MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Financial Statements of the

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

December 31, 2010

Deloitte.

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Independent Auditor's Report

To the Board of Directors of the
Municipal Property Assessment Corporation

We have audited the accompanying financial statements of the Municipal Property Assessment Corporation, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and changes in fund balance – operating fund, of operations and change in fund balance – restricted fund, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal Property Assessment Corporation as at December 31, 2010, 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
March 29, 2011

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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Statement of Financial Position
December 31, 2010
(All dollar amounts are in $ 000)

ASSETS	**2010**	**2009**
Current		
Cash	$ 31,726	$ 41,493
Investments (Note 4)	35,780	16,666
Accounts receivable	3,184	1,962
Prepaid expenses	1,740	2,645
	72,430	62,766
Capital assets (Note 5)	12,862	15,368
TOTAL ASSETS	**$ 85,292**	**$ 78,134**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 19,784	$ 18,909
Current portion of bank loan (Note 7)	909	382
Non-Current		
Employee future benefits (Note 6)	19,405	17,773
Inducements – rent & renovations	1,607	920
Bank loan (Note 7)	4,165	1,281
TOTAL LIABILITIES	**$ 45,870**	**$ 39,265**
FUND BALANCES		
Restricted Fund		
Invested in capital assets	11,581	13,705
Operating Fund		
Reserve for enumeration	-	3,000
Reserve for working funds	16,198	11,164
Reserve for data sharing agreement (Note 8)	5,154	5,920
Reserve for corporate projects (Note 9)	4,154	4,122
Reserve for assessment update (Note 10)	2,000	1,000
Unrealized gain in fair value of investments classified as available for sale	335	(42)
	27,841	25,164
Total Fund Balances	39,422	38,869
TOTAL LIABILITIES AND FUND BALANCES	**$ 85,292**	**$ 78,134**

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Operations and Changes in Fund Balance – Operating Fund

Year Ended December 31, 2010

(All dollar amounts are in $ 000)

	Budget 2010 (Unaudited)	2010	2009
Revenue			
Municipal	$ 175,709	$ 175,709	$ 170,758
Interest	1,200	1,396	976
Other	7,300	7,495	8,314
Total	**184,209**	**184,600**	**180,048**
Expenses			
Salaries and wages	110,450	106,864	108,205
Benefits	24,366	23,248	23,037
Office expenses	6,817	6,236	6,384
Professional services			
Consulting	818	733	3,164
Contractor	3,375	2,893	4,003
Legal	3,699	3,769	3,586
Corporate projects	6,034	5,258	5,326
Rentals			
Equipment	1,474	1,421	1,547
Facilities	10,475	10,022	10,152
Software licences and maintenance	8,198	7,903	8,541
Telecommunications and postage	8,546	7,471	5,037
Royalties (Note 8)	850	766	809
Total	**185,102**	**176,584**	**179,791**
Excess of Revenue over Expenses (Expenses over Revenue)	(893)	8,016	257
Inter-fund transfer - purchase of capital assets	(6,877)	(5,335)	(5,738)
Debt incurred to finance purchase of capital assets	-	-	2,000
Repayment of debt to finance purchase of capital assets	-	(382)	(337)
Reclassification adjustment for (losses) recognized during the year in income previously included in fund balance – Operating fund	-	(162)	(509)
Unrealized gains /(losses) on available for sale financial assets	-	540	707
Fund balance, beginning of year	25,164	25,164	28,784
Fund balance, end of year	**$ 17,394**	**$ 27,841**	**$ 25,164**

Approved by Board:

Director

Director

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Statement of Operations and Changes in Fund Balance – Restricted Fund

Year Ended December 31, 2010

(All dollar amounts are in $ 000)

	2010	2009
	Invested in capital assets	Invested in capital assets
Expense		
Amortization of capital assets	$ (7,841)	$ (5,414)
Inter-fund transfer		
Purchase of capital assets	5,335	5,738
Bank loan obtained to finance purchase of capital asset	-	(2,000)
Repayment of bank loan to finance purchase of capital asset	382	337
Fund balance, beginning of year	13,705	15,044
Fund balance, end of year	**$ 11,581**	**$ 13,705**

(All dollar amounts are in $ 000)

	2010	2009
Net (outflow) / inflow of cash related to the following activities		
Operating:		
Excess of revenue over expenses		
Operating fund	$ 8,016	$ 257
Restricted fund	(7,841)	(5,414)
Add (deduct) items not affecting cash:		
Gain on disposal of investments	(636)	(337)
Employee future benefit expense	2,398	1,934
Amortization of capital assets	7,841	5,414
	9,778	1,854
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(1,222)	7,424
Decrease (increase) in prepaid expenses	905	(368)
Increase (decrease) in accounts payable and accrued liabilities	875	(1,995)
Increase in inducements – rent & renovations	687	482
	11,023	**7,397**
Investing:		
Proceeds from disposition of investments	5,000	1,387
Investments during the year	(23,100)	(392)
Purchase of capital assets	(5,335)	(5,738)
	(23,435)	**(4,743)**
Financing:		
Bank loan obtained	4,000	2,000
Repayment – bank loans	(589)	(337)
Payments related to Employee Future Benefits	(766)	(123)
	2,645	**1,540**
Net (outflow) inflow of cash during the year	(9,767)	4,194
Cash at the beginning of year	41,493	37,299
Cash at end of year	**$ 31,726**	**$ 41,493**
Supplementary cash flow information		
Interest paid	$137	$ 70

1. DESCRIPTION OF BUSINESS

The Municipal Property Assessment Corporation, formerly the Ontario Property Assessment Corporation, was incorporated effective January 1, 1998 and 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. 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.

Financial instruments

The Corporation has classified each of its financial instruments into accounting categories. The category of an item determines its subsequent accounting treatment. The classification of each item is as follows:

Account	Classification
Cash	Held for Trading
Investments	Available for Sale
Accounts Receivable	Loans and Receivables
Accounts Payable	Other Liabilities
Accrued Liabilities	Other Liabilities
Bank Loan	Other Liabilities

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 are carried at fair value with changes in the fair value recognized directly 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.

2. SIGNIFICANT ACCOUNTING POLICIES (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.

The fair value of investments is determined directly from bid prices in an active market. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short term maturity. The carrying value of the bank loan approximates fair value based on the terms and conditions of the borrowing arrangement compared to current market conditions for similar items.

Premiums and discounts on bond purchases are amortized using the effective interest method.

As allowed under Section 3855 "Financial Instruments – Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

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 straight-line method as disclosed in Note 5. Leasehold improvements are also amortized on a straight-line basis over the term of the lease or ten years, whichever is less.

The costs of developing in-house software are expensed as incurred.

Revenue recognition

Income from assessment services is recognized in the year in which services are provided.

Interest income is recognized when earned.

Other revenues are recognized when the services have been provided and collection is reasonably assured.

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)

Lease inducement

Deferred lease inducements represent the free rent and improvement allowance received from landlords, and is amortized over the term of the lease.

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. Accounts requiring significant estimates include accounts receivable, accrued liabilities, capital assets and employee future benefits.

3. FUTURE ACCOUNTING CHANGES

Adoption of accounting policies- Not-for-Profit Organizations:

The CICA has issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on January 1, 2012, Not-for-Profit Organizations are required to choose between International Financial Reporting Standards (IFRSs) and GAAP for Not-for-Profit Organizations. Early adoption of these standards is permitted. MPAC currently plans to adopt the new accounting standards for Not-for-Profit Organizations (for its fiscal year beginning on January 1, 2012). The impact of this transition has not been determined at this time.

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. The Organization is subject to market risk and interest rate risk in respect of its investments. It minimizes these risks by following the provisions in its investment policy, which require investments in high grade, low risk investments.

(All dollar amounts are in $ 000)

5. CAPITAL ASSETS

At the beginning of 2010, MPAC reviewed the estimate of the useful lives of its capital assets. The review resulted in a change in the amortization method from the declining balance to the straight line method, which MPAC believes more accurately reflects the estimated useful lives of its capital assets. As this is a change in estimate, it has been accounted for prospectively. As a result of this change, an additional amount of $3.07 million was recorded in amortization expense in fiscal 2010.

	2010				2009
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	5 years	$ 3,957	$ 3,537	$ 420	$ 1,040
Furniture and fixtures	5 years	7,686	5,988	1,698	2,548
Computer equipment	3 years	28,887	26,395	2,492	4,223
Computer software	1 year	13,499	13,235	264	680
Small boats and vessels	3 years	39	21	18	33
Leasehold improvements	* note	18,320	10,350	7,970	6,844
		$ 72,388	**$ 59,526**	**$ 12,862**	**$ 15,368**

*10 years or term of lease, whichever is less.

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 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 themselves 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 of Ontario.

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 obligation, and accrued benefit liabilities, are as follows:

	2010	2009
Accrued benefit obligation, beginning of year	$ $20,358	$ 15,949
Current service costs	921	730
Interest on accrued obligation	1,288	1,140
Actuarial losses	3,999	2,662
	26,566	20,481
Benefits: Adjustments / (Payments) during the year	(766)	(123)
Accrued benefit obligation, end of year	25,800	20,358
Unamortized net actuarial (losses) /gain	(6,395)	(2,585)
Accrued benefit liability	**$ 19,405**	**$ 17,773**

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

	2010	2009
Current service costs	$ 921	$ 730
Interest on accrued obligation	1,288	1,140
Amortization of actuarial losses	189	64
	$ 2,398	**$ 1,934**

(All dollar amounts are in $ 000)

6. EMPLOYEE FUTURE BENEFITS (continued)

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

Discount rate	5.4% 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.
Aging factor applied to health care costs from ages 45 to 85	2.0% per year.
Aging factor applied to dental care costs from ages 45 to 85	-1.0% per year.

The date of the most recent actuarial valuation of the December 31, 2010 accrued benefit obligation was January 1, 2011.

7. BANK LOAN

MPAC has two agreements with its bankers for unsecured fixed rate term loans. The details of the loans are as follows:

The first agreement was signed on January 23, 2009 at an interest rate of 4.02 percent, payable by January 27, 2014 in monthly installments of $37 principal and interest. The loan was obtained to assist with the financing of an Enterprise Resource Planning system that was purchased in 2009 and included in capital assets.

The second agreement was signed on July 13, 2010 with an interest rate of 4.21 percent, payable by July 30, 2017 in monthly installments of $51, principal and interest. This loan will be used to finance future leasehold improvements.

Combined principal payments required in each of the next five years and thereafter are as follows:

2011	$ 909
2012	$ 947
2013	$ 987
2014	$ 617
2015	$ 604
And thereafter	$ 1,010

8. DATA SHARING AGREEMENT

As per an agreement with a third party, 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:

	2010	2009
Opening balance in the fund	$ 5,920	$ 6,729
Royalty payments during the period	(766)	(809)
Balance at the year-end	$ 5,154	$ 5,920

9. 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. By the end of 2010, a total of $4.154 million (2009 - $4.122 Million) has been set aside to fund projects scheduled for completion during the following year(s).

10. ASSESSMENT FUND RESERVE

This reserve fund was established in 2009 to fund the costs associated with the assessment update. MPAC will contribute $1.0 million annually to the reserve and will draw down the reserve every 4 years when an assessment update is undertaken.

(All dollar amounts are in $ 000)

11. 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:

2011	$ 10,915
2012	$ 9,664
2013	$ 8,428
2014	$ 6,954
2015	$ 6,072
And thereafter:	$ 23,446

12. 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 or are considered insignificant as at December 31, 2010 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.

13. CREDIT FACILITIES

The Corporation has unsecured credit facilities of $5.0 million, to be used for its operation, renewable annually. As at December 31, 2010 this facility has not been used.

14. CAPITAL MANAGEMENT

The Organization considers its capital to be the Operating Fund, and long term debt. The operating fund consists of a number of internally restricted funds. These funds have been allocated by the Board to be used for specific future projects. The reserve for working funds is considered as working capital.

Under its bank loan agreement, the Organization must satisfy certain covenants. As at December 31, 2010, the Organization is in compliance with all such covenants.

15. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

The Corporation is an employer subject to the *Public Sector Salary Disclosure Act, 1996*, which requires disclosure of the names of all employees of the Corporation who were paid $100 or more in 2010. This information is available on the Ministry of Finance's website.

16. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

Certain amounts in for the fiscal year 2009 have been reclassified to conform to the current year's financial statement presentation.

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

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