



BC ASSESSMENT

2018
ANNUAL SERVICE PLAN REPORT

May 2019



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Board Chair's Accountability Statement



The BC Assessment *2018 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018–2020 Service Plan* created in February 2018. I am accountable for those results as reported.

A handwritten signature in black ink that reads "SBishop".

Sylvia Bishop
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 of Municipal Affairs and Housing 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 [2018 Mandate Letter](#). All members of BC Assessment's Board of Directors are provided with an orientation package and take part in Board and Committee orientation sessions. The Board of Directors approves an annual education plan and Directors are provided with opportunities to participate in external professional development courses.

BC Assessment is aligned with government's key priorities and dedicated to maintaining our relationships and service delivery with the Province, local governments, First Nations and property owner customer groups.

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.



Sylvia Bishop
Chair, Board of Directors



Jason Grant
President and Chief Executive Officer

Purpose of the Annual Service Plan Report

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

Purpose of the Organization

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

In 2018, \$8.2 billion in property tax revenue was generated. This funding allows local governments to sustain the community services, transportation and utility infrastructure, schools, police and fire services, parks, recreational and cultural services that provide broad public benefits to British Columbians.

Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's [Mandate Letter](#) from the Minister Responsible in 2018 shaped the [2018 Service Plan](#) and the results reported in this ASPR.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018 BC Assessment Service Plan:

Government Priorities	BC Assessment Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> Ensuring our customers trust us and see us as essential to satisfying their property assessment information needs (Goal 3)
A strong, sustainable economy	<ul style="list-style-type: none"> Ensuring our work delivers an accurate assessment roll with current property information in a financially responsible manner (Goal 1)

Operating Environment

In 2018, BC Assessment managed a number of factors that may have influenced results:

- 2018 saw slightly lower sales volumes in the real estate market in the province, with varied impacts across regions. BC Assessment has continued to engage its Market Activity Response Initiative team to monitor and communicate market movement impacts for the 2019 Assessment Roll.
- Damage to B.C. properties from 2018 wildfires, floods and storms led BC Assessment to invest effort in identifying impacted properties, reaching out to property owners, capturing changes and determining property values in preparation of the 2019 Assessment Roll.
- Both the number and complexity of assessment appeals increased again in 2018, notably for commercial properties. BC Assessment responded by managing employee capacity for appeals work and identifying anticipated pressures when developing operational plans for 2019.
- Work on the nextGen valueBC program to replace BC Assessment's aging computer assisted mass appraisal (CAMA) system continued in 2018; implementation in 2020 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 2018 to align priorities and to support legislative amendments, including working to assist taxing jurisdictions with administration of the new speculation and school taxes.
- BC Assessment received formal approval for a one-year levy rate increase of 1.9% in March 2018. This lift in revenue allowed for continued implementation of major initiatives. Timing of approval and lead time required for recruitment meant that these additional funds could not be fully applied to supporting BC Assessment's human resource capacity within the fiscal year ended December 31, 2018.

Report on Performance

The [2018–2020 Service Plan](#) and [2018 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, Objectives, 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 in assessment processes and services will enable BC Assessment to contribute to a stable tax base and continue to provide affordable assessment solutions. As an assessment organization, accurate information about properties is critical to the delivery of fair and uniform assessments. We therefore invest 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.

Objective 1.1: Produce accurate and uniform assessment rolls

Key Highlights:

- Invested in assessment quality management initiatives to increase the accuracy and advance the fairness of the annual assessment roll.
- Continued work to configure and implement a modern core mass appraisal system to optimize the delivery of assessment services.
- Invested in data management governance, processes and systems to optimize data accuracy and enable the integrated use of property, financial and operational data.

Performance Measures ¹	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
1.1a Assessment to sales ratio						
- Residential	98.1%	98.0%	97–100%	98.2%	97–100%	97–100%
- Non-residential	95.8%	96.1%	95–100%	96.2%	95–100%	95–100%
1.1b Coefficient of dispersion						
- Urban	7.1%	6.5%	5.0–10.0%	6.4%	5.0–10.0%	5.0–10.0%
- Rural	9.0%	9.1%	5.0–15.0%	8.4%	5.0–15.0%	5.0–15.0%
1.1c Assessment roll stability – change in taxes collected	0.06%	0.17%	≤ 0.22%	0.18%	≤ 0.22%	≤ 0.22%

Data Source: Internal property information database.

¹The 2018 actuals are based on the 2019 Revised Roll and may differ slightly from the 2019 Completed Roll results released in the *2019–2021 Service Plan*.

Discussion (Assessment to Sales Ratio):

The median Assessment to Sales Ratio (ASR) is a common roll quality measure used by the International Association of Assessing Officers (IAAO). The median ASR 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 median ASR in accordance with standards set by 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, 2018 to September 30, 2018). 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 2019 Revised Roll and are generated by the performance management information system.

For the 2019 Assessment Roll, completed by December 31, 2018 and revised through Property Assessment Review Panels (PARP) in early 2019, BC Assessment's residential ASR result is 98.2 per cent, which is within the target range and indicates accuracy in reflecting market value in property assessments. The non-residential ASR result is 96.2 per cent, which is also within the target range and indicates accuracy in reflecting market value in property assessments.

Discussion (Coefficient of Dispersion):

The Coefficient of Dispersion (COD) provides an indication of the quality of assessments by calculating the dispersion, or spread, of all the ASRs around the median ASR. When all else is equal, less dispersion indicates 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.

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. 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, 2018 to September 30, 2018).

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 2019 Revised Roll and generated by the performance management information system.

For the 2019 Assessment Roll, completed by December 31, 2018 and revised through the PARP process in early 2019, BC Assessment's urban residential COD is 6.4% per cent, and rural COD result is 8.4 per cent. The results achieved fall well within the target ranges.

Discussion (Roll Stability):

Assessment roll stability is important for local governments. It is critical for managing their budgets, particularly as the cost of borrowing is directly 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. Minimal changes indicate a stable, dependable assessment roll. This performance measure is accepted by the taxing jurisdictions as a good measure of the stability and dependability of the assessment roll.

In any given year, property status can change, and new properties are created while others are deleted. Information about these changes may be received by BC Assessment after the completion of the assessment roll. In addition, there are Supplementary Rolls throughout the year that reflect changes made after the annual assessment roll has been revised by [Property Assessment Review Panels](#) due to inaccurate information or other specific adjustments. Finally, there are decisions rendered on appealed properties by the [Property Assessment Appeal Board](#). All of these changes affect roll stability and are reflected in this measure. More specifically, the roll stability measure estimates the change in the amount of taxes collected or refunded by taxing jurisdictions based on the change in general taxable value for a period of 20 months after the Revised Roll. For example, the 2018 value measures the 2017 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2017 and December 31, 2018.

BC Assessment met the 2018 target (2017 Assessment Roll) of ≤ 0.22 per cent, with change in taxes collected or refunded amounting to 0.18 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 ASR, COD and assessment roll stability. Work focused on these three performance measures improves assessment roll quality by enhancing transparency of the assessment process and improving data quality.

Objective 1.2: Demonstrate fiscal responsibility

Key Highlights:

- Leveraged a continuous business process and system improvement discipline throughout the company to achieve operational and productivity gains.
- Balanced work to deliver the assessment roll while investing to improve service levels in the future.
- Continued implementing recommendations from the Crown Review conducted by the Ministry of Finance in 2016.

Performance Measure	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
1.2a Average net cost per property for assessment services	\$43.07	\$42.85 ¹	\$44.83 ²	\$42.97	\$46.10	\$46.47

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, 2019 and 2020 have been adjusted for this report. The details are contained in the discussion below.

Discussion:

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

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

The 2018 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, 2019 and 2020 have been calculated to account for the approved 1.9% levy rate increase for the 2018 fiscal year. The new

targets also reflect a more recent figure for number of taxable properties, as contained on the 2019 Revised Roll, as the baseline for folio growth estimates. In 2020, 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.

BC Assessment met the cost per property target for 2018, coming in below the target of \$44.83 with an average actual cost per property of \$42.97. Details on financial performance for 2018 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

BC Assessment strives to provide a workplace of choice for its employees, and leverages innovation and technology along with investment in employee development to create a supportive, diverse and flexible work environment where people can contribute to the success of our province and find a rewarding career.

Objective 2.1: Increase engagement of our people

Key Highlights:

- Continued to build and promote a great place to work and grow a career, with flexible work options.
- Enabled a culture where everyone owns our values and is committed to our strategic direction.
- Invested in the professional development of highly skilled people.

Performance Measure	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
2.1a Level of employee engagement	Biennial survey	69	Biennial survey	Biennial survey	71	Biennial survey

Data Source: BC Assessment has a contract with BC Stats 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 target is an average score (not a percentage) that

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

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

The engagement survey completed in 2017 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. In addition, BC Assessment supplemented the findings from the 2017 engagement survey with more current information through an abbreviated “pulse check” survey in 2018. The pulse check allowed the 10 participating work units (377 employees) to check the impact of their engagement action plans and to make adjustments prior to the planned 2019 engagement survey. The overall engagement score remained the same for the participating work units. A 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 the Province, local governments, First Nations and property owner customer groups while operating within our assessment mandate and financial capacity. This requires an understanding of our customer groups and continuous improvement of our supporting processes, products and services. We strive to improve access to and exchange of property information to support our assessment business and provide greater value to our customers.

Objective 3.1: Our customers receive high quality service

Key Highlights:

- Improved insights into all customer segments, to provide relevant assessment products and services.
- Enhanced digital capabilities to interact with customers and exchange property data and information.
- Collaborated to develop the [*Excellence in Local Government: Organizations Supporting Vibrant Communities in British Columbia*](#) resource book.

Performance Measures	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
3.1 Customer Satisfaction Index – Employee Interaction						
- Property Owners	Process change ¹	82	≥ 86	79	73 to 85 ²	73 to 85 ²
- Taxing Authorities	89	Biennial survey	≥ 86	90	Biennial survey	≥ 86

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

¹ BC Assessment changed the report date for property owner survey results in 2016 to better align with its business cycle and to improve performance inputs and analysis. This means that the results of the first quarter 2017 survey are reported against the 2017 target rather than a 2016 target, but there is no interruption to the customer survey process.

² The targets for 2019 and 2020 were decreased in the *2019–2021 Service Plan*.

Discussion:

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

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

The index for property owners represents the combined results for both residential and non-residential property owners. Similarly, BC Assessment combines the results for taxing authorities, which consist of local government and 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. 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 79 for the property owners customer group, which was below the target of 86. Consistently very high scores in the areas of being knowledgeable, pleasant, courteous, and promptly acknowledging inquiries were offset by opportunities for improvement in the timely

resolution of inquiries and provision of information needed by customers. BC Assessment continues to analyze the survey results, both to improve survey methodology and to enhance the questions to gain better insight on its customers.

BC Assessment continued to engage with the taxing authority customer group, which is comprised of local government and First Nations customers. In preparation for the 2018 survey, and based on customer feedback, the survey content and engagement process was reviewed and updated, resulting in a shorter survey and intensified customer engagement activities. These changes combined to increase overall survey participation by 154 per cent and reduce the margin of error by 56 per cent; consequently, the 2018 survey provided a more representative and reliable customer intelligence. BC Assessment achieved a result of 90, which is above the target of 86.

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.

Objective 3.2: High acceptance of property assessments

Key Highlights:

- Worked to enhance customer understanding of the provincial property assessment system.
- Improved customer communications to address market activity trends and value change impacts.
- Facilitated customer validation of accuracy and uniformity through improved transparency and access to assessment data.

Performance Measure	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
3.2 Percentage of assessments accepted without appeal	98.6%	98.7%	≥ 98.0%	98.4%	≥ 98.0%	≥ 98.0%

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 1st and March 15th each year. The

number of complaints (appeals) to PARP gives a useful measure of public acceptance of the assessments.

For the 2019 Assessment Roll, produced during the 2018 calendar year, 32,180 folios were appealed to a PARP, compared to 25,760 related to the 2018 Assessment Roll. This represents a 98.4% 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 2019 Assessment Roll.

Property owners are encouraged to contact BC Assessment following the receipt of their assessment notices in January of each year if they have concerns or questions. For unresolved issues, customers can register a complaint with BC Assessment by January 31st and request a formal hearing by an independent review panel. A Notice of Hearing is then issued and a meeting with the PARP scheduled for the property owner. Following the hearing, and prior to April 7th each year, BC Assessment is required to send a Notice of Decision to the property owner, indicating what the panel's decision was and whether the complaint was successful or unsuccessful. Data quality is maintained through internal controls including a review and audit of the complaint data and comparison with historical trends and current market movement to ensure the data's accuracy. As data quality and accessibility have improved, the number of formal complaints has 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 by working to optimize the value we provide to British Columbians and by sharing our extensive property information. This requires continued investment 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 is supporting the expanded use of our property data by enhancing access channels and service delivery, and by encouraging other organizations to use the data for their own purposes. 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 our assessment business and helps to keep the burden on property taxpayers as low as possible.

Objective 4.1: Our customers receive products and services that meet their property information needs

Key Highlights:

- Evolved a portfolio of high-impact and cost-effective property information products and services.
- Built organizational capability and capacity that enhances our products and services.
- Safeguarded non-tax levy revenue sources and increased access to BC Assessment data.

Performance Measures	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target
4.1 Customer Satisfaction Index – Products and Services						
- Property Owners	Process change ¹	65	≥ 73	65	≥ 73	≥ 73
- Taxing Authorities	73	Biennial survey	≥ 73	83	Biennial survey	≥ 73

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.

¹BC Assessment changed the report date for property owner survey results in 2016 to better align with its business cycle and to improve performance inputs and analysis. This means that the results of the first quarter 2017 survey are reported against the 2017 target rather than a 2016 target, but there is no interruption to the customer survey process.

Discussion:

Customer satisfaction with BC Assessment products and services is measured by the same survey used to evaluate employee interaction (Performance Measure 3.1).

Survey results are analyzed to determine what specific product and service attributes are important to our customers, with a relative weight analysis used to create the Customer Satisfaction Index – Products and Services.

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

For the taxing authority customer group, comprised of local government and First Nations customers, BC Assessment made substantial updates to improve the Products and Services index in 2018. The

index better focuses on the quality of and ease of access to assessment information and the overall technical capabilities of the tools and services BC Assessment provides, resulting in more actionable customer intelligence. A score of 83 was achieved for 2018, which is above the target of 73.

BC Assessment continued to engage with taxing authorities to review products and services, identify training needs, and provide input to development of new products and services. For example, taxing authorities have been engaged to determine and confirm their requirements for the development of a taxing authority customer portal for delivery of assessment roll products and services.

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

Financial Report

The Financial Report Summary Table provides the summary of the actual financial results for the 2014 to 2018 fiscal years, along with the 2018 budget.

Discussion of Results

Highlights

BC Assessment ended the year with a surplus of \$5.6 million, compared to \$4.7 million in 2017, and a budgeted surplus of \$2.0 million. The cost of operations in 2018 amounted to \$94.8 million, an increase of 2.4% over the 2017 costs of \$92.6 million. Capital expenditures were \$9.4 million compared to \$7.6 million in 2017. The 2018 surplus has been earmarked specifically to fund future technology investments and reduce technology risk. It has allowed BC Assessment to complete the funding for the replacement of the core mass appraisal system scheduled in 2020, consistent with Treasury Board approval, and strengthen cash and equity reserve positions.

For the 2018 fiscal year, BC Assessment was provided new funding by way of a 1.9% increase in revenue collected through tax levies. This approval was granted by the Lieutenant Governor in Council in late March 2018 after the *2018-2020 Service Plan* was published. Accordingly, the 2018 budget and any impacted performance measure targets included in this report have been revised to reflect this change.

Resource Summary

\$000s	2017 Actual	2018 Budget	2018 Actual	2018 Variance
Operating Revenue				
Tax levies	89,454	93,006	92,907	(99)
Other	7,775	6,069	7,473	1,404
Total Revenue	97,229	99,075	100,380	1,305
Operating Expenses				
Employee expenses	63,218	65,364	63,616	(1,748)
Other operating expenditures	26,105	28,018	27,720	(298)
Amortization	3,236	3,693	3,483	(210)
Total Expenses	92,559	97,075	94,819	(2,256)
Net Income from Operations	4,670	2,000	5,561	3,561
Capital Expenditures	7,584	15,277	9,375	(5,902)
Total Liabilities	17,539	15,615	18,776	3,161
Accumulated Surplus / Retained Earnings	41,554	43,554	47,115	3,561

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

Note 2: The 2018 budget has been revised to reflect approval of BC Assessment levy rates by the Lieutenant Governor in Council in late March 2018, which occurred after the *2018–2020 Service Plan* was published.

Variance and Trend Analysis

Total revenues for the year were \$100.4 million, an increase of \$3.2 million (3.2%) from 2017 and higher than budget by \$1.3 million (1.3%). The increase over budget was a result of \$1.4 million in additional other revenues from net new data access services contracts entered into in 2018, partially offset by lower than budgeted tax levy revenues.

Total operating expenses were \$94.8 million in 2018, an increase of \$2.3 million (2.4 per cent) over 2017 and lower than budget by \$2.3 million (2.4 per cent).

Approximately 67 per cent of BC Assessment's operating expenses consist of employee related costs such as salaries, benefits, and staff training and development. Employee expenses were \$63.6 million in 2018, \$400 thousand (0.6 per cent) higher than 2017 and \$1.7 million (2.7 per cent) lower than the budget of \$65.4 million. The delayed timing of BC Assessment's levy approval in combination with the lead time required for recruitment and training meant that the additional funds could not be fully applied to obtaining the budgeted employee resource capacity within the 2018 fiscal year. The lower than planned employee resource capacity was managed through deferrals and adjustments to work plans which will put pressure on future years' budgets due to backlog of some planned assessment roll quality projects.

The remaining 33 per cent of total operating expenses relate to other costs such as information and communications technology, office premises, corporate and office, assessment appeal, assessment notice printing and postage, travel, and amortization expenses. These operating expenses (excluding amortization) were \$27.7 million in 2018, \$1.6 million (6.2 per cent) higher than 2017 and marginally lower than the budget of \$28.0 million by \$300 thousand (1.1 per cent).

Amortization expense was \$3.5 million in 2018, \$250 thousand (7.7 per cent) higher than 2017 because of higher net book value of assets available for amortization in 2018 compared to 2017, and \$210 thousand (5.7 per cent) lower than budget.

The investment of \$9.4 million in 2018 for capital asset additions was \$1.8 million higher than the investment made in 2017 and \$5.9 million lower than budget. Some capital expenditures were deferred from 2018 into 2019 and 2020 to align with the revised schedule for assessment system replacement.

Risks and Uncertainties

In 2018, BC Assessment considered and managed a number of factors that affected its financial and employee resource. The 2018 year saw the continuation of an active real estate market in the province; slightly lower overall sales volumes had varied impacts across regions. Operational risks associated with market movement were managed by allocating sufficient employee capacity, undertaking proactive public communications about market movement, and closely monitoring inquiry and appeals activity.

In addition, both the number and complexity of PAAB assessment appeals increased to a record high, increasing by 4% in 2018 over 2017. Appeal growth was most notable for commercial properties. BC Assessment responded by evaluating workload and re-allocating employee capacity and by the end of Q4 2018, 45% of all properties appealed to the PAAB had been resolved.

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

Significant IT Projects

Significant IT Project (over \$20 million)	Targeted Completion Date (Year)	Project Cost to December 31, 2018 (\$ 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.	2020 ²	13.7	14.0	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 2018 and Planned for 2019 to 2020:</p> <ul style="list-style-type: none"> • 2018: Approved Change Order to move the Go Live from Q2/2019 to Q2/2020. • 2018: Completion of Release 4 (of 5 planned releases) of functional and data conversion scope. • 2019: Completion of the final Release 5 build phase, final data conversion and testing. • 2019: Completion of integration testing and commencement of user acceptance testing. • 2020: Completion of user acceptance 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.

² The Go Live date changed due to the complexity of the software enhancements and delays in delivery related to vendor resourcing. Given BC Assessment's business cycle, there is a narrow window for implementation in any given year, hence the decision to move from Q2/2019 to Q2/2020.

Audited Financial Statements

Financial Statements

**BRITISH COLUMBIA
ASSESSMENT AUTHORITY**

Year Ended December 31, 2018



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 & Executive Financial
Officer

Jason Grant
President & Chief Executive Officer



KPMG LLP
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Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
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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

Opinion

We have audited the financial statements of British Columbia Assessment Authority (the Authority), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of British Columbia Assessment Authority as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



British Columbia Assessment Authority
Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada
April 16, 2019

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position

(Tabular amounts in thousands of dollars)

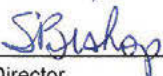
As at December 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents (note 3)	\$ 33,992	\$ 33,236
Accounts receivable	3,287	3,680
Due from provincial government (note 10)	195	416
	37,474	37,332
Liabilities		
Accounts payable and accrued liabilities	6,752	5,436
Due to provincial government (note 10)	702	1,226
Employee future benefits and other liabilities (note 4)	8,673	7,997
Lease inducements	2,443	2,622
Capital lease obligations	206	258
	18,776	17,539
Net financial assets	18,698	19,793
Non-financial assets		
Tangible capital assets (note 5)	25,815	19,923
Prepaid expenses	2,602	1,838
	28,417	21,761
Accumulated surplus (note 6)	\$ 47,115	\$ 41,554

Commitments (note 7)

Contractual rights (note 11)

Approved on behalf of the Board:


Director


Director

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations and Accumulated Surplus

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

	Budget (note 9)	2018	2017
Revenues			
Tax levies	\$ 93,006	\$ 92,907	\$ 89,454
Data access services	4,109	5,316	4,200
Payments in lieu of taxes	950	892	922
First Nations	640	672	667
Investment income	350	532	340
Other	20	35	1,636
Gain on disposal of tangible capital assets	-	26	10
Total revenues	99,075	100,380	97,229
Expenses			
Employee expenses	65,384	63,616	63,218
Information technology	10,534	10,760	9,737
Office premises	6,467	6,178	6,278
Corporate and office	3,005	2,926	2,538
Amortization of tangible capital assets	3,693	3,483	3,236
Appeal costs (note 8)	4,035	3,795	3,682
Travel	1,768	1,782	1,612
Assessment notice printing and postage	2,209	2,279	2,258
Total expenses	97,075	94,819	92,559
Annual surplus	2,000	5,561	4,670
Accumulated surplus, beginning of year	41,554	41,554	36,884
Accumulated surplus, end of year (note 6)	\$ 43,554	\$ 47,115	\$ 41,554

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, 2018

	Budget (note 9)	2018	2017
Annual surplus	\$ 2,000	\$ 5,561	\$ 4,670
Acquisition of tangible capital assets	(15,277)	(9,375)	(7,306)
Acquisition of tangible capital assets through capital lease	-	-	(278)
Amortization of tangible capital assets	3,693	3,483	3,236
Gain on sale of tangible capital assets	-	(26)	(10)
Proceeds on sale of tangible capital assets	-	26	10
Change in tangible capital assets	(11,584)	(5,892)	(4,348)
Change in prepaid expenses	-	(764)	(531)
Change in net financial assets (debt)	(9,584)	(1,095)	(209)
Net financial assets, beginning of year	19,793	19,793	20,002
Net financial assets, end of year	\$ 10,209	\$ 18,698	\$ 19,793

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, 2018

	2018	2017
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 5,561	\$ 4,670
Items not involving cash		
Amortization of tangible capital assets	3,483	3,236
Change in lease inducements	(179)	(568)
Gain on disposal of tangible capital assets	(26)	(10)
Change in employee benefits and other liabilities	676	146
Change in non-cash assets and liabilities		
Accounts receivable	393	(1,231)
Due from provincial government	221	(349)
Accounts payable and accrued liabilities	1,316	(2,867)
Due to provincial government	(524)	87
Prepaid expenses	(764)	(531)
Net change in cash from operating activities	10,157	2,583
Capital activities		
Proceeds on sale of tangible capital assets	26	10
Acquisition of tangible capital assets	(9,375)	(7,306)
Net change in cash from capital activities	(9,349)	(7,296)
Financing activities		
Principal payments on capital lease obligations	(52)	(20)
Net change in cash from financing activities	(52)	(20)
Net change in cash and cash equivalents	756	(4,733)
Cash and cash equivalents, beginning of year	33,236	37,969
Cash and cash equivalents, end of year	\$ 33,992	\$ 33,236

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, 2018

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, 2018

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, 2018

2. Significant Accounting Policies (continued)

(h) Tangible capital assets

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

Asset	Useful life - years
Buildings	40
Property assessment software	10 to 15
Furniture and equipment	5
Motor vehicles	5
Computer equipment	3 to 5
Enterprise, productivity and other software	3 to 5
Leasehold improvements	Equal to the lease term
Leased equipment	Equal to the lease term

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

(i) Leased tangible capital assets

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

(j) Use of estimates

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

2. Significant Accounting Policies (continued)

(k) Newly adopted accounting standards

Effective January 1, 2018 the Authority adopted the following new accounting standards:

(i) PS 2200 Related Party Disclosure

PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.

(ii) PS 3380 Contractual Rights

PS 3380 defines and establishes standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

(iii) PS 3420 Inter-entity Transactions

PS 3420 provides the recognition and measurement requirements for transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.

3. Cash and cash equivalents

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

	2018	2017
Cash	\$ 1,012	\$ 2,400
Cash equivalents	32,980	30,836
Total	\$ 33,992	\$ 33,236

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

4. Employee future benefits and other liabilities

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

	2018	2017
Employee future benefits	\$ 4,098	\$ 3,831
Other liabilities	4,575	4,166
Total	\$ 8,673	\$ 7,997

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

(a) Employee future benefits

Outside of the Public Service Pension Plan, the Authority annually accrues future obligations under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. These retirement benefit plans include a retirement allowance, unearned vacation entitlement, and death benefits. An independent actuarial valuation of the employee future benefits obligation and net periodic benefit cost was calculated at December 31, 2017, by Eckler Ltd. and extrapolated to December 31, 2018, 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 employee future benefits obligation	2018	2017
Balance, beginning of the year	\$ 3,831	\$ 3,745
Current benefit cost	321	306
Interest	142	115
Benefits paid	(250)	(360)
Amortization of loss	54	25
Balance, end of year	\$ 4,098	\$ 3,831

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

4. Employee future benefits and other liabilities (continued)

(a) Employee future benefits (continued)

Actuarial reconciliation at the end of year	2018	2017
Actuarial employee future benefits liability	\$ 4,297	\$ 4,352
Unamortized actuarial loss	(199)	(521)
Employee future benefits	\$ 4,098	\$ 3,831

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

	2018	2017
Discount rate	3.46%	3.17%
Expected future inflation rate	2.00%	2.00%
Expected productivity and seniority increases	0.50% to 4.20%	0.50% to 4.20%

Over time, changes in assumptions and actuarial experience compared to expected results will cause actuarial gains and losses in future valuations. Actual benefit payments in 2018 differing from expected payments resulted in a gain of \$161 thousand. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2018 resulted in a gain of \$107 thousand. Overall, this created a net actuarial gain at December 31, 2018 of \$268 thousand.

The cumulative unamortized actuarial loss on future payments, net of the gain in 2018, is amortized over the estimated average service lives of the employees, which is 11 years (2017 - 11 years).

BRITISH COLUMBIA ASSESSMENT AUTHORITY**Notes to Financial Statements**

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

4. Employee future benefits and other liabilities (continued)**(b) Employee pension benefits**

The Authority and its employees contribute to the Public Service Pension Plan (a jointly trustee pension plan). The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investments of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at March 31, 2018, the plan has about 62,000 active members and approximately 48,000 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, 2017 indicated a funding surplus of \$1,896 million for basic pension benefits on a going concern basis.

The Authority paid \$4.9 million for employer contributions to the plan in fiscal 2018 (2017 - \$4.7 million). In addition, the Authority collected and remitted to the Public Service Pension Plan \$4.0 million in employee contributions (2017 - \$3.9 million).

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

5. Tangible capital assets

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

Cost	2017	Additions	Disposals & transfers	2018
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,787	-	-	2,787
Furniture	5,671	313	(462)	5,522
Computer equipment	5,942	1,099	(605)	6,436
Motor vehicles	1,630	254	(254)	1,630
Leasehold improvements	7,246	133	-	7,379
Leased equipment	283	-	-	283
Property assessment software	14,698	-	-	14,698
Enterprise, productivity and other software*	5,668	240	805	6,713
Software under development	9,917	7,336	(1,174)	16,079
Total	\$ 54,196	\$ 9,375	\$ (1,690)	\$ 61,881

Accumulated amortization	2017	Disposals	Amortization expense	2018
Buildings	\$ 2,514	\$ -	\$ 135	\$ 2,649
Furniture	4,218	(462)	577	4,333
Computer equipment	3,998	(605)	985	4,378
Motor vehicles	1,507	(254)	99	1,352
Leasehold improvements	4,268	-	615	4,883
Leased equipment	19	-	56	75
Property assessment software	14,391	-	307	14,698
Enterprise, productivity and other software	3,358	(369)	709	3,698
Total	\$ 34,273	\$ (1,690)	\$ 3,483	\$ 36,066

*Enterprise, productivity and other software disposals and transfers includes \$1,174 thousand in transfers from software under development into production and \$369 thousand in disposals.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

5. Tangible capital assets (continued)

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

Net book value	2017	2018
Land	\$ 354	\$ 354
Buildings	273	138
Furniture and equipment	1,453	1,189
Computer equipment	1,944	2,058
Motor vehicles	123	278
Leasehold improvements	2,978	2,496
Leased equipment	264	208
Property assessment software	307	-
Enterprise, productivity and other software	2,310	3,015
Software under development	9,917	16,079
Total	\$ 19,923	\$ 25,815

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

(b) Software under development

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

6. Accumulated surplus

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 25,609	\$ 19,665
Reserves		
Future tangible capital asset acquisitions	18,506	18,889
Operating	3,000	3,000
Total reserves	21,506	21,889
Accumulated surplus, end of year	\$ 47,115	\$ 41,554

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. In 2018, \$5.2 million has been applied to the reserve for future tangible capital asset acquisitions in accordance with Board direction.

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

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

7. Commitments

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

Year(s)	Payment
2019	\$ 19,430
2020	15,407
2021	9,513
2022	6,610
2023	4,614
2024 - 2031	4,410
Total	\$ 59,984

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(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

8. Appeal costs

Appeal costs include legal costs incurred by the Authority as well as the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board, both operated independently by the Province of British Columbia. By legislation, the Authority is required to reimburse the Province for the Review Panel and Appeal Board costs which amounted to \$3.0 million in 2018 (2017 - \$2.9 million).

9. Budget data

The 2018 budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board on March 23, 2018.

10. Related party transactions

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

During the year the Authority provides data access services to related parties. The payment and collection terms with related parties are due within 30 days from the invoice date. The total discount provided to related parties is \$1.7 million. This is approximately 1.7% of the Authority's total revenue. These transactions are also included in the table below.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

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(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

10. Related party transactions (continued)

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

	2018	2017
Revenue		
Data access services	\$ 2,617	\$ 3,043
Expenses		
Appeal costs	3,017	2,930
Information technology	1,410	1,601
Employee expenses	672	1,221
Office premises	534	587
Assessment notice printing and postage	104	113
Corporate and office	129	163
Travel	70	61
Assets (liabilities) at December 31 with related parties:		
Motor vehicles	-	(2)
Accounts receivable	195	416
Accounts payable and accrued liabilities	\$ (702)	\$ (1,226)

The Authority contracts the disposal of surplus assets to the Province of British Columbia. Sale proceeds net of disposal costs were \$42 thousand in 2018 (2017 - \$13 thousand).

11. Contractual rights

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

Year(s)	Amount
2019	\$ 1,522
2020	904
2021	725
2022	258
2023	8
Total	\$ 3,417

BRITISH COLUMBIA ASSESSMENT AUTHORITY**Notes to Financial Statements**

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

12. Financial risk management

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

(a) Fair value of financial assets and financial liabilities

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

(b) Credit risk

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

(c) Market risk

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

(d) Currency risk

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

(e) Interest rate risk

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2018

12. Financial risk management (continued)

(f) Liquidity risk

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

Appendix A – Additional Information

Corporate Governance

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

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

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

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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