



Municipal
Assessment
Agency Inc.

2017-18

Annual Report



BOARD OF DIRECTORS

MARCH 31, 2018

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 Jason Roberts Triton
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, 2017 to March 31, 2018 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.

Communication with stakeholders was identified as the key priority issue of the Agency for the April 1, 2017 to March 31, 2020 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 an organization applying the highest standards of fairness and equity in all operations and processes, thereby meeting the valuation needs and professional expectations of our clients.

This vision statement captures the essence of what the Agency strives for on a daily basis in its interactions with its many different stakeholders.

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 \$493,744, an increase from last year's \$398,414. The Board reduced the fee for service to \$27 per assessment (down from \$28), effective January 1, 2018. This is the second reduction in service fees in the past four years.

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, 2018, 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 per cent of the Agency's revenues.
- Sale of assessments and assessment related information, primarily through electronic means and within the limitations set by law, as well as interest earned. The primary clients for this service are realty or financial service providers, as well as private interests. This activity generates the remaining 2 per cent of the Agency's revenues.

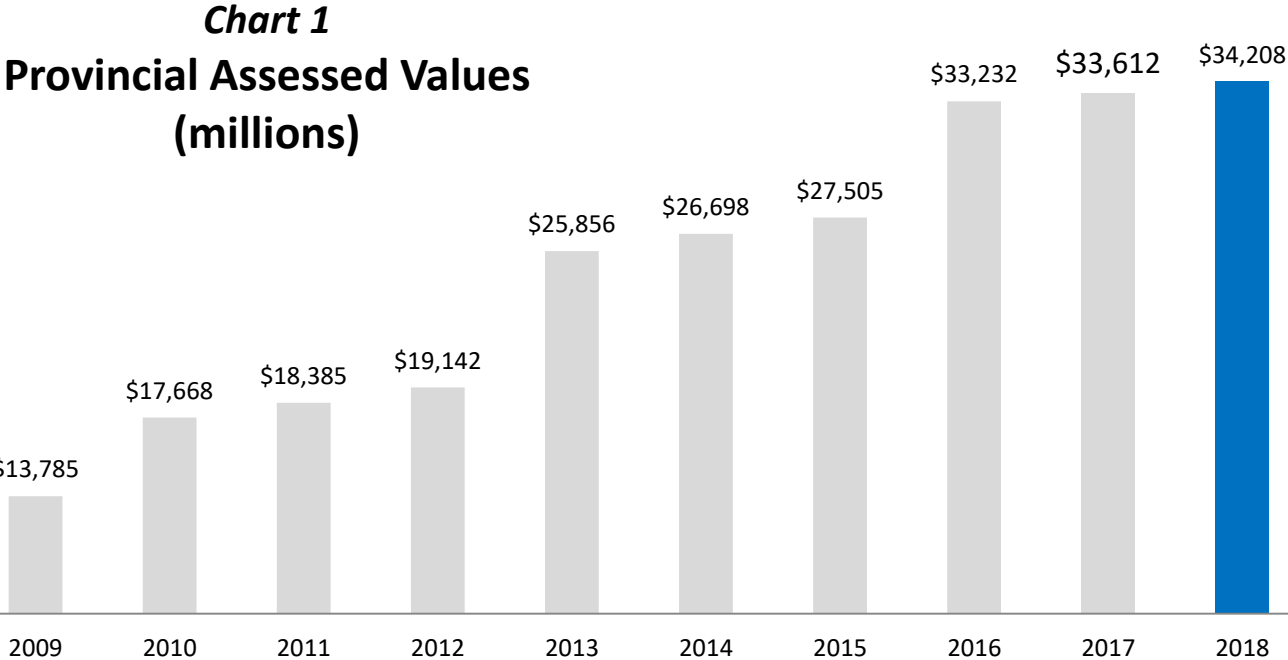
KEY STATISTICS

Permanent staff: 50 (26 male and 24 female)

Office locations: 11

Total value of property assessed by the Agency: \$ 34,208,000,000¹ (Chart 1)

Number of land parcels: 191,899



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

CORPORATE OVERVIEW

VALUES

The core values of the Municipal Assessment Agency are the principles upon which the Agency operates and are at the core of every decision the Board of Directors makes. The Agency’s values were carefully reviewed and shared with the senior management team as part of its business plan update.

Accuracy & Reliability The Agency places incredible importance on the validity of its data and the property values we provide.

Uniformity Above all else, the same consistent and rigorous process is applied in determining each and every property value.

Effectiveness The Agency strives for more than efficiency, the Board seeks to uphold the highest standards of best practice and be a results driven organization.

Honesty & Transparency It is important that the work of the Agency be completely open and defensible and able to withstand the highest standards of scrutiny.

Vision & Innovation The Municipal Assessment Agency is committed to seeking out the very best in assessment practices, and is open to new and exciting ideas and approaches in carrying out its work.

Respectfulness As an organization that interacts with stakeholders on a daily basis, we are committed to ensuring we are always respectful of people, the valuation process, and opposing points of view.

Collaboration We are committed to working together, forging strong partnerships, and building a strong team of dedicated and knowledgeable professionals.

CORPORATE OVERVIEW

MANAGEMENT DIRECTORY

Residential Manager (A)
Rod Vatcher

Human Resources Manager
Kelly Smith

Manager Financial Operations (T)
Jennifer Dooley

Director Valuation Services
Don Hearn

Director Data & Field Services
Terry Peckham

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 2017-18

The primary focus of the Agency is 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.

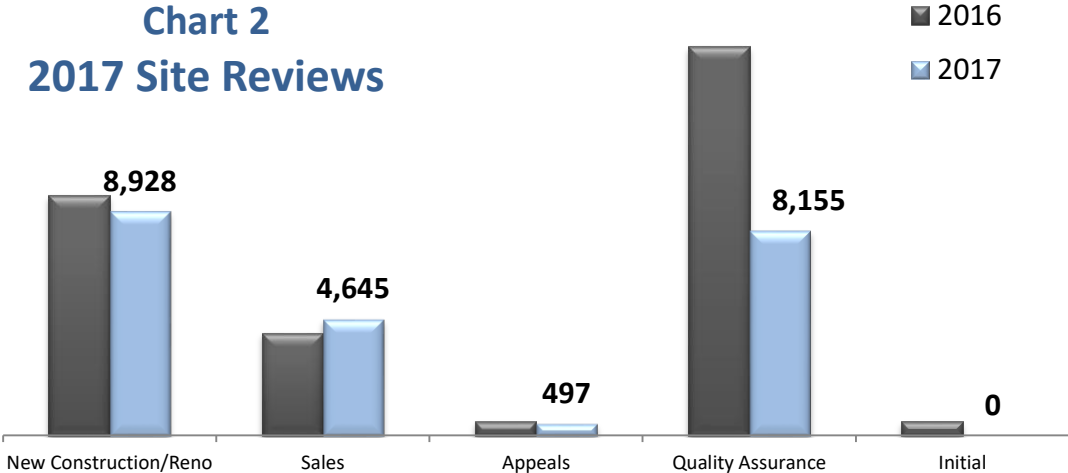
Staff continued to conduct site reviews of existing and new property, with more than 20,000 site reviews completed during the past year. These reviews were triggered by property sales, assessment appeals, new construction and renovations, and our quality assurance program (see Chart 2 below).

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 2017, the Agency added \$467 million in new construction and renovations. At a mil rate of 10, this represents an increase of more than four million dollars in local property tax revenue for municipalities.

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 Labrador City, Carbonear, Corner Brook, Bauline and Port Blandford. There were 145 attendees in total, representing 62 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:

Communications, including the broad spectrum of interactions and sharing of information, data, and ideas that applies to virtually every facet of our organization – internally and externally.

Our focus will be on improving our communications with our external clients.

- The first (and greatest) challenge is raising awareness about the work we do, the processes we apply in establishing real property values, and the timelines that are established to carry out our work;
- how we communicate regularly with our clients on an ongoing basis;
- communications with our Board of Directors;
- consistency of our “messages” to our clients and to the public;
- how we might integrate social media (or not).

Goal:

By the end of this business plan (March 31, 2020), the Municipal Assessment Agency will improve awareness and stakeholder understanding of the assessment process.

Indicators:

- frequent information & training sessions for municipal employees;
- public awareness about the work of the Agency;
- frequent opportunities for feedback as a means to improve services to our clients;
- preparation of a simplified overview (and other educational materials) outlining the work of the Municipal Assessment Agency;
- frequent interaction between management staff and the Board of Directors of the MAA;
- use of various forms of communications (and technologies);
- frequent communiqués and updates from the Agency to provide more accurate and defensible information to help increase community sustainability.

During the past year, the Agency established a baseline of information to be used to inform and shape our communications strategy. 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 first year of our business plan for 2017-20, and, in accordance with the requirements of the Transparency and Accountability Act, we will report on the results of our objectives for 2017-18 fiscal year.

REPORT ON PERFORMANCE

Issue:

Communications

Objective 1

By December 30, 2017 the Municipal Assessment Agency will have established reliable baseline data relating to communications to assist in identifying gaps and help determine our needs going forward.

Indicators:

- identify key stakeholders
- develop survey (and other) materials to be used
- results collated
- establish baseline information

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.

Objective 1	
By December 30, 2017 the Municipal Assessment Agency will have established reliable baseline data relating to communications to assist in identifying gaps and help determine our needs going forward.	
Indicator	Result
Identify key stakeholders	The Municipal Assessment Agency identified the following as key stakeholders: Ratepayers – Citizens expect the Agency to provide values in accordance with the legislation and to support those values. Ratepayers expect the Agency to be responsive to individual circumstances, where such circumstances affect property values. Municipalities – Communities who rely on the Agency to provide independent and accurate assessed values in accordance with the Assessment Act, 2006; these values are used by municipalities to distribute the tax burden within the community.
Develop survey (and other) materials to be used	The Agency conducted on-line surveys in 2016 and 2017. In addition, the Department of Municipal Affairs and Environment conducted a public consultation process in its review of the Assessment Act, 2006 . The Agency reviewed the results of the consultation and

REPORT ON PERFORMANCE

Results collated

surveys throughout 2017.

MAA survey results gathered over the last three years indicate:

- Strong understanding of the use of assessed values to determine property tax liability (93 per cent in 2016)
- The relationship between increase in assessed value and the impact on property taxes is not clearly understood (46 per cent believe an increase in assessed value will increase property tax, 2016)

Consultations completed by the Department of Municipal Affairs and Environment identified:

- “Taxpayers find it difficult to understand their assessment, or obtain adequate information from the assessors about how their property was valued.”
- “Municipalities outside the City of St. John’s would like better integration and data sharing with the Municipal Assessment Agency and more information from the Municipal Assessment Agency regarding properties to relay back to taxpayers.”

Establish baseline information

The Agency established that there is a need for a better understanding of how changes in the level of assessment impact ratepayers. There is confusion between a change in level of assessment as a result of a reassessment as opposed to a change resulting from a change in the ratepayers individual assessment. Ratepayers feel there is a lack of transparency in the assessment process. Moreover, municipalities need better integration with the Agency and better communication about property assessment.

REPORT ON PERFORMANCE

The Agency has established reliable baseline data relating to communications to assist in identifying gaps and help determine our needs going forward. The Agency will develop a communications strategy by March 31, 2019 to improve communications with stakeholders, and to help raise awareness about the work we do as an Agency.

In the next year, the Municipal Assessment Agency will focus on its second objective for this planning cycle.

OBJECTIVE 2

The Agency will have developed a communications strategy by March 31, 2019 to meet the professional needs of the Municipal Assessment Agency, to improve communications with stakeholders, and to help raise awareness about the work we do as an Agency.

Indicators:

- identify opportunities to improve transparency of the assessment process.
- pilot two opportunities to improve transparency with ratepayers.
- identify opportunities to better integrate assessment information with municipalities.
- pilot at least two integration improvements with municipalities.
- develop communications strategy to highlight improved transparency and integration initiatives.

OPPORTUNITIES AND CHALLENGES

CHALLENGES

During the past two years, the Municipal Assessment Agency, like many entities, has seen the retirement of many valuable employees. The Agency thanks these individuals for their commitment to public service. Recognizing the reality that retirements will continue to occur in the coming years, the Agency is committed to recruiting new employees and investing in training for all our staff.

Public understanding of the assessment process also remains a challenge. In the fall of 2018, the Agency will deliver a reassessment. Real estate markets have softened since the last reassessment in 2016 and public expectations are that property values have declined. Thus it is expected that reassessment results may not match public expectation. The Agency will make every effort to clearly explain the variance.

OPPORTUNITIES

For our budget 2018, the Agency has reduced its fee of \$28 per assessment to \$27 per assessment. This is the second reduction in fees in the past four years and is representative of how the Agency is managing its overall costs. The Agency will 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 addressed 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, 2018

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, 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

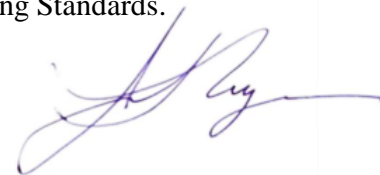
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

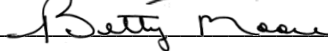
Balance Sheet

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:





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>2,860,185</u>	<u>2,461,772</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	<u>2,735,643</u>	<u>2,357,042</u>
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

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

	<u>2018</u>	<u>2017</u>
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

	<u>2018</u>	<u>2017</u>
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

	<u>2018</u>	<u>2017</u>
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.

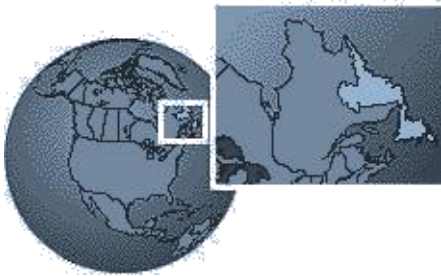
Notes to the Financial Statements

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
	\$ 487,855	\$ 512,399



Municipal Assessment Agency Inc.

Toll Free 1-877-777-2807

www.maa.ca