

Portage Regional Recreational Authority Inc.
Financial Statements
December 31, 2012

Portage Regional Recreational Authority Inc.

Contents

For the year ended December 31, 2012

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Management's Responsibility

To the Members of Portage Regional Recreational Authority Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 22, 2013



Chair of the Board



General Manager

Independent Auditors' Report

To the Members of Portage Regional Recreational Authority Inc.:

We have audited the accompanying financial statements of Portage Regional Recreational Authority Inc., which comprise the statement of financial position as at December 31, 2012, and the statements of operations, changes in net assets 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 audits. We conducted our audits 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 Portage Regional Recreational Authority Inc. as at December 31, 2012 and the statement of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

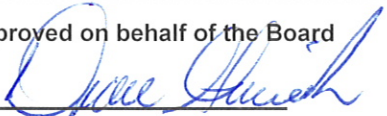

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Portage Regional Recreational Authority Inc. adopted Canadian public sector accounting standards on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011, and the statement of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Portage la Prairie, Manitoba

July 22, 2013

MNP LLP
Chartered Accountants

Portage Regional Recreational Authority Inc.
Statement of Financial Position
As at December 31, 2012

	<i>December 31 2012</i>	<i>December 31 2011</i>	<i>January 1 2011</i>
Assets			
Current			
Cash	211,112	394,427	733,858
Accounts receivable	113,341	100,635	101,248
Restricted cash (Note 4)	319,138	-	-
Inventory	8,952	12,065	-
Prepaid expenses and deposits	33,493	33,156	11,648
	686,036	540,283	846,754
	686,036	540,283	846,754
Liabilities			
Current			
Accounts payable and accruals	360,860	188,364	810,013
Unearned revenue (Note 5)	68,684	122,550	46,792
	429,544	310,914	856,805
Net Assets			
Capital Reserve	43,451	71,880	93,410
Equipment Reserve	67,603	40,448	30,000
Community Club Reserve	208,084	125,802	26,447
Unrestricted	(62,646)	(8,761)	(159,908)
	256,492	229,369	(10,051)
	686,036	540,283	846,754
Approved on behalf of the Board			
			
Director			
			
		Director	

The accompanying notes are an integral part of these financial statements

Portage Regional Recreational Authority Inc.
Statement of Operations
For the year ended December 31, 2012

	<i>December 31 2012 Budget</i>	<i>December 31 2012</i>	<i>December 31 2011</i>
Revenue			
Grants			
City of Portage la Prairie	-	1,203,169	1,315,170
R.M. of Portage la Prairie	-	401,056	438,390
Other	27,900	20,109	41,718
Donations	-	2,997	18,832
Facility use fees	1,236,650	1,292,857	978,251
Rentals	82,800	69,280	81,243
Sale of service	105,150	115,087	102,241
Other revenue	20,000	-	9,907
Investment income	5,000	15,189	6,683
Sale of goods	99,975	89,494	77,903
Advertising	50,000	32,998	34,049
	1,627,475	3,242,236	3,104,387
Expenses			
Contract services	512,080	501,799	403,540
Grants and contributions	116,262	36,323	10,000
Maintenance, materials and supplies	348,650	542,854	395,998
Other operating expenses	100,900	116,027	105,140
Personnel services	1,563,919	1,564,071	1,471,112
Utilities	494,889	454,039	506,183
	3,136,700	3,215,113	2,891,973
Excess (deficiency) of revenue over expenses before other items	(1,509,225)	27,123	212,414
Other items			
Insurance proceeds	-	-	27,006
Excess (deficiency) of revenue over expenses	(1,509,225)	27,123	239,420

The accompanying notes are an integral part of these financial statements

Portage Regional Recreational Authority Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2012

	<i>Capital Reserve</i>	<i>Equipment Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<i>2012</i>	<i>2011</i>
Balance, beginning of year	71,880	40,448	125,802	(8,761)	229,369	(10,051)
Excess (deficiency) of revenue over expenses	(77,501)	(2,845)	2,343	105,126	27,123	239,420
Transfers (Note 3)	49,072	30,000	79,939	(159,011)	-	-
Balance (deficiency), end of year	43,451	67,603	208,084	(62,646)	256,492	229,369

The accompanying notes are an integral part of these financial statements

Portage Regional Recreational Authority Inc.

Statement of Cash Flows

For the year ended December 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	27,123	239,420
Changes in working capital accounts		
Accounts receivable	(12,706)	615
Inventory	3,113	(12,065)
Prepaid expenses and deposits	(337)	(21,508)
Accounts payable and accruals	172,496	(621,651)
Unearned revenue	(53,866)	75,758
	135,823	(339,431)
Increase (decrease) in cash resources	135,823	(339,431)
Cash resources, beginning of year	394,427	733,858
Cash resources, end of year	530,250	394,427
Cash resources are composed of:		
Cash	211,112	394,427
Restricted cash total	319,138	-
	530,250	394,427

The accompanying notes are an integral part of these financial statements

Portage Regional Recreational Authority Inc.
Notes to the Financial Statements
For the year ended December 31, 2012

1. Purpose of Organization

The Portage Regional Recreational Authority Inc. (PRRA) is a not for profit entity responsible for the provision of recreation and leisure facilities and programs for the benefit of citizens in the Portage la Prairie region. The entity is funded in part by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie and is governed by the PRRA Board of Directors.

2. Impact of adopting Canadian public sector accounting standards

These are the Organization's first financial statements prepared in accordance with Canadian public sector accounting standards (PSAS). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011, and the opening PSAS statement of financial position as at January 1, 2011 (the Organization's date of transition to public sector accounting standards).

The transition to PSAS has not affected the statement of financial position or the statements of operations, changes in net assets or cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. Significant accounting policies

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Revenue recognition

The PRRA derives its revenue from the offering of goods and services and from municipal transfers and government grants. The deferral method is used to account for revenue to match revenue with the related expenses.

Revenue from municipal and government grants are recognized as revenue in the year in which they are received.

Revenue from facility use fees are recognized in the period in which the service is rendered and collection is reasonably assured.

Revenue from rentals are recognized in the period in which the service is rendered and collection is reasonably assured.

Revenue from the sales of goods and services are recognized in the period in which the service is rendered and collection is reasonably assured.

Revenue from investing activities are recognized in the period in which the income is earned.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory as well as warranty and after sales service costs. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Portage Regional Recreational Authority Inc.
Notes to the Financial Statements
For the year ended December 31, 2012

3. Significant accounting policies *(Continued from previous page)*

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the PRRA, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the PRRA or in accordance with the directives issued by the Board of Directors. Four funds are maintained: Unrestricted, Recreation Reserve, Equipment Reserve and Community Club Reserve.

The Unrestricted Fund is used to account for all revenue and expenses related to general operations of the PRRA.

The Capital Reserve is used to account for the maintenance and upkeep of the PRRA's capital assets and to present the flow of funds related to the maintenance and upkeep of those capital assets and unexpended capital resources. A portion of revenue from the PRRA's operations are transferred into the Capital Reserve with the approval of the Board of Directors (2012 - \$49,072, 2011 - \$45,000). Only those expenses that exceed \$1,500 and were not planned for in the annual budget are eligible for payment from the Capital Reserve (2012 - \$78,721, 2011 - \$66,530). During the current period, cash reserved for use in the Capital Reserve was segregated, interest earned on these funds is allocated to the Capital Reserve (2012 - \$1,220, 2011 - nil). The Capital Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.

The Equipment Reserve is used to account for all equipment of the PRRA and to present the flow of funds related to their acquisition and disposal. The Equipment Reserve receives an amount set annually through the budget process (2012 - \$30,000, 2011 - \$30,000) from the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. Only equipment for use within the PRRA is eligible for payment from the Equipment Reserve (2012 - \$3,609, 2011 - \$19,552). During the current period, cash reserved for use in the Equipment Reserve was segregated, interest earned on these funds is allocated to the Equipment Reserve (2012 - \$764, 2011 - nil). The Equipment Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.

The Community Club Reserve is used to account for provision of funding to other recreation organizations within the Rural Municipality of Portage la Prairie and to present the flow of funds related to this endeavour. The Community Club Reserve is funded by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie (2012 - \$79,939, 2011 - \$106,262). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie (2012 - nil, 2011 - \$6,907). During the current period, cash reserved for use in the Community Club Reserve was segregated, interest earned on these funds is allocated to the Community Club Reserve (2012 - \$2,343, 2011 - nil). The Community Club Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.

4. Restricted cash

Restricted cash arises from funds allocated to the recreation reserve, equipment reserve and community club reserve by the Board of Directors for the maintenance and upkeep of the organization's capital assets, the purchase of capital assets and to provide funds to organizations and clubs that provide recreation initiatives within the region.

Portage Regional Recreational Authority Inc.
Notes to the Financial Statements
For the year ended December 31, 2012

5. Unearned revenue

Unearned revenue relates to funds received for services that have not been provided. The funds will be taken into revenue as the services occur. Changes in the unearned revenue balance are as follows:

	2012	2011
Balance, beginning of year	122,550	46,792
Amount received during the year	363,220	295,035
Less: Amount recognized as revenue during the year	(417,086)	(219,277)
Balance, end of year	68,684	122,550

6. Economic dependence

The continuance of the PRRA's operations are dependent upon funding received from the City of Portage la Prairie and the Rural Municipality of Portage la Prairie.