MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2002

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Deloitte & Touche

Auditors' Report

To the Board of Directors of the
Municipal Property Assessment Corporation

We have audited the statement of financial position of Municipal Property Assessment Corporation as at December 31, 2002 and the statements of operations and changes in fund balance – operating fund, of operations and changes in fund balance – restricted fund and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
February 14, 2003

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Financial Position
As at December 31, 2002

ASSETS		**2002**		**2001** (Note 10)
Current				
Cash and investments	$	**52,977,682**	$	73,380,108
Accounts receivable		**941,353**		1,319,253
Prepaid expenses		**1,512,424**		1,261,619
		55,431,459		75,960,980
Capital assets (Note 4)		**19,466,109**		12,875,549
TOTAL ASSETS	$	**74,897,568**	$	88,836,529
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**16,005,038**	$	15,103,412
Current portion of capital lease (Note 5)		**988,074**		-
Employee future benefits (Note 6)		**7,201,345**		6,911,568
Long-term portion of capital lease (Note 5)		**959,295**		-
Other long-term liabilities		**-**		48,561
Total Liabilities		**25,153,752**		22,063,541
FUND BALANCES				
Restricted Fund				
Invested in Capital Assets (Note 7)		**17,518,740**		12,875,549
Operating Fund				
Reserve for Appeals		**14,923,676**		22,135,371
Reserve for Enumeration		**2,500,000**		5,000,000
Reserve for Restructuring and Technology		**2,140,000**		14,550,500
Reserve for Retirement and Termination Benefits		**9,661,400**		9,211,568
Reserve for Working Funds		**3,000,000**		3,000,000
		32,225,076		53,897,439
Total Fund Balances		**49,743,816**		66,772,988
TOTAL LIABILITIES AND FUND BALANCES	$	**74,897,568**	$	88,836,529

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Operating Fund
Year Ended December 31, 2002

Revenue	2002	2001
Municipal revenue	$ 130,000,000	$ 130,000,000
Interest revenue	1,381,662	2,829,263
Other revenue	3,757,824	4,622,617
Total Revenue	135,139,486	137,451,880
Expenses		
Salaries and wages	81,710,750	86,932,710
Benefits (Note 6)	16,123,906	12,975,531
Data processing services	4,138,384	3,047,018
Office expenses	3,445,840	3,057,715
Professional services	15,669,054	14,562,988
Rentals		
Equipment	1,631,572	1,897,716
Facilities	10,745,346	9,760,266
Software license fees	3,812,255	2,384,406
Telecommunications and postage	5,823,332	3,871,649
Other	3,204,383	2,605,804
Total Expenses	146,304,822	141,095,803
Deficiency of Revenue over Expenses	(11,165,336)	(3,643,923)
Interfund Transfers	(10,507,027)	(5,208,964)
Fund Balance, beginning of year	53,897,439	62,750,326
Fund Balance, end of year	$ 32,225,076	$ 53,897,439

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Restricted Fund
Year Ended December 31, 2002

	2002	2001
	Invested in Capital Assets	Invested in Capital Assets
Expense		
Amortization of capital assets	$ (5,863,836)	$ (4,444,573)
Interfund transfers		
For purchase of capital assets	10,507,027	5,474,142
Disposition of capital assets	-	(265,178)
	10,507,027	5,208,964
Fund Balance, beginning of year	12,875,549	12,111,158
Fund Balance, end of year (Note 7)	$ 17,518,740	$ 12,875,549

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2002

		2002		2001 (Note 10)
Net Outflow of cash related to the following activities				
Operating				
Deficiency of revenue over expenses				
Operating fund	$	(11,165,336)	$	(3,643,923)
Restricted fund		(5,863,836)		(4,444,573)
Amortization of capital assets		5,863,836		4,444,573
		(11,165,336)		(3,643,923)
Changes in non-cash working capital balances				
Decrease (increase) in accounts receivable		377,900		(70,354)
Increase in prepaid expenses		(250,805)		(191,712)
Increase in accounts payable and accrued liabilities		901,626		2,623,333
Increase in employee future benefits		289,777		640,947
(Decrease) increase in other long-term liabilities		(48,561)		48,561
		(9,895,399)		(593,148)
Investing and Financing				
Capital lease obligations		1,947,369		-
Proceeds from disposition of capital assets		-		265,178
Purchase of capital assets		(12,454,396)		(5,474,142)
		(10,507,027)		(5,208,964)
Net Outflow of cash during year		(20,402,426)		(5,802,112)
Cash, beginning of year		73,380,108		79,182,220
Cash, end of year	$	52,977,682	$	73,380,108

1. DESCRIPTION OF BUSINESS

The Municipal Property Assessment Corporation (MPAC), formerly the Ontario Property Assessment Corporation (OPAC), was created, effective January 1, 1998 by the Municipal Property Assessment Act, 1997, and is a special act corporation. The Corporation is responsible for providing property assessment services for municipalities in the Province of Ontario. All municipalities in Ontario are members of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations using the restricted fund method of reporting contributions.

The Operating Fund accounts for the Corporation's program delivery and administrative activities.

The Restricted Fund reports the assets, revenue and expenses related to the Corporation's capital assets.

Capital assets

Office equipment, furniture and fixtures, computer equipment and purchased software, as well as vessels, are recorded at cost. Depreciation is computed using the declining-balance method at the amortization rates disclosed in Note 4. Leasehold improvements are amortized on a straight-line basis over ten years.

The cost of developing in-house software is expensed in the year as incurred.

Revenue recognition

Income from assessment services is recognized when invoices are issued.

Employee future benefits

The Corporation accrues its obligations under employee future benefit plans and the related costs when these benefits are earned through current service.

The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates of retirement ages of employees, expected health care costs and dental costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Short-term investments

Short-term investments are valued at the lower of amortized cost and market value and are mainly composed of bonds, which meet the requirements of the Corporation's investment guidelines.

3. CREDIT FACILITY

The Corporation has an unsecured line of credit in the amount of $14,600,000 which bears interest at prime rate and is renewable annually. As at December 31, 2002 the line of credit was unused.

4. CAPTIAL ASSETS

				2002	2001
	Rates	Cost	Accum Deprec	Net Book Value	Net Book Value
Office equipment	20%	$ 2,493,715	$ 837,393	$ 1,656,322	$ 1,288,380
Furniture and fixtures	20%	3,273,054	973,929	2,299,125	1,761,079
Computer equipment	35%	17,152,700	7,348,208	9,804,492	4,187,349
Computer software	100%	4,285,957	3,662,312	623,645	824,556
Vessels	35%	7,209	4,206	3,003	4,290
Leasehold improvements	10yrs	6,846,052	1,766,530	5,079,522	4,809,895
		$34,058,687	$14,592,578	$19,466,109	$12,875,549

5. OBLIGATION UNDER CAPITAL LEASE

The Corporation is committed under a capital lease for computer equipment for periods extending to 2004. Future minimum lease payments are required as follows:

2003	$1,017,716
2004	1,017,716
Total minimum lease payments	2,035,432
Less amount representing interest at the rate of 3%	88,063
	1,947,369
Current portion	988,074
Long-term portion	$ 959,295

6. EMPLOYEE FUTURE BENEFITS

All employees of the Corporation are part of a defined benefit multi-employer benefit plan providing both pension and other retirement benefits. This plan is accounted for as a defined contribution plan and as such no obligation for the cost of these benefits is included in the financial statements.

The Corporation has accrued an obligation for other post-employment benefits as follows:

- employees who transferred to the Corporation from the Government of Ontario with less than ten years of service with the province will receive post-retirement group benefit coverage through the Corporation for their and their dependents' lifetimes.
- employees hired by the Corporation on or after December 31, 1998 will receive post-retirement group benefit coverage for themselves and their dependents through the Corporation until age 65.
- employees who transferred to the Corporation from the Government of Ontario on December 31, 1998 with ten or more years of service with the province remain covered for post-retirement benefits by the government.

6. EMPLOYEE FUTURE BENEFITS (continued)

- employees who transferred to the Corporation from the Government of Ontario are entitled to receive special termination benefits equal to one week of pay for each year of service up to a maximum of 26 weeks at the end of their employment with the Corporation provided they serve a minimum of five years with the Corporation.

- the Corporation is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for all its employees.

Information about the Corporation's accrued benefit obligations is as follows:

	2002	2001
Balance, beginning of year	$6,911,568	$4,789,621
Current service costs	518,720	1,873,050
Benefit payments during year	(242,962)	-
Interest on accrued obligation	493,133	248,897
Curtailment gain	(479,114)	-
Balance, end of year	$7,201,345	$6,911,568

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

Discount rate	6.75% per annum
Health care inflation	7.00% per annum
Dental care inflation	3.40% per annum

7. RESTRICTED FUND BALANCE – INVESTED IN CAPITAL ASSETS

Restricted Fund Balance – Invested in Capital Assets is calculated as follows:

	2002	2001
Capital assets	$19,466,109	$12,875,549
Less amount funded by capital lease	(1,947,369)	-
	$17,518,740	$12,875,549

8. LEASE COMMITMENTS

The Corporation has commitments under various operating leases. Minimum lease payments due in each of the next five years are as follows:

2003	$11,033,567
2004	$9,110,527
2005	$7,440,387
2006	$7,160,874
2007	$7,018,403

9. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

The Corporation is an employer subject to the Public Sector Salary Disclosure Act, 1996, which requires the disclosure of all employees of the Corporation who were paid $100,000 or more in 2002:

Name	Position	Salary Paid	Taxable Benefits
James Andrew	VP, Information Technology	$145,676	$5,903
James Edmunds	Manager, Customer Service	$102,559	$ 541
Kenneth Fagan	Assessment Commissioner	$115,364	$3,048
Lawrence Hummel	VP, Property Values	$145,676	$5,353
Stuart Irvine	Senior Database Administrator	$113,791	$ 175
Carl Isenburg	VP, Customer Relations	$161,861	$5,966
Benson Li	WAN Management Analyst	$133,117	$ 163
Dan Pineda	Network Operating Systems Analyst	$104,499	$ 163
Eric Preston	VP, Corporate and Human Resources	$156,467	$8,603
Robert Richards	President and Chief Administrative Officer	$291,366	$3,070
Gordon Thow	Director, Quality Services	$101,588	$ 269
Robert Tronco	Network Operating Systems Analyst	$105,529	$ 163
Dick Vreugdenhil	Director, Finance and Administration	$100,063	$ 690

10. PRIOR YEAR'S FIGURES

Certain of prior year's figures have been reclassified to conform with the current year's presentation.