

Audited Financial Statements of

**BRITISH COLUMBIA ASSESSMENT
AUTHORITY**

Year ended December 31, 2009

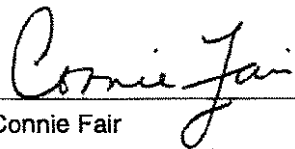
BRITISH COLUMBIA ASSESSMENT AUTHORITY STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the British Columbia Assessment Authority ("BC Assessment") for the year ended December 31, 2009 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.

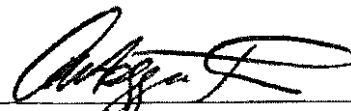
Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for preparation of financial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



Connie Fair
President and Chief Executive Officer



Andy Hoggarth
Vice President and Executive Financial Officer

Victoria, British Columbia

March 30, 2010



**Report of the Auditor General
of British Columbia**

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

*To the Minister of Community and Rural Development
Province of British Columbia:*

I have audited the balance sheet of the *British Columbia Assessment Authority* as at December 31, 2009, and the statements of operations, 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, 2009, 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 30, 2010*

John Doyle, MBA, CA
Auditor General

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Balance Sheet

(in \$000s)

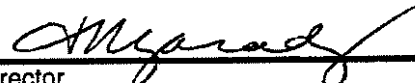
December 31

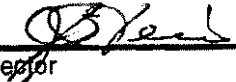
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	25,979	23,608
Accounts receivable	1,458	1,552
Prepaid expenses	671	653
	28,108	25,813
Capital assets (note 3):		
Property, plant and equipment	6,635	6,493
Intangible assets	6,676	7,930
	13,311	14,423
	41,419	40,236
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	10,772	9,797
Current portion of long-term liabilities	309	295
	11,081	10,092
Long-term liabilities (note 4):		
Employees' past and future benefits	2,223	2,398
Lease inducements	1,001	1,125
Other	-	367
	3,224	3,890
Equity		
Equity in capital assets	13,311	14,423
Equity from operations - appropriated	10,000	5,950
Equity from operations - unappropriated	3,803	5,881
	27,114	26,254
	41,419	40,236

Commitments (note 7)

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

On behalf of the Board


 Director


 Director

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations

(in \$000s)

Year ended December 31

	2009	2008
Revenues:		
Tax levies	72,845	69,151
Other (note 8)	5,085	5,292
Investment	152	775
Gain on disposal of capital assets	109	26
	78,191	75,244
Expenses:		
Salaries and benefits	51,211	49,425
Professional and special services	7,552	6,410
Office premises	5,461	5,083
Office	5,328	4,659
Travel	1,231	1,510
Appeal costs (note 9)	2,537	2,890
Bad debts	-	5
Interest (note 10)	20	80
Amortization	3,991	3,361
	77,331	73,423
Net income	860	1,821

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Equity

(in \$000s)

Year ended December 31

	Capital assets	Appropriated (note 11)	Unappropriated	2009	2008
Equity, beginning of year	14,423	5,950	5,881	26,254	24,433
Net income (loss) for the year	(3,882)	-	4,742	860	1,821
Transfers to capital assets	2,770	-	(2,770)	-	-
Transfer during year	-	4,050	(4,050)	-	-
Equity, end of the year	13,311	10,000	3,803	27,114	26,254

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

	2009	2008
Cash provided by (used in):		
Operations:		
Net income for the year *	860	1,821
Items not involving cash:		
Amortization	3,991	3,361
Gain on disposal of capital assets	(109)	(26)
(Decrease) increase in employees' past and future benefits	(161)	168
(Decrease) increase in lease inducements	(124)	1,234
(Decrease) increase in other long-term liabilities	(367)	367
Changes in non-cash operating working capital (note 12)	1,051	(167)
	5,141	6,758
Investing:		
Acquisition of capital assets	(2,998)	(5,040)
Proceeds on disposal of capital assets	228	55
	(2,770)	(4,985)
Increase in cash	2,371	1,773
Cash and cash equivalents, beginning of year	23,608	21,835
Cash and cash equivalents, end of year (note 12)	25,979	23,608

* Includes interest paid of \$3,406 (2008: \$80,428)

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

Nature of Business

The British Columbia Assessment Authority ("BC Assessment") was established in 1974 as an independent Crown corporation by the Province of British Columbia by 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) Future Accounting Framework – Public Sector Accounting Standards:

The Public Sector Accounting Board (PSAB) sets out the applicable source of Generally Accepted Accounting Principles to be applied by Canadian government organizations.

PSAB's guidance applicable to BC Assessment offers a choice between International Financial Reporting Standards and PSAB standards. BC Assessment will follow PSAB standards commencing 1 January 2011.

(b) Change in accounting policies:

In February 2008 the CICA issued section 3064 *Goodwill and Intangible Assets* which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, and requires retroactive application to prior period financial statements. BC Assessment has reflected this change by identifying intangible assets as a separate component of capital assets.

(c) Financial instruments:

The CICA requires that all financial instruments be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. BC Assessment has designated its financial instruments as follows:

Cash and cash equivalents include deposits in banks and short-term money market instruments. They are classified as held-for-trading and measured at fair value and all gains and losses are included in the Statement of Operations in the period in which they occur. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable,

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

willing parties under no compulsion to act. BC Assessment invests funds with the British Columbia Investment Management Corporation and has funds in two pooled investment portfolios: Fund ST1 - Canadian money market investments maturing within one month and ST2 - Canadian money market investments maturing within 15 months.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term maturity of these financial instruments.

(d) Capital assets:

Capital assets are carried at cost less accumulated amortization (refer to note 3). 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:

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

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

(e) Lease inducements:

Lease inducements include cash payments, reduced rent and rent free periods. The lease inducement benefits are amortized on a straight-line basis over the occupancy period.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(f) Revenues:

Revenues are recorded on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues.

Tax levies: 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 Finance constitutes BC Assessment's tax levies revenue.

Other revenue: Other revenue includes revenue from data access services, payments in lieu of taxes, contracts with First Nations, and other miscellaneous revenue (refer to note 8).

Investment: Investment revenue includes interest on deposits in banks, earnings generated by short-term investments and changes in fair value during the year.

(g) 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, liabilities and commitments at the date of the financial statements and the reported amounts of revenue and expenditure during the year. Items requiring the use of significant estimates include employees' future benefits, various other expenditure accruals and the commitments summarized in note 7. Actual results could differ from these estimates.

2. Financial instruments:

BC Assessment is exposed to various risks related to its financial assets and liabilities. These risks are managed on an on-going basis and it is management's opinion that the corporation is not exposed to significant market, credit or liquidity risk arising from these instruments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates will affect BC Assessment's income or the value of its financial instruments.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

2. Financial instruments (continued):

Foreign currency risk - BC Assessment's exposure to currency risk is related only to the value of foreign exchange transactions in the normal course of operations. BC Assessment manages foreign currency risk by minimizing the amount of transactions in foreign funds. Foreign currency transactions valued in Canadian dollars totaled \$535,686 in 2009 (2008: \$438,743).

Interest rate and other price risk - BC Assessment is exposed to interest rate and other price risk through its investment in short-term Canadian money market investments through the British Columbia Investment Management Corporation and through borrowing of money through the Provincial Government. Investments have a short-term maturity. Loans are at a variable rate of interest and are also short-term.

The effect of a 1% increase in the interest rate will impact BC Assessment's investment revenue by approximately \$200,000 and interest expense by approximately \$24,000 per annum.

The corporation does not engage in trading or other speculative activities with respect to derivative financial instruments.

Credit risk

BC Assessment is exposed to credit risk on accounts receivable due to inability of customers to pay for products and services as well as the potential failure of property owners to pay property taxes to taxing jurisdictions and the Province. BC Assessment relies on taxing jurisdictions and the Province to collect taxes and remit tax levies to BC Assessment and the corporation monitors and manages the collection of receivables from other customers. At December 31, 2009, accounts receivable totaled \$1,458,000 (2008: \$1,552,000). These figures are reported net of an allowance for doubtful accounts of \$66,198 (2008: \$66,198). The doubtful amounts are mainly due to tax levies not remitted to BC Assessment by municipalities as a result of property owners' failure to pay their property taxes.

Liquidity risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due or will not be able to meet them at a reasonable cost. BC Assessment manages liquidity risk primarily by monitoring actual to forecast cash flows and by maintaining the ability to borrow funds through the Province.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

3. Capital assets:

(in \$000s)	Cost	Accumulated amortization	2009	2008
			Net book value	Net book value
Property, plant and equipment				
Land	354	-	354	354
Buildings	2,519	1,596	923	1,049
Furniture and equipment, including computer equipment	17,904	15,084	2,820	2,237
Motor vehicles	2,201	1,596	605	597
Leasehold improvements	2,670	737	1,933	2,256
	<u>25,648</u>	<u>19,013</u>	<u>6,635</u>	<u>6,493</u>
Intangible assets *				
Assessment system software	12,864	6,466	6,398	7,650
Other software	769	491	278	280
	<u>13,633</u>	<u>6,957</u>	<u>6,676</u>	<u>7,930</u>
	<u>39,281</u>	<u>25,970</u>	<u>13,311</u>	<u>14,423</u>

* Intangible assets subject to amortization that were acquired during the year totaled \$338,114 (2008: \$451,991) and intangible assets developed during the year totaled \$102,008 (2008: \$637,155). The aggregate amortization recorded for intangible assets in 2009 was \$1,694,456 (2008:\$1,521,884).

4. Long-term liabilities:

Employees' past and future benefits:

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, 2009

4. Long-term liabilities (continued):

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)			2009	2008
	Total liability	Current portion	Net liability	Net liability
Employees' past benefits	11	-	11	10
Employees' future benefits	2,393	181	2,212	2,388
	2,404	181	2,223	2,398
Lease inducements	1,129	128	1,001	1,125
Other	-	-	-	367
	3,533	309	3,224	3,890

5. 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, 2008) determined the Plan had a surplus. Despite the surplus, the Public Service Pension Board of Trustees was required to implement a contribution rate increase of 0.15% each, for plan members and employers to meet the funding requirements of the *Pension Benefits Standards Act*. The increase in rates went into effect April 1, 2009.

Contributions to the Plan by BC Assessment for 2009 were \$3,661,615 (2008: \$3,365,515).

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

6. Management of capital:

BC Assessment defines capital as equity (assets minus liabilities). BC Assessment manages its capital structure in accordance with its long-term view of investments in property, plant and equipment (refer to note 11) and the anticipated impacts to operations caused by changes in economic conditions necessary to meet its legislative mandate. There has been no change to BC Assessment's approach to capital management during the period. BC Assessment is currently meeting all of its financial commitments. BC Assessment has no externally imposed capital requirements.

BC Assessment has received direction from the Ministry of Finance to forecast and achieve a balanced budget throughout the fiscal planning period 2009 to 2011. Treasury Board approval is required for BC Assessment to forecast any future deficit.

7. Commitments:

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

(in \$000s)	Premises leases	Other contracts
2010	6,736	3,261
2011	6,319	1,931
2012	5,751	1,821
2013	4,904	1,729
2014	4,583	1,596
2015 - 2025	30,147	58
	58,440	10,396

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

8. Other revenue:

(in \$000s)	2009	2008
Data access services	3,498	3,751
Payments in lieu of taxes	832	836
First Nations contract revenue	571	452
Other	184	253
	5,085	5,292

9. 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.

10. 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 2009 were \$18,300,088 (2008: \$18,077,953).

11. Equity from operations - appropriated:

The Board of Directors has established that funding for significant non-recurring expenditures will be provided from accumulated equity from operations. The appropriated amount of \$10,000,000 (2008: \$5,950,000) consists of \$5 million for future assessment system replacement and an amount of \$5 million for capital acquisitions planned for 2010.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

12. Supplemental cash flow information:

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

(in \$000s)	2009		2008	
	Cost	Fair value	Cost	Fair value
Cash	599	599	235	235
Short-term investments	25,400	25,380	23,331	23,373
Cash and cash equivalents, end of year	25,999	25,979	23,566	23,608

(b) Changes in non-cash working capital:

(in \$000s)	2009	2008
Current assets:		
Accounts receivable	94	(240)
Prepaid expenses	(18)	155
Current liabilities:		
Accounts payable and accrued liabilities	975	(82)
	1,051	(167)

13. Related party transactions:

BC Assessment is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations such as school districts, colleges, universities and health authorities that are included in the provincial government reporting entity. In addition, transactions with senior management, directors, immediate family members of senior management and directors and companies with which any of the above have a financial interest are also considered related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2009

13. Related party transactions (continued):

The Statement of Operations includes the following transactions with related parties of the Province of British Columbia:

(in \$000s)	2009	2008
Other revenue	48	47
Payments for:		
Appeal costs	2,537	2,890
Salaries and benefits	606	689
Office	672	493
Professional and special services	667	567
Interest	4	67
Office premises	131	41
Travel	65	64

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

(in \$000s)	2009	2008
Accounts receivable	29	29
Accounts payable	(655)	(906)

BC Assessment contracted with the Province for the acquisition of certain property, plant and equipment in the amount of \$311,041 (2008: \$262,897) and disposal of surplus property, plant and equipment with net proceeds of \$21,471 (2008: \$30,152).

14. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

