



BC ASSESSMENT

**2016
ANNUAL SERVICE PLAN REPORT**



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Board Chair's Accountability Statement

The BC Assessment *2016 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2016-2018 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

Table of Contents

Board Chair’s Accountability Statement 3

Chair/CEO Report Letter 5

Purpose of the Organization..... 6

Strategic Direction and Context..... 6

Report on Performance 7

 Goals, Strategies, Measures and Targets 8

Financial Report..... 19

 Discussion of Results and Financial Report Summary Table..... 19

 Audited Financial Statements 21

 Auditor’s Report 24

Appendix A – Additional Information..... 44

 Corporate Governance 44

 Organizational Overview 44

 Contact Information 44

Appendix B – Crown Corporation’s Mandate and Actions Summary 45

Chair/CEO Report Letter

BC Assessment is dedicated to being transparent and proactive in communicating with the Provincial Government, stakeholders and customers. This ensures provision of timely information about our implementation of the [Taxpayer Accountability Principles](#).

Specifically, BC Assessment has undertaken the following activities:

- Attended regular quarterly meetings with the Minister and Board Chair, as well as monthly meetings with the Assistant Deputy Minister and our CEO, to discuss our mandate and focus on performance against the Taxpayer Accountability Principles and strategic decisions. A liaison group of key BC Assessment and Ministry Property Assessment Services senior staff also met monthly to discuss policy, legislative and other issues.
- Incorporated the Taxpayer Accountability Principles into our orientation procedures: our Board of Directors is knowledgeable with regard to the Taxpayer Accountability Principles, receives ongoing updates about its implementation, and has incorporated it into decision making.
- Provided new members of BC Assessment's Board of Directors with an orientation package and invitation to take part in a full day training session. BC Assessment continues to support Directors in obtaining formal Director Certification from either the Institute of Corporate Directors or the Directors' College. In 2016, Board members attended the second Annual Public Sector Board Governance Professional Development Forum organized by the Crown Agencies Resource Office. In addition, most regular Board meetings included an education session to cover business development topics that support delivering the Mandate Letter and strategic goals.

BC Assessment continues to meet the specific strategic priority actions set out in the [2016 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 2016, \$7.54 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 and Context

BC Assessment's strategy is developed by the Board of Directors and Executive Management Team in alignment with direction from the Provincial Government, including the [Taxpayer Accountability Principles](#). For 2016, in addition to producing the annual assessment roll, BC Assessment also focused efforts on the strategic priority actions contained in the [2016 Mandate Letter](#).

In 2016, BC Assessment considered and managed a number of factors that may have had a significant effect on our results:

- 2016 saw the continuation of 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 by allocating sufficient employee capacity to our core business, conducting timely recruitment and training, undertaking proactive public communications about market movement, increasing consultation with customer groups, enhancing focus on assessment quality management, and by recognizing anticipated market pressures in developing our operational plans for 2017. These concerted efforts ensured successful delivery of the 2017 Assessment Roll.
- Revenue risks were managed through ongoing monitoring of new construction, which has translated into additional tax levy revenue within the range of our expectations. Treasury Board approval for the nextGen valueBC program to replace BC Assessment's computer assisted mass appraisal (CAMA) system was received in April 2016.
- Development and implementation of a Data Policy that supports decisions regarding data licensing and increasing access to data collected for assessment purposes. Revenue generated through the licensing of data with public and private sector entities limits financial impact to taxpayers as BC Assessment continues to improve customer service and access to BC Assessment's property data (e.g. enhancements to our e-valueBC service).
- A significant operational change in 2016 was the implementation of a new Information and Technology Services Division service delivery model, including selection of a service delivery partner to ensure flexibility in capacity and capability to deliver our strategic plan. BC Assessment also introduced Information Management and Information Technology portfolios to align technology projects with common outcomes (e.g. Digital Customer Experience), with supporting governance and quality management structures.

- BC Assessment's workforce experienced significant changes in 2016, with higher than usual levels of turnover and recruitment. Development of a new performance management process and appraisal progression model, along with continued focus on leadership skills, supported BC Assessment in maintaining a skilled and professional workforce.
- A Crown review of BC Assessment's governance and practices was undertaken by the Ministry of Finance's Internal Audit and Advisory Services team in 2016, with multiple BC Assessment business areas involved in providing materials and information to support the report. The report was released in early 2017 and the recommendations contained therein will be evaluated and considered in the development of an action plan.

Report on Performance

The [2016–2018 Service Plan](#), [2016 Mandate Letter](#) and [Taxpayer Accountability Principles](#) established the public reporting performance expectations for BC Assessment, as determined by the Board of Directors. These documents formed our plan of action, clearly setting the conditions that define our success.

BC Assessment's work directly supported the Taxpayer Accountability Principle for cost-consciousness by implementing leading practices across assessment operations and enabling functions for improved efficiency, striving for continuous improvement, and streamlining business processes; for example, Information and Technology Services business partnerships for solutions delivery, customer-driven improvements to products and services, and productivity improvements in human resources processes. We partner with taxing authorities and government agencies for cost sharing on improved processes to collect new property data, adding non-market change (new construction) to the assessment roll and resulting in additional tax revenue. BC Assessment regularly examines and improves planning and governance frameworks for resource management.

We demonstrated accountability through alignment with government's strategic agenda, incorporating the 2016 Mandate Letter into our [2016-2018 Service Plan](#) and executing the direction (fully articulated in Appendix B) to:

- determine options for replacement of the existing valueBC information system;
- continue to execute the multi-year Property Data Accuracy Program;
- maintain the average 2016 tax levy on existing taxpayers at levels equivalent to 2015; and
- identify and assess emerging assessment issues, and work to provide solutions.

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. Regular quarterly meetings with the Minister and Board Chair, as well as monthly meetings with Ministry Executive and our CEO, included evaluation of our organization's performance against the Taxpayer Accountability Principles.

BC Assessment continued working to increase the amount of, and accessibility to, property data available online to assist property owner customers in determining that their property has been valued fairly and equitably relative to comparable properties.

BC Assessment's 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.

The Customer Division is responsible for developing strategies to provide service to all of our customer groups. Our focus on customer centricity puts the needs and expectations of our customers first, defining and evolving our strategies for all customer groups to ensure that our processes and products improve service delivery.

Our support for the principle of respect was demonstrated through a number of our people practices, such as continued leadership training and update of the annual performance management process. We also implemented our Stakeholder Engagement and Communications Strategy to enhance relationships, and 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 a key element of our organization's Principles of Conduct within the Standards of Conduct Policy, which is regularly updated and communicated to all employees and managers, as well as to the public.

Goals, Strategies, Measures and Targets

Goal 1: Our work delivers an accurate assessment roll and current property information.

BC Assessment is committed to improving effectiveness and efficiency. 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.

As an assessment organization, we are committed to ensuring that we have accurate information about properties to support fair and uniform assessments. We are therefore investing heavily in property data accuracy programs, in which we use innovative methods to collect and verify data at unprecedented levels as the number of properties in British Columbia continues to grow. The replacement of our core mass appraisal system will allow us to take advantage of significant advancements in digital technologies and to improve both our assessment and business practices.

Strategies

- Design and implement a new, flexible core business system that optimizes the delivery of assessment and other property information services.
- Invest significantly in data management governance, processes and systems to optimize data accuracy and enable the integrated use of property, financial and operational data.
- Implement a continuous business process and system improvement discipline throughout the organization to achieve significant operational productivity gains.

Performance Measure 1: Assessment to Sales Ratio (ASR).

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual¹	2017 Target	2018 Target
Residential ASR	98.0%	97.9%	98.0% ²	97-100%	98.1%	97-100%	97-100%
Non-Residential ASR	96.2%	96.1%	94.9% ²	95-100%	95.8%	95-100%	95-100%

Data Source: Internal property information database.

¹ The 2016 actuals are based on the 2017 Revised Roll and differ slightly from the 2017 Completed Roll results released in the 2017–2019 Service Plan.

² BC Assessment's 2017-2019 Service Plan referenced 2016 Completed Roll ASR results as 2015 actuals, instead of the more recent and accurate 2016 Revised Roll ASR results reported as 2015 actuals in the 2015 Annual Service Plan Report. The correct figures are used here and will be referenced in subsequent documents.

Discussion

The assessment to sales ratio (ASR) indicates how accurately BC Assessment appraises property at market value by measuring how closely assessments mirror a property's actual selling price; thus, the closer the result is to 100 per cent, 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 per cent and 110 per cent. However, BC Assessment has set more challenging targets: between 97 per cent and 100 per cent for the residential assessment roll and between 95 per cent and 100 per cent 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 2017 Revised Roll and are 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 per cent. Our statistics reflect all available single-family residential arm's-length sales for the two quarters surrounding our valuation date of July 1 (April 1, 2016 to September 30, 2016). For non-residential sales, the data are based on sales occurring throughout the year.

For the 2017 Assessment Roll, completed by December 31, 2016 and revised through Property Assessment Review Panels (PARP) in early 2017, BC Assessment's residential ASR result is 98.1 per cent, which is within the target range and indicates accuracy in matching market value in our assessments. The non-residential ASR result is 95.8 per cent, which is also within the target range and indicates accuracy in matching market value in our assessments.

Performance Measure 2: Coefficient of Dispersion (COD).

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual ¹	2017 Target	2018 Target
Urban COD	5.6%	5.8%	6.3% ²	5.0-10.0%	7.14%	5.0-10.0%	5.0-10.0%
Rural COD	7.8%	7.8%	8.3% ²	5.0-15.0%	9.01%	5.0-15.0%	5.0-15.0%

Data Source: Internal property information database

¹ The 2016 actuals are based on the 2017 Revised Roll and differ slightly from the 2017 Completed Roll results released in the 2017–2019 Service Plan.

² BC Assessment's 2017-2019 Service Plan referenced 2016 Completed Roll COD results as 2015 actuals, instead of the more recent and accurate 2016 Revised Roll COD results reported as 2015 actuals in the 2015 Annual Service Plan Report. The correct figures are used here and will be referenced in subsequent documents.

Discussion

The coefficient of dispersion (COD) provides an indication of 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 higher quality assessment information, and is reflected by a lower COD. As a measure of appraisal uniformity, the COD is important in public reporting on our 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 2017 Revised Roll and generated by the performance management information system.

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. An example calculation is presented in the table at right.

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%	

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 per cent for urban regions and under 20 per cent for rural regions. BC Assessment has set ongoing targets of under 10 per cent and under 15 per cent, 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, 2016 to September 30, 2016).

For the 2017 Assessment Roll, completed by December 31, 2016 and revised through the PARP process in early 2017, BC Assessment's residential urban COD is 7.14 per cent and rural COD result is 9.01 per cent. Both of these results fall well within the target ranges and represent accuracy in matching market value in our assessments. There is a notable increase from prior years attributed primarily to the wider variation in market change. This wider dispersion in market value change leads to a higher COD when aggregated at a provincial level.

Performance Measure 3: Assessment Roll Stability – Change in Taxes Collected.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Assessment roll stability – change in taxes collected	0.37%	0.08% ¹	0.10%	≤ 0.22%	0.06%	≤ 0.22%	≤ 0.22%

Data Source: Internal property information database

¹ The result for 2013, and prior years, showed only deductions and achieved the performance target of ≤ 0.37 per cent. For 2014 onward, the measure has been improved to capture both gains and deductions. We are monitoring the results with the new methodology as we have significantly exceeded our performance target for the third 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

Assessment roll stability is vitally important for local governments. It is critical for managing their budgets, particularly as the cost of borrowing is directly affected 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. These changes can affect local government's total property tax base. The objective of this measure is to track changes in taxes collected by the taxing jurisdictions. 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 reflecting changes after the annual assessment roll has been revised by [Property Assessment Review Panels](#) due to inaccurate information or other specific changes. And 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 19 months after the Revised Roll. For example, the 2016 value measures the 2015 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2015 and December 31, 2016.

BC Assessment met the 2016 target (2015 Assessment Roll) of ≤ 0.22 per cent change in taxes collected, with refunds amounting to 0.06 per cent of general-purpose tax revenues.

BC Assessment's efforts to improve roll quality are directly linked to our activities supporting the three performance measures for assessment to sales ratio (ASR), coefficient of dispersion (COD) and assessment roll stability. Our work on these three performance measures improves roll quality by enhancing transparency of the assessment process and improving data quality.

Performance Measure 4: Average Net Cost per Property for Assessment Services.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Average net cost per property for assessment services	\$41.62	\$41.59	\$43.20	\$43.11	\$43.07	\$43.87	\$44.29

Data Source: Internal property information database, Audited Financial Statements

Discussion

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 improve service levels, while at the same time, holding the line on costs. 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 2016 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 2016, coming in below our target of \$43.11 with an average actual cost per property of \$43.07. Details on our financial performance for 2016 are outlined in the Financial Report section.

Cost per property target adjustments are made each year as new information becomes available and our forecasts are refined. The targets for 2017 and 2018 have been calculated using *2017-2019 Service Plan* forecasts that take into consideration projected new construction and development, and key assumptions regarding changes in revenues and expenditures.

BC Assessment maintains appropriate internal controls and reports regularly to the Board of Directors and to the Office of the Comptroller General. We are subject to an annual external audit of our financial statements, currently performed by KPMG. These controls contribute to data quality and reliability.

Goal 2: Our people are skilled and knowledgeable professionals invested in making our vision reality.

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 also contribute to higher levels of customer satisfaction, trust and confidence in what an organization does. BC Assessment strives to provide a workplace of choice for its employees, and leverages innovation and technology with investment in employee development to create a supportive, diverse environment where people can find a rewarding career.

Strategies

- Build and promote a great place to work and grow a career through flexible work options.
- Enable a culture where everyone owns our values and is committed to our strategic direction.
- Invest in the professional development of highly skilled people.

Performance Measure 5: Level of Employee Engagement.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Level of employee engagement	61	Biennial Survey	64	Biennial Survey	Biennial Survey	66	Biennial Survey

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

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 engagement survey was last completed in 2015, at which time the engagement score of 64 exceeded the 2015 target of 63.

The engagement survey was administered annually from 2008 to 2011 before moving to a biennial format in 2012. 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.

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. Based on the 2015 survey results, action plans were created at both the individual work unit level and the corporate level. Throughout 2016, implementation of these plans included continued corporate focus on our organization's values, bringing our staff and leaders together to discuss engagement through "Engagement Conversations" held in each office, and acknowledging each employee's contribution to our success. The next engagement survey is scheduled for spring of 2017.

Goal 3: Our customers trust us and see us as essential to satisfying their property information needs.

BC Assessment is a customer-centric organization that aims to meet the diverse needs and expectations of our customers while operating within our assessment mandate and financial capacity. This requires an understanding of our various customer groups and continuous improvement of our supporting processes, products and services.

A key driver for establishing the Customer Division in our organizational structure was the intention to enhance focus on and responsiveness to customers. We strive to consider customer perspectives and needs in everything we do, from delivering front counter and phone service to developing easy-to-use property information websites such as [e-valueBC](#) and [BCAssessment.ca](#). Improved access to and exchange of property information both supports our assessment business and provides greater value to our customers.

Strategies

- Enhance our customers’ understanding of who we are, what our business does, and how we can provide value to them.
- Develop and implement digital capabilities to interact with customers and exchange property data and information.
- Create deep insights into all of our customer segments and target them with a specific mix of services and relationship management.

Performance Measure 6: Customer Satisfaction Index – Employee Interaction.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Property Owners	No survey	89	82	≥ 86	Process change	≥ 86	≥ 86
Taxing Authorities	No survey	88	Biennial survey	≥ 86	89	Biennial survey	≥ 86

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

Discussion

BC Assessment regularly reviews customer feedback to identify areas where we can enhance the customer experience. We worked with our key customer groups to develop and implement 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.

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 and First Nations 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.

For the property owner customer group, there is no customer survey result for customer satisfaction with employee interaction being reported for 2016. BC Assessment changed the report date for property owner survey results to better align with our business cycle and improve our performance information. We conduct customer surveys for property owners in the first quarter each year, when the greatest proportion of interactions occurs. In the 2014 and 2015 annual service plan reports, results were reported against the previous year's target (e.g. the first quarter 2016 survey was reported as the calendar 2015 result). This report timing does not allow us to extend the data collection timeframe for improved response rate and to properly review the findings prior to reporting and discussion. Thus, the report timing was changed so that the survey outcomes will be reported for the current year. This means that the results of the first quarter 2017 survey will be reported against the 2017 target rather than a 2016 target. However, there is no interruption to our customer survey process or our activities to respond to the outcomes from the previous survey.

For local government and First Nations customers, the 2016 customer satisfaction result for employee interaction was 89, which exceeded our target of ≥ 86 . Implementation of a web forum for taxing authorities in response to prior survey results and active customer outreach contributed to improving BC Assessment's relationship management and service provision.

In prior years, Provincial Government customer survey responses were included in calculating the results for taxing authorities. In preparation for the 2017 survey, we acknowledged that we have relationships with our Provincial Government customers that are unique and different from our relationships with local governments and First Nations. BC Assessment interacts with a variety of levels and branches within the Provincial Government to support governance and direction, public accountability and issues management, policy development and compliance, cost-sharing partnerships, and data exchange or licensing. These interactions are not consistent or uniform, and therefore not well served by a standard or cyclical approach to soliciting feedback. The current customer survey is not an effective tool to gather feedback from Provincial Government customers, so we did not survey this customer group in early 2017. We will instead work with our various Provincial Government customers to develop new strategies to determine the best mechanisms to obtain their feedback.

Performance Measure 7: Percentage of Assessments Accepted without Appeal.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Percentage of assessments accepted without appeal	99.1%	98.9%	98.8%	$\geq 98\%$	98.6%	$\geq 98\%$	$\geq 98\%$

Data Source: Internal property information database.

Discussion

This performance measure reflects the public acceptance rate for the 2017 Assessment Roll. For the 2017 Assessment Roll, produced during the 2016 calendar year, 27,903 folios were appealed to a Property Assessment Review Panel (PARP), compared to 23,354 related to the 2016 Assessment Roll. This represents a 98.6 per cent 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 2017 Assessment Roll.

BC Assessment interprets high acceptance of assessments by residential, commercial and major industry 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 Community, Sport and Cultural Development is responsible for administering the independent [Property Assessment Review Panel](#) (PARP) process between February 1 and March 15 each year. The number of complaints (appeals) to PARP gives a useful measure of public acceptance of the assessments.

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 31 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 7 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 been low and usually filed by fewer than two per cent 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.

Goal 4: Our products and services optimize the value we create for our customers.

This goal was introduced in 2016 after recognizing that, to be a leading property assessment organization, we must improve access to relevant and accurate property information for all of our customer groups. BC Assessment is working to optimize the value we provide to British Columbians by sharing our extensive property information. This requires continuing investments in the accuracy of our property data. For many years, public and private sector organizations have shown interest in accessing and acquiring this data; more than ever before, accurate and comprehensive property data is proving useful in supporting economic development in our province.

BC Assessment has supported the expanded use of our property data by enhancing access channels, product options and service delivery, and by encouraging other organizations to use the data for their own purposes. While data is provided free-of-charge to property owners, there continues to be a demand for commercial users to license BC Assessment data for a fee. The revenue from data licensing is reinvested in our assessment business and helps to keep the financial burden on property taxpayers as low as possible.

Strategies

- Define a portfolio of high-impact and cost-effective property information products and services.
- Build organizational capability and capacity to develop, market and deliver new products and services.
- Safeguard non-tax levy revenue sources and further increase the revenue opportunity through the expansion of property information products and services.

Performance Measure 8: Customer Satisfaction Index – Product and Services.

Performance Measure	2013 Actual	2014 Actual	2015 Actual	2016 Target	2016 Actual	2017 Target	2018 Target
Property Owners	No survey	72	73	≥ 73	Process change	≥ 73	≥ 73
Taxing Authorities	No survey	70	Biennial survey	≥ 73	73	Biennial survey	≥ 73

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

Discussion

Customer satisfaction with our products and services is measured by the same survey as the one used to evaluate customer satisfaction with employee interaction (Performance Measure 6).

BC Assessment regularly reviews customer feedback to identify areas where we can enhance the customer experience. We worked with our key customer groups to develop and implement 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.

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 and First Nations 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.

For the property owner customer group, there is no customer survey result for customer satisfaction with products and services being reported for 2016. BC Assessment changed the report date for property owner survey results to better align with our business cycle and improve our performance information. This means that the results of the first quarter 2017 survey will be reported against the 2017 target rather than a 2016 target. However, there is no interruption to our customer survey process or our activities to respond to the outcomes from the previous survey.

For local government and First Nations customers, the 2016 customer satisfaction result for products and services was 73, which meets our target of ≥ 73 and is an improvement from the previous result of 70. Implementation of a web forum for taxing authorities, in response to prior survey results, provided a new option to collaborate on assessment topics. Launch of an improved Data Advice system to provide access to assessment information for local governments also supported the higher result. BC Assessment will continue to respond to our taxing authority survey results to improve our products and services.

In prior years, Provincial Government customer survey responses were included in calculating the results for taxing authorities. We learned that the current customer survey is not an effective tool to gather feedback from Provincial Government customers, so we did not survey this customer group in early 2017.

Financial Report

Discussion of Results and Financial Report Summary Table

The Financial Report Summary Table (page 20) provides the summary of the actual financial results for the 2013 to 2016 fiscal years. This table also compares the 2016 actual results to the 2016 budget and 2015 actual results.

BC Assessment ended 2016 with a surplus of \$1.9 million, compared to \$882,000 in 2015, and a budgeted surplus of \$2.0 million. The 2016 surplus has been transferred to the Capital Equity Reserve, earmarked specifically to fund the replacement of BC Assessment's information technology assets.

Total revenues for the year were \$93.4 million, an increase of \$2.0 million (2.1 per cent) from 2015 due to growth in the number of new properties in the province, and lower than budget by \$188,000 (0.2 per cent) because of a decline in the usage of data access services, which were partially offset by higher than budgeted tax levy revenues.

The operating expenses were \$91.5 million in 2016, an increase of \$952,000 (1.1 per cent) over 2015 and lower than budget by \$84,000 (0.1 per cent).

Approximately 68 per cent of BC Assessment's operating expenses consist of employee related expenses such as salaries, benefits, employee development, and other miscellaneous employee costs. Employee expenses were \$62.3 million in 2016, \$2.3 million (3.7 per cent) higher than in 2015 because of increases in employee benefit costs, an increase in negotiated wage rates, and a planned increase in the number of employees. The 2016 costs were \$2.0 million (3.3 per cent) higher than the budget of \$60.3 million mostly due to a lower than expected level of capitalized labour.

In 2016, Treasury Board approved \$27.7 million for the financing of nextGen valueBC using BC Assessment's accumulated Capital Equity Reserve. Based on this approval, BC Assessment signed an agreement with a software vendor to replace its CAMA system with nextGen valueBC. The total budgeted cost of the solution came within the estimated four year implementation costs; however, the timing of capital labour within each year was different due to the approved implementation methodology. The financial estimates for 2016 were revised based on the new agreement.

The remaining 32 per cent of total operating costs relate to other expenses such as information and communications technology, office premises, corporate and office, assessment appeal costs, assessment notice printing and postage, travel, and amortization expenses. All other operating expenses (excluding amortization) were \$25.8 million in 2016, \$1.4 million (5.1 per cent) lower than 2015 and \$1.9 million (6.9 per cent) lower than the budget of \$27.7 million. Reductions in planned expenditures were implemented to offset the change in capitalized labour for the nextGen valueBC program.

Amortization expense was \$3.5 million in 2016, \$93,000 (2.8 per cent) higher than 2015 because of a higher net book value of assets available for amortization in 2016 compared to 2015, and \$171,000 (4.7 per cent) lower than budget.

A total investment of \$8.0 million was made in 2016 for capital asset additions, an increase of \$5.9 million from the \$2.1 million investment in 2015 but lower than budget by \$5.8 million. Capital costs

in 2016 included software development costs for nextGen valueBC and other information systems. In addition, some office equipment and computer hardware replacements were deferred, resulting in the remainder of the 2016 budget variance.

Risks and Uncertainties

In 2016, BC Assessment considered and managed a number of factors that affected our financial and employee resource utilization:

- 2016 saw an unusually active real estate market in the province. Operational risks associated with strong market activity were managed by allocating sufficient employee capacity to our core business function, conducting timely recruitment, undertaking proactive public communications about market movement, increasing consultation with customer groups, and enhancing focus on assessment quality management.
- Revenue risks were managed through ongoing monitoring of new construction, which has translated into additional tax levy revenue within the range of our expectations.
- Development and implementation of a Data Policy that supports decisions regarding data licensing and increasing access to data collected for assessment purposes. Net revenue generated through the licensing of data with public and private sector entities reduces the cost of assessment services to taxpayers.
- BC Assessment's workforce experienced significant changes in 2016, with higher than usual levels of turnover and recruitment.
- A Crown review of BC Assessment's governance and practices was undertaken in 2016, with multiple BC Assessment business areas involved in providing materials and information to support the report. The report was released in early 2017 and the recommendations contained therein will be evaluated and considered in the development of an action plan.

Financial Report Summary Table

\$000s	2013 Actual	2014 Actual	2015 Actual	2016 Budget	2016 Actual	2016 Variance	2015–16 Variance
Operating Revenue							
Tax Levies	82,085	83,777	85,500	87,272	87,429	157	1,929
Other	5,838	5,801	5,957	6,334	5,989	(345)	32
Total Revenue	87,923	89,578	91,457	93,606	93,418	(188)	1,961
Operating Expenses							
Employee Expenses	56,303	58,004	60,057	60,301	62,309	2,008	2,252
Other Operating Expenditures	25,369	24,776	27,161	27,689	25,768	(1,921)	(1,393)
Amortization	3,962	3,530	3,357	3,621	3,450	(171)	93
Total Expenses	85,633	86,310	90,575	91,611	91,527	(84)	952
Net Income from Operations	2,290	3,268	882	1,995	1,891	(104)	1,009
Capital Expenditures	2,372	3,831	2,086	13,822	8,002	(5,820)	5,916
Total Liabilities	20,363	17,232	15,366	17,289	20,451	3,162	5,085
Accumulated Surplus/ Retained Earnings	30,843	34,111	34,993	36,988	36,884	(104)	1,891

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

Audited Financial Statements

Financial Statements

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Year ended December 31, 2016

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Financial Statements

Year ended December 31, 2016

	Page
Management's Responsibility for the Financial Statements	3
Independent Auditors' Report	4
Statement of Financial Position	6
Statement of Operations.....	7
Statement of Change in Net Financial Assets.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements	10



Management's Responsibility for the Financial Statements

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

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

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

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

A handwritten signature in black ink, appearing to read "D. Highfield".

David Highfield
Interim President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Andy Hoggarth".

Andy Hoggarth
Vice President and Executive Financial Officer

Victoria, British Columbia, Canada



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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



British Columbia Assessment Authority
Page 2

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

Opinion

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

Comparative Information

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

KPMG LLP

Chartered Professional Accountants

April 7, 2017
Victoria, Canada

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position
(Tabular amounts in thousands of dollars)

As at December 31, 2016

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

Commitments (note 7)

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

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations and Accumulated Surplus

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

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

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

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

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY**Statement of Cash Flows**

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2016

1. Nature of Organization:

British Columbia Assessment Authority (the "Authority") was established in 1974 as an independent Crown corporation by the Province of British Columbia by enactment of the *Assessment Authority Act*. The purpose of the Authority is to establish and maintain assessments that are uniform in the whole of the province in accordance with the *Assessment Authority Act*. The Authority is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Financial instruments:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

2. Significant accounting policies (continued):

(c) Revenues:

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

Tax levies: The Authority, each year by by-law and subject to the prior approval of the Lieutenant Governor in Council, imposes and levies a tax upon all taxable real property in the province, but excluding property that is taxable for school purposes only by special Act. A copy of this by-law is forwarded to the Tax Collector of every municipality in the province, to the Surveyor of Taxes, Treaty First Nations, and Nisga Nation in order that the taxes levied will be placed on the tax rolls. The proceeds of the taxes levied and collected by the municipalities or the Minister of Finance constitutes the Authority's tax levy revenue. This revenue is recognized equally across all periods in the year.

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

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

(d) Property leasehold improvement inducements:

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

(e) Cash and cash equivalents:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

2. Significant accounting policies (continued):

(f) Employee future benefits:

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

(g) Non-financial assets:

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

(h) Tangible capital assets:

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

2. Significant accounting policies (continued):

(h) Tangible capital assets (continued):

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

(i) Leased tangible capital assets:

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

(j) Use of estimates:

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

3. Cash and cash equivalents:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

4. Employee benefits and other liabilities:

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

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

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

(a) Post retirement benefits:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

4. Employee benefits and other liabilities (continued):

(a) Post retirement benefits (continued):

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

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

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

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

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

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

4. Employee benefits and other liabilities (continued):

(b) Employee pension benefits:

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

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

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

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

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

5. Tangible capital assets:

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

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

5. Tangible capital assets (continued):

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

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

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

(b) Software under development:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

6. Accumulated surplus:

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

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

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

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

7. Commitments:

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

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

8. Appeal costs:

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

9. Budget data:

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

10. Related party transactions:

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

10. Related party transactions (continued):

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

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

11. Summary of cash flow management:

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

11. Summary of cash flow management (continued):

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

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

12. Financial risk management:

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

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

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

(b) Credit risk:

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2016

12. Financial risk management (continued):

(c) Market risk:

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

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the Authority is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Authority is exposed to interest rate risk through its cash equivalents. It is management's opinion that the Authority is not exposed to significant interest rate risk as it invests solely in short term treasury bills that have a maturity date of no more than 91 days from date of acquisition.

(f) Liquidity risk:

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

13. Comparative information:

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

Appendix A – Additional Information

Corporate Governance

We are governed by a Board of Directors that is accountable to the Minister Responsible for the implementation of government direction. The Board's direction is implemented by management, who carry out the day-to-day operations of the corporation under the supervision of the Chief Executive Officer.

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

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

Organizational Overview

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

Contact Information

For more information on how to contact us, please visit our web page at: <http://bcassessment.ca/contact-us>

Appendix B – Crown Corporation’s Mandate and Actions Summary

In the 2016/17 Mandate Letter from the minister responsible, BC Assessment received direction on strategic priorities for the 2016/17 fiscal year. These priorities and the Crown corporation’s resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation’s Action
<p>1. Undertake planning and evaluation to determine options for the replacement of its existing valueBC information system with nextGen valueBC, to improve the collection, maintenance and distribution of assessment information. These options, in the form of a business case (consistent with the Capital Management Framework requirements), will be brought forward by the Minister to Treasury Board for consideration.</p>	<p>The nextGen valueBC program to replace BC Assessment’s computer assisted mass appraisal (CAMA) system received Treasury Board approval in April 2016. The project kicked off in July and successfully completed the Fit/Gap Phase by end 2016. The Fit/Gap Report concluded that the contracted budget and schedule was sufficient to complete the work identified under the project. By end 2016, planning was well underway for the Implementation Phase, which will go until 2019.</p>
<p>2. Continue to execute the multi-year Property Data Accuracy Program to ensure up-to-date inventory across all property types and achieve inventory accuracy by the 2018 assessment roll.</p>	<p>Total of 246,000 folios validated in 2016 against a target of 340,000, with an additional 57,000 folios pending audit work. Completed 2017 work planning to validate outstanding 378,000 folios. Work continues on future Sustainability of Data Accuracy and Transition to Operations.</p>
<p>3. Develop and execute upon a strategy to maintain the average 2016 tax levy on existing taxpayers at levels equivalent to 2015 and ensure any increase generated through non-market change (e.g. new construction) is used to improve customer service.</p>	<p>The 2016 average tax levy was maintained on existing taxpayers at levels equivalent to 2015 and increased funds generated through non-market change (e.g. new construction) were put toward customer service initiatives, such as enhancing e-valueBC.</p>
<p>4. Identify and assess emerging assessment policy or methodology issues that 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 the assessment system is fair and equitable.</p>	<p>BC Assessment has continued to support assessment policy work on emerging issues, including consultation with industry groups, as appropriate. Examples for 2016 include Split Classification and Restricted Use properties (BC Ferries, NavCan).</p>