

BC ASSESSMENT

2019
Annual Service Plan Report



For more information on the BC Assessment contact:

400 – 3450 Uptown Boulevard

Victoria, BC, V8Z 0B9

1-866-valueBC (1-866-825-8322)

Or visit our website at

<https://info.bcassessment.ca/contact-us>

Or visit our website at <https://www.bcassessment.ca/>

Published by BC Assessment

Board Chair's Accountability Statement



The BC Assessment *2019 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019 – 2021 Service Plan* created in February 2019. I am accountable for those results as reported.

S Bishop

Sylvia Bishop
Chair, Board of Directors
May 27, 2020

Table of Contents

Board Chair’s Accountability Statement 3

Letter from the Board Chair & CEO..... 5

Purpose of the Annual Service Plan Report..... 6

Purpose of the Organization..... 6

Strategic Direction 6

Operating Environment..... 7

Report on Performance: Goals, Objectives, Measures and Targets..... 8

Financial Report..... 17

 Discussion of Results 17

 Financial Summary 17

 Variance and Trend Analysis..... 18

 Capital Expenditures 19

 Audited Financial Statements 20

 Auditor’s Report 22

Appendix A: Additional Information..... 42

Letter from the Board Chair & CEO

BC Assessment is committed to being transparent and proactive in communicating with the Provincial Government and stakeholders.

Regular meetings are held with the Minister of Municipal Affairs and Housing and the Board Chair, as well as with the Assistant Deputy Minister and BC Assessment's President and Chief Executive Officer, to discuss implementation of BC Assessment's mandate and the direction in the Mandate Letter. Due to the unprecedented consequences of COVID-19, BC Assessment will continue to work with the Ministry to mitigate the impacts of the pandemic. BC Assessment is aligned with government's key priorities, and dedicated to maintaining its relationships and service delivery with the Province, local governments, Indigenous communities and property owner customer groups.

In support of Article 4 of the United Nations Declaration on the Rights of Indigenous Peoples, BC Assessment assists Indigenous communities in exercising their jurisdiction over real property taxation. This work helps to build capacity to administer their taxation systems and establish a stable tax base to support their local communities.

All members of BC Assessment's Board of Directors are provided with an orientation package and take part in Board and Committee orientation sessions. The Board of Directors approves an annual education plan, and Directors are provided with opportunities to participate in external professional development courses.

Sylvia Bishop



Chair, Board of Directors, BC Assessment
May 27, 2020

Jason Grant



President and Chief Executive Officer,
May 27, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

Purpose of the Organization

BC Assessment is a provincial Crown corporation with the legislated mandate to establish and maintain property assessments that are uniform in the whole of British Columbia, in accordance with the [Assessment Act](#). While BC Assessment has no direct role in property taxation, it plays an integral and impartial role in the provincial property taxation system by producing an accurate and uniform assessment roll each year for over two million properties in the province. Property values on the assessment roll form the basis of distributing property tax, providing the foundation for a stable tax base for taxing authorities.

In 2019, \$8.6 billion in property tax revenue was generated. This funding allows local governments to sustain the community services, transportation and utility infrastructure, schools, police and fire services, parks, recreational and cultural services that provide broad public benefits to British Columbians.

Strategic Direction

The strategic direction set by Government in 2019 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the [2019 BC Assessment Service Plan](#) and results reported in this annual report.

BC Assessment is aligned with the Government’s key priorities:

Government Priorities	BC Assessment aligns with these priorities by:
Delivering the services people count on	<ul style="list-style-type: none"> Ensuring its property assessment information is valued and relied upon (Goal 2)
A strong, sustainable economy	<ul style="list-style-type: none"> Ensuring it is a leader in the delivery of a high quality, accurate assessment roll (Goal 1)

Operating Environment

In 2019, BC Assessment managed a number of factors that may have influenced results:

- 2019 saw varied impacts across regions in the B.C. real estate market. BC Assessment has continued to engage its Market Activity Response Initiative team to monitor and communicate market movement impacts for the 2020 Assessment Roll.
- Both the number and complexity of assessment appeals to the [Property Assessment Appeal Board](#) (PAAB) increased again in 2019, notably for property tax agent appeals on residential and commercial properties. BC Assessment responded by managing employee capacity for appeals work and identifying anticipated pressures when developing operational plans.
- Work on the nextGen valueBC program to replace BC Assessment's aging computer assisted mass appraisal (CAMA) system continued in 2019. The new system will allow enhanced digital capabilities for customer interaction, property data access and information exchange.
- BC Assessment liaised with government, industry, partners and property owners throughout 2019 to align priorities and to support their interests. Highlights include working closely with Ministry of Municipal Affairs and Housing and DataBC on an Open Data Options Briefing Note, supporting the Ministry with valuation expertise and data through their policy development towards an interim solution to provide tax relief to small business, a significant communications outreach campaign, increased user registration for access to enhanced features on BC Assessment's public website, and launch of a First Time Home Buyers' Program.
- BC Assessment's levy rate did not increase in 2019. Anticipated impacts to 2019 workforce capacity and expenditures were closely managed and offset in part by greater than forecasted data licencing revenues.

Report on Performance: Goals, Objectives, Measures and Targets

The [2019 – 2021 Service Plan](#) and [2019 Mandate Letter](#) established the public reporting performance expectations for BC Assessment, as determined by the Board of Directors and Provincial Government. These documents formed BC Assessment’s plan of action, clearly setting the conditions that define its success.

Goal 1: Trusted Assessments - Leaders in the delivery of a high quality, accurate assessment roll

Objective 1.1: Accurate and uniform assessments

Key Highlights

- Invested in tools and technologies that improve data collection, analysis and process efficiency
- Continued work to configure and implement a modern core mass appraisal system to optimize the delivery of assessment services

Performance Measures	2018 Actuals ¹	2019 Target	2019 Actuals ²	2020 Target	2021 Target
1.1a Assessment to sales ratio					
- Residential	98.2%	97-100%	97.8%	97-100%	97-100%
- Non-residential	96.2%	95-100%	96.1%	95-100%	95-100%
1.1b Coefficient of dispersion					
- Urban	6.4%	5.0-10%	6.2%	5.0-10%	5.0-10%
- Rural	8.4%	5.0-15.0%	8.1%	5.0-15.0%	5.0-15.0%

Data source: Internal property information database.

¹The 2018 Actuals reported on in the *2019 – 2021 Service Plan* were updated in the later published *2018 Annual Service Plan Report*. The updates were based on calculations utilizing the 2019 Revised Roll.

²The 2019 actuals are based on the 2020 Revised Roll and may differ slightly from the 2020 Completed Roll results released in the 2020–2022 Service Plan.

Discussion of Results (Assessment to Sales Ratio)

The median Assessment to Sales Ratio (ASR) is a common roll quality measure used by the International Association of Assessing Officers (IAAO). The median ASR measures how closely assessments mirror a property’s actual selling price, tracking assessment accuracy in a market-based property assessment system. The closer the result is to 100 percent, the more accurate the assessment. The ASR is calculated by dividing the assessed value (as determined by BC Assessment) of a property that has sold by its selling price, and expressing the result as a percentage. For example, if a property is assessed with a value of \$243,000 and it sold for \$250,000, the ASR would be 97.2 percent.

BC Assessment measures the median ASR in accordance with standards set by IAAO. The IAAO has set the median ASR standard between 90 percent and 110 percent. BC Assessment has set more challenging targets: between 97 percent and 100 percent for the residential assessment roll, and between 95 percent and 100 percent for the non-residential assessment roll. BC

Assessment’s statistics reflect all available single-family residential arm’s-length sales for the two quarters surrounding the valuation date of July 1 (April 1, 2019, to September 30, 2019). For non-residential sales, the data are based on sales occurring throughout the year.

The median ASR is one of BC Assessment’s two primary roll quality measures. The 2019 ASRs in this annual report are based on the 2020 Revised Roll and are generated by the performance management information system.

For the 2020 Assessment Roll, completed by December 31, 2019, and revised through Property Assessment Review Panels (PARP) in early 2020, BC Assessment’s residential ASR result is 97.8 percent, which is within the target range and indicates accuracy in reflecting market value in property assessments. The non-residential ASR result is 96.1 percent, which is also within the target range and indicates accuracy in reflecting market value in property assessments.

Discussion of Results (Coefficient of Dispersion)

The Coefficient of Dispersion (COD) provides an indication of the quality of assessments by calculating the dispersion, or spread, of all the ASRs around the median ASR. When all else is equal, less dispersion indicates more accurate assessments and greater appraisal uniformity and is reflected by a lower COD.

Example Calculation of Coefficient of Dispersion (Using 97.5% as the Median)	
Assessment to Sales Ratio (ASR)	Deviation from Median
86.60%	10.90%
92.70%	4.80%
97.50%	0.00%
102.30%	4.80%
104.90%	7.40%
Total Deviation	27.90%
Average Deviation	5.58%
Coefficient of Dispersion = (5.58% ÷ 97.5%)*100% = 5.72%	

BC Assessment measures the COD for residential properties located in both urban and rural areas, according to internationally recognized standards. To calculate the COD, the differences between each ASR in a group and the median ASR are added together. The average deviation is the sum of these numbers, divided by the number of properties in the group. The COD is the average deviation divided by the median and is expressed as a percentage. An example calculation is presented in the table.

The target for rural properties is higher than for residential properties in urban areas because rural properties are typically less comparable to each other. With fewer comparable market references for sellers and purchasers, there tends to be a wider range of potential purchase prices for any given property. The COD standard set by the IAAO for single-family residential properties is under 15 percent for urban regions and under 20 percent for rural regions.

BC Assessment has set ongoing targets of under 10 percent and under 15 percent, respectively. Statistics for the COD are based on all available single-family residential arm’s-length sales for the two quarters surrounding the valuation date of July 1 (April 1, 2019, to September 30, 2019).

As a measure of appraisal uniformity, the COD is important in public reporting on BC Assessment’s mandate and is complementary to the ASR measures as the second of BC Assessment’s two primary roll quality measures. The COD in the annual report is based on the 2020 Revised Roll and generated by the performance management information system.

For the 2020 Assessment Roll, completed by December 31, 2019 and revised through the PARP process in early 2020, BC Assessment’s urban residential COD is 6.2 percent, and rural COD result is 8.1 percent. The results achieved fall well within the target ranges.

Objective 1.2: Stable and accepted assessment rolls

Key Highlights

- Continued to enhance public understanding of the provincial property assessment system
- Focused on customer communication and education, helping property owners to better understand their assessments and related impacts
- Enhanced customer access to roll information to allow easier validation of assessments accuracy and uniformity

Performance Measures	2018 Actuals	2019 Target	2019 Actuals	2020 Target	2021 Target
1.2a Assessment roll stability – changes in taxes collected	0.18%	≤ 0.22%	0.18%	≤ 0.22%	≤ 0.22%
1.2b Percentage of assessments accepted without appeal	98.4% ¹	≥ 98.0%	98.8%	≥ 98.0%	≥ 98.0%

Data source: Internal property information database.

¹The 2019 – 2021 Service Plan provided a forecast for 2018. This figure is the 2018 Actual and was first published in the 2018 Annual Service Plan Report, released after the aforementioned Service Plan.

Discussion of Results (Roll Stability)

Assessment roll stability is important for local governments. It is critical for managing their budgets, particularly as the cost of borrowing is directly influenced by the stability of their tax revenue. BC Assessment annually measures the stability of the assessment roll by analyzing the changes made to the roll after it is completed, which can affect local governments’ total property tax base. The objective of this measure is to track changes in taxes collected by the taxing jurisdictions. Minimal changes indicate a stable, dependable assessment roll. This performance measure is accepted by the taxing jurisdictions as a good measure of the stability and dependability of the assessment roll.

In any given year, property status can change, and new properties are created while others are deleted. Information about these changes may be received by BC Assessment after the completion of the assessment roll. In addition, there are Supplementary Rolls throughout the year that reflect changes made after the annual assessment roll has been revised by Property Assessment Review Panels due to inaccurate information or other specific adjustments. Finally, there are decisions rendered on appealed properties by the Property Assessment Appeal Board. All of these changes affect roll stability and are reflected in this measure. More specifically, the roll stability measure estimates the change in the amount of taxes collected or refunded by taxing jurisdictions based on the change in general taxable value for a period of 20 months after the Revised Roll. For example, the 2019 value measures the 2018 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2018, and December 31, 2019.

BC Assessment met the 2019 target (2018 Assessment Roll) of ≤ 0.22 percent, with change in taxes collected or refunded amounting to 0.18 percent of general-purpose tax revenues. BC Assessment's efforts to maintain or improve roll quality are directly linked to its activities supporting the performance measures for ASR, COD and assessment roll stability. Work focused on these three performance measures improves assessment roll quality by enhancing transparency of the assessment process and improving data quality.

Discussion of Results (Percentage of Assessments Accepted without Appeal)

This performance measure reflects the public acceptance rate for a completed assessment roll. BC Assessment interprets high acceptance of assessments by residential and non-residential property owner customers as a validation of the quality, accuracy and uniformity of assessments. Property owners who do not agree with the estimate of their property's market value or exemption status, or who believe that their property was improperly classified, can challenge the assessment. The Ministry of Municipal Affairs and Housing is responsible for administering the independent Property Assessment Review Panel (PARP) process between February 1st and March 15th each year. The number of complaints (appeals) to PARP gives a useful measure of public acceptance of the assessments.

For the 2020 Assessment Roll, produced during the 2019 calendar year, 25,445 folios were appealed to a PARP, compared to 32,180 related to the 2019 Assessment Roll. This represents a 98.8 percent acceptance rate. Proactive communication with property owner groups and taxing jurisdictions, combined with enhanced online tools and service, contributed to the continued low number of appeals on the 2020 Assessment Roll.

Property owners are encouraged to contact BC Assessment following the receipt of their assessment notices in January of each year if they have concerns or questions. For unresolved issues, customers can register a complaint with BC Assessment by January 31st and request a formal hearing by an independent review panel. A Notice of Hearing is then issued and a meeting with the PARP scheduled for the property owner. Following the hearing, and prior to April 7th each year, BC Assessment is required to send a Notice of Decision to the property owner, indicating what the panel's decision was and whether the complaint was successful or unsuccessful. Data quality is maintained through internal controls including a review and audit of the complaint data and comparison with historical trends and current market movement to ensure the data's accuracy. As data quality and accessibility have improved, the number of formal complaints has lowered and is usually filed by fewer than two percent of all property owners.

Property owners may appeal PARP decisions to the Property Assessment Appeal Board (PAAB), which is independent from the PARP process, the provincial government and BC Assessment. PAAB decisions may be further appealed to higher courts based only on points of law. For more information on appeal processes and timelines, please visit the Provincial Government's [Property Assessment Review Panel](#) and [Property Assessment Appeal Board](#) websites.

BC Assessment tracks annual statistics to determine the number of residential and non-residential property owners who apply in writing or online for an independent PARP review of their assessment. PAAB appeal rates are not included in this measure, as these hearings can take

a number of years to resolve and may skew the results for the annual performance measure program.

Objective 1.3: Efficient and financially responsible operations

Key Highlights

- Leveraged continuous business process and system improvements throughout the company to achieve operational and productivity gains
- Balanced work to deliver the assessment roll while investing to improve future service levels

Performance Measures	2018 Actuals	2019 Target	2019 Actuals	2020 Target	2021 Target
1.3a Average net cost per property for assessment services	\$42.97 ¹	\$46.13	\$45.77	\$46.51 ²	\$46.88 ²

Data source: Internal property information database, Audited Financial Statements.

¹ The 2019 – 2021 Service Plan provided a forecast for 2018. This figure is the 2018 Actual and was first published in the 2018 Annual Service Plan Report, released after the aforementioned Service Plan.

² The targets for 2020 and 2021 have been revised since publication of the 2019-2021 Service Plan and are adjusted periodically based on new information. These figures reflect the previous targets. See the [2020 – 2022 Service Plan](#) for the revised figures.

Discussion of Results

This performance measure reflects BC Assessment’s commitment to keeping the costs of assessments affordable while delivering the services that customers count on. BC Assessment’s primary source of revenue is a tax levy collected from each taxable property. This tax levy is a component of the property taxes paid by property owners to the taxing jurisdictions, which in turn, remit the tax levy collected to BC Assessment.

Efficiency and cost-effectiveness are required to minimize any potential increases to levies. Investments in technology and innovative business process improvements have been essential in allowing BC Assessment to absorb continuous workload growth and improve service levels. This performance measure reflects BC Assessment’s commitment to keeping costs to the taxpayer as low as possible while still meeting increased service demands in a progressively more complex assessment environment.

The 2019 cost per property for assessment services funded from the levy has been calculated by:

$$\frac{\text{Total expenditures less Non-tax levy revenue}}{\text{Number of taxable properties}} = \text{Average net cost per property}$$

BC Assessment met the cost per property target for 2019, coming in below the target of \$46.13 with an average actual cost per property of \$45.77.

Cost per property target adjustments are made each year as new information becomes available and forecasts are refined. BC Assessment maintains appropriate internal controls and reports regularly to the Board of Directors and to the Office of the Comptroller General. BC Assessment

is subject to an annual external audit of its financial statements, currently performed by the Office of the Auditor General. These controls contribute to financial data quality and reliability.

Goal 2: Valued by Customers and Partners - Our property assessment information is valued and relied upon

Objective 2.1: Satisfied customers

Key Highlights

- Greater understanding of the needs of all customer segments allowed for the development of more relevant assessment products and services
- Enhanced ability for customers to interact with BC Assessment for property data and information exchange via digital platforms

Performance Measures	2018 Actuals	2019 Target	2019 Actuals	2020 Target	2021 Target
2.1 Customer Satisfaction Index – Employee Interaction					
- Property Owners	79	73 to 85	79	73 to 85	73 to 85
- Taxing Authorities	90 ¹	Biennial Survey	Biennial Survey	≥ 86	Biennial Survey

Data source: BC Assessment has a contract with a market research firm to act as an independent third party to conduct the customer satisfaction surveys. The index figure is relative to 100.

¹The 2019 – 2021 Service Plan provided a forecast for 2018. This figure is the 2018 Actual and was first published in the 2018 Annual Service Plan Report, released after the aforementioned Service Plan.

Discussion of Results

BC Assessment regularly reviews customer feedback to identify areas where it can enhance the customer experience. The approach uses e-mail surveying, with questions designed to evaluate customer interactions with BC Assessment. The results are analyzed to determine what specific service attributes are important to our customers and to provide an indicator of the quality of service that our customers perceive they are receiving.

BC Assessment worked with key customer groups to develop and implement service commitments and standards that guide service delivery, inform customers about the level of service they can expect, and allow BC Assessment to monitor and report its performance.

The index for property owners represents the combined results for both residential and non-residential property owners. Similarly, BC Assessment combines the results for taxing authorities, which consist of local government and Indigenous communities. Taxing authorities, at their request, are surveyed biennially to measure their satisfaction with BC Assessment services. Property owners are surveyed annually.

Customer surveys for property owners are conducted in the first quarter each year, when the greatest proportion of interactions occur. BC Assessment achieved a result of 79 for the property owner customer group, which is within the target range of 73-85. The score was the same as in

2018 and the index’s constituent questions also returned highly similar results. Consistently very high scores in the areas of being knowledgeable, pleasant, courteous, and promptly acknowledging inquiries were offset by opportunities for improvement in the timely resolution of inquiries and provision of information needed by customers. BC Assessment continues to analyze the survey results and other customer feedback and interactions to further improve the results.

BC Assessment continued to engage with the taxing authorities, pursuing an extensive outreach program to ensure a fulsome understanding of the fundamentals of property assessment and the relationship to property taxation. In addition, BC Assessment ensured consistent communication on assessment initiatives undertaken to advance the organization’s ‘no surprises’ philosophy. Lastly, BC Assessment worked to ensure that taxing authorities receive the right information at the right time throughout the assessment cycle.

Objective 2.2: Valued products and services

Key Highlights

- Advanced the development of a portfolio of high impact property information products that are cost-effective
- Strengthened organizational structure to better support capacity to provide enhanced products and services
- Non-tax levy (data services) revenue remained stable while public access to BC Assessment data was increased

Performance Measures	2018 Actuals	2019 Target	2019 Actuals	2020 Target	2021 Target
2.2 Customer Satisfaction - Products and Services					
- Property Owners	65	≥ 73	65 ²	≥ 73 ²	≥ 73 ²
- Taxing Authorities	83 ¹	Biennial Survey	Biennial Survey	≥ 73	Biennial Survey

Data source: BC Assessment has a contract with a market research firm to act as an independent third party to conduct the customer satisfaction surveys. The index figure is relative to 100.

¹ The 2019 – 2021 Service Plan provided a forecast for 2018. This figure is the 2018 Actual and was first published in the 2018 Annual Service Plan Report, released after the aforementioned Service Plan.

² Performance measure was updated in the 2020-2022 Service Plan to include Digital Information Index; 2019, 2020 and 2021 targets were updated to ≥ 65.

Discussion of Results

Customer satisfaction with BC Assessment products and services is measured by the same survey used to evaluate employee interaction (Performance Measure 2.1).

The 2019 survey for property owner customers included new questions, and results yielded the first data point to inform new targets.

For the property owner customer group, BC Assessment achieved a result of 65, which is below the target of 73 for the old Products and Services Index. There have been modest improvements

in scores related to keeping the information used to value properties up-to-date, and the perception that the assessed value of the customer’s property is accurate when compared to similar properties in their neighborhood. Both areas still present opportunities for improvement. While the ability of customers to get the information they need decreased from the previous survey, BC Assessment continues to be proactive in making available the information that allows property owners to determine if their assessed value is fair and accurate. BC Assessment continues to enhance the market information available on its website in order to improve property owners’ perception of its data and assessed values.

BC Assessment continued to engage with taxing authorities to review products and services, identify training needs, and provide input to development of new products and services. For example, taxing authorities continue to be engaged to monitor their requirements for web-based delivery of assessment roll products and services.

BC Assessment continues to work closely with its strategic partners, including the Government Financial Officers Association of BC, the Local Government Leadership Academy, the First Nations Tax Commission, and the First Nations Taxation Administrators Association to determine how to best add value for our shared stakeholders as it relates to the property assessment and taxation system in the province.

Goal 3: High-Performing Team - Our people realize our vision by collaboratively creating innovative solutions

Objective 3.1: Engaged team members

Key Highlights

- Implemented modern practices and technology to support engagement, collaboration and flexible work options
- Continued to define the future workforce and invest in the professional development of highly skilled people

Performance Measures	2018 Actuals	2019 Target	2019 Actuals	2020 Target	2021 Target
3.1 Level of Employee Engagement	Biennial Survey	71	65	Biennial Survey	Previous result +2

Data source: BC Assessment has a contract with BC Stats to act as an independent third party to conduct our employee engagement survey.

Discussion of Results

Employee engagement is measured through a biennial employee engagement survey that gauges employee perceptions on motivation, work capacity and capability, leadership, and alignment with the organization’s vision, mission and goals. The target is an average score (not a percentage) that expresses all responses to a series of survey questions. The engagement survey was administered annually from 2008 to 2011 before moving to a biennial cycle in 2012. In 2009, BC Assessment began using the same employee engagement survey approach as the provincial government, to permit benchmarking against engagement score results.

The survey results not only show the level of employee engagement, but also how well BC Assessment manages key drivers such as pay and benefits, hiring practices, leadership and teamwork. In 2015, the engagement survey was revised to provide more information specific to BC Assessment, including questions on BC Assessment values and on intrinsic motivators. As a result, the engagement model creates more meaningful outcomes for the organization. Employee engagement targets have been set at “previous result + 2” to reflect both the prior score and the desired level of continuous improvement.

The engagement survey completed in 2017 saw a five point increase to engagement, with a score of 69 which exceeded the target by three points. In a 2018 abbreviated pulse survey with 10 participating work units (377 employees), the overall engagement score remained the same for participating work units. While the overall engagement trend since 2008 remains positive, the engagement survey conducted in 2019 showed a four point drop in the engagement score to 65. Employees are experiencing considerable change through 2019-2020, including ratification of a new collective agreement, restructuring, and planned implementation of major systems. A drop in engagement is quite common as employees move through the change curve. A full engagement survey is scheduled for 2021.

Financial Report

Discussion of Results

BC Assessment recorded a surplus of \$344 thousand in 2019, compared to a break-even budget where operating expenses equal total revenues. Revenues were higher than budget by \$1.4 million (1.4%) because of data services contracts that were secured during the year. These additional revenues were invested in wages to retain resource capacity and alleviate cost pressures resulting from negotiated wage increases. As a result, operating expenses of \$101.5 million were \$1.1million (1.1%) higher than the budgeted costs of \$100.4 million. Capital expenditures of \$10.8 million were 25% below budget of \$14.5 million due to the deferral of technology capital investments into 2020.

Financial Summary

(\$000)	2018 Actual	2019 Budget	2019 Actual	2019 Budget Variance (Over)/Under
Revenue				
Tax Levies	92,907	94,700	94,596	104
Other	7,473	5,674	7,199	(1,525)
Total Revenue	100,380	100,374	101,795	(1,421)
Expenses				
Employee Expenses	63,616	66,903	68,227	(1,324)
Other Operating Costs	27,720	29,901	29,734	167
Capital Asset Amortization	3,483	3,570	3,490	80
Total Expenses	94,819	100,374	101,451	(1,077)
Net Income	5,561	0	344	(344)
Total Liabilities	18,776	15,166	19,975	(4,809)
Capital Expenditures	9,375	14,525	10,814	3,711
Accumulated Surplus	47,115	47,115	47,459	(344)

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Variance and Trend Analysis

The Financial Report Summary Table shows BC Assessment's actual financial results for the 2018 and 2019 fiscal years, along with the 2019 budget.

Total revenues for the year were \$101.8 million, \$1.4 million (1.4%) higher than budget, and \$1.4 million (1.4%) over 2018. The increase over budget resulted from higher other revenues from new data access services contracts entered into in 2018, partially offset by lower than budgeted tax levy revenues.

Total operating expenses were \$101.5 million in 2019, an increase of \$6.6 million (7.0%) over 2018 and higher than budget by \$1.1 million (1.1%).

Approximately 67 per cent of BC Assessment's operating expenses consist of employee-related costs such as salaries, benefits, and staff training and development. Employee expenses were \$68.2 million in 2019, \$4.6 million (7.2%) higher than 2018, and \$1.3 million (2.0%) higher than the budget of \$66.9 million.

The remaining 33 per cent of total operating expenses relate to other costs such as information and communications technology, office premises, corporate and office, assessment appeal, assessment notice printing and postage, travel, and amortization expenses. These operating expenses (excluding amortization) were \$29.7 million in 2019, marginally lower than the budget by \$167 thousand (0.6%), and \$2.0 million (7.3%) higher than 2018. Amortization expense was \$3.5 million in 2019, substantially on budget and in line with 2018.

The investment of \$10.8 million in 2019 for capital asset additions was \$3.7 million lower than budget, due to the deferral of some technology investments to 2020.

Risks and Uncertainties

2019 saw varied impacts across regions in the B.C. real estate market. The third consecutive year of significant PAAB appeal growth was most notable for property tax agent appeals on residential and commercial properties. Operational risks associated with increased appeals were managed through focusing employee capacity on appeals work, and anticipating associated pressures in other operations. BC Assessment continued to engage its Market Activity Response Initiative team in late 2019 to monitor and communicate market movement impacts for the 2020 Assessment Roll.

Future revenue risks continued to be managed by working with the Ministry of Municipal Affairs and Housing to explore alternative funding models that would bring more certainty to BC Assessment's revenue outlook.

Capital Expenditures

Work on the nextGen valueBC program to replace BC Assessment’s aging computer assisted mass appraisal (CAMA) system continued in 2019, including significant effort on portfolio integration for system dependencies, continuity in customer-facing reports, and internal change management. This program is expected to be completed in 2020, within the \$27.7 million capital budget.

Significant IT Projects (over \$20 million in total)	Year of Completion	Project Cost to Dec. 31, 2019 (\$000)	Estimated Cost to Complete (\$000)	Anticipated Total Cost (\$000)
nextGen valueBC	2020	19,913	7,800	27,713
Implement a replacement solution for BC Assessment’s aging core assessment business system.				

Financial Statements

**BRITISH COLUMBIA ASSESSMENT
AUTHORITY**

Year ended December 31, 2019



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 Office of the Auditor General. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Andy Hoggarth
Vice President and Executive Financial Officer



Jason Grant
President and Chief Executive Officer



OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the British Columbia Assessment Authority, and
To the Minister of Municipal Affairs and Housing, Province of British Columbia*

Opinion

I have audited the accompanying financial statements of *British Columbia Assessment Authority* ("the entity"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2019, and the results of its operations, change in its net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in the draft 2019 annual report but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Prior to the date of my auditor's report I obtained the draft 2019 annual report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement

therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability



to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Stuart Newton, CPA, CA
Assistant Auditor General

Victoria, British Columbia, Canada
April 17, 2020

BRITISH COLUMBIA ASSESSMENT AUTHORITY**Statement of Financial Position**

(Tabular amounts in thousands of dollars)

As at December 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (note 3)	\$ 27,029	\$ 33,992
Accounts receivable	3,544	3,287
Due from provincial government (note 10)	152	195
	30,725	37,474
Liabilities		
Accounts payable and accrued liabilities	6,901	6,752
Due to provincial government (note 10)	1,254	702
Employee future benefits and other liabilities (note 4)	9,699	8,673
Lease inducements	1,969	2,443
Capital lease obligations	152	206
	19,975	18,776
Net financial assets	10,750	18,698
Non-financial assets		
Tangible capital assets (note 5)	33,011	25,815
Prepaid expenses	3,698	2,602
	36,709	28,417
Accumulated surplus (note 6)	\$ 47,459	\$ 47,115


Commitments (note 7)

Contractual rights (note 11)

Approved on behalf of the Board:



 Director



 Director

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY**Statement of Operations and Accumulated Surplus**

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

	Budget (note 9)	2019	2018
Revenues			
Tax levies	\$ 94,700	\$ 94,596	\$ 92,907
Data access services	3,714	5,145	5,316
Payments in lieu of taxes	930	930	892
First Nations	675	654	672
Investment income	335	463	532
Other	20	35	35
Gain/(Loss) on disposal of tangible capital assets	-	(28)	26
Total revenues	100,374	101,795	100,380
Expenses			
Employee expenses	66,903	68,227	63,616
Information technology	12,654	11,700	10,760
Office premises	6,283	6,119	6,178
Corporate and office	3,030	3,377	2,926
Amortization of tangible capital assets	3,570	3,490	3,483
Appeal costs (note 8)	3,986	4,275	3,795
Travel	1,706	1,899	1,782
Assessment notice printing and postage	2,242	2,364	2,279
Total expenses	100,374	101,451	94,819
Annual surplus	-	344	5,561
Accumulated surplus, beginning of year	47,115	47,115	41,554
Accumulated surplus, end of year (note 6)	\$ 47,115	\$ 47,459	\$ 47,115

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, 2019

	Budget (note 9)	2019	2018
Annual surplus	\$ -	\$ 344	\$ 5,561
Acquisition of tangible capital assets	(14,525)	(10,814)	(9,375)
Amortization of tangible capital assets	3,570	3,490	3,483
(Gain)/Loss on sale of tangible capital assets	-	28	(26)
Proceeds on sale of tangible capital assets	-	100	26
Change in tangible capital assets	(10,955)	(7,196)	(5,892)
Change in prepaid expenses	-	(1,096)	(764)
Change in net financial assets	(10,955)	(7,948)	(1,095)
Net financial assets, beginning of year	18,698	18,698	19,793
Net financial assets, end of year	\$ 7,743	\$ 10,750	\$ 18,698

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, 2019

	2019	2018
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 344	\$ 5,561
Items not involving cash		
Amortization of tangible capital assets	3,490	3,483
Change in lease inducements	(474)	(179)
(Gain)/Loss on disposal of tangible capital assets	28	(26)
Change in employee benefits and other liabilities	1,026	676
Change in non-cash assets and liabilities		
Accounts receivable	(257)	393
Due from provincial government	43	221
Accounts payable and accrued liabilities	149	1,316
Due to provincial government	552	(524)
Prepaid expenses	(1,096)	(764)
Net change in cash from operating activities	3,805	10,157
Capital activities		
Proceeds on sale of tangible capital assets	100	26
Acquisition of tangible capital assets	(10,814)	(9,375)
Net change in cash from capital activities	(10,714)	(9,349)
Financing activities		
Principal payments on capital lease obligations	(54)	(52)
Net change in cash from financing activities	(54)	(52)
Net change in cash and cash equivalents	(6,963)	756
Cash and cash equivalents, beginning of year	33,992	33,236
Cash and cash equivalents, end of year	\$ 27,029	\$ 33,992

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, 2019

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.

(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'a Nations 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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

2. Significant Accounting Policies (continued)

(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 and 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.

(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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

2. Significant Accounting Policies (continued)

(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 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	40
Property assessment software	10 to 15
Furniture and equipment	5
Motor vehicles	5
Computer equipment	3 to 5
Enterprise, productivity and other software	3 to 5
Leasehold improvements	Equal to the lease term
Leased equipment	Equal to the lease term

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. The useful life of property assessment software will be determined on a case by case basis. 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 in the year recognized.

(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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

3. Cash and cash equivalents

The cash and cash equivalents, reported on the statement of financial position, are made of the following:

	2019	2018
Cash	\$ 1,547	\$ 1,012
Cash equivalents	25,482	32,980
Total	\$ 27,029	\$ 33,992

4. Employee future benefits and other liabilities

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

	2019	2018
Employee future benefits	\$ 4,360	\$ 4,098
Other liabilities	5,339	4,575
Total	\$ 9,699	\$ 8,673

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

(a) Employee future benefits

Outside of the Public Service Pension Plan, the Authority annually accrues future obligations 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 employee future benefits obligation and net periodic benefit cost was calculated at December 31, 2017, by Eckler Ltd. and extrapolated to December 31, 2019, using management's estimates of salary escalation and expected retirement ages. 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

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

4. Employee future benefits and other liabilities (continued)

(a) Employee future benefits (continued)

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

Accrued employee future benefits obligation	2019	2018
Balance, beginning of the year	\$ 4,098	\$ 3,831
Current benefit cost	317	321
Interest	154	142
Benefits paid	(238)	(250)
Amortization of loss	29	54
Balance, end of year	\$ 4,360	\$ 4,098

Actuarial reconciliation at the end of year	2019	2018
Actuarial employee future benefits liability	\$ 4,815	\$ 4,297
Unamortized actuarial loss	(455)	(199)
Employee future benefits	\$ 4,360	\$ 4,098

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

	2019	2018
Discount rate	2.49%	3.46%
Expected future inflation rate	2.00%	2.00%
Expected productivity and seniority increases	0.50% to 4.20%	0.50% to 4.20%

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 2019 differing from expected payments resulted in a gain of \$100 thousand. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2019 resulted in a loss of \$385 thousand. Overall, this created a net actuarial loss at December 31, 2019 of \$285 thousand.

The cumulative unamortized actuarial loss on future payments, net of the gain in 2019, is amortized over the estimated average service lives of the employees, which is 11 years (2018 - 11 years).

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

4. Employee future 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, 2019, the plan has about 64,308 active members and approximately 49,546 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, 2017, indicated a funding surplus of \$1,166 million for basic pension benefits on a going concern basis.

The Authority paid \$5.0 million for employer contributions to the plan in fiscal 2019 (2018 - \$4.9 million). In addition, the Authority collected and remitted to the Public Services Pension Plan \$4.0 million in employee contributions (2018 - \$4.0 million).

The next valuation will be as at March 31, 2020, with results available in 2021.

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

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

5. Tangible capital assets

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

Cost	2018	Additions	Disposals & transfers	2019
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,787	110	-	2,897
Furniture	5,522	386	(13)	5,895
Computer equipment	6,436	761	(43)	7,154
Motor vehicles	1,630	296	(430)	1,496
Leasehold improvements	7,379	-	-	7,379
Leased equipment	283	-	-	283
Property assessment software	14,698	-	-	14,698
Enterprise, productivity and other software*	6,713	-	354	7,067
Software under development	16,079	9,261	(688)	24,652
Total	\$ 61,881	\$ 10,814	\$ (820)	\$ 71,875

Accumulated amortization	2018	Disposals	Amortization expense	2019
Buildings	\$ 2,649	\$ -	\$ 135	\$ 2,784
Furniture	4,333	(13)	493	4,813
Computer equipment	4,378	(43)	1,171	5,506
Motor vehicles	1,352	(430)	150	1,072
Leasehold improvements	4,883	-	503	5,386
Leased equipment	75	-	57	132
Property assessment software	14,698	-	-	14,698
Enterprise, productivity and other software	3,698	(206)	981	4,473
Total	\$ 36,066	\$ (692)	\$ 3,490	\$ 38,864

* Enterprise, productivity and other software disposals and transfers includes \$688 thousand in transfers from software under development into production and \$334 thousand in disposals.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

5. Tangible capital assets (continued)

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

Net book value	2018	2019
Land	\$ 354	\$ 354
Buildings	138	113
Furniture and equipment	1,189	1,082
Computer equipment	2,058	1,648
Motor vehicles	278	424
Leasehold improvements	2,496	1,993
Leased equipment	208	151
Property assessment software	-	-
Enterprise, productivity and other software	3,015	2,594
Software under development	16,079	24,652
Total	\$ 25,815	\$ 33,011

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

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

6. Accumulated surplus

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 32,859	\$ 25,609
Reserves		
Future tangible capital asset acquisitions	11,600	18,506
Operating	3,000	3,000
Total reserves	14,600	21,506
Accumulated surplus, end of year	\$ 47,459	\$ 47,115

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. In 2019, \$672 thousand has been transferred from the reserve for future tangible capital asset acquisitions in accordance with Board direction.

Future tangible capital asset acquisitions 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 revenues or costs for items that are outside management's control.

7. Commitments

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

Year(s)	Payment
2020	\$ 25,855
2021	11,628
2022	8,181
2023	5,853
2024	4,014
2025 - 2030	4,024
Total	\$ 59,555

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

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 \$3.8 million in 2019 (2018 - \$3.0 million).

9. Budget data

The 2019 budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board on March 22, 2019.

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.

During the year the Authority provides data access services to related parties. The payment and collected terms with related parties are due within 30 days from the invoice date. The total discount provided to related parties is \$8.7 million. This is approximately 8.5% of the Authority's total revenue. The transactions are also included in the table below.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

10. Related party transactions (continued)

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

	2019	2018
Revenue		
Data access services	\$ 1,744	\$ 2,617
Expenses		
Appeal costs	3,787	3,017
Information technology	1,012	1,410
Employee expenses	760	672
Office premises	119	534
Assessment notice printing and postage	103	104
Corporate and office	157	129
Travel	81	70
Assets (liabilities) at December 31 with related parties:		
Accounts receivable	67	195
Accounts payable and accrued liabilities	\$ (1,267)	\$ (702)

The Authority contracts the disposal of surplus assets to the Province of British Columbia. Sale proceeds net of disposal costs were \$100 thousand in 2019 (2018 - \$42 thousand).

11. Contractual rights

The Authority has entered into various revenue contracts for the provision of data access services within the normal course of operations. The estimated contractual rights under these contracts for the years ending December 31, 2019 are as follows:

Year(s)	Amount
2020	\$ 2,313
2021	1,565
2022	946
2023	558
2024	112
Total	\$ 5,494

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

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 the majority of accounts receivable are current or collected subsequent to year end; 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.

(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 not material.

(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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2019

12. Financial risk management (continued)

(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.

Appendix A: Additional Information

Organizational Overview

To learn more about how BC Assessment is structured to deliver its work, please refer to the web page at <http://bcassessment.ca/About-Us/about-BC-Assessment>.

Corporate Governance

BC Assessment is governed by a Board of Directors that is accountable to the Minister of Municipal Affairs and Housing for the implementation of Provincial government direction. The Board's direction is implemented by management, who carry out the day-to-day operations of the corporation under supervision of the Chief Executive Officer.

For more information on BC Assessment's Board of Directors, please refer to the web page at <http://bcassessment.ca/About-Us/how-bc-assessment-works/Board-of-Directors>.

For more information on BC Assessment's Executive Management Team, please refer to the web page at <http://bcassessment.ca/About-Us/how-bc-assessment-works/executive-management-team>.

Contact Information

To contact BC Assessment:

- Mailing address: 400 – 3450 Uptown Boulevard
Victoria, B.C. V8Z 0B9
- Phone: 1-866-valueBC (1-866-825-8322)
- Email: <https://info.bcasessment.ca/contact-us>
- Or visit our website at www.bcasessment.ca