

Audited Financial Statements of

**BRITISH COLUMBIA ASSESSMENT
AUTHORITY**

Year ended December 31, 2006

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, 2006 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.

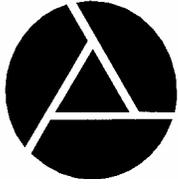
The Auditor General of British Columbia, the external auditor of BC Assessment, has performed an independent audit of the financial statements of BC Assessment in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on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



Doug Rundell
Chief Executive Officer
Assessment Commissioner



Laurie McAmmond
Executive Director
Corporate Services



Report of the Office 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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Errol Price, CA
Deputy Auditor General

*Victoria, British Columbia
March 7, 2007*

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Balance Sheet

(in \$000s)

December 31, 2006

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	22,244	18,311
Accounts receivable	1,563	1,718
Prepaid expenses	624	308
	24,431	20,337
Capital assets (note 2)	13,248	13,562
	37,679	33,899
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	9,332	7,845
Current portion of long-term liabilities	134	111
	9,466	7,956
Long-term liabilities (note 3):		
Employees' past benefits	47	68
Employees' future benefits	2,352	2,369
	2,399	2,437
Equity:		
Equity in capital assets	13,248	13,562
Equity from operations - appropriated	3,880	3,500
Equity from operations - unappropriated	8,686	6,444
	25,814	23,506
	37,679	33,899

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, 2006

	2006	2005
Revenue:		
Tax levies	64,085	62,589
Other (note 6)	6,972	8,525
Grant from the Province (note 7)	2,343	-
Investment	752	404
Gain on disposal of capital assets	31	-
	74,183	71,518
Expenditure:		
Salaries and benefits	49,315	46,414
Professional and special services	6,997	8,940
Office premises	4,569	4,537
Office	4,168	4,200
Travel	1,635	1,587
Appeal costs (note 8)	2,010	1,885
Bad debts	1	32
Interest (note 9)	111	87
Amortization	3,069	3,000
	71,875	70,682
Excess of revenue over expenditure for the year	2,308	836

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Equity

(in \$000s)

Year ended December 31, 2006

	Capital assets	Appropriated (note 10)	Unappropriated	2006	2005
Equity, beginning of year	13,562	3,500	6,444	23,506	22,670
Excess (deficiency) of revenue over expenditure for the year	(3,069)	-	5,377	2,308	836
Transfers to equity in capital assets	2,755	-	(2,755)	-	-
Transfer during year	-	380	(380)	-	-
Equity, end of the year	13,248	3,880	8,686	25,814	23,506

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, 2006

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditure for the year *	2,308	836
Items not involving cash:		
Amortization	3,069	3,000
Gain on disposal of capital assets	(31)	-
Decrease in employees' past benefits	(38)	(18)
Increase in employees' future benefits	23	340
Changes in non-cash operating working capital (note 11)	1,326	114
	6,657	4,272
Investing:		
Acquisition of capital assets	(2,755)	(4,848)
Proceeds on disposal of capital assets	31	26
	(2,724)	(4,822)
Increase (decrease) in cash	3,933	(550)
Cash and cash equivalents, beginning of year	18,311	18,861
Cash and cash equivalents, end of year (note 11)	22,244	18,311

* Includes interest paid of \$111,267 (2005 - \$86,616)

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

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.

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) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks and short-term investments.

(b) 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	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, 2006

1. Significant accounting policies (continued):

(c) Short-term investments:

Short-term investments are recorded at the lower of cost and fair value.

(d) Revenue:

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.

(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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

2. Capital assets:

(in \$000s)	Cost	Accumulated amortization	2006	2005
			Net book value	Net book value
Land	354	-	354	354
Buildings	2,519	1,218	1,301	1,427
Furniture and equipment, including computer equipment	16,756	14,557	2,199	2,693
Assessment system software	11,454	2,543	8,911	8,716
Other software	100	100	-	-
Motor vehicles	1,834	1,469	365	283
Leasehold improvements	327	209	118	89
	33,344	20,096	13,248	13,562

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, 2006

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)			2006	2005
	Total liability	Current portion	Net liability	Net liability
Employees' past benefits	61	14	47	68
Employees' future benefits	2,472	120	2,352	2,369
	2,533	134	2,399	2,437

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 2006 were \$3,028,947 (2005: \$2,500,558).

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

5. Commitments:

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

(in \$000s)	Premises leases	Other contracts
2007	3,717	1,572
2008	3,153	1,180
2009	3,206	993
2010	2,285	315
2011	2,010	-
2012-2018	6,414	-
	20,785	4,060

6. Other revenue:

(in \$000's)	2006	2005
Contract revenue	2,396	3,863
Data access services	3,394	3,453
Payments in lieu of taxes	709	731
First Nations services	424	411
Other	49	67
	6,972	8,525

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

7. Grant from the Province:

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 will be returned to the Province.

8. Appeal costs:

Section 17 of the Assessment Authority Act requires BC Assessment to pay the amount requisitioned by the Province to cover the anticipated costs of appeals to the Property Assessment Review Panel and the Property Assessment Appeal Board. Under subsection 17(6), the amount requisitioned is paid in quarterly installments. Subsection 17(7) allows for the final installment to be adjusted to reflect the actual costs to the Province of the appeals.

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 2006 were \$17,994,107 (2005: \$20,167,020).

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 \$3,880,000 (2005: \$3,500,000) has been separately classified as a component of equity to reflect this direction by the Board. The appropriation reflects \$1.88 million towards completion of information technology projects and \$2 million towards future assessment system replacement.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

11. Supplemental cash flow information:

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

(in \$000s)	2006		2005	
	Cost	Fair value	Cost	Fair value
Cash	119	119	(110)	(110)
Short-term investments	22,125	22,128	18,438	18,421
Cash and cash equivalents, end of year	22,244	22,247	18,328	18,311

(b) Changes in non-cash working capital:

(in \$000s)	2006	2005
Current Assets:		
Accounts receivable	155	(388)
Prepaid expenses	(316)	74
Current liabilities:		
Accounts payable and accrued liabilities	1,487	428
	1,326	114

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

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)	2006	2005
Grant from the Province	2,343	-
Other revenue	58	170
Payments for:		
Appeal costs	2,010	1,885
Salaries and benefits	662	613
Office	597	596
Professional and special services	494	644
Interest	98	79
Office premises	57	142
Travel	69	70

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

(in \$000s)	2006	2005
Accounts receivable	-	-
Accounts payable	(674)	(611)

BC Assessment contracted with the Province for the acquisition of certain capital assets in the amount of \$190,660 (2005: \$349,965) and disposal of surplus capital assets totaling \$32,251 (2005: \$28,690).

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2006

13. Financial Instruments:

BC Assessment's financial instruments consist of cash, short term investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that BC Assessment is not exposed to significant interest, currency or credit risk arising from these instruments.

14. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.