The Niagara Parks Commission

Financial Statements

October 31, 2005

Niagara Parks

An agency of the Government of Ontario since 1885

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MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and the Auditor General. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the records of the Commission.

John A. M. Kernahan
General Manager
December 16, 2005

Neil McDougall, CMA
Senior Director, Corporate Services
December 16, 2005

AUDITORS' REPORT

To The Niagara Parks Commission, the Minister of Tourism and the Auditor General

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Auditor General or an auditor designated by the Lieutenant Governor in Council, we have audited the balance sheet of The Niagara Parks Commission as at October 31, 2005 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Crawford, Smith and Swallow
Chartered Accountants LLP
December 16, 2005, Niagara Falls, Ontario

Balance Sheet ~ October 31, 2005

STATEMENT 1

	(In thousands of dollars)	
Assets	2005	2004
	$	$
Current Assets		
Cash	7,722	890
Accounts receivable	1,946	2,150
Inventories		
Saleable merchandise	3,531	4,202
Maintenance and other supplies	1,115	1,085
Prepaid expenses	529	604
	14,843	8,931
Fixed Assets - note 2	131,828	128,990
	146,671	**137,921**
Liabilities and Equity		
Current Liabilities		
Bank overdraft - note 5	–	2,050
Accounts payable	6,496	4,349
Accrued payroll	1,800	1,579
Current portion of long-term financing	1,339	86
	9,635	8,064
Long-Term Financing - note 3	4,022	64
Post-Employment Benefits - note 4	3,116	2,976
Commitments - note 6		
Contingencies - note 7		
Equity – Statement 2	129,898	126,817
	146,671	**137,921**

see accompanying notes

Signed on behalf of the Commission:

Chairman

Commissioner

Statement of Equity ~ for the year ended October 31, 2005

STATEMENT 2

	(In thousands of dollars)	
	2005	2004
	$	$
Equity, Beginning of Year	126,817	123,019
Net Income for the Year - Statement 3	3,081	3,798
Equity, End of Year	**129,898**	**126,817**

see accompanying notes

Statement of Operations ~ for the year ended October 31, 2005

STATEMENT 3

	(In thousands of dollars)	
	2005	2004
	$	$
Income		
Gift shops, restaurants and attractions	69,871	69,397
Land rent	5,806	5,659
Commissions, rentals and fees	3,067	2,765
Premium on United States funds – net	472	460
Gain (loss) on disposal of fixed assets – net	33	(1,979)
Sundry income	43	51
	79,292	76,353
Expenses		
Gift shops, restaurants and attractions		
Cost of goods sold	13,497	13,446
Operating expenses	29,723	27,698
Maintenance	11,977	11,365
Administrative and police	10,140	9,519
Marketing and promotion	3,087	2,871
	68,424	64,899
Net Income for the Year before Undernoted Items	10,868	11,454
Other Items		
Interest expense - net - note 8	277	471
Depreciation - note 9	7,510	7,185
	7,787	7,656
Net Income for the Year	**3,081**	**3,798**

see accompanying notes

Statement of Cash Flows ~ for the year ended October 31, 2005

STATEMENT 4

	(In thousands of dollars) 2005 $	2004 $
Operating Activities		
Net income for the year	3,081	3,798
Charges against income not requiring an outlay of funds		
- post employment benefits	345	388
- depreciation	7,510	7,185
- loss (gain) on disposal of fixed assets - net	(33)	1,979
	10,903	13,350
Net change in non-cash working capital balances related to operations - note 12	3,288	1,026
Funds provided by operating activities	14,191	14,376
Investing Activities		
Fixed asset acquisitions	(10,352)	(3,850)
Proceeds on sale of fixed assets	37	22
Funds used by investing activities	(10,315)	(3,828)
Financing Activities		
Decrease in bank loan	–	(13,000)
Net increase (decrease) in long-term financing	5,211	46
Cash outlay related to post-employment benefits	(205)	(343)
Funds provided (used) by financing activities	5,006	(13,297)
Increase (Decrease) in Cash Position	8,882	(2,749)
Cash Position (Deficiency), Beginning of Year	(1,160)	1,589
Cash Position (Deficiency), End of Year	**7,722**	**(1,160)**
Cash Position (Deficiency) Composed of:		
Cash	7,722	890
Bank overdraft	–	(2,050)
	7,722	**(1,160)**

see accompanying notes

Notes to Financial Statements ~ for the year ended October 31, 2005

1. Significant Accounting Policies

Basis of accounting

The financial statements of The Niagara Parks Commission (the "Commission") are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventories

Inventories of saleable merchandise are valued at the lower of average cost and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 20 per cent for buildings, roadways and structures, 10 to 25 per cent for equipment and furnishings and from 8 to 40 per cent for vehicles.

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net earnings of the period.

2. Fixed Assets

(In thousands of dollars)

	Cost	Accumulated Depreciation	2005	2004
	$	$	$	$
Land	13,555	–	13,555	13,555
Land improvements	17,091	–	17,091	17,091
Buildings, roadways and structures	148,911	58,945	89,966	88,581
Equipment and furnishings	31,155	21,530	9,625	8,225
Vehicles	8,024	7,294	730	759
	218,736	87,769	130,967	128,211
Capital works in progress	861	–	861	779
	219,597	**87,769**	**131,828**	**128,990**

3. Long-Term Financing

(In thousands of dollars)

	2005	2004
	$	$
Fixed rate term loan requiring principal payments of $1,000,000 per annum, bearing interest at 4.01% through to December, 2009	5,000	–
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of $ 87,793 to October, 2006, secured by equipment with a net book value of $ 365,411	298	–
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of $ 2,779 to March, 2007, secured by equipment with a net book value of $ 70,4671	44	76
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of $ 875 to September, 2007, secured by equipment with a net book value of $ 25,142	19	30
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of $ 5,279 to August, 2005, secured by equipment with a net book value of $ 95,188	–	44
	5,361	150
Less portion due within one year	1,339	86
	4,022	**64**

The principal payments of the long-term financing obligations are due in the following fiscal periods:

(In thousands of dollars)

	$
2006	1,339
2007	1,022
2008	1,000
2009	1,000
2010	1,000

4. Post-Employment Benefits

The Commission provides a defined employee future benefit, payable on termination to certain full-time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full-time service provided to the Commission to a maximum of 26 weeks. The accrued benefit liability as at October 31, 2005 is $ 3,115,931 (2004 - $ 2,955,587).

As a result of an actuarial valuation conducted in 2004 for the year ending October 31, 2004, it was determined that an actuarial loss of $ 65,577 existed. The actual obligation as at October 31, 2005 is $ 3,181,508 (2004 - $ 3,021,164). Since the actuarial loss is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

The Commission requires that an actuarial valuation of the post employment benefits be conducted every three years. Therefore, the next valuation required would be for the year ending October 31, 2007.

See note 11 for other post-employment benefits.

4. Post-Employment Benefits cont'd.

Defined Benefit Plan Information *(In thousands of dollars)*

	2005 $	2004 $
Employee benefit plan assets	–	–
Employee benefit plan liabilities	3,116	2,976
Employee benefit plan deficit	**3,116**	**2,976**
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	2,976	2,931
Expense for the year	345	388
Benefits paid during the year	(205)	(343)
Benefit obligation, end of year	**3,116**	**2,976**

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (Discount) Rate - The accrued obligation and the expense for the year were determined using a discount rate of 6%.

Salary Levels - Future salary and wage levels were assumed to increase at 4% per annum.

5. Credit Facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option with a rate which varies with the Bank of Montreal's prime rate and there is a fixed rate operating loan facility available for terms of 30/60/90/180 or 364 days at rates which are set relative to Banker's Acceptance rates.

6. Commitments

The Commission is committed to spending approximately $ 1,177,000 on capital projects in the next year.

7. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

8. Interest Expense *(In thousands of dollars)*

	2005 $	2004 $
Interest income	(64)	(56)
Loan interest expense	341	527
	277	**471**

9. Depreciation

(In thousands of dollars)

	2005 $	2004 $
Depreciation of income producing assets	4,399	4,003
Depreciation of non-income producing assets	3,111	3,182
	7,510	**7,185**

10. Operating Leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2009. The total obligation under operating leases amounts to approximately $ 806,073.

Future payments for each of the next four years are as follows:

(In thousands of dollars)

	$
2006	270
2007	257
2008	178
2009	101

11. Other Post-Employment Benefits

The Commission provides pension benefits for all its permanent employees (and to nonpermanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund). These are multi-employer plans established by the Province of Ontario. These plans are accounted for as defined contribution plans, as the Commission has insufficient information to apply defined benefit plan accounting to these pension plans.

The Commission's obligations related to the PSPF and OPSEU Pension Fund was $ 1,404,290 (2004 - $ 1,368,059) and is included in the administrative and general expenses in the Statement of Operations.

The cost of post-employment, non-pension benefits are paid by the Management Board Secretariat and are not included in the Statement of Operations.

See note 4 for details on the Commission's post employment benefits.

12. Statement of Cash Flows

Changes in working capital components include:

(In thousands of dollars)

	2005 $	2004 $
Accounts receivable	204	605
Inventories	641	1,004
Prepaid expenses	75	(265)
Accounts payable and accrued payroll	2,368	(318)
	3,288	**1,026**

12. Statement of Cash Flows cont'd.

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of $ 10,351,941 of which $ 487,214 was acquired by means of capital leases. Cash payments of $ 9,864,727 were made to purchase fixed assets.

(In thousands of dollars)

Interest

	2005	2004
	$	$
Interest received	**64**	**61**
Interest paid	**170**	**511**

13. Financial Instruments and Risk Management

Fair Value

The Commission's financial instruments include cash, accounts receivable, accounts payable and accrued payroll. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

Fair value information with respect to long-term financing has been omitted because it it not practicable to determine fair value with sufficient reliability.

Credit Risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency Risk

The Commission has cash of $ 694,578 that is denominated in US dollars. This account has been converted to the Canadian equivalent at the rate of $ 1 US equals $ 1.1755 Canadian. The Commission realizes approximately 17.3% (2004 - 17.56%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash Flow Risk

The Commission has a variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

14. Surplus Funds

Pursuant to Section 16(2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the Consolidated Revenue Fund.

15. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.