Financial statements of Municipal Property Assessment Corporation

December 31, 2024

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
Municipal Property Assessment Corporation

Opinion

We have audited the financial statements of Municipal Property Assessment Corporation (the "Corporation"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter with those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 27, 2025

Municipal Property Assessment Corporation
Statement of financial position
As at December 31, 2024
(In thousands of dollars)

	Notes	2024 $	2023 $
Assets			
Current assets			
Cash		**14,198**	14,884
Accounts receivable		**6,117**	4,536
Prepaid expenses		**3,141**	2,906
		23,456	22,326
Investments	3	**162,247**	156,137
Capital assets	4	**9,600**	7,719
Long-term prepaid expenses		**196**	52
Intangible assets	5	**6**	11
		195,505	186,245
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	**33,860**	29,831
Deferred revenue	6	**1,687**	1,483
Current portion of capital leases	10	**352**	322
		35,899	31,636
Employee future benefits	7	**43,227**	40,451
Deferred lease inducements		**785**	1,120
Long-term portion of capital leases	10	**761**	706
		80,672	73,913
Commitments and contingencies	9 and 11		
Net assets			
Unrestricted		**7,604**	7,402
Internally restricted	8	**98,736**	98,228
Invested in capital and intangible assets		**8,493**	6,702
		114,833	112,332
		195,505	186,245

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Directors

Alan Spacek

_______________________, Director

_______________________, Director

Municipal Property Assessment Corporation
Statement of operations
Year ended December 31, 2024
(In thousands of dollars)

	2024	2023
	$	$
Revenue		
Municipal	**219,432**	214,919
Other	**28,398**	26,117
Interest and dividend income	**4,899**	5,097
	252,729	246,133
Expenses		
Salaries and benefits	**214,243**	199,198
Professional services	**10,582**	10,978
Information technology	**12,661**	11,783
Facilities	**8,657**	8,567
General and administrative	**10,677**	8,203
Royalties	**3,258**	2,697
Amortization of capital and intangible assets	**2,755**	3,002
Gain on disposal of capital assets	**(551)**	(119)
	262,282	244,309
(Deficiency) excess of revenue over expenses before change in fair value of investments	**(9,553)**	1,824
Change in fair value of investments	**12,835**	7,998
Excess of revenue over expenses for the year	**3,282**	9,822

The accompanying notes are an integral part of the financial statements.

Statement of changes in net assets

Year ended December 31, 2024
(In thousands of dollars)

	Notes	Unrestricted $	Internally restricted $ (Note 8)	Invested in capital and intangible assets $	2024 Total $	2023 Total $
Net assets, beginning of year		**7,402**	**98,228**	**6,702**	**112,332**	105,614
Excess (deficiency) of revenue over expenses for the year		**5,488**	**—**	**(2,206)**	**3,282**	9,822
Remeasurements and other items on employee future benefits	7	**(781)**	**—**	**—**	**(781)**	(3,104)
Acquisition of capital and intangible assets		**(4,818)**	**—**	**4,818**	**—**	—
Proceeds from disposal of capital and intangible assets		**736**	**—**	**(736)**	**—**	—
Incurred lease obligations for vehicles accounted for as capital leases		**430**	**—**	**(430)**	**—**	—
(Repayment) retirement of lease obligations for vehicles accounted for as capital leases		**(345)**	**—**	**345**	**—**	—
Interfund transfers to internally restricted reserves		**(508)**	**508**	**—**	**—**	—
Net assets, end of year		**7,604**	**98,736**	**8,493**	**114,833**	112,332

The accompanying notes are an integral part of the financial statements.

Municipal Property Assessment Corporation
Statement of cash flows
Year ended December 31, 2024
(In thousands of dollars)

	Notes	2024 $	2023 $
Operating activities			
Excess of revenue over expenses for the year		**3,282**	9,822
Employee future benefits payments	7	**(974)**	(810)
Add (deduct): Items not affecting cash			
Change in fair value of investments		**(12,835)**	(7,998)
Reinvested investment income		**(3,629)**	(3,860)
Employee future benefits expense	7	**2,969**	2,817
Amortization of capital assets		**2,750**	2,998
Amortization of intangible assets		**5**	4
Gain on disposal of capital assets		**(551)**	(119)
Amortization of deferred lease inducements		**(335)**	(381)
		(9,318)	2,473
Changes in non-cash working capital			
Accounts receivable		**(1,581)**	(423)
Prepaid expenses		**(379)**	(170)
Accounts payable and accrued liabilities		**4,029**	(340)
Deferred revenue		**204**	(1,186)
		(7,045)	354
Investing activities			
Purchase of investments		**—**	(153,395)
Proceeds from sale of investments, net of fees		**10,354**	158,565
Purchase of capital assets		**(4,388)**	(2,278)
Proceeds on disposal of capital assets		**738**	130
Purchase of intangible assets		**—**	(9)
		6,704	3,013
Financing activity			
Repayment of lease obligations		**(345)**	(643)
(Decrease) increase in cash during the year		**(686)**	2,724
Cash, beginning of year		**14,884**	12,160
Cash, end of year		**14,198**	14,884
Supplementary cash flow information			
Non-cash transactions			
Acquisition of leased vehicles		**(430)**	—
Incurrence of lease obligations		**430**	—

The accompanying notes are an integral part of the financial statements.

1. Description of business

Municipal Property Assessment Corporation (the Corporation), formerly the Ontario Property Assessment Corporation, was incorporated effective January 1, 1998 and is a special act corporation under the Municipal Property Assessment Corporation Act, 1997 (Ontario). 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 consistent with such duties as approved by its board of directors. All municipalities in Ontario are members of the Corporation.

2. Summary of significant accounting policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies are summarized as follows:

Fund accounting

The financial statements include the following funds:

- The unrestricted fund comprises mainly amounts available for immediate use for the general purpose of the Corporation.
- The reserve for board-appropriated working fund is set aside by the board of directors in accordance with the Corporation's reserve strategy for contingencies and funding for identified one-time expenditures.
- The reserve for employee future benefits is the portion of net assets consisting of internally restricted investments set aside to settle employee future benefits.
- The reserve for enumeration was established to fund the costs associated with the preparation of preliminary voters' lists for municipal and school board elections. This function was transferred to the Elections Ontario in January 2024. MPAC will maintain the municipal and school board election support going forward, and the balance of this reserve will be used to pay for those activities.
- The reserve for assessment update was established to fund the costs associated with the assessment update. The Corporation contributes annually to the reserve but may vary the annual contribution with approval from the board of directors. The unspent reserve balance will be maintained to finance the next Assessment Update.
- Invested in capital and intangible assets represents assets that have been invested in long-lived capital and intangible assets which are not readily converted to cash, net of any liabilities related to the acquisition of those assets.

Financial instruments

The Corporation records cash, accounts receivable, accounts payable and accrued liabilities initially at fair value and subsequently at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indications the assets may be impaired.

Investments are recorded at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost and are amortized using the straight-line method as follows:

Office equipment	5 years
Furniture and fixtures	5 to 10 years
Computer equipment	3 to 4 years
Small boats and vessels	3 to 8 years
Vehicles under capital lease	5 years

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

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

Impairment of long-lived assets

The Corporation reviews the carrying amount, amortization and useful lives of its long-lived assets on an annual basis. If the long-lived asset no longer has any long-term service potential to the Corporation, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

Intangible assets

Intangible assets consist of computer software, which is recorded at cost and is amortized over three years.

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

Revenue recognition

Municipal revenue relates to assessment services and is recognized in the year in which the services are provided, and collection is reasonably assured.

Other revenues are comprised of services sold and products delivered from business development. These revenues are recognized when the services have been provided and/or the product is delivered, and collection is reasonably assured.

Interest income is recognized when earned.

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Employee future benefits

The Corporation has defined benefit plans that provide for post-retirement medical and dental coverage and special termination benefits for defined eligible employees. Certain investments have been internally restricted but not segregated to pay for post-retirement benefits.

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Employee future benefits (continued)

The Corporation has the following policies:

- The Corporation accrues its obligations under defined benefit plans and the related costs when the benefits are earned through current service using the accounting valuation method.
- 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. The accrued benefit obligation related to employee future benefits is discounted using market rates on high-quality debt instruments.
- Remeasurements and other items are composed of actuarial gains (losses) on the accrued benefit obligation and arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation, past service costs and gains and losses arising from settlements and curtailments. Actuarial gains and losses arise when the accrued benefit obligations change during the year. The actuarial gains and losses and other remeasurements including plan amendments are recorded in the statement of changes in net assets when incurred.

In addition, all employees of the Corporation are part of a defined benefit multi-employer benefit plan providing both pension and other retirement benefits. Contributions made to this plan are expensed as paid as the plan is accounted for as a defined contribution plan.

Deferred lease inducements

Lease liabilities include deferred lease inducements, which represent the free rent and improvement allowances received from landlords and are amortized over the term of the lease, and step-rent liability, which represents the difference between the average annual rent over the term of the lease agreement and actual rent paid in the year.

Use of 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 payable and accrued liabilities, useful lives of capital assets and employee future benefits.

3. Investments

Investments are held within third party managed accounts, which invest independently. The breakdown of total investments by category is outlined below:

	2024	2023
	$	$
Cash to be reinvested	**270**	149
Fixed income	**88,069**	92,665
Equity	**55,786**	45,639
Real assets	**18,122**	17,684
	162,247	156,137

(In thousands of dollars)

3. Investments (continued)

The Corporation internally restricts certain securities to fund employee future benefits. The breakdown of total investments by intended use is outlined below:

	2024	2023
	$	$
Working capital	**86,756**	87,267
Employee future benefits	**75,491**	68,870
	162,247	156,137

4. Capital assets

	Cost	**Accumulated amortization**	**2024 Net book value**	2023 Net book value
	$	**$**	**$**	$
Office equipment	**378**	**378**	**—**	—
Furniture and fixtures	**7,545**	**6,361**	**1,184**	1,116
Computer equipment	**16,941**	**14,717**	**2,224**	2,038
Small boats and vessels	**391**	**367**	**24**	25
Leasehold improvements	**20,705**	**16,495**	**4,210**	3,555
Vehicles under capital lease	**3,293**	**2,213**	**1,080**	976
Assets under construction	**878**	**—**	**878**	9
	50,131	**40,531**	**9,600**	7,719

5. Intangible assets

	Cost	**Accumulated amortization**	**2024 Net book value**	2023 Net book value
	$	**$**	**$**	$
Computer software	**3,031**	**3,025**	**6**	11

6. Deferred revenue

	2024	2023
	$	$
Business development unearned revenue and customer down payments	**1,479**	1,290
Other deferred amounts	**208**	193
	1,687	1,483

(In thousands of dollars)

7. Employee future benefits

The Corporation has accrued an obligation for its post-employment benefits as follows:

Employees who transferred to the Corporation from the Government of Ontario on December 31, 1998

- Employees who transferred to the Corporation with less than ten years of service with the province will receive post-retirement group benefit coverage through the Corporation for themselves and for their dependents' lifetimes. The cost of these benefits is shared equally between the Corporation and the employee for those employees who retire after January 1, 2018.

  The Government of Ontario continues to provide post-retirement benefits for employees who transferred to the Corporation with ten or more years of service with the province.

Employees hired by the Corporation after December 31, 1998

- These employees will receive post-retirement group benefit coverage for themselves and for their dependents through the Corporation until age 65.

All employees

- The Corporation is a Schedule II employer under the Workplace Safety and Insurance Act (Ontario), 1997 and follows a policy of self-insurance for all its employees. The obligation as at December 31, 2024 is $1,158 ($617 in 2023) and is included in the total obligations below.

Information about the Corporation's accrued benefit obligations and accrued benefit liabilities is as follows:

	2024	2023
	$	$
Accrued benefit obligations, beginning of year	**40,451**	35,340
Current service costs	**1,106**	1,049
Interest on accrued obligations	**1,863**	1,768
Actuarial loss (gain)	**781**	3,104
Contributions	**(974)**	(810)
Accrued benefit obligations, end of year	**43,227**	40,451

The employee future benefits expense recorded in the statement of operations during the year is as follows:

	2024	2023
	$	$
Current service costs	**1,106**	1,049
Interest on accrued obligations	**1,863**	1,768
	2,969	2,817

Remeasurements and other items, consisting of curtailments, settlements, past service costs and actuarial loss of $781 (loss of $3,104 in 2023), have been recognized directly in net assets.

(In thousands of dollars)

7. Employee future benefits (continued)

All employees (continued)

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

	2024	2023
	$	$
Discount rate	**4.75%**	4.65%
Health care inflation	**5.2% grading down to 4% by 2040**	5.2% grading down to 4% by 2040
Vision and dental care inflation	**5.1% grading down to 4% by 2040**	5.1% grading down to 4% by 2040

The date of the most recent actuarial valuation of the accrued benefit obligations was December 31, 2022.

The Corporation paid $32,519 ($30,133 in 2023) of employer and employee contributions to the defined benefit multi-employer benefit plan.

8. Internally restricted net assets

	2024	2023
	$	$
Reserve for board-appropriated working fund	**52,157**	55,199
Reserve for employee future benefits	**32,264**	28,419
Reserve for enumeration	**846**	1,141
Reserve for assessment update	**13,469**	13,469
	98,736	98,228

Interfund transfers are approved by the board of directors. During the year, the board of directors approved the transfers between the unrestricted fund and the internally restricted net assets as follows: $3,044 from ($4,604 to in 2023) the board-appropriated working fund reserve to pay for future one-time expenditures; $0 to ($2,000 to in 2023) the assessment update reserve to set aside funds for the property assessment process, and $295 from ($202 from in 2023) the enumeration reserve.

The purpose and use of the employee future benefit reserve was approved by the board of directors at initial setup, and an annual approval for transfers is not required. A transfer of $3,845 to ($171 to in 2023) the employee future benefit reserve was made during the year.

Refer to note 2 for a description of the reserves.

(In thousands of dollars)

9. Commitments

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

	$
2025	3,352
2026	2,189
2027	916
2028	529
2029	302
Thereafter	15
	7,303

The Corporation is also committed to paying operating costs and property taxes on its various property leases.

10. Capital leases

The Corporation entered into several vehicle leases with an interest rate of between 3.82% and 6.98%, with lease terms up to 60 months. On termination of the lease, the Corporation has guaranteed a certain residual value of the vehicle to the lessor, depending on the ultimate lease term.

As at December 31, 2024 the current portion of the capital leases is $352 ($322 in 2023) and the long-term portion is $761 ($706 in 2023).

Future minimum annual lease payments required under capital lease arrangements are as follows:

	$
2025	402
2026	395
2027	233
2028	101
2029	94
Total lease payments	1,225
Less: amount representing interest	(112)
	1,113
Less: current portion	352
	761

11. Contingent liabilities and guarantees

The Corporation has been named as a defendant in certain legal actions in which damages have either been sought or, through subsequent pleadings, could be sought. Where the outcome of these actions is determinable and considered significant as at December 31, 2024, a provision was made in these financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year the related litigation is settled.

11. Contingent liabilities and guarantees (continued)

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee, as outlined in the Chartered Professional Accountants of Canada Handbook. The Corporation's primary guarantee subject to disclosure requirements is as follows:

- The Corporation enters into agreements that include indemnities in favor 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 statement of financial position with respect to these agreements.

12. Risk management

Market risk

The Corporation's investments are susceptible to market risk, which is defined as the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's market risk is affected by changes in the level or volatility of market rates or prices, such as interest rates, foreign currency exchange rates and equity prices. The Corporation is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rate sensitive investments. The risk is mitigated through the Corporation's investment policy, which requires investments to be held in high grade, low risk investments.

Credit risk

Credit risk arises from the potential a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from banks and debtors. The risk is mitigated in that the Corporation conducts business with reputable financial institutions and its debtors are mainly entities within a level of the provincial government.

Liquidity risk

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity through regular monitoring of forecasted and actual cash flows.

13. Credit facility

The Corporation has an unsecured credit facility of $10,000 to be used for its operations, which is renewable annually.

14. Government remittances

Government remittances consist of workplace safety insurance costs, sales taxes and payroll withholding taxes required to be paid to government authorities when the amounts come due. In respect of government remittances, $2,325 ($2,001 in 2023) is included in accounts payable and accrued liabilities.