



BC ASSESSMENT

2020
Annual Service Plan Report

May 2021



For more information on the BC Assessment contact:

400 – 3450 Uptown Boulevard

Victoria, BC, V8Z 0B9

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

Or visit our website at

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

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

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Board Chair's Accountability Statement



The BC Assessment *2020 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020 – 2022 Service Plan* created in February 2020. I am accountable for those results as reported.

S Bishop

Sylvia Bishop
Chair, Board of Directors
May 28, 2021

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Letter from the Board Chair & CEO

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

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

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

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

Sylvia Bishop



Chair, Board of Directors, BC Assessment
May 28, 2021

Jason Grant



President and Chief Executive Officer
May 28, 2021

Purpose of the Annual Service Plan Report

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

Purpose of the Organization

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

Property values on the assessment roll form the basis of distributing property tax, providing the foundation for a stable tax base for taxing authorities. 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 [2020 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the [BC Assessment 2020–2022 Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to BC Assessment goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the [2021/22–2023/24 Service Plan](#).

Operating Environment

In 2020, BC Assessment managed a number of factors that may have influenced results:

- 2020 saw varied impacts across regions and property types in the B.C. real estate market, with enhanced uncertainty due to the COVID-19 pandemic. BC Assessment engaged its Market Activity Response Initiative team earlier than usual in the business cycle, to monitor and communicate market movement impacts for the 2021 Assessment Roll.
- The number of assessment appeals to the [Property Assessment Appeal Board](#) (PAAB) increased slightly in 2020. The volume and complexity of agent appeals, both commercial and residential, continues to demand significant staff resources. Conclusion of appeals was also impacted by the delay to the appeal filing date from April 30, 2020, to June 1, 2020, in response to COVID-19 disruptions.
- The April 2020 closure of BC Assessment offices and front counters for the health and safety of its customers and its employees in response to COVID-19 required an adjustment to new work environments and methods of operating. BC Assessment successfully maintained continuity in delivering services, and found novel ways to work with partners and maintain relationships in a more distributed and digitally-enabled work environment. Offices opened again for limited employee use in accordance with WorkSafe BC guidance in July 2020, but front counters remained closed to the public through the end of the year.
- Work on the nextGen valueBC program to replace BC Assessment's aging computer assisted mass appraisal (CAMA) system continued in 2020. The delay in implementation date to 2021 required re-planning of the interdependent portfolios, and deferred some BC Assessment activities to improve foundational technology components. BC Assessment's new CAMA system will allow enhanced digital capabilities for customer interaction, property data access and information exchange.
- BC Assessment liaised with government, industry, partners and property owners throughout 2020 to align priorities and to support their interests. Highlights include working closely with our Ministry and DataBC to make all routinely accessible assessment and property inventory data available to government ministry staff in the Open Data catalogue, offering to assist the provincial government with enhanced real estate market monitoring or research relating to potential COVID-19 impacts on the real estate industry, providing data to the Cullen Commission, and becoming an Associate Partner and part of the working group with the Counter Illicit Finance Alliance of British Columbia (CIFA-BC).
- BC Assessment's was approved to receive a 3.2% increase in levy rate for 2020. In light of changes in the nextGen valueBC schedule and responding to COVID-19, the 2020 budget was managed to adapt to the new reality while limiting overall adjustments.

Report on Performance: Goals, Objectives, Measures and Targets

The [2020–2022 Service Plan](#) and [2020 Mandate Letter](#) established the public reporting performance expectations for BC Assessment, as determined by the Board of Directors and Provincial Government. These documents formed BC Assessment’s plan of action, clearly setting the conditions that define its success.

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

Objective 1.1: Produce accurate and uniform assessments

Key Highlights

- Continued to invest in improved tools and technologies to support data collection, analysis and process efficiency
- Continued effort to implement and configure a modern core mass appraisal system that will enhance the delivery of assessment services

Performance Measures	2019 Actual ¹	2020 Target	2020 Actual ²	2021 Target	2022 Target
1.1a Assessment to sales ratio					
- Residential	97.8%	97-100%	97.8%	97-100%	97-100%
- Non-residential	96.1%	95-100%	94.4%	95-100%	95-100%
1.1b Coefficient of dispersion					
- Urban	6.2%	5.0-10%	7.4%	5.0-10%	5.0-10%
- Rural	8.1%	5.0-15.0%	12.3%	5.0-15.0%	5.0-15.0%

Data source: Internal property information database.

¹The 2019 Actuals reported on in the *2020–2022 Service Plan* were updated in the later published *2019 Annual Service Plan Report*. The updates were based on calculations utilizing the 2020 Revised Roll.

²The 2020 actuals are based on the 2021 Revised Roll and may differ slightly from the 2021 Completed Roll results released in the *2021/22–2023/24 Service Plan*.

Discussion of Results (Assessment to Sales Ratio)

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

BC Assessment measures the median ASR in accordance with standards set by IAAO. The IAAO has set the median ASR standard between 90 percent and 110 percent. BC Assessment has

set more challenging targets: between 97 percent and 100 percent for the residential assessment roll, and between 95 percent and 100 percent for the non-residential assessment roll. For most of BC Assessment’s residential sales these statistics reflect available single-family residential arm’s-length sales throughout the year that have been time adjusted to July 1. In some residential markets with limited sales, the statistics reflect three years’ of time adjusted, arm’s length sales. 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 2020 ASRs in this annual report are based on the 2021 Revised Roll. Residential measures were generated by a new Key Performance Indicator (KPI) application and the non-residential measures are generated by the legacy Performance Management Information (PMI) system.

For the 2021 Assessment Roll, completed by December 31, 2020 and revised through Property Assessment Review Panels (PARP) in early 2021, BC Assessment’s residential ASR result is 97.8 percent, which is within the target range and indicates accuracy in reflecting market value in property assessments. The non-residential ASR result is 94.4 percent, which is slightly below our target of 95.0 percent but meets the IAAO Standard to indicate accuracy in reflecting market value in property assessments.

Discussion of Results (Coefficient of Dispersion)

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

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 percent for urban regions and under 20 percent for rural regions. BC Assessment has set ongoing targets of under 10 percent and under 15 percent, respectively.

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 same methodology and reporting tools as the ASR in the proceeding section.

For the 2021 Assessment Roll, completed by December 31, 2020 and revised through the PARP process in early 2021, BC Assessment’s urban residential COD is 7.4 percent, and rural COD result is 12.3 percent. The results achieved fall within the target ranges.

Objective 1.2: Deliver reliable and accepted assessment rolls

Key Highlights

- Enhanced efforts to improve public understanding of the provincial property assessment system
- Continued to enhance communication and education that enables property owners to better understand their assessments and related impacts
- Improved customer access to roll information allowing for easier validation of the accuracy and uniformity of assessments

Performance Measures	2019 Actuals	2020 Target	2020 Actual	2021 Target	2022 Target
1.2a Assessment roll stability – changes in taxes collected	0.18%	≤ 0.22%	0.35%	≤ 0.22%	≤ 0.22%
1.2b Percentage of assessments accepted without appeal	98.8% ¹	≥ 98.0%	98.9%	≥ 98.0%	≥ 98.0%

Data source: Internal property information database.

¹The 2020–2022 Service Plan provided a forecast for 2019. This figure is the 2019 Actual and was first published in the 2019 Annual Service Plan Report, released after the aforementioned Service Plan.

Discussion of Results (Roll Stability)

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

In any given year, property status can change, data errors are corrected, and new properties may be developed while others are demolished. 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 PARP due to inaccurate information or other specific adjustments. Finally, there are decisions rendered on appealed properties by PAAB. 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 2020 value measures the 2019 roll stability by estimating the changes in taxes collected as a result of supplementary rolls issued between May 1, 2019, and December 31, 2020.

BC Assessment did not meet the 2020 target (2019 Assessment Roll) of ≤ 0.22 per cent, with change in taxes collected or refunded amounting to 0.35 per cent of general-purpose tax revenues. The result was impacted by PAAB decisions on a small number of high value properties in 2020. The appeal decisions encompassed multiple roll years so the impact was substantial. Regardless, BC Assessment continued to have open communication and transparency with taxing jurisdictions by providing risk to roll updates and having individual conversations regarding high-risk appeals. BC Assessment's efforts to maintain or improve roll quality are directly linked to its activities supporting the performance measures for ASR, COD and assessment roll stability. Work focused on these three performance measures improves assessment roll quality by enhancing transparency of the assessment process and improving data quality.

Discussion of Results (Percentage of Assessments Accepted without Appeal)

This performance measure reflects the public acceptance rate for a completed assessment roll. BC Assessment interprets high acceptance of assessments by residential and non-residential property owner customers as a validation of the quality, accuracy and uniformity of assessments. Property owners who do not agree with the estimate of their property's market value or exemption status, or who believe that their property was improperly classified, can challenge the assessment. The Ministry of Finance is responsible for administering the independent 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 2021 Assessment Roll, produced during the 2020 calendar year, 22,371 folios were appealed to a PARP, compared to 25,545 related to the 2020 Assessment Roll. This represents a 98.9 percent acceptance rate. Proactive communication with property owner groups and taxing jurisdictions, combined with enhanced online tools and service, contributed to the continued low number of appeals on the 2021 Assessment Roll.

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

Property owners may appeal PARP decisions to PAAB, which is independent from the PARP process, the provincial government and BC Assessment. PAAB decisions may be further

appealed to higher courts based only on points of law. For more information on appeal processes and timelines, please visit the Provincial Government’s [Property Assessment Review Panel](#) and [Property Assessment Appeal Board](#) websites.

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

Objective 1.3: Maintain efficient and financially responsible operations

Key Highlights

- Leveraged continuous business process and system improvements throughout the organization to achieve operational and productivity gains
- Balanced work to deliver the assessment roll while responding to the global COVID-19 pandemic

Performance Measures	2019 Actual	2020 Target	2020 Actual	2021/22 Target	2022/23 Target
1.3a Average net cost per property for assessment services	\$45.77 ¹	\$46.30	\$45.39	\$48.30 ²	\$48.50

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

¹ The 2020–2022 Service Plan provided a forecast for 2019. This figure is the 2019 Actual and was first published in the 2019 Annual Service Plan Report, released after the aforementioned Service Plan.

² The targets for 2021 and 2022 have been revised since publication of the 2020–2022 Service Plan and are adjusted periodically based on new information. See also the 2021/22–2023/24 Service Plan for the revised figures.

Discussion of Results

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

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

The 2020 cost per property for assessment services funded from the levy has been calculated by:

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

BC Assessment met the cost per property target for 2020, coming in below the target of \$46.30 with an average actual cost per property of \$45.39.

Cost per property target adjustments are made each year as new information becomes available and forecasts are refined. BC Assessment maintains appropriate internal controls and reports regularly to the Board of Directors and to the Office of the Comptroller General. BC Assessment is subject to an annual external audit of its financial statements, currently performed by the Office of the Auditor General. These controls contribute to financial data quality and reliability.

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

Objective 2.1: Ensure satisfied customers

Key Highlights

- Greater understanding of the needs of all customer segments through new and existing feedback methods and technology allowed for the identification of more relevant assessment products and services
- Implementation of technology to facilitate seamless communications with customers during the pandemic
- Enhanced ability for customers to interact with BC Assessment for property data and information exchange via digital platforms

Performance Measures	2019 Actuals	2020 Target	2020 Actuals	2021 Target	2022 Target
2.1 Customer Satisfaction Index – Employee Interaction					
- Property Owners	79	73 to 85	78	73 to 85	73 to 85
- Taxing Authorities	Biennial Survey	≥ 86	92	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.

Discussion of Results

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

BC Assessment continued to evaluate feedback from key customer groups to verify 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.

Technology that allowed all staff to receive customer phone calls while working from home due to the pandemic was implemented. Additionally, new technology facilitated the review of BC Assessment's telephone agent interactions with customers to better understand the quality of service BC Assessment provides and identify training opportunities for staff.

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

Customer surveys for property owners are conducted in the first quarter each year, when the greatest proportion of interactions occur. BC Assessment achieved a result of 78 for the property owner customer group, which is within the target range of 73-85. The score was one point lower than in 2019 and the index's constituent questions also returned highly similar results. Consistently very high scores in the areas of being knowledgeable, pleasant, courteous and treating customers with respect were noted, as well as opportunities for improvement in the timely resolution of inquiries and provision of information needed by customers. BC Assessment continues to analyze the survey results and other customer feedback and interactions to further improve the results.

BC Assessment achieved a score of 92 for customer satisfaction with employee interaction for taxing authorities, which met the target of greater than or equal to 86. Taxing authority engagement continued, via an extensive virtual outreach program to ensure a fulsome understanding of the fundamentals of property assessment and the relationship to property taxation. Consistent communication on assessment initiatives undertaken were provided to advance the organization's 'no surprises' philosophy. Lastly, BC Assessment worked to ensure that taxing authorities receive the right information at the right time throughout the assessment cycle.

Objective 2.2: Improve access to assessment information

Key Highlights

- Continued to make assessment information easier to access through modern delivery tools and channels
- Organizational structure continues to evolve to better support the development and provision of enhanced products and services
- Non tax levy (data services) revenue services remained stable while access to BC Assessment data was increased as all routinely accessible assessment and property inventory data was made available to government ministry staff in the Open Data catalogue.

Performance Measures	2019 Actuals	2020 Target	2020 Actuals	2021 Target	2022 Target
2.2 Customer Satisfaction Indices					
- Property Owners – Digital Information	65	≥ 65	65	≥ 65	≥ 65
- Taxing Authorities – Information, Services & Tools	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.

Discussion of Results

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

For the property owner customer group, BC Assessment achieved a result of 65, which is on target and unchanged from 2019. Additionally, the survey showed a high degree of consistency between the responses for the two years. There was a high level of agreement that BC Assessment makes it easy to access information and that BC Assessment is up-to-date in its use of digital technology to deliver information. There was also agreement that BC Assessment provides good information about property value market trends, the value of individual properties, and that BC Assessment provides information that helps property owners determine if the assessed value of their property is accurate and fair.

BC Assessment achieved a result of 83 for customer satisfaction with information, services and tools for taxing authorities, which met the target of greater than or equal to 73. Taxing authorities continue to be engaged to review products and services, identify training needs, and provide input to development of products and services. For example, BC Assessment monitored taxing authority requirements for web-based delivery of assessment roll products and services. Additionally, implementation of an encrypted electronic file sharing application enabled continued taxing authority provision of civic information impacting assessments during the pandemic.

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

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

Objective 3.1: Support employee engagement

Key Highlights

- Implement and leverage modern practices and technology to support engagement, collaboration and flexible work options
- Continued to define the future workforce and invest in the career and skill development of our people

Performance Measures	2019 Actuals	2020 Target	2020 Actuals	2021 Target	2022 Target
3.1 Level of Employee Engagement	65	Biennial Survey	Biennial Survey	Previous result +2	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 of Results

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

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

The overall engagement trend since 2008 remains positive, and the engagement survey conducted in 2019 had a score of 65. 2020 brought significant change as the COVID-19 pandemic required a quick transition for the majority of BC Assessment employees from working in the office to working from home. Engagement plans were adapted to include the implementation of an organizational wellness action plan, revised communication strategies and a number of informal employee feedback mechanisms.

Financial Report

For the auditor's report and audited financial statements, see Appendix B.

Discussion of Results

BC Assessment recorded a surplus of \$7.2 million for the fiscal year ended December 31, 2020, compared to a break-even budgeted net income of \$0, and \$344 thousand recorded in 2019. Revenues of \$105.6 million were \$559 thousand (0.5%) higher than budget, and \$3.8 million higher than 2019. Expenses of \$98.4 million were \$6.6 million (6.3%) lower than budget and \$3.0 million (3.0%) lower than 2019.

The deferral of the nextGen system Go-Live from 2020 to 2021 had a significant impact on the 2020 financial results and caused 81% of the operating expense budget variance and \$5.3 million or 74% of the year end surplus. The 2020 annual surplus will be allocated to and held in the capital reserve to support the completion and implementation of nextGen project in 2021.

BC Assessment's capital expenditures totalled \$12.6 million in 2020. Approximately 89.0% or \$11.2 million were related to information technology assets and the remaining 11% were related to other asset purchases mainly for vehicles, furniture and equipment, and leasehold improvements. The accumulated surplus stood at \$54.7 million at December 31, 2020, with \$42.2 million invested in tangible capital assets, \$3.0 million held in the operating reserve, and \$9.4 million held for future tangible capital acquisitions.

Financial Summary

(\$000)	2019 Actual ¹	2020 Budget ²	2020 Actual	2020 Budget Variance (Over)/Under
Revenue				
Tax Levies	94,596	99,230	99,425	(195)
Other	7,199	5,851	6,215	(364)
Total Revenue	101,795	105,081	105,640	(559)
Expenses				
Employee Expenses	68,227	67,321	68,040	(719)
Other Operating Costs	29,734	31,904	27,105	4,799
Capital Asset Amortization	3,490	5,856	3,300	2,556
Total Expenses	101,451	105,081	98,445	6,636
Net Income	344	0	7,195	(7,195)
Total Liabilities	19,929	18,364	22,820	(4,456)
Capital Expenditures	10,814	15,960	12,609	1,438
Accumulated Surplus	47,459	47,459	54,654	(3,760)

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles for public sector organizations, established by the Public Sector Accounting Board of the Chartered Professional Accountants.

¹ BC Assessment restated the 2019 comparative figures in the 2020 Audited Financial Statements due to reclassification of items between accounts; 2019 Actual figures may therefore be slightly different above than as published in the *2019 Annual Service Plan Report*.

² BC Assessment received approval for a levy rate increase in March 2020, which resulted in changes to its 2020 Budget subsequent to publication of the *2020-2022 Service Plan* in February 2020. The table above reflects the more recent and accurate 2020 Budget, based on BC Assessment's approved 2020 rates.

Variance and Trend Analysis

The Financial Report Summary Table shows BC Assessment's actual financial results for the 2019 and 2020 fiscal years, along with the 2020 budget.

Total revenues of \$105.6 million were \$559 thousand (0.5%) higher than budget mainly due to higher than anticipated tax levies and other income.

Tax levies revenue accounts for 94.1% of total gross revenues. The 2020 revenues includes an uplift from a 3.2% increase in tax levy rates along with the growth in the number of new properties and other non-market changes (i.e., improvements made to existing properties). The increase from budget of \$195 thousand takes into account actual 2020 revised roll values, appeal settlements, and adjustments to the long outstanding tax levy payments owing to/from BC Assessment.

All other revenue sources are comprised of payments in lieu of taxes from the Federal and Provincial governments, property assessment services contracts with Indigenous Nations, investment income, other income, and gain on disposal of assets.

Total operating expenses were \$98.4 million in 2020, a decrease of \$3.0 million (3.0%) from 2019 and lower than budget by \$6.6 million (6.6%).

Approximately 69% of BC Assessment's operating expenses consist of employee-related costs such as salaries, benefits, and training and development. Employee expenses were \$68.0 million in 2020, substantially the same as 2019, and \$719 thousand (1.1%) higher than the 2020 budget of \$67.3 million. The over budget variance is mainly due to wage pressures caused by historically low attrition (turnover) rates combined with higher accrued vacation liabilities and pay-outs resulting from fewer vacation days taken by employees in 2020 due to COVID-19 travel restrictions. These cost pressures were partially offset by increased capital labour costs related to nextGen development and the deferral of planned training costs from 2020 to 2021. Savings were also realized from a reduction in educational course attendance and delivery, minimal recruitment activity, and the absence of employee transfers and associated relocation costs due to the COVID-19 pandemic.

Other operating expenses were \$27.1 million in 2020, a decrease of \$2.6 million (8.8%) from 2019, and lower than the budget by \$4.8 million (17.7%). These costs represent 27.5% of total operating expenses and are related to information and communications technology, office premises, corporate and office, assessment appeal, assessment notice printing and postage, and travel. The cancellation of travel for business and training because of the COVID-19 pandemic travel restrictions, the deferral of the nextGen system Go-Live from 2020 to 2021, a reduction in facility costs, and retroactive credits for telecom costs were the main contributors to lower budgeted expenditures in 2020.

The 2020 amortization expense of \$3.3 million was lower than budget by \$2.6 million because of the deferral of nexGen system amortization charges from 2020 to 2021.

Capital expenditures of \$12.6 million were \$3.6 million or 21.0% below budget was caused by the deferral of nextGen system capital expenditures from 2020 to 2021.

Risks and Uncertainties

Key risks and uncertainties affecting BC Assessment’s financial outlook include: ability to increase levy rates to cover uncontrollable cost changes, ability to maintain data access revenues, changes in future PARP and PAAB processes and costs; wage and benefit increases; and changes in interest and inflation rates.

Future revenue risks continue to be managed by working with the Ministry of Finance to explore alternative funding models that would bring more certainty to BC Assessment’s revenue outlook.

Capital Expenditures

Work on the nextGen valueBC program to replace BC Assessment’s aging computer assisted mass appraisal (CAMA) system continued in 2020, including significant effort on portfolio integration for system dependencies, continuity in customer-facing reports, and internal change management.

The nextGen valueBC program was intended to be launched by spring 2020. However, the BC Assessment Board of Directors approved an extension of the original launch from 2020 to 2021. BC Assessment’s Board will review the project status and make a decision of the implementation date in their July 2021 meeting.

Significant IT Projects (over \$20 million in total)	Year of Completion	Project Cost to Dec. 31, 2020 (\$millions)	Estimated Cost to Complete (\$millions)	Anticipated Total Cost (\$millions)
nextGen valueBC	2021	\$25.1	\$2.6	\$27.7
Implement a replacement solution for BC Assessment’s aging core assessment business system.				

Appendix A: Additional Information

Organizational Overview

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

Corporate Governance

BC Assessment is governed by a Board of Directors that is accountable to the Minister Finance 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>.

Appendix B: Auditor's Report and Audited Financial Statements

Financial Statements

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Year ended December 31, 2020



BC ASSESSMENT

Management's Responsibility for the Financial Statements

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

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

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

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

Andy Hoggarth
Vice President and Executive Financial Officer

Jason Grant
President and Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the British Columbia Assessment Authority, and
To the Minister of Finance, Province of British Columbia*

Opinion

I have audited the accompanying financial statements of the *British Columbia Assessment Authority* (“the entity”), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2020, and the results of its operations, change in its net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

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

Other Accompanying Information

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

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

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

Prior to the date of my auditor's report, I obtained the Annual Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

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

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Stuart Newton, CPA, CA
Assistant Auditor General

Victoria, British Columbia, Canada
April 15, 2021

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position

(Tabular amounts in thousands of dollars)

As at December 31, 2020

	2020	2019 <i>(Restated)</i>
Financial assets		
Cash and cash equivalents (note 3)	\$ 28,994	\$ 27,029
Accounts receivable	3,079	3,544
Due from provincial government (note 10)	7	11
	32,080	30,584
Liabilities		
Accounts payable and accrued liabilities	7,953	6,744
Due to provincial government (note 10)	1,072	1,254
Employee future benefits and other liabilities (note 4)	11,250	9,699
Deferred revenue	83	111
Lease inducements	2,366	1,969
Capital lease obligations	96	152
	22,820	19,929
Net financial assets	9,260	10,655
Non-financial assets		
Tangible capital assets (note 5)	42,320	33,011
Prepaid expenses	3,074	3,793
	45,394	36,804
Accumulated surplus (note 6)	\$ 54,654	\$ 47,459

Commitments (note 7)

Contractual rights (note 11)

Approved on behalf of the Board:



Sylvia Bishop, Chair, Board of Directors



Don Krusel, Chair, Audit & Risk Management Committee

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations and Accumulated Surplus

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

	Budget (note 9)	2020	2019
Revenues			
Tax levies	\$ 99,230	\$ 99,425	\$ 94,596
Data access services	3,951	4,074	5,145
Payments in lieu of taxes	930	987	930
Indigenous Nations	675	726	654
Investment income	275	142	463
Other income	20	271	35
Gain/(Loss) on disposal of tangible capital assets	-	15	(28)
Total revenues	105,081	105,640	101,795
Expenses			
Employee expenses	67,321	68,040	68,227
Information technology	14,148	11,362	11,700
Office premises	6,301	5,862	6,119
Corporate and office	2,932	2,713	3,377
Amortization of tangible capital assets	5,856	3,300	3,490
Appeal costs (note 8)	4,407	4,242	4,275
Travel	1,825	498	1,899
Assessment notice printing and postage	2,291	2,428	2,364
Total expenses	105,081	98,445	101,451
Annual surplus	-	7,195	344
Accumulated surplus, beginning of year	47,459	47,459	47,115
Accumulated surplus, end of year (note 6)	\$ 47,459	\$ 54,654	\$ 47,459

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Change in Net Financial Assets

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

	Budget (note 9)	2020	2019 (Restated)
Annual surplus	\$ -	\$ 7,195	\$ 344
Acquisition of tangible capital assets	(15,960)	(12,609)	(10,814)
Amortization of tangible capital assets	5,856	3,300	3,490
(Gain)/Loss on sale of tangible capital assets	-	(15)	28
Proceeds on sale of tangible capital assets	-	15	100
Change in tangible capital assets	(10,104)	(9,309)	(7,196)
Change in prepaid expenses	-	719	(1,051)
Change in net financial assets	(10,104)	(1,395)	(7,903)
Net financial assets, beginning of year	10,655	10,655	18,558
Net financial assets, end of year	\$ 551	\$ 9,260	\$ 10,655

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Cash Flows

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

	2020	2019 <i>(Restated)</i>
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 7,195	\$ 344
Items not involving cash		
Amortization of tangible capital assets	3,300	3,490
Change in lease inducements	397	(474)
(Gain)/Loss on disposal of tangible capital assets	(15)	28
Change in employee benefits and other liabilities	1,551	1,026
Change in non-cash assets and liabilities		
Accounts receivable	465	(265)
Due from provincial government	4	43
Accounts payable and accrued liabilities	1,209	36
Due to provincial government	(182)	552
Deferred revenue	(28)	63
Prepaid expenses	719	(1,051)
Net change in cash from operating activities	14,615	3,792
Capital activities		
Proceeds on sale of tangible capital assets	15	100
Acquisition of tangible capital assets	(12,609)	(10,814)
Net change in cash from capital activities	(12,594)	(10,714)
Financing activities		
Principal payments on capital lease obligations	(56)	(54)
Net change in cash from financing activities	(56)	(54)
Net change in cash and cash equivalents	1,965	(6,976)
Cash and cash equivalents, beginning of year	27,029	34,005
Cash and cash equivalents, end of year	\$ 28,994	\$ 27,029

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, 2020

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

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

2. Significant Accounting Policies (continued)

d) Property leasehold improvement inducements

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

e) Cash and cash equivalents

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

f) Employee future benefits

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

g) Non-financial assets

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

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

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 Class	Useful Life - years
Buildings	40
Furniture and office equipment	5 or lease term
Computer equipment	3 to 5
Motor vehicles	5
Enterprise, productivity and other software	3 to 5 or term of contract
Major enterprise application software	10
Leasehold improvements	Equal to 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 revenue, 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, 2020

3. Cash and cash equivalents

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

	2020	2019
Cash	\$ 1,458	\$ 1,547
Cash equivalents	27,536	25,482
Total	\$ 28,994	\$ 27,029

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:

	2020	2019
Employee future benefits	\$ 4,762	\$ 4,360
Other Liabilities	6,488	5,339
Total	\$ 11,250	\$ 9,699

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, 2020 by Eckler Ltd., using membership data and management's estimates of salary escalation and expected retirement ages. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

4. Employee future benefits and other liabilities (continued)

(a) Employee future benefits (continued)

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

Accrued employee future benefits obligation	2020	2019
Balance, beginning of the year	\$ 4,360	\$ 4,098
Current benefit cost	367	317
Interest	124	154
Benefits paid	(144)	(238)
Amortization of loss	55	29
Balance, end of year	\$ 4,762	\$ 4,360

Actuarial reconciliation at the end of year	2020	2019
Actuarial employee future benefits liability	\$ 5,707	\$ 4,815
Unamortized actuarial loss	(945)	(455)
Employee future benefits	\$ 4,762	\$ 4,360

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

	2020	2019
Discount Rate	1.77%	2.49%
Expected Future Inflation Rate	2.00%	2.00%
Expected productivity and seniority increases	0% to 3.70%	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. Changes in demographic profile of the group in 2020 resulted in a loss of \$685 thousand. Change in financial assumptions in 2020 resulted in a gain of \$226 thousand. Actual benefit payments in 2020 differing from expected payments resulted in a gain of \$245 thousand. Additionally, the change in discount rate reflecting the cost of borrowing as at December 31, 2020 resulted in a loss of \$331 thousand. Overall, this created a net actuarial loss at December 31, 2020 of \$545 thousand.

The cumulative unamortized actuarial loss on future payments, net of the gain in 2020, is amortized over the estimated average service lives of the employees, which is 11 years (2019 - 11 years).

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

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, 2020, the plan has about 66,822 active members and approximately 50,956 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 March 31, 2020 extrapolation based on the actuarial valuation as at March 31, 2017, indicated a funding surplus of \$2,682 million for basic pension benefits on a going concern basis.

The Authority paid \$5.1 million for employer contributions to the plan in fiscal 2020 (2019 - \$5.0 million). In addition, the Authority collected and remitted to the Public Services Pension Plan \$4.4 million in employee contributions (2019 - \$4.0 million).

The next valuation will be as at March 31, 2020, with results available in the Public Service Pension Plan March 31, 2021 financial statements.

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, 2020

5. Tangible capital assets

(a) Changes to tangible capital assets within the year

Cost	2019	Additions	Disposals & transfers	2020
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,897	-	-	2,897
Furniture & office equipment	6,919	420	(201)	7,138
Computer equipment	6,468	405	(1,268)	5,605
Motor vehicles	1,497	102	(103)	1,496
Leasehold improvements	7,380	842	-	8,222
Major enterprise application software *	20,834	-	3,031	23,865
Enterprise, productivity and other software	877	-	-	877
Software under development *	24,652	10,840	(3,031)	32,461
Total	\$ 71,878	\$ 12,609	\$ (1,572)	\$ 82,915

Accumulated Amortization	2019	Disposals	Amortization expense	2020
Buildings	\$ 2,784	\$ -	\$ 9	\$ 2,793
Furniture & office equipment	5,598	(201)	568	5,965
Computer equipment	4,909	(1,268)	1,053	4,694
Motor vehicles	1,072	(103)	139	1,108
Leasehold improvements	5,387	-	505	5,892
Major enterprise application software	18,497	-	893	19,390
Enterprise, productivity and other software	620	-	133	753
Software under development				
Total	\$ 38,867	\$ (1,571)	\$ 3,300	\$ 40,595

* Major enterprise application software disposals and transfers includes \$3 million in transfers from software under development into production.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

5. Tangible capital assets (continued)

(a) Changes to tangible capital assets within the year (continued)

Net book value	2019	2020
Land	\$ 354	\$ 354
Buildings	113	104
Furniture & office equipment	1,321	1,173
Computer equipment	1,559	911
Motor vehicles	425	388
Leasehold improvements	1,993	2,330
Major enterprise application software	2,337	4,475
Enterprise, productivity and other software	257	124
Software under development	24,652	32,461
Total	\$ 33,011	\$ 42,320

(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, 2020

6. Accumulated surplus

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

	2020	2019
Surplus		
Invested in tangible capital assets	\$ 42,224	\$ 32,859
Reserve		
Future tangible capital asset acquisitions	9,430	11,600
Operating	3,000	3,000
Total reserves	12,430	14,600
Accumulated surplus, end of year	\$ 54,654	\$ 47,459

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. In 2020 \$3,062 thousand was applied to the reserve for future tangible capital asset acquisitions. In addition, in 2020 \$5,232 thousand was transferred out of the reserve for future tangible capital asset acquisitions to fund the nextGen program 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 are as follows based on the fiscal year end dates as identified in note 13:

Year(s)	Payment
2021/22	\$ 27,184
2022/23	9,892
2023/24	7,074
2024/25	3,637
2025/26	1,512
2026/27 - 2030/31	1,983
	\$ 51,282

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

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 \$3.9 million in 2020 (2019 - \$3.8 million).

9. Budget data

The 2020 budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board on February 27, 2020.

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 \$3.7 million. This is approximately 3.5% of the Authority's total revenue. The transactions are also included in the table below.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

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:

	2020	2019
		<i>(Restated)</i>
Revenues		
Data access services	\$ 1,400	\$ 1,744
Expenses		
Appeal costs	3,934	3,787
Information technology	809	1,012
Employee expenses	185	760
Office premises	119	119
Assessment notice printing and postage	78	103
Corporate and office	73	157
Travel	81	81
Assets (liabilities) at December 31 with related parties:		
Due from provincial government	7	11
Due to provincial government	\$ (1,072)	\$ (1,254)

The Authority contracts the disposal of surplus assets to the Province of British Columbia. Sale proceeds net of disposal costs were \$18 thousand in 2020 (2019 - \$100 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 at December 31, 2020 are as follows based on the fiscal year end dates as identified in note 13:

Year(s)	Amount
2021/22	\$ 3,008
2022/23	1,588
2023/24	1,041
2024/25	596
2025/26	209
	\$ 6,442

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Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

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.

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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

(Tabular amounts in thousands of dollars)

Year ended December 31, 2020

13. Other significant events

a) COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections worldwide, including British Columbia. The Public Health Officer (PHO) for the Province has implemented measures to contain the virus. The Authority has implemented measures consistent with PHO directives to monitor and prevent the effects of the COVID-19 virus including health and safety measures for our employees such as physical distancing and working from home. In addition to the B.C. COVID-19 Action Plan, the Province took specific measures to provide local governments with the resources to meet their operational costs and required remittances to regional districts, regional hospital districts, TransLink and transit authorities, BC Assessment, the Municipal Finance Authority and other taxing authorities. At this point, the event has had no financial and limited operational impacts on the Authority. The Authority continues to follow PHO advice and directives, while maintaining our operations in the best and safest way possible for our employees.

b) Fiscal year end date change

The Authority has changed its fiscal year-end date from December 31 to March 31 to align with the Province of B.C.'s fiscal year end date. This change was effective immediately after the fiscal year end December 31, 2020. As a result of this change, 2021/22 is a 15 month transitional fiscal period from January 1, 2021 to March 31, 2022; thereafter, future fiscal years will be from April 1 to March 31. Forward looking information contained in these financial statements and accompanying notes have been prepared based on these fiscal year end dates.

14. Comparative information and prior period adjustments

Certain comparative figures have been adjusted to conform to changes in the current presentation. The authority has made retroactive adjustments to the prior year's financial statements as a result of the correction of both prepaid expenses and non-related items being incorrectly recorded as due from provincial government in prior periods. There was no change to either Cash or the Statement of Operations and Accumulated Surplus from retroactive adjustments as shown in the table of restatements below:

	2019		2019	
	Previously reported	Adjustment	Restated	
Due from provincial government	\$ 152	\$ (141)	\$ 11	
Accounts payable	6,901	(157)	6,744	
Deferred revenue	-	111	111 *	
Prepaid expenses	3,698	95	3,793	

* reclassification as previously included in Accounts payable