

**Portage Regional  
Recreational Authority Inc.  
Financial Statements**  
*December 31, 2014*

# Portage Regional Recreational Authority Inc.

## Contents

For the year ended December 31, 2014

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

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## Management's Responsibility

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To the Members of Portage Regional Recreational Authority Inc.:

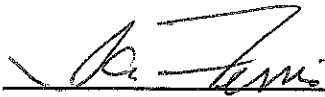
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting 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 22, 2015



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Chair of the Board



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General Manager

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## Independent Auditors' Report

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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, 2014, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Portage la Prairie, Manitoba

June 22, 2015

**MNP LLP**  
Chartered Accountants

**Portage Regional Recreational Authority Inc.**  
**Statement of Financial Position**

*As at December 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash	42,131	131,836
Accounts receivable	86,229	88,692
Restricted cash (Note 3)	446,436	358,792
Goods and Services tax receivable	-	2,359
Inventory	6,512	5,519
Prepaid expenses and deposits	39,197	34,398
	620,505	621,596
Capital assets (Note 4)	288,364	198,913
	908,869	820,509
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	181,577	281,300
Unearned revenue (Note 5)	110,301	86,009
Provincial Services Tax payable	3,006	2,818
Goods and Services Tax payable	6,162	-
Source deductions payable	2,441	-
	303,487	370,127
<b>Net Assets</b>		
Capital Reserve	53,001	30,024
Equipment Reserve	5,529	26,344
Community Club Reserve	387,905	302,423
Unrestricted	158,947	91,591
	605,382	450,382
	908,869	820,509

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, 2014

	2014	2013
<b>Revenue</b>		
Grants		
City of Portage la Prairie	1,227,000	1,223,427
R.M. of Portage la Prairie	409,000	407,714
Other	32,650	96,892
Donations	42,500	450
Facility use fees	989,343	962,005
Rentals	97,102	99,115
Sale of service	127,946	109,041
Investment income	9,267	11,978
Sale of goods	35,545	37,252
Advertising	31,029	30,044
	<b>3,001,382</b>	<b>2,977,918</b>
<b>Expenses</b>		
Amortization	13,322	10,752
Bad debts	6,559	1,020
Contract services	356,181	330,014
Grants and contributions	36,104	25,594
Maintenance, materials and supplies	395,938	412,167
Other operating expenses	98,393	77,091
Personnel services	1,505,969	1,514,047
Utilities	433,916	417,619
	<b>2,846,382</b>	<b>2,788,304</b>
<b>Excess of revenue over expenses before other items</b>	<b>155,000</b>	<b>189,614</b>
<b>Other items</b>		
Insurance proceeds	-	4,276
<b>Excess of revenue over expenses</b>	<b>155,000</b>	<b>193,890</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, 2014*

	<i>Capital Reserve</i>	<i>Equipment Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<i>2014</i>	<i>2013</i>
Balance, beginning of year	30,024	26,344	302,423	91,591	450,382	256,492
Excess (deficiency) of revenue over expenses <i>(Note 7)</i>	(2,803)	(105,035)	5,324	257,514	155,000	193,890
Transfers <i>(Note 7)</i>	25,780	84,220	80,158	(190,158)	-	-
Balance, end of year	53,001	5,529	387,905	158,947	605,382	450,382

*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, 2014*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	155,000	193,890
Amortization	13,322	10,752
Bad debts	6,559	1,020
Changes in working capital accounts		
Accounts receivable	(4,097)	23,630
Goods and Services tax receivable	8,521	(2,030)
Prepaid expenses and deposits	(4,799)	(905)
Inventory	(993)	3,433
Accounts payable and accruals	(97,094)	(77,071)
Unearned revenue	24,292	17,325
	100,711	170,044
<b>Capital activities</b>		
Purchases of capital assets	(102,772)	(209,666)
<b>Decrease in cash resources</b>	<b>(2,061)</b>	<b>(39,622)</b>
<b>Cash resources, beginning of year</b>	<b>490,628</b>	<b>530,250</b>
<b>Cash resources, end of year</b>	<b>488,567</b>	<b>490,628</b>
<b>Cash resources are composed of:</b>		
Cash	42,131	131,836
Restricted cash	446,436	358,792
	488,567	490,628

*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, 2014

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### 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. 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 advertising is recognized in the period in which the service is rendered and collection is reasonably assured.

Revenue from donations are recognized when received or receivable if the amount to be received can be reasonably estimated 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.

#### ***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.

# Portage Regional Recreational Authority Inc.

## Notes to the Financial Statements

For the year ended December 31, 2014

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### 2. Significant accounting policies (Continued from previous page)

#### **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, Capital 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, that the PRRA manages, and to present the flow of funds related to the maintenance and upkeep of those capital assets and unexpended capital resources. 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 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 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 %

#### **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. The organization has not made such election.

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.

# Portage Regional Recreational Authority Inc.

## Notes to the Financial Statements

*For the year ended December 31, 2014*

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

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

	CAD\$ 2014	CAD\$ 2013
Financial assets		
Financial assets measured at fair value:		
Cash	42,131	131,836
Restricted Cash	446,436	358,792
Financial assets measured at cost or amortized cost:		
Accounts receivable	86,229	88,692
Financial liabilities measured at cost or amortized cost:		
Accounts payable and accruals	181,577	281,300

**3. Restricted cash**

Restricted cash arises from funds allocated to the Capital 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.

**4. Capital assets**

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings	232,604	9,061	223,543	126,586
Equipment	63,784	10,198	53,586	58,685
Automotive	16,050	4,815	11,235	13,642
	312,438	24,074	288,364	198,913

**5. Unearned revenue**

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

	2014	2013
Balance, beginning of year	86,009	68,684
Amount received during the year	413,272	254,128
Less: Amount recognized as revenue during the year	(388,980)	(236,803)
Balance, end of year	110,301	86,009

**6. 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.

**7. Fund accounting**

A portion of revenue from the PRRA's operations are transferred into the Capital Reserve with the approval of the Board of Directors. In 2014, \$60,000 was transferred into the Capital Reserve fund (\$206,447 - 2013) and \$34,220 was transferred out of the Capital Reserve fund, for a net transfer of \$25,780. Only those expenses that exceed \$1,500 and were not planned for in the annual budget are eligible for payment from the Capital Reserve, including \$38,148 during 2014 (\$216,499 - 2013). A donation of \$35,345 was received to the Capital Reserve fund in 2014, amounting to a net deficiency of \$2,803 in the fund during the year. Cash reserved for use in the Capital Reserve is segregated and interest earned on these funds is allocated to the Capital Reserve. Interest earned on capital funds amounted to \$345 in 2014 (\$697 - 2013).

The Equipment Reserve receives an amount set annually through the budget process from the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. In 2014, \$84,220 was received from these sources (\$50,050 - 2013). Only equipment for use within the PRRA is eligible for payment from the Equipment Reserve, including \$105,317 in 2014 (\$91,644 - 2013). Cash reserved for use in the Equipment Reserve is segregated and interest earned on these funds is allocated to the Equipment Reserve. In 2014, interest earned amounted to \$282 (\$335 - 2013).

The Community Club Reserve is funded by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. In 2014, \$80,158 was received from these sources (\$37,000 - 2013). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie. In 2014, nil was spent on recreation initiatives (\$19,000 - 2013). Cash reserved for use in the Community Club Reserve is segregated and interest earned on these funds is allocated to the Community Club Reserve. In 2014, interest earned amounted to \$5,324 (\$869 - 2013).

**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 CPA Handbook section PS3250.

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 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% 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 PRRA on behalf of its employees amounted to \$69,610 (\$63,333 - 2013) 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, 2013 indicated the plan was 93.30% funded on a going concern basis and had an unfunded solvency liability of \$139.8 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, 2013.

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, 2014*

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**9. Commitments**

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

2015	117,000
2016	117,000
2017	117,000
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	351,000
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