

Audited Financial Statements of

**BRITISH COLUMBIA ASSESSMENT
AUTHORITY**

Year ended December 31, 2005

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, 2005 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.

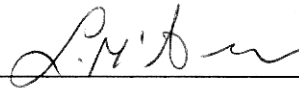
Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for preparation of financial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

I have audited the balance sheet of the *British Columbia Assessment Authority* as at December 31, 2005 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, 2005 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 3, 2006*

Wayne Strelieff, FCA
Auditor General

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Balance Sheet

(in \$000s)

December 31, 2005

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	18,311	18,861
Accounts receivable	1,718	1,330
Prepaid expenses	308	382
	20,337	20,573
Capital assets (note 2)	13,562	11,740
	33,899	32,313
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	7,845	7,417
Current portion of long-term liabilities	111	37
	7,956	7,454
Long-term liabilities (note 3):		
Employees' past benefits	68	103
Employees' future benefits	2,369	2,086
	2,437	2,189
Equity:		
Equity in capital assets	13,562	11,740
Equity from operations - appropriated	3,500	5,400
Equity from operations - unappropriated	6,444	5,530
	23,506	22,670
	33,899	32,313

Commitments (note 5)


Contingent liability (note 6)

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, 2005

	2005	2004
Revenue:		
Tax levies	62,589	60,304
Other (note 7)	8,525	4,544
Investment	404	391
Gain on disposal of capital assets	-	159
	71,518	65,398
Expenditure:		
Salaries and benefits	46,414	43,715
Professional and special services	8,940	6,048
Office premises	4,537	4,413
Office	4,200	3,869
Travel	1,587	2,138
Appeal costs (note 8)	1,885	1,632
Bad debts	32	-
Interest (note 9)	87	68
Amortization	3,000	2,143
	70,682	64,026
Excess of revenue over expenditure before non-recurring revenue	836	1,372
Non-recurring revenue (note 10)	-	747
Excess of revenue over expenditure for the year	836	2,119

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Equity

(in \$000s)

Year ended December 31, 2005

	Capital assets	Appropriated (note 11)	Unappropriated	2005	2004
Equity, beginning of year	11,740	5,400	5,530	22,670	20,551
Excess (deficiency) of revenue over expenditure for the year	(3,000)	-	3,836	836	2,119
Transfers to equity in capital assets	4,822	-	(4,822)	-	-
Transfer during year	-	(1,900)	1,900	-	-
Equity, end of the year	13,562	3,500	6,444	23,506	22,670

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, 2005

	2005	2004
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditure for the year *	836	2,119
Items not involving cash:		
Amortization	3,000	2,143
Gain on disposal of capital assets	-	(159)
Decrease in employees' past benefits	(18)	(7)
Increase in employees' future benefits	340	140
Changes in non-cash operating working capital (note 12)	114	(350)
	4,272	3,886
Investing:		
Acquisition of capital assets	(4,848)	(4,966)
Proceeds on disposal of capital assets	26	257
	(4,822)	(4,709)
(Decrease) in cash	(550)	(823)
Cash and cash equivalents, beginning of year	18,861	19,684
Cash and cash equivalents, end of year (note 12)	18,311	18,861

* Includes interest expense of \$86,616 (2004 - \$67,493)

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

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, certificates of deposit and short-term investments with original maturities of three months or less at the date of purchase, less bank overdrafts.

(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. New systems under development are not amortized until they are put into production. 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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

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, 2005

2. Capital assets:

(in \$000s)	Cost	Accumulated amortization	2005	2004
			Net book value	Net book value
Land	354	-	354	354
Buildings	2,519	1,092	1,427	1,553
Furniture and equipment, including computer equipment	16,151	13,458	2,693	1,787
Assessment system software	10,098	1,382	8,716	7,899
Other software	115	115	-	-
Motor vehicles	1,807	1,524	283	-
Leasehold improvements	243	154	89	147
	31,287	17,725	13,562	11,740

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

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.

(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)			2005	2004
	Total liability	Current portion	Net liability	Net liability
Employees' past benefits	99	31	68	103
Employees' future benefits	2,449	80	2,369	2,086
	2,548	111	2,437	2,189

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

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) has determined the Plan has an unfunded liability. As a result, the actuary has determined that an increase in contribution rates of 1.88% each, for plan members and employers, is 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 trustees have decided that this increase in rates will be introduced effective April 1, 2006.

Contributions to the Plan by BC Assessment for 2005 were \$2,500,558 (2004 - \$2,416,596).

5. Commitments:

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

(in \$000s)	Premises leases	Other contracts
2006	3,809	1,822
2007	2,980	1,356
2008	2,313	962
2009	2,122	795
2010	1,332	199
2011-2015	2,831	-
	15,387	5,134

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

6. Contingent liability:

BC Assessment provides assessment information under a licensing agreement. The agreement includes a provision requiring BC Assessment to refund fees in the event that the corporation is required to terminate the agreement or modify it because of legislative change, such that the assessment information can no longer be provided substantially as contemplated by the agreement. The amount of fees to be refunded under the provision decreases over the term of the agreement. Should this article be invoked, BC Assessment will be required to provide a refund of 25% (2004-50%) of fees paid. At December 31, 2005, the amount of the potential refund is \$203,913 (2004 - \$323,178).

7. Other revenue:

(in \$000's)	2005	2004
Contract revenue *	3,863	96
Data access services	3,453	3,292
Payments in lieu of taxes	731	718
First Nations services	411	382
Other	67	56
	8,525	4,544

* The British Columbia Assessment Authority signed a contract with the Greater Vancouver Transportation Authority for preparation of a parking site roll for TransLink.

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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

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 2005 were \$20,167,020 (2004: \$14,974,974).

10. Non-recurring revenue:

The Canadian Institute of Chartered Accountants Handbook Section 1100 revision applicable for fiscal years beginning on or after October 1, 2003 describes specifically what constitutes Canadian generally accepted accounting principles (GAAP) and its sources. Legislation does not constitute GAAP under the new framework. In years prior to 2004, BC Assessment recognized payments in lieu of taxes revenue when received. In order to comply with the revision to GAAP, BC Assessment changed to recognition of revenue on an accrual basis in 2004 and recorded a one-time adjustment of \$747,000.

11. Equity from operations - appropriated:

BC Assessment budgeted significant expenditures towards technology and system upgrades over the four year period ending December 31, 2005. The most significant project was completed in 2005 with implementation of valueBC, a new assessment information system. The Board of Directors established that partial funding for these costs and for completion of projects deferred to future years be provided from accumulated equity from operations. The appropriated amount of \$3,500,000 (2004 - \$5,400,000) has been separately classified as a component of equity to reflect this direction by the Board. The appropriation reflects \$2.5 million towards deferred projects and \$1.0 million towards significant future investments in capital assets.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

12. Supplemental cash flow information:

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

(in \$000s)	2005		2004	
	Cost	Fair value	Cost	Fair value
Cash	(110)	(110)	62	62
Short-term investments	18,438	18,421	18,799	18,801
Cash and cash equivalents, end of year	18,328	18,311	18,861	18,863

(b) Changes in non-cash working capital:

(in \$000s)	2005	2004
Current Assets:		
Accounts receivable	(388)	(747)
Prepaid expenses	74	(26)
Current liabilities:		
Accounts payable and accrued liabilities	428	423
	114	(350)

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2005

13. 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)	2005	2004
Other revenue	170	212
Payments for:		
Appeal costs	1,885	1,632
Professional and special services	644	1,075
Office	596	197
Office premises	142	137
Interest	79	42
Assets (liabilities) at December 31 with related parties were:		
(in \$000s)	2005	2004
Accounts receivable	-	15
Accounts payable	(611)	(155)

14. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.