

OFFICE COPY

**Portage Regional Recreational Authority Inc.**  
**Financial Statements**  
*December 31, 2013*

# Portage Regional Recreational Authority Inc.

## Contents

For the year ended December 31, 2013

---

	<i>Page</i>
Management's Responsibility	
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5

## 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.

June 9, 2014



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, 2013, and the statements of earnings, 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, 2013 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Portage la Prairie, Manitoba

June 9, 2014

**MNP LLP**  
Chartered Accountants

**Portage Regional Recreational Authority Inc.**  
**Statement of Financial Position**  
*As at December 31, 2013*

	2013	2012
<b>Assets</b>		
<b>Current</b>		
Cash	131,832	211,112
Accounts receivable	88,696	113,341
Restricted cash (Note 4)	358,792	319,138
Inventory	5,519	8,952
Prepaid expenses and deposits	34,398	33,493
Goods and Services tax receivable	2,359	329
	621,596	686,365
<b>Capital assets (Note 5)</b>	198,913	-
	820,509	686,365
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	284,118	361,189
Unearned revenue (Note 6)	86,009	68,684
	370,127	429,873
<b>Net Assets</b>		
Capital Reserve	30,024	43,451
Equipment Reserve	26,344	67,603
Community Club Reserve	302,423	208,084
Unrestricted	91,591	(62,646)
	450,382	256,492
	820,509	686,365

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, 2013*

	2013	2012
<b>Revenue</b>		
Advertising	30,044	32,998
Donations	450	2,997
Facility use fees	962,005	1,292,857
Grants		
City of Portage la Prairie	1,223,427	1,203,169
Other	96,892	20,109
R.M. of Portage la Prairie	407,714	401,056
Investment income	11,978	15,189
Rentals	99,115	69,280
Sale of goods	37,252	89,494
Sale of service	109,041	115,087
	2,977,918	3,242,236
<b>Expenses</b>		
Amortization	10,752	-
Bad debts	1,020	-
Contract services	330,014	501,799
Grants and contributions	25,594	36,323
Maintenance, materials and supplies	412,167	542,854
Other operating expenses	77,091	116,027
Personnel services	1,514,047	1,564,071
Utilities	417,619	454,039
	2,788,304	3,215,113
<b>Excess of revenue over expenses before other items</b>	<b>189,614</b>	<b>27,123</b>
<b>Other items</b>		
Insurance proceeds	4,276	-
<b>Excess of revenue over expenses</b>	<b>193,890</b>	<b>27,123</b>

*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, 2013*

	<i>Capital Reserve</i>	<i>Equipment Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<b>2013</b>	<b>2012</b>
Balance, beginning of year	43,451	67,603	208,084	(62,646)	<b>256,492</b>	229,369
Excess of revenue over expenses	(47,152)	333	(15,330)	256,039	<b>193,890</b>	27,123
Transfers	33,725	(41,592)	109,669	(101,802)	-	-
Balance, end of year	<b>30,024</b>	<b>26,344</b>	<b>302,423</b>	<b>91,591</b>	<b>450,382</b>	256,492

*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, 2013

	2013	2012
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	193,890	27,123
Amortization	10,752	-
Bad debts	1,020	-
Changes in working capital accounts		
Accounts receivable	23,626	(12,706)
Inventory	3,433	3,113
Prepaid expenses and deposits	(905)	(337)
Goods and Services tax receivable	(2,030)	84
Accounts payable and accruals	(77,071)	172,412
Unearned revenue	17,325	(53,866)
	170,040	135,823
<b>Capital activities</b>		
Purchases of tangible capital assets	(209,666)	-
<b>Increase (decrease) in cash resources</b>	(39,626)	135,823
<b>Cash resources, beginning of year</b>	530,250	394,427
<b>Cash resources, end of year</b>	490,624	530,250
<b>Cash resources are composed of:</b>		
Cash	131,832	211,112
Restricted cash	358,792	319,138
	490,624	530,250

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, 2013*

---

**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. Change in accounting policy**

***Financial instruments***

Effective January 1, 2013, the Organization adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

**3. Significant accounting policies**

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following 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 the grants is committed and collection is reasonably assured.

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. 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, 2013*

---

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.

**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 jointly owned City and RM's capital assets, of which the PRRA manages 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 (2013 - \$206,447, 2012 - \$49,072). Only those expenses that exceed \$1,500 and were not planned for in the annual budget are eligible for payment from the Capital Reserve (2013 - \$216,499, 2012 - \$78,721). During the prior period, cash reserved for use in the Capital Reserve was segregated, interest earned on these funds is allocated to the Capital Reserve (2013 - \$697, 2012 - \$1,220). 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 (2013 - \$50,050, 2012 - \$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 (2013 - \$91,644, 2012 - \$3,609). During the prior period, cash reserved for use in the Equipment Reserve was segregated, interest earned on these funds is allocated to the Equipment Reserve (2013 - \$335, 2012 - \$764). 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 (2013 - \$37,000, 2012 - \$79,939). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie (2013 - \$19,000, 2012 - nil). During the prior period, cash reserved for use in the Community Club Reserve was segregated, interest earned on these funds is allocated to the Community Club Reserve (2013 - \$869, 2012 - \$2,343). The Community Club Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.

**Capital assets**

Purchased capital assets are recorded at cost.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	2.5 %
Equipment	straight-line	10 %
Automotive	straight-line	15 %

**Portage Regional Recreational Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2013*

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

**Financial instruments**

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value.

With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The carrying values of financial assets and liabilities measured at cost or amortized cost and fair value are as follows:

	CAD\$ 2013	CAD\$ 2012
<b>Financial assets</b>		
<b>Financial assets measured at fair value:</b>		
Cash	131,832	211,112
Restricted Cash	358,792	319,138
<b>Financial assets measured at cost or amortized cost:</b>		
Accounts receivable	88,696	113,341
<b>Financial liabilities measured at cost or amortized cost:</b>		
Accounts payable and accruals	284,118	361,189

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.

5. **Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2013 Net book value</i>	<i>2012 Net book value</i>
Buildings	129,832	3,246	126,586	-
Equipment	63,784	5,099	58,685	-
Automotive	16,050	2,408	13,642	-
	209,666	10,753	198,913	-

**Portage Regional Recreational Authority Inc.**  
**Notes to the Financial Statements**  
For the year ended December 31, 2013

**6. 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:

	2013	2012
Balance, beginning of year	68,684	122,550
Amount received during the year	219,993	363,220
Less: Amount recognized as revenue during the year	(202,669)	(417,086)
Balance, end of year	86,008	68,684

**7. Economic dependence**

The continuance of the PRRA's operations is dependent upon funding received from the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. The City of Portage la Prairie provides funding during the period equal to 75% of the approved budgeted operating loss for the period and the Rural Municipality of Portage la Prairie provides funding equal to 25% of the approved budgeted operating loss for the period.

**8. Defined benefit and contribution plans and other post-employment benefits**

***Multi-employer plans***

The Organization participates in the Municipal Employees' Pension Plan (MEPP) on behalf of its employees, which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. Prior to the contribution rate increase noted below, the MEPP required that employees contribute 6.3% of basic annual earnings up to the CPP ceiling plus 7.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the Municipal Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions to MEPP made during the year by the Recreation Authority on behalf of its employees amounted to \$63,333 (2012 - \$44,262) and are included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2011 indicated the plan was 97.5% funded on a going concern basis and had an unfunded solvency liability of \$161.3 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2011. The valuation also disclosed that the existing contribution rate was insufficient to pay the minimum required contribution being the normal actuarial cost of the annual benefit accrued and the required amortization payment in respect of the going concern unfunded actuarial liability. The Board of Trustees amended the plan to increase the contribution rate by 1% effective July 1, 2012 and by another 1% effective January 1, 2013 to meet the minimum contribution requirement.

In 2010, the Government of Manitoba enacted a regulation which permits sponsors of public sector pension plans, including MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

**Portage Regional Recreational Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2013*

---

**9. Commitments**

The Organization has entered into various lease agreements with estimated minimum annual payments as follows:

2014	117,000
2015	117,000
2016	117,000
2017	117,000
	<hr/>
	468,000
	<hr/>