

Niagara Parks Annual Report 2008

A FOUNDATION FOR GROWTH



The Niagara Parks Commission:

Our Role & Mission

Niagara is a region steeped in history and blessed by geography. As steward of one of the world's greatest natural wonders, The Niagara Parks Commission (NPC) plays a major role in maintaining, protecting and showcasing the Falls' grandeur, while contributing to the economic growth and success of Niagara.

As a self-funded agency of the provincial government, NPC is responsible for the maintenance of 1,720 hectares of parkland, stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario.

Our mission remains the same as it was in 1885, to preserve and enhance the natural beauty of the Falls and the Niagara River corridor for the enjoyment of visitors while maintaining financial self-sufficiency.



The Team | 2008



Jim Williams, Chairman
Appointed March 10, 2004
Term expired December 16, 2009



Archie Katzman, Vice-Chairman
Appointed October 24, 1981
Term expires October 23, 2011



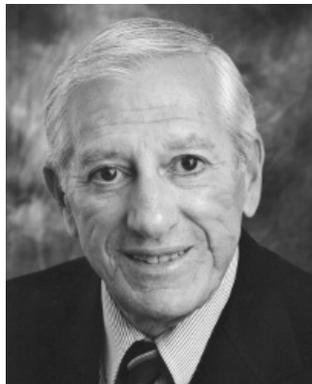
Gary F. Burroughs, Commissioner
(Town of Niagara-on-the-Lake Representative)
Appointed December 1, 2000
Term expired November 30, 2008



Vincent Kerrio, Commissioner
(City of Niagara Falls Representative)
Appointed April 18, 2007
Term expired November 30, 2008



Douglas Martin, Commissioner
(Town of Fort Erie Representative)
Appointed April 18, 2007
Term expired November 30, 2008



Bob Saracino, Commissioner
(Regional Municipality of Niagara Representative)
Appointed December 1, 2000
Term expired November 30, 2008



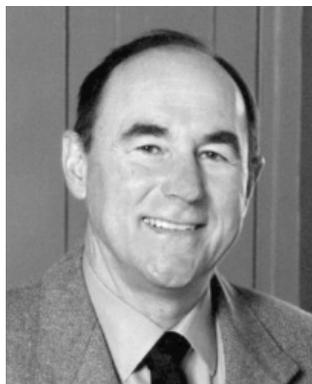
Robert Gale, Commissioner
Appointed February 27, 2006
Term expired February 26, 2009



Italia Gilberti, Commissioner
Appointed July 24, 2006
Term expired July 23, 2010



David Stewart Howes, Commissioner
Appointed September 6, 2006
Term expires September 5, 2010



Edward Werner, Commissioner
Appointed September 20, 2006
Term expires September 19, 2010



Fredrick Louws, Commissioner
Appointed November 15, 2006
Term expires November 14, 2010



David J. Strathern, Commissioner
Appointed May 30, 2007
Term expired May 29, 2010

Chairman's Message



Jim Williams, *Chairman*

A new milestone in the history of The Niagara Parks Commission (NPC) was reached this past spring when the Commission officially launched its newest attraction, Niagara's Fury – a \$7 Million state of the art dramatic and immersive experience that tells the story of the formation of Niagara Falls in a fun and educational way.

This new attraction is one of the key components of the overall renovations at our majestic Table Rock complex. Originally opened in 1926, Table Rock was starting to show its age and required the kind of investment a signature facility of its calibre deserved. As a result, NPC made the decision to invest \$38.5 Million to enhance this iconic gateway facility, transforming it into an experience befitting the incredible power of its location.

Our strategic investment also marks our confidence in the future of our industry, despite the recent setbacks and continuing decline in U.S. visitation to Ontario. In fact, the decision to proceed with this significant revitalization project is in keeping with the approach and mandate NPC has followed since its founding in 1885 – to preserve and enhance the beauty of the Falls for future generations, all while acting as a catalyst for the economic growth and development of our tourism potential here in Niagara.

Last June, the Tourism Industry Association of Canada identified the need for “persuasive and compelling reasons to visit our country”. The Association then called for a concerted effort by both the private and public sector to introduce new tourism products and ensure that the current products were world class and would meet the standards of today's discerning travelers. NPC's newly renovated Table Rock complex and development of the Niagara's Fury attraction helps us meet those objectives.

As a tourism operator, NPC is unique. The entire cost of maintaining and enhancing 1,720 hectares of parkland located along 56 kilometres of the Niagara River is paid for with revenue generated by various Parks' attractions and commercial operations. NPC therefore depends on Table Rock and



Chairman's Message

the overall success of the complex to ensure NPC is able to maintain the significant stewardship responsibilities with which it has been entrusted. But to do so, both NPC and its facilities need to remain relevant and attractive to visitors for not only this year, but more importantly for years to come.

This newly revitalized complex includes superb shopping and dining facilities, visitor orientation and entertainment options. It includes our Elements on the Falls restaurant, offering the best food and views anywhere in Niagara and Pop & Lolly's, a delectable candy store catering to the kid in all of us. A clock tower also forms part of our distinctive "Bridge of Flowers" pedestrian crossing, offering fully accessible, all season access to visitors coming from the Fallsview tourism district or NPC's parking facility.

We believe the investment in these key pieces of tourism infrastructure is right for the long term for both NPC and the entire region. With these investments, NPC is positioned to take advantage of a rebound in tourism when it does come.

The redevelopment of Table Rock and the opening of Niagara's Fury are two examples demonstrating the central role NPC plays in the economic growth of the region and as a partner in Niagara's overall tourism industry.

NPC remains committed to working with the community and the tourism industry in the region and to preserving and enhancing one of the world's great natural wonders.

We worked with local hotels, Niagara Fallsview Casino Resort, the Niagara Chamber of Commerce and other partners to conduct the third Easy Crossing Council campaign, designed to provide Americans with appropriate information on passport



requirements to emphasize that border crossings could still be made with relative ease.

We also promoted local hotels on the NPC website as part of a partnership that encourages overnight stays and greater attendance at Parks' attractions. Our online sales and promotion efforts are becoming increasingly important in our marketing mix. In response, we enhanced the Niagara Parks logo to include ".com" in recognition of the growing importance of the Internet.

Niagara Parks is also home to over 10 major festivals and events each season representing an annual investment on our part of approximately \$500,000. These include such events as the Winter Festival of Lights, summer fireworks displays, our nationally-televised New Year's Eve celebration, historic re-enactment weekends, the Niagara International Marathon and NPC's associated Schools' Marathon. The majority of these events are free to the

public and represent the collective efforts of tourism partners to increase visitation to Niagara.

As well, Niagara Parks plays host to over 1,500 community events and bookings each season (i.e., picnic pavilions and bandshells). These community events held on our property help raise over \$1 Million for charitable causes each year within the region and province.

NPC is unique among tourism operators in the level of public services that we provide to

the community. In addition to a payroll of \$35 Million for 284 full-time and 1,474 seasonal employees, NPC maintains parks and roads within the system, and provides its own police protection at no cost to the municipality, region or Provincial Government.

We believe that our continued ability to make such a significant economic contribution to the region rests on our stewardship of the history, environment and natural beauty of the Falls and the land we control along the Niagara River. We take this responsibility very seriously and in 2008 we received a signature honour – the Ontario Parks Association's Protecting Tomorrow Today Award - which recognized Niagara Parks for its foresight and excellent management of the Parks system and for preserving the natural beauty of the Falls for future generations.

While the tourism industry will continue to be challenging in the near and mid-term, we have every confidence we will see visitors return.

As I conclude my message, I would like to thank the Commissioners and staff for their efforts and accomplishments during another challenging season. I look forward to working with them as we tackle the challenges ahead.


Jim Williams, *Chairman*

2008 | Economic Performance

The Niagara Parks Commission continued to be challenged by external forces in 2008. A precipitous decline in U.S. visitation is mainly to blame, as issues such as the strong Canadian Dollar, pending passport requirements and the overall downturn in the U.S. economy, resulted in U.S. visitation to Canada reaching historic lows.

The financial implications of the decline cannot be underestimated as U.S. visitors accounted for 44% of all retail sales, 51% of all admissions and 67% of all pass sales generated by NPC in 2008. As a result, gross revenues earned by NPC's revenue producing agreements and facilities dropped by 4.3% when compared to 2007 with NPC's retail facilities suffering a 3.9% decrease in revenues and earnings from NPC's food and beverage facilities decreasing by 5.9%.

Despite the addition of a new attraction "Niagara's Fury" at Table Rock, NPC's attraction earnings slipped 1% in 2008. Actual NPC attendance figures for the year also show visits to NPC's attractions down by 1%, despite the additional 123,249 visits Niagara's Fury garnered since its "soft opening" in May 2008 and later grand opening in June.

Golf revenues were off 10.9% compared to 2007, as rounds played experienced an overall 9.6% decline in 2008,



due to increased competition, the higher Canadian Dollar and poor weather conditions.

Attendance at NPC's heritage sites grew dramatically, increasing by 34.3% in 2008. However this growth in visitation was solely attributed to providing complimentary admission as part of the purchase of an NPC Adventure Pass, rather than through any growth in Fully Independent Traveller (FIT) visitation. In fact, heritage revenues were down by 4.3% for the year, despite the increase in attendance.

While revenues remained stagnant, NPC's base operational and input costs continued to climb. These rising costs were closely monitored and constrained, where possible, due to the lower than expected growth in tourism visitation and spending experienced in 2008.

Another critical factor facing NPC is the presence of increased competition in the marketplace. Since 1997, when casino gaming first arrived in Niagara, over \$3 Billion worth of investment has taken place in the tourism sector. While NPC supports and has helped facilitate growth, this growing competition makes it increasingly difficult for the Parks to generate the revenues necessary to support the significant stewardship and preservation activities it is charged with.

2008 | Fast Facts

This increased competition and the need to generate incremental revenue were major factors in NPC's decision to undertake a \$38.5 Million renovation of its prime revenue-generating facility, Table Rock complex. Table Rock is the "key gateway facility" in the destination, which welcomes over 6 million tourists from all over the globe each year. This reinvestment was urgently required not only from a revenue generating perspective, but also in terms of how NPC could help enhance the destination in the minds of potential visitors looking for a family friendly destination to visit.

The economic downturn, which began in the fall of 2008, combined with negative impacts expected as a result of the June 2009 WHTI passport requirement, will only lead to further economic challenges for NPC and all tourism operators, for the 2009 season.

- NPC revenues declined for the third consecutive year to \$76.6M in 2008. After depreciation is considered, NPC realized a net loss for the year totalling \$3.5M.
- Attendance at NPC attractions declined by 1% in 2008, to 4,457,000 from 4,544,000 in 2007.
- Several major Parks attractions experienced declines in attendance in 2008. In fact, attendance at Journey Behind the Falls, the Butterfly Conservatory and the Whirlpool Aero Car declined by 9% from 2007.
- The Maid of the Mist continued to be the most popular attraction with our visitors, with an attendance of 1,646,257 for 2008 or almost 1% less than the 2007 tourism season.
- Visitors to Niagara faced some of the worst summer weather conditions in over 70 years, with precipitation levels 70% higher than normal. This had a huge impact on NPC's golf operations where revenues declined by 10.9% in 2008 versus 2007.
- U.S. visitation to Niagara Parks now accounts for only 35% of all Parks' visits, a decline of 16% over 2007 and down 30% compared to 2004.
- Canadian visitation now accounts for 51% of all Parks visits, an increase of 12% over 2007.
- Despite this positive trend, Canadian visitors continue to spend approximately three times less than American visitors to the Parks, accounting for only 15% of all retail, 32% of all admission, and 21% of all pass sales generated in the Parks in 2008.
- International visitors accounted for 14% of all Parks visits in 2008, an increase of 4% over 2007. International visitors are a vitally important market segment for NPC, as they generated 41% of all retail, 17% of all attraction and 12% of all pass sales realized by the Commission.
- With 284 full-time and 1,474 seasonal employees and a payroll of \$35M, NPC is one of the Niagara Region's largest employers, making a significant contribution to the local economy.
- Operating Expenses for the year totalled \$70.8M, including \$13.5M used to maintain the gardens, roadways and other infrastructure of the Parks by the Falls.
- In 2008, NPC remitted over \$3.6M to the Province in Retail Sales Tax.

Year in Review | 2008

November, 2007

Niagara Falls Illuminated in Red to Honour Veterans



In commemoration of the sacrifice and contributions made by veterans and current service personnel in both Canada and the United States, the Niagara Falls Illumination Board lit the Falls in red on November 11th, as a symbol of remembrance and honour to all those who have served and those who paid the ultimate sacrifice. According to NPC's Chairman Jim Williams, "The Board felt there was no better way to honour our soldiers, veterans and those who have fallen, than to illuminate this shared natural wonder in red."

December 2007

30,000 People Rang In the New Year at Queen Victoria Park

More than 30,000 people helped welcome in 2008 at the annual New Year's Eve concert in Queen Victoria Park. The concert featured Dennis DeYoung, a founding member of the group STYX, Loverboy and Honeymoon Suite. Two spectacular fireworks displays, at

9 p.m. and midnight, were also part of the evening. The event was broadcast across Canada on the Canwest Global network. Sponsors included: NPC, the City of Niagara Falls, Fallsview Tourist Area, Ontario Lottery and Gaming Corporation, Fallsview Casino Resort, Victoria Centre Tourist Area, Clifton Hill Tourist Area and VIA Rail.

January 2008

NPC Showcase of Winter Delights



Building on the success of its inaugural event held the previous year, NPC's renowned chefs came together once again to delight their patrons with a specially prepared menu designed to "showcase" Niagara's finest wines and culinary creations. Those who attended on January 27th were not disappointed, as the chefs served masterful creations at 10 unique sampling stations featuring Niagara inspired food paired with wine from NPC's award-winning "Best of Niagara" wine list.

February 2008

NPC Received "Protecting Tomorrow Today" Award from Ontario Parks Association



NPC was honoured to receive the Ontario Parks Association's (OPA) "Protecting Tomorrow Today" Award in a special presentation held at the Niagara Parks Botanical Gardens and School of Horticulture on February 21st. NPC was selected for the award in recognition of its foresight and excellent management of the Niagara Parks system, which encompasses original natural beauty, strategic development, high quality environmental maintenance and historic preservation initiatives.

March 2008

NPC Supported the Robert Bateman 'Get to Know' Children's Writing and Art Contest

NPC participated in the Canada-wide launch of Robert Bateman's "Get to Know" contest in 2008 that encouraged students to

become actively involved in protecting the planet and its wildlife. Mr. Bateman, Canada's foremost wildlife artist, started the contest in March 2000 to encourage young people to go outdoors and "get to know" their wild neighbours by observing wildlife in their own backyards and local parks. Young people enter the contest by submitting original works of art or writing to the contest based on their experience.



Each year, winning entries are featured in the popular Robert Bateman "Get to Know" Calendar, which is distributed across Canada. This unique, all-Canadian program has been very successful, and has become a prominent and effective national program aimed at inspiring youth to engage and value the natural world.

School of Horticulture Graduation and Awards Ceremony

On March 29th, graduation and awards ceremonies were held for students of NPC's School of Horticulture. The 2008 graduating class included: Matthew Barrett, Dan Cooper, Amy

Year in Review | 2008



Doan, Sarah Fisher, Ryan Haluska, Tyler Hickey, Sean Kennedy, Susanne Pfiffer, Matthew Robinson and Maripat Thompson. The NPC School of Horticulture offers a three-year diploma program combining leading-edge academic training with practical training in the outdoor classroom of the world-renowned Niagara Parks Botanical Gardens.

April 2008

Golfer with Disability Scored Hole-in-One at NPC Legends on the Niagara



On April 16th, Frank Peter, a Niagara Falls resident who has been paralyzed from the chest down since 1985, scored a hole-in-one while enjoying his first round of golf of the year at Legends, with his nephew

Jordan. Mr. Peter was able to play golf thanks to the SoloRider golf car, a specially designed stand-up swivel seat golf car. Legends on the Niagara became Ontario's first public golf complex to offer the SoloRider golf car in 2007, thereby enhancing the facility's overall accessibility for those looking to play its courses. Mr. Peter, who scored his hole-in-one on the par three 14th hole at the Legends Battlefield course, thanked NPC for providing the equipment which allowed him to play golf and for helping him fulfill his dream of making a hole-in-one.

May 2008

NPC Heritage Buildings decorated with work from local artists

NPC heritage sites Old Fort Erie, Laura Secord Homestead and McFarland House were decorated with artwork provided by the Parkway Artists' Guild (PAG), as part of an exciting new extension to PAG's "Art in the Gardens" shows, which have been held on the grounds of NPC's Botanical Gardens for the past 10 years. The work included original paintings, quality decorator prints and art cards. The displays changed every eight weeks throughout the 2008 season and all pieces were for sale. A portion of the artists' proceeds were donated to NPC to continue maintaining

its heritage sites, attractions and parklands for the enjoyment of its visitors.

June 2008

Legends Received Accessibility Award



In a ceremony at Lakeside Park in Port Dalhousie on June 5th, Legends on the Niagara was the proud recipient of 2008 National Access Awareness Week's "Breaking the Barrier" Award for its strong efforts to integrate persons with disabilities into community life. Legends was recognized for its accessible clubhouse and restaurant as well as for its SoloRider golf car.

First Published Sketch of Niagara Falls from 1698 went on Display

Starting on June 13th, visitors to Mackenzie Printery and Newspaper Museum were able to view a new public exhibit, featuring the historical text, "A

New Discovery of a Vast Country in America". Published in 1698, this rare first edition was the first English copy containing a published sketch of Niagara Falls and the first published eye-witness account of the Falls by Father Hennepin. The exhibit, made possible through the loan of the book by NPC Commissioner Bob Gale, was part of the unveiling of a Heritage Trust Plaque honouring Father Hennepin.

July 2008

New NPC Police Chief Named Following Retirement of Tim Berndt

On July 2nd, Douglas Kane, a superintendent with 31 years experience with Niagara Regional Police, became NPC's newest Chief of Police following the retirement of former Chief Tim Berndt. Born and raised in Niagara Falls, Chief Kane's interest in policing began in 1975, when he was first employed as a Niagara Parks Seasonal Police (NPP) Constable. Having served his summer apprenticeship with the Parks, Mr. Kane later joined The Niagara Regional Police Service, where he served with distinction until assuming his duties with NPC. Established in 1887, the NPP has over 120 years of experience in serving the special needs of the tourism community. Comprised of 27 full-time and

Year in Review | 2008

29 seasonal officers, the NPP patrols the 1,720 hectares (4,250 acres) of parkland along the Niagara Parkway between the Towns of Niagara-on-the-Lake and Fort Erie, Ontario.

August 2008

Ceremony held to mark the 90th Anniversary of famous Scow Rescue

Emergency service personnel were honoured in a ceremony held on August 7th, to mark the 90th anniversary of the 1918 Scow rescue. The famous shipwreck at the brink of the Canadian Horseshoe Falls stands as a testament to the cooperation of public and pri-



vate agencies and organizations working together and achieving success. The final resting place of the Scow has resulted in its becoming forever linked with Niagara Falls and Niagara's lore. It is an aging reminder of a near tragedy and a spectacular rescue.

2008 Student Awards Announced



Niagara Parks awards scholarships yearly to eight summer student employees in recognition of their academic success, community involvement and work performance. On August 15th, at a ceremony held at Oak Hall, scholarships valued at \$1,000 each were awarded to the following: Bianca Ciccarelli, Caitlyn Ferguson, Robert Crowder, Stephanie Audibert, Adam Wilson, Rachel Gingras, Alice Qi and Kevin Bishop.

September 2008

NPC Educational Partnership the first of its kind in Canada



Secondary school students are being given the chance to study horticulture and landscaping at NPC to earn a new Ministry of Education Specialist High Skills

Major (SHSM) designation through a unique partnership with the Niagara Catholic District School Board. The partnership is the first of its kind in Canada. The SHSM designation assists students in their transition from secondary school to apprenticeship training, college, university, or the workplace. Students study in the Botanical Gardens, the grounds of Niagara Parks School of Horticulture, an institution internationally recognized for its expertise in teaching horticulture.

Roundtable held to Explore Use, Protection of Unique Niagara Glen Ecosystem

NPC held a successful Niagara Glen Roundtable on September 12th, providing a forum to discuss and promote continuing education for the Niagara Glen's unique ecosystem. This Roundtable was part of overall public consultations NPC has undertaken to receive feedback on its draft Niagara Parks Land Management Plan, which affects more than 600 individual sites. More than 350 submissions on the draft plan were received.

October 2008

3rd Annual Niagara Parks Apprentice Cooks and Chefs Showcase Dinner

NPC's apprentice cooks and chefs hosted their third annual

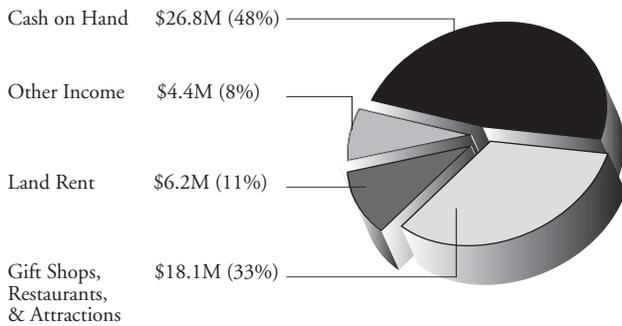
Showcase Dinner on October 23rd, at Queenston Heights Restaurant, with proceeds raised



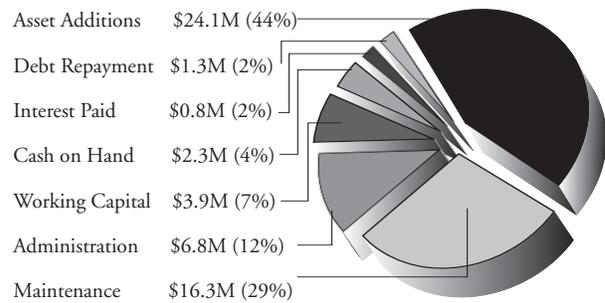
going to support NPC's Apprentice Cooks Scholarship Fund. This year's hard working recipient was Robert Crowder, who was recognized with a \$1,000 cheque from NPC and a professional knife set donated by Niagara College. NPC continues to host the largest Cook Apprenticeship Program in Ontario.

Business Climate | 2008

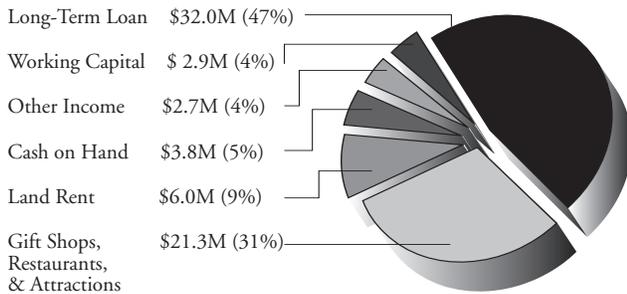
Where Money Came From: 2008
(\$Million)



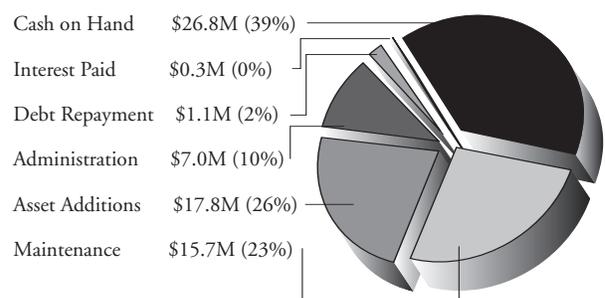
Where Money Went: 2008
(\$Million)



Where Money Came From: 2007
(\$Million)



Where Money Went: 2007
(\$Million)



Comparative Performance: Gift Shops, Restaurants and Attractions (\$Million)

	2008	% Of Sales	2007	% Of Sales
Income	\$65,857	100	\$ 68,813	100
Cost of Goods Sold	11,526	18	12,518	18
Gross Profit	\$ 54,331	82	\$ 56,295	82
Operating Expenditures	36,223	55	34,973	51
Net Income Before Administrative Overhead and Depreciation	\$ 18,108	27	\$ 21,332	31

NPC Attendance | 2008

	2008	2007	Increase or (Decrease)
Paid Attractions			
Maid of the Mist Elevator	1,646,257	1,660,659	(14,402)
Journey Behind the Falls	856,484	943,724	(87,240)
Butterfly Conservatory	430,709	470,817	(40,108)
Whirlpool Aero Car	127,292	142,530	(15,238)
White Water Walk	195,637	196,218	(581)
Sir Adam Beck	20,984	21,680	(696)
Niagara's Fury	123,249	0	123,249
Total	3,400,612	3,435,628	(35,016)
Golf			
Oak Hall Par 3 Golf Course	4,007	5,001	(994)
Whirlpool Golf Course	31,955	38,033	(6,078)
Legends on the Niagara	58,151	61,098	(2,947)
Total	94,113	104,132	(10,019)
Historic Sites			
Old Fort Erie	21,025	17,115	3,910
Laura Secord Homestead	9,652	7,354	2,298
Mackenzie Printery	6,239	3,913	2,326
McFarland House	5,994	3,562	2,432
Total	42,910	31,944	10,966
Transportation			
Peplemovers	262,138	234,786	27,352
Falls Incline Railway	657,685	737,342	(79,657)
Total	919,823	972,128	(52,305)
TOTAL	4,457,458	4,543,832	(86,374)

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 principles. 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 19, 2008



Robert J. McIlveen
Executive Director, Corporate Services
December 19, 2008

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, 2008 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, 2008 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
Licensed Public Accountants
Niagara Falls, Ontario
December 19, 2008

Balance Sheet ~ October 31, 2008

STATEMENT 1

(In thousands of dollars)

Assets	2008	2007
	\$	\$
Current Assets		
Cash	2,255	26,830
Accounts receivable	2,000	1,763
Inventories		
Saleable merchandise	4,551	3,330
Maintenance and other supplies	1,519	1,282
Prepaid expenses	303	400
	10,628	33,605
Fixed Assets - notes 2 and 3	158,558	142,542
Other Asset	63	
	169,249	176,147
Liabilities and Equity		
Current Liabilities		
Accounts payable	6,334	8,783
Accrued payroll	1,134	1,027
Current portion of long-term financing	2,055	1,190
	9,523	11,000
Long-Term Financing - note 3	31,818	33,818
Post-Employment Benefits - note 4	3,560	3,457
Commitments - notes 6 and 15		
Contingencies - notes 7 and 15		
Equity - Statement 2	124,348	127,872
	169,249	176,147

See accompanying notes

Signed on behalf of the Commission:





Chairman

Commissioner

Statement of Equity ~ for the year ended October 31, 2008

STATEMENT 2

(In thousands of dollars)

	2008	2007
	\$	\$
Equity, Beginning of Year	127,872	129,246
Net Loss for the Year - Statement 3	(3,524)	(1,374)
Equity, End of Year	<u>124,348</u>	<u>127,872</u>

See accompanying notes

Statement of Operations ~ for the year ended October 31, 2008

STATEMENT 3

(In thousands of dollars)

	2008	2007
	\$	\$
Income		
Gift shops, restaurants and attractions	65,857	68,813
Land rent	6,215	6,037
Commissions, rentals and fees	2,905	2,535
Premium (loss) on United States funds – net	1,071	(360)
Gain (loss) on disposal of fixed assets – net	(44)	40
Sundry income	576	464
	76,580	77,529
Expenses		
Gift shops, restaurants and attractions		
Cost of goods sold	11,526	12,518
Operating expenses	31,788	30,969
Maintenance	13,488	13,216
Administrative and police	9,588	9,681
Marketing and promotion	4,435	4,004
	70,825	70,388
Net Income for the Year before Undernoted Items	5,755	7,141
Other Items		
Interest expense – net – note 8	810	331
Depreciation – note 9	8,469	8,184
	9,279	8,515
Net Loss for the Year	(3,524)	(1,374)

See accompanying notes

Statement of Cash Flows ~ for the year ended October 31, 2008

STATEMENT 4

	<i>(In thousands of dollars)</i>	
	2008	2007
	\$	\$
Operating Activities		
Net loss for the year	(3,524)	(1,374)
Charges against income not requiring an outlay of funds		
- post-employment benefits	364	356
- depreciation	8,469	8,184
- amortization of franchise fee	6	
- loss (gain) on disposal of fixed assets - net	44	(5)
	5,359	7,161
Net change in non-cash working capital balances related to operations - note 11	(3,940)	2,919
Funds provided by operating activities	1,419	10,080
Investing Activities		
Fixed asset acquisitions - note 11	(24,123)	(17,799)
Proceeds on sale of fixed assets	32	83
Franchise fee payment	(69)	
Funds used by investing activities	(24,160)	(17,716)
Financing Activities		
Net increase (decrease) in long-term financing	(1,573)	30,891
Cash outlay related to post-employment benefits	(261)	(193)
Funds provided (used) by financing activities	(1,834)	30,698
Increase (Decrease) in Cash Position	(24,575)	23,062
Cash Position, Beginning of Year	26,830	3,768
Cash Position, End of Year	2,255	26,830

See accompanying notes

Notes to Financial Statements ~ for the year ended October 31, 2008

Organization

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 1,700 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 Corporations Tax Act.

1. Significant Accounting Policies

Basis of accounting

The financial statements of 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:

Revenue recognition

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

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 33 per cent for buildings, roadways and structures, 10 to 33 per cent for equipment and furnishings and from 8 to 33 per cent for vehicles.

Franchise fee

A franchise fee is classified as an other asset and is being amortized on a straight-line basis over 10 years.

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.

Financial instruments

The Commission has elected the following balance sheet classifications with respect to its financial assets and financial liabilities in accordance with the new section:

Cash is classified as "assets held for trading" and is measured at fair value.

Accounts receivable are classified as "loans and receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

Accounts payable and accrued liabilities, other liabilities and long-term financing are classified as "other financial liabilities" and are initially measured at fair value.

Notes to Financial Statements ~ for the year ended October 31, 2008

1. Significant Accounting Policies - continued

Capitalized interest

The Commission capitalizes an amount of interest on all funds expended for those capital works in progress and financed via long-term financing.

2. Fixed Assets

(In thousands of dollars)

	Cost	Accumulated Depreciation	2008	2007
	\$	\$	\$	\$
Land	13,555	–	13,555	13,555
Land improvements	17,135	–	17,135	17,135
Buildings, roadways and structures	187,965	72,924	115,041	86,567
Equipment and furnishings	40,522	30,275	10,247	8,414
Vehicles	9,275	7,869	1,406	1,592
	268,452	111,068	157,384	127,263
Capital works in progress	1,174	–	1,174	15,279
	269,626	111,068	158,558	142,542

Notes to Financial Statements ~ for the year ended October 31, 2008

3. Long-Term Financing

(In thousands of dollars)

	2008	2007
	\$	\$
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	31,815	32,000
Unsecured fixed rate term loan requiring principal payments of \$ 1,000,000 per annum, bearing interest at 4.01% through to December, 2009	2,000	3,000
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 463 to September, 2009, secured by equipment with a net book value of \$ 9,168	3	8
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 1,076 to August, 2011, secured by equipment with a net book value of \$ 34,853	35	-
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 659 to May, 2011, secured by equipment with a net book value of \$ 21,342	20	-
	<u>33,873</u>	<u>35,008</u>
Less portion due within one year	2,055	1,190
	31,818	33,818

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

(In thousands of dollars)

	\$
2009	2,055
2010	2,105
2011	1,154
2012	1,196
2013	1,257

Notes to Financial Statements ~ for the year ended October 31, 2008

4. Post-Employment Benefits

Defined Termination Benefit

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, 2008 is \$ 3,560,461 (2007 - \$ 3,456,833).

As a result of an actuarial valuation conducted in 2007 for the year ending October 31, 2007, it was determined that an actuarial gain of \$ 242,488 existed. The actual obligation as at October 31, 2008 is \$ 3,317,973 (2007 - \$ 3,214,345). Since the actuarial gain 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, 2010.

Defined Benefit Plan Information

(In thousands of dollars)

	2008	2007
	\$	\$
Employee benefit plan assets	-	-
Employee benefit plan liabilities	3,560	3,457
Employee benefit plan deficit	3,560	3,457
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	3,457	3,294
Expense for the year	364	356
Benefits paid during the year	(261)	(193)
Benefit obligation, end of year	3,560	3,457

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 5%.

Salary Levels - Future salary and wage levels were assumed to increase at 3% per annum.

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 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 contributions related to the PSPF and OPSEU Pension Fund was \$ 1,649,534 (2007 - \$ 1,541,361) and are 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.

Notes to Financial Statements ~ for the year ended October 31, 2008

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. These credit facilities are unsecured and are set to expire on October 31, 2009. As at October 31, 2008, NIL has been drawn upon for all credit facilities.

6. Commitments

The Commission is committed to spending approximately \$ 2,500,000 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)

	2008	2007
	\$	\$
Interest income	(431)	(582)
Loan interest expense	1,241	913
	810	331

9. Depreciation

(In thousands of dollars)

	2008	2007
	\$	\$
Depreciation of income producing assets	5,085	4,748
Depreciation of non-income producing assets	3,384	3,436
	8,469	8,184

10. Operating Leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2012. The total obligation under operating leases amounts to approximately \$ 1,273,000.

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

(In thousands of dollars)

	\$
2009	496
2010	391
2011	203
2012	183

Notes to Financial Statements ~ for the year ended October 31, 2008

11. Statement of Cash Flows

Changes in working capital components include:

	<i>(In thousands of dollars)</i>	
	2008	2007
	\$	\$
Accounts receivable	(237)	494
Inventories	(1,458)	35
Prepaid expenses	97	80
Accounts payable and accrued payroll	(2,342)	2,310
	(3,940)	2,919

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of \$ 24,561,000 (2007 - \$ 17,799,000) of which 438,000 (2007 - nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of \$ 24,123,000 (2007 - \$ 17,799,000) were made to purchase fixed assets.

	<i>(In thousands of dollars)</i>	
	2008	2007
	\$	\$
Interest		
Interest received	431	523
Interest paid	2,714	306

12. Financial Instruments and Risk Management

Fair Value

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

The fair value of the post employment termination benefit was determined using an actuarial valuation based on information presented in note 4 to the financial statements.

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 \$ 458,379 that is denominated in US dollars. These funds have been converted to the Canadian equivalent at the rate of \$ 1.1665 Canadian equals \$ 1 US. The Commission realizes approximately 14.87% (2007 - 18.1%) 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.

13. Capitalized Interest

The Commission has capitalized \$ 598,609 (2007 - \$ 232,301) of interest related to the expansion of the Table Rock Complex which was completed in June 2008.

Notes to Financial Statements ~ for the year ended October 31, 2008

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. Transfer of Defunct Power Stations

The Province of Ontario has directed the Commission 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. The Canadian Niagara Power Generating Station ("CNP") currently owned by Fortis Ontario is to be transferred no later than April 30, 2009.

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 Ministry of Tourism has engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive was complied with and to identify work and related costs required to "mothball" the facilities until an ultimate use for the buildings can be determined. The Ventin Group has now reported that there are substantial costs required to bring TPGS and OPGS to what would be considered a "mothball" state. Additional costs would be required to bring these two 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 Directive that will result in additional remediation costs at some point in the future.

The Commission has incurred annual costs related to maintenance and security for all sites.

The Commission is of the belief that the acceptance of these Power Generating Stations will require an infusion of funds that is beyond its capacity to meet. Negotiations with the Province are ongoing to gain assurance that the Commission will not be responsible for any future costs. Once final negotiations with the Province have concluded, the Commission will be in a position to assess whether any potential asset retirement obligation or contingent liability may exist.

Subsequent to the year-end, the Ministry of Tourism provided preliminary funding in the amount of \$ 1,000,000.