mpac

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2005

Deloitte.

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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, 2005 and the statements operations and changes in fund balances – 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, 2005 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 17, 2006

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MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Financial Position
As at December 31, 2005

ASSETS	**2005**	**2004**
Current		
Cash and Investments	$ 56,767,541	$ 43,342,341
Accounts receivable	2,357,078	2,527,477
Prepaid expenses	2,023,679	1,872,013
	61,148,298	47,741,831
Capital Assets (Note 4)	15,927,186	16,926,444
TOTAL ASSETS	**77,075,484**	**64,668,275**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 19,573,379	$ 15,341,242
Employee future benefits (Note 5)	10,736,026	9,132,350
Total Liabilities	**30,309,405**	**24,473,592**
FUND BALANCES		
Restricted Fund		
Invested in Capital Assets	$ 15,927,186	$ 16,926,444
Operating Fund		
Reserve for Enumeration	$ 3,066,000	$ 1,733,000
Reserve for Working Funds	18,711,093	21,535,239
Reserve for Data Sharing Agreement (Note 8)	9,061,800	-
	30,838,893	23,268,239
Total Fund Balances	**46,766,079**	**40,194,683**
TOTAL LIABILITIES AND FUND BALANCES	**$ 77,075,484**	**$ 64,668,275**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Operating Fund
Year Ended December 31, 2005

	2005	2004
Revenue		
Municipal Revenue	$ 146,054,000	$ 141,800,000
Interest Revenue	1,330,259	1,036,804
Other Revenue	6,092,679	5,843,671
Total Revenue	**$ 153,476,938**	**$ 148,680,475**
Expenses		
Salaries and wages	$ 85,880,508	$ 81,239,162
Benefits	19,157,450	16,746,844
Data processing services	3,371,944	3,318,753
Office expenses	5,373,314	5,181,481
Professional Services		
Consulting	2,245,643	2,362,208
Legal	3,173,968	3,244,382
Corporate Computer Projects	6,209,067	7,221,399
Rentals		
Equipment	1,616,384	1,908,706
Facilities	10,465,569	10,039,907
Software Licences and Maintenance	6,175,870	5,640,086
Telecommunications and postage	6,371,949	4,314,532
Royalties (Note 8)	1,335,375	-
Total Operating	**$ 151,377,041**	**$ 141,217,460**
Excess of Revenue over Expenses	2,099,897	7,463,015
Data Sharing Agreement (Note 8)	10,397,175	-
Inter-fund Transfers - Capital Projects	(4,926,418)	(6,670,994)
Net Excess of Revenue over Expenses	7,570,654	792,021
Fund Balance, beginning of year	23,268,239	22,476,218
Fund Balance, end of year	**$ 30,838,893**	**$ 23,268,239**

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance - Restricted Fund
Year Ended December 31, 2005

	2005	2004
	Invested in Capital Assets	Invested in Capital Assets
Expense		
Amortization of capital assets	$ (5,925,676)	$ (6,431,262)
Inter-fund transfers		
For purchase of capital assets	4,926,418	5,711,699
Repayment of capital lease	-	959,295
	4,926,418	6,670,994
Fund balance, beginning of year	16,926,444	16,686,712
Fund balance, end of year	**$ 15,927,186**	**$ 16,926,444**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2005

	2005	2004
Net inflow/(outflow) of cash related to the following activities		
Operating		
Excess of revenue over expenses		
Operating fund	$ 2,099,897	$ 7,463,015
Data Sharing Agreement (Note 8)	10,397,175	-
Restricted fund	(5,925,676)	(6,431,262)
Amortization of capital assets	5,925,676	6,431,262
	12,497,072	7,463,015
Changes in non-cash working Capital		
(Increase)/Decrease in accounts receivable	170,399	(676,695)
(Increase)/Decrease in prepaid expenses	(151,666)	(440,005)
Increase/(Decrease) in accounts payable and accrued Liabilities	4,232,137	(3,234,180)
Increase in employee future benefits	1,603,676	993,655
	18,351,618	**4,105,790**
Investing and Financing		
Capital lease obligation	-	(959,295)
Purchase of capital assets	(4,926,418)	(5,711,699)
	(4,926,418)	**(6,670,994)**
Net inflow/(outflow) of cash during the year	13,425,200	(2,565,204)
Cash and Investments, beginning of year	43,342,341	45,907,545
Cash and Investments, end of year	**$ 56,767,541**	**$ 43,342,341**

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. Amortization 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 unsecured credit facilities of $9.6 million, which are renewable annually, including a $5.0 million operating facility and purchasing cards with limits totalling $4.6 million. As at December 31, 2005 the operating facility had not been used.

4. CAPITAL ASSETS

				2005	2004
	Rates	Cost	Accum Deprec	Net Book Value	Net Book Value
Office equipment	20%	$ 2,946,892	$ 1,750,505	$ 1,196,387	$ 1,241,479
Furniture and fixtures	20%	4,598,902	2,491,061	2,107,841	2,178,239
Computer equipment	35%	23,025,778	16,766,667	6,259,111	6,534,835
Computer software	100%	8,577,161	8,185,040	392,121	1,094,153
Vessels	35%	7,209	6,253	956	1,366
Leasehold improvements	10yrs	10,316,399	4,345,629	5,970,770	5,876,372
		$ 49,472,341	**$ 33,545,155**	**$ 15,927,186**	**$ 16,926,444**

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:

	2005	2004
Accrued benefit obligation, beginning of year	$ 10,405,237	$ 8,862,568
Current Service Costs	800,031	715,727
Interest on accrued obligation	694,556	605,012
Actuarial losses	419,906	558,995
	12,319,730	10,742,302
Benefits: Adjustments/(Payments) during the year	82,057	(337,065)
Accrued benefit obligation, end of year	12,401,787	10,405,237
Un-amortized net actuarial losses	(1,665,761)	(1,272,887)
Accrued benefit liability	**$ 10,736,026**	**$ 9,132,350**

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

	2005	2004
Current Service Costs	$ 800,031	$ 715,727
Interest on accrued obligation	694,556	605,012
Amortization of actuarial losses	27,032	9,980
Accrued benefit liability	**$ 1,521,619**	**$ 1,330,719**

5. EMPLOYEE FUTURE BENEFITS (continued)

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

Discount rate	5.1% per year.
General inflation	N/A
Health care inflation	9.0% per year grading down linearly to 5.0% per year over 8 years.
Dental care inflation	4.0% per year.

The date of the most recent actuarial valuation of the accrued benefit obligation was January 1, 2006.

6. LEASE COMMITMENTS

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

2006	$ 10,954,463
2007	$ 9,603,135
2008	$ 8,428,332
2009	$ 7,583,050
2010	$ 4,418,991
And thereafter:	$ 10,399,794

7. CONTINGENT 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, 2005 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 claims 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 guarantee subject to the disclosure requirements are as follows:

- 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.

8. DATA SHARING AGREEMENT

As per the agreement, MPAC received a payment of $10.4 million. This amount has been recognized as income in the current year.

As part of the agreement, MPAC is required to make royalty payments for Fiscal years 2003 to 2017 inclusive. A total of $1.3 million of royalties for the years 2003 to 2005 inclusively were expensed in the current year.

At the direction of the Board, MPAC has established an internally restricted fund for the purpose of covering future royalty payments and other costs associated with the data sharing agreement. The proceeds received from the settlement net of royalty payments expensed in the current year have been allocated to this fund.

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 2005:

Name	Position	Salary Paid	Taxable Benefits
Arthur Anderson	Director, Municipal Relations	$ 118,727	$ 307
David Blakely	Director, Customer Service	$ 105,447	$ 275
Raymond Bowart	Sr. Manager, Technical Support & Operations	$ 104,995	$ 280
Paul Campbell	Sr. Manager Valuation – Industrial Properties	$ 109,499	$ 280
Ho Cheong Chan	WAN Management Analyst	$ 113,485	$ 183
David Foster	Network Operating System Analyst	$ 100,514	$ 183
Lucy Foster	Director, Executive Office	$ 106,489	$ 264
Keith Fraser	Network Operating System Analyst	$ 104,001	$ 183
Lawrence Hummel	VP., Property Values	$ 179,380	$ 4,309
Carl Isenburg	President and Chief Administrative Officer	$ 261,340	$ 4,453
Michael Jacoby	Director, Communications	$ 101,386	$ 266
Valerie Jones	Account Manager, Municipal Relations	$ 100,446	$ 322
Jack Julien	Manager, HR Services	$ 109,207	Nil
Benson Li	WAN Management Analyst	$ 119,390	$ 183
Elaine McDonald	Director, Customer Service	$ 109,879	$ 288
Scott McKenzie	WAN Management Analyst	$ 110,530	$ 183
Rose McLean	Director, Legal and Policy Support Services	$ 105,134	$ 409
Rosalie Penny	VP., Customer Relations	$ 120,164	$ 6,826
James Petrin	Sr. Manager Valuation – Commercial Properties	$ 100,099	$ 266

9. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996 (continued)

Name	Position	Salary Paid	Taxable Benefits
Dan Pineda	Network Operating System Analyst	$ 134,018	$ 183
Eric Preston	VP., Corporate and Human Resources	$ 167,904	$ 10,440
Gerard Sequeira	Director, Finance and Administration	$ 104,640	$ 291
Gordon Thow	Director, Quality Services	$ 116,681	$ 296
Robert Tronco	Network Operating System Analyst	$ 146,440	$ 183
Mike Velshi	VP., Business Development	$ 152,547	$ 8,290
Antoni Wisniowski	VP., Information Technology	$ 141,535	$ 8,211
Joan Young	Director, Government and Business Relations	$ 102,359	$ 268

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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