
**MUNICIPAL ASSESSMENT
AGENCY INC.**

FINANCIAL STATEMENTS

Year ended March 31, 2016

JOHN F. MORGAN

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements for Municipal Assessment Agency Inc., which comprise the balance sheet as at March 31, 2016, and the statement of revenues, expenses and equity, and statement of changes in financial position 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 Public Sector Accounting Standards and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

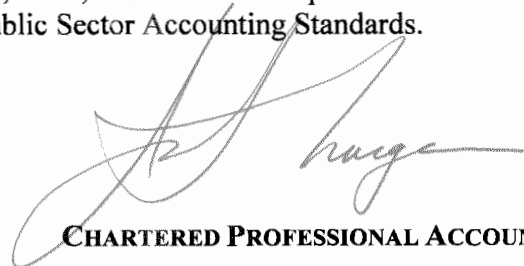
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Assessment Agency Inc. as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.



CHARTERED PROFESSIONAL ACCOUNTANTS

St. John's, Newfoundland
June 8, 2016

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET AS AT MARCH 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash	\$1,490,604	\$1,367,237
Accounts receivable (note 2)	158,141	203,558
Prepaid expenses	163,792	140,902
	1,812,537	1,711,697
Severance reserve fund (note 3)	866,438	789,271
Capital assets (note 4)	1,224,531	1,341,821
	\$3,903,506	\$3,842,789

LIABILITIES AND SHAREHOLDER'S EQUITY

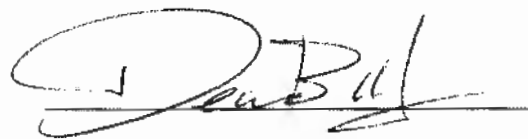
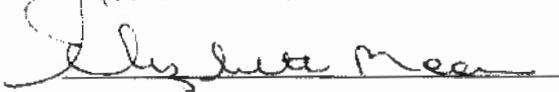
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 249,223	\$ 196,967
Accrued vacation pay (note 5)	326,073	284,758
Deferred revenue	-	11,242
	575,296	492,967
Accrued severance pay (note 5)	866,438	789,271
	1,441,734	1,282,238

SHAREHOLDER'S EQUITY

CAPITAL:		
Authorized and issued		
1 Common share	1	1
Equity from operations	2,461,771	2,560,550
	2,461,772	2,560,551
	\$3,903,506	\$3,842,789

Commitments and contingencies (note 6)

On behalf of the board:



MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF REVENUES, EXPENSES AND EQUITY FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
REVENUES:		
Assessment services	\$5,622,866	\$5,555,463
Valuation revenue	46,303	65,945
Interest revenue	17,024	23,292
Municipal training	2,080	1,880
	<u>5,688,273</u>	<u>5,646,580</u>
EXPENSES:		
Salaries	3,372,228	3,434,612
Benefits	706,241	649,852
Travel	372,243	341,620
Information technology	263,306	251,080
Postage and courier	163,304	160,614
Professional fees	141,188	141,319
Premises and equipment lease	99,615	92,676
Printing	66,336	57,956
Telephone	62,846	60,419
Repairs and maintenance	62,488	48,655
Office supplies	42,818	49,901
Advertising and public relations	38,827	29,105
Utilities	32,607	35,670
Insurance	21,513	21,729
Meeting and events	10,890	3,387
Payroll processing	5,454	5,259
Bank charges	2,772	2,914
Exchange gain/loss	(11,091)	29,834
	<u>5,453,585</u>	<u>5,416,602</u>
Excess of revenues over expenses before the following:	234,688	229,978
Provision for severance and vacation pay (note 5)	185,301	67,620
Amortization of capital assets	140,690	168,441
Bad debt expense (recovery)	7,476	(3,592)
Excess of expenses over revenues	<u>(98,779)</u>	<u>(2,491)</u>
Equity from operations, beginning of year	2,560,550	2,563,041
EQUITY FROM OPERATIONS, END OF YEAR	<u>\$2,461,771</u>	<u>\$2,560,550</u>
Commitments and contingencies (note 6)		

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ (98,779)	\$ (2,491)
Items not affecting cash:		
Amortization of capital assets	140,690	168,441
Decrease (increase) in long-term receivable	-	14,349
Increase (decrease) in severance pay accrual	77,167	(82,132)
Increase (decrease) in vacation pay accrual	41,315	(15,324)
Net change in non-cash working capital balance	63,541	(139,457)
CASH PROVIDED BY OPERATING ACTIVITIES	223,934	(56,614)
INVESTING ACTIVITIES:		
Purchase of capital assets	(23,400)	(71,057)
CASH USED IN INVESTING ACTIVITIES	(23,400)	(71,057)
Increase (decrease) in cash position	200,534	(127,671)
Cash position, beginning of year	2,156,508	2,284,179
CASH POSITION, END OF YEAR	\$2,357,042	\$2,156,508

Cash is represented by:

Operating cash	\$1,490,604	\$1,367,237
Severance reserve fund	866,438	789,271
	\$2,357,042	\$2,156,508

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

General:

The Municipal Assessment Agency Inc. (the "Agency") was incorporated April 2, 1997, 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 Affairs, Government of Newfoundland and Labrador (the "Department").

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

The Agency 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 Agency have been prepared within the framework of Public Sector Accounting Standards 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 Agency are as follows:

(a) Capital assets

Capital assets purchased by the Agency 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%

(b) Revenue recognition

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

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

1. Summary of significant accounting policies (continued):

(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 Agency. 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 Agency 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.

The Agency considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Agency accounts for the following as financial instruments:

- Cash and cash equivalents
- Trade and other receivables
- Due from (to) companies under common control
- Bank indebtedness
- Payables and accruals
- Long-term debt

A financial asset or liability is recognized when the Agency becomes party to contractual provisions of the instruments.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Fair value of financial instruments (continued)

Financial assets and financial liabilities are subsequently measured according to the following methods:

<i>Financial instrument</i>	<i>Subsequent measurement</i>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Due from (to) companies under common control	Amortized cost
Bank indebtedness	Amortized cost
Payables and accruals	Amortized cost
Long-term debt	Amortized cost

The Agency removes financial liabilities, or portion of, when the obligation is discharged, cancelled or expires.

(f) Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at March 31, 2016, cash balances of \$162,369 (\$159,141 in 2015) are shown in US dollars in the company's account and converted into Canadian dollars as at that date for financial statement purposes.

2. **Accounts receivable:**

	<u>2016</u>	<u>2015</u>
Trade receivables	\$ 47,639	\$ 83,127
HST recoverable	107,294	118,865
Employee receivable	<u>3,208</u>	<u>1,566</u>
	<u>\$ 158,141</u>	<u>\$ 203,558</u>

3. **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.

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

4. Capital assets:

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 413,506	\$ 398,909	\$ 14,597	\$ 20,852
Furniture and equipment	233,969	200,239	33,730	38,556
Integrated assessment system	1,839,891	1,606,249	233,642	309,254
Buildings	1,028,654	294,313	734,341	764,938
Land	208,221	-	208,221	208,221
	<u>\$3,724,241</u>	<u>\$2,499,710</u>	<u>\$1,224,531</u>	<u>\$1,341,821</u>

5. Severance and vacation pay:

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

	<u>2016</u>	<u>2015</u>
Severance pay		
Opening balance	\$ 789,271	\$ 871,403
Severance paid out	(39,158)	(118,064)
Current year expense	<u>116,325</u>	<u>35,932</u>
Closing balance	<u>\$ 866,438</u>	<u>\$ 789,271</u>
Vacation pay		
Opening balance	\$ 284,758	\$ 300,082
Vacation paid out	(27,661)	(47,012)
Current year expense	<u>68,976</u>	<u>31,688</u>
Closing balance	<u>\$ 326,073</u>	<u>\$ 284,758</u>

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

6. Commitments and contingencies:

The Agency has a lease for office space in Corner Brook, Newfoundland and Labrador. The term of the lease is 5 years, starting October 1, 2012 and ending on September 30, 2017, 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 \$75,132 and include the following payments over the next 2 years: 2016 - \$37,566, 2017 - 37,566.

The Agency has a lease for office space in Clarenville, Newfoundland and Labrador. The term of the lease is 5 years, starting May 1, 2013 and ending on April 30, 2018. The monthly rental fee is \$450. Future minimum lease payments total \$11,250 and include the following payments over the next 3 years: 2016 - \$4,050, 2017 - \$5,400, 2018 - \$1,800.

The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2014 and ending on January 31, 2017. The monthly rental fee is \$764. Future minimum lease payments total \$7,645 and include the following payments over the next 2 years: 2016 - \$6,881, 2017 - \$764.

The Agency has a lease for office space in Deer Lake, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2016 and ending on January 31, 2019. The monthly rental fee is \$425. Future minimum lease payments total \$14,450 and include the following payments over the next year: 2016 - \$3,825, 2017 - \$5,100, 2018 - \$5,100, 2019 - \$425.

The Agency has a lease for office space in Stephenville, Newfoundland and Labrador. The term of the lease is 3 years, starting September 1, 2013 and ending on August 31, 2016. The monthly rental fee is \$398. Future minimum lease payments total \$1,990 and include the following payment over the next year: 2016 - \$1,990.

The Agency has a lease for office space in Carbonear, Newfoundland and Labrador. The term of the lease is 3 years, starting September 1, 2015 and ending on September 1, 2018. The monthly rental fee is \$850. Future minimum lease payments total \$24,650 and include the following payments over the next year: 2016 - \$7,650, 2017 - \$10,200, 2018 - \$6,800.

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.