MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2007

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, 2007 and the statements of operations and changes in fund balances - operations 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, 2007 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
Licensed Public Accountants
February 15, 2008

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Financial Position

December 31, 2007

(All dollar amounts are in $ 000)

		2007		2006
ASSETS				
Current				
Cash	$	44,125	$	40,855
Investments (Note 4)		16,900		16,165
Accounts receivable		5,641		1,753
Prepaid expenses		1,179		1,557
		67,845		60,330
Capital assets (Note 6)		14,107		14,944
TOTAL ASSETS	**$**	**81,952**	**$**	**75, 274**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	18,113	$	16,625
Employee future benefits (Note 7)		14,364		12,548
TOTAL LIABILITIES	**$**	**32,477**	**$**	**29,173**
FUND BALANCES				
Restricted Fund				
Invested in Capital Assets		14,107		14,944
Operating Fund				
Reserve for Enumeration		1,000		--
Reserve for Working Funds		24,789		21,653
Reserve for Data Sharing Agreement (Note 10)		7,627		8,413
Reserve for Corporate Projects (Note 11)		1,865		1,091
Change in fair value of investments classified as Available for sale (Note 2)		87		--
		35,368		31,157
Total Fund Balances		49,475		46,101
TOTAL LIABILITIES AND FUND BALANCES	**$**	**81,952**	**$**	**75,274**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Operations and Changes in Fund Balance – Operating Fund

Year Ended December 31, 2007

(All dollar amounts are in $ 000)

	Budget 2007 (Unaudited)	2007	2006
Revenue			
Municipal	$ 158,484	$ 158,484	$ 150,435
Interest	1,357	2,711	2,343
Other (Note 3)	6,806	10,399	7,118
Total	**166,647**	**171,594**	**159,896**
Expenses			
Salaries and wages	96,134	99,337	91,732
Benefits	22,425	21,253	19,968
Data processing services	770	770	2,331
Office expenses	7,751	7,871	6,694
Professional services			
Consulting	3,790	2,236	1,627
Legal	3,660	3,088	3,004
Corporate computer projects	3,747	5,448	4,509
Rentals			
Equipment	1,915	1,955	1,423
Facilities	10,106	9,698	10,467
Software licenses and maintenance	7,082	6,385	6,740
Telecommunications and postage	4,782	4,485	6,326
Royalties (Note 10)	--	786	648
Total	**162,162**	**163,312**	**155,469**
Excess of Revenue over Expenses	4,486	8,282	4,427
Inter-fund transfer - purchase of capital assets	(5,486)	(4,158)	(4,109)
Net Excess of Revenue over Expenses	(1,000)	4,124	318
Fund balance, beginning of year	31,157	31,157	30,839
Transition adjustment (Note 2)	--	--	--
Change in fair value of investments classified as Available for Sale (Note 2)	--	87	--
Fund balance, end of year	**$ 30,157**	**$ 35,368**	**$ 31,157**

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Operations and Changes in Fund Balance – Restricted Fund

Year Ended December 31, 2007

(All dollar amounts are in $ 000)

	2007	2006
	Invested in Capital Assets	Invested in Capital Assets
Expense		
Amortization of capital assets	$ (4,995)	$ (5,092)
Inter-fund transfer		
Purchase of capital assets	4,158	4,109
Fund balance, beginning of year	14,944	15,927
Fund balance, end of year	**$ 14,107**	**$ 14,944**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2007

(All dollar amounts are in $ 000)

	2007	2006
Net inflow / (outflow) of cash related to the following activities		
Operating		
Excess of revenue over expenses		
Operating fund	$ 8,282	$ 4,427
Restricted fund	(4,995)	(5,092)
Amortization of capital assets	4,995	5,092
	8,282	4,427
Changes in non-cash working capital		
(Increase) / Decrease in accounts receivable	(3,888)	482
Decrease in prepaid expenses	378	467
Increase / (Decrease) in accounts payable and accrued liabilities	1,488	(2,948)
Increase in employee future benefits	1,816	1,812
	8,076	**4,240**
Investing and Financing		
Net increase in investments	(735)	(4,345)
Purchase of capital assets	(4,158)	(4,109)
Change in fair value of investments classified as Available for Sale	87	--
	(4,806)	**(8,454)**
Net inflow/ (outflow) of cash during the year	3,270	(4,214)
Cash at the beginning of year	40,855	45,069
Cash at year-end	**$ 44,125**	**$ 40,855**

(All dollar amounts are in $ 000)

1. DESCRIPTION OF BUSINESS

Municipal Property Assessment Corporation, formerly the Ontario Property Assessment Corporation, was incorporated effective January 1, 1998 is a special act corporation under The Municipal Property Assessment Act, 1997. The Corporation is responsible for providing property assessment services for municipalities in the Province of Ontario as well as providing other statutory duties and other activities as approved by its Board of Directors consistent with such duties. All municipalities in Ontario are members of the Corporation.

2. CHANGES IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS

The Corporation has adopted the new financial instrument standard of the Canadian Institute of Chartered Accountants (CICA) Handbook, effective January 1, 2007. These standards are titled S.3855-Financial Instruments Recognition and Measurement, S.3861-Financial Instruments Disclosure and Presentation, S.3865-Hedges and S.4400-Financial Statement Presentations specific to Not-for-Profit organizations was amended.

In accordance with these revised standards, the Corporation has classified each of its financial instruments into accounting categories effective January 1, 2007 (“Day 1”). The category of an item determines its subsequent accounting treatment under the revised standards. As a result of adopting the new standards, the values of all the financial instruments has remained the same as the carrying value recorded as at December 31, 2006. Under the new rules, MPAC will continue to re-measure investments to fair value at each reporting period. The classification of each item is as follows:

Account	**Classification**
Cash	Held for Trading
Investments	Available for Sale
Accounts Receivable & Prepaid Expenses	Loans and Receivables
Accounts Payable	Other Liabilities
Accrued Liabilities	Other Liabilities
Employee Future Benefits	Scoped out of the Financial Instrument Standards

Held for trading items are carried at fair value, with changes to the fair value recognized in the Statement of Operations – Operating Fund in the current period. Available for Sale items (such as investments) are carried at fair value with changes in the fair value recognized directly in the Statement of Changes in Fund Balances until they are realized through disposal or impairment. Investments are accounted for on a settlement date basis, and related transaction costs are expensed as incurred. At the end of the prior year, investments were valued at the lower of cost and market value.

2. CHANGES IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS (continued)

Loans and receivables are carried at amortized cost, using the effective interest method net of impairment. Other liabilities are carried at amortized cost using effective interest method.

Premiums and discounts on bond purchases are amortized using the effective interest method. Previously, these were recognized on a straight-line basis.

As required by the implementation of these new standards, the prior year financial statements have not been restated.

The Corporation selected January 1, 2003 as its transition date for accounting for any embedded derivatives still in existence as of January 1, 2007. Based on the review of the Corporation's financial instruments as at January 1, 2007, there were no embedded derivatives that were required to be accounted separately.

3. 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.

Capital assets

Office equipment, furniture and fixtures, computer equipment and purchased software, as well as small boats/vessels, are recorded at cost. Amortization is computed using the declining-balance method at the amortization rates disclosed in Note 6. Leasehold improvements are amortized on a straight-line basis over ten years.

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

Revenue recognition

Income from assessment services is recognized when invoices are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

Interest income is recognized when earned.

Other revenues

Other revenues are recognized when the services have been provided and collection is reasonably assured. During 2007, billings include services provided to the Ministry of Finance – Provincial Land Tax reform project.

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.

4. INVESTMENTS

Investments are primarily in pooled funds comprising of a portion of cash, treasury bills, bankers acceptances, securities issued by Canadian Federal and Provincial Governments and Canadian Banks and investments in fixed income instruments which meet the requirements of the Corporation's Investment Policy Statement.

5. CREDIT FACILITY

The Corporation has unsecured credit facilities of $5.0 million, to be used for its operations, renewable annually. As at December 31, 2007 and 2006 the operating facility had not been used.

(All dollar amounts are in $ 000)

6. CAPITAL ASSETS

	2007				2006
	Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office equipment	20%	$ 3,565	$ 2,298	$ 1,267	$ 1,233
Furniture and fixtures	20%	5,491	3,390	2,101	1,939
Computer equipment	35%	26,641	21,667	4,974	5,934
Computer software	100%	10,170	9,706	464	333
Small boats and vessels	35%	7	7	--	1
Leasehold improvements	10yrs	11,865	6,564	5,301	5,504
		$ 57,739	**$ 43,632**	**$ 14,107**	**$ 14,944**

7. 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.

(All dollar amounts are in $ 000)

7. EMPLOYEE FUTURE BENEFITS (continued)

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

	2007	**2006**
Accrued benefit obligation, beginning of year	$ 14,403	$ 12,402
Current service costs	838	780
Interest on accrued obligation	730	658
Actuarial losses (gains)	(1,692)	280
	14,279	14,120
Benefits: Adjustments/(Payments) during the year	167	283
Accrued benefit obligation, end of year	14,446	14,403
Unamortized net actuarial losses	(82)	(1,855)
Accrued benefit liability	**$ 14,364**	**$ 12,548**

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

	2007	**2006**
Current service costs	$ 838	$ 780
Interest on accrued obligation	730	658
Amortization of actuarial losses	81	91
	$ 1,649	**$ 1,529**

(All dollar amounts are in $ 000)

7. **EMPLOYEE FUTURE BENEFITS** (continued)

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

Discount rate	5.6% per year.
General inflation	N/A
Health care inflation	8.0% per year grading down linearly to 5.0% per year over 6 years.
Dental care inflation	4.0% per year.

The date of the most recent actuarial valuation of the December 31, 2007 accrued benefit obligation was January 1, 2008.

8. 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:

2008	$ 9,648
2009	$ 8,486
2010	$ 5,288
2011	$ 4,341
2012	$ 3,424
And thereafter:	$ 6,041

(All dollar amounts are in $ 000)

9. 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, 2007 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.

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee, pursuant to CICA guidelines outlined in the handbook. 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 agreements, confidentiality 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.

10. 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.

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:

	2007	2006
Opening balance in the fund	$ 8,413	$ 9,061
Royalty payments during the period	(786)	(648)
Balance at the year-end	$ 7,627	$ 8,413

11. CORPORATE PROJECT RESERVE

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. During 2007, a total of $1.865 million has been set aside to fund projects scheduled for completion during the following year.

12. RECLASSIFICATION OF PRIOR YEAR FIGURES

Certain figures for the fiscal year 2006 in the Statement of Financial Position have been re-classified to conform to the current year's presentation.

13. 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 2007. This information is available on the Ministry of Finance's website.

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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