



Municipal
Assessment
Agency Inc.

2016-17

Annual Report



BOARD OF DIRECTORS

MARCH 31, 2017

Chairperson **Mayor Dean Ball**
Deer Lake

Vice-Chairperson **Mayor Elizabeth Moore**
Clarke's Beach

MUNICIPAL REPRESENTATIVES

Labrador **Councillor Deb Barney**
L'Anse au Loup

Western **Mayor Dean Ball**
Deer Lake

Central **Mayor Robert Hobbs**
Bishop's Falls

Eastern **Mayor Paul Pike**
St. Lawrence

Avalon **Mayor Elizabeth Moore**
Clarke's Beach

Urban **Councillor Peggy Roche**
Torbay

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR REPRESENTATIVE

Mayor Roger Barrett
Western Director, MNL
Reidville

PROFESSIONAL MUNICIPAL ADMINISTRATORS REPRESENTATIVE

Ms. Vida Greening
Eastern Director, PMA
Port Blandford

TAXPAYER REPRESENTATIVES

Mr. David Denine
Mount Pearl

Mr. David Blundon
Gander

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MESSAGE FROM THE CHAIRPERSON

On behalf of the Municipal Assessment Agency Incorporated, I have the pleasure to submit our annual report and the financial statements for the April 1, 2016 to March 31, 2017 fiscal year.

The *Assessment Act, 2006* establishes the Municipal Assessment Agency (the Agency) as the entity which provides real property assessment services to municipalities. 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 224 municipalities, we are pleased to support local government in providing valuable service to the people of our province.

Education and Public Relations was identified the key priority issue of the Agency for the April 1, 2014 to March 31, 2017 planning period.

The goal identified for this issue reflects the results expected at the end of the three-year timeframe, while the objectives provide annual benchmarks.

In planning and conducting our work, the Board considered the strategic directions of government, key questions such as how this issue affected our primary clients, whether or not resolving this issue would provide us with the desired "output," as well as identifying the benefit that addressing this issue would provide to our programs and services. These are all critical questions that get to the very core of what we identified as our mission as an Agency.

The Agency is scheduled as a Category Two entity under the *Transparency and Accountability Act*, and the 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,



Dean Ball
Chairperson, Board of Directors

CORPORATE OVERVIEW

OUR VISION

The vision of the Municipal Assessment Agency is that 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 at the core of our vision statement. We understand the importance of constraining the vision statement to be within our means. That is, it should be achievable. At the same time, we understand the importance of having the assessment service we provide tailored to fit the means and meet the needs of the municipalities we serve.

MANDATE

The *Assessment Act, 2006* establishes the Municipal Assessment Agency as the entity which provides municipalities their real property assessment service.

The services of the Agency are used by municipalities in Newfoundland and Labrador which impose a real property tax or a business tax based on property values. The Agency does not serve the City of St. John's, which provides its own assessment service.

The *Assessment Act, 2006* may be accessed through the House of Assembly website at www.assembly.nl.ca/Legislation/sr/statutes/a18-1.htm

The Agency is limited by its incorporating documents, to the following:

- Assessment activities as per the *Assessment Act, 2006*.
- Providing and selling
 - Data and assessment information
 - Property inspections

- Valuation services to all levels of the Crown, including municipalities
- Consultation and taxation services

REVENUE AND EXPENDITURES

The Municipal Assessment Agency is a “not for profit” entity, with returns used only to further the activities of the Agency on behalf of its clients.

The excess of revenue over expenses for the past year was \$398,414, a significant recovery from last years' deficit of \$98,779.

GOVERNANCE

The Agency is a Crown-owned corporation which is governed by a ten-member Board of Directors. The board includes: six representatives who are elected by client municipalities; a representative of Municipalities Newfoundland and Labrador; a representative of the Professional Municipal Administrators; and two taxpayer representatives.

Board elections are scheduled every four years following the municipal elections. Six municipal representatives are elected by a mail-in ballot. One director is appointed by the Professional Municipal Administrators and one by Municipalities Newfoundland and Labrador. The remaining two positions are appointed by the Province and represent the interest of citizens.

The membership of the Board of Directors, as of March 31, 2017, is listed on the inside cover of this report.

CORPORATE OVERVIEW

LINES OF BUSINESS

The Agency has a single line of business - property assessment and valuation. The Agency's line of business is a reflection of our incorporating documents and is summarized as follows:

- Assessment of real property (land, buildings and other improvements) provided to municipalities that levy a real property tax. This service is provided under the *Assessment Act 2006*, and is provided for a fee which reflects the cost of the service. This activity generates 98% of the Agency's revenues.
- Sale of assessments and assessment related information, primarily through electronic means and within the limitations set by law. The primary clients for this service are realty or financial service providers, as well as private interests. This activity generates the remaining 2% of the Agency's revenues.

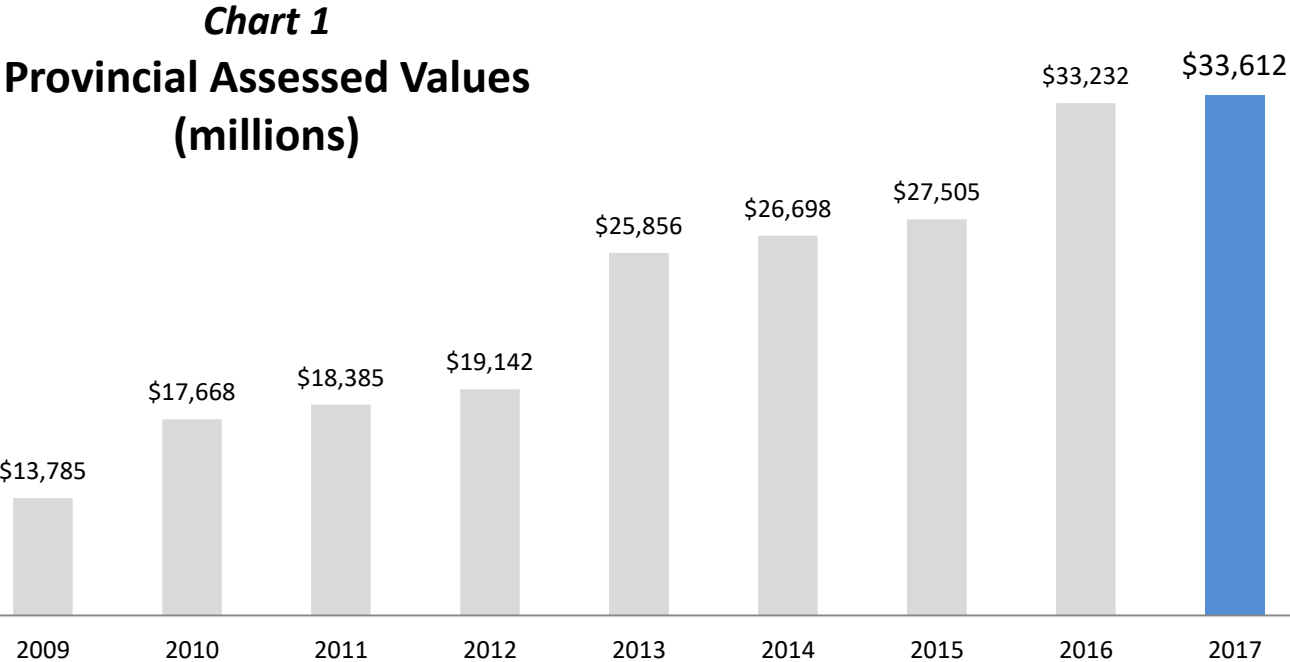
KEY STATISTICS

Permanent staff: 58 (35 male and 23 female)

Office locations: 11

Total value of property assessed by the Agency: \$ 33,612,000,000¹ (*Chart 1*)

Number of land parcels: 190,055



¹ This is the value of all assessed property (excluding the City of St. John's) in the province

CORPORATE OVERVIEW

VALUES

- Impartial** We will provide opinions of value without prejudice.
- 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 client opinions on our activities and report these opinions to direct our vision.
- Ethical** Employees and members of the board will seek appropriate guidance to ensure they perform their duties in an ethical and responsible manner.

MANAGEMENT DIRECTORY

- Residential Manager
Wayne Rossiter
- Residential Manager
Terry Peckham
- Manager Financial Operations
Jennifer Ryan
- Director Valuation Services
Don Hearn
- Director Data & Field Services
Greg Rumbolt
- 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 20051, Station Main
Corner Brook NL A2H 7J5
Tel: (709) 637-7150 Fax: (709) 637-7162

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
- Clareville**
Tel: (709) 427-6446 Fax: (709) 466-5121
- Grand Falls-Windsor**
Tel: (709) 292-3191 Fax: (709) 292-1171
- Stephenville**
Tel: (709) 649-3330 Fax: (709) 643-8571
- Deer Lake**
Tel: (709) 636-1021 Fax: (709) 635-1173

HIGHLIGHTS 2016-17

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

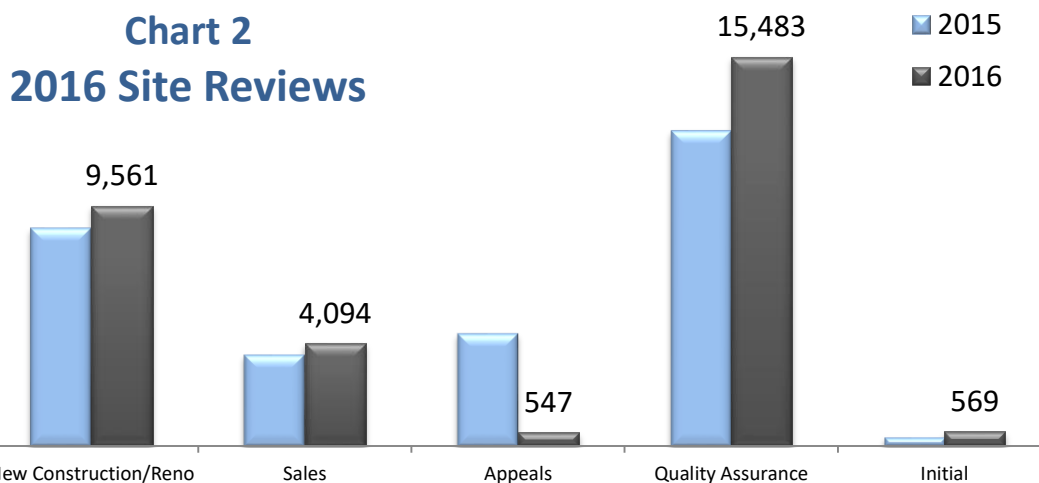
ASSESSED VALUES

In addition to valuation updates, delivered every three years (in accordance with the *Assessment Act, 2006*), the Agency continued to work to maintain its property data, collect sales information, and complete revisions to property data to reflect new construction and renovations. The number and value of the amendments to the property data through new construction and renovations have increased, but at a slowing pace in recent years. For 2016, the Agency added \$544 million in new construction and renovations. At a mil rate of 10, this represents an increase of more than five million dollars in local property tax revenue for municipalities.

Staff continued to conduct site reviews of existing and new property, with more than 30,000 site reviews completed during the past year. These reviews were triggered by property sales, assessment appeals, new construction and renovations, and our quality assurance program (see Chart 2 below).

CLIENT RELATIONS

Through our training sessions and presentations, we have engaged municipal officials in the assessment process. Our training sessions are offered on a regional basis. The Agency's Board also engages with local officials across the province. During the past year, sessions were held in Corner Brook, Gander, Channel-Port aux Basques, Labrador City, Conception Bay South, St. John's, and Marystown. There were 165 attendees in total, representing 70 municipalities.



REPORT ON PERFORMANCE

In consideration of the mandate and financial resources of the Agency, we have identified the following area as the key priority of the Agency for this planning cycle: Education and Public Relations. The strategic directions of government were considered but were not applicable to the Agency’s mandate. The 2013 municipal elections saw a large increase in the number of first time elected mayors and councillors. This, combined with the retirements of existing municipal administrators, presented an opportunity for the Agency to focus on education and public relations.

During the past year, the Agency implemented an enhanced strategy to improve stakeholder understanding. The strategy was multi-faceted with attention to every engagement opportunity with key stakeholders (municipal administrators and elected officials and property owners). The strategy is aimed at improving public understanding of the Agency’s role in the assessment process.

This is the final year of our business plan for 2014-17, and, in accordance with the requirements of the Transparency and Accountability Act, we will report on the results of our three-year goals, as well as our objectives for the 2016-17 fiscal year.

Issue:

Education and Public Relations

The education of stakeholders, and in particular ratepayers, is critical in achieving the public understanding of the role of the Municipal Assessment Agency in the property assessment and valuation process.

Property tax revenue is the major source of funding for local government in Canada and provides a stable base for funding municipal government. It is important municipal officials understand the assessment process and have the information necessary to accurately inform local residents and make the required financial decisions.

Education and Public Relations	
2014-17 GOAL: By March 31, 2017, the Municipal Assessment Agency will have improved public understanding of its role in the assessment process.	
INDICATORS:	RESULTS
Better informed the public regarding the roles and responsibilities of the Agency through increased publications, use of information inserts to accompany assessment notices, and an increase in public information sessions.	<ul style="list-style-type: none"> • Inserts, identifying the reason for the value change and the option to review or appeal the assessment, were included with assessment notices when property values change. • The Agency enhanced the summary report, containing detailed property detail and valuation information, available to property owners. • The Agency improved its Notice of Visit (left at the door when a property owner is not at home) to highlight changes made to the property. • Members of the public often access information about assessments and about the Agency

REPORT ON PERFORMANCE

	<p>through municipal officials. Although public information sessions were not held, in addition to the three regional training sessions provided for municipal officials annually, the Agency's board met with municipal representatives at four board meetings. Ninety five representatives from seventy three municipalities attended the sessions in 2016-17.</p>
<p>Enhanced communication with the public through:</p> <ul style="list-style-type: none"> • Improved web-based access • Improved our response to survey results by communicating to the public all changes made as a consequence. • Consistent message from Agency publications. • Increased the number of publications issued annually. 	<ul style="list-style-type: none"> • All Agency publications contained a link to the Agency website • Updates were provided to municipal clients following every Board meeting, advising of the decisions of the Board and issues facing the Agency. • Developed statements to address common misperceptions around property assessments and used this messaging consistently in publications. <ul style="list-style-type: none"> ○ Municipal government determines the local taxation rates ○ The Agency operates at arms-length from municipalities. ○ Changes in property assessment do not equal a change in property taxes. • In addition to our Guide to Property Assessment, the Agency produced Appeal Procedure Brochure and Combining Parcels Brochure. • Value change reports were provided annually to municipal clients.
<p>Incorporated a feedback mechanism in all Agency communications.</p>	<ul style="list-style-type: none"> • Included a website reference in all communications • Introduced a dedicated email (customerservice@maa.ca) for municipal use • Introduced a general email (info@maa.ca) for public use.

The Agency has improved public understanding of the assessment process during the planning period. We evaluated the impact of the actions taken over the planning period by conducting comparable surveys in 2014 and 2016 (see pages 9-10). The results demonstrate improvements in the public understanding of aspects the assessment process, such as the relationship between assessed value and market value and the relationship between assessed value and taxation. There remains an opportunity to further improve the stakeholder understanding of the process and to better engage with stakeholders. This will be the challenge for the next planning cycle.

REPORT ON PERFORMANCE

Education and Public Relations	
2016-17 OBJECTIVE: By March 31, 2017, the Municipal Assessment Agency has evaluated its strategy for improved stakeholder understanding of the Agency's role in the property assessment process.	
INDICATORS:	RESULTS
Developed survey methodology to measure stakeholder understanding	Based on our previous review of methodology, an on-line survey was selected as the most practical and affordable. The survey targeted ratepayers, municipal administrators and municipal elected officials. The survey mirrored the previous (2014-15) survey to ensure comparability.
Surveyed stakeholders to establish levels of understanding	Input was solicited in a number of ways: <ul style="list-style-type: none"> • On-line via the Agency's website, www.maa.ca • On line by email invitation • Mailed invitation to complete the survey on the Agency's website. • 559 surveys were completed
Reviewed survey results and compare with baselines	The survey results were similar to the baseline except: <ul style="list-style-type: none"> • Increase in understanding that assessments are not less than market value. • Slight decrease in the number of respondents who felt property taxes were a good value. • Slight decrease in knowledge of individual property assessments.
Evaluate stakeholder understanding	Misunderstanding persists about the relationship between property assessments and taxes. While a majority understand that property assessments are not always less than market and an increase in property assessment does not mean an increase in taxes, there is a significant number (34% and 48%) of people who do not, or were unsure.

The Agency has evaluated its strategy for improving stakeholder understanding, our objective for this period. The survey results indicate that, while understanding is improving in some aspects, there continues to be a need for education.

REPORT ON PERFORMANCE

Survey Results

How familiar are you with property assessment?

Answer Options	2014	2016
Extremely familiar	13.2%	10.2%
Very familiar	36.8%	36.5%
Moderately familiar	42.1%	47.9%
Slightly familiar	6.6%	5.0%
Not at all familiar	1.3%	0.4%

Property assessments are always less than market value.

Answer Options	2014	2016
True	46.1%	22.0%
False	40.8%	63.7%
Unsure	13.2%	14.3%

Property assessments are used to determine your property tax.

Answer Options	2014	2016
True	96.1%	93.6%
False	3.9%	6.4%
Unsure	0.0%	0.0%

Property taxes are a fair way to collect municipal taxes.

Answer Options	2014	2016
Strongly agree	42.1%	38.5%
Somewhat agree	28.9%	32.2%
Neither agree or disagree	10.5%	12.3%
Somewhat disagree	13.2%	11.6%
Strongly disagree	5.3%	5.4%

Property taxes increase whenever the assessed value increases.

Answer Options	2014	2016
True	51.3%	46.5%
False	47.4%	50.8%
Unsure	1.3%	2.7%

REPORT ON PERFORMANCE

Property taxes are good value for the money.

Answer Options	2014	2016
Strongly agree	13.2%	15.2%
Agree	48.7%	50.1%
Neither agree nor disagree	31.6%	24.9%
Disagree	6.6%	7.2%
Strongly disagree	0.0%	2.7%

Do you know the assessed value of your property?

Answer Options	2014	2016
Yes	94.7%	87.7%
No	5.3%	12.0%
Not applicable	0.0%	0.4%

In your community, who completes the property assessments?

Answer Options	2014	2016
Council	5.4%	7.2%
Province	16.2%	34.0%
Private company	8.1%	6.1%
Crown agency	43.2%	52.8%

OPPORTUNITIES AND CHALLENGES

CHALLENGES

During the past year 10 employees elected to retire from public service and we thank them for their years with the Agency. The Agency's ability to recruit and retain qualified individuals has become a significant challenge. We will continue to invest in our employees through formal and informal training to address this issue.

The understanding of the assessment process persists as a challenge. Our efforts have improved the understanding but work needs to be done to further improve the awareness of the process. With municipal elections scheduled in the fall of 2017, there will be many newly elected municipal officials who will need a good understanding of property assessment.

OPPORTUNITIES

As we noted last year, there was extensive media coverage of the public response to the 2016 revaluation delivered in October 2015. The measurable result was an increase in the number of assessment appeals to 4426, which represents 2.2 percent of all assessments delivered by the Agency. Following the appeal reviews and hearings, the total taxable assessed value was reduced by less than one half of one percent (0.37 percent).

For our budget 2017, the Agency has maintained its fee of \$28 per assessment. While certain elements of our costs are increasing, the Agency has been managing its overall costs. The excess of revenue over expenses for the past year was \$398,414, a significant recovery from last years' deficit of \$98,779. This presents an opportunity to continue to restrain our fees, while investing in technology to improve our efficiency.

Government, in partnership with the Municipal Assessment Agency and Municipalities Newfoundland and Labrador, has completed its public consultation on the review of the *Assessment Act, 2006*. This review will address known operational issues associated with the timing of assessments, assessment criteria, implementation of the associated mil rate and special purpose properties. We look forward to any improvements to the process and the opportunity to provide a better service to the people of the province.

Financial Statements of

**MUNICIPAL ASSESSMENT
AGENCY INC.**

Year ended March 31, 2017

JOHN F. MORGAN

Chartered Professional Accountants

6 Lambe's Lane

St. John's, NL A1B 4E9

Office: (709) 576-6776

Fax: (709) 576-6777

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

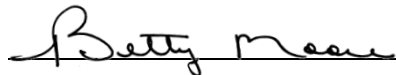
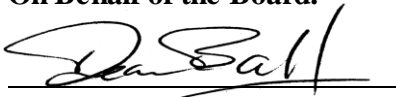
CURRENT		
Accounts payable and accrued liabilities	\$ 217,576	\$ 249,223
Accrued vacation pay (note 5)	292,351	326,073
Deferred revenue	19,362	-
	<u>529,289</u>	<u>575,296</u>
Accrued severance pay (note 5)	716,324	866,438
	<u>1,245,613</u>	<u>1,441,734</u>

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:



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

	2017	2016
<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
	5,777,582	5,688,273
<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)
	5,224,829	5,453,585
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	398,414	(98,779)
Equity from operations, beginning of year	2,461,771	2,560,550
EQUITY FROM OPERATIONS, END OF YEAR	\$ 2,860,185	\$ 2,461,771

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>
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	<u>390,993</u>	<u>223,934</u>
INVESTING ACTIVITIES:		
Purchase of capital assets	<u>(12,392)</u>	<u>(23,400)</u>
Increase in cash position	378,601	200,534
Cash position, beginning of year	2,357,042	2,156,508
CASH POSITION, END OF YEAR	<u><u>\$ 2,735,643</u></u>	<u><u>\$ 2,357,042</u></u>
Cash is represented by:		
Operating cash	\$ 2,019,319	\$ 1,490,604
Severance reserve fund	716,324	866,438
	<u><u>\$ 2,735,643</u></u>	<u><u>\$ 2,357,042</u></u>

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:

	2017	2016
Severance pay		
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		
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.



Municipal Assessment Agency Inc.

Toll Free 1-877-777-2807

www.maa.ca