

*BC Assessment*

**2015**

**ANNUAL SERVICE PLAN REPORT**



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## **Board Chair's Accountability Statement**

The BC Assessment *2015 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015–2017 Service Plan*. I am accountable for those results as reported.



A handwritten signature in black ink that reads "Judy Rogers". The signature is written in a cursive, flowing style.

*Judy Rogers, Chair, Board of Directors*

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## Chair/CEO Report Letter

BC Assessment has adopted a “no surprises” approach to ensure that the Provincial Government, stakeholders and customers receive timely information about our implementation of the [Taxpayer Accountability Principles](#) action items.

Specifically, BC Assessment has:

- Held regular meetings between Minister and Board Chair, and Deputy Minister and CEO, that focus on performance against the Taxpayer Accountability Principles, results and strategic decision making.
- Developed and implemented the evaluation plan with specific efficiency and performance measures.
- Incorporated the Taxpayer Accountability Principles into our orientation procedures: our Board of Directors are educated with regard to the Taxpayer Accountability Principles, receive ongoing updates about its implementation, and have incorporated it into decision making.

BC Assessment also continues to meet the specific strategic priority actions set out in the [2015 Mandate Letter](#); our responses are articulated in Appendix B.



*Judy Rogers, Chair, Board of Directors*



*David Highfield, Interim President and Chief Executive Officer*

## **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. 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 2015, \$7.27 billion in property tax revenue was generated. This funding allows communities 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 and Context

BC Assessment's strategic direction is developed by the Board of Directors and Executive Management Team in consideration of direction from the Provincial Government, including the [Taxpayer Accountability Principles](#). For 2015, in addition to producing the annual assessment roll, BC Assessment also focused efforts on the strategic priority actions contained in the [2015 Mandate Letter](#).

In 2015, BC Assessment considered and managed a number of factors that could have had a significant effect on our results:

- 2015 saw an unusually active real estate market in the province, both in terms of sales of existing properties and new construction, with double digit percentage value increases in some areas. Operational risks associated with strong market activity were managed successfully by focusing on employee capacity needs, ongoing recruitment and training, proactive public communications about market movement, increased consultation with customer groups, and by recognizing anticipated market pressures in developing our operational plans for 2016. These concerted efforts have ensured successful delivery of the 2016 Assessment Roll.
- Our revenue risks were managed through ongoing monitoring of new construction, which has translated into additional tax levies within the range of our expectations; and we have maintained our revenues from data licensing by renewing contracts with all key clients.
- A significant change in 2015 was the re-organization of our Assessment Operations unit into two separate, collaborating divisions, with one focused on processing property data and creating assessments, and the other one focused on the front-end, delivering assessment services to our various customer groups. Early indications show that this new organizational structure has further enhanced our operational efficiency and cost base, such as through improved exchange of building permit information with municipalities, and enhanced customer access to BC Assessment's property data (e.g. through improvements made to our [e-valueBC](#) service).

For our nextGen valueBC program to replace our core assessment system, we prepared a Business Case and Treasury Board submission, and started contract negotiations with the vendor. Our multi-year Property Data Accuracy Program validated 601,000 properties in 2015, which is six percent over the target for the year.

## Report on Performance

The [2015–2017 Service Plan](#), [2015 Mandate Letter](#) and [Taxpayer Accountability Principles](#) established the public reporting performance expectations for BC Assessment, as determined by the Board of Directors. These formed our plan of action, clearly setting the conditions that define our success by identifying our four goals, the supporting strategies and our performance measures.

All our work directly supported the Taxpayer Accountability Principles, as described in the following paragraphs.

We implemented the principle of cost consciousness by designing tools to effectively plan, deploy, and monitor the work of over 500 assessment staff, and restructured the Provincial Assessment Administration Team (over 130 staff) to improve effectiveness and efficiency. BC Assessment partnered with numerous taxing authorities and government agencies for both cost-sharing on improved processes to collect property data and for automation of building permit information transfer, obtaining timelier information and reducing administrative costs to all parties involved. We conducted three continuous improvement events (“BCA Workouts”) to streamline core and enabling business processes.

To support the principle of accountability, we aligned with government’s strategic agenda by incorporating the 2015 Mandate Letter into our *2015–2017 Service Plan*. Our planning process focused on the priorities that will ensure that the directions in the Mandate Letter are accomplished. Through quarterly reporting to government on our financial results and annual reporting to the public, we showed our progress and performance against our goals and targets. We also increased the amount of, and accessibility to, property data available online to assist taxpaying property owner customers in determining that their property has been valued fairly and equally relative to comparable properties.

For the appropriate compensation principle, our compensation oversight rests with the Public Sector Employers’ Council (PSEC), and the PSEC Secretariat approves all compensation plans. Our Board of Directors complies with the *Public Sector Employers Act* by disclosing the annual total compensation for the Chief Executive Officer and the top four highest paid executives. Our compensation philosophy is to provide fair compensation and to target the total compensation package at the fiftieth percentile of the defined comparator markets.

We supported the service principle when we restructured the organization to create the Customer Division, responsible for all aspects of providing service to all of our assessment customer groups. Clear accountability for service outcomes is an important element of our customer-centric approach, which requires all of us to consider customer needs and expectations in everything we do.

Our support for the principle of respect was demonstrated through a number of our people practices such as the Employee Engagement Survey, leadership training and annual Performance and Development Planning. We also actively formed new partnerships with local governments and other stakeholders to proactively collaborate in a manner that respects the use of taxpayers’ monies.



The integrity principle was supported as it is a key element of our organization’s Principles of Conduct (within Standards of Conduct Policy). Similarly, our Standards of Conduct policy is regularly updated and communicated to all employees and managers, as well as to the public.

***Goals, Strategies, Measures and Targets***

***Goal 1: Our customers trust us and see us as essential to satisfying their property information needs.***

BC Assessment is a customer-focused organization that aims to meet the needs of our customers while operating within our mandate and financial capacity. Our goal is for our customers to trust us and see us as essential to satisfying their property information needs. BC Assessment has articulated three broad strategies that provide clarity around how we will achieve this goal.

**Strategies**

- Increase the level of customer orientation in everything we do.
- Develop our customer relationship management capabilities.
- Embed innovative products and services into our customers’ processes and decision making.

**Performance Measure 1: Percentage of Assessments Accepted without Appeal.**

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Percentage of assessments accepted without appeal	98.8%	99.1%	98.9%	98.8%	≥ 98%	≥ 98%	≥ 98%

**Data Source:** Internal property information database.

**Discussion**

This performance measure reflects the acceptance rate of for the 2016 Assessment Roll. For the 2016 Assessment Roll, produced during the 2015 calendar year, 23,354 cases were heard at a Property Assessment Review Panel (PARP), compared to 22,296 related to the 2015 Assessment Roll. This represents a 98.8 percent acceptance rate.

Proactive communication with property owner groups and taxing jurisdictions, combined with enhanced customer service, contributed to the continued low number of inquiries and complaints on the 2016 Assessment Roll.

BC Assessment interprets high acceptance of assessments by residential and non-residential property owners as a validation of the quality, accuracy and acceptance of our work. 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. If a change or correction is warranted, BC Assessment recommends changes to a local PARP, a three-member independent panel appointed by the government. Property owners who continue to disagree with the assessment can request an independent PARP review. For this reason, an

important measure of public acceptance of the annual assessment roll is the number of complaints (appeals) to PARP.

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 that hear property appeals 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.

### **Updates to our Customer Satisfaction Surveys**

In our *2015-2017 Service Plan*, we explained that we had engaged a market research firm to modernize our customer surveying methods. Concurrently, we were developing customer service standards and performance targets, so neither performance measure nor targets could be identified at that time. We are now in the position to report on the survey results for customer satisfaction with both employee interaction and our products and services.

### **Discussion of Customer Satisfaction with Employee Interaction**

In 2015, BC Assessment achieved a result of 82 out of 100 for property owner customers' satisfaction with their interaction with our employees. The performance target was greater than or equal to 86, with 86 representing excellent customer service. This target was established after the first customer satisfaction survey, using a new methodology, showed a result of 89 for 2014. The primary reason for the year over year variance appears to be the improvements to the internal surveying processes for 2015. While our results went down, our analysis suggests that the refined 2015 survey methodology provided a more unbiased, representative customer base for sampling. As customer satisfaction is paramount to our organization, BC Assessment will be directing great attention to opportunities for further improving our interactions with our customers.

BC Assessment regularly reviews customer feedback to identify areas where we can enhance the customer experience. In 2013 and 2014, we worked with our key customer groups to develop and implement new service commitments and standards that guide service delivery, inform our customers about the level of service they can expect from us, and allow us to monitor and report our performance.

Historically, we conducted telephone surveys to both gather input about our customers' perceptions of our products and services as well as to measure progress against our customer strategies. Survey activity was placed on hold in 2013 as we undertook a review of our overall customer strategy, and sought out opportunities to drive innovation in our approach to customer surveying.

In September 2014, BC Assessment engaged a market research firm to innovate our surveying processes and methodologies, to establish new customer performance targets and report our progress on performance measures aligned with our new service standards. A new, modern survey approach has been adopted which moves from telephone to e-mail surveying for all customer groups, with questions designed to evaluate both phone and online interactions with BC Assessment. The results are analyzed to determine what specific customer service attributes are important to our customers, with a relative weight analysis used to create the index for Customer Satisfaction – Employee Interaction.

The result for property owners represents the combined results for both residential and non-residential property owners. Similarly, we combine the results for taxing authorities, which consists of local government, First Nations and provincial government customers. In 2008, at the request of the taxing authorities, we moved from an annual to a biennial survey program to measure their satisfaction with our services. Property owners are surveyed annually.

### **Discussion of Customer Satisfaction with Products and Services**

In 2015, BC Assessment achieved a result of 66 out of 100 for property owner customers' satisfaction with our products and services. This result does not meet the 2015 target of greater than or equal to 73. This target was established after the first customer satisfaction survey, using a new methodology, showed a result of 72 for 2014. The primary reason for the year over year variance appears to be improvements to the internal surveying processes for 2015. While the result went down, our analysis suggests that the refined 2015 survey methodology provided a more unbiased, representative customer base for sampling. We will continue to use this customer satisfaction data to seek opportunities for improving our products and services.

Customer satisfaction with our products and services is measured using the same survey methodology used to evaluate customer satisfaction with employee interaction. The survey method was developed through engagement with a market research firm in September 2014 to modernize our surveying processes and methodologies. Survey results are analyzed to determine what specific product and service attributes are important to our customers, with a relative weight analysis used to create the index for Customer Satisfaction – Products and Services. The result for property owners represents the combined results for both residential and non-residential property owners. Similarly, we combine the results for taxing authorities, which consists of local government, First Nations and provincial government customers. In 2008, at the request of the taxing authorities, we moved from an annual to a biennial survey program to measure their satisfaction with our services. Property owners are surveyed annually.

### ***Goal 2: Our people are personally invested in making our 10-year story happen.***

Our goal is that our people are personally invested in making our 10-year story happen, which articulates what we will look like in the future, and reflects our commitment to operational excellence and the continuous improvement of our products and services. Research suggests that successful employee engagement is the foundation for a workplace that enhances satisfaction and commitment, and creates an environment where people want to come to work. Engaged employees contribute to higher levels of customer satisfaction, trust and confidence in what an organization does.

## Strategies

- Build and promote a great place to work and grow a career.
- Enable continuous learning where everyone develops leadership, grows skills and shares knowledge.
- Build an employee experience that inspires personal ownership of our results.

### Performance Measure 2: Level of Employee Engagement.

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Level of employee engagement	Biennial Survey	61	Biennial Survey	64	63	Biennial Survey	66

**Data Source:** BC Assessment has a contract with BC Stats, part of the Ministry of Technology, Innovation and Citizens' Services, to act as an independent third party to conduct our employee engagement survey.

## Discussion

The 2015 employee engagement score of 64 exceeded the 2015 target. We continue to develop and implement action plans based on the survey results, and the next survey is scheduled for 2017.

Engaged employees contribute to higher levels of customer satisfaction, performance, trust and confidence in what an organization does. The employee engagement survey results not only tell us what our level of engagement is, but also show us how well we are doing on key drivers such as pay and benefits, hiring practices, leadership and teamwork. The employee engagement survey was administered annually from 2008 to 2011 before moving to a biennial format in 2012.

The results from the employee engagement survey allow comparisons within and between divisions and at a corporate level. In 2009, BC Assessment began using the same employee engagement survey approach as the provincial government, to permit benchmarking against the government's annual engagement score results. In 2015, the engagement survey was revised to provide more information specific to BC Assessment. The revisions included questions on BC Assessment values and on intrinsic motivators. As a result of these revisions, the engagement model was changed to create more meaningful results for the organization moving forward.

### ***Goal 3: Our work delivers current property information and an accurate assessment roll.***

BC Assessment is committed to improving effectiveness. Continued investment in new technologies and systems will enable BC Assessment to contribute to a stable tax base and provide innovative assessment solutions to customers, while continuing to absorb growth and limiting increases in the costs associated with property assessment services.

## Strategies

- Develop innovative and risk-based practices for all operations to ensure delivery of quality products and services.
- Ensure cost effective and value added operations.
- Improve ability to deliver through increased process maturity.

### Performance Measure 3: Assessment to Sales Ratio (ASR).

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Residential ASR	97.7%	98.0%	97.9%	98.0%	97-100%	97-100%	97-100%
Non-Residential ASR	96.5%	96.2%	96.1%	94.9%	95-100%	95-100%	95-100%

**Data Source:** Internal property information database.

## Discussion

For the 2016 Assessment Roll, completed by December 31, 2015 and revised through PARP in early 2016, BC Assessment's residential ASR result is 98.0%, which is within our target range and indicates accuracy in matching market value in our assessments. The non-residential ASR result is 94.9%, which narrowly misses our target range by 0.1%. We will continue working to improve our ASR results as we respond to increases in market activity.

The assessment to sales ratio (ASR) measures how closely assessments mirror a property's actual selling price; thus, the closer the result is to 100%, the more accurate the assessment. BC Assessment measures the ASR for properties in accordance with internationally recognized standards set by the International Association of Assessing Officers (IAAO). The IAAO has set the median ASR standard between 90% and 110%. However, BC Assessment has set more challenging targets: between 97% and 100% for the residential assessment roll and between 95% and 100% for the non-residential assessment roll.

The median ASR is one of BC Assessment's two primary roll quality measures. The ASRs in this annual report are based on the 2016 Revised Roll and generated by the performance management information system. BC Assessment's Internal Audit Department also conducts periodic audits on the key performance indicator information as part of the three-year audit plan that is approved by the Board of Directors.

The ASR is calculated by dividing the actual 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%. In short, the ASR measures how accurately BC Assessment appraises property at market value. Our statistics reflect all available single-family residential arm's-length sales for the two quarters surrounding our valuation date of July 1 (i.e., April 1, 2015 to September 30, 2015). For non-residential sales, the data are based on sales occurring throughout the year.

**Performance Measure 4: Coefficient of Dispersion (COD).**

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Urban COD	5.7%	5.6%	5.8%	6.3%	5.0-10.0%	5.0-10.0%	5.0-10.0%
Rural COD	7.6%	7.8%	7.8%	8.3%	5.0-15.0%	5.0-15.0%	5.0-15.0%

**Data Source:** Internal property information database.

**Discussion**

For the 2016 Assessment Roll, completed by December 31, 2015 and revised through the PARP process in early 2016, BC Assessment's residential urban coefficient of dispersion (COD) is 6.3% and rural COD result is 8.3%. Both of these results fall well within the target ranges and represent accuracy in matching market value in our assessments.

The COD measures the quality of assessments by calculating the dispersion, or spread, of all the ASRs around the median ASR. Less dispersion indicates higher quality assessment information, and is reflected by a lower COD. The COD is a measure of appraisal uniformity. This measure is important in public reporting on roll quality and is complementary to the ASR measures.

The target for rural properties is higher than for residential properties in urban areas because rural areas are typically less comparable to each other. The COD standard set by the IAAO for single-family residential properties is under 15% for urban regions and under 20% for rural regions. BC Assessment has set ongoing targets of under 10% and under 15%, respectively. Our statistics for the COD are based on all available single-family residential arm's-length sales for the two quarters surrounding our valuation date of July 1 (i.e., April 1, 2015 to September 30, 2015).

The coefficient of dispersion is the second of BC Assessment's two primary roll quality measures. The COD in the annual report is based on the 2016 Revised Roll and generated by the performance management information system. As with the ASR, the reliability of this roll-quality performance measure is founded on the title records from the Land Title and Survey Authority of British Columbia.

BC Assessment measures the COD for 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.

**Performance Measure 5: Assessment Roll Stability – Change in Taxes Collected.**

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Assessment roll stability – change in taxes collected	0.36%	0.37%	0.08% <sup>2</sup>	0.10%	≤ 0.22%	≤ 0.22%	≤ 0.22%

**Data Source:** Internal property information database.

<sup>2</sup> The result for 2013 showed only deductions and achieved the performance target of  $\leq 0.37\%$ . For 2014 onward, the measure has been improved to capture both gains and deductions, whereas the previous measure only measured deductions. We are monitoring the results with the new methodology as we have significantly exceeded our performance target for the second consecutive year. Should this trend continue, we may revise our targets. To be statistically valid, we would like to have five years of data before we revise our targets.

**Discussion**

BC Assessment met the 2015 target (2014 Assessment Roll) of  $\leq 0.22\%$  change in taxes collected, with refunds amounting to 0.10% of general-purpose tax revenues. Our efforts to improve roll quality are directly linked to our activities supporting the three performance measures for percentage of assessments accepted without appeal, assessment to sales ratio (ASR) and coefficient of dispersion (COD). Our work on these three performance measures improves roll quality by enhancing transparency of the assessment process and improving data quality.

In any given year, property status can change, and new properties may be created while others are deleted. BC Assessment annually measures the stability of the assessment roll by analyzing the number of additions or deletions made to the roll, which affects local government’s total property tax base. Roll stability is a critical issue for local governments, which rely almost exclusively on property taxes to fund services to their taxpayers. The objective of this measure is to track changes in taxes collected by the taxing jurisdictions. This performance measure is accepted by BC Assessment and throughout the taxing jurisdictions as a good measure of the stability and dependability of the assessment roll.

Supplementary changes after the annual assessment roll has been revised by [Property Assessment Review Panels](#) can be due to mistakes in information or to adjustments made after a property is appealed to the [Property Assessment Appeal Board](#). This performance 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 19 months after the Revised Roll. For example, the 2015 value measures the 2014 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2014 and December 31, 2015.

**Performance Measure 6: Net Cost per Property for Assessment Services.**

Performance Measure	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	2016 Target	2017 Target
Net cost per property for assessment services	\$41.28	\$41.62	\$41.59	\$43.20	\$43.54	\$44.40	\$45.29

**Data Source:** Internal property information database.

**Discussion**

BC Assessment met the cost per property target for 2015, coming in below our target of \$43.54 with an average actual cost per property of \$43.20. Details on our financial performance for 2015 are outlined in the Financial Report section.

This performance measure reflects BC Assessment’s commitment to keeping assessment service costs for property owners as low as possible while continuing to meet growing service demands

in an increasingly complex business environment. BC Assessment relies almost exclusively on property tax levies for the largest part of its revenues, so 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 improve service levels, while at the same time, holding the line on costs.

The targets are based on service plan forecasts, which take into consideration projected new property construction and development, as well as assumptions regarding changes in revenues and expenditures. The Board of Directors is committed to keeping the cost per property as low as possible while responding to the demands of BC Assessment's various stakeholders for improved services and information.

The 2015 cost per property for assessment services funded from tax levies has been calculated by taking total expenditures for the year, net of data access revenue and other income, divided by the number of properties on the 2016 Revised Roll.

BC Assessment strives to maintain appropriate internal controls and reports regularly to the Audit and Risk Management Committee and the Board of Directors, and quarterly to the Office of the Comptroller General. We are subject to an annual external audit of our financial statements, currently performed by Grant Thornton LLP. These controls contribute to data quality and reliability.

***Goal 4: Our partnerships add value for customers and each other.***

BC Assessment is focused on our partnerships, such as with the Surveyor of Taxes of the Ministry of Finance, local governments and other industry groups. The objective of working with partners is to advance mutually beneficial objectives while operating within our mandate and financial capacity.

**Strategies**

- Lead development of a community of organizations that share and integrate property information.
- Seek mutual efficiencies and innovation.

**Discussion**

The partnerships goal and the associated performance measure of “percentage of partnerships formalized” will no longer be reported, as BC Assessment's efforts to develop partnerships for mutual benefit are already fully integrated with the work supporting our other strategic goals.

Following the finalization of the 2015-2017 Service Plan, we identified many forms of potential partnerships, including those with local governments, vendors, higher learning institutions and industry associations. We also recognized that partnerships are a special form of inter-organizational relationship that requires attention and effort to build and maintain, and that many of our business units were already building partnerships with a variety of organizations as part of conducting normal business in support of all our goals.



## Financial Report

### Summary Financial Results for 2011-2015

The following financial statement and discussion and analysis provides Management's perspective of the financial condition and the year-end financial results to December 31, 2015 of the operations for BC Assessment. This analysis should be read in conjunction with the audited financial statements and related notes for the fiscal year. The financial information provided in this analysis is presented in accordance with the Canadian public sector accounting (PSA) standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The table below summarizes BC Assessment's financial results for the fiscal years 2011-2015 as set out in BC Assessment's *2016-2018 Service Plan*. The table also compares the 2015 actual results to the 2015 budget and 2014 actual results.

### Summary Financial Results for 2011-2015

IN \$000s	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Budget	2015 Actual	More/(Less) than 2015 Budget	More/(Less) than 2014 Actual
<b>Operating Revenue</b>								
Tax levies	76,927	79,102	82,085	83,777	85,282	85,500	218	1,723
Other	5,381	5,300	5,838	5,801	5,276	5,957	681	156
<b>Total Revenue</b>	<b>\$ 82,308</b>	<b>\$ 84,402</b>	<b>\$ 87,923</b>	<b>\$ 89,578</b>	<b>\$ 90,558</b>	<b>\$ 91,457</b>	<b>\$ 899</b>	<b>\$ 1,879</b>
<b>Operating Expenses</b>								
Employee expenses	55,098	56,007	56,303	58,004	61,099	60,057	(1,042)	2,053
Office premises	6,185	6,211	6,463	6,155	6,516	6,337	(179)	182
Information and communications technology	5,601	7,139	9,119	8,519	8,400	9,422	1,022	903
Amortization	4,489	5,207	3,962	3,530	3,595	3,357	(238)	(173)
Appeal costs	3,882	3,924	3,046	2,852	3,125	3,029	(96)	177
Corporate and office	2,727	2,449	3,364	3,223	3,880	4,061	181	838
Assessment notice printing and postage	1,618	1,573	1,678	1,914	1,813	2,122	309	208
Travel	1,563	1,409	1,698	2,113	2,130	2,190	60	77
<b>Total Expenses</b>	<b>\$ 81,163</b>	<b>\$ 83,919</b>	<b>\$ 85,633</b>	<b>\$ 86,310</b>	<b>\$ 90,558</b>	<b>\$ 90,575</b>	<b>\$ 17</b>	<b>\$ 4,265</b>
<b>Net Income from Operations</b>	<b>\$ 1,145</b>	<b>\$ 483</b>	<b>\$ 2,290</b>	<b>\$ 3,268</b>	<b>\$ 0</b>	<b>\$ 882</b>	<b>\$ 882</b>	<b>\$ (2,386)</b>
<b>Capital Expenditures</b>								
<b>Total Capital Expenditures</b>	<b>\$ 4,255</b>	<b>\$ 4,739</b>	<b>\$ 2,372</b>	<b>\$ 3,831</b>	<b>\$ 7,991</b>	<b>\$ 2,086</b>	<b>\$ (5,905)</b>	<b>\$ (1,745)</b>
<b>Liabilities</b>								
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Accumulated Surplus</b>								
<b>Total Accumulated Surplus</b>	<b>\$ 28,070</b>	<b>\$ 28,553</b>	<b>\$ 30,843</b>	<b>\$ 34,111</b>	<b>\$ 34,111</b>	<b>\$ 34,993</b>	<b>\$ 882</b>	<b>\$ 882</b>

## ***Discussion of Results***

### **Comparison of 2015 Actual Results and 2014 Actual Results**

BC Assessment's primary source of revenue is from 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. Other sources of revenue include payments in lieu of taxes, contracts with First Nations, investment income, and revenue from data licensing.

Net income for 2015 was \$882,000 compared with \$3.3 million in 2014.

Gross revenues were \$91.5 million in 2015 (\$89.6 million in 2014). Tax levy revenues of \$85.5 million represent 93.5% of the total 2015 revenues. The increase in tax levy revenue of \$1.7 million over 2014 is from the growth in the number of new properties in the province. Non-tax levy revenues were \$6.0 million in 2015, compared with \$5.8 million in 2014. Data licensing revenues of \$3.6 million in 2015 continue to contribute the bulk of non-levy revenues (\$3.5 million in 2014).

Total operating expenses were \$90.6 million in 2015, a 4.9% or \$4.3 million increase over the \$86.3 million reported in 2014.

Employee expenses represent two-thirds of BC Assessment's total expenses and consist primarily of salaries, benefits, and employee development costs. These costs increased by \$2.1 million (3.5%) to \$60.1 million in 2015 compared to \$58.0 million in 2014 because of wage increases provided in the collective agreement for unionized staff. In addition, ensuring sufficient employee resource capacity was a priority in 2015 and, as a result, BC Assessment was able to fill some critical vacant positions in 2015 that had remained vacant in 2014.

BC Assessment's other operating costs (total operating costs excluding employee expenses) were \$30.5 million in 2015 compared to \$28.3 million in 2014, higher by \$2.2 million or 7.8%. Major changes by expenditure category are as follows and are summarized in the table on page 18.

- Office premises costs were \$6.3 million in 2015, \$182,000 or 3.0% higher than 2014 because of higher operating costs.
- Information and communications technology costs were \$9.4 million in 2015, a \$903,000 or 10.6% net increase from 2014 due to increases in software support and licences renewal costs, many of which are payable in US funds resulting in higher foreign currency exchange rates in 2015 compared to 2014.
- Amortization expense was \$3.4 million in 2015, \$173,000 or 4.9% lower than 2014 because of a lower net book value of assets available for amortization in 2015 compared to 2014.
- Assessment appeal costs were \$3.0 million in 2015, \$177,000 or 6.3% higher than 2014 based on the number and complexity of appeal cases. Assessment appeal costs include requisitions from Ministry of Community, Sport and Cultural Development for administering the Property Assessment Review Panel and Property Assessment Appeal Board, external legal costs, and expert witness costs.
- Corporate and office costs were \$4.1 million in 2015, a net increase of \$838,000 or 26.0% from 2014 mostly from external professional services acquired in 2015 when compared to 2014.

- Assessment notice printing and postage costs were \$2.1 million in 2015, \$208,000 or 10.9% higher than 2014 because an increase in the volume of assessment notices mailed.
- Travel costs for the 2015 fiscal year were \$2.2 million in 2015, \$77,000 or 3.6% higher than 2014 to support essential business and reassessment activities.

A total investment of \$2.0 million was made in 2015 for capital asset additions, a decrease of \$1.8 million from the \$3.8 million investment in 2014. The major capital investments in 2015 included software development costs for BC Assessment's core assessment and information systems.

### **Comparison of 2015 Actual Results with 2015 Budget**

BC Assessment ended the 2015 year with a surplus of \$882,000 compared to a break-even budget.

Revenues of \$91.5 million were higher than the budget by \$899,000 (1.0%) largely because of higher than budgeted tax levy revenue from growth in the number of properties, data licensing revenues, and unbudgeted contracted valuation services.

Total operating expenditures of \$90.6 million were marginally over the budget by \$17,000.

Employee expenses were \$60.1 million in 2015, approximately 1.7% or \$1.0 million lower than budget due to savings from delays in filling budgeted vacancies.

BC Assessment's other operating costs (total operating costs excluding employee expenses) were \$30.5 million in 2015, 3.6% or \$1.1 million over the budget of \$29.5 million. Major variances by expenditure category are as follows and are summarized in the table of Summary Financial Results for 2011-2015.

- Office premises costs were approximately \$179,000 or 2.7% below budget due to lower than anticipated common area expenses of leased facilities and unused repairs contingencies held in the budget for emergencies.
- Information and communications technology costs were approximately \$1.0 million or 12.2% over the budget. Higher actual expenditures included an increase in the accounting expense related to a capital write-down, higher than budgeted software support and licence renewal costs due to unfavourable US currency exchange rates, and additional geospatial services to support property data collection and accuracy programs.
- Amortization expense was \$238,000 or 6.6% lower than budget because of a number of assets coming to the end of their useful life in 2014 and lower than planned software and computer equipment purchases in 2015.
- Assessment appeal costs were \$96,000 or 3.1% below budget due the property assessment appeal rates.
- Corporate and office costs were \$182,000 or 4.7% higher than budget due to higher external legal services and research subscription costs. Approximately 65% of costs in this category relate to general administrative expenses such as office supplies, copying, and advertising, publications, equipment repairs, interest expense, corporate insurance and Board operating costs.

- Assessment notice printing and postage costs were \$309,000 or 17.0% higher than budget of higher postage costs and an increase in the number of assessment notices and early notification letters to advise property owners of potential increases in their property assessments 15% greater than the average change for similar properties in their jurisdiction.
- Travel costs for the 2015 fiscal year were marginally over budget by \$60,000 or 2.8%.

Acquisitions of tangible capital assets of \$2.0 million were \$6.0 million below budget due to the cancellation and the deferral of a number of furniture and software technology acquisitions to future years.

*Audited Financial Statements of British Columbia Assessment Authority*

Financial Statements of

**BRITISH COLUMBIA ASSESSMENT AUTHORITY**

Year ended December 31, 2015

**BRITISH COLUMBIA ASSESSMENT AUTHORITY**  
**Financial Statements**

Year ended December 31, 2015

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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 Grant Thornton 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  
Acting President and Chief Executive Officer

Victoria, British Columbia, Canada

Andy Hoggarth  
Vice President and Executive Financial Officer



## Independent Auditors' Report

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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, 2015 and the statements of operations, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

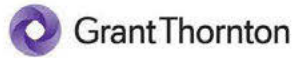
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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 the auditors' 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, the auditor considers 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, the financial statements present fairly, in all material respects, the financial position of British Columbia Assessment Authority as at December 31, 2015 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, Canada  
April 13, 2016

*Grant Thornton LLP*

Chartered professional accountants

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Statement of Financial Position

As at December 31, 2015  
(In thousands of dollars)

	2015	2014
<b>Financial Assets:</b>		
Cash and cash equivalents (note 3)	\$ 35,532	\$ 34,749
Accounts receivable	2,279	1,779
Due from provincial government (note 11)	91	73
	<u>37,902</u>	<u>36,601</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	4,350	3,765
Due to provincial government (note 11)	130	594
Employee benefits and other liabilities (note 4)	7,077	8,353
Lease inducements	3,553	4,048
Capital lease obligations (note 5)	256	472
	<u>15,366</u>	<u>17,232</u>
Net financial assets	22,536	19,369
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	11,177	13,526
Prepaid expenses	1,280	1,216
	<u>12,457</u>	<u>14,742</u>
Accumulated surplus (note 7)	\$ 34,993	\$ 34,111

Commitments (note 8)

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**

Year ended December 31, 2015  
(In thousands of dollars)

	Budget (note 10)	2015	2014
<b>Revenues:</b>			
Tax levies	\$ 85,282	\$ 85,500	\$ 83,777
Data access services	3,280	3,594	3,489
Payments in lieu of taxes	960	1,006	1,005
First Nations	630	648	630
Investment income	400	239	343
Other	6	401	315
Gain on disposal of tangible capital assets	-	69	19
	<u>90,558</u>	<u>91,457</u>	<u>89,578</u>
<b>Expenses:</b>			
Employee expenses	61,099	60,057	58,004
Information and communications technology	8,400	9,422	8,519
Office premises	6,516	6,337	6,155
Corporate and office	3,880	4,061	3,223
Amortization	3,595	3,357	3,530
Appeal costs (note 9)	3,125	3,029	2,852
Travel	2,130	2,190	2,113
Assessment notice printing and postage	1,813	2,122	1,914
	<u>90,558</u>	<u>90,575</u>	<u>86,310</u>
Annual surplus	-	882	3,268
Accumulated surplus, beginning of year	34,111	34,111	30,843
Accumulated surplus, end of year	\$ 34,111	\$ 34,993	\$ 34,111

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

**BRITISH COLUMBIA ASSESSMENT AUTHORITY****Statement of Change in Net Financial Assets**

Year ended December 31, 2015  
(In thousands of dollars)

	Budget (note 10)	2015	2014
Annual surplus	\$ -	\$ 882	\$ 3,268
Acquisition of tangible capital assets	(7,991)	(2,086)	(3,831)
Amortization of tangible capital assets	3,595	3,357	3,530
Write-down on tangible capital assets	-	1,078	-
Gain on sale of tangible capital assets	-	(69)	(19)
Proceeds on sale of tangible capital assets	-	69	19
	(4,396)	3,231	2,967
Change in prepaid expenses	-	(64)	173
Change in net financial assets	(4,396)	3,167	3,140
Net financial assets, beginning of year	19,369	19,369	16,229
Net financial assets, end of year	\$ 14,973	\$ 22,536	\$ 19,369

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

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Statement of Cash Flows

Year ended December 31, 2015  
(In thousands of dollars)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 882	\$ 3,268
Items not involving cash (note 12)	2,595	2,270
Change in non-cash assets and liabilities (note 12)	(462)	(1,297)
<b>Net change in cash from operating activities</b>	<b>3,015</b>	<b>4,241</b>
Capital activities:		
Proceeds on sale of tangible capital assets	69	19
Acquisition of tangible capital assets	(2,086)	(3,831)
<b>Net change in cash from capital activities</b>	<b>(2,017)</b>	<b>(3,812)</b>
Financing activities:		
Principal payments on capital lease obligations	(215)	(180)
<b>Net change in cash from financing activities</b>	<b>(215)</b>	<b>(180)</b>
<b>Net change in cash and cash equivalents</b>	<b>783</b>	<b>249</b>
Cash and cash equivalents, beginning of year	34,749	34,500
<b>Cash and cash equivalents, end of year</b>	<b>\$ 35,532</b>	<b>\$ 34,749</b>

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

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

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#### 1. Nature of Organization

The 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, accounts payable and accrued liabilities, 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 and to the Surveyor of Taxes 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.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

(c) *Revenues (continued):*

*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 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.

(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.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 2. Significant accounting policies (continued):

(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 useful 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, is 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

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.

(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.



## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 2. Significant accounting policies (continued):

(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:

	2015	2014
Cash	\$ 1,044	\$ 3,559
Cash equivalents (note 2(e))	34,488	31,190
<b>Total</b>	<b>\$ 35,532</b>	<b>\$ 34,749</b>

#### 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:

	2015	2014
Employee future benefits	\$ 3,627	\$ 3,554
Employee past benefits	-	2
Other liabilities	3,450	4,797
<b>Total</b>	<b>\$ 7,077</b>	<b>\$ 8,353</b>

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

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 4. Employee benefits and other liabilities (continued):

Employees' past benefits:

At the time the Authority was formed, it negotiated an agreement with those designated employees whose previous working agreements contained clauses that called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

Employees' future 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, 2015. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

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

<b>Accrued benefit obligation:</b>	2015	2014
Balance, beginning of the year	\$ 3,554	\$ 3,464
Current benefit cost	259	272
Interest	138	119
Benefits paid	(339)	(306)
Amortization of Loss	15	5
Balance, end of year	\$ 3,627	\$ 3,554

#### Actuarial benefit obligation:

Accrued benefit obligation	\$ 3,627	\$ 3,554
Unamortized actuarial loss	253	148
Balance, end of year	\$ 3,880	\$ 3,702

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 4. Employee benefits and other liabilities (continued):

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

	2015	2014
Discount rate	2.96%	3.68%
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 actual experience compared to expected results will cause actuarial gains and losses in future valuations. Actual benefit payments in 2015 differing from expected resulted in a gain of \$101. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2015 results in a loss of \$221. Overall, this created a net actuarial loss at December 31, 2015 of \$120.

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

#### Other pension plans:

The Authority and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions.

The most recent actuarial valuation (March 31, 2014) showed plan assets of \$20.472 billion exceeding liabilities of \$20.278 billion, creating an actuarial surplus of \$194 million - a funding ratio of 101 per cent. The contribution rates have remained unchanged since April 1, 2012.

Contributions to the Plan by the Authority were \$4,401 in 2015 (2014: \$4,165).

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 5. Capital lease obligations:

The Authority has entered into capital leases for certain office equipment. The minimum lease payment obligations are as follows:

For Year:	2015
2016	\$ 291
Less amount representing interest at 5% per annum	(35)
Present value of net minimum capital lease payments	\$ 256

Interest of \$90 in 2015 (2014: \$123) relating to capital lease obligations has been included in expenses on the Statement of Operations.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 6. Tangible capital assets:

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

<b>Cost</b>	December 31 2014	Additions	Write-Down & Disposals	December 31 2015
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,519	71	-	2,590
Furniture and equipment	6,210	314	-	6,524
Computer equipment	11,019	545	-	11,564
Motor vehicles	1,761	122	(179)	1,704
Leasehold improvements	7,117	(3)	-	7,114
Leased equipment	1,183	-	-	1,183
Property assessment software	14,696	-	-	14,696
Enterprise and productivity software	3,734	-	-	3,734
Software under development	1,682	1,037	(1,078)	1,641
<b>Total</b>	<b>\$ 50,275</b>	<b>\$ 2,086</b>	<b>\$ (1,257)</b>	<b>\$ 51,104</b>

<b>Accumulated amortization</b>	December 31 2014	Disposals	Amortization expense	December 31 2015
Land	\$ -	\$ -	\$ -	\$ -
Buildings	2,224	-	59	2,283
Furniture and equipment	4,939	-	443	5,382
Computer equipment	9,303	-	856	10,159
Motor vehicles	1,541	(179)	126	1,488
Leasehold improvements	2,406	-	612	3,018
Leased equipment	889	-	228	1,117
Property assessment software	12,547	-	615	13,162
Enterprise and productivity software	2,900	-	418	3,318
Software under development (note 6(b))	-	-	-	-
<b>Total</b>	<b>\$ 36,749</b>	<b>\$ (179)</b>	<b>\$ 3,357</b>	<b>\$ 39,927</b>

<b>Net book value</b>	December 31 2014	December 31 2015
Land	\$ 354	\$ 354
Buildings	295	307
Furniture and equipment	1,271	1,142
Computer equipment	1,716	1,405
Motor vehicles	220	216
Leasehold improvements	4,711	4,096
Leased equipment	294	66
Property assessment software	2,149	1,534
Enterprise and productivity software	834	416
Software under development	1,682	1,641
<b>Total</b>	<b>\$ 13,526</b>	<b>\$ 11,177</b>

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 6. Tangible capital assets (continued):

(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.

#### 7. Accumulated surplus:

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

Accumulated Surplus:	2015	2014
Equity:		
Equity invested in tangible capital	\$ 10,919	\$ 13,053
Unappropriated	3,924	1,790
	14,843	14,843
Reserves:		
Future tangible capital asset acquisitions	17,150	16,268
Operating	3,000	3,000
	20,150	19,268
Accumulated surplus, end of year	\$ 34,993	\$ 34,111

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 \$882 in 2015 and \$3,268 in 2014 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 revenues or costs for items that are outside management's control.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 8. Commitments:

The Authority is committed to make payments under operating leases and contracts as follows

Commitments:	2015
2016	\$ 11,227
2017	7,886
2018	5,797
2019	4,005
2020	4,099
2021-2028	15,901
<b>Total Commitments</b>	<b>\$ 48,915</b>

#### 9. Appeal costs:

Appeal costs include the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board, both operated independently by the Province of British Columbia, and legal costs incurred by the Authority. By legislation, the Authority is required to reimburse the Province for the Review Panel and Appeal Board costs which amounted to \$2,261 in 2015 and \$2,267 in 2014.

#### 10. Budget data:

The 2015 operating and capital budgets approved by the Board on December 5, 2014 have been provided for comparison purposes.

#### 11. 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.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

#### 11. Related party transactions (continued):

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

	2015	2014
<b>Revenue:</b>		
Other revenue	\$ 3,197	\$ 3,042
<b>Expenses:</b>		
Appeal costs	1,970	2,267
Information and communication technology	1,160	1,172
Employee expenses	1,044	1,106
Office premises	564	480
Assessment notice printing and postage	112	100
Corporate and office	93	261
Travel	56	52
<b>Assets (liabilities) at December 31 with related parties</b>		
Assets - Motor vehicles	372	108
Accounts receivable	91	73
Accounts payable	(130)	(594)

The Authority contracts the disposal of surplus property, plant and equipment to the Province of British Columbia. Sale proceeds net of disposal costs were \$70 in 2015 and \$26 in 2014.

#### 12. Summary of Cash flow management:

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

Items not involving cash:	2015	2014
Amortization	\$ 3,357	\$ 3,530
Write-down on tangible capital assets	1,078	
Change in lease inducements	(495)	(140)
Gain on sale of tangible capital assets	(69)	(19)
Change in employee benefits and other liabilities	(1,276)	(1,101)
<b>Total items not involving cash</b>	<b>\$ 2,595</b>	<b>\$ 2,270</b>



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#### 12. 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:

Change in non-cash assets and liabilities:	2015	2014
Accounts receivable	\$ (518)	\$ 240
Accounts payable and accrued liabilities	120	(1,710)
Prepaid expenses	(64)	173
<b>Total change in non-cash assets and liabilities</b>	<b>\$ (462)</b>	<b>\$ (1,297)</b>

#### 13. 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.

*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 93% 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.

*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.

*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.

## BRITISH COLUMBIA ASSESSMENT AUTHORITY

### Notes to Financial Statements

Year ended December 31, 2015  
(In thousands of dollars)

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#### 13. Financial risk management (continued):

*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 they invest solely in short term treasury bills that have a maturity date of no more than 91 days from date of acquisition.

*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.

#### 14. Comparative figures:

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

## **Appendix A: Subsidiaries and Operating Segments\***

*\*Not applicable for BC Assessment*

## **Appendix B: Additional Information**

**Board of Directors and Corporate Governance** - <http://bcassessment.ca/About-Us/how-bc-assessment-works/Board-of-Directors>

**Organizational Overview** - <http://bcassessment.ca/About-Us/about-BC-Assessment>

**Executive Management Team** - <http://bcassessment.ca/About-Us/how-bc-assessment-works/executive-management-team>

## Appendix C: Crown Corporations Mandate and Actions Summary

In the 2015 Mandate Letter from the Minister Responsible, the Honourable Peter Fassender (*BC Assessment*) outlined direction on strategic priorities for the 2015 fiscal year. These priorities and the Crown corporation's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
1. Replace the existing valueBC information system with nextGen valueBC by 2018 to improve the collection, maintenance and distribution of assessment information.	1. The nextGen valueBC Program to replace our core assessment system will take advantage of new technology and updated business processes to improve operational effectiveness. In 2015, BC Assessment prepared a Business Case and Treasury Board submission, started contract negotiations with the vendor and began planning for project kick-off in mid 2016.
2. Develop and execute a plan to ensure up-to-date inventory across all property types with the goal of achieving inventory accuracy by 2017.	2. Our multi-year Property Data Accuracy Program validated 601,000 properties, which is 6 percent over the target for the year. This comprehensive, systematic and innovative approach will help us achieve inventory accuracy by 2017 and sustain accuracy thereafter.
3. Develop and execute upon a strategy to maintain the average 2015 tax levy on existing taxpayers at levels equivalent to 2014 and ensure any increase on funds generated through non-market change (e.g. new construction) is used to improve customer service.	3. The average 2015 tax levy on existing taxpayers was set at the same rate as 2014. Additional funds generated through non-market change have been directed to improve customer services.
4. Identify and assess emerging assessment policy or methodology issues which could impact the current or future economic viability of existing property types or economic sectors and work with the Ministry and key partners to provide policy, regulatory and legislative solutions to ensure fairness and equity.	4. We liaised with government and partners to identify priorities and support potential legislative/regulatory amendments to ensure fairness and equity.