

Portage Regional Recreational Authority Inc.
Financial Statements
December 31, 2017

Portage Regional Recreational Authority Inc.

Contents

For the year ended December 31, 2017

	<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.....	6

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 entirely 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 23, 2018

A blue ink signature, appearing to read "A.C. Fenn", written over a horizontal line.

Chair of the Board

A blue ink signature, appearing to read "D. Smith", written over a horizontal line.

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, 2017, 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, 2017 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

July 23, 2018

MNP LLP

Chartered Professional Accountants

Portage Regional Recreational Authority Inc.
Statement of Financial Position

As at December 31, 2017

	2017	2016
Assets		
Current		
Cash	95,511	146,806
Accounts receivable	294,882	109,511
Restricted accounts (Note 3)	645,215	583,785
Marketable securities (Note 4)	35,450	35,780
Prepaid expenses	31,159	30,688
Inventory	3,640	4,644
Goods and Services Tax receivable	47,497	11,753
	1,153,354	922,967
Capital assets (Note 5)	1,020,163	576,042
	2,173,517	1,499,009
Liabilities		
Current		
Accounts payable and accruals (Note 6)	344,646	204,372
Unearned revenue (Note 7)	238,913	75,412
Provincial Services Tax payable	-	2,519
Due to restricted accounts (Note 3)	225,375	98,693
Current portion of long-term debt (Note 8)	7,000	-
	815,934	380,996
Long-term debt (Note 8)	34,012	-
Net Assets		
Capital Reserve	32,730	41,953
Community Club Reserve	612,485	541,832
Unrestricted	678,356	534,228
	1,323,571	1,118,013
	2,173,517	1,499,009

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, 2017

	2017	2016
Grants		
City of Portage la Prairie	1,314,211	1,423,539
R.M. of Portage la Prairie	441,659	485,223
Other	224,133	62,835
Donations	73,112	155,506
Facility use fees	816,136	989,051
Rentals	113,706	105,487
Sale of service	69,800	122,384
Gain on investment	2,428	695
Investment income	14,215	14,001
Sale of goods	25,935	37,372
Advertising	32,832	37,509
	3,128,167	3,433,602
Expenses		
Amortization	91,782	33,007
Bank charges and interest	24,125	27,538
Board expenses	2,349	4,346
Canada Day expenses	32,520	32,978
Contract services	134,072	138,530
Facility maintenance	419,672	464,117
Goods and Services Tax and sales tax (recovery)	-	(22,128)
Grants and contributions	63,272	65,882
Insurance	121,101	121,600
Marketing	30,078	19,839
Meetings	10,260	11,104
Mobile stage expenses	23,065	13,009
Office supplies	12,626	10,800
Professional fees	54,044	7,320
Program supplies	21,164	30,268
Rent	26,984	24,517
Salaries and benefits	1,372,656	1,538,360
Software and IT support	37,901	37,808
Supplies	50,462	71,621
Taxes	19,430	10,676
Training and conferences	11,234	11,927
Utilities	356,179	416,165
Vehicle	7,634	8,322
	2,922,610	3,077,606
Excess of revenue over expenses	205,557	355,996

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, 2017

	<i>Capital Reserve</i>	<i>Equipment Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<i>2017</i>	<i>2016</i>
Balance, beginning of year	41,953	-	541,832	534,228	1,118,013	762,017
Excess of revenue over expenses (Note 10)	178,853	-	70,653	(43,948)	205,557	355,996
Transfers (Note 10)	197,011	-	-	(197,011)	-	-
Invested In Capital Assets	(385,087)	-	-	385,087	-	-
Balance, end of year	32,730	-	612,485	678,356	1,323,570	1,118,013

The accompanying notes are an integral part of these financial statements

Portage Regional Recreation Authority Inc.
Statement of Remeasurement Gains and Losses

For the year ended December 31, 2017

	2017	2016
Accumulated remeasurement gains, beginning of year	695	-
Unrealized increase of investments during the year	1,733	695
Realized remeasurement gains included in income	(1,978)	-
Accumulated remeasurement gains, end of year	450	695

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, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	205,557	355,996
Amortization	91,782	33,007
Gains resulting from change in fair value of investment	(2,428)	(694)
	294,911	388,309
Changes in working capital accounts		
Accounts receivable	(185,371)	9,001
Goods and Services Tax receivable	(35,745)	(12,678)
Inventory	1,004	1,011
Prepaid expenses and deposits	(469)	2,349
Accounts payable and accruals	140,274	(26,404)
Provincial Sales Tax payable	(2,519)	(982)
Unearned revenue	163,501	(136,540)
	375,586	224,066
Financing		
Advances of long-term debt	48,222	-
Repayment of long-term debt	(7,210)	-
Decrease in due to restricted accounts	-	(45,305)
	41,012	(45,305)
Capital activities		
Purchases of tangible capital assets	(535,904)	(211,335)
Investing		
Purchase of investment	(35,000)	(35,000)
Disposal of marketable securities	37,758	-
Reinvested dividends	-	(86)
	2,758	(35,086)
Decrease in cash resources	(116,548)	(67,660)
Cash resources, beginning of year	631,898	699,558
Cash resources, end of year	515,350	631,898
Cash resources are composed of:		
Cash	95,511	146,806
Restricted cash	419,839	485,092
	515,350	631,898

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, 2017

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 include 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 are 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, 2017

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 %
Computers	straight-line	30 %
Automotive	straight-line	15 %
Outdoor Recreation Facilities	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 an 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, 2017

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\$ 2017	CAD\$ 2016
Financial assets measured at fair value:		
Cash	95,511	146,809
Restricted Cash	419,840	485,092
Marketable securities	35,450	35,780
Financial assets measured at cost or amortized cost:		
Accounts receivable	506,619	109,511
Financial liabilities measured at cost or amortized cost:		
Accounts payable and accruals	556,383	204,372

3. Restricted accounts

	2017	2016
Capital reserve - due from operating	32,730	41,953
Community Club reserve - bank account	419,840	485,092
Community Club reserve - due from operating	192,645	56,742
	645,215	583,787

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. Marketable securities

	2017	2016
Marketable securities fair value (Cost-\$35,000)	35,450	35,780

5. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Buildings	536,301	39,696	496,605	338,630
Equipment	275,492	60,720	214,772	229,613
Computers	2,956	1,478	1,478	1,379
Automotive	16,050	12,038	4,012	6,420
Outdoor Recreation Facilities	356,819	53,523	303,296	-
	1,187,618	167,455	1,020,163	576,042

Portage Regional Recreational Authority Inc.

Notes to the Financial Statements

For the year ended December 31, 2017

6. Accounts Payable

Included in accounts payable is \$211,737 relating to the final costs expected to be paid for the substantially completed aquatic centre roof repairs. This is management's best estimate at year end, however may vary upon project completion. An associated receivable has been set up for these costs as the City and RM of Portage la Prairie have committed to funding all the roof repair costs.

7. 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:

	2017	2016
Balance, beginning of year	75,412	211,952
Amount received during the year	314,616	174,502
Less: Amount recognized as revenue during the year	(151,115)	(311,042)
Balance, end of year	238,913	75,412

8. Long-term debt

	2017	2016
Manitoba Hydro PAYS unsecured loan bearing interest at 4.89% payable in monthly instalments of \$738, including interest due April 2023	41,012	-
Less: Current portion	7,000	-
	34,012	-

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal	Interest	Total
2018	7,003	1,849	8,852
2019	7,353	1,499	8,852
2020	7,720	1,132	8,852
2021	8,106	746	8,852
2022	8,512	340	8,852

9. 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.

Portage Regional Recreational Authority Inc.

Notes to the Financial Statements

For the year ended December 31, 2017

10. 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 2017, \$209,689 was transferred into the Capital Reserve fund (\$110,000 - 2016) from the unrestricted fund. Revenues in the year are comprised of \$1,842,478 in grants from the RM and City of Portage La Prairie for repairs to the pool roof, \$183,783 from the Government of Canada for repairs to the Splash Island Complex, and \$3,208 of investment income on transferred in securities. Only those expenses that exceed \$1,500 and were not planned for in the annual budget are eligible for payment from the Capital Reserve which totaled \$8,138 during 2017 (\$208,210 - 2016). This resulted in an excess of revenue over expenses of \$2,021,331 (\$113,210 deficiency in 2016). In 2017 \$2,240,243 of the capital reserve was invested into capital assets.

The Community Club Reserve is funded by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. In 2017, \$116,265 was received from these sources (\$116,262 - 2016). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie. In 2017, \$55,191 was spent on recreation initiatives (\$59,663 - 2016). 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 2017, interest earned amounted to \$9,579 (\$8,394 - 2016).

11. 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 \$75,321 (\$80,965 - 2016) 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, 2016 indicated the plan was 98.9% funded on a going concern basis and had an unfunded solvency liability of \$246.8 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, 2016.

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, 2017

12. Commitments

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

2018	144,950
2019	151,950