

ARBORG BIFROST PARKS & RECREATION COMMISSION

Financial Statements

Year Ended December 31, 2018

ARBORG BIFROST PARKS & RECREATION COMMISSION

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Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of Arborg Bifrost Parks & Recreation Commission

Qualified Opinion

We have audited the financial statements of Arborg Bifrost Parks & Recreation Commission, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Recreation Commission as at December 31, 2018, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Recreation Commission derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Recreation Commission. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Recreation Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Recreation Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Recreation Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Recreation Commission's financial reporting

(continues)

process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Recreation Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Recreation Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Recreation Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
May 15, 2019

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Financial Position

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash <i>(Note 4)</i>	\$ 50,932	\$ 69,003
Accounts receivable	14,061	22,069
Goods and services tax recoverable	938	371
Prepaid expenses	12,387	11,526
	<u>78,318</u>	102,969
PROPERTY AND EQUIPMENT <i>(Notes 2, 5)</i>	<u>1,245,153</u>	1,328,563
	<u>\$ 1,323,471</u>	<u>\$ 1,431,532</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 9)</i>	\$ 16,491	\$ 18,714
Current portion of long term debt <i>(Note 6)</i>	45,097	46,974
Employee and government remittance payable <i>(Note 7)</i>	16,490	18,216
Current portion of deferred revenue <i>(Note 8)</i>	1,000	1,000
	<u>79,078</u>	84,904
LONG TERM DEBT <i>(Note 6)</i>	348,836	417,130
DEFERRED CONTRIBUTIONS <i>(Note 10)</i>	1,081,125	1,089,637
DEFERRED REVENUE <i>(Note 8)</i>	9,000	10,000
	<u>1,518,039</u>	1,601,671
NET DEBT	<u>(194,568)</u>	<u>(170,139)</u>
	<u>\$ 1,323,471</u>	<u>\$ 1,431,532</u>

COMMITMENTS *(Note 12)*

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Operations

Year Ended December 31, 2018

	2018	2017
REVENUE		
Rental	\$ 118,591	151,411
Grants		
Town of Arborg (Note 9)	120,000	117,106
Municipality of Bifrost-Riverton (Note 9)	120,000	117,096
Other (Note 9)	31,583	36,444
Recognition of deferred contributions (Note 10)	74,455	72,058
Fundraising, events and programs	60,989	65,051
Concession	58,187	74,286
Admission	44,618	60,993
Advertising	12,214	11,330
Donations	7,799	12,507
Miscellaneous	3,291	6,611
Arborg Collegiate Institute Track donations	-	250
	<u>651,727</u>	<u>725,143</u>
EXPENSES		
Advertising and promotion	2,048	2,791
Amortization	88,528	84,734
Aquatic centre	2,951	3,684
Arborg Collegiate Institute Track	-	250
Bad debts	-	1,109
Concession supplies	32,329	38,031
Equipment	3,113	2,693
Insurance	47,307	48,806
Interest on long term debt	15,706	18,979
Miscellaneous	10,771	10,382
Office supplies	2,791	2,272
Professional fees	3,265	3,197
Programming	19,727	18,239
Rent (Note 12)	3,850	3,850
Repairs and maintenance	69,831	69,533
Utilities (Note 9)	120,130	126,149
Wages and benefits	253,749	258,552
Workers compensation	60	1,511
	<u>676,156</u>	<u>694,762</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (24,429)	\$ 30,381

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Changes in Net Debt

Year Ended December 31, 2018

	2018	2017
NET DEBT - BEGINNING OF YEAR	\$ (170,139)	\$ (200,520)
Excess (deficiency) of revenue over expenses	<u>(24,429)</u>	<u>30,381</u>
NET DEBT - END OF YEAR	<u>\$ (194,568)</u>	<u>\$ (170,139)</u>

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Cash Flow

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from customers and grants	\$ 650,222	\$ 792,770
Cash paid to suppliers and employees	(576,730)	(624,198)
Interest paid	(15,705)	(18,978)
Goods and services tax	(568)	2,996
	<u>57,219</u>	<u>152,590</u>
Cash flow from operating activities	<u>57,219</u>	<u>152,590</u>
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(5,118)</u>	<u>(106,133)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	106,000
Repayment of long term debt	<u>(70,172)</u>	<u>(182,884)</u>
Cash flow used by financing activities	<u>(70,172)</u>	<u>(76,884)</u>
DECREASE IN CASH	(18,071)	(30,427)
CASH - BEGINNING OF YEAR	<u>69,003</u>	<u>99,430</u>
CASH - END OF YEAR	<u>\$ 50,932</u>	<u>\$ 69,003</u>

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

1. DESCRIPTION OF OPERATIONS

The Arborg Bifrost Parks & Recreation Commission manages the baseball diamonds, curling rink, community hall, arena and water park in Arborg.

Arborg Bifrost Parks & Recreation Commission is a non-profit organization and is exempt from income taxes under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Property and equipment

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment are amortized over their estimated useful life using the following rates and methods:

Arena	15 years	straight-line method
Equipment	10 years	straight-line method
Gazebo	15 years	straight-line method
Hall	25 years	straight-line method
Water park	25 years	straight-line method
Dressing rooms	15 years	straight-line method
Mini golf course	15 years	straight-line method

The Recreation Commission regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Recreation Commission follows the deferral method of accounting for contributions. Donations and government grants are recorded when received. Program revenue is recorded when earned, which normally coincides with the running of the program. Under the deferral method, unearned revenue is deferred to future periods until the related expenses are incurred.

3. FINANCIAL INSTRUMENTS

The Recreation Commission is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Recreation Commission's risk exposure and concentration as of December 31, 2018.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Recreation Commission is exposed to credit risk from customers. In order to reduce its credit risk, the Recreation Commission conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Recreation Commission has a significant number of customers which minimizes concentration of credit risk.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Recreation Commission manages exposure through its normal operating and financing activities. The Recreation Commission is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. CASH

The Recreation Commission has an authorized line of credit of \$50,000 of which \$4,092 (2017 - \$NIL) was used as at December 31, 2018. It bears interest at 4.95%. The line of credit is secured by a letter of comfort from the Town of Arborg and the Municipality of Bifrost-Riverton.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

5. PROPERTY AND EQUIPMENT

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Arena	\$ 94,299	\$ 32,058	\$ 94,299	\$ 27,138
Equipment	144,993	46,303	139,875	37,872
Gazebo	14,462	10,392	14,462	9,428
Hall	40,919	18,823	40,919	17,186
Water park	1,119,753	425,837	1,119,753	381,047
Dressing rooms	410,617	51,211	410,617	23,837
Mini golf course	6,175	1,441	6,175	1,029
	\$ 1,831,218	\$ 586,065	\$ 1,826,100	\$ 497,537
Net book value	\$ 1,245,153		\$ 1,328,563	

6. LONG TERM DEBT

	2018	2017
Noventis Credit Union loan bearing interest at prime per annum, repayable in monthly blended payments of \$2,355. The loan matures on September 22, 2034 and is secured by a general security agreement and letters of comfort from the Town of Arborg and Municipality of Bifrost-Riverton.	\$ 339,089	\$ 354,896
Noventis Credit Union loan bearing interest at prime per annum, repayable in annual blended payments of \$32,500. The loan matures on February 1, 2026 and is secured by a general security agreement and letters of comfort from the Town of Arborg and Municipality of Bifrost-Riverton. During the year, the Recreation Commission made additional principal repayments resulting in a decrease in the balance outstanding at year end.	54,844	109,208
	393,933	464,104
Amounts payable within one year	- (45,097)	(46,974)
	\$ 348,836	\$ 417,130
Principal repayment terms are approximately:		
2019	\$ 45,097	
2020	40,849	
2021	16,487	
2022	17,145	
2023	17,829	
Thereafter	256,526	
	\$ 393,933	

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

7. EMPLOYEE AND GOVERNMENT REMITTANCE PAYABLE

	<u>2018</u>	<u>2017</u>
Government remittances	\$ 2,010	\$ 3,060
Workers compensation	25	1,102
Vacation liability	14,455	14,054
	<u>\$ 16,490</u>	<u>\$ 18,216</u>

8. DEFERRED REVENUE

The Recreation Commission received payment for advertising contracts that span numerous years. These amounts have been deferred and will be recognized as revenue over the length of the advertising contracts.

9. RELATED PARTY TRANSACTIONS

The following is a summary of the Recreation Commission's related party transactions:

	<u>2018</u>	<u>2017</u>
Town of Arborg <i>(the commission is a reporting entity under the Town of Arborg)</i>		
Grant revenue	\$ 120,000	\$ 117,106
Other grants	4,625	3,991
Utilities	22,451	27,804
	<u>\$ 147,076</u>	<u>\$ 121,097</u>
Municipality of Bifrost-Riverton <i>(the commission is a reporting entity under the Municipality of Bifrost-Riverton)</i>		
Grant revenue	<u>\$ 120,000</u>	<u>\$ 117,096</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is \$5,623 (2017 - \$7,114) owing to the Town of Arborg. These amounts have been incurred from the payment of expenses on behalf of the Recreation Commission.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

10. DEFERRED CONTRIBUTIONS

The Recreation Commission receives funding from different sources to aid in the construction and purchase of property and equipment. The funding is recognized using the same method of amortization as the asset.

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 1,089,637	\$ 1,018,259
Additions	65,943	143,436
Recognition of deferred contributions	<u>(74,212)</u>	<u>(72,058)</u>
Ending balance	<u>\$ 1,081,368</u>	<u>\$ 1,089,637</u>

11. ECONOMIC DEPENDENCE

The Recreation Commission receives significant revenue from grants from the Municipality of Bifrost-Riverton and the Town of Arborg. Should these entities substantially change their dealings with the Recreation Commission, management is of the opinion that continued viable operations would be doubtful.

The Municipality of Bifrost-Riverton and the Town of Arborg are financially responsible for the net debt accumulated by the Recreation Commission.

12. COMMITMENT

The Recreation Commission signed a land lease with Bar Waste Authority Inc. commencing January 1, 2015 and ending on December 31, 2019. The Recreation Commission has agreed to pay \$3,850 per year on October 31 of each year of the lease.

13. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of council, and if individual compensation in an amount exceeding \$75,000 annually to any member of council, officer or employee of the Municipality. There were no individuals receiving compensation in excess of \$75,000 for the year ended December 31, 2018.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2018

14. MANITOBA EMPLOYEE BENEFIT PROGRAM

The majority of the employees of the Recreation Commission are members of the Municipal Employees' Pension Plan (MEPP), 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 Chartered Professional Accountants of Canada 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. 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 Recreation Commission on behalf of its employees are expected to be \$4,195 (2017 - \$3,829) 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 98.0% 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.
