Financial Statements

The Niagara Parks Commission

March 31, 2015

Contents

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
March 31, 2015

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	Margaret Neubauer
John Lohuis	Margaret Neubauer
General Manager	Senior Director, Corporate Services
June 19, 2015	June 19, 2015

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, 2015, 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.

Grant Thornton

Opinion

In our opinion, the financial statements of The Niagara Parks Commission for the seventeen months ended March 31, 2015 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.

We draw attention to Note 2 to the financial statements which describes the correction in the current period of an error in the prior period.

Grant Thornton LLP

Port Colborne, Canada
June 19, 2015

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position
As at March 31, 2015

(in thousands of dollars)	2015	October 31 2013 (As restated) (Note 2)
Financial assets		
Cash and cash equivalents	**$ 322**	$ 5,654
Accounts receivable	**1,436**	3,579
Inventories – saleable	**3,889**	3,282
	5,647	12,515
Liabilities		
Bank indebtedness (Note 3)	**9,305**	-
Accounts payable	**6,977**	7,866
Accrued payroll	**2,589**	2,834
Deferred revenue (Note 4)	**1,418**	1,370
Deferred capital funding (Note 5)	**26,438**	23,435
Long term financing (Note 6)	**30,072**	31,971
Post-employment benefits (Note 7)	**3,697**	4,105
Power plant stabilization obligation (Note 8)	**28,837**	28,087
	109,333	99,668
Net debt	**(103,686)**	(87,153)
Non-financial assets		
Tangible capital assets (Note 9 and Page 22)	**156,675**	158,486
Inventories – other	**1,476**	1,312
Prepaid expenses	**873**	183
	159,024	159,981
Accumulated surplus (Note 10)	**$ 55,338**	$ 72,828

Commitments and contingencies (Notes 11 and 12)

On behalf of the Commission

Janice Thomson

Chair

Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations
For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013 (As restated) (Note 2)
Revenues			
Revenue producing operations	$ 69,972	**$ 71,971**	$ 66,621
Land rent	9,541	**9,660**	6,678
Commission, rentals and fees	12,671	**12,780**	2,867
Premium on United States funds – net	76	**806**	226
Sundry revenue	27	**18**	120
	92,287	**95,235**	76,512
Expenses (Page 23)			
Revenue producing operations			
Cost of goods sold	11,970	**12,398**	11,087
Operating	43,435	**44,310**	33,239
Maintenance	19,711	**20,404**	14,158
Administrative and police	18,829	**18,881**	10,668
Marketing and promotion	4,898	**3,962**	3,208
	98,843	**99,955**	72,360
Net (deficit) surplus for the period before undernoted items	(6,556)	**(4,720)**	4,152
Other items			
Interest expense – net (Note 13)	2,407	**2,352**	1,660
Amortization of tangible capital assets (Note 14)	11,786	**11,577**	7,755
Amortization of deferred capital funding (Note 5)	(1,850)	**(1,963)**	(712)
(Gain) loss on disposal of tangible capital assets	-	**(24)**	460
Contributed assets	-	**-**	(236)
	12,343	**11,942**	8,927
Net deficit from operations	(18,899)	**(16,662)**	(4,775)
Net increase in power plant stabilization obligation (Note 8)	(925)	**(750)**	(590)
Other capital funding (costs)	(600)	**(78)**	57
Annual deficit	$ (20,424)	**$ (17,490)**	$ (5,308)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Accumulated Surplus

For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013 (As restated) (Note 2)
Accumulated surplus (Note 10)			
Beginning of period			
As previously reported	$ 72,828	**$ 73,673**	$ 78,136
Prior period adjustment (Note 2)	-	**(845)**	-
As restated	72,828	**72,828**	78,136
Annual deficit	(20,424)	**(17,490)**	(5,308)
End of period	$ 52,404	**$ 55,338**	$ 72,828

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt
For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013 (As restated) (Note 2)
Annual deficit	$ (20,424)	**$ (17,490)**	$ (5,308)
Amortization of tangible capital assets	11,786	**11,577**	7,755
Purchase of tangible capital assets (Note 15)	(7,882)	**(7,569)**	(16,560)
Contributed tangible capital assets	(2,197)	**(2,197)**	(849)
Proceeds from the sale of tangible capital assets	-	**24**	57
(Gain) loss on sale of tangible capital assets – net	-	**(24)**	460
	(18,717)	**(15,679)**	(14,445)
(Acquisition) use of prepaid expenses	-	**(690)**	84
Acquisition of other inventories	-	**(164)**	(241)
Increase in net debt	(18,717)	**(16,533)**	(14,602)
Net debt			
Beginning of period	(87,153)	**(87,153)**	(72,551)
End of period	$ (105,870)	**$ (103,686)**	$ (87,153)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows
For the seventeen months ended March 31, 2015

(in thousands of dollars)	**2015**	Year ended October 31 2013 (As restated) (Note 2)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	**$ (17,490)**	$ (5,308)
Charges against income not requiring an outlay of funds		
Amortization of tangible capital assets	**11,577**	7,755
Amortization of deferred capital funding	**(1,963)**	(712)
(Gain) loss on disposal of tangible capital assets – net	**(24)**	460
Post-employment benefits	**62**	411
Increase in power plant stabilization obligation – net	**750**	590
	(7,088)	3,196
Net change in non-cash working capital balances related to operations (Note 16)	**(404)**	384
	(7,492)	3,580
Capital activities		
Purchase of tangible capital assets (Note 15)	**(7,569)**	(16,560)
Contributed tangible capital assets	**(2,197)**	(849)
Proceeds from sale of tangible capital assets	**24**	57
	(9,742)	(17,352)
Financing activities		
Repayment of long term financing	**(1,899)**	(1,705)
Payment of post-employment benefits	**(470)**	(239)
Receipt of capital funding	**4,966**	11,260
	2,597	9,316
Net decrease in cash and cash equivalents	**(14,637)**	(4,456)
Cash and cash equivalents (Note 16)		
Beginning of period	**5,654**	10,110
End of period	**$ (8,983)**	$ 5,654

See accompanying notes to the financial statements.

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 has changed its fiscal year end to March 31 effective in 2015. Therefore, current period figures report amounts for the seventeen months ended March 31, 2015 and comparative figures report the amounts for the twelve months ended October 31, 2013.

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.

2. Significant accounting policies (continued)

Basis of accounting (continued)

The financial statements as at October 31, 2013 and for the year ended October 31, 2013 were prepared under a special purpose fair presentation framework. The Ministry of Finance released Regulation 395/11, Accounting Policies and Practices, in the fall of 2011. On November 1, 2013, the Commission adopted the Standards described above. These are the first financial statements 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 Commission has adopted these changes retrospectively. There are no changes to accumulated surplus at October 31, 2013 or annual surplus for the year ended October 31, 2013 as a result of this transition. However, in 2015 management became aware of an error in the recording of contributed tangible capital assets in 2013. Contributed tangible capital assets in the amount of $ 849,000 received in 2013 were reported as other revenue on the Statement of Operations and were not deferred and amortized. The correction of this error has been presented by retrospectively restating the comparative figures as follows:

	Increase (decrease)
Deferred capital funding	$ 845,000
Amortization of deferred capital funding	4,000
Annual deficit	845,000
Accumulated surplus, beginning of period	(845,000)

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.

2. Significant accounting policies (continued)

Tangible capital assets (continued)

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:

Classification	Useful Life
Land improvements, buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

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.

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.

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.

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 option 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, 2016. As at March 31, 2015 $ 8,654,257 has been drawn upon for all credit facilities (2013 – $ Nil). Taking into account outstanding cheques and deposits, the balance reported on the Statement of Financial Position is $ 9,305,011 (2013 - $ Nil).

4. Deferred revenue

	2015	Year ended October 31 2013
	(in thousands of dollars)	
Defunct power stations (Note 8)	**$ 116**	$ 215
Sale proceeds related to Fort Erie land transaction	**322**	492
Other	**980**	663
	$ 1,418	$ 1,370

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.

4. Deferred revenue (continued)

The net proceeds were recorded as part of deferred revenue on the Statement of Financial Position. To date approximately $ 982,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of March 31, 2015, approximately $ 322,000 remains for use in 2016 and beyond.

5. Deferred capital funding

	2015	Year ended October 31 2013 (As restated) (Note 2)
	(in thousands of dollars)	
Deferred capital funding		
Beginning of period	**$ 23,435**	$ 12,887
Received during period for the following capital projects:		
Incline railway replacement	**-**	3,000
Road resurfacing	**-**	2,000
Bridge rehabilitation	**-**	3,939
Other capital projects	**2,769**	1,472
Contributed assets	**2,197**	849
	4,966	11,260
Amortization	**(1,963)**	(712)
End of period	**$ 26,438**	$ 23,435

6. Long term financing

	2015	Year ended October 31 2013
	(in thousands of dollars)	
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	**$ 24,787**	$ 26,107
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	**5,183**	5,754
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	**102**	110
	$ 30,072	$ 31,971

6. Long term financing (continued)

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

2016	$ 1,695
2017	1,772
2018	1,861
2019	1,955
2020	2,054

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, 2015 is $ 3,696,673 (2013 - $ 4,105,056).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the seventeen months ended March 31, 2015 with extrapolations for 2016. 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 2015 for the seventeen months ended March 31, 2015, it was determined that an actuarial gain of $ 1,253,061 existed. The actual obligation as at March 31, 2015 is $ 2,591,542 (2013 - $ 3,964,172).

Defined benefit plan information	**2015**	Year ended October 31 2013
	(in thousands of dollars)	
Employee benefit plan assets	**$ Nil**	$ Nil
Employee benefit plan liabilities	**3,697**	4,105
Employee benefit plan deficit	**$ 3,697**	$ 4,105
Benefit obligation recognized on the Statement of Financial Position		
Benefit obligation, beginning of period	**$ 4,105**	$ 3,933
Decrease due to plan amendment	**(246)**	-
Expense for the period	**308**	411
Benefits paid during the period	**(470)**	(239)
Benefit obligation, end of period	**$ 3,697**	$ 4,105

7. Post-employment benefits (continued)

	2015	Year ended October 31 2013
	(in thousands of dollars)	
The net benefit expense is as follows:		
Current service cost	**$ 275**	$ 222
Interest cost	**181**	189
Amortization of actuarial gain	**(148)**	-
	$ 308	$ 411

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 4.75%.

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 $ 3,016,420 (2013 - $ 2,160,074), of which $ 1,508,210 (2013 - $ 1,080,037) 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.

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, 2015, 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 may commence in 2016. Should this not be the case the net present value of the liability will have to be recalculated in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 23,724,061 as at March 31, 2015. This is an increase of $ 676,354 from 2013 and has been recorded in the Statement of Operations.

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 2016 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 $ 7,036,679 as at March 31, 2015 for this portion of the liability. This is an increase of $ 294,794 from 2013 and has also been recorded in the Statement of Operations.

		Year ended October 31
	2015	2013
	(in thousands of dollars)	
Power plant stabilization obligation		
Beginning of period	**$ 28,087**	$ 27,497
Current period increase in present value of original obligation	**971**	665
Actual work performed during period	**(221)**	(75)
Net increase in power plant stabilization obligation	**750**	590
End of period	**$ 28,837**	$ 28,087

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 $ 116,000 of this funding remains for use in 2016 and beyond. The actual work performed in 2015 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.

Subsequent to 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 in late 2015 and the Power Plant Stabilization Obligation will be updated as necessary.

9. Tangible capital assets

			2015	Year ended October 31 2013
			(in thousands of dollars)	
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 14,359	$ -	**$ 14,359**	$ 14,359
Land improvements	17,135	-	**17,135**	17,135
Buildings, roadways and structures	227,117	107,812	**119,305**	115,697
Equipment and furnishings	41,388	37,019	**4,369**	4,959
Vehicles	3,864	3,077	**787**	697
	303,863	147,908	**155,955**	152,847
Capital works in progress	720	-	**720**	5,639
	$ 304,583	$ 147,908	**$ 156,675**	$ 158,486
Equipment under capital lease included above	$ 69	$ 49	**$ 20**	$ 27

10. Accumulated surplus

	2015	Year ended October 31 2013 (As restated) (Note 2)
	(in thousands of dollars)	
Operating (deficit) surplus	**$ (12,292)**	$ 1,940
Investment in tangible capital assets	**130,237**	135,051
Unfunded		
Long term debt	**(30,073)**	(31,971)
Post-employment benefits	**(3,697)**	(4,105)
Power plant stabilization obligation	**(28,837)**	(28,087)
	(62,607)	(64,163)
Accumulated surplus	**$ 55,338**	$ 72,828

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, 2015 no surplus moneys have been recorded as a liability to the Minister of Finance.

11. Commitments

The Commission has committed to approximately $ 560,000 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 10 years, expiring in 2016 and 2022.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2017. The total obligation under operating leases amounts to approximately $ 190,000. Lease payments due in the next three fiscal periods are as follows:

2016	$ 172
2017	9
2018	9

12. 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.

13. Interest expense – net

	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013
		(in thousands of dollars)	
Interest revenue	$ (20)	**$ (29)**	$ (43)
Loan interest expense	2,427	**2,381**	1,703
	$ 2,407	**$ 2,352**	$ 1,660

14. Amortization of tangible capital assets

	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013
		(in thousands of dollars)	
Amortization of income producing assets	$ 6,661	**$ 6,342**	$ 4,432
Amortization of non-income producing assets	5,125	**5,235**	3,323
	$ 11,786	**$ 11,577**	$ 7,755

15. Acquisition of tangible capital assets

During the period, tangible capital assets were acquired at an aggregate cost of $ 9,766,221 (2013 - $ 16,560,754) of which $ 2,197,416 (2013 - $ 849,220) was acquired by means of contributed assets. Cash payments of $ 7,568,805 (2013 - $ 15,711,534) were made to purchase tangible capital assets.

16. Statement of cash flows

	2015	Year ended October 31 2013
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	**$ 2,143**	$ (1,675)
Inventories – saleable and other	**(771)**	60
Accounts payable and accrued payroll	**(1,134)**	1,941
Deferred revenue	**48**	(26)
Prepaid expenses	**(690)**	84
	$ (404)	$ 384
Cash and cash equivalents consist of:		
Cash on hand	**$ 322**	$ 380
(Bank indebtedness) cash held in banks	**(9,305)**	5,274
	$ (8,983)	$ 5,654
Interest received	**$ 29**	$ 43
Interest paid	**$ 2,381**	$ 1,703

17. Financial instruments and risk management

Fair value

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 7 to the financial statements.

The fair value of the power plant stabilization obligation was determined using a present value calculation presented in Note 8 to the financial statements.

17. Financial instruments and risk management (continued)

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 $ 388,681 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ 1.2683 Canadian. The Commission realized approximately 10% of its sales in foreign currency in 2015 (2013 – 12.5%). Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has 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.

18. Comparative figures

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2015.

The Niagara Parks Commission
Schedule of Tangible Capital Assets
For the seventeen months ended March 31, 2015

(in thousands of dollars)	Land	Land Improvements	Buildings, Roadways and Structures	Equipment and Furnishings	Vehicles	Capital Works in Progress	**2015**	Year ended October 31 2013
Cost								
Beginning of period	$ 14,359	$ 17,135	$ 214,034	$ 40,604	$ 3,800	$ 5,639	**$ 295,571**	$ 285,940
Add additions	-	-	2,197	1,237	365	5,967	**9,766**	17,409
Less disposals	-	-	-	(453)	(302)	-	**(755)**	(7,778)
Transfers of capital works in progress	-	-	10,886	-	-	(10,886)	**-**	-
End of period	14,359	17,135	227,117	41,388	3,863	720	**304,582**	295,571
Accumulated amortization								
Beginning of period	-	-	98,336	35,647	3,102	-	**137,085**	136,591
Add amortization	-	-	9,476	1,825	276	-	**11,577**	7,755
Less disposals	-	-	-	(453)	(302)	-	**(755)**	(7,261)
End of period	-	-	107,812	37,019	3,076	-	**147,907**	137,085
Net book value	$ 14,359	$ 17,135	$ 119,305	$ 4,369	$ 787	$ 720	**$ 156,675**	$ 158,486

The Niagara Parks Commission
Schedule of Expenses by Object

For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013
Cost of goods sold	$ 11,970	**$ 12,398**	$ 11,087
Salaries, wages and benefits	57,819	**56,635**	43,633
Sales and other	3,334	**4,453**	2,547
Equipment repairs and maintenance	6,310	**5,812**	3,947
Materials and supplies	2,800	**2,663**	2,260
Advertising and promotion	3,934	**3,631**	1,418
Facilities	8,082	**9,506**	5,988
Administrative	4,594	**4,857**	1,480
	$ 98,843	**$ 99,955**	$ 72,360