

OFFICE COPY

**Portage Regional Recreation Authority Inc.**  
**Financial Statements**  
*December 31, 2018*

# Portage Regional Recreation Authority Inc.

## Contents

*For the year ended December 31, 2018*

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	<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 Remeasurement Gains and Losses.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6

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## Management's Responsibility

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To the Members of Portage Regional Recreation 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.

March 25, 2019

  
Chair of the Board  
General Manager

## Independent Auditors' Report

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To the Members of Portage Regional Recreation Authority Inc.:

### *Management's Responsibility for the Financial Statements*

### *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.

We believe that the audit evidence we have obtained 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 Recreation Authority Inc. as at December 31, 2018 and the results of its operations (including remeasurement gains and losses), 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

March 25, 2019

*MNP LLP*

Chartered Professional Accountants

# Portage Regional Recreation Authority Inc.

## Statement of Financial Position

*As at December 31, 2018*

	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	242,715	95,511
Accounts receivable	75,903	294,882
Restricted accounts (Note 3)	734,143	645,215
Marketable securities (Note 4)	-	35,450
Prepaid expenses	5,404	31,159
Inventory	2,591	3,640
Goods and Services Tax receivable	-	47,497
	1,060,756	1,153,354
<b>Capital assets (Note 5)</b>	1,303,403	1,020,164
	2,364,159	2,173,518
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	341,579	344,646
Unearned revenue (Note 6)	260,473	238,913
Provincial Sales Tax payable	3,465	-
Goods and Services Tax payable	2,182	-
Due to restricted accounts (Note 3)	324,260	225,375
Current portion of long-term debt (Note 7)	28,600	7,000
Current portion of capital lease obligations (Note 8)	2,300	-
	962,859	815,934
<b>Long-term debt (Note 7)</b>	130,815	34,012
<b>Capital lease obligations (Note 8)</b>	3,195	-
	1,096,869	849,946
<b>Net Assets</b>		
Capital Reserve	57,750	32,730
Community Club Reserve	676,394	612,485
Unrestricted	533,146	678,357
	1,267,290	1,323,572
	2,364,159	2,173,518

Approved on behalf of the Board

  
Director

  
Director

The accompanying notes are an integral part of these financial statements

# Portage Regional Recreation Authority Inc.

## Statement of Operations

For the year ended December 31, 2018

	2018	2017 (Note 13)
<b>Revenue</b>		
Grants		
City of Portage la Prairie	1,264,215	1,314,211
R.M. of Portage la Prairie	421,404	441,659
Other	121,052	224,133
Facility use fees	770,363	434,597
Rentals	661,357	530,542
Advertising	34,446	32,832
Donations	73,453	73,112
Sale of goods	26,346	25,935
Sale of service	32,838	34,503
Investment income	16,348	14,215
Gain on investment	422	2,428
	<b>3,422,244</b>	<b>3,128,167</b>
<b>Expenses</b>		
Amortization	121,604	91,782
Bank charges and interest	42,788	24,125
Board	2,925	2,349
Canada Day	25,837	32,520
Contract services	143,743	129,991
Facility maintenance	367,039	419,672
Grants and contributions	69,069	63,272
Insurance	128,029	121,101
Interest on long-term debt	3,194	2,379
Marketing	18,528	30,078
Meetings	11,025	10,260
Mobile stage	21,043	23,065
Office supplies	14,988	12,626
Professional fees	148,228	54,044
Rent	24,975	26,984
Salaries and benefits	1,710,725	1,372,656
Software and IT support	45,578	37,901
Supplies	90,028	75,708
Taxes	27,453	19,430
Training and conferences	13,439	11,234
Utilities	440,693	353,799
Vehicle	7,595	7,634
	<b>3,478,526</b>	<b>2,922,610</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(56,282)</b>	<b>205,557</b>

The accompanying notes are an integral part of these financial statements

**Portage Regional Recreation Authority Inc.**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2018*

	<i>Capital Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<i>2018</i>	<i>2017</i>
Balance, beginning of year	32,730	612,485	678,357	1,323,572	1,118,015
Excess (deficiency) of revenue over expenses <i>(Note 10)</i>	79,540	63,909	(199,731)	(56,282)	205,557
Transfers <i>(Note 10)</i>	155,000	-	(155,000)	-	-
Invested in Capital Assets	(209,520)	-	209,520	-	-
Balance, end of year	57,750	676,394	533,146	1,267,290	1,323,572

*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, 2018*

	2018	2017
Accumulated remeasurement gains, beginning of year	450	695
Unrealized increase of investments during the year	422	1,733
Realized remeasurement gains included in income	(872)	(1,978)
Accumulated remeasurement gains, end of year	-	450

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



# Portage Regional Recreation Authority Inc.

## Statement of Cash Flows

*For the year ended December 31, 2018*

	2018	2017
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess (deficiency) of revenue over expenses	(56,282)	205,557
Amortization	121,604	91,782
Gains resulting from change in fair value of investment	(422)	(2,428)
	64,900	294,911
Changes in working capital accounts		
Accounts receivable	218,979	(185,371)
Goods and Services Tax receivable	49,679	(35,745)
Inventory	1,049	1,004
Prepaid expenses and deposits	25,754	(469)
Accounts payable and accruals	(3,067)	140,275
Provincial Sales Tax payable	3,465	(2,519)
Unearned revenue	21,560	163,501
	382,319	375,587
<b>Financing</b>		
Repayments of capital lease obligations	(1,460)	-
Advances of long-term debt	128,858	48,222
Repayment of long-term debt	(10,455)	(7,210)
	116,943	41,012
<b>Capital activities</b>		
Purchases of tangible capital assets	(397,886)	(535,904)
<b>Investing</b>		
Purchase of investment	(35,000)	(35,000)
Disposal of marketable securities	70,872	37,758
	35,872	2,758
<b>Increase (decrease) in cash resources</b>	137,248	(116,547)
<b>Cash resources, beginning of year</b>	515,351	631,898
<b>Cash resources, end of year</b>	652,599	515,351
<b>Cash resources are composed of:</b>		
Cash	242,715	95,511
Restricted cash	409,884	419,840
	652,599	515,351

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

**Portage Regional Recreation Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

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**1. Purpose of Organization**

The Portage Regional Recreation 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 have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook-Accounting, as issued by the Accounting Standards Board in Canada 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 is recognized in the period in which the service is rendered and collection is reasonably assured.

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

Revenue from the sales of goods and services is 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 is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from investing activities is 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 revenue 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 revenue 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 Recreation Authority Inc.

## Notes to the Financial Statements

For the year ended December 31, 2018

### 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. Three funds are maintained: Unrestricted, Capital 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 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; assets under capital lease are recorded at the present value of the minimum lease payments.

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.

The long-term debt of the Organization does not expose the operations to any substantial interest rate risk; as rates are fixed and arranged with reliable creditors.

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 Recreation Authority Inc.**  
**Notes to the Financial Statements**  
For the year ended December 31, 2018

**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\$ 2018	CAD\$ 2017
<b>Financial assets measured at fair value:</b>		
Cash	242,715	95,511
Restricted Cash	409,884	419,840
Marketable securities	-	35,450
<b>Financial assets measured at cost or amortized cost:</b>		
Accounts receivable	75,903	294,882
<b>Financial liabilities measured at cost or amortized cost:</b>		
Accounts payable and accruals	341,578	344,646

**3. Restricted accounts**

	2018	2017
Capital reserve - due from operating	57,750	32,730
Community Club reserve - bank account	409,883	419,840
Community Club reserve - due from operating	266,510	192,645
	<b>734,143</b>	<b>645,215</b>

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**

	2018	2017
Marketable securities fair value (Cost-\$35,000) sold during the year.	-	35,450

**5. Capital assets**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	748,671	58,412	690,259	496,605
Equipment	348,409	89,204	259,205	214,772
Computers	2,956	2,364	592	1,478
Automotive	16,050	14,445	1,605	4,013
Outdoor Recreation Facilities	469,418	123,936	345,482	303,296
Equipment under capital lease	6,956	696	6,260	-
	<b>1,592,460</b>	<b>289,057</b>	<b>1,303,403</b>	<b>1,020,164</b>

# Portage Regional Recreation Authority Inc.

## Notes to the Financial Statements

For the year ended December 31, 2018

### 6. 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:

	2018	2017
Balance, beginning of year	238,913	75,412
Amount received during the year	2,824,530	2,850,766
Less: Amount recognized as revenue during the year	(2,802,970)	(2,687,265)
Balance, end of year	260,473	238,913

### 7. Long-term debt

	2018	2017
Manitoba Hydro PAYS unsecured loan bearing interest at 4.89% payable in monthly instalments of \$738, including interest due April 2023.	34,010	41,012
Manitoba Hydro PAYS unsecured loan bearing interest at 5.30% payable in monthly instalments of \$2,247, including interest due April 2024.	125,405	-
Less: Current portion	28,600	7,000
	130,815	34,012

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

	Principal	Interest	Total
2019	28,664	7,157	35,821
2020	30,097	5,724	35,821
2021	31,602	4,219	35,821
2022	33,182	2,639	35,821
2023	28,222	1,085	29,307

**Portage Regional Recreation Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

**8. Capital lease obligations**

	2018	2017
National Leasing Telephone lease bearing interest at 5.00% payable in monthly instalments of \$233, including interest until May 2021.	5,495	-
Less: Current portion	2,300	-
	<u>3,195</u>	<u>-</u>

Future minimum lease payments related to the obligation under capital lease are as follows:

2019	2,801
2020	2,801
2021	1,059
	<u>6,661</u>
Less: imputed interest	(1,166)
	<u>5,495</u>

**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.

**10. Fund accounting**

A portion of revenue from the PRRA's operations is transferred into the Capital Reserve with the approval of the Board of Directors. In 2018, \$155,000 was transferred into the Capital Reserve fund (\$197,011 - 2017) from the unrestricted fund. Revenues in the year are comprised of \$82,541 from external grants (\$183,783 - 2017) and \$422 on increase to the value of securities (\$3,208 - 2017). 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 \$3,423 during 2018 (\$8,138 - 2017). This resulted in an excess of revenue over expenses of \$79,540 (\$178,853 - 2017). In 2018 \$209,520 (\$385,087 - 2017) of the capital reserve was invested in capital assets.

The Community Club Reserve is funded by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. In 2018, \$116,265 was received from these sources (\$116,262 - 2017). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie. In 2018, \$63,234 was spent on recreation initiatives (\$55,191 - 2017). 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 2018, interest earned amounted to \$10,878 (\$9,579 - 2017).



**Portage Regional Recreation Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

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**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 \$76,461 (\$75,321 - 2017) 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, 2017 indicated the plan was 103.2% 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, 2017.

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.

**12. Commitments**

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

2019	151,950
2020	33,800
2021	9,800

**13. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

Revenue sub accounts have been reclassified to more accurately reflect the source of revenue. Interest on long-term debt has been disclosed as a separate line item.