



BC ASSESSMENT

2017

ANNUAL SERVICE PLAN REPORT

May 2018



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Board Chair's Accountability Statement



The BC Assessment *2017 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017 - 2019 Service Plan* created in September 2017. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Judy Rogers".

Judy Rogers
Chair, Board of Directors

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Chair/CEO Report Letter

BC Assessment is dedicated to being transparent and proactive in communicating with the Provincial Government, stakeholders and customers. BC Assessment holds regular meetings with the Minister and Board Chair, as well as meetings with the Assistant Deputy Minister and our Chief Executive Officer to discuss our mandate and the timely implementation of the [2017 Mandate Letter](#). All members of our Board of Directors are provided with an orientation package and invited to take part in Board and Committee orientation sessions. The Board of Directors approves an annual education plan and Directors are provided with opportunities to participate in external professional development courses.

The table below demonstrates how significant aspects of our organization’s work being reported on in this document contribute to achieving the government’s strategic priorities:

Government Priorities	BC Assessment Aligns with These Priorities By:
Delivering the services people count on	Ensuring our customers trust us and see us as essential to satisfying their property information needs (Goal 3)
A strong, sustainable economy	Ensuring our work delivers an accurate assessment roll with current property information in a financially responsible manner (Goal 1)

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

As a part of the annual Provincial Assessment Roll, BC Assessment assesses all lands falling within the jurisdiction of the eight Treaty First Nations in B.C. Similarly, BC Assessment is the contracted Assessment Service Provider for 78 First Nations who have exercised the option to be the Independent Taxing Authority on their lands through the *Indian Act*, *First Nation Fiscal Management Act* and *Sechelt Indian Self Government Act*. BC Assessment also works closely with other provincial and federal organizations, like the First Nations Tax Commission.



Judy Rogers

*Judy Rogers
Chair, Board of Directors*



Jason Grant

*Jason Grant
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 for over two million properties in the province. Property values on the assessment roll form the basis of distributing property tax, providing the foundation for a stable tax base for taxing authorities.

In 2017, \$7.90 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 Operating Environment

BC Assessment's strategy is developed by the Board of Directors and Executive Management Team in alignment with direction from the Provincial Government. For 2017, in addition to producing the annual assessment roll, BC Assessment also focused efforts on the strategic priority actions contained in the [2017 Mandate Letter](#).

In 2017, BC Assessment managed a number of factors that may have influenced results:

- 2017 saw the continuation of a very active real estate market in the province, with greater focus on commercial properties and strata residential markets. BC Assessment has continued to engage its Market Activity Response Initiative team to monitor and communicate market movement impacts for the 2018 Assessment Roll.
- Damage to B.C. properties from 2017 wildfires, floods and storms led BC Assessment to invest additional effort in identifying impacted properties, reaching out to property owners, capturing changes and determining property values in preparation of the 2018 Assessment Roll.
- Both the number and complexity of assessment appeals increased in 2017; BC Assessment responded by re-allocating employee capacity, increasing consultation with the Appeal Board and Industry to review the appeal management system, and identifying anticipated pressures when developing operational plans for 2018.
- The nextGen valueBC program to replace BC Assessment's aging computer assisted mass appraisal (CAMA) system continued in 2017; implementation in 2019 is expected to allow enhanced digital capabilities for customer interaction, property data access and information exchange.
- BC Assessment liaised with government, industry and partners throughout 2017 to identify and align priorities and to support potential legislative amendments.
- The 2017 average tax levy was maintained for existing taxpayers at levels equivalent to 2016; any increase in revenue generated through new construction was directed toward improving customer services.

Report on Performance

The [2017–2019 Service Plan](#) and [2017 Mandate Letter](#) established the public reporting performance expectations for BC Assessment, as determined by the Board of Directors and Provincial Government. These documents formed BC Assessment’s plan of action, clearly setting the conditions that define its success.

Goals, Strategies, Measures and Targets

Goal 1: Our work delivers an accurate assessment roll with current property information in a financially responsible manner.

BC Assessment is committed to improving operational and cost effectiveness while delivering a high quality Assessment Roll. Continued innovation and appropriate investment in assessment processes and services will enable BC Assessment to contribute to a stable tax base for B.C. communities while delivering affordable assessment solutions.

As an assessment organization, accurate information about properties is critical to the delivery of fair and uniform assessments. BC Assessment therefore invests in property data accuracy programs, which use innovative methods to collect and verify data at unprecedented levels as the number of properties and property owners in B.C. continues to grow. Replacement of the core mass appraisal system will take advantage of significant advancements in digital technologies to improve both assessment and business practices.

Strategies

- Invest in assessment quality management initiatives that increase the accuracy and advance the fairness of our annual assessment roll.
- Design and implement a new, flexible core business system that optimizes the delivery of assessment and other property information services.
- Invest 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 company to achieve operational productivity gains.

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

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual ¹	2018 Target	2019 Target
Residential ASR	97.9%	98.0%	98.1%	97-100%	98.0%	97-100%	97-100%
Non-Residential ASR	96.1%	94.9%	95.8%	95-100%	96.1%	95-100%	95-100%

Data Source: Internal property information database.

¹ The 2017 actuals are based on the 2018 Revised Roll and may differ slightly from the 2018 Completed Roll results released in the *2018–2020 Service Plan*.

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. The ASR is calculated by dividing the assessed value (as determined by BC Assessment) of a property that has sold by its selling price, and expressing the result as a percentage. For example, if a property is assessed with a value of \$243,000 and it sold for \$250,000, the ASR would be 97.2 per cent.

BC Assessment measures the ASR in accordance with 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. 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. BC Assessment's statistics reflect all available single-family residential arm's-length sales for the two quarters surrounding the valuation date of July 1 (April 1, 2017 to September 30, 2017). For non-residential sales, the data are based on sales occurring throughout the year.

The median ASR is one of BC Assessment's two primary roll quality measures. The 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 key performance indicator information as part of the annual audit plan that is approved by the Board of Directors.

For the 2018 Assessment Roll, completed by December 31, 2017 and revised through Property Assessment Review Panels (PARP) in early 2018, BC Assessment's residential ASR result is 98.0 per cent, which is within the target range and indicates accuracy in reflecting market value in property assessments. The non-residential ASR result is 96.1 per cent, which is also within the target range and indicates accuracy in reflecting market value in property assessments.

Performance Measure 2: Coefficient of Dispersion (COD).

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual ¹	2018 Target	2019 Target
Urban COD	5.8%	6.3%	7.1%	5.0-10.0%	6.5%	5.0-10.0%	5.0-10.0%
Rural COD	7.8%	8.3%	9.0%	5.0-15.0%	9.1%	5.0-15.0%	5.0-15.0%

Data Source: Internal property information database

¹ The 2017 actuals are based on the 2018 Revised Roll and may differ slightly from the 2018 Completed Roll results released in the 2018–2020 Service Plan.

Discussion

The coefficient of dispersion (COD) provides an indication of the quality of assessments by calculating the dispersion, or spread, of all the ASRs around the median ASR. When all else is equal, less dispersion indicates higher quality assessment information, and is reflected by a lower COD.

BC Assessment measures the COD for residential properties located in both urban and rural areas, according to internationally recognized standards. To calculate the COD, the differences between each

ASR in a group and the median ASR are added together. The average deviation is the sum of these numbers, divided by the number of properties in the group. The COD is the average deviation divided by the median, and is expressed as a percentage. An example calculation is presented in the table.

The target for rural properties is higher than for residential properties in urban areas because rural properties are typically less comparable to each other. With fewer comparable market references for sellers and purchasers, there tends to be a wider range of potential purchase prices for any given property. The COD standard set by the IAAO for single-family residential properties is under 15 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. Statistics for the COD are based on all available single-family residential arm’s-length sales for the two quarters surrounding the valuation date of July 1 (April 1, 2017 to September 30, 2017).

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%	

As a measure of appraisal uniformity, the COD is important in public reporting on BC Assessment’s mandate and is complementary to the ASR measures as the second of BC Assessment’s two primary roll quality measures. The COD in the annual report is based on the 2018 Revised Roll and generated by the performance management information system.

For the 2018 Assessment Roll, completed by December 31, 2017 and revised through the PARP process in early 2018, BC Assessment’s urban residential COD is 6.5 per cent, and rural COD result is 9.1 per cent. The results achieved fall well within the target ranges.

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

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Assessment roll stability – change in taxes collected	0.08%	0.10%	0.06%	≤ 0.22%	0.17%	≤ 0.22%	≤ 0.22%

Data Source: Internal property information database

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, which can affect local governments’ total property tax base. The objective of this measure is to track changes in taxes collected by the taxing jurisdictions. This performance measure is accepted by the taxing jurisdictions as a good measure of the stability and dependability of the assessment roll.

In any given year, property status can change, and new properties are created while others are deleted. Information about these changes may be received by BC Assessment after the completion of the assessment roll. In addition, there are Supplementary Rolls throughout the year that reflect changes made after the annual assessment roll has been revised by [Property Assessment Review Panels](#) due to

inaccurate information or other specific adjustments. Finally, there are decisions rendered on appealed properties by the [Property Assessment Appeal Board](#). All of these changes affect roll stability and are reflected in this measure. More specifically, the roll stability measure estimates the change in the amount of taxes collected or refunded by taxing jurisdictions based on the change in general taxable value for a period of 20 months after the Revised Roll. For example, the 2017 value measures the 2016 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2016 and December 31, 2017.

BC Assessment met the 2017 target (2016 Assessment Roll) of ≤ 0.22 per cent change in taxes collected or refunded amounting to 0.17 per cent of general-purpose tax revenues.

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

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

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Average net cost per property for assessment services	\$41.59	\$43.20	\$43.07	\$43.87	\$42.85 ¹	\$44.83 ²	\$46.22

Data Source: Internal property information database, Audited Financial Statements

¹ One-time extraordinary revenue from the conclusion of the Parcel Map BC Grant Program in late 2017 was excluded from the cost per property calculation to retain year over year comparability in figures.

² The targets for 2018 and 2019 have been revised since the publication of the *2017 – 2019 Service Plan*. The details are contained in the discussion below.

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 absorb continuous workload growth and improve service levels. This performance measure reflects BC Assessment’s commitment to keeping costs to the taxpayer as low as possible while still meeting increased service demands in a progressively more complex assessment environment.

The 2017 cost per property for assessment services funded from the levy has been calculated by:

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

Cost per property target adjustments are made each year as new information becomes available and forecasts are refined. Subsequent to the release of the *2018–2020 Service Plan*, Cabinet approved a 1.9% levy rate increase for the 2018 fiscal year. The targets for 2018 and 2019 have been calculated using the approved 1.9% levy rate increase for the 2018 fiscal year. In 2019, BC Assessment’s replacement core mass appraisal system will go live, at which time amortization charges will be added to operating expenditures. There will also be additional operating costs required to support the implementation of the system, including staff training, change management, and software maintenance costs to support both the new system and the existing legacy system during the transition. These factors are expected to cause an increase in the cost per property figure for 2019 and 2020.

BC Assessment met the cost per property target for 2017, coming in below the target of \$43.87 with an average actual cost per property of \$42.85. Details on financial performance for 2017 are outlined in the Financial Report section.

BC Assessment maintains appropriate internal controls and reports regularly to the Board of Directors and to the Office of the Comptroller General. BC Assessment is subject to an annual external audit of its financial statements, currently performed by KPMG. These controls contribute to financial 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 service commitment, and that 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 modern, diverse and flexible work environment where people can find a rewarding career.

Strategies

- Build and promote a great place to work and grow a career, with 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	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Level of employee engagement	Biennial Survey	64	Biennial Survey	66	69	Biennial Survey	71 ¹

Data Source: BC Assessment has a contract with BC Stats, part of the Ministry of Jobs, Trade and Technology, to act as an independent third party to conduct the employee engagement survey.

¹ The 2019 target has been adjusted to 71 (from the 68 previously reported in the *2017-2019 Service Plan*) to reflect the “previous result + 2” to the 2017 actual of 69. The details are provided in the discussion below.

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 administered annually from 2008 to 2011 before moving to a biennial cycle in 2012. In 2009, BC Assessment began using the same employee engagement survey approach as the provincial government, to permit benchmarking against engagement score results.

The survey results not only show the level of employee engagement, but also how well BC Assessment manages key drivers such as pay and benefits, hiring practices, leadership and teamwork. In 2015, the engagement survey was revised to provide more information specific to BC Assessment, including questions on BC Assessment values and on intrinsic motivators. As a result, the engagement model creates more meaningful outcomes for the organization.

Employee engagement targets have been set at "previous result + 2" to reflect both the prior score and the desired level of continuous improvement.

The engagement survey completed in 2017 resulted in an engagement score of 69, exceeding the 2017 target of 66. Based on the 2017 survey results, action plans were created and implementation initiated at the individual work unit level, the Executive level, and at the corporate level. The next full engagement survey is scheduled for 2019.

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 its customers while operating within its assessment mandate and financial capacity. This requires an understanding of its various customer groups and continuous improvement of supporting processes, products and services. BC Assessment strives to improve access to and exchange of property information to support its assessment business and provide greater value to customers.

Strategies

- Enhance our customers' understanding of who we are, what our business does, and how we can provide value to them.
- Create insights into all of our customer segments, and provide them with relevant assessment products and services.
- Develop and implement digital capabilities to interact with customers and exchange property data and information.

Performance Measure 6: Customer Satisfaction Index – Employee Interaction.

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Property Owners	89	82	Process change	≥ 86	82	≥ 86	≥ 86
Taxing Authorities	88	Biennial survey	89	Biennial survey	Biennial survey	≥ 86	Biennial survey

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

Discussion

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

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

Customer surveys for property owners are conducted in the first quarter each year, when the greatest proportion of interactions occur. 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 did not allow for extension of the data collection timeframe to improve response rate, or proper review of findings prior to reporting and discussion. Thus, the report timing was changed so that the survey outcomes are reported for the current year. This means that the results of the first quarter 2017 survey are reported against the 2017 target rather than a 2016 target. However, there is no interruption to BC Assessment's customer survey process or activities to respond to the outcomes from the previous survey.

BC Assessment achieved a result of 82 for the property owners customer group, which was below the target of 86. Very high scores in the areas of being knowledgeable, pleasant, courteous, and promptly acknowledging inquiries were offset by opportunities for improvement in the timely resolution of inquiries and provision of information needed by customers. BC Assessment continues to analyze the survey results, both to improve survey methodology and to enhance the questions to gain better insight on its customers.

For the taxing authority customer group, comprised of local government and First Nations customers, based on the biennial cycle there was no survey for 2017. However, BC Assessment continued to engage with this customer group based on the findings from the 2016 survey. BC Assessment has continued pursuing an extensive customer outreach program to ensure that taxing authorities have a fulsome understanding of the fundamentals of property assessment and the relationship to property taxation. In addition, BC Assessment ensured consistent communication on assessment initiatives

undertaken to advance BC Assessment’s ‘no surprises’ philosophy. Lastly, BC Assessment worked to ensure that taxing authorities receive the right information at the right time throughout the assessment cycle.

Performance Measure 7: Percentage of Assessments Accepted without Appeal.

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Percentage of assessments accepted without appeal	98.9%	98.8%	98.6%	≥ 98%	98.7%	≥ 98%	≥ 98%

Data Source: Internal property information database.

Discussion

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

For the 2018 Assessment Roll, produced during the 2017 calendar year, 25,760 folios were appealed to a PARP, compared to 27,903 related to the 2017 Assessment Roll. This represents a 98.7 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 2018 Assessment Roll.

Property owners are encouraged to contact BC Assessment following the receipt of their assessment notices in January of each year if they have concerns or questions. For unresolved issues, customers can register a complaint with BC Assessment by January 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.

BC Assessment aligns with government’s commitment to deliver services that people count on, working to optimize the value provided to British Columbians by sharing its extensive property information. This requires continued investment in the accuracy of BC Assessment’s 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 the province. BC Assessment is supporting the expanded use of its property data by enhancing access channels, product options and service delivery, and by encouraging other organizations to use the data for their own purposes. BC Assessment is working to define value-added products for customer clarity. While most data is provided free-of-charge, there are also limited circumstances in which commercial users pay for data. The revenue from data licensing is reinvested in the assessment business, and helps to keep the 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 enhance our products and services.
- Safeguard non-tax levy revenue sources and increase access to our data.

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

Performance Measure	2014 Actual	2015 Actual	2016 Actual	2017 Target	2017 Actual	2018 Target	2019 Target
Property Owners	72	73	Process change	≥ 73	65	≥ 73	≥ 73
Taxing Authorities	70	Biennial survey	73	Biennial survey	Biennial survey	≥ 73	Biennial survey

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

Discussion

Customer satisfaction with BC Assessment products and services is measured by the same survey used to evaluate employee interaction (Performance Measure 6).

For the property owner customer group, BC Assessment achieved a result of 65, which is below the target of 73. Despite being below the target, there have been improvements in scores related to BC Assessment being able to provide innovative products and services, being proactive in finding ways for customers to get the information they need, and collaborating with customers to create products and services that stay up-to-date in meeting their needs. The property owners' perception that assessment data is up to date and accurate has been a challenge. BC Assessment continues to enhance the market information available on its website in order to improve property owners' perception of its data and assessed values.

For the taxing authority customer group, comprised of local government and First Nations customers, there was no survey for 2017. However, BC Assessment continued to engage with this customer group based on the findings from the 2016 survey. BC Assessment has engaged taxing authorities to review its products and services, identify training needs, and provide input to development of new products and services. For example, taxing authorities were surveyed regarding their usage of and training needs for the Assessment LinkBC data application. Taxing authorities have also been engaged to review the design and content of the electronic version of the assessment roll, and to determine their requirements for development of a taxing authority customer portal for delivery of assessment roll products and services.

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

Financial Report

Discussion of Results

The Financial Report Summary Table provides the summary of the actual financial results for the 2014 to 2017 fiscal years, along with the 2017 budget.

Highlights

BC Assessment ended the 2017 year with a surplus of \$4.7 million, compared to \$1.9 million in 2016, and a budgeted surplus of \$1.8 million. During 2017, BC Assessment maximized the 2017 year-end surplus to ensure that sufficient equity reserves have been accumulated to fund investments in technology, including replacement of the core mass appraisal system in 2019, consistent with Treasury Board approval. This was achieved through the deferral of operating expenses. The 2017 surplus has been earmarked specifically to fund the technology investments.

Financial Resource Summary Table

\$000s	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2017 Actual	2017 Variance
Operating Revenue						
Tax levies	83,777	85,500	87,429	89,572	89,454	(118)
Other	5,801	5,957	5,989	6,214	7,775	1,561
Total Revenue	89,578	91,457	93,418	95,786	97,229	1,443
Operating Expenses						
Employee expenses	58,004	60,057	62,309	63,328	63,218	(110)
Other operating expenditures	24,776	27,161	25,768	27,316	26,105	(1,211)
Amortization	3,530	3,357	3,450	3,354	3,236	(118)
Total Expenses	86,310	90,575	91,527	93,998	92,559	(1,439)
Net Income from Operations	3,268	882	1,891	1,788	4,670	2,882
Capital Expenditures	3,831	2,086	8,002	13,469	7,584	(5,885)
Total Liabilities	17,232	15,366	20,483	18,305	17,539	(766)
Accumulated Surplus/ Retained Earnings	34,111	34,993	36,884	38,672	41,554	2,882

Variance and Trend Analysis

Total revenues for the year were \$97.2 million, an increase of \$3.8 million (4.1 per cent) from 2016. The increase was a result of \$2.0 million in revenue from new construction in the province and a one-time recognition of \$1.3 million received upon conclusion of the Parcel Map BC Grant Program, and \$500 thousand higher other revenues.

Total operating expenses were \$92.6 million in 2017, an increase of \$1.0 million (1.1 per cent) over 2016 and lower than budget by \$1.4 million (1.5 per cent).

Approximately 68 per cent of BC Assessment's operating expenses consist of employee related costs such as salaries, benefits, and staff training and development. Employee expenses were \$63.2 million in 2017, \$900 thousand (1.5 per cent) higher than 2016 due to negotiated employee wage and benefit rate increases. The 2017 costs were \$100 thousand (0.2 per cent) lower than the budget of \$63.3 million.

The remaining 32 per cent of total operating expenses relate to other costs such as information and communications technology, office premises, corporate and office, assessment appeal, assessment notice printing and postage, travel, and amortization expenses. These operating expenses (excluding amortization) were \$26.1 million in 2017, \$300 thousand (1.3 per cent) higher than 2016 and \$1.2 million (4.4 per cent) lower than the budget of \$27.3 million, due to targeted expense deferrals.

Amortization expense was \$3.2 million in 2017, \$200 thousand (6.2 per cent) lower than 2016 because of a lower net book value of assets available for amortization in 2017 compared to 2016, and \$100 thousand (3.5 per cent) lower than budget.

The investment of \$7.6 million in 2017 for capital asset additions were \$400 thousand lower than the investment made in 2016 and \$5.9 million lower than budget because of the deferral in software development to 2018 and 2019.

Risks and Uncertainties

In 2017, BC Assessment considered and managed a number of factors that affected its financial and employee resource utilization:

- 2017 saw a continuation of an active real estate market in the province. Operational risks associated with strong market activity were managed by allocating sufficient employee capacity to BC Assessment's core business function, undertaking proactive public communications about market movement, and closely monitoring inquiry and appeals activity.
- There was a 57 per cent increase in number of appeals filed with Property Assessment Appeal Board (PAAB), the majority of which were related to commercial and industrial properties. The significant shift in numbers of appeals from residential to other property classes created a higher level uncertainty regarding BC Assessment's ability to predict and forecast the potential property valuation adjustments and costs to administer the appeal process.

Revenue risks were managed through ongoing monitoring of new construction and any potential impacts to net revenue generated through the licensing of data with public and private sector entities, which reduces the cost of assessment services to taxpayers.

Significant IT Projects

Significant IT Project (over \$20 million)	Targeted Completion Date (Year)	Project Cost to December 31, 2017 (\$ millions)	Estimated Cost to Complete (\$ millions)	Approved Anticipated Total Capital Cost of Project (\$ millions) ¹
nextGen valueBC: Implement a replacement solution for BC Assessment's aging core assessment business system.	2019	8.1	19.6	27.7
<p>Objectives:</p> <ul style="list-style-type: none"> • Replace the existing system prior to the loss of vendor support in 2020. • Reduce the overall labour necessary to produce the assessment roll through automation. • Implement a modern application that can be integrated with other existing and planned systems, and that can be extended to introduce new functionality as needed. <p>Benefits:</p> <ul style="list-style-type: none"> • Will allow obsolete legacy systems to be retired, reducing the overall set of systems to be supported and maintained. • Using off-the-shelf software provides a built-in path for ongoing system enhancements and upgrades. <p>Risks:</p> <ul style="list-style-type: none"> • Potential for the solution to have more gaps to requirements than expected, resulting in more work, increasing costs and potentially impacting on-time delivery. • Potential to underestimate the effort required to complete the work on time, resulting in project delays. <p>Work Completed in 2017 and Planned for 2018 to 2019:</p> <ul style="list-style-type: none"> • 2017: Major build phase, including data conversion, interfaces and reports • 2018: Completion of the build phase, final data conversion and testing • 2019: Completion of testing, training and implementation 				

¹ Total project costs consist of third party capital costs of \$25 million and capitalized internal salary costs of \$2.7 million for a total capital cost of \$27.7 million.

Audited Financial Statements

Financial Statements

**BRITISH COLUMBIA
ASSESSMENT AUTHORITY**

Year ended December 31, 2017



BC ASSESSMENT

Management's Responsibility for the Financial Statements

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

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

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

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

Andy Hoggarth
Vice President and Executive Financial Officer

Jason Grant
President and Chief Executive Officer



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Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of British Columbia Assessment Authority, and
To the Minister of Municipal Affairs and Housing, 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, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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, 2017, 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
April 17, 2018

BRITISH COLUMBIA ASSESSMENT AUTHORITY


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

As at December 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents (note 3)	\$ 33,236	\$ 37,969
Accounts receivable	3,680	2,449
Due from provincial government (note 10)	416	67
	37,332	40,485
Liabilities		
Accounts payable and accrued liabilities	5,436	8,304
Due to provincial government (note 10)	1,226	1,139
Employee benefits and other liabilities (note 4)	7,997	7,850
Lease inducements	2,622	3,190
Capital lease obligations	258	-
	17,539	20,483
Net financial assets	19,793	20,002
Non-financial assets		
Tangible capital assets (note 5)	19,923	15,575
Prepaid assets	1,838	1,307
	21,761	16,882
Accumulated surplus (note 6)	\$ 41,554	\$ 36,884

Commitments (note 7)

Approved on behalf of the Board:



Director



Director

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

BRITISH COLUMBIA ASSESSMENT AUTHORITYStatement of Operations and Accumulated Surplus
(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

	Budget (note 9)	2017	2016
Revenues			
Tax levies	\$ 89,572	\$ 89,454	\$ 87,429
Data access services	4,069	4,200	3,751
Payments in lieu of taxes	890	922	841
First Nations	655	667	654
Investment income	250	340	252
Other	350	1,636	450
Gain on disposal of tangible capital assets	-	10	41
Total revenues	95,786	97,229	93,418
Expenses			
Employee expenses	63,328	63,218	62,309
Information technology	10,053	9,737	9,579
Office premises	6,346	6,278	6,242
Corporate and office	3,426	2,538	3,029
Amortization	3,354	3,236	3,450
Appeal costs	3,435	3,682	3,101
Travel	1,879	1,612	1,691
Assessment notice printing and postage	2,177	2,258	2,126
Total expenses	93,998	92,559	91,527
Annual surplus	1,788	4,670	1,891
Accumulated surplus, beginning of year	36,884	36,884	34,993
Accumulated surplus, end of year (note 6)	\$ 38,672	\$ 41,554	\$ 36,884

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, 2017

	Budget (note 9)	2017	2016
Annual surplus	\$ 1,788	\$ 4,670	\$ 1,891
Acquisition of tangible capital assets	(13,469)	(7,306)	(8,002)
Acquisition of tangible capital assets through capital lease	-	(278)	-
Amortization of tangible capital assets	3,354	3,236	3,450
Write-down of tangible capital assets	-	-	154
Gain on sale of tangible capital assets	-	(10)	(41)
Proceeds on sale of tangible capital assets	-	10	41
Change in tangible capital assets	(10,115)	(4,348)	(4,398)
Change in prepaid expenses	-	(531)	(27)
Change in net financial assets (debt)	(8,327)	(209)	(2,534)
Net financial assets, beginning of year	20,002	20,002	22,536
Net financial assets, end of year	\$ 11,675	\$ 19,793	\$ 20,002

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, 2017

	2017	2016
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 4,670	\$ 1,891
Items not involving cash		
Amortization of tangible capital assets	3,236	3,450
Write down on tangible capital assets	-	154
Change in lease inducements	(568)	(363)
Gain on disposal of tangible capital assets	(10)	(41)
Change in employee benefits and other liabilities	146	773
Change in non-cash assets and liabilities		
Accounts receivable	(1,231)	(170)
Due from provincial government	(349)	24
Accounts payable and accrued liabilities	(2,867)	3,954
Due to provincial government	87	1,009
Prepaid expenses	(531)	(27)
Net change in cash from operating activities	2,583	10,654
Capital activities		
Proceeds on sale of tangible capital assets	10	41
Acquisition of tangible capital assets	(7,306)	(8,002)
Net change in cash from capital activities	(7,296)	(7,961)
Financing activities		
Principal payments on capital lease obligations	(20)	(256)
Net change in cash from financing activities	(20)	(256)
Net change in cash and cash equivalents	(4,733)	2,437
Cash and cash equivalents, beginning of year	37,969	35,532
Cash and cash equivalents, end of year	\$ 33,236	\$ 37,969

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, 2017

1. Nature of Organization

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

2. Significant Accounting Policies

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

(a) Basis of accounting

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

(b) Financial instruments

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

(c) Revenues

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

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

2. Significant Accounting Policies (continued)

(c) Revenues (continued)

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.

(f) Employee future benefits

(i) The Authority and its employees make contributions to the Public Service Pension Plan. This plan is a multi-employer defined benefit plan providing a pension at retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. These contributions are expensed as incurred.

(ii) Retirement and other future benefits are also available to the Authority's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long-term inflation rates and discount rates. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

(g) Non-financial assets

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

2. Significant Accounting Policies (continued)

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, 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

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 writedown 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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2017

3. Cash and cash equivalents

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

	2017	2016
Cash	\$ 2,400	\$ 1,987
Cash equivalents	30,836	35,982
Total	\$ 33,236	\$ 37,969

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:

	2017	2016
Post retirement benefits	\$ 3,831	\$ 3,745
Other liabilities	4,166	4,105
Total	\$ 7,997	\$ 7,850

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

4. Employee benefits and other liabilities (continued)

(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, 2017, by our newly awarded proponent Eckler, using management's estimates of salary escalation and expected retirement ages. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

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

Accrued benefit obligation	2017	2016
Balance, beginning of the year	\$ 3,745	\$ 3,627
Current benefit cost	306	291
Interest	115	118
Benefits paid	(360)	(316)
Amortization of loss	25	25
Balance, end of year	\$ 3,831	\$ 3,745

Actuarial benefit obligation	2017	2016
Accrued benefit obligation	\$ 3,831	\$ 3,745
Unamortized actuarial loss	521	242
Balance, end of year	\$ 4,352	\$ 3,987

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

	2017	2016
Discount rate	3.17%	2.78%
Expected future inflation rate	2.00%	1.50%
Expected productivity and seniority increases	0.50% to 4.20%	1.10% to 3.65%

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

4. Employee benefits and other liabilities (continued)

(a) Post retirement benefits (continued)

Over time, changes in assumptions and actuarial experience compared to expected results will cause actuarial gains and losses in future valuations. Changes in demographic profile of the group in 2017 resulted in a loss of \$278 thousand. Changes in demographic assumptions in 2017 resulted in a loss of \$118 thousand. Actual benefit payments in 2017 differing from expected resulted in a loss of \$58 thousand. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2017 resulted in a gain of \$149 thousand. Overall, this created a net actuarial loss at December 31, 2017 of \$305 thousand.

The unamortized actuarial loss on future payments is amortized over the estimated average service lives of the employees, which is 11 years (2016 - 12 years).

(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, 2017 the plan has about 59,000 active members and approximately 46,000 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 longterm rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. The rate is then adjusted to the extent there is amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2017 indicated a funding surplus of \$1,896 million for basic pension benefits on a going concern basis.

The Authority paid \$4.7 million for employer contributions to the plan in fiscal 2017 (2016 - 4.5 million).

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITYNotes to Financial Statements
(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

5. Tangible capital assets**(a) Changes to tangible capital asset categories during the year**

Cost	2016	Additions	Disposals & transfers	2017
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,787	-	-	2,787
Furniture	5,495	228	(52)	5,671
Computer equipment	3,939	2,003	-	5,942
Motor vehicles	1,675	-	(45)	1,630
Leasehold improvements	7,246	-	-	7,246
Leased equipment	1,183	283	(1,183)	283
Property assessment software	14,698	-	-	14,698
Enterprise and productivity software	4,218	60	1,390	5,668
Software under development	6,297	5,010	(1,390)	9,917
Total	\$ 47,892	\$ 7,584	\$ (1,280)	\$ 54,196

Accumulated amortization	2016	Disposals	Amortization expense	2017
Buildings	\$ 2,379	\$ -	\$ 135	\$ 2,514
Furniture	3,746	(52)	524	4,218
Computer equipment	3,194	-	804	3,998
Motor vehicles	1,496	(45)	56	1,507
Leasehold improvements	3,630	-	638	4,268
Leased equipment	1,183	(1,183)	19	19
Property assessment software	13,778	-	613	14,391
Enterprise and productivity software	2,911	-	447	3,358
Total	\$ 32,317	\$ (1,280)	\$ 3,236	\$ 34,273

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2017

5. Tangible capital assets (continued)

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

Net book value	2016	2017
Land	\$ 354	\$ 354
Buildings	408	273
Furniture and equipment	1,749	1,453
Computer equipment	745	1,944
Motor vehicles	179	123
Leasehold improvements	3,616	2,978
Leased equipment	-	264
Property assessment software	920	307
Enterprise and productivity software	1,307	2,310
Software under development	6,297	9,917
Total	\$ 15,575	\$ 19,923

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
(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

6. Accumulated surplus

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 19,665	\$ 15,575
Unappropriated	-	4,021
Total surplus	19,665	19,596
Reserves		
Future tangible capital asset acquisitions	18,889	14,288
Operating	3,000	3,000
Total reserves	21,889	17,288
Accumulated surplus, end of year	\$ 41,554	\$ 36,884

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 \$4.7 million in 2017 and \$1.9 million in 2016 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
(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

7. Commitments

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

Year(s)	Payment
2018	\$ 18,147
2019	15,935
2020	9,229
2021	8,107
2022 - 2030	15,853
Total	\$ 67,271

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 \$2.9 million in 2017 (2016 - \$2.3 million).

9. Budget data

The 2017 budget figures have been provided for comparison purposes and are aligned with the 2017-2020 Service Plan published September 2017.

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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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

Year ended December 31, 2017

10. Related party transactions (continued)

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

	2017	2016
Revenue		
Other revenue	\$ 3,043	\$ 3,115
Expenses		
Appeal costs	2,930	2,323
Information technology	1,601	1,516
Employee expenses	1,221	1,086
Office premises	587	621
Assessment notice printing and postage	113	112
Corporate and office	163	38
Travel	61	58
Assets (liabilities) at December 31 with related parties:		
Motor vehicles	(2)	309
Accounts receivable	416	67
Accounts payable and accrued liabilities	\$ (1,226)	\$ (1,139)

The Authority contracts the disposal of surplus assets to the Province of British Columbia. Sale proceeds net of disposal costs were \$13 thousand in 2017 (2016 - \$41 thousand).

11. 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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2017

11. Financial risk management (continued)

(b) Credit risk

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

(c) Market risk

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

(d) Currency risk

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

12. Comparative information

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

Appendix A – Additional Information

Corporate Governance

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

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

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

Organizational Overview

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

Contact Information

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