

Financial Statements

**BRITISH COLUMBIA
ASSESSMENT AUTHORITY**

Year ended December 31, 2016

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Financial Statements

Year ended December 31, 2016

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BC ASSESSMENT

Management's Responsibility for the Financial Statements

The accompanying financial statements of British Columbia Assessment Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for public sector organizations established by the Public Sector Accounting Board of the Chartered Professional Accountants. A summary of the significant accounting policies is described in note 2 of the accompanying notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit and Risk Management Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Authority. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.

David Highfield
Interim President and Chief Executive Officer

Andy Hoggarth
Vice President and Executive Financial Officer

Victoria, British Columbia, Canada



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INDEPENDENT AUDITORS' REPORT

*To the Board of Directors of British Columbia Assessment Authority, and
To the Minister of Community, Sport and Cultural Development, Province of British
Columbia*

We have audited the accompanying financial statements of British Columbia Assessment Authority which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of British Columbia Assessment Authority as at December 31, 2016, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of British Columbia Assessment Authority as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 13, 2016.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

April 7, 2017
Victoria, Canada

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position

(Tabular amounts in thousands of dollars)

As at December 31, 2016

	2016	2015
Financial assets:		
Cash and cash equivalents (note 3)	\$ 37,969	\$ 35,532
Accounts receivable	2,417	2,279
Due from provincial government (note 10)	67	91
	<u>40,453</u>	<u>37,902</u>
Liabilities:		
Accounts payable and accrued liabilities	8,400	4,350
Due to provincial government (note 10)	1,035	130
Employee benefits and other liabilities (note 4)	7,826	7,077
Lease inducements	3,190	3,553
Capital lease obligations	-	256
	<u>20,451</u>	<u>15,366</u>
Net financial assets	20,002	22,536
Non-financial assets:		
Tangible capital assets (note 5)	15,575	11,177
Prepaid expenses	1,307	1,280
	<u>16,882</u>	<u>12,457</u>
Accumulated surplus (note 6)	\$ 36,884	\$ 34,993

Commitments (note 7)

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

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations and Accumulated Surplus

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

	Budget	2016	2015
	(note 9)		
Revenues:			
Tax levies	\$ 87,272	\$ 87,429	\$ 85,500
Data access services	3,973	3,751	3,594
Payments in lieu of taxes	960	841	1,006
First Nations	640	654	648
Investment income	345	252	239
Other	416	450	401
Gain on disposal of tangible capital assets	-	41	69
	93,606	93,418	91,457
Expenses:			
Employee expenses	60,301	62,309	60,057
Information & communications technology	9,578	9,579	9,422
Office premises	6,210	6,242	6,337
Corporate and office	4,484	3,029	4,061
Amortization	3,621	3,450	3,357
Appeal costs (note 8)	3,375	3,101	3,029
Travel	2,047	1,691	2,190
Assessment notice printing and postage	1,995	2,126	2,122
Total expenses	91,611	91,527	90,575
Annual surplus	1,995	1,891	882
Accumulated surplus, beginning of year	34,993	34,993	34,111
Accumulated surplus, end of year	\$ 36,988	\$ 36,884	\$ 34,993

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Change in Net Financial Assets

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

	Budget	2016	2015
	(note 9)		
Annual surplus	\$ 1,995	\$ 1,891	\$ 882
Acquisition of tangible capital assets	(13,822)	(8,002)	(2,086)
Amortization of tangible capital assets	3,621	3,450	3,357
Write-down of tangible capital assets	-	154	1,078
Gain on sale of tangible capital assets	-	(41)	(69)
Proceeds on sale of tangible capital assets	-	41	69
	(8,206)	(2,507)	3,231
Change in prepaid expenses	-	(27)	(64)
Change in net financial assets (debt)	(8,206)	(2,534)	3,167
Net financial assets, beginning of year	22,536	22,536	19,369
Net financial assets, end of year	\$ 14,330	\$ 20,002	\$ 22,536

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Cash Flows

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,891	\$ 882
Items not involving cash (note 11)	3,949	2,595
Change in non-cash assets and liabilities (note 11)	4,814	(462)
Net change in cash from operating activities	10,654	3,015
Capital activities:		
Proceeds on sale of tangible capital assets	41	69
Acquisition of tangible capital assets	(8,002)	(2,086)
Net change in cash from capital activities	(7,961)	(2,017)
Financing activities:		
Principal payments on capital lease obligations	(256)	(215)
Net change in cash from financing activities	(256)	(215)
Net change in cash and cash equivalents	2,437	783
Cash and cash equivalents, beginning of year	35,532	34,749
Cash and cash equivalents, end of year	\$ 37,969	\$ 35,532

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

1. Nature of Organization:

British Columbia Assessment Authority (the "Authority") 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 the Authority is to establish and maintain assessments that are uniform in the whole of the province in accordance with the *Assessment Authority Act*. The Authority is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) standards. Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

The Authority follows the accrual method of accounting for revenues and expenses. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Financial instruments:

Financial instruments are accounted for in accordance with Public Sector Accounting Standard 3450. Financial instruments consist of cash and cash equivalents, accounts receivable, due from provincial government, accounts payable and accrued liabilities, due to provincial government, all of which are reported at amortized cost.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(c) Revenues:

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

Tax levies: The Authority, each year by by-law and subject to the prior approval of the Lieutenant Governor in Council, 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, to the Surveyor of Taxes, Treaty First Nations, and Nisga Nation in order that the taxes levied will be placed on the tax rolls. The proceeds of the taxes levied and collected by the municipalities or the Minister of Finance constitutes the Authority's tax levy revenue. This revenue is recognized equally across all periods in the year.

Other revenue: Other revenue includes revenue from data access services, payments in lieu of taxes, contracts with First Nations, and other miscellaneous revenue. Data access revenue and other miscellaneous revenue are recognized when earned, while payments in lieu of taxes and First Nations revenue are recognized equally across all periods throughout the year.

Investment: Investment revenue includes interest on deposits in banks and earnings generated by short-term investments, and are reported as revenue in the period earned.

(d) Property leasehold improvement inducements:

Lease inducements include cash payments, tenant improvement allowances, reduced rent and rent free periods. The lease inducement benefits are amortized on a straight-line basis over the term of the lease.

(e) Cash and cash equivalents:

Cash equivalents include liquid investments that can be redeemed on demand without penalty. Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is not a temporary decline in value, the respective investment is written down to recognize the loss.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(f) Employee future benefits:

- (i) The Authority and its employees make contributions to the Public Service Pension Plan. This plan is a multi-employer defined benefit plan providing a pension at retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. These contributions are expensed as incurred.
- (ii) Retirement and other future benefits are also available to the Authority's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long-term inflation rates and discount rates. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(h) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	20
Property assessment software	10 to 15
Enterprise software	5
Furniture and equipment	5
Motor vehicles	5
Computer equipment	3
Productivity and other software	3 to 5
Leasehold improvements	Equal to the lease term
Leased equipment	Equal to the lease term

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(h) Tangible capital assets (continued):

Amortization is performed on a straight-line basis, and is dependent on the value and timing of each purchase transaction, and when each asset was available for productive use. Software under development is not amortized until it is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations and accumulated surplus.

(i) Leased tangible capital assets:

Leases that transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, the useful life of capital assets and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

3. Cash and cash equivalents:

	2016		2015	
Cash	\$	1,987	\$	1,044
Cash equivalents (note 2(e))		35,982		34,488
Total	\$	37,969	\$	35,532

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

4. Employee benefits and other liabilities:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2016	2015
Post retirement benefits	\$ 3,745	\$ 3,627
Other liabilities	4,081	3,450
Total	\$ 7,826	\$ 7,077

Other liabilities include outstanding payables for employer remittances, accrued salaries, vacation, and overtime.

(a) Post retirement benefits:

Outside of the Public Service Pension Plan, the Authority annually accrues the future obligation under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. These retirement benefit plans include a retirement allowance, unearned vacation entitlement, and death benefits. An independent actuarial valuation of the post-employment benefits obligation and net periodic benefit cost was calculated at December 31, 2014 using management's estimates of salary escalation and expected retirement ages. This valuation was then extrapolated to December 31, 2016. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
 (Tabular amounts in thousands of dollars)

Year ended December 31, 2016

4. Employee benefits and other liabilities (continued):

(a) Post retirement benefits (continued):

Information about the Authority's retirement benefit plans are as follows:

Accrued benefit obligation	2016		2015	
Balance, beginning of the year	\$	3,627	\$	3,554
Current benefit cost		291		259
Interest		118		138
Benefits paid		(316)		(339)
Amortization of loss		25		15
Balance, end of year	\$	3,745	\$	3,627

Actuarial benefit obligation	2016		2015	
Accrued benefit obligation	\$	3,745	\$	3,627
Unamortized actuarial loss		242		253
Balance, end of year	\$	3,987	\$	3,880

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

	2016		2015	
Discount rate		2.78%		2.96%
Expected future inflation rate		1.50%		1.50%
Expected productivity and seniority increases	1.10% to 3.65%		1.10% to 3.65%	

Over time, changes in assumptions and actuarial experience compared to expected results will cause actuarial gains and losses in future valuations. Actual benefit payments in 2016 differing from expected resulted in a gain of \$46 thousand. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2016 resulted in a loss of \$60 thousand. Overall, this created a net actuarial loss at December 31, 2016 of \$14 thousand.

The unamortized actuarial loss on future payments is amortized over the estimated average service lives of the employees, which is 12 years.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

4. Employee benefits and other liabilities (continued):

(b) Employee pension benefits:

The Authority and its employees contribute to the Public Service Pension Plan (a jointly trustee pension plan). The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investments of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at March 31, 2016, the plan has about 58,000 active members and approximately 45,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. The rate is then adjusted to the extent there is amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits on a going concern basis.

The Authority paid \$4.5 million for employer contributions to the plan in fiscal 2016 (2015 - \$4.4 million).

The next valuation will be as at March 31, 2017, with results available in early 2018.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

5. Tangible capital assets:

(a) Changes to tangible capital asset categories during year:

Cost	2015	Additions	Disposals, transfers, & write-downs	2016
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,590	197	-	2,787
Furniture and equipment	6,524	1,140	(2,169)	5,495
Computer equipment	11,564	230	(7,855)	3,939
Motor vehicles	1,704	53	(82)	1,675
Leasehold improvements	7,114	132	-	7,246
Leased equipment	1,183	-	-	1,183
Property assessment software	14,696	-	2	14,698
Enterprise and productivity software	3,734	737	(253)	4,218
Software under development	1,641	5,513	(857)	6,297
Total	\$ 51,104	\$ 8,002	\$ (11,214)	\$ 47,892

Accumulated amortization	2015	Disposals	Amortization expense	2016
Buildings	\$ 2,283	\$ -	\$ 96	\$ 2,379
Furniture and equipment	5,382	(2,169)	533	3,746
Computer equipment	10,159	(7,854)	889	3,194
Motor vehicles	1,488	(82)	90	1,496
Leasehold improvements	3,018	-	612	3,630
Leased equipment	1,117	-	66	1,183
Property assessment software	13,162	2	614	13,778
Enterprise and productivity software	3,318	(957)	550	2,911
Total	\$ 39,927	\$ (11,060)	\$ 3,450	\$ 32,317

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

5. Tangible capital assets (continued):

(a) Changes to tangible capital asset categories during the year (continued):

Net book value	2015	2016
Land	\$ 354	\$ 354
Buildings	307	408
Furniture and equipment	1,142	1,749
Computer equipment	1,405	745
Motor vehicles	216	179
Leasehold improvements	4,096	3,616
Leased equipment	66	-
Property assessment software	1,534	920
Enterprise and productivity software	416	1,307
Software under development	1,641	6,297
Total	\$ 11,177	\$ 15,575

During the year, the Authority decreased cost and accumulated amortization by the value of fully amortized assets that were no longer in use by the Authority.

(b) Software under development:

Software development projects can often span multiple fiscal periods. Software under development does not contain any projects which have been terminated or placed on hold indefinitely. Software under development is not amortized as it represents the costs incurred to date on projects, which are not substantially complete at the end of the fiscal year, which is in accordance with Public Sector Accounting Standard 3150.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

6. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2016	2015
Surplus:		
Invested in tangible capital	\$ 15,575	\$ 10,919
Unappropriated	4,021	3,924
	<u>19,596</u>	<u>14,843</u>
Reserves:		
Future tangible capital asset acquisitions	14,288	17,150
Operating	3,000	3,000
	<u>17,288</u>	<u>20,150</u>
Accumulated surplus, end of year	\$ 36,884	\$ 34,993

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. One hundred percent of the operating surplus of \$1.9 million in 2016 and \$882 thousand in 2015 has been applied to the reserve for future tangible capital asset acquisitions in accordance with Board direction.

Future tangible capital assets reserve: the purpose of this reserve is to help stabilize the financing requirements of large fluctuations in capital spending from one year to the next. Certain high value tangible capital assets such as property assessment software have long term economic usefulness. This reserve assists in the financing of these expenditures to limit the impact to revenue requirements in those years.

Operating reserve: the purpose of this reserve is to finance an unintended deficit. Unintended deficits would be caused largely by unexpected changes in reserves or costs for items that are outside management's control.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

7. Commitments:

The Authority is committed to make payments under operating leases for premises and contracts for goods and services as follows:

2017	\$	17,051
2018		11,407
2019		9,839
2020		5,941
2021-2029		19,974
<hr/>		
Total	\$	64,212

8. Appeal costs:

Appeal costs include legal costs incurred by the Authority as well as the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board, both operated independently by the Province of British Columbia. By legislation, the Authority is required to reimburse the Province for the Review Panel and Appeal Board costs which amounted to \$2.3 million in 2016 (2015 - \$2.3 million).

9. Budget data:

The 2016 operating and capital budgets approved by the Board on December 11, 2015 have been provided for comparison purposes.

10. Related party transactions:

The Authority is related through common ownership to all Province of British Columbia ministries, agencies, 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.

The statement of operations and accumulated surplus includes the following transactions with related parties of the Province of British Columbia:

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

10. Related party transactions (continued):

	2016	2015
Revenue:		
Other revenue	\$ 3,115	\$ 3,197
Expenses:		
Appeal costs	2,323	2,264
Information and communication technology	1,551	1,160
Employee expenses	1,086	1,044
Office premises	621	564
Assessment notice printing and postage	112	112
Corporate and office	38	93
Travel	58	56
Assets (liabilities) at December 31 with related parties:		
Assets - motor vehicles	-	372
Accounts receivable	67	91
Accounts payable	(1,035)	(130)

The Authority contracts the disposal of surplus assets to the Province of British Columbia. Sale proceeds net of disposal costs were \$41 thousand in 2016 (2015 - \$70 thousand).

11. Summary of cash flow management:

Items not involving cash, reported on the statement of cash flows, are made up of the following:

	2016	2015
Amortization	\$ 3,450	\$ 3,357
Write-down on tangible capital assets	154	1,078
Change in lease inducements	(363)	(495)
Gain on sale of tangible capital assets	(41)	(69)
Change in employee benefits and other liabilities	749	(1,276)
Total items not involving cash	\$ 3,949	\$ 2,595

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

11. Summary of cash flow management (continued):

Change in non-cash assets and liabilities, reported on the statement of cash flows, are made up of the following:

	2016	2015
Accounts receivable	\$ (138)	\$ (500)
Due from provincial government	24	(18)
Accounts payable and accrued liabilities	4,050	584
Due to provincial government	905	(464)
Prepaid expenses	(27)	(64)
Total change in non-cash assets and liabilities	\$ 4,814	\$ (462)

12. Financial risk management:

In the normal course of operations, the Authority is exposed to a number of risks that can affect its operating performance. The Authority has exposure to the following risks from its use of financial instruments: credit risk, market risk, currency risk, interest rate risk, and liquidity risk. Management and the Board of the Authority ensure that the Authority identifies and monitors its risks. It is management's opinion that the Authority is not exposed to significant risks arising from these financial instruments.

(a) Fair value of financial assets and financial liabilities:

All financial assets and financial liabilities are recorded at amortized cost.

(b) Credit risk:

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise primarily from certain assets held consisting of cash, cash equivalents and accounts receivable. The Authority is exposed to credit risk in the event of non-performance by a customer. This risk is mitigated because 92% of accounts receivable are current; therefore, management does not consider it to be impaired. It is management's opinion that the Authority is not exposed to significant credit risk associated with cash and cash equivalents as they are placed with the British Columbia Investment Management Corporation in highly liquid units of a Canadian Money Market Fund.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

12. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

(d) 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 the foreign exchange rates. It is management's opinion that the Authority is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

(e) Interest rate 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 the market interest rates. The Authority is exposed to interest rate risk through its cash equivalents. It is management's opinion that the Authority is not exposed to significant interest rate risk as it invests solely in short term treasury bills that have a maturity date of no more than 91 days from date of acquisition.

(f) Liquidity risk:

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due.

13. Comparative information:

Comparative figures have been adjusted to conform to changes in the current year presentation.