



Municipal Assessment
Agency Inc.

ANNUAL REPORT
2009 – 2010

TABLE OF CONTENTS

- LETTER OF TRANSMITTAL 1
- CORPORATE OVERVIEW. 2
- OUR VALUES 2
- HIGHLIGHTS 3
- GOALS 4
- PERFORMANCE ON OBJECTIVES 5
- SUMMARY 10
- BOARD OF DIRECTORS 11
- MANAGEMENT DIRECTORY. 12
- OFFICE DIRECTORY 12
- AUDITORS' REPORT 13



LETTER OF TRANSMITTAL



August 31, 2010

The Honourable Dianne Whelan, M.H.A.
Minister of Municipal Affairs
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister:

On behalf of the Municipal Assessment Agency Incorporated, I have the pleasure to submit our annual report for 2009, and the financial statements for the year ended March 31, 2010.

The Assessment Act, 2006 establishes the Municipal Assessment Agency as the entity which provides municipalities their real property assessment service. Municipalities in Newfoundland and Labrador (excluding the City of St. John's) which impose a real property tax or a business tax based on property values, use the services of the Agency. The Municipal Assessment Agency is a not for profit entity, with any returns used only to further the activities of the Agency. As the entity responsible for providing a fair and effective property assessment service to 228 municipalities, we are pleased to support local government in providing valuable service to the people of our province, and our board of directors is accountable for the results reported in this document. The board's continuing commitment to openness and transparency, key components of an effective property tax system, is demonstrated by this report.

We will continue to fulfill our mandate and look forward to meeting future challenges.

Sincerely,

A handwritten signature in black ink that reads "Fred Best". The signature is written in a cursive, slightly slanted style.

Fred Best
Chairperson, Board of Directors

CORPORATE OVERVIEW

OUR VISION

The vision of the Municipal Assessment Agency is of a professional organization meeting the property assessment and valuation needs of our clients in an effective and cost-efficient manner.

Meeting the assessment and valuation needs of our clients is the primary objective within the vision statement. It is also important to understand the need to constrain the vision statement within the means available. The assessment service must be cut to fit the means of the municipalities.

OUR MISSION

By 2011, the Municipal Assessment Agency will have improved its service delivery to be better able to meet the assessment and valuation needs of its clients.

LINES OF BUSINESS

The Agency has a single line of business - property assessment and valuation. For additional information on our lines of business, please refer to the Agency's business plan.

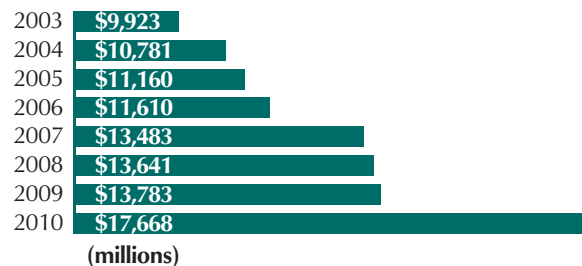
GOVERNANCE

The Agency is a crown-owned corporation which is governed by a representative Board of Directors. The board includes eight municipal representatives, six of whom are elected by municipalities, and two taxpayer representatives.

KEY STATISTICS

Permanent staff	62 (43 male and 19 female)
Office locations	11
Total assessed value	\$ 17,668 million
Number of parcels	177,945

Provincial Assessed Values



OUR VALUES

- Fair** We will provide opinions of value without bias
- Transparent** We will be responsible for our actions and accountable to the public
- Competent** We will encourage participation in continuing professional development and training at all levels within the Agency
- Cooperative** We will actively seek alternate (client) opinions on our activities and report these opinions to direct our change process
- Integrity** Employees and members of the board will act with integrity and, if in doubt, will seek appropriate guidance to ensure they perform their duties in an ethical and responsible manner

HIGHLIGHTS

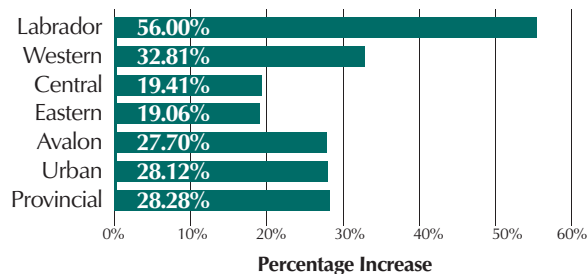
The Agency has as its primary focus the maintenance of positive relations with its clients and the provision of a quality assessment service. Within this focus, we recognize and support the role of employees as advocates for clients in supporting the Agency providing the best possible service at every opportunity.

ASSESSED VALUES

2009 was a reassessment year, and the Province recorded significant increases in all regions. Municipalities incorporated these increases in their 2010 budgets and used the increase to reduce local tax rates or to offset part or all of any increase necessary in local rates to provide appropriate service levels to property owners.

The value of new construction and renovations grew by more than \$ 580 million.

2010 Assessment Results



GOVERNANCE

Board elections are scheduled every four years following the municipal elections. Nominations were called in October and final results were tabulated in December. The election process was quite successful

with 31 candidates for the six positions and 83% of municipalities casting ballots. There was a runoff election for the position of Avalon director when four of the candidates tied in the initial round of voting. Elected for four year terms beginning in January 2010 were:

Labrador	Deputy Mayor Terry Hancock, Forteau
Western	Mayor Dean Ball, Deer Lake
Central	Councillor Randy White, Comfort Cove-Newstead
Eastern	Mayor Fred Best, Clarenville
Urban	Councillor Peggy Roche, Torbay
Avalon	Mayor Betty Moore, Clarke's Beach

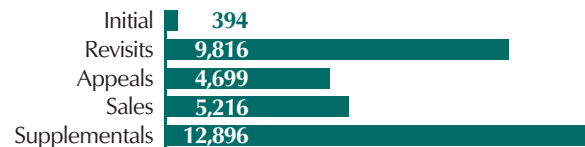
BUSINESS PLAN

During the year, the board continued to pursue its business plan for 2008-11 in accordance with the requirements of the *Transparency and Accountability Act*. For this year, we will report on the results of the 2008-11 business plan for year 2.

Assessment Appeals for revaluation years only



2009 Property Visits



GOALS

For this planning cycle, (2008-2011), we have developed a business plan and identified four issues to be addressed in the plan and accompanying three-year goals.

Technology

By March 31, 2011, the Agency will have commenced implementing the software required for the provision of assessment and valuation services.

The Agency provides services across the province using technology to contain costs and eliminate duplication. To continue to provide services to all municipalities, it is imperative the technology used by our assessors meets the needs of our clients and is within the Agency's fiscal capacity.

Based upon financial considerations, the board is reviewing the final 2009-10 indicator to ensure the Agency will operate in a cost-effective manner. We have completed the remainder of our 2009-10 objectives.

Improved Service

By March 31, 2011, the Municipal Assessment Agency will have improved its client valuation and assessment services to municipalities.

As a fully-funded service provider to municipalities, the Agency is accountable for that funding and must focus on meeting the demands of its clients.

We have met our objective for 2009-10 and are on target for meeting our goal. Service levels have been established for annual roll returns, supplemental requests, and assessment appeals.

Professional Development and Training

By March 31, 2011, the Agency will implement an enhanced professional development and training program that meets the needs of all of its employees.

As a service provider, the Agency's single largest expenditure is its human resource costs. To ensure we can meet the needs of our clients and provide a stimulating work environment, we are committed to the continuing professional development of our employees.

The Agency is on target to meet its goal, having met our objective for 2009-10.

Education and Public Relations

By March 31, 2011, a new education and public relations program will have been developed (and implemented) by the Agency to meet the needs of the clients, and to better inform the public, a new public relations program about the assessment and valuation process will be launched.

Understanding the property tax system and role of the Agency within the system is critical for the acceptance by municipalities of the need to pay for our service. The public needs to understand our role in providing an unbiased opinion of value to have confidence in the system.

The revised plan has been developed, including a new residential property information report. A new guide for elected officials has been implemented and staff have been trained in its use. Staff training in use of the municipal guide and related residential property report has been delayed due to work volumes from the 2010 assessment appeals. This training will be completed in the fall of 2010 and we will meet our goal.

PERFORMANCE ON OBJECTIVES

TECHNOLOGY

Goal: By March 31, 2011, the Agency will have commenced implementing the software required for the provision of assessment and valuation services.

Objective: By March 31, 2010, the Agency will have chosen the software to meet the technological needs in the provision of assessment and valuation services to our clients.

Measure: Software is chosen.

<i>Planned results</i>	<i>Actual results</i>
Tenders and/or RFPs will be developed and published based on information and recommendations put forth	Based on the research and environmental scan, a sole source has been identified. As a result, no tender or RFP will be issued.
Options will be presented and decisions undertaken	The vendor has supplied a quote and a cost benefit analysis is complete. Options were presented to the board. The board decided to further research the options before finalizing a decision on acquisition of the software.
Contracts/leases will be signed for new hardware and software	This is not complete. The board is reviewing the cost exposure to clients and examining ways to reduce that exposure.

The software has been identified. As the costs are significant, the board has elected to engage in additional review prior to any negotiation, but remains committed to meeting its objective.

2010 - 11 Objective

By March 31, 2011, the Agency will have commenced the implementation of the software chosen to meet the technological needs in the provision of assessment and valuation services to our clients.

Measure: Implementation has commenced

Indicators:

- Teams will have been assigned their responsibility to implement the software
- An Implementation Plan that shows the sequence in which each module will be implemented, who has been assigned to each phase, milestones and key deliverables will have been developed
- Professional service contracts will have been signed with IT vendors that have been chosen to assist with the implementation of the software

PERFORMANCE ON OBJECTIVES

IMPROVED SERVICE

Goal: By March 31, 2011, the Municipal Assessment Agency will have improved its client valuation and assessment services to municipalities.

Objective: By March 31, 2010, the Agency will have compiled a report on the actual service levels when compared with its baseline.

Measure: Service report prepared

<i>Planned results</i>	<i>Actual results</i>										
All Agency services/operations/activities will be specified	Operations/activities have been specified. These include change requests, supplemental assessment requests, appeal reviews, and annual production.										
Baselines for each service/operation/activity will be set	<ul style="list-style-type: none"> Change requests are name and address changes requested by a client municipality. Supplemental is a request to revise an assessment due to a change in use or change in the physical structure. Appeal review is the initial review of an appeal filed by a ratepayer. Annual roll/notice is the assessment roll and notices, which are prepared and delivered annually <table border="1"> <thead> <tr> <th>Activity</th> <th>Baseline</th> </tr> </thead> <tbody> <tr> <td>Change request</td> <td>Four weeks prior to deadline</td> </tr> <tr> <td>Supplemental</td> <td>Six weeks prior to deadline</td> </tr> <tr> <td>Appeal Review</td> <td>Ninety days</td> </tr> <tr> <td>Annual Roll/Notice</td> <td>First Friday in October</td> </tr> </tbody> </table>	Activity	Baseline	Change request	Four weeks prior to deadline	Supplemental	Six weeks prior to deadline	Appeal Review	Ninety days	Annual Roll/Notice	First Friday in October
Activity	Baseline										
Change request	Four weeks prior to deadline										
Supplemental	Six weeks prior to deadline										
Appeal Review	Ninety days										
Annual Roll/Notice	First Friday in October										
Actual results for each service/operation/activity will be tracked for a period of approximately six months	<table border="1"> <thead> <tr> <th>Activity</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Change request</td> <td>98%</td> </tr> <tr> <td>Supplemental</td> <td>83%</td> </tr> <tr> <td>Appeal Review</td> <td>67%</td> </tr> <tr> <td>Annual Roll/Notice</td> <td>100%</td> </tr> </tbody> </table> <p>Each activity has been measured against the benchmark and a percentage of the results that met or exceeded the baseline have been noted.</p>	Activity	Actual	Change request	98%	Supplemental	83%	Appeal Review	67%	Annual Roll/Notice	100%
Activity	Actual										
Change request	98%										
Supplemental	83%										
Appeal Review	67%										
Annual Roll/Notice	100%										
Comparison of actual results with the baselines will have been completed	The comparison has been completed, as noted above.										

We have met our objective for 2009-10 and are on target for meeting our goal. In the coming year, we will specify the services and operational activities that will be targeted for improvement and establish the performance targets to be met.

2010 - 11 Objective
By March 31, 2011, revised service delivery benchmarks and procedures will have been implemented throughout all areas of the Agency's operations and services.

Measure: Revised service benchmarks/procedures implemented

Indicators:

- Consultation will have been undertaken and completed with all Agency divisions outlining revised standards

- Current service baselines will have been reviewed and evaluated
- Revised benchmarks will have been established in all areas of operation
- Operations/services will have been tracked for a period of time (approximately six months) using new service benchmarks
- Revisions will have been made based on information attained
- New service benchmarks and procedures have been implemented

PERFORMANCE ON OBJECTIVES

PROFESSIONAL DEVELOPMENT AND TRAINING

Goal: By March 31, 2011, the Agency will have implemented an enhanced professional development and training program that meets the needs of all of its employees.

Objective: By March 31, 2010, the Agency will have developed a new professional development and training manual for all Agency employees.

Measure: New manual developed.

<i>Planned results</i>	<i>Actual results</i>
Working group will be assembled to assist in development of professional development and training manual	A working group has been established. (Agency human resources staff, Agency management, and with assistance from the Institute of Municipal Assessors, District 10).
Final research on best practice will be concluded	Completed. Other assessing authorities have been surveyed. Focus has been given to the relationship with Memorial University and the Institute of Municipal Assessors as key service providers.
Information/suggestions identified in needs assessment will be compiled	Staff survey and focus group results have been completed.
Existing policies will be revised where necessary	Completed. We have modified our policies to support professional development by increasing our funding level for professional memberships, and modified our funding of education courses.
New policies will be developed where necessary	Completed. We have developed a policy to provide education leave in support of staff training.

The Agency is on target to meet its goal, having met our objective for 2009-10.

2010 - 11 Objective

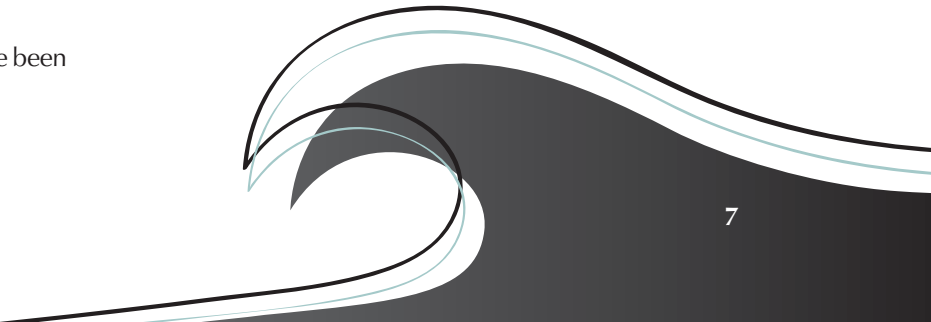
By March 31, 2011, the Agency will have implemented a new professional development and training manual for all Agency employees.

- Resources will have been identified to support implementation
- Professional Development and Training Manual will have been adopted and implemented for the Municipal Assessment Agency

Measure: New manual implemented

Indicators:

- Draft plan will have been developed for presentation and review
- Revisions/amendments to draft plan will have been completed based on feedback



PERFORMANCE ON OBJECTIVES

EDUCATION AND PUBLIC RELATIONS

Goal: by March 31, 2011, a new education program has been developed (and implemented) by the Agency to meet the needs of clients, and to better inform the public, a new public relations program about the assessment and valuation program has been launched.

Objective: By March 31, 2010, the Agency will have obtained client feedback and will have trained staff on its use and facilitation.

Measure 1: Feedback received from clients and staff trained on appropriate use and facilitation of plan.

<i>Planned results</i>	<i>Actual results</i>
Feedback to revised plan will have been reviewed and final revisions made	The revised plan for development of the program has been completed. <ul style="list-style-type: none"> • Revisions to the guide book for municipal officials has been completed. In addition, based on feedback, a new brochure on assessment appeals has been published. • Brochures on assessment appeals.
Staff will have attended training sessions	Completed. Staff responsible for delivery of the program have been trained.

We have met our objective for 2010 and are on target to meet the goal.

2010 - 11 Objective

Objective 1: By March 31, 2011, the Agency has implemented a revised province-wide education program for its municipal clients.

Measure: New education program implemented

Indicators:

- Staff will have been trained on appropriate use and facilitation of program
- Final program placed on website
- Schedule will have been devised for orientation of municipalities using revised education and client relations program
- Educational sessions and seminars will have been conducted at identified locations (using a rotational schedule) as recommended
- New plan will have been shared in hard copy and electronically for use as required

PERFORMANCE ON OBJECTIVES

EDUCATION AND PUBLIC RELATIONS

Goal: By March 31, 2011, a new education program has been developed (and implemented) by the Agency to meet the needs of clients, and to better inform the public, a new public relations program about the assessment and valuation program has been launched.

Objective: By March 31, 2010, the Agency will have obtained feedback from the public and will have trained staff on its use and facilitation of the public relations program.

Measure 2: Feedback received from the public and staff trained on appropriate use and facilitation of plan.

<i>Planned results</i>	<i>Actual results</i>
Public consultations completed	The public consultations which began in 2008-09 have been completed during 2009-10.
Revised plan published on website and shared with stakeholders for feedback	The revised plan was published on the website and shared with stakeholders.
Feedback to revised plan will have been reviewed	<ul style="list-style-type: none"> • From the feedback, a public guide to property assessment has been developed and published. • Based on requests for more understandable documentation, a new residential property summary report was developed. • A summary assessment notice was developed that contains the previous assessed value, as well as the new value. This provides property owners with important information and responds to the demand to understand the changes in assessed values.
Final revisions to plan will have been made	<ul style="list-style-type: none"> • Guide has been edited and is ready for publication • Sales history added to residential summary • Visit date added to summary
Training sessions held with staff regarding the appropriate use and facilitation of the plan	Training of staff on the public relations program has been delayed until the fall of 2010 due, to the volume of appeals.

Based on the volume of appeals and the need to provide appropriate customer service, staff training on the public relations program was delayed until the fall of 2010. We will still meet our 2010-11 objective and the overall goal objective.

2010 - 11 Objective

Objective 2: By March 31, 2011, the Agency has implemented a revised province-wide public relations program.

Measure: Revised public relations program implemented

Indicators:

- Final revisions made to the public relations program
- Staff will have been trained on appropriate use and facilitation of program
- Final program placed on website
- Educational sessions and seminars will have been conducted at identified locations (using a rotational schedule) as recommended
- New plan will have been shared in hard copy and electronically for use as required

SUMMARY

Mission

By 2011, the Municipal Assessment Agency will have improved its service delivery to be better able to meet the assessment and valuation needs of its clients.

Based on our results, the Agency is positioned to achieve its mission as planned. We will complete the staff training on the education program in the fall of 2010 and we will deliver on our mission by March 31, 2011.

Education

Our consultation process provides an opportunity to engage stakeholders in discussion. This will provide the Agency with grassroots feedback on our future direction.

Operations

In the coming year, we will capture the market to report for the next reassessment (in 2012). Our valuation will report the market at January 1, 2011 as required by the legislation. The twenty four month lag between market and reporting may present a challenge if the local real estate markets cool.

Financial

Our costs are increasing. There are three major drivers for these increases:

- Employee salary and benefits. As a service organization, more than 75% of our costs are salary and benefit costs.
- Appeal costs. While the number of appeals that require a hearing has declined, the complexity of those that do has increased. We expect this pattern to continue and our legal costs associated with these appeals will continue to increase.
- Technology. We continue to use technology to support the assessment process and seek efficiencies of operations.

We are pleased to report that the Agency recorded a surplus of \$156,027. This was \$11,002 more than our forecast surplus of \$145,025. This is a significant improvement from our deficit in 2008-09. We anticipate a small surplus for 2011.

MANAGEMENT DIRECTORY

Residential Manager	Wayne Rossiter
Director Valuation Services	Deborah Allen
Director Data & Field Services	Greg Rumbolt
Director Corporate Services	Eric Hart
Manager Payroll & Accounts	Rosemarie Evans
Manager Human Resources	Dale Hiscock
Executive Director/CEO	Sean Martin

OFFICE DIRECTORY

Corporate & Eastern Offices

75 O'Leary Avenue
St. John's, NL A1B 2C9
Tel: (709) 724-1532 Fax: (709) 724-1531

Central Regional Office

165 Roe Avenue
P.O. Box 570, Gander, NL A1V 2E1
Tel: (709) 651-4460 Fax: (709) 651-4473

Western Regional Office

24 Brook Street
P.O. Box 143, Station Main
Corner Brook, NL A2H 6C7
Tel: (709) 637-7150 Fax: (709) 637-7162

Toll-free Line

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Website

www.maa.ca

Email

info@maa.ca

FIELD OFFICES

Happy Valley-Goose Bay

Tel: (709) 896-5393 Fax: (709) 896-8847

Conception Bay South

Tel: (709) 682-9668 Fax: (709) 834-7540

Carbonear

Tel: (709) 682-9696 Fax: (709) 596-3046

Marystown

Tel: (709) 277-4088 Fax: (709) 279-3578

Clarenville

Tel: (709) 427-6446 Fax: (709) 466-5121

Grand Falls-Windsor

Tel: (709) 486-8065 Fax: (709) 292-1171

Stephenville

Tel: (709) 649-3330 Fax: (709) 643-8571

Deer Lake

Tel: (709) 636-1021 Fax: (709) 635-1173

JOHN F. MORGAN

Chartered Accountant
Suite 901, TD Place, 140 Water Street
St. John's, NL A1C 6H6
Office: (709) 576-6776
Fax: (709) 576-6777

AUDITORS' REPORT

To the Shareholder of
Municipal Assessment Agency Inc.

I have audited the balance sheet of Municipal Assessment Agency Inc. as at March 31, 2010, and the statements of revenue, expenses and equity and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2010, and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland
May 26, 2010



CHARTERED ACCOUNTANT

BALANCE SHEET

AS AT MARCH 31, 2010

ASSETS

	2010	2009
CURRENT ASSETS:		
Cash	\$ 460,834	\$ 358,267
Accounts receivable (note 2)	120,209	192,611
Current portion of long term receivables (note 3)	58,402	55,519
Prepaid expenses	84,164	99,681
	723,609	706,078
Long term receivables (note 3)	48,255	63,330
Severance reserve fund (note 4)	944,492	886,920
Capital assets (note 5)	1,384,633	1,382,402
	\$ 3,100,989	\$ 3,038,730

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 72,446	\$ 270,298
Accrued vacation pay (note 6)	278,225	231,713
	350,671	502,011
Accrued severance pay (note 6)	944,492	886,920
	1,295,163	1,388,931

SHAREHOLDER'S EQUITY

CAPITAL:

Authorized and issued		
1 Common share	1	1
Equity from operations	1,805,825	1,649,798
	1,805,826	1,649,799
	\$ 3,100,989	\$ 3,038,730

Commitments and contingencies (note 6 and note 8)

On behalf of the board:

Fred Best

Bruce Borden

STATEMENT OF REVENUES, EXPENSES, AND EQUITY

FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
REVENUES:		
Assessment services	\$ 5,233,007	\$ 4,865,688
Secondment revenue (note 1)	68,635	62,102
Valuation revenue	27,419	21,277
Interest revenue	583	33,504
Miscellaneous revenue	100	2,499
	5,329,744	4,985,070
EXPENSES:		
Salaries	3,248,275	3,107,387
Benefits	659,436	607,443
Travel	320,519	386,682
Information technology	196,635	230,674
Postage and courier	114,452	110,943
Premises and equipment lease	74,567	72,830
Telephone	72,308	74,875
Professional fees	64,800	121,573
Printing	59,512	50,223
Repairs and maintenance	55,798	52,396
Office supplies	50,496	42,366
Utilities	25,328	23,207
Insurance	20,704	20,817
Advertising and public relations	17,865	27,653
Payroll processing	4,754	5,045
Bank charges	1,636	2,181
Meetings and events	1,208	753
Office relocation	-	240
	4,988,293	4,937,288
Excess of revenues over expenses before the following:	341,451	47,782
Provision for severance and vacation pay (note 6)	104,084	123,951
Amortization of capital assets	115,125	129,418
Loss on disposal of capital assets	875	1,597
Bad debt expense (recovery)	(34,660)	(2,498)
Excess of revenues over expenses	156,027	(204,686)
Equity from operations, beginning of year	1,649,798	1,854,484
Equity from operations, end of year	\$ 1,805,825	\$ 1,649,798

Commitments and contingencies (note 6 and note 8)

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 156,027	\$ (204,686)
Items not affecting cash:		
Amortization of capital assets	115,125	129,418
Increase in long-term receivable	12,192	(3,838)
Increase in severance pay accrual	57,572	97,003
Increase in vacation pay accrual	46,512	26,948
Loss on disposition of capital assets	875	1,597
Net change in non-cash working capital balance	(109,933)	118,337
CASH PROVIDED BY OPERATING ACTIVITIES	278,370	164,779
INVESTING ACTIVITIES:		
Purchase of capital assets	(118,231)	(112,963)
CASH USED IN INVESTING ACTIVITIES	(118,231)	(112,963)
Increase (decrease) in cash position	160,139	51,816
Cash position, beginning of year	1,245,187	1,193,371
CASH POSITION, END OF YEAR	\$ 1,405,326	\$ 1,245,187
Cash is represented by:		
Operating cash	\$ 460,834	\$ 358,267
Severance reserve fund	944,492	886,920
	\$ 1,405,326	\$ 1,245,187

Commitments and contingencies (note 6 and note 7)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

General:

Effective April 2, 1997, the Municipal Assessment Agency Inc. (the “Corporation”) was incorporated under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal and Provincial Affairs, Government of Newfoundland and Labrador (the “Department”).

The Corporation has one common share with a par value of \$1.00 issued to the Minister of Municipal and Provincial Affairs, Government of Newfoundland and Labrador

The Corporation is a crown corporation and, accordingly, is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

1. Summary of significant accounting policies:

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

(a) Capital assets

Capital assets purchased by the Corporation are recorded at cost. Amortization is recorded on a declining balance basis over the assets estimated useful lives at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%
Buildings	4%

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

1. Summary of significant accounting policies (continued):

(b) Revenue recognition

Government assistance related to acquisition of capital assets is deferred and amortized to income on the same basis as the related capital assets are amortized.

Revenue for the provision of assessment and valuation services is recognized when the services are rendered.

Secondment revenue relates to employees who have been seconded out to government departments. The employee's salary is paid by the Agency and the government departments are invoiced on a monthly basis.

(c) Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years and, accordingly, no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Corporation. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

(d) Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

(e) Fair Value of Financial Instruments

The company has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value, unless otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

2. **Accounts receivable:**

	<u>2010</u>	<u>2009</u>
Trade receivables	\$ 60,600	\$ 165,084
Accrued interest	58,106	33,171
HST recoverable	1,503	3,011
Employee receivable	-	1,103
Allowance for doubtful accounts	-	(9,758)
	<u>\$ 120,209</u>	<u>\$ 192,611</u>

3. **Long term receivables:**

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period of 48 months, provided all future fees are paid on a current basis.

4. **Severance reserve fund:**

The Agency has internally restricted funds for the accrued severance pay liability, these funds are to be used to pay any accrued severance and not to be used in normal business operations. The restricted funds are held in the Agency's operating account that bears interest.

5. **Capital assets:**

	<u>2010</u>			<u>2009</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 457,972	\$ 374,461	\$ 83,511	\$ 99,092
Furniture and equipment	285,862	183,671	102,191	128,660
Integrated assessment system	1,109,343	1,062,902	46,441	66,344
Buildings	1,034,653	90,384	944,269	880,085
Land	208,221	-	208,221	208,221
	<u>\$ 3,096,051</u>	<u>\$ 1,711,418</u>	<u>\$ 1,384,633</u>	<u>\$ 1,382,402</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

6. Severance and vacation pay:

As at the time of incorporation, the Corporation assumed liabilities for severance pay, vacation and accrued overtime associated with employees transferred to the Corporation resulting in an opening deficit in the amount of \$366,950. During fiscal 2001, an agreement was reached with the province to fund this liability by a payment of \$160,000, which represented the present value of the liability as calculated by management.

The provision for severance and vacation pay consists of the following:

	<u>2010</u>	<u>2009</u>
Severance pay		
Opening balance	\$ 886,920	\$ 789,917
Current year expense	57,572	97,003
Closing balance	<u>\$ 944,492</u>	<u>\$ 886,920</u>
Vacation pay		
Opening balance	\$ 231,713	\$ 204,765
Current year expense	46,512	26,948
Closing balance	<u>\$ 278,225</u>	<u>\$ 231,713</u>

7. Commitments and Contingencies:

The Agency has a lease for office space in Corner Brook, Newfoundland. The term of the lease is 5 years, starting October 1, 2007 and ending on September 30, 2012, with the option to renew for a further term of up to 5 years. The monthly rental fee is \$4,174. Future minimum lease payments total \$125,220 and include the following payments over the next 2.5 years: 2010 - \$37,566; 2011 - \$50,088; 2012 - \$37,566.

The Agency has a lease for office space in Conception Bay South, Newfoundland. The term of the lease is 2 years, starting October 1, 2009 and ending on September 30, 2011, with the option to renew for an additional two year term. The monthly rental fee is \$400. Future minimum lease payments total \$7,200 and include the following payments over the next 1.5 years: 2010 - \$3,600; 2011 - \$3,600.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

7. Commitments and Contingencies (continued):

The Agency has a lease for office space in Clarenville, Newfoundland. The term of the lease is 5 years, starting May 1, 2008. The monthly rental fee is \$350. Future minimum lease payments total \$12,950 and include the following payments over the next 3.75 years: 2010 - \$3,150; 2011 - \$4,200; 2012 - \$4,200; 2013 - \$1,400.

The Agency has prepared property valuations which are subject to litigation to which the Agency has been included as a third party defendant. These claims could be considered to be in the normal course of the Agency's activities. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

8. Comparative Figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.



Municipal Assessment
Agency Inc.

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