MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2006

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, 2006 and the statements of operations and changes in fund balances - operating fund and 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, 2006 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 16, 2007

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

TABLE OF CONTENTS

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Financial Position
As at December 31, 2006

ASSETS		2006		2005
Current				
Cash	$	40,855,121	$	45,068,885
Investments (Note 10)		16,044,053		11,698,656
Accounts receivable		1,874,391		2,357,078
Prepaid expenses		1,556,975		2,023,679
		60,330,540		61,148,298
Capital Assets (Note 4)		14,943,564		15,927,186
TOTAL ASSETS	**$**	**75,274,104**	**$**	**77,075,484**
LIABILITIES				
Current				
Accounts payable and Accrued liabilities	$	16,625,634	$	19,573,379
Employee future benefits (Note 5)		12,547,856		10, 736,026
TOTAL LIABILITIES		**29,173,490**		**30,309,405**
FUND BALANCES				
Restricted Fund				
Invested in Capital Assets		14,943,564		15,927,186
Operating Fund				
Reserve for Enumeration		-		3,066,000
Reserve for Working Funds		21,653,021		18,711,093
Reserve for Data Sharing Agreement (Note 8)		8,413,529		9,061,800
Reserve for Corporate Projects (Note 9)		1,090,500		-
		31,157,050		30,838,893
Total Fund Balances		46,100,614		46,766,079
TOTAL LIABILITIES AND FUND BALANCES	**$**	**75,274,104**	**$**	**77,075,484**

	Budget 2006 (Unaudited)	2006	2005
Revenue			
Municipal Revenue	$150,436,000	$150,435,620	$146,054,000
Interest Revenue	750,000	2,343,089	1,330,259
Other Revenue	7,000,000	7,117,981	6,092,679
Total Revenue	**$158,186,000**	**$159,896,690**	**$153,476,938**
Expenses			
Salaries and wages	$ 92,920,300	$ 91,732,101	$ 85,880,508
Benefits	20,967,900	19,968,183	19,157,450
Data processing services	2,545,000	2,331,155	3,371,944
Office expenses	7,570,800	6,694,257	5,373,314
Professional Services			
Consulting	2,056,900	1,626,916	2,245,643
Legal	3,515,400	3,003,806	3,173,968
Corporate Computer Projects	3,751,900	4,508,923	6,209,067
Rentals			
Equipment	1,495,800	1,422,761	1,616,384
Facilities	9,609,200	10,467,240	10,465,569
Software Licenses and Maintenance	7,203,200	6,740,018	6,175,870
Telecommunications and postage	9,057,100	6,326,041	6,371,949
Royalties (Note 8)	-	648,271	1,335,375
Total Operating	**$160,693,500**	**$155,469,672**	**$151,377,041**
Excess of Revenue over Expenses (Expenses over Revenue)	(2,507,500)	4,427,018	2,099,897
Data Sharing Agreement (Note 8)	-	-	10,397,175
Inter-fund Transfers - Capital Projects	(4,165,600)	(4,108,861)	(4,926,418)
Net Excess of Revenue over Expenses	(6,673,100)	318,157	7,570,654
Fund Balance, beginning of year	30,838,893	30,838,893	23,268,239
Fund Balance, end of year	**$ 24,165,793**	**$ 31,157,050**	**$ 30,838,893**

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Operations and Changes in Fund Balance – Restricted Fund
Year Ended December 31, 2006

	2006	2005
	Invested in Capital Assets	Invested in Capital Assets
Expense		
Amortization of capital assets	$ (5,092,483)	$ (5,925,676)
Inter-fund transfers		
For purchase of capital assets	4,108,861	4,926,418
Fund Balance, beginning of year	15,927,186	16,926,444
Fund Balance, end of year	**$ 14,943,564**	**$ 15,927,186**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2006

	2006	2005
Net inflow / (outflow) of cash related to the following activities		
Operating		
Excess of revenue over expenses		
Operating fund	$ 4,427,018	$ 2,099,897
Data Sharing Agreement (Note 8)	-	10,397,175
Restricted fund	(5,092,483)	(5,925,676)
Amortization of capital assets	5,092,483	5,925,676
	4,427,018	12,497,072
Changes in non-cash working Capital		
Increase in Accounts receivable	482,687	170,399
Increase / (Decrease) in Prepaid expenses	466,704	(151,666)
(Decrease) / Increase in Accounts payable and Accrued liabilities	(2,947,745)	4,232,137
Increase in employee future benefits	1,811,830	1,603,676
	4,240,494	**18,351,618**
Investing and Financing		
Net change in Investments	(4,345,397)	(6,247,944)
Purchase of capital assets	(4,108,861)	(4,926,418)
	(8,454,258)	**(11,174,362)**
Net (outflow) / inflow of cash during the year	(4,213,764)	7,177,256
Cash at the beginning of year	45,068,885	37,891,629
Cash at year-end	**$ 40,855,121**	**$ 45,068,885**

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 restricted 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 totaling $4.6 million. As at December 31, 2006 the operating facility had not been used.

4. CAPITAL ASSETS

				2006	**2005**
	Rates	Cost	Accum Deprec	Net Book Value	Net Book Value
Office equipment	20%	$ 3,253,336	$ 2,020,426	$ 1,232,910	$ 1,196,387
Furniture and fixtures	20%	4,879,873	2,940,726	1,939,147	2,107,841
Computer equipment	35%	25,286,546	19,352,990	5,933,556	6,259,111
Computer software	100%	9,242,696	8,909,928	332,768	392,121
Vessels	35%	7,209	6,540	669	956
Leasehold improvements	10yrs	10,911,540	5,407,026	5,504,514	5,970,770
		$ 53,581,200	**$ 38,637,636**	**$ 14,943,564**	**$ 15,927,186**

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:

	2006	2005
Accrued benefit obligation, beginning of year	$12,401,787	$10,405,237
Current service costs	779,733	800,031
Interest on accrued obligation	658,094	694,556
Actuarial losses	280,731	419,906
	14,120,345	12,319,730
Benefits: Adjustments / (Payments) during the year	282,932	82,057
Accrued benefit obligation, end of year	14,403,277	12,401,787
Un-amortized net actuarial losses	(1,855,421)	(1,665,761)
Accrued benefit liability	**$12,547,856**	**$10,736,026**

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

	2006	2005
Current service costs	$ 779,733	$ 800,031
Interest on accrued obligation	658,094	694,556
Amortization of actuarial losses	91,071	27,032
	$1,528,898	**$1,521,619**

5. EMPLOYEE FUTURE BENEFITS (continued)

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

Discount rate	5.0% per year.
General inflation	N/A
Health care inflation	8.5% per year grading down linearly to 5.0% per year over 7 years.
Dental care inflation	4.0% per year.

The date of the most recent actuarial valuation of the accrued benefit obligation was January 1, 2007.

6. LEASE COMMITMENTS

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

2007	$ 9,739,534
2008	$ 8,435,021
2009	$ 7,460,532
2010	$ 4,321,996
2011	$ 3,459,094
And thereafter:	$ 6,548,178

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, 2006 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 is 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 in 2005. This amount was recognized as income in 2005 fiscal year.

At the direction of the Board, MPAC established an internally restricted fund for the purpose of covering future royalty payments and other costs associated with the data sharing agreement. The continuity of this fund is as follows:

	2006	2005
Opening Balance in the fund	$ 9,061,800	$ -
Contributions to the Reserve	-	10,397,175
Royalty Payments during the period	(648,271)	(1,335,375)
Balance at the year-end	$ 8,413,529	$ 9,061,800

9. RESERVE FOR CORPORATE PROJECTS

The Corporation budgets for certain corporate projects annually. In 2006, a Reserve for Corporate Projects was established. The committed, unspent portions of budgeted corporate projects are transferred into this reserve. It is expected that these projects will be completed in the following year.

10. RECLASSIFICATION OF CASH & INVESTMENTS

Cash and Investments figures for 2005 in the Statement of Financial Position have been re-classified to conform to the current year's presentation.

11. 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 2006. This information is now available on the Ministry of Finance website.

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