

Audited Financial Statements of

**BRITISH COLUMBIA ASSESSMENT  
AUTHORITY**

Year ended December 31, 2007

## **BRITISH COLUMBIA ASSESSMENT AUTHORITY STATEMENT OF MANAGEMENT RESPONSIBILITY**

The financial statements of the British Columbia Assessment Authority ("BC Assessment") for the year ended December 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to financial statements.

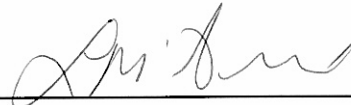
Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia, the external auditor of BC Assessment, has performed an independent audit of the financial statements of BC Assessment in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of BC Assessment.



Doug Rundell  
Chief Executive Officer



Laurie McAmmond  
Executive Director  
Corporate Services

Victoria, British Columbia

March 7, 2008



## Report of the Auditor General of British Columbia

*To the Board of Directors of the  
British Columbia Assessment Authority, and*

*To the Minister of Small Business and Revenue,  
and Minister Responsible for Regulatory Reform  
Province of British Columbia:*

I have audited the balance sheet of the *British Columbia Assessment Authority* as at December 31, 2007 and the statements of revenue and expenditure, equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Assessment Authority* as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia  
March 7, 2008*

John Doyle, MBA, CA  
Auditor General

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Balance Sheet

(in \$000s)

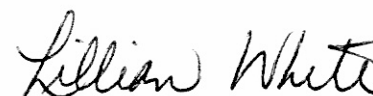
December 31, 2007

	2007	2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	21,835	22,244
Accounts receivable	1,311	1,563
Prepaid expenses	808	624
	<b>23,954</b>	24,431
Capital assets (note 2)	12,773	13,248
	<b>36,727</b>	37,679
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	9,878	9,332
Current portion of long-term liabilities	283	134
	<b>10,161</b>	9,466
Long-term liabilities:		
Employees' past benefits (note 3)	15	47
Employees' future benefits (note 3)	2,099	2,352
Lease inducements	19	-
	<b>2,133</b>	2,399
Equity:		
Equity in capital assets	12,773	13,248
Equity from operations - appropriated	4,450	3,880
Equity from operations - unappropriated	7,210	8,686
	<b>24,433</b>	25,814
	<b>36,727</b>	37,679

Commitments (note 5)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board



Director



Director

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

## Statement of Revenue and Expenditure

(in \$000s)

Year ended December 31, 2007

	2007	2006
Revenue:		
Tax levies	65,372	64,085
Other (note 6)	5,585	6,972
Grant from the Province (note 7)	-	2,343
Investment	904	752
Gain on disposal of capital assets	34	31
	<b>71,895</b>	<b>74,183</b>
Expenditure:		
Salaries and benefits	49,333	49,315
Professional and special services	6,954	6,997
Office premises	4,613	4,569
Office	4,577	4,168
Travel	1,574	1,635
Appeal costs (note 8)	2,721	2,010
Bad debts	28	1
Interest (note 9)	125	111
Amortization	3,351	3,069
	<b>73,276</b>	<b>71,875</b>
(Deficiency) excess of revenue over expenditure for the year	<b>(1,381)</b>	<b>2,308</b>

The accompanying notes are an integral part of these financial statements.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

## Statement of Equity

(in \$000s)

Year ended December 31, 2007

	Capital assets	Appropriated (note 10)	Unappropriated	2007	2006
Equity, beginning of year	13,248	3,880	8,686	<b>25,814</b>	23,506
(Deficiency) excess of revenue over expenditure for the year	(3,351)	-	1,970	<b>(1,381)</b>	2,308
Transfers to equity in capital assets	2,876	-	(2,876)	-	-
Transfer during year	-	570	(570)	-	-
<b>Equity, end of the year</b>	<b>12,773</b>	<b>4,450</b>	<b>7,210</b>	<b>24,433</b>	<b>25,814</b>

The accompanying notes are an integral part of these financial statements.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

## Statement of Cash Flows

(in \$000s)

Year ended December 31, 2007

	2007	2006
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenditure for the year *	(1,381)	2,308
Items not involving cash:		
Amortization	3,351	3,069
Gain on disposal of capital assets	(34)	(31)
Decrease in employees' past benefits	(29)	(38)
(Decrease) increase in employees' future benefits	(107)	23
Increase in lease inducements	19	-
Changes in non-cash operating working capital (note 11)	614	1,326
	<b>2,433</b>	<b>6,657</b>
Investing:		
Acquisition of capital assets	(2,876)	(2,755)
Proceeds on disposal of capital assets	34	31
	<b>(2,842)</b>	<b>(2,724)</b>
(Decrease) increase in cash	<b>(409)</b>	<b>3,933</b>
Cash and cash equivalents, beginning of year	<b>22,244</b>	<b>18,311</b>
Cash and cash equivalents, end of year (note 11)	<b>21,835</b>	<b>22,244</b>

\* Includes interest paid of \$124,511 (2006 - \$111,267)

The accompanying notes are an integral part of these financial statements.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

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The British Columbia Assessment Authority ("BC Assessment") was established in 1974 by the Province of British Columbia with the enactment of the Assessment Authority Act. The purpose of BC Assessment is to establish and maintain assessments that are uniform in the whole of the province in accordance with the Assessment Act.

BC Assessment, by by-law and subject to the prior approval of the Lieutenant Governor in Council, each year imposes and levies a tax upon all taxable real property in the province, but excluding property that is taxable for school purposes only by special Act. A copy of this by-law is forwarded to the Tax Collector of every municipality in the province and to the Surveyor of Taxes in order that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Small Business and Revenue constitutes BC Assessment's tax levies revenue.

## 1. Significant accounting policies:

The financial statements of BC Assessment have been prepared by management in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of these financial statements.

### (a) Change in Accounting Policy

Effective January 1, 2007 BC Assessment has adopted the new standard announced by the Canadian Institute of Chartered Accountants (CICA) Section 3855, *Financial Instruments – Recognition and Measurement*. Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities. Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in investment revenue. Financial assets classified as held-to-maturity or as loans and receivables and financial liabilities not classified as held-for-trading will be measured at amortized cost. This accounting policy was adopted on a prospective basis with no restatement of prior period financial statements.



# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

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## 1. Significant accounting policies (continued):

### (a) Change in Accounting Policy (continued):

As of January 1, 2007, BC Assessment has designated its Financial Instruments as follows:

Cash and cash equivalents are classified as held for trading and measured at fair value and all gains and losses are included in excess of revenue over expenditures in the period in which they occur. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payables and accrued liabilities are classified as other financial liabilities and are also measured at amortized cost.

It is management's opinion that BC Assessment is not exposed to significant interest, currency or credit risk arising from these instruments.

### (b) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks and those short-term money market instruments with initial terms of maturity of three months or less.

### (c) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful life of the asset. The annual rates used to compute amortization on a straight-line basis are as follows:

Asset	Rate
Buildings	5%
Furniture and equipment, including computer equipment	20-33%
Assessment system software *	10%
Other software	33-100%
Motor vehicles	20%
Leasehold improvements	Over the term of the lease

\*Customization and additions to assessment system software are amortized over the estimated remaining useful life of the system.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

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## 1. Significant accounting policies (continued):

### (d) Lease inducements:

Tenant inducements, including cash payments and rent free periods, received for leased premises are deferred and amortized on a straight-line basis over the term of the lease.

### (e) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and other expenditure during the year. Items requiring the use of significant estimates include employees' future benefits and various other expenditure accruals. Actual results could differ from these estimates.

### (f) Future Accounting Changes:

In December 2006, the CICA issued the following accounting changes that will be relevant to BC Assessment's financial statements effective January 1, 2008:

#### Financial Instruments

The CICA has issued two new accounting standards, Section 3862 (Financial Instruments – Disclosures) and Section 3863 (Financial Instruments – Presentation), which will revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The new disclosure will provide additional information on the nature and extent of risk arising from financial instruments and how the Authority manages those risks.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

## 2. Capital assets:

(in \$000s)	Cost	Accumulated amortization	2007	2006
			Net book value	Net book value
Land	354	-	354	354
Buildings	2,519	1,344	1,175	1,301
Furniture and equipment, including computer equipment	17,888	16,043	1,845	2,199
Assessment system software	12,138	3,789	8,349	8,911
Other software	89	75	14	-
Motor vehicles	1,952	1,378	574	365
Leasehold improvements	764	302	462	118
	35,704	22,931	12,773	13,248

## 3. Long-term liabilities:

### (a) Employees' past benefits:

At the time of the formation of the British Columbia Assessment Authority, BC Assessment negotiated an agreement with those designated employees whose previous working agreements contained clauses that called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a long-term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

### 3. Long-term liabilities (continued):

(b) Employees' future benefits:

Outside of the Public Service Pension Plan, BC Assessment annually accrues the future obligation under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Assessment.

(in \$000s)			2007	2006
	Total liability	Current portion	Net liability	Net liability
Employees' past benefits	31	16	15	47
Employees' future benefits	2,366	267	2,099	2,352
	2,397	283	2,114	2,399

### 4. Employee benefits plan:

BC Assessment and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates of 1.88% each, for plan members and employers, was necessary in order for the Plan to maintain its long term financial soundness and thus its ability to meet the pension promise made to plan members. The increase in rates was introduced effective April 1, 2006.

Contributions to the Plan by BC Assessment for 2007 were \$3,365,729 (2006: \$3,028,947).

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

## 5. Commitments:

BC Assessment is committed to make payments under operating leases and contracts as follows:

(in \$000s)	Premises leases	Other contracts
2008	4,312	1,818
2009	4,742	1,106
2010	3,597	391
2011	3,328	42
2012	2,725	-
2013-2019	8,012	-
	<b>26,716</b>	<b>3,357</b>

## 6. Other revenue:

(in \$000's)	2007	2006
Contract revenue	<b>645</b>	2,396
Data access services	<b>3,729</b>	3,394
Payments in lieu of taxes	<b>742</b>	709
First Nations services	<b>425</b>	424
Other	<b>44</b>	49
	<b>5,585</b>	<b>6,972</b>

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

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## **7. Grant from the Province:**

In 2006, BC Assessment received \$2,369,400 from the Province of British Columbia as part of the 2006 Negotiating Framework to cover a one-time incentive payment for all eligible employees. Of the total amount received, \$2,343,164 was paid to eligible employees and the excess of \$26,236 was returned to the Province.

## **8. Appeal costs:**

BC Assessment is required to reimburse the Province of British Columbia for the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board.

## **9. Financing:**

Under subsection 20(5) of the Assessment Authority Act, BC Assessment may, "until receipt of the proceeds of the taxes...borrow an amount not exceeding the proceeds of the taxes...and the loan must be repaid from the proceeds of the taxes".

The maximum borrowings by BC Assessment during 2007 were \$17,899,527 (2006: \$17,994,107).

## **10. Equity from operations - appropriated:**

The Board of Directors established that funding for significant non-recurring expenditures be provided from accumulated equity from operations. The appropriated amount of \$4,450,000 (2006: \$3,880,000) has been separately classified as a component of equity to reflect this direction by the Board. The appropriation reflects \$1.45 million towards completion of information technology projects and \$3 million towards future assessment system replacement.

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

## 11. Supplemental cash flow information:

(a) Major components of cash and cash equivalents are as follows:

(in \$000s)	2007		2006	
	Cost	Fair value	Cost	Fair value
Cash	486	486	119	119
Short-term investments	21,328	21,349	22,125	22,128
Cash and cash equivalents, end of year	21,814	21,835	22,244	22,247

(b) Changes in non-cash working capital:

(in \$000s)	2007	2006
Current Assets:		
Accounts receivable	252	155
Prepaid expenses	(184)	(316)
Current liabilities:		
Accounts payable and accrued liabilities	546	1,487
	614	1,326

# BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

## 12. Related party transactions:

In the normal course of operations, BC Assessment entered into transactions with the Province and certain Crown corporations, predominantly at prevailing market prices and credit terms.

The statement of revenue and expenditure includes the following transactions with related parties:

(in \$000s)	2007	2006
Grant from the Province	-	2,343
Other revenue	56	58
Payments for:		
Appeal costs	2,721	2,010
Salaries and benefits	720	662
Office	499	597
Professional and special services	548	494
Interest	110	98
Office premises	35	57
Travel	68	69

Assets (liabilities) at December 31 with related parties were:

(in \$000s)	2007	2006
Accounts receivable	1	-
Accounts payable	(1,768)	(674)

BC Assessment contracted with the Province for the acquisition of certain capital assets in the amount of \$397,919 (2006: \$190,660) and disposal of surplus capital assets totaling \$34,746 (2006: \$32,251).