MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2004

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

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, 2004 and the statements operations and changes in fund balances – operation 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, 2004 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 11, 2005

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

TABLE OF CONTENTS

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Financial Position
As at December 31, 2004

ASSETS	2004	2003
Current		
Cash and Investments	$43,342,341	$45,907,545
Accounts receivable	2,527,477	1,850,783
Prepaid expenses	1,872,013	1,432,009
	47,741,831	49,190,337
Capital Assets (Note 4)	16,926,444	17,646,007
TOTAL ASSETS	$64,668,275	$66,836,344
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$15,341,242	$18,575,422
Current portion of capital lease	-	959,295
Employee future benefits (Note 5)	9,132,350	8,138,696
Total Liabilities	24,473,592	27,673,414
FUND BALANCES		
Restricted Fund		
Invested in Capital Assets (Note 6)	16,926,444	16,686,712
Operating Fund		
Reserve for Enumeration	1,733,000	700,000
Reserve for Working Funds	21,535,239	21,776,218
	23,268,239	22,476,218
Total Fund Balances	40,194,683	39,162,930
TOTAL LIABILITIES AND FUND BALANCES	$64,668,275	$66,836,344

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Operating Fund
Year Ended December 31, 2004

	2004	2003
Revenue		
Municipal Revenue	$141,800,000	$133,900,000
Interest Revenue	1,036,804	1,394,164
Other Revenue	5,843,671	5,541,648
Total Revenue	148,680,475	140,835,812
Expenses		
Salaries and wages	81,239,162	78,544,564
Benefits	16,746,844	13,780,634
Data processing services	3,318,753	3,639,501
Office expenses	5,181,481	5,926,736
Professional Services		
Consulting	2,362,208	3,259,475
Legal	3,244,382	3,665,620
Corporate Computer Projects	7,221,399	9,434,061
Rentals		
Equipment	1,908,706	1,900,997
Facilities	10,039,907	10,921,809
Software Licenses and Maintenance	5,640,086	5,026,030
Telecommunications and postage	4,314,532	8,721,632
Total Operating	**141,217,460**	**144,821,060**
Excess/(Deficiency) of Revenue over Expenses	7,463,015	(3,985,248)
Inter-fund Transfers - Capital Projects	(6,670,994)	(5,763,610)
Net Excess/(Deficiency) of Revenue over Expenses	**792,021**	**(9,748,858)**
Fund Balance, beginning of year	22,476,218	32,225,076
Fund Balance, end of year	**$ 23,268,239**	**$ 22,476,218**

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Restricted Fund
Year Ended December 31, 2004

	2004	2003
	Invested in Capital Assets	Invested in Capital Assets
Expense		
Amortization of capital assets	$(6,431,262)	$(6,595,638)
Inter-fund transfers		
For purchase of capital assets	5,711,699	4,775,536
Repayment of capital lease	959,295	988,074
	6,670,994	5,763,610
Fund balance, beginning of year	16,686,712	17,518,740
Fund balance, end of year	$16,926,444	$16,686,712

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2004

	2004	2003
Net (outflow) inflow of cash related to the following activities		
Operating		
Excess/(Deficiency) of revenue over expenses		
Operating fund	$ 7,463,015	$ (3,985,248)
Restricted fund	(6,431,262)	(6,595,638)
Amortization of capital assets	6,431,262	6,595,638
	7,463,016	(3,985,248)
Changes in non-cash working Capital		
Increase in accounts receivable	(676,695)	(909,430)
Increase in prepaid expenses	(440,005)	80,415
(Decrease) increase in Accounts Payable and Accrued Liabilities	(3,234,180)	2,570,385
Increase in employee future benefits	993,655	937,351
	4,105,791	(1,306,527)
Investing and Financing		
Capital lease obligation	(959,295)	(988,074)
Purchase of capital assets	(5,711,699)	(4,775,536)
	(6,670,994)	(5,763,610)
Net outflow of cash during year	(2,565,203)	(7,070,137)
Cash and Investments, beginning of year	45,907,545	52,977,682
Cash and Investments, end of year	$43,342,341	$45,907,545

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.

Investments

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. CREDIT FACILITY

The Corporation has an unsecured line of credit in the amount of $9,600,000 which bears interest at prime rate and is renewable annually. As at December 31, 2004 the line of credit was unused.

4. CAPITAL ASSETS

				2004	2003
	Rates	Cost	Accum Deprec	Net Book Value	Net Book Value
Office equipment	20%	$ 2,721,111	$ 1,479,632	$ 1,241,479	$ 1,446,681
Furniture and fixtures	20%	4,193,069	2,014,830	2,178,239	2,445,378
Computer equipment	35%	20,587,635	14,052,800	6,534,835	7,634,016
Computer software	100%	7,792,918	6,698,765	1,094,153	659,328
Vessels	35%	7,209	5,843	1,366	1,952
Leasehold improvements	10yrs	9,243,981	3,367,609	5,876,372	5,458,652
		$44,545,923	$27,619,479	$16,926,444	$17,646,007

5. 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 in accordance with CICA Handbook recommendations.

In addition, 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.

- 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.

5. EMPLOYEE FUTURE BENEFITS (continued)

Information about the Corporation's accrued benefit obligation, and accrued benefit liabilities are as follows:

	2004	2003
Accrued benefit obligation, beginning of year	$ 8,862,568	$7,476,594
Current Service Costs	715,727	668,633
Interest on accrued obligation	605,012	528,258
Actuarial losses	558,995	448,083
	10,742,302	9,121,568
Benefit payments during the year	(337,065)	(259,000)
Accrued benefit obligation, end of year	10,405,237	8,862,568
Unamortized net actuarial losses	(1,272,887)	(723,872)
Accrued benefit liability	$ 9,132,350	$8,138,696

Employee future benefit expense recorded during the year is as follows:

	2004	2003
Current Service Costs	715,727	668,633
Interest on accrued obligation	605,012	528,258
Amortization of actuarial losses	9,980	540
Accrued benefit liability	$1,330,719	$1,197,431

5. EMPLOYEE FUTURE BENEFITS (continued)

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

Discount rate	6.25% per year
General inflation	2.30% per year for 13 years, 2.70% thereafter
Health care inflation	4.70% per year in excess of general inflation
Dental care inflation	1.10% per year in excess of general inflation

The date of the most recent actuarial valuation of the accrued benefit obligation was January 1, 2003.

6. RESTRICTED FUND BALANCE – INVESTED IN CAPITAL ASSETS

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

	2004	2003
Capital assets	$16,926,444	$17,646,007
Less amount funded by capital lease	-	(959,295)
	$16,926,444	$16,686,712

7. LEASE COMMITMENTS

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

2005	$ 11,918,094
2006	$ 9,465,783
2007	$ 8,847,735
2008	$ 7,636,558
2009	$ 7,348,704
And thereafter:	$ 10,525,978

8. CONTINENT LIABILITIES AND GUARANTEES

The Corporation has been named as the defendant in certain legal actions, in which damages have either been sought, or through subsequent pleadings, could be sought. The outcome of these actions is not determinable as at December 31, 2004 and accordingly, no provision has been made in these financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year that the related litigation is settled. Management believes that potential losses from all but one of such existing claim would be covered by the Corporation's insurance coverage.

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee. The Corporation's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

In the normal course of business, the Corporation enters into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches of contractual obligations, including representations and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of the above indemnifications prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

9. COMPARATIVE FIGURES

Certain of prior years comparative figures have been reclassified to conform with current years presentation.

10. 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 2004:

Name	Position	Salary Paid	Taxable Benefits
Arthur Anderson	Director, Municipal Relations	$119,367	$ 309
David Blakely	Director, Customer Service	$102,388	$ 275
Paul Campbell	Sr. Manager Valuation–Industrial Properties	$101,458	$ 282
Raymond Chan	WAN Management Analyst	$110,116	$ 176
Angus Fong	Database Administrator	$106,254	$ 181
Lawrence Hummel	V.P., Property Values	$150,560	$4,776
Carl Isenburg	President and CAO	$212,088	$6,347
Jack Julien	Sr. Manager, Human Resources	$106,580	-
Benson Li	WAN Management Analyst	$119,614	$ 182
Elaine McDonald	Director, Customer Relations	$110,471	$ 289
Dan Pineda	Network Operating System Analyst	$124,443	$ 182
Eric Preston	V.P., Corporate and Human Resources	$164,710	$9,544
Gordon Thow	Director, Quality Services	$113,859	$ 296
Terry Tomkins	Sr. Manager, Valuation-Commercial Office/Retail	$100,038	$ 434
Robert Tronco	Network Operating System Analyst	$128,823	$ 182
Mike Velshi	V.P., Business Development	$120,969	$6,055
Joan Young	Director, Government and Business Relations	$100,459	$ 267

mpac

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

1305 Pickering Parkway, Pickering, Ontario L1V 3P2
T: 905.831.4433 1.877.635.6722 F: 905.831.0040
www.mpac.ca