

Financial Statements of

**MUNICIPAL ASSESSMENT
AGENCY INC.**

Year ended March 31, 2017

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, 2017, 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

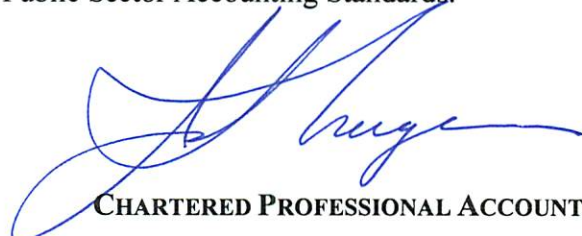
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2017, 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 7, 2017

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET As at March 31, 2017

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT		
Cash	\$ 2,019,319	\$ 1,490,604
Accounts receivable (note 2)	93,818	158,141
Prepaid expenses	151,454	163,792
	<u>2,264,591</u>	<u>1,812,537</u>
Severance reserve fund (note 3)	716,324	866,438
Capital assets (note 4)	<u>1,124,884</u>	<u>1,224,531</u>
	<u>\$ 4,105,799</u>	<u>\$ 3,903,506</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

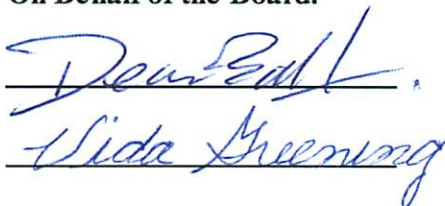
CURRENT		
Accounts payable and accrued liabilities	\$ 217,576	\$ 249,223
Accrued vacation pay (note 5)	292,351	326,073
Deferred revenue	19,362	-
	<u>529,289</u>	<u>575,296</u>
Accrued severance pay (note 5)	716,324	866,438
	<u>1,245,613</u>	<u>1,441,734</u>

SHAREHOLDER'S EQUITY

CAPITAL		
Authorized and issued		
1 common share	1	1
Equity from operations	2,860,185	2,461,771
	<u>2,860,186</u>	<u>2,461,772</u>
	<u>\$ 4,105,799</u>	<u>\$ 3,903,506</u>

Commitments and contingencies (note 6)

On Behalf of the Board:


Wade Greening

MUNICIPAL ASSESSMENT AGENCY INC.
STATEMENT OF REVENUES, EXPENSES AND EQUITY
For the Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Assessment services	\$ 5,649,929	\$ 5,622,866
Valuation revenue	108,749	46,303
Interest revenue	16,344	17,024
Municipal training	2,560	2,080
	<u>5,777,582</u>	<u>5,688,273</u>
<u>EXPENSES</u>		
Salaries	3,266,037	3,372,228
Benefits	688,076	706,241
Travel	317,451	372,243
Information technology	276,088	263,306
Postage and courier	165,488	163,304
Premises and equipment lease	102,361	99,615
Professional fees	84,625	141,188
Repairs and maintenance	71,786	62,488
Telephone	58,067	62,846
Printing	54,876	66,336
Office supplies	46,871	42,818
Advertising and public relations	36,820	38,827
Insurance	23,801	21,513
Utilities	22,033	32,607
Payroll processing	5,859	5,454
Meeting and events	2,655	10,890
Bank charges	2,205	2,772
Exchange gain	(270)	(11,091)
	<u>5,224,829</u>	<u>5,453,585</u>
Excess of revenues over expenses before the following:	552,753	234,688
Provision for severance and vacation pay (note 5)	41,589	185,301
Amortization of capital assets	112,039	140,690
Bad debt expense	711	7,476
Excess of expenses over revenues	<u>398,414</u>	<u>(98,779)</u>
Equity from operations, beginning of year	<u>2,461,771</u>	<u>2,560,550</u>
EQUITY FROM OPERATIONS, END OF YEAR	<u><u>\$ 2,860,185</u></u>	<u><u>\$ 2,461,771</u></u>

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2017

	2017	2016
OPERATING		
Excess of revenues over expenses	\$ 398,414	\$ (98,779)
Items not affecting cash:		
Amortization of capital assets	112,039	140,690
Increase (decrease) in severance pay accrual	(150,114)	77,167
Increase (decrease) in vacation pay accrual	(33,722)	41,315
Net change in non-cash working capital balance	64,376	63,541
CASH PROVIDED BY OPERATING ACTIVITIES	390,993	223,934
 INVESTING ACTIVITIES:		
Purchase of capital assets	(12,392)	(23,400)
Increase in cash position	378,601	200,534
Cash position, beginning of year	2,357,042	2,156,508
CASH POSITION, END OF YEAR	\$ 2,735,643	\$ 2,357,042
 Cash is represented by:		
Operating cash	\$ 2,019,319	\$ 1,490,604
Severance reserve fund	716,324	866,438
	\$ 2,735,643	\$ 2,357,042

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2017

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 and Environment, 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 and Environment, 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, 2017

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, 2017

1. Summary of significant accounting policies:

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, 2017, cash balances of \$175,257 (\$162,369 in 2016) 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>2017</u>	<u>2016</u>
Trade receivables	\$ 58,442	\$ 47,639
HST recoverable	34,663	107,294
Employee receivable	713	3,208
	<u>\$ 93,818</u>	<u>\$ 158,141</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, 2017

4. Capital assets:

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 417,673	\$ 403,913	\$ 13,760	\$ 14,597
Furniture and equipment	242,193	207,807	34,386	33,730
Integrated assessment system	1,839,891	1,676,342	163,549	233,642
Buildings	1,028,654	323,686	704,968	734,341
Land	208,221	-	208,221	208,221
	\$ 3,736,632	\$ 2,611,748	\$ 1,124,884	\$ 1,224,531

5. Severance and vacation pay:

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

Severance pay	2017	2016
Opening balance	\$ 866,438	\$ 789,271
Severance paid out	(185,258)	(39,158)
Current year expense	35,144	116,325
Closing balance	\$ 716,324	\$ 866,438
Vacation pay	2017	2016
Opening balance	\$ 326,073	\$ 284,758
Vacation paid out	(40,167)	(27,661)
Current year expense	6,445	68,976
Closing balance	\$ 292,351	\$ 326,073

MUNICIPAL ASSESSMENT AGENCY INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2017

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 \$25,044 and include the following payments over the next year: 2017 – 25,044.

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 \$5,850 and include the following payments over the next two years: 2017 – \$4,050, 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, 2017 and ending on January 31, 2020. The monthly rental fee is \$841. Future minimum lease payments total \$28,594 and include the following payments over the next four years: 2017 - \$7,569, 2018 - \$10,092, 2019 - \$10,092, 2020 - \$841.

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 \$9,350 and include the following payments over the next three years: 2017 - \$3,825, 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 November 4, 2016 and ending on November 4, 2019. The monthly rental fee is \$391. Future minimum lease payments total \$12,512 and include the following payment over the next three years: 2017 - \$3,519, 2018 - \$4,692, 2019 - \$4,301.

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 \$14,450 and include the following payments over the next two years: 2017 - \$7,650, 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.