
MB Learning Resource	1.5	1.5	1	1	1
No. Sales Invoices	58,300	60,800	64,500	66,500	66,739
No. Inventory Items	3,816	4,738	4,725	4,733	4,182

* MDA internal processing time: Example – An order received at 11:00 am is processed, picked/packed and ready for shipment by 11:00 am the next day. The delivery time will be based upon the destination of the order and the courier schedule.



APPENDIX A – INDEPENDENT AUDITOR’S REPORT

MATERIALS DISTRIBUTION AGENCY
Financial Statements
For the year ended March 31, 2019



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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the **MATERIALS DISTRIBUTION AGENCY** and have been prepared in accordance with Canadian public sector accounting standards. 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 to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

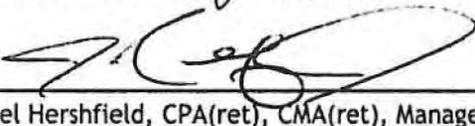
The responsibility of the external audit is to express an independent opinion on whether the financial statements of the **MATERIALS DISTRIBUTION AGENCY** are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

MATERIALS DISTRIBUTION AGENCY



David Bishop, Chief Operating Officer



Joel Hershfield, CPA(ret), CMA(ret), Manager of Finance and Technology

July 11/19

Date

Independent Auditor's Report

To The Special Operating Agencies Financing Authority

Opinion

We have audited the financial statements of **MATERIALS DISTRIBUTION AGENCY** (the "Agency"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2019, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Agency for the year ended March 31, 2018 were audited by another auditor who expressed an unqualified opinion on those financial statements on May 28, 2018.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 11, 2019

MATERIALS DISTRIBUTION AGENCY
Statement of Financial Position
(in thousands)

March 31	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 76	\$ -
Accounts receivable (Note 5)	2,609	2,464
Portfolio investments	-	512
Inventories for resale (Note 7)	<u>1,413</u>	<u>1,591</u>
	<u>4,098</u>	<u>4,567</u>
Liabilities		
Cash and cash equivalents overdraft	-	329
Accounts payable and accrued liabilities	3,303	2,594
Employee future benefits (Note 8)	<u>871</u>	<u>812</u>
	<u>4,174</u>	<u>3,735</u>
Net financial (net debt) assets	<u>(76)</u>	<u>832</u>
Non-financial Assets		
Tangible capital assets (Note 9)	4,603	3,567
Prepaid expenses	<u>188</u>	<u>153</u>
	<u>4,791</u>	<u>3,720</u>
Accumulated surplus	<u>\$ 4,715</u>	<u>\$ 4,552</u>

Designated assets (Note 10)

MATERIALS DISTRIBUTION AGENCY
Statement of Operations and Accumulated Surplus
(in thousands)

For the year ended March 31	2019	2019	2018
	Budget	Actual	Actual
Revenue			
Warehouse sales (Schedule 1)	\$ 16,600	\$ 15,498	\$ 16,003
Service revenue (Schedule 1)	12,859	12,212	12,882
Interest income	3	6	4
	29,462	27,716	28,889
Expenses			
Cost of sales	12,894	12,096	12,478
Occupancy costs	1,186	1,267	1,202
Operating expenses (Schedule 2)	8,660	8,087	8,871
Administrative expenses (Schedule 2)	719	702	768
Salaries and benefits	5,628	5,126	5,189
	29,087	27,278	28,508
Annual operating surplus	375	438	381
Transfer to the Province of Manitoba (Note 11)	275	275	200
Annual surplus	100	163	181
Accumulated surplus, beginning of year	3,930	4,552	4,371
Accumulated surplus, end of year	\$ 4,030	\$ 4,715	\$ 4,552

The accompanying notes are an integral part of these financial statements.

MATERIALS DISTRIBUTION AGENCY
Statement of Change in Net Financial Assets
(in thousands)

For the year ended March 31	2019	2019	2018
	Budget	Actual	Actual
Annual surplus	\$ 100	\$ 163	\$ 181
Tangible Capital Assets			
Acquisition of tangible capital assets	(1,570)	(2,638)	(2,363)
Disposals of tangible capital assets	-	130	123
Amortization of tangible capital assets	1,560	1,472	1,453
Net change in tangible capital assets	(10)	(1,036)	(787)
Other Non-financial Assets			
(Decrease) increase in prepaid expenses	-	(35)	9
Decrease in net financial assets	90	(908)	(597)
Net financial assets, beginning of year	1,458	832	1,429
Net financial (net debt) assets, end of year	\$ 1,548	\$ (76)	\$ 832

MATERIALS DISTRIBUTION AGENCY
Statement of Cash Flows
(in thousands)

For the year ended March 31	2019	2018
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$ 163	\$ 181
Amortization of tangible capital assets	1,472	1,453
Loss (Gain) on disposal of tangible capital assets	130	(17)
	<hr/>	<hr/>
	1,765	1,617
Changes in non-cash working capital balances		
Accounts receivable	(145)	(609)
Inventories for resale	178	43
Prepaid expenses	(35)	9
Accounts payable and accrued liabilities	709	377
Employee future benefits	59	51
	<hr/>	<hr/>
	2,531	1,488
Cash Flows from Capital Activities		
Acquisition of capital assets	(2,638)	(2,363)
Proceeds on disposal of tangible capital assets	-	140
Redemption of portfolio investments	512	-
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	405	(735)
Cash and cash equivalents, beginning of year	(329)	406
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 76	\$ (329)

The accompanying notes are an integral part of these financial statements.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2019

1. Nature of Organization

The Government of Manitoba established a central warehouse operation in 1974 to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items. Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal services. Effective April 1, 1996, the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2005, the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations and finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations. A Management Agreement between the Financing Authority and the Minister responsible for the Agency assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency is now part of the Department of Finance under the general direction of the Associate Deputy Minister, Central Services Division, and ultimately the policy direction of the Deputy Minister and Minister. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objective.

Effective April 1, 2012 the Agency is administering the vaccine program on behalf of Manitoba Health.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

3. Significant Accounting Policies

Revenue

- (a) Warehouse sales are recognized when the goods are shipped and when collection is reasonably assured.
- (b) Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable, and when collection is reasonably assured.
- (c) Investment income and all other revenue is recognized on the accrual basis.

Expenses

- (a) All expenses incurred for goods and services are recorded on an accrual basis.
- (b) Government transfers are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial Assets

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

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

Inventories for resale are recorded at the lower of cost or net realizable value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or 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 at the estimated amount ultimately payable.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

3. Significant Accounting Policies (continued)

Non-financial Assets

- (a) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. The costs of tangible capital assets, less any residual value, are amortized over their useful lives as follows:

Computer equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10 years straight-line
Office equipment	20% straight-line
Mail finishing equipment	20% declining balance
Rental equipment	2-5 years straight-line
Warehouse equipment	20% declining balance

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

Measurement Uncertainty

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. Actual results could differ from these estimates.

4. Financial Instruments and Financial Risk Management

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

The Agency records cash and cash equivalents and portfolio investments at fair value. The Agency records accounts receivable, accounts payable, and accrued liabilities at cost.

Gains and losses on financial instruments measured at fair value are recorded in the Statement of Remeasurement Gains and Losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement 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.

Financial Risk Management Overview

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

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

4. Financial Instruments and Financial Risk Management (continued)

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 primarily of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 76	\$ -
Accounts receivable	2,609	2,464
Portfolio investments	-	512
	<u>\$ 2,685</u>	<u>\$ 2,976</u>

Cash, cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable are primarily with other government agencies and departments. The balance is due from a large client base and payment in full is typically collected when it is due. The Agency manages the credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts as at March 31, 2019 is \$65 (\$65 in 2018).

Liquidity Risk

Liquidity risk can be defined as an organization's ability to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

4. Financial Instruments and Financial Risk Management (continued)

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 or the fair values of its financial instruments.

(a) 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 and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents 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.

(b) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts Receivable

	2019	2018
Trade accounts receivable	\$ 2,602	\$ 2,459
Other receivables	72	70
	2,674	2,529
Allowance for doubtful accounts	65	65
	\$ 2,609	\$ 2,464

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

6. Working Capital Advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of \$ 600 (2018 - \$600) of which \$NIL was used at March 31, 2019 (2018 - \$NIL).

7. Inventories for Resale

	2019	2018
Medical supplies	\$ 741	\$ 716
Stationery	251	445
Janitorial	240	245
Health equipment	167	181
Special projects	12	-
Furniture	2	4
	\$ 1,413	\$ 1,591

8. Employee Future Benefits

Pension Benefits

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

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2019 was \$327 (\$330 in 2018). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

8. Employee Future Benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2017. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2019 is \$801 (\$742 in 2018). The actuarial loss of \$87 (\$56 in 2018) based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2017 valuation, and in the determination of the March 31, 2019 present value of the accrued severance benefit obligations are:

Annual rate of return	3.80 %
Assumed salary increase rate:	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

The severance benefit liability at March 31 includes the following components:

	2019	2018
Accrued benefit liability		
Balance, beginning of year	\$ 798	\$ 705
Actuarial loss	36	44
Interest on accrued severance benefits	30	28
Service costs	37	38
Severance paid	(13)	(17)
Balance, end of year	888	798
Less unamortized actuarial losses	(87)	(56)
Severance benefit liability	\$ 801	\$ 742

The total expenses related to severance benefits at March 31 includes the following components:

	2019	2018
Interest on accrued severance benefits	\$ 30	\$ 28
Current period service cost	37	39
Amortization of actuarial losses over EARSL	3	3
Total expense related to severance benefit	\$ 70	\$ 70

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

8. Employee Future Benefits (continued)

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% annual return and a 3.00% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2019 based on the valuation model is \$70 (2018 - \$70). The increase (decrease) in sick leave benefit liability of \$NIL (2018 - \$NIL) represents the total sick leave benefit expense (recovery) for the year.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

9. Tangible Capital Assets

	2019			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 313	\$ -	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,160	90	14	1,236
Office equipment	64	6	-	70
Mail finishing equipment	542	-	-	542
Rental equipment	12,510	2,538	154	14,894
Warehouse equipment	1,384	4	2	1,386
	\$ 16,138	\$ 2,638	\$ 170	\$ 18,606
	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Computer equipment	\$ 272	\$ 7	\$ -	\$ 279
Furniture and fixtures	164	-	-	164
Leasehold improvements	974	36	-	1,010
Office equipment	64	-	-	64
Mail finishing equipment	424	17	-	441
Rental equipment	9,549	1,373	40	10,882
Warehouse equipment	1,124	39	-	1,163
	12,571	1,472	40	14,003
Net book value	\$ 3,567	\$ 1,166	\$ 130	\$ 4,603

During the year ended March 31, 2019, tangible capital assets disposed of totaled \$170, resulting in a loss on disposal of tangible capital assets of \$130. Disposals consisted of tangible capital assets that were written-off due to no longer being in use, there were no tangible capital assets sold for proceeds during the year.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

9. Tangible Capital Assets (continued)

	2018			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 310	\$ 3	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,154	6	-	1,160
Office equipment	64	-	-	64
Mail finishing equipment	542	-	-	542
Rental equipment	13,228	2,341	3,059	12,510
Warehouse equipment	1,371	13	-	1,384
	\$ 16,834	\$ 2,363	\$ 3,059	\$ 16,138
	Opening Balance	Amortization	Disposals	Closing Balance
Accumulated Amortization				
Computer equipment	\$ 262	\$ 10	\$ -	\$ 272
Furniture and fixtures	164	-	-	164
Leasehold improvements	937	37	-	974
Office equipment	64	-	-	64
Mail finishing equipment	397	27	-	424
Rental equipment	11,172	1,313	2,936	9,549
Warehouse equipment	1,058	66	-	1,124
	14,054	1,453	2,936	12,571
Net book value	\$ 2,780	\$ 910	\$ 123	\$ 3,567

During the year ended March 31, 2018, rental equipment additions totaling \$123 were sold for proceeds of \$140 resulting in a gain on disposal of tangible capital assets of \$17 included in total health equipment sales for the year ended March 31, 2018.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2019

10. Designated Assets

In the prior year, the Agency had allocated \$412 of its portfolio investments totaling \$512 as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. This amount was held in an interest bearing account until the cash was required to discharge the related liabilities. Any unused balance was re-invested annually.

As of March 31, 2019, there are no designated assets.

11. Transfer to the Province of Manitoba

During the year ended March 31, 2019, with the Lieutenant Governor's approval by Order in Council, the Agency transferred \$275 (\$200 in 2018) of its surplus funds to the Province of Manitoba.

12. Budget Information

The budget information for the year ended March 31, 2019 has been restated to reflect the transfer payment to the Province of Manitoba as an expense for the year in accordance with Canadian public sector accounting standards.

13. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

MATERIALS DISTRIBUTION AGENCY
Schedule 1
Schedule of Warehouse Sales and Services Revenue
(in thousands)

For the year ended March 31	2019	2018
Warehouse Sales		
Medical supplies	\$ 7,134	\$ 7,342
Stationery	4,103	4,229
Janitorial	2,283	2,263
Health equipment	1,842	1,767
Furniture	134	401
Special projects	2	1
	<u>15,498</u>	<u>16,003</u>
Service Revenue		
Mail service	4,853	5,511
Equipment rentals	4,188	4,099
Freight	1,127	1,105
Vaccine program	678	673
Moving	538	657
Storage	329	344
Manitoba Textbook Bureau	290	290
Other revenues and recoveries	165	175
Disposal service	44	28
	<u>\$ 12,212</u>	<u>\$ 12,882</u>

MATERIALS DISTRIBUTION AGENCY
Schedule 2
Schedule of Operating and Administrative Expenses
(in thousands)

For the year ended March 31	2019	2018
Operating expenses		
Mail services	\$ 3,569	\$ 4,442
Freight	2,172	2,025
Amortization	1,472	1,453
Moving expenses	419	499
Equipment rentals	167	119
Vehicle	150	126
Warehouse supplies	138	207
	<u>8,087</u>	<u>8,871</u>
Administrative expenses		
Computer	259	248
Office	259	339
Telephone	110	114
Professional fees	21	14
Promotion and marketing	21	27
Miscellaneous	18	16
Training	14	10
	<u>702</u>	<u>768</u>
	\$	\$

