

Financial Statements

The Niagara Parks Commission

March 31, 2016

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THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT

March 31, 2016

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

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

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The Financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commissions financial reporting.



John Lohuis
General Manager
June 27, 2016



Margaret Neubauer
Senior Director, Corporate Services
June 27, 2016

Independent auditor's report

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

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, accumulated surplus, changes in net debt and cash flows for the seventeen months 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 of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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.

Auditor's 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 auditor's 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of The Niagara Parks Commission for the year ended March 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

Emphasis of matters

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Port Colborne, Canada
June 17, 2016

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission

Statement of Financial Position

As at March 31

2016

2015

(in thousands of dollars)

Financial assets

| | | |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 395 | \$ 322 |
| Accounts receivable | 1,738 | 1,436 |
| Inventories – saleable | <u>3,892</u> | <u>3,889</u> |
| | <u>6,025</u> | <u>5,647</u> |

Liabilities

| | | |
|---|----------------|----------------|
| Bank indebtedness (Note 3) | 2,180 | 9,305 |
| Accounts payable | 9,041 | 6,977 |
| Accrued payroll | 2,706 | 2,589 |
| Deferred revenue (Note 4) | 1,316 | 1,418 |
| Deferred capital funding (Note 5) | 26,390 | 26,438 |
| Long term financing (Note 6) | 28,371 | 30,072 |
| Post-employment benefits (Note 7) | 3,558 | 3,697 |
| Power plant stabilization obligation (Note 8) | <u>29,076</u> | <u>28,837</u> |
| | <u>102,638</u> | <u>109,333</u> |

Net debt

(96,613) (103,686)

Non-financial assets

| | | |
|---|----------------|----------------|
| Tangible capital assets (Note 10 and Page 23) | 155,332 | 156,675 |
| Inventories – other | 1,199 | 1,476 |
| Prepaid expenses | <u>1,230</u> | <u>873</u> |
| | <u>157,761</u> | <u>159,024</u> |

Accumulated surplus (Note 11)

\$ 61,148 \$ 55,338

Commitments and contingencies (Notes 12 and 13)

On behalf of the Commission



 Janice Thomson, Chair



 Ian Nielsen-Jones, Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Operations

For the year ended March 31, 2016

| | Budget 2016 | Actual 2016 | Actual 17 months ended March 31 2015 |
|--|-------------------|-----------------|---|
| (in thousands of dollars) | | | |
| Revenues | | | |
| Revenue producing operations | \$ 66,911 | \$ 76,402 | \$ 71,971 |
| Land rent | 6,899 | 6,882 | 9,660 |
| Commission, rentals and fees | 12,899 | 12,858 | 12,780 |
| Premium on United States funds – net | 500 | 1,073 | 806 |
| Sundry revenue | 5 | 7 | 18 |
| | <u>87,214</u> | <u>97,222</u> | <u>95,235</u> |
| Expenses (Page 24) | | | |
| Revenue producing operations | | | |
| Cost of goods sold | 11,207 | 13,265 | 12,398 |
| Operating | 35,590 | 36,953 | 44,310 |
| Maintenance | 15,281 | 15,759 | 20,404 |
| Administrative and police | 13,292 | 13,584 | 18,881 |
| Marketing and promotion | 3,596 | 3,283 | 3,962 |
| | <u>78,966</u> | <u>82,844</u> | <u>99,955</u> |
| Net surplus (deficit) for the period before other items | <u>8,248</u> | <u>14,378</u> | <u>(4,720)</u> |
| Other items | | | |
| Interest expense – net (Note 14) | 1,626 | 1,502 | 2,352 |
| Amortization of tangible capital assets (Note 15) | 8,728 | 8,359 | 11,577 |
| Amortization of deferred capital funding (Note 5) | (1,365) | (1,498) | (1,963) |
| Gain on disposal of tangible capital assets | - | (34) | (24) |
| | <u>8,989</u> | <u>8,329</u> | <u>11,942</u> |
| Net surplus (deficit) from operations | (741) | 6,049 | (16,662) |
| Net increase in power plant stabilization obligation (Note 8) | (705) | (239) | (750) |
| Other capital costs | - | - | (78) |
| Annual surplus (deficit) | <u>\$ (1,446)</u> | <u>\$ 5,810</u> | <u>\$ (17,490)</u> |

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Accumulated Surplus

For the year ended March 31, 2016

| | Budget <u>2016</u> | Actual <u>2016</u> | Actual 17 months ended March 31 <u>2015</u> |
|--------------------------------------|-----------------------|-------------------------------|--|
| (in thousands of dollars) | | | |
| Accumulated surplus (Note 11) | | | |
| Beginning of period | \$ 55,338 | \$ 55,338 | \$ 72,828 |
| Annual surplus (deficit) | <u>(1,446)</u> | <u>5,810</u> | <u>(17,490)</u> |
| End of period | <u>\$ 53,892</u> | <u>\$ 61,148</u> | <u>\$ 55,338</u> |

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Changes in Net Debt

For the year ended March 31, 2016

| | Budget 2016 | Actual 2016 | Actual 17 months ended March 31 2015 |
|---|----------------|----------------|---|
| (in thousands of dollars) | | | |
| Annual surplus (deficit) | \$ (1,446) | \$ 5,810 | \$ (17,490) |
| Amortization of tangible capital assets | 8,728 | 8,359 | 11,577 |
| Purchase of tangible capital assets (Note 16) | (6,195) | (7,016) | (7,569) |
| Contributed tangible capital assets | - | - | (2,197) |
| Proceeds from the sale of tangible capital assets | - | 34 | 24 |
| Gain on sale of tangible capital assets – net | - | (34) | (24) |
| | 1,087 | 7,153 | (15,679) |
| Acquisition of prepaid expenses | - | (357) | (690) |
| Use (acquisition) of other inventories | - | 277 | (164) |
| Decrease (increase) in net debt | 1,087 | 7,073 | (16,533) |
| Net debt | | | |
| Beginning of period | (103,686) | (103,686) | (87,153) |
| End of period | \$ (102,599) | \$ (96,613) | \$ (103,686) |

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Cash Flows

For the year ended March 31, 2016

| | <u>2016</u> | 17 months ended March 31 <u>2015</u> |
|---|-------------------|--|
| (in thousands of dollars) | | |
| Increase (decrease) in cash and cash equivalents | | |
| Operating activities | | |
| Annual surplus (deficit) | \$ 5,810 | \$ (17,490) |
| Charges against income not requiring an outlay of funds | | |
| Amortization of tangible capital assets | 8,359 | 11,577 |
| Amortization of deferred capital funding | (1,498) | (1,963) |
| Gain on disposal of tangible capital assets – net | (34) | (24) |
| Increase in post-employment benefits | 183 | 62 |
| Increase in power plant stabilization obligation – net | <u>239</u> | <u>750</u> |
| | 13,059 | (7,088) |
| Net change in non-cash working capital balances related to operations (Note 17) | <u>1,694</u> | <u>(404)</u> |
| | <u>14,753</u> | <u>(7,492)</u> |
| Capital activities | | |
| Purchase of tangible capital assets (Note 16) | (7,016) | (7,569) |
| Contributed tangible capital assets | - | (2,197) |
| Proceeds from sale of tangible capital assets | <u>34</u> | <u>24</u> |
| | <u>(6,982)</u> | <u>(9,742)</u> |
| Financing activities | | |
| Repayment of long term financing | (1,701) | (1,899) |
| Payment of post-employment benefits | (322) | (470) |
| Receipt of capital funding | <u>1,450</u> | <u>4,966</u> |
| | <u>(573)</u> | <u>2,597</u> |
| Net increase (decrease) in cash and cash equivalents | 7,198 | (14,637) |
| Cash and cash equivalents (Note 17) | | |
| Beginning of period | <u>(8,983)</u> | <u>5,654</u> |
| End of period | <u>\$ (1,785)</u> | <u>\$ (8,983)</u> |

See accompanying notes to the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

The Commission changed its fiscal year end to March 31 effective in 2015. Therefore, current period figures report amounts for the year ended March 31, 2016 and comparative figures report the amounts for the seventeen months ended March 31, 2015.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the financial reporting provisions of the Ontario Financial Administration Act, Ontario Ministry of Tourism Memorandum of Understanding and the accounting requirements of Regulation 395/11 of the Ontario Financial Administration Act. The Ontario Ministry of Tourism Memorandum of Understanding requires that the financial statements be prepared in accordance with the Canadian public sector accounting standards. The Ontario Financial Administration Act provides that changes may be required to the application of these standards as a result of regulation.

Regulation 395/11 to the Ontario Financial Administration Act requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the Statement of Operations at a rate equal to amortization charged on the related depreciable tangible capital assets. These contributions include government transfers and externally restricted contributions.

The accounting requirement under Regulation 395/11 is not consistent with the requirements of Canadian public sector accounting standards which requires that:

- government transfers be recognized as revenue when approved by the transferor and the eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result revenue recognized in the Statement of Operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies (continued)

Basis of accounting (continued)

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than three months.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. Works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

| <u>Classification</u> | <u>Useful Life</u> |
|--|--------------------|
| Land improvements, buildings, roadways and structures | 7 to 40 years |
| Equipment and furnishings | 3 to 10 years |
| Vehicles | 10 to 12 years |

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies (continued)

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes and contributed tangible capital assets are recorded as a liability, referred to as deferred capital funding, and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Post-employment benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Liabilities for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Commission:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies (continued)

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 Statement of Financial Position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance 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. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the power plant stabilization obligation.

Change in accounting policy

In June, 2010, the Public Sector Accounting Board (PSAB) issued the Liability for Contaminated Sites standard PS 3260 effective for fiscal years beginning on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

In the past, the Commission would have only reported environmental liabilities based on its obligations resulting from federal legislation. The new PSAB standard requires that provincial legislation or regulation also be considered when reporting environmental liabilities even if no order for remediation has been issued but the contamination is in excess of the standard. Environmental cleanup is often linked to past industrial activities.

No liabilities have been reported under the new PSAB accounting standard as not such sites were identified.

3. 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 loan facility which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on March 31, 2021, with an option of a three year renewal at NPC's discretion. As at March 31, 2016, \$ 1,371,416 has been drawn upon for all credit facilities (2015 - \$ 8,654,257). Taking into account outstanding cheques and deposits, the balance reported on the Statement of Financial Position is \$ 2,179,628 (2015 - \$ 9,305,011).

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

| 4. Deferred revenue | <u>2016</u> | <u>2015</u> |
|---|----------------------------------|-----------------|
| | <i>(in thousands of dollars)</i> | |
| Defunct power stations (Note 8) | \$ 135 | \$ 116 |
| Sale proceeds related to Fort Erie land transaction | 321 | 322 |
| Other | <u>860</u> | <u>980</u> |
| | <u>\$ 1,316</u> | <u>\$ 1,418</u> |

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for \$ 2,021,206. The Commission acquired an option for \$ 670,000 plus an annual sum of \$ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of \$ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the Statement of Financial Position. To date approximately \$ 989,000 from these proceeds have been spent on the capital works project for the renovation of Old Fort Erie and approximately \$ 47,000 has been spent on the Jarvis Street property maintenance. As of March 31, 2016, approximately \$ 321,500 remains for use in 2017 and beyond.

| 5. Deferred capital funding | 17 months ended March 31 | |
|---|----------------------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| | <i>(in thousands of dollars)</i> | |
| Deferred capital funding | | |
| Beginning of period | \$ 26,438 | \$ 23,435 |
| Received during period for capital projects | 1,450 | 2,769 |
| Contributed assets | <u>-</u> | <u>2,197</u> |
| | <u>1,450</u> | <u>4,966</u> |
| Amortization | <u>(1,498)</u> | <u>(1,963)</u> |
| End of period | <u>\$ 26,390</u> | <u>\$ 26,438</u> |

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

| 6. Long term financing | <u>2016</u> | <u>2015</u> |
|--|----------------------------------|-------------------------|
| | <i>(in thousands of dollars)</i> | |
| Unsecured fixed rate term loan requiring blended payments of principal and interest of \$ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027 | \$ 23,400 | \$ 24,787 |
| Unsecured fixed rate term loan requiring blended first annual payment of \$ 543,418 and then payments of \$ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027 | 4,876 | 5,183 |
| The Commission has an option to purchase land requiring annual payments of \$ 7,300 until January, 2028 (Note 4) | <u>95</u> | <u>102</u> |
| | <u>\$ 28,371</u> | <u>\$ 30,072</u> |

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

| | |
|------|----------|
| 2017 | \$ 1,772 |
| 2018 | 1,861 |
| 2019 | 1,955 |
| 2020 | 2,054 |
| 2021 | 2,158 |

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

7. Post-employment benefits

Defined termination 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 twenty-six weeks. The accrued benefit liability as at March 31, 2016 is \$ 3,557,888 (2015 - \$ 3,696,673).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the twelve months ended March 31, 2016 with extrapolations through to 2019. The latest valuation reflects approved changes by the Commission regarding eligibility and maximum amounts of the benefit payable upon termination.

As a result of an actuarial valuation conducted in 2016 for the twelve months ended March 31, 2016, it was determined that an actuarial loss of \$ 116,919 existed. The actual obligation as at March 31, 2016 is \$ 2,674,097 (2015 - \$ 2,591,542).

Defined benefit plan information

| | <u>2016</u> | 17 months ended March 31 <u>2015</u> |
|--|----------------------------------|--|
| | <i>(in thousands of dollars)</i> | |
| Employee benefit plan assets | \$ Nil | \$ Nil |
| Employee benefit plan liabilities | <u>3,558</u> | <u>3,697</u> |
| Employee benefit plan deficit | <u>\$ 3,558</u> | <u>\$ 3,697</u> |
| Benefit obligation recognized on the Statement of Financial Position | | |
| Benefit obligation, beginning of period | \$ 3,697 | \$ 4,105 |
| Decrease due to plan amendment | - | (246) |
| Expense for the period | 183 | 308 |
| Benefits paid during the period | <u>(322)</u> | <u>(470)</u> |
| Benefit obligation, end of period | <u>\$ 3,558</u> | <u>\$ 3,697</u> |

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

7. Post-employment benefits (continued)

| | 17 months ended March 31 | |
|--|----------------------------------|---------------|
| | <u>2016</u> | <u>2015</u> |
| | <i>(in thousands of dollars)</i> | |
| The net benefit expense is as follows: | | |
| Current service cost | \$ 170 | \$ 275 |
| Interest cost | 117 | 181 |
| Amortization of actuarial gain/loss | <u>(104)</u> | <u>(148)</u> |
| | <u>\$ 183</u> | <u>\$ 308</u> |

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 period were determined using a discount rate of 4.25% (2015 – 4.75%).

Salary levels – future salary and wage levels were assumed to increase at 2% per annum.

These assumptions were reviewed in this current period.

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent 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 defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission’s annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission’s annual payments of \$ 2,318,549 (2015 - \$ 3,016,420), of which \$ 1,159,274 (2015 - \$ 1,508,210) represents the employees’ portion, are included in the administrative and police expense on the Statement of Operations.

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

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

8. Power plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station (“TPGS”) and the Ontario Power Generating Station (“OPGS”) were transferred by Ontario Power Generation Inc. (“OPG”) to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station (“CNPGS”) previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to “stabilize and mothball” all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a “mothball” state. Therefore, additional costs would be required to bring these buildings to a “development ready” state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Government Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these power generating stations will require a significant infusion of funds that is beyond its capacity to meet. As at March 31, 2016, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

An asset retirement obligation of \$ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission’s best estimate of the costs required to “stabilize and mothball” the three power stations based on an engineer report. The report also identified contingency costs of approximately \$ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. The original estimate assumed that the work would likely commence between 2016 and 2019. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 2%, respectively. This results in a net present value of \$ 24,212,539 as at March 31, 2016 (2015 - \$ 23,724,061). This is an increase of \$ 488,478 from 2015 and has been recorded in the Statement of Operations.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

8. Power plant stabilization obligation (continued)

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report identified an additional \$ 6,305,000 for external/infrastructure work that is required. The second study identified an additional \$ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of \$ 7,565,000. As previously mentioned it is estimated this work will not commence until between 2016 and 2019 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2%, respectively. This results in net present value of \$ 7,251,930 as at March 31, 2016 (2015 - \$ 7,036,679) for this portion of the liability. This is an increase of \$ 215,251 from 2015 and has also been recorded in the Statement of Operations.

| | 17 months ended March 31 | |
|---|----------------------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| | <i>(in thousands of dollars)</i> | |
| Power plant stabilization obligation | | |
| Beginning of period | <u>\$ 28,837</u> | <u>\$ 28,087</u> |
| Current period increase in present value of original obligation | <u>704</u> | 971 |
| Actual work performed during period | <u>(465)</u> | <u>(221)</u> |
| Net increase in power plant stabilization obligation | <u>239</u> | <u>750</u> |
| End of period | <u>\$ 29,076</u> | <u>\$ 28,837</u> |

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received \$ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately \$ 135,000 of this funding remains for use in 2017 and beyond. The actual work performed in 2016 was funded from other grants received from the Province.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the Statement of Operations and are included in the maintenance expense.

Since March 31, 2015, the Commission engaged the services of The Ventin Group Inc. to review existing studies in order to update the requirements necessary to bring the power plants to a development ready state. This process is expected to be completed by December, 2016 and the Power Plant Stabilization Obligation will be updated as necessary.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

9. Liabilities for contaminated sites

The Commission reports environmental liabilities related to the management and remediation of any contaminated sites where the Commission is obligated or likely obligated to incur such costs. Currently no such contaminated sites have been identified and therefore no liability has been recorded.

The Commission's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Commission's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

10. Tangible capital assets

| | | | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------------------------|----------------------------------|---------------------------|
| | | | <i>(in thousands of dollars)</i> | |
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Land | \$ 14,359 | \$ - | \$ 14,359 | \$ 14,359 |
| Land improvements | 17,135 | - | 17,135 | 17,135 |
| Buildings, roadways and structures | 233,117 | 114,776 | 118,341 | 119,305 |
| Equipment and furnishings | 42,496 | 38,199 | 4,297 | 4,369 |
| Vehicles | <u>4,086</u> | <u>3,111</u> | <u>975</u> | <u>787</u> |
| | 311,193 | 156,086 | 155,107 | 155,955 |
| Capital works in progress | <u>225</u> | <u>-</u> | <u>225</u> | <u>720</u> |
| | <u>\$ 311,418</u> | <u>\$ 156,086</u> | <u>\$ 155,332</u> | <u>\$ 156,675</u> |
| Equipment under capital lease included above | <u>\$ 69</u> | <u>\$ 56</u> | <u>\$ 13</u> | <u>\$ 20</u> |

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

| 11. Accumulated surplus | <u>2016</u> | <u>2015</u> |
|---------------------------------------|----------------------------------|---------------------------|
| | <i>(in thousands of dollars)</i> | |
| Operating deficit | <u>\$ (6,789)</u> | <u>\$ (12,293)</u> |
| Investment in tangible capital assets | <u>128,942</u> | <u>130,237</u> |
| Unfunded | | |
| Long term debt | <u>(28,371)</u> | <u>(30,072)</u> |
| Post-employment benefits | <u>(3,558)</u> | <u>(3,697)</u> |
| Power plant stabilization obligation | <u>(29,076)</u> | <u>(28,837)</u> |
| | <u>(61,005)</u> | <u>(62,606)</u> |
| Accumulated surplus | <u>\$ 61,148</u> | <u>\$ 55,338</u> |

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. As of March 31, 2016 no surplus moneys have been recorded as a liability to the Minister of Finance.

12. Commitments

The Commission has committed to approximately \$ 1,536,800 in capital works projects in the next year.

The Commission has two agreements with a franchisor requiring the payment of service fees of 4% of gross sales and advertising and marketing fees of 2.5% of gross sales. The terms of the agreements are ten years, expiring in 2017 and 2022.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2017 and 2018. The total obligation under operating leases amounts to approximately \$ 40,285 in 2017 and \$ 8,603 in 2018.

13. 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.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

14. Interest expense – net

| | Budget <u>2016</u> | Actual <u>2016</u> | Actual 17 months ended March 31 <u>2015</u> |
|-----------------------|-----------------------|----------------------------------|--|
| | | | |
| | | <i>(in thousands of dollars)</i> | |
| Interest revenue | \$ (20) | \$ (48) | \$ (29) |
| Loan interest expense | <u>1,646</u> | <u>1,550</u> | <u>2,381</u> |
| | <u>\$ 1,626</u> | <u>\$ 1,502</u> | <u>\$ 2,352</u> |

15. Amortization of tangible capital assets

| | Budget <u>2016</u> | Actual <u>2016</u> | Actual 17 months ended March 31 <u>2015</u> |
|---|-----------------------|----------------------------------|--|
| | | | |
| | | <i>(in thousands of dollars)</i> | |
| Amortization of income producing assets | \$ 4,696 | \$ 4,428 | \$ 6,342 |
| Amortization of non-income producing assets | <u>4,032</u> | <u>3,931</u> | <u>5,235</u> |
| | <u>\$ 8,728</u> | <u>\$ 8,359</u> | <u>\$ 11,577</u> |

16. Acquisition of tangible capital assets

During the period, tangible capital assets were acquired at an aggregate cost of \$ 7,016,030 (2015 - \$ 9,766,221) of which \$ Nil (2015 - \$ 2,197,416) was acquired by means of contributed assets. Cash payments of \$ 7,016,030 (2015 - \$ 7,568,805) were made to purchase tangible capital assets.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2016

| 17. Statement of cash flows | 17 months ended March 31 | |
|---|----------------------------------|-------------------|
| | <u>2016</u> | <u>2015</u> |
| | <i>(in thousands of dollars)</i> | |
| Changes in working capital components include | | |
| Accounts receivable | \$ (302) | \$ 2,143 |
| Inventories – saleable and other | 274 | (771) |
| Accounts payable | 2,064 | (889) |
| Accrued payroll | 117 | (245) |
| Deferred revenue | (102) | 48 |
| Prepaid expenses | <u>(357)</u> | <u>(690)</u> |
| | <u>\$ 1,694</u> | <u>\$ (404)</u> |
| Cash and cash equivalents consist of: | | |
| Cash on hand | \$ 395 | \$ 322 |
| Bank indebtedness | <u>(2,180)</u> | <u>(9,305)</u> |
| | <u>\$ (1,785)</u> | <u>\$ (8,983)</u> |
| Interest received | <u>\$ 48</u> | <u>\$ 29</u> |
| Interest paid | <u>\$ 1,550</u> | <u>\$ 2,381</u> |

The Niagara Parks Commission

Schedule of Tangible Capital Assets

For the year ended March 31, 2016

| (in thousands of dollars) | <u>Land</u> | <u>Land Improvements</u> | <u>Buildings, Roadways and Structures</u> | <u>Equipment and Furnishings</u> | <u>Vehicles</u> | <u>Capital Works in Progress</u> | <u>2016</u> | 17 months ended March 31 <u>2015</u> |
|---|-------------------------|------------------------------|---|--|----------------------|--|--------------------------|---|
| Cost | | | | | | | | |
| Beginning of period | \$ 14,359 | \$ 17,135 | \$ 227,117 | \$ 41,388 | \$ 3,863 | \$ 720 | \$ 304,582 | \$ 295,571 |
| Add additions | - | - | - | 1,288 | 223 | 5,505 | 7,016 | 9,766 |
| Less disposals | - | - | - | (180) | - | - | (180) | (755) |
| Transfers of capital works in progress | - | - | 6,000 | - | - | (6,000) | - | - |
| End of period | <u>14,359</u> | <u>17,135</u> | <u>233,117</u> | <u>42,496</u> | <u>4,086</u> | <u>225</u> | <u>311,418</u> | <u>304,582</u> |
| Accumulated amortization | | | | | | | | |
| Beginning of period | - | - | 107,812 | 37,019 | 3,076 | - | 147,907 | 137,085 |
| Add amortization | - | - | 6,964 | 1,360 | 35 | - | 8,359 | 11,577 |
| Less disposals | - | - | - | (180) | - | - | (180) | (755) |
| End of period | <u>-</u> | <u>-</u> | <u>114,776</u> | <u>38,199</u> | <u>3,111</u> | <u>-</u> | <u>156,086</u> | <u>147,907</u> |
| Net book value | <u>\$ 14,359</u> | <u>\$ 17,135</u> | <u>\$ 118,341</u> | <u>\$ 4,297</u> | <u>\$ 975</u> | <u>\$ 225</u> | <u>\$ 155,332</u> | <u>\$ 156,675</u> |

The Niagara Parks Commission Schedule of Expenses by Object

For the year ended March 31, 2016

| | Budget | Actual | Actual |
|-----------------------------------|------------------|------------------|-------------------------------------|
| | 2016 | 2016 | 17 months ended March 31 2015 |
| (in thousands of dollars) | | | |
| Cost of goods sold | \$ 11,207 | \$ 13,265 | \$ 12,398 |
| Salaries, wages and benefits | 44,947 | 46,343 | 56,635 |
| Sales and other | 3,295 | 3,466 | 4,453 |
| Equipment repairs and maintenance | 4,622 | 4,451 | 5,812 |
| Materials and supplies | 2,329 | 2,568 | 2,663 |
| Advertising and promotion | 2,710 | 2,684 | 3,631 |
| Facilities | 6,874 | 6,793 | 9,506 |
| Administrative | <u>2,982</u> | <u>3,274</u> | <u>4,857</u> |
| | <u>\$ 78,966</u> | <u>\$ 82,844</u> | <u>\$ 99,955</u> |