

Financial Statements

The Niagara Parks Commission

March 31, 2023

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THE NIAGARA PARKS COMMISSION
MANAGEMENT REPORT
March 31, 2023

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 Auditor General of Ontario. 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 Commission's financial reporting.

David Adames
David Adames (Jun 15, 2023 14:04 EDT)

David Adames
Chief Executive Officer
June 8, 2023

L. Pingue

Laura Pingue
Director of Finance/Controller
June 8, 2023

Independent auditor's report

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

Opinion

We have audited the financial statements of The Niagara Parks Commission ("the Commission"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of The Niagara Parks Commission as at March 31, 2023 and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of matter

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. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Grant Thornton LLP

Port Colborne, Canada
June 8, 2023

Chartered Professional Accountants
Licensed Public Accountants

The Niagara Parks Commission

Statement of Financial Position

As at March 31, 2023

2023

2022

(in thousands of dollars)

Financial assets

Cash and cash equivalents	\$ 22,476	\$ 199
Accounts receivable	1,204	1,215
Inventories – saleable	<u>3,507</u>	<u>3,854</u>
	<u>27,187</u>	<u>5,268</u>

Liabilities

Bank indebtedness (Note 4)	-	377
Accounts payable	5,136	3,564
Accrued payroll	2,753	2,498
Deferred revenue (Note 5)	5,747	5,362
Deferred capital funding (Note 6)	21,501	21,680
Long term financing (Note 7)	34,663	16,205
Construction loan (Note 8)	-	25,225
Post-employment benefits (Note 9)	2,306	2,665
Power plant stabilization obligation (Note 10)	<u>15,391</u>	<u>14,080</u>
	<u>87,497</u>	<u>91,656</u>

Net debt

(60,310) (86,388)

Non-financial assets

Tangible capital assets (Page 27)	188,190	194,068
Inventories – other	1,075	1,300
Prepaid expenses	<u>217</u>	<u>166</u>
	<u>189,482</u>	<u>195,534</u>

Accumulated surplus (Note 13)

\$ 129,172 \$ 109,146

Commitments and contingencies (Notes 11, 12, 14 and 15)

On behalf of the Commission


April Jeffs (April 11, 2023 08:55 EDT)

April Jeffs, Chair

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Operations

For the year ended March 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
(in thousands of dollars)			
Revenues			
Revenue producing operations	\$ 40,625	\$ 88,964	\$ 34,735
Land rent	7,800	8,335	7,751
Commission, rentals, and fees	14,358	18,436	10,387
Government transfers – special projects	201	199	13,493
Interest revenue	-	855	1
Sundry revenue	<u>595</u>	<u>1,049</u>	<u>836</u>
	<u>63,579</u>	<u>117,838</u>	<u>67,203</u>
Expenses (Page 28)			
Revenue producing operations			
Cost of goods sold	5,214	12,858	4,421
Operating	21,813	34,534	23,477
Maintenance	18,655	21,687	18,559
Administrative and police	13,584	14,237	13,230
Marketing and promotion	2,306	2,418	1,814
Special projects	<u>-</u>	<u>63</u>	<u>236</u>
	<u>61,572</u>	<u>85,797</u>	<u>61,737</u>
Net surplus before other items	<u>2,007</u>	<u>32,041</u>	<u>5,466</u>
Other items			
Interest on debt	1,031	1,020	999
Foreign exchange gain	-	(279)	(14)
Amortization of tangible capital assets	13,272	12,291	12,224
Amortization of deferred capital funding (Note 6)	(1,447)	(1,455)	(1,428)
Gain on disposal of tangible capital assets	<u>(916)</u>	<u>(873)</u>	<u>(21)</u>
	<u>11,940</u>	<u>10,704</u>	<u>11,760</u>
Net surplus (deficit) from operations	(9,933)	21,337	(6,294)
Net increase in power plant stabilization obligation (Note 10)	<u>(400)</u>	<u>(1,311)</u>	<u>(214)</u>
Annual surplus (deficit)	<u>\$ (10,333)</u>	<u>\$ 20,026</u>	<u>\$ (6,508)</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Accumulated Surplus

For the year ended March 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
(in thousands of dollars)			
Accumulated surplus (Note 13)			
Beginning of year	\$ 109,146	\$ 109,146	\$ 115,654
Annual surplus (deficit)	<u>(10,333)</u>	<u>20,026</u>	<u>(6,508)</u>
End of year	<u>\$ 98,813</u>	<u>\$ 129,172</u>	<u>\$ 109,146</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Changes in Net Debt

For the year ended March 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
(in thousands of dollars)			
Annual surplus (deficit)	\$ (10,333)	\$ 20,026	\$ (6,508)
Amortization of tangible capital assets (Page 27)	13,272	12,291	12,224
Purchase of tangible capital assets (Page 27)	(4,200)	(6,523)	(13,418)
Donated tangible capital assets (Page 27)	-	-	(146)
Proceeds from the disposal of tangible capital assets	-	983	21
Gain on sale of tangible capital assets	-	(873)	(21)
	(1,261)	25,904	(7,848)
(Acquisition) use of prepaid expenses	-	(51)	199
Use of inventories – other	-	225	275
Reduction (increase) in net debt	(1,261)	26,078	(7,374)
Net debt			
Beginning of year	(86,388)	(86,388)	(79,014)
End of year	\$ (87,649)	\$ (60,310)	\$ (86,388)

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Cash Flows

For the year ended March 31, 2023

2023

2022

(in thousands of dollars)

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus (deficit)	\$ 20,026	\$ (6,508)
Charges against income not requiring an outlay of funds		
Amortization of tangible capital assets (Page 27)	12,291	12,224
Amortization of deferred capital funding (Note 6)	(1,455)	(1,428)
Gain on disposal of tangible capital assets	(873)	(21)
Increase in post-employment benefits (Note 9)	63	169
Increase in power plant stabilization obligation – net (Note 10)	<u>1,311</u>	<u>214</u>
	31,363	4,650
Net change in working capital balances related to operations (Note 16)	<u>2,744</u>	<u>4,542</u>
	34,107	<u>9,192</u>
Capital activities		
Receipt of capital funding (Note 6)	1,276	192
Stabilization works on power plants (Note 10)	-	(683)
Purchase of tangible capital assets (Page 27)	(6,523)	(13,418)
Donated tangible capital assets (Page 27)	-	(146)
Proceeds from disposal of tangible capital assets	<u>983</u>	<u>21</u>
	(4,264)	<u>(14,034)</u>
Financing activities		
Receipt of long term financing (Note 7)	20,853	-
Repayment of long term financing (Note 7)	(2,395)	(2,296)
Receipt of construction loan (Note 8)	628	13,822
Repayment of construction loan (Note 8)	(5,000)	-
Refinancing of construction loan (Note 8)	(20,853)	-
Payment of post-employment benefits (Note 9)	<u>(422)</u>	<u>(342)</u>
	(7,189)	<u>11,184</u>
Net increase in cash and cash equivalents	22,654	6,342
Cash and cash equivalents (Note 16)		
Beginning of year	<u>(178)</u>	<u>(6,520)</u>
End of year	\$ <u>22,476</u>	\$ <u>(178)</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

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.

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 Canadian 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, 2023

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.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	25 years
Buildings	3 to 50 years
Transportation and infrastructure	20 to 40 years
Machinery and equipment	4 to 25 years
Information technology	4 to 25 year
Other	3 to 10 years

Impairment of assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

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.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (continued)

Post-employment benefits

The Commission offers non-pension termination benefits payable on termination to certain full-time employees with a minimum of five years of service through a defined benefit plan. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission.

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.

Asset retirement obligation

A liability is recognized where there is a legal obligation to incur costs associated with the retirement of a tangible capital asset. Such costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner, while asset retirement costs associated with an asset no longer in productive use are expensed. A liability for an asset retirement obligation is recognized when all the following criteria are met:

- there is a legal obligation to incur retirement costs;
- a transaction or event gives rise to a liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Initial measurement of the liability is based on management's best estimate of the amount required to retire a tangible capital asset as at the date of the Statement of Financial Position. Changes in the subsequent measurement of the liability are recorded as a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the remeasurement or whether the asset remains in productive use.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (continued)

Revenue recognition

Revenue from retail 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.

Financial instruments

Financial instruments are initially recorded at their fair value and subsequently recorded at cost or amortized cost. Financial assets measured at cost or amortized cost include cash and accounts receivable. Financial liabilities measured at cost or amortized cost include bank indebtedness, accounts payable, accrued liabilities, long term financing and loans. Financial assets are tested for impairment when there are indicators that an impairment exists.

Foreign currency translation

The Commission translates all of its foreign currency transactions at the published exchange rates in effect at the time of the transaction. Financial assets and liabilities are translated at the exchange rate in effect at the date of the Statement of Financial Position. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. The Commission has elected to report foreign exchange gains and losses on US denominated cash, accounts receivable and accounts payable on the Statement of Operations and not report unrealized foreign exchange gains and losses on a Statement of Remeasurement Gains and Losses.

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. Accounts requiring significant estimates include the useful lives of tangible capital assets, accrued liabilities, post-employment benefits and the power plant stabilization obligation. Actual results could differ from those estimates.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

3. Adoption of new guidance

The Canadian Public Sector Accounting Standards Board issued new Sections PS 3450 *Financial Instruments* and PS 3280 *Asset Retirement Obligations* and amendments to Section PS 2601 *Foreign Currency Translation* and PS 1201 *Financial Statement Presentation*, effective for fiscal years ending on or after April 1, 2022.

PS 3450 *Financial Instruments* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

PS 3280 *Asset Retirement Obligations* establishes standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.

PS 2601 *Foreign Currency Translation* has been amended to provide an irrevocable accounting policy election for all financial assets and financial liabilities arising from a foreign currency transaction.

PS 1201 *Financial Statement Presentation* has been amended to add the Statement of Remeasurement Gains and Losses

Financial instruments

The Commission adopted PS 3450 *Financial Instruments* as at April 1, 2022 and applied the new accounting standard prospectively.

Foreign currency translation

The Commission adopted the amendments to PS 2601 *Foreign Currency Translation* as at April 1, 2022. The Commission exercised an election permitted on a one-time-basis to recognize unrealized exchange gains and losses on US denominated cash, accounts receivable and accounts payable as adjustments to the Statement of Operations at April 1, 2022, however, no adjustments were required.

Asset retirement obligations

The Commission adopted PS 3280 *Asset Retirement Obligations* as at April 1, 2022 and the Commission determined that there were no asset retirement obligations to be recognized.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

4. Credit facilities

On April 1, 2021, the Commission received approval through an Ontario Order in Council to increase its Canadian Imperial Bank of Commerce ("CIBC") credit facilities to a maximum borrowing capacity of \$ 34,700,000 to be repaid in full for at least one day, before March 31, 2028. The increased credit facilities have the same terms as noted below. These credit facilities are unsecured and expire on March 31, 2028.

The credit facilities, which have a maximum borrowing capacity of \$ 34,700,000, provide for two types of loans. There is a variable rate loan facility with an interest rate of CIBC prime rate less 0.50% (6.7% as at March 31, 2023) and a fixed rate operating loan facility at an interest rate of 0.9% available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. As of March 31, 2023, \$ Nil has been drawn upon for both credit facilities (2022 - \$ 536,831). Taking into account outstanding cheques and deposits, the balance reported on the Statement of Financial Position is \$ Nil (2022 - \$ 376,682).

5. Deferred revenue

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Sale proceeds related to Fort Erie land transaction	\$ 249	\$ 272
Other	<u>5,498</u>	<u>5,090</u>
	<u>\$ 5,747</u>	<u>\$ 5,362</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 were used 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 \$ 1,061,000 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, 2023, \$ 249,056 remains for use in 2023 and beyond.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

6. Deferred capital funding	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Deferred capital funding		
Beginning of year	\$ 21,680	\$ 22,916
Received during the year	1,276	192
Amortization	<u>(1,455)</u>	<u>(1,428)</u>
End of year	<u>\$ 21,501</u>	<u>\$ 21,680</u>

7. Long term financing	<u>2023</u>	<u>2022</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	\$ 11,523	\$ 13,479
Unsecured fixed rate term loan requiring blended first annual payment of \$ 543,418, which was made November 2010, and then payments of \$ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	2,243	2,677
Unsecured fixed rate term loan requiring blended payments of principal and interest of \$ 2,645,936 per annum, bearing interest at 4.58% through to January, 2033	20,853	-
The Commission has an option to purchase land requiring annual payments of \$ 7,300 until January, 2028 (Note 4)	<u>44</u>	<u>49</u>
	<u>\$ 34,663</u>	<u>\$ 16,205</u>

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

2024	\$ 4,212
2025	4,416
2026	4,632
2027	4,857
2028	4,879

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

8. Construction loan

In 2020, the Commission entered into an agreement with the Ontario Financing Authority to temporarily borrow \$ 25,000,000 to finance capital expenditures and work to reduce the power plant stabilization liability specifically relating to the Canadian Power Plant. As at March 31, 2023 all funds had been advanced against this loan. A provision of the loan was executed which allowing a one-time principal repayment of Facility 1 in the amount of \$ 5,000,000.

The Commission incurred interest costs based on each construction advance at the three-month Ontario treasury bill rate, plus 0.782 percentage points. In January 2023, the Commission converted the Facility 1 construction loan to the Facility 2 long term financing under the provisions of the agreement. Long term financing loan payments will begin twelve months from the commencement of the Facility 2. The first of 10 equal payment is required to be paid on January 16, 2024 in the amount of \$ 2,645,936.

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Advances at		
Beginning of year	\$ 25,225	\$ 11,403
Construction advances received	-	13,641
Construction advances paid	(5,000)	-
Accrued interest	<u>628</u>	<u>181</u>
Value of loan	20,853	25,225
Conversion of loan (Facility 1 to Facility 2)	<u>(20,853)</u>	-
End of year	<u>\$ -</u>	<u>\$ 25,225</u>

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

9. 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, 2023 is \$ 2,306,353 (2022 - \$ 2,665,350).

The Commission requires an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ended March 31, 2022 with extrapolations through to 2025. The latest valuation reflects approved changes by the Commission regarding eligibility and maximum amounts of the benefit payable upon termination.

The Commission's obligation will be funded out of current revenue and during the year benefit payments of \$ 422,352 (2022 - \$ 342,066) were paid out.

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Benefit obligation recognized on the Statement of Financial Position		
Benefit obligation, beginning of year	\$ 2,665	\$ 2,838
Expense for the year	63	169
Benefits paid during the year	<u>(422)</u>	<u>(342)</u>
Benefit obligation, end of year	<u>\$ 2,306</u>	<u>\$ 2,665</u>
Funded status		
Employee benefit plan deficit	\$ 1,969	\$ 2,223
Unamortized actuarial gain	<u>337</u>	<u>442</u>
	<u>\$ 2,306</u>	<u>\$ 2,665</u>
The net benefit expense is as follows:		
Current service cost	\$ 106	\$ 161
Interest cost	62	90
Amortization of actuarial gain	<u>(105)</u>	<u>(82)</u>
	<u>\$ 63</u>	<u>\$ 169</u>

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

9. Post-employment benefits (continued)

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 3.75% (2022 - 3.75%).

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

These assumptions were reviewed in the current year.

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 \$ 2,631,416 (2022 - \$ 2,341,221), of which \$ 1,315,708 (2022 - \$ 1,170,610) represents the employees’ portion, are included 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, 2023

10. 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 and renamed to Niagara Parks Power Station (“NPPS”).

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 Inc. 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.

VFA Inc. has reviewed the infrastructure through site visits and prepared estimates using standard engineering formulas. Further, they have provided the Commission with their assessment and a requirements list report providing costs for each component of stabilization required, as well as the timing of when these costs should be incurred. Commission engineering staff have reviewed the list and categorized the costs by year according to urgency and based on expected available funding, with the most urgent requirements addressed first. In addition, the Commission undertook several studies to determine critical underground infrastructure that needs replacing, including seismic studies, review of intake gates, geophysical and geotechnical settlement and a stability investigation.

In fiscal 2021, a redevelopment of the NPPS commenced and has undergone a change in use from a defunct generating station to a revenue producing asset. Improvements to the NPPS with a useful life exceeding one year have been recorded as tangible capital assets and amortized once the asset was put into use in July 2021.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

10. Power plant stabilization obligation (continued)

The closing balance of the stabilization obligation represents the Commission's best estimate of the costs required to "stabilize and mothball" the two remaining power stations (OPG and TPGS) based on the information noted above. The power plant stabilization obligation represents works identified in the Asset Management Information System (AMIS) database and is based on condition assessments completed by VFA Inc. and current costs to undertake the stabilization work.

The stabilization obligation as of March 31, 2023 has been calculated to be \$ 15,390,334 (2022 - \$ 14,079,822):

	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Power plant stabilization obligation		
Beginning of year	\$ 14,080	\$ 14,549
Actual work performed during year		
Commission funded	-	(683)
Grant funded	-	-
Net increase in change in value of power plant stabilization obligation	<u>1,311</u>	<u>214</u>
End of year	<u>\$ 15,391</u>	<u>\$ 14,080</u>

The net increase of \$ 1,310,512 in the power plant stabilization obligation is the result of the following:

- a) an increase in actual costs compared to original estimates in the amount of \$1,310,512
- b) no work was completed during the current fiscal year.

Tangible capital assets have not been recorded for the remaining two power plant properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

11. 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.

12. Asset retirement obligation

Throughout the year the Commission reviews all assets recorded on the tangible capital asset listing to determine if there are any legal obligations to incur costs in the future associated with the retirement of an asset. Examples of such costs are the remediation of asbestos, lead and mold, the closing of landfills and the removal of underground fuel tanks. Currently, there are no known assets that fall within the scope of this obligation, and as a result, no liability has been recognized.

The Commission's ongoing efforts to assess asset retirement obligations may result in future liabilities and any changes will be accrued in the year in which they are assessed as likely and reasonably estimable.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

13. Accumulated surplus	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Operating surplus (deficit)	<u>\$ 14,843</u>	<u>\$ (5,067)</u>
Investment in tangible capital assets	<u>166,689</u>	<u>172,388</u>
Unfunded		
Long term financing	<u>(34,663)</u>	<u>(16,205)</u>
Construction loan	<u>-</u>	<u>(25,225)</u>
Post-employment benefits	<u>(2,306)</u>	<u>(2,665)</u>
Power plant stabilization obligation	<u>(15,391)</u>	<u>(14,080)</u>
	<u>(52,360)</u>	<u>(58,175)</u>
Accumulated surplus	<u>\$ 129,172</u>	<u>\$ 109,146</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, 2023 no surplus moneys have been recorded as a liability to the Minister of Finance.

14. Commitments

The Commission has committed to approximately \$ 5.5 million in capital works projects in the next year as of March 31, 2023.

15. Contingencies

- a) The Commission is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Commission believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.
- b) Effective June 2019, the Province of Ontario enacted Bill 124 "Protecting a Sustainable Public Sector for future Generations Act, 2019". This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be "void and of no effect". On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact, if any, to the organization as a result of the Ontario Superior Court decision is not determinable at this time. As such, no provision has been made in the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

16. Statement of cash flows	<u>2023</u>	<u>2022</u>
	<i>(in thousands of dollars)</i>	
Changes in working capital components include:		
Accounts receivable	\$ 11	\$ 3,157
Inventories – saleable and other	572	1,469
Accounts payable	1,572	(2,677)
Accrued payroll	255	433
Deferred revenue	385	1,961
Prepaid expenses	<u>(51)</u>	<u>199</u>
	<u>\$ 2,744</u>	<u>\$ 4,542</u>
Cash and cash equivalents consist of:		
Cash on hand	\$ 257	\$ 199
Cash balance with banks	22,219	-
Bank indebtedness	<u>-</u>	<u>(377)</u>
	<u>\$ 22,476</u>	<u>\$ (178)</u>

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

17. Financial instruments

The Commission is exposed to various risks through its financial instruments. The following analysis provides a measure of the Commission's risk exposures as at March 31, 2023:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission's main credit risks relate to its accounts receivable as it provides credit to its customers in the normal course of its operations. The Commission monitors credit risk and credit standing on a regular basis and in the opinion of management the credit risk exposure to the Commission is low and not material. Additionally, as a means to reduce risk, the Commission requires for large corporate events and private event bookings, such as weddings, a deposit be received prior to the event taking place. As at March 31, 2023, the Commission held \$ 448,192 in advance deposits.

Accounts receivable is primarily due from corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. An impairment allowance is set up based on the Commission's historical experience regarding collections. The amounts outstanding at year end were as follows:

<i>(in thousands of dollars)</i>	Current	31-60 days	61-90 days	Over 90 days	Total
Accounts receivable	\$ 266	\$ 33	\$ 1	\$ 77	\$ 377
Other receivables	1,316	-	-	-	1,316
Less deposits on account	(98)	(104)	(48)	(198)	(448)
Less allowance for doubtful accounts	-	-	-	(41)	(41)
Net accounts receivable	\$ 1,484	\$ (71)	\$ (47)	\$ (162)	\$ 1,204

Liquidity risk

Liquidity risk is the risk that the Commission cannot pay its obligation when they become due to its creditors. The Commission is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and long term financing. The Commission reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate credit facility to repay creditors. The following table sets out the expected maturities of its financial liabilities:

<i>(in thousands of dollars)</i>	Within 1 year	Year 2	Year 3-5	Over 6 years	Total
Accounts payable	\$ 5,136	\$ -	\$ -	\$ -	\$ 5,136
Long term financing	4,212	4,416	14,368	11,667	34,663
Total	\$ 9,348	\$ 4,416	\$ 14,368	\$ 11,667	\$ 39,799

The Niagara Parks Commission

Notes to the Financial Statements

For the year ended March 31, 2023

17. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Commission is mainly exposed to currency risk and interest risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission's currency risk arises primarily from the sale and purchase of goods in US dollars and the holding of US cash. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at March 31, 2023, cash of \$ 1,198,311 is denominated in US dollars and converted into Canadian dollars.

b) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk on its credit facilities and long term financing fixed and floating interest rate financial instruments. Given the current composition of credit facilities and long term financing, fixed-rate instruments subject the Commission to a fair value risk, while the floating-rate instruments subject it to a cash flow risk.

The Niagara Parks Commission

Schedule of Tangible Capital Assets

For the year ended March 31, 2023

(in thousands of dollars)

	Land & Land Improvements	Buildings	Transportation & Infrastructure	Machinery & Equipment	Information Technology	Other	Capital Works in Progress	2023	2022
(in thousands of dollars)									
Cost									
Beginning of year	\$ 32,305	\$ 232,879	\$ 55,127	\$ 20,836	\$ 8,055	\$ 11,736	\$ 4,695	\$ 365,633	\$ 352,360
Add additions	26	873	2,942	1,079	368	-	1,235	6,523	13,564
Less disposals	-	(546)	-	(1,681)	-	(98)	-	(2,325)	(291)
Transfers of capital works in progress	-	4,252	46	376	21	-	(4,695)	-	-
End of year	32,331	237,458	58,115	20,610	8,444	11,638	1,235	369,831	365,633
Accumulated amortization									
Beginning of year	25	121,455	24,297	11,138	6,029	8,621	-	171,565	159,632
Asset group reclassification	-	3	(3)	-	-	-	-	-	-
Add amortization	33	8,097	1,727	1,166	593	675	-	12,291	12,224
Less disposals	-	(466)	-	(1,654)	-	(95)	-	(2,215)	(291)
End of year	58	129,089	26,021	10,650	6,622	9,201	-	181,641	171,565
Net book value	\$ 32,273	\$ 108,369	\$ 32,094	\$ 9,960	\$ 1,822	\$ 2,437	\$ 1,235	\$ 188,190	\$ 194,068

The value of donated tangible capital assets for 2023 is \$ Nil (2022 - \$146).

The Niagara Parks Commission

Schedule of Expenses by Object

For the year ended March 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
(in thousands of dollars)			
Cost of goods sold	\$ 5,214	\$ 12,858	\$ 4,421
Salaries, wages and benefits	37,566	47,872	37,649
Sales and other	2,655	4,563	2,665
Equipment repairs and maintenance	4,660	6,303	4,865
Materials and supplies	1,094	1,983	1,092
Advertising and promotion	848	1,119	776
Facilities	5,281	6,998	6,251
Insurance	2,389	1,967	2,178
Voluntary payments	1,362	1,418	1,329
Administrative	<u>503</u>	<u>716</u>	<u>511</u>
	\$ <u>61,572</u>	\$ <u>85,797</u>	\$ <u>61,737</u>