

Financial Statements of

**MUNICIPAL ASSESSMENT
AGENCY INC.**

Year ended March 31, 2018

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, 2018, 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

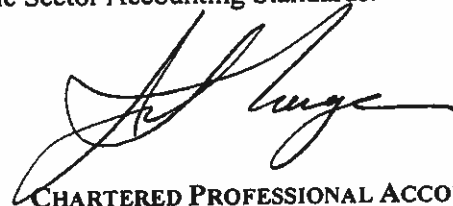
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2018, 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
May 18, 2018

MUNICIPAL ASSESSMENT AGENCY INC.

Balance Sheet

As at March 31, 2018

	2018	2017
<u>ASSETS</u>		
Current		
Cash	\$ 2,534,321	\$ 2,019,319
Accounts receivable (Note 4)	114,200	93,818
Prepaid expenses	154,521	151,454
	2,803,042	2,264,591
Severance reserve fund (Note 5)	624,268	716,324
Capital assets (Note 6)	1,060,304	1,124,884
	\$ 4,487,614	\$ 4,105,799

See Accompanying Notes to Financial Statements

John F. Morgan, Chartered Professional Accountants

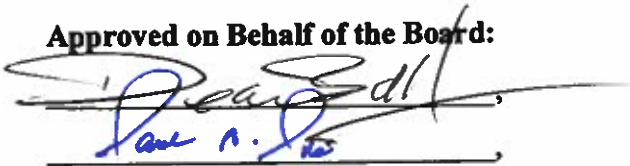
MUNICIPAL ASSESSMENT AGENCY INC.

Balance Sheet

As at March 31, 2018

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 307,168	\$ 217,576
Accrued vacation pay (Note 8)	198,543	292,351
Deferred revenue	3,705	19,362
	<u>509,416</u>	<u>529,289</u>
Accrued severance pay (Note 8)	624,268	716,324
	<u>1,133,684</u>	<u>1,245,613</u>
<u>SHAREHOLDER'S EQUITY</u>		
Capital		
Authorized and issued 1 common share	1	1
Equity from operations	3,353,929	2,860,185
	<u>3,353,930</u>	<u>2,860,186</u>
	<u>\$ 4,487,614</u>	<u>\$ 4,105,799</u>
Commitments and contingencies (Note 9)		

Approved on Behalf of the Board:



Paul A. Jones

See Accompanying Notes to Financial Statements

John F. Morgan, Chartered Professional Accountants

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Revenues, Expenses and Equity

For the Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUES		
Assessment services	\$ 5,642,905	\$ 5,649,929
Valuation revenue	64,914	108,749
Interest revenue	39,289	16,344
Municipal training	2,680	2,560
	<u>5,749,788</u>	<u>5,777,582</u>
EXPENSES		
Salaries	2,950,447	3,266,037
Benefits	620,795	688,076
Office and administration (Schedule 1)	487,855	512,400
Travel	318,865	317,451
Information technology	282,910	276,088
Valuation project (Note 10)	184,443	-
Postage and courier	160,201	165,488
	<u>5,005,516</u>	<u>5,225,540</u>
Excess of revenues over expenses before the following:	744,272	552,042
Amortization of tangible assets	90,901	112,039
Provision for severance and vacation pay	159,627	41,589
	<u>493,744</u>	<u>398,414</u>
Excess of revenues over expenses	493,744	398,414
Equity from operations, beginning of year	2,860,185	2,461,772
	<u>3,353,929</u>	<u>2,860,185</u>
EQUITY FROM OPERATIONS, END OF YEAR	\$ 3,353,929	\$ 2,860,185

Commitments and contingencies (Note 9)

See Accompanying Notes to Financial Statements

John F. Morgan, Chartered Professional Accountants

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Cash Flows

For the Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 493,744	\$ 398,414
Amortization of capital assets	90,901	112,039
Increase (decrease) in severance pay accrual	(92,056)	(150,114)
Increase (decrease) in vacation pay accrual	(93,808)	(33,722)
Net change in non-cash working capital balance	50,486	64,378
	<u>449,267</u>	<u>390,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(26,321)	(12,392)
Net cash increase (decreases) in cash and cash equivalents	422,946	378,601
Cash and cash equivalents at beginning of period	2,735,643	2,357,042
Cash and cash equivalents at end of period	<u>\$ 3,158,589</u>	<u>\$ 2,735,643</u>
Cash and cash equivalents consist of the following:		
Operating cash	\$ 2,534,321	\$ 2,019,319
Severance reserve fund	624,268	716,324
	<u>\$ 3,158,589</u>	<u>\$ 2,735,643</u>

Commitments and contingencies (Note 9)

See Accompanying Notes to Financial Statements

John F. Morgan, Chartered Professional Accountants

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1. 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.

2. 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. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, balances with bank, net of any overdrafts, and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

b. 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%

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c. Revenue recognition

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

d. 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 employees ceases employment with the Agency. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

e. 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.

f. 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 deb

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

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

f. Fair value of financial instruments continued

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.

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
Long-term debt	Amortized cost

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

3. FINANCIAL INSTRUMENTS

The main risks the company is exposed to through its financial instruments are currency risk, credit risk, liquidity risk, market risk, and interest rate risk.

a. 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, 2018, cash balances of \$191,065 (\$175,257 in 2017) are shown in US dollars in the company's account and converted into Canadian dollars as at that date for financial statement purposes.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

3. FINANCIAL INSTRUMENTS continued

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge obligation. The agency's main credit risks relate to its accounts receivable. The entity provides credit to its clients in the normal course of its operations.

c. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The agency is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, accrued vacation and severance pay.

d. Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The agency is mainly exposed to currency risk and interest rate risk.

e. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The agency is exposed to interest rate risk on its fixed interest rate financial instruments and cash flow risk on its floating-rate instruments.

4. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	\$ 46,015	\$ 58,442
HST recoverable	67,307	34,663
Employee receivable	878	713
	<u>\$ 114,200</u>	<u>\$ 93,818</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

5. 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.

6. CAPITAL ASSETS

			2018	2017
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	\$ 417,673	\$ (408,041)	\$ 9,632	\$ 13,760
Furniture and equipment	268,515	(217,317)	51,198	34,386
Integrated assessment system	1,839,891	(1,725,406)	114,485	163,549
Buildings	1,028,654	(351,886)	676,768	704,968
Land	208,221	-	208,221	208,221
	<u>\$ 3,762,954</u>	<u>\$ (2,702,650)</u>	<u>\$ 1,060,304</u>	<u>\$ 1,124,884</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable	\$ 152,174	\$ 16,425
Accrued wages and employee expense	118,224	123,086
Accrued professional fee	20,319	33,200
Appeal fees	13,461	9,482
Medical insurance and WHSCC	966	31,678
Others	2,024	3,705
	<u>\$ 307,168</u>	<u>\$ 217,576</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

8. SEVERANCE AND VACATION PAY

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

Severance pay

	2018	2017
Opening balance	\$ 716,324	\$ 866,438
Severance paid out	(236,222)	(185,258)
Current year expense	144,166	35,144
Closing balance	\$ 624,268	\$ 716,324

Vacation pay

	2018	2017
Opening balance	\$ 292,351	\$ 326,073
Vacation paid out	(144,269)	(40,167)
Current year expense	50,461	6,445
Closing balance	\$ 198,543	\$ 292,351

The Agency is committed to pay the severance of the bargaining unit employees amounting to \$465,720 in the fiscal year 2018-2019. The bargaining unit employees' severance stops accruing as at March 31, 2018. No directives on the non-bargaining unit employees have been received.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

9. COMMITMENTS AND CONTINGENCIES

The Agency has a lease for office space in Corner Brook, Newfoundland and Labrador. The term of the lease is 1 year, starting October 1, 2017 and ending on September 30, 2018, 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: 2019 - \$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 \$450 and include the following payments over the next year: 2019 - \$450.

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 \$18,502 and include the following payments over the next two years: 2019 - \$10,092, 2020 - \$8,410.

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 \$4,250 and include the following payment over the next year: 2019 - \$4,250.

The Agency has a lease for office space in Stephenville, Newfoundland and Labrador. The term of 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 \$7,820 and include the following payments over the next two years: 2019 - \$4,692, 2020 - \$3,128.

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 \$4,250 and include the following payments over the next year: 2019 - \$4,250.

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 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.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

10. VALUATION PROJECT

The Agency has undertaken a joint initiative with Property Valuation Services Corporation. The two short term focus areas are valuation methods and exploring technology solutions. The current project is \$199,100 of which \$184,443 has been expensed with no commitment going forward.

11. COMPARATIVE AMOUNTS

Comparative amounts have been adjusted to conform to changes in the current year presentation.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2018

Schedule of Office and Administration

Schedule 1

	2018	2017
Premises and equipment	\$ 100,994	\$ 102,361
Repairs and maintenance	75,559	71,786
Telephone	67,313	58,067
Printing	55,181	54,876
Advertising and public relations	44,010	36,819
Office supplies	37,684	46,871
Professional fees	30,081	84,625
Utilities	27,393	22,033
Insurance	26,457	23,801
Exchange loss (gain)	8,322	(270)
Meetings and events	7,381	2,655
Payroll processing	5,968	5,859
Interest and bank charges	1,525	2,205
Bad debt expense	(13)	711
	<u>\$ 487,855</u>	<u>\$ 512,399</u>