

**Portage Regional Recreational Authority Inc.**  
**Financial Statements**  
*December 31, 2016*

**Portage Regional Recreational Authority Inc.**  
**Contents**

*For the year ended December 31, 2016*

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## Management's Responsibility

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To the Members of Portage Regional Recreational Authority Inc.:

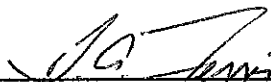
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting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

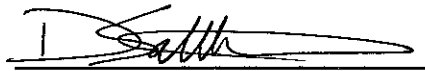
The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual 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 12, 2017



Chair of the Board



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, 2016, 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, 2016 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 12, 2017

**MNP LLP**

Chartered Professional Accountants

**Portage Regional Recreational Authority Inc.**  
**Statement of Financial Position**  
*As at December 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current</b>		
Cash	146,808	177,559
Accounts receivable	109,511	118,512
Restricted accounts (Note 3)	583,785	522,003
Prepaid expenses	30,688	33,037
Inventory	4,644	5,655
Goods and services tax receivable	11,753	-
	887,189	856,766
Capital assets (Note 4)	576,042	397,712
Investments (Note 5)	35,780	-
	1,499,011	1,254,478
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	204,372	230,776
Unearned revenue (Note 6)	75,412	211,952
Provincial Services Tax payable	2,519	3,501
Goods and Services Tax payable	-	925
Due to restricted accounts (Note 3)	98,693	45,305
	380,996	492,459
<b>Net Assets</b>		
Capital Reserve	41,953	45,163
Community Club Reserve	541,834	476,840
Unrestricted	534,228	240,016
	1,118,015	762,019
	1,499,011	1,254,478

Approved on behalf of the Board





# Portage Regional Recreational Authority Inc.

## Statement of Operations

For the year ended December 31, 2016

	2016	2015
Grants		
City of Portage la Prairie	1,423,539	1,227,000
R.M. of Portage la Prairie	485,223	409,000
Other	62,835	23,488
Donations	155,506	76,843
Facility use fees	989,051	1,014,710
Rentals	105,487	93,273
Sale of service	122,384	136,678
Investment income	14,696	10,530
Sale of goods	37,372	38,330
Advertising	37,509	36,105
	<b>3,433,602</b>	<b>3,065,957</b>
Expenses		
Amortization	33,007	18,591
Bank charges and interest	27,538	23,326
Board expenses	4,346	4,206
Canada Day expenses	32,978	31,913
Contract services	138,530	133,491
Facility maintenance	464,117	276,975
Goods and Services Tax and sales tax (recovery)	(22,128)	6,661
Grants and contributions	65,882	42,555
Insurance	121,600	118,924
Marketing	19,839	20,161
Meetings	11,104	10,169
Mobile stage expenses	13,009	4,947
Office supplies	10,800	18,148
Professional fees	7,320	15,433
Program supplies	30,268	13,952
Rent	24,517	23,173
Salaries and benefits	1,538,360	1,590,955
Software and IT support	37,808	38,605
Supplies	71,621	58,630
Taxes	10,676	10,992
Training and conferences	11,927	6,998
Utilities	416,165	433,522
Vehicle	8,322	6,993
	<b>3,077,606</b>	<b>2,909,320</b>
<b>Excess of revenue over expenses</b>	<b>355,996</b>	<b>156,637</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, 2016*

	<i>Capital Reserve</i>	<i>Equipment Reserve</i>	<i>Community Club Reserve</i>	<i>Unrestricted</i>	<b>2016</b>	<b>2015</b>
Balance, beginning of year	45,163	-	476,840	240,016	<b>762,019</b>	605,382
Excess (deficiency) of revenue over expenses (Note 8)	(113,210)	-	8,394	460,812	<b>355,996</b>	156,637
Transfers (Note 8)	110,000	-	56,600	(166,600)	-	-
<b>Balance, end of year</b>	<b>41,953</b>	<b>-</b>	<b>541,834</b>	<b>534,228</b>	<b>1,118,015</b>	<b>762,019</b>

*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, 2016*

	2016	2015
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	355,996	156,637
Amortization	33,007	18,591
Changes in working capital accounts		
Accounts receivable	9,001	(32,283)
Goods and Services tax receivable	(12,678)	(7,683)
Provincial Sales tax payable	(982)	496
Inventory	1,011	857
Prepaid expenses and deposits	2,349	6,160
Accounts payable and accruals	(26,404)	49,199
Unearned revenue	(136,540)	101,651
	224,760	293,625
<b>Financing</b>		
Increase in due to restricted accounts	98,693	45,305
Decrease in due to restricted accounts	(45,305)	-
	53,388	45,305
<b>Capital activities</b>		
Purchases of tangible capital assets	(211,335)	(127,939)
<b>Investing</b>		
Purchase of investment	(35,000)	-
Gains resulting from change in fair value of investment	(694)	-
Reinvested dividends	(86)	-
	(35,780)	-
Increase in cash resources	31,033	210,991
Cash resources, beginning of year	699,558	488,567
Cash resources, end of year	730,591	699,558
<b>Cash resources are composed of:</b>		
Cash	146,806	177,555
Restricted cash	583,785	522,003
	730,591	699,558

*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, 2016

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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 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.

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**Portage Regional Recreational Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

**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.

	<b>Method</b>	<b>Rate</b>
Buildings	straight-line	2.5 %
Equipment	straight-line	10 %
Computers	straight-line	30 %
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 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, 2016*

**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\$ 2016	CAD\$ 2015
<b>Financial assets measured at fair value:</b>		
Cash	146,809	177,559
Restricted Cash	485,092	476,698
Investments	35,780	-
<b>Financial assets measured at cost or amortized cost:</b>		
Accounts receivable	109,511	118,512
<b>Financial liabilities measured at cost or amortized cost:</b>		
Accounts payable and accruals	204,372	230,776

**3. Restricted accounts**

	2016	2015
Capital reserve - due from operating	41,953	45,163
Community Club reserve - bank account	485,092	476,698
Community Club reserve - due from operating	56,742	142
	583,787	522,003

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	2016 Net book value	2015 Net book value
Buildings	364,918	26,288	338,630	307,007
Equipment	268,776	39,163	229,613	81,878
Computers	1,970	591	1,379	-
Automotive	16,050	9,630	6,420	8,827
	651,714	75,672	576,042	397,712

**5. Investments**

	2016	2015
<b>Measured at fair value:</b>		
Mutual Funds (Cost - \$35,086)	35,780	-

# Portage Regional Recreational Authority Inc.

## Notes to the Financial Statements

For the year ended December 31, 2016

### 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:

	2016	2015
Balance, beginning of year	211,952	110,301
Amount received during the year	174,502	300,907
Less: Amount recognized as revenue during the year	(311,042)	(199,256)
Balance, end of year	75,412	211,952

### 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. 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 2016, \$110,000 was transferred into the Capital Reserve fund (\$168,095 - 2015). Revenues in the year are comprised of \$95,000 from The National Junior "A" Championship of Portage. 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 \$208,210 during 2016 (\$29,288 - 2015). This resulted in a deficiency of revenue over expenses of \$113,210 (\$98,433 - 2015). 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 nil in 2016 (\$52 - 2015).

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. Only equipment for use within the PRRA is eligible for payment from the Equipment Reserve, including nil in 2016 (\$5,595 - 2015). Cash reserved for use in the Equipment Reserve is segregated and interest earned on these funds is allocated to the Equipment Reserve. In 2016, interest earned amounted to nil (\$66 - 2015).

The Community Club Reserve is funded by the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. In 2016, \$116,262 was received from these sources (\$116,265 - 2015). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie. In 2016, \$59,663 was spent on recreation initiatives (\$82,141 - 2015). 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 2016, interest earned amounted to \$8,394 (\$6,796 - 2015).

### 9. 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.

**Portage Regional Recreational Authority Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2016*

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**9. Defined benefit and contribution plans and other post-employment benefits** *(Continued from previous page)*

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 \$80,965 (\$79,951 - 2015) 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, 2014 indicated the plan was 95.2% funded on a going concern basis and had an unfunded solvency liability of \$237.2 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, 2014.

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.

**10. Commitments**

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

2017	197,500
2018	156,200
	<hr/>
	353,700

**11. Subsequent event**

The Board has approved the Splash Island Liner Replacement Project to be completed in fall of 2017. They have entered into a contract with Paradise LeisureScapes of Regina for a total project cost of \$250,000 which includes a \$20,000 contingency for additional work that may be discovered when the new liner is being installed.

**12. Contingency**

The PRRA has began the process of filing a lawsuit for the repairs required on the roof replacement, dehumidifier system and ensuring the steel beams are up to code of the Shindleman Aquatic Centre in conjunction with the City of Portage la Prairie and the RM of Portage la Prairie. As of December 31, 2016, the Organization has incurred \$157,873 in costs relating to the roof repairs. The total cost of the repairs is estimated at \$1,795,026. As of May 26, 2017, management is unsure of the amount recoverable from the outcome of the lawsuit. The lawsuit is against Tower Engineering Group, Stuart Olson Construction, Stantec Architecture, Stantec Consulting, Ambassador Mechanical and Crane Steel Structures Ltd. and is expected to begin in 2018.