



Municipal
Assessment
Agency Inc.

2018-19

Annual Report



BOARD OF DIRECTORS

MARCH 31, 2019

Chairperson **Mayor Dean Ball**
Deer Lake

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

MUNICIPAL REPRESENTATIVES

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L'Anse au Loup

Western **Mayor Dean Ball**
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Central **Mayor Jason Roberts**
Triton

Eastern **Mayor Paul Pike**
St. Lawrence

Avalon **Mayor Elizabeth Moore**
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Western Director, MNL
Reidville

PROFESSIONAL MUNICIPAL ADMINISTRATORS REPRESENTATIVE

Mr. Brian Hudson
Vice President, PMA
Pasadena

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, 2018 to March 31, 2019 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 228 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 \$312,299, a decrease from last year's \$493,744. The Board reduced the fee for service to \$26 per assessment (down from \$27), effective January 1, 2019. This is the third reduction in service fees in the past five 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, 2019, 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 its 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.

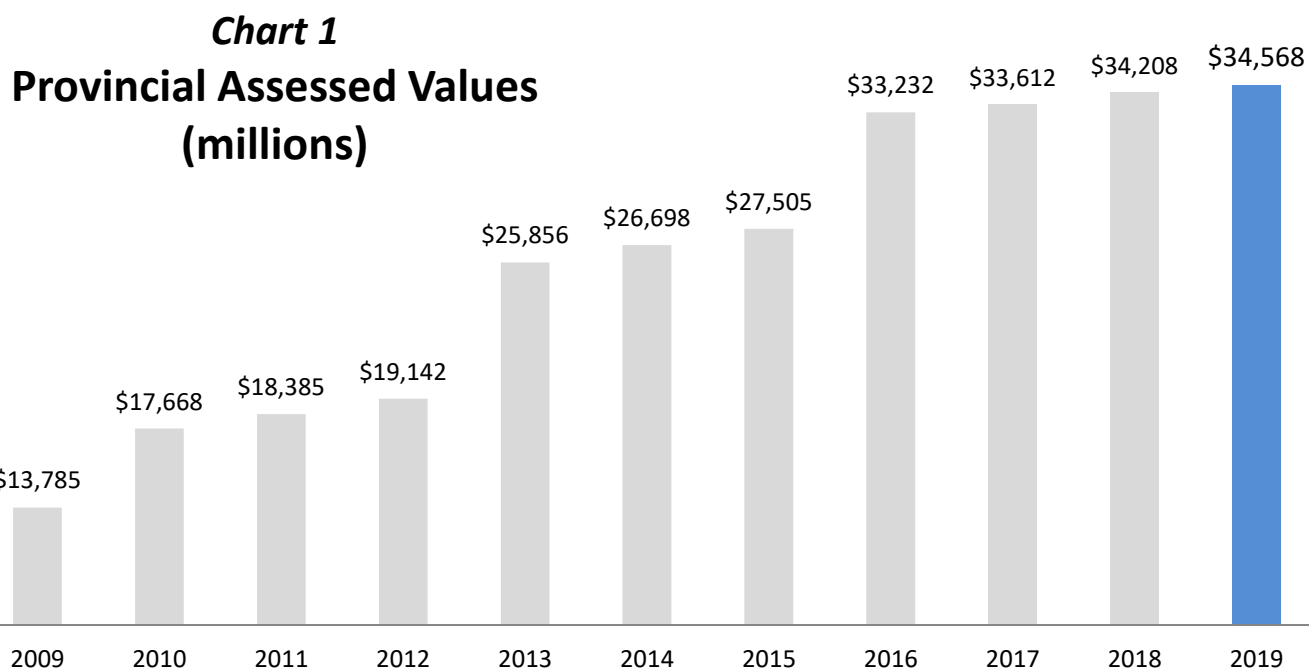
KEY STATISTICS

Permanent staff: 48 (26 male and 22 female)

Office locations: 10

Total value of property assessed by the Agency: \$ 34,568,000,000¹ (Chart 1)

Number of land parcels: 193,456



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
Rod Vatcher

Human Resources Manager
Kelly Smith

Manager Financial Operations
Jennifer Quilliam

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

Deer Lake

Tel: (709) 636-1021 Fax: (709) 635-1173

HIGHLIGHTS 2018-19

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.

ASSESSED VALUES

In October 2019, the Agency delivered a valuation update in accordance with the **Assessment Act, 2006**. Valuations across the province were relatively flat with small decreases and increases across the board.

- Minimal change in values
 - Total assessed value increased by 1.1%
 - Market value declined by 0.2%
 - Residential values declined 2.46% on average
- Increases represented by
 - Commercial sector
 - New construction
 - Review of historic trends in areas with little sales activity

Staff continued to conduct site reviews of existing and new property, with more than 17,000 site reviews completed during the 2018 calendar year. These reviews were triggered by property sales, assessment appeals, new construction and renovations, and our quality assurance program (see Chart 2 below).

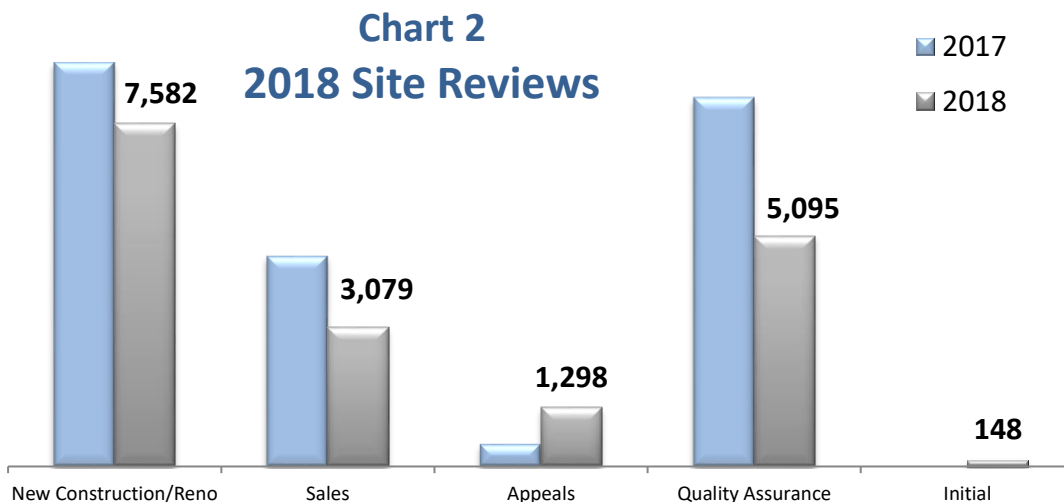
Supplemental assessments resulted in an increase of \$680 million in taxable value and \$300 million in business assessments. This increase in the municipal tax base offset much of the decline caused by lower residential values.

LEGISLATIVE CHANGES

In December 2018, the **Assessment Act, 2006** was amended to provide for annual assessments (excluding the City of St. John's) beginning for tax year 2021. In addition the appeal period will be extended to sixty days from the current thirty days.

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 Port Blandford, Twillingate, Corner Brook, Gander and Mount Pearl. There were 112 attendees in total, representing 42 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 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.

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 identified opportunities to improve transparency of the assessment process and developed a strategy to better integrate assessment services with municipal clients. Our communication strategy will highlight the improved transparency measures and integration initiatives. The strategy will focus on engagement with key stakeholders (municipal administrators, 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 second 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 2018-19 fiscal year.

REPORT ON PERFORMANCE

Issue:

Communications

Objective

By March 31, 2019, the Municipal Assessment Agency will have developed a communications strategy to meet the professional needs of the Agency, to improve communications with stakeholders, and to 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.

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.

<u>Objective</u>	
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.	
<u>Indicator</u>	<u>Result</u>
Identify opportunities to improve transparency of the assessment process.	The Municipal Assessment Agency identified the following opportunities to improve transparency of the assessment process: <ul style="list-style-type: none"> • Improved access to Agency data – The Agency recognizes the need to share more data sooner with property owners. Sales data is critical to understanding the assessment process. Property owners can acquire a copy of the data for their property by contacting the Agency. • Early delivery of assessment data – Traditionally, assessment notices have been delivered in October annually. This provides a small window between the notice and the municipality establishing its tax rates. Early delivery of notices will allow the property owner to consider the value of the property separately from the tax implication imposed by the municipality.

REPORT ON PERFORMANCE

	<ul style="list-style-type: none"> • Include information with assessment notice – By including additional information with the assessment notice, the Agency can clarify the reasons for changes in the assessed value and highlight opportunities to engage with the Agency on questions about the assessment process. • Improve the visibility of the Agency’s staff when visiting property – The Agency has enhanced the visibility of staff by adopting roof top vehicle signage in addition to door signage, requiring the use of high visibility vests by staff and adopting “Assessor on Site” door hanger when staff are conducting property inspections.
<p>Pilot two opportunities to improve transparency with ratepayers.</p>	<p>During the year, the Agency completed two pilots:</p> <ul style="list-style-type: none"> • An insert was included with the 2019 assessment notices (delivered in October 2018). The insert identified the notice as a new valuation, highlighted the appeal and review procedures, encouraged property owners to contact the Agency, and advised that notices in future years would be delivered in June annually. • Improved visibility of the Agency staff when conducting field visits by adopting enhanced vehicle signage, high visibility door hangers, and high visibility vests for Agency staff.
<p>Identify opportunities to better integrate assessment information with municipalities.</p>	<p>The Agency has identified the following opportunities to better integrate assessment information with municipalities:</p> <ul style="list-style-type: none"> • Meet with municipalities prior to the release of new assessments. • Integrate municipal geographic data within the Agency’s computer systems. • Creation of an advisory committee of municipal administrators to develop new opportunities to improved integration. • Integrate municipal aerial imagery within the Agency’s computer systems. • Create a fund to support municipal initiatives to strengthen the assessment process. • Develop an electronic portal for the exchange of data to and from municipalities.

REPORT ON PERFORMANCE

<p>Pilot at least two integration improvements with municipalities.</p>	<p>During 2018-19 fiscal year, the Agency piloted:</p> <ul style="list-style-type: none"> • Integration of aerial imagery for the Town of Torbay within the Agency’s computer system. A detailed review identified more than 1500 possible variances. Each variance will be investigated by site review in the coming year. • Integration of the geographical data for the City of Mount Pearl within the Agency’s computer system. Based on this integration, the Agency was able to provide corrections to the City to improve its data.
<p>Develop communications strategy to highlight improved transparency and integration initiatives.</p>	<p>The communications strategy will highlight the work the Agency does, maintain confidence in the assessment process and improve awareness with stakeholders about property assessment.</p> <p>Ratepayers:</p> <ul style="list-style-type: none"> • Provide comparative results of all re-assessments to better allow property owners to understand their valuation. • Ensure Agency staff are clearly identified when visiting property. • Inform property owners of the opportunities to challenge or correct an assessment. <p>Municipalities:</p> <ul style="list-style-type: none"> • Provide funding to support development of municipal initiatives that would enhance the assessment process. • Create training opportunities at municipal conferences. • Preview assessment changes with regional councils prior to publication. <p>General:</p> <ul style="list-style-type: none"> • Refresh the Agency’s website, maa.ca, to reflect the legislative changes and our communications strategy. • Develop a social media presence consistent with our communications strategy.

The Agency has developed its communications strategy and looks forward to improving communications with stakeholders and raising awareness of the work of the Agency. The Agency will work to complete its objective for 2019-2020:

Objective 3

Before the end of the planning cycle (March 31, 2020), the Communications Strategy will be operational and fully implemented by the Municipal Assessment Agency.

REPORT ON PERFORMANCE

Indicators:

- Agency's website will reflect the communications strategy;
- Staff trained in delivery of key messages;
- Increased training sessions for municipal administrators and officials;
- Increased communications with ratepayers when assessed values have changed;
- Increased communications with municipal officials prior to the publication of assessment results;

In the next year, the Agency will work to complete its goal for this planning period (2017 to 2020) to improve awareness and stakeholder understanding of the assessment process.

OPPORTUNITIES AND CHALLENGES

CHALLENGES

The **Assessment Act, 2006** has been amended by the House of Assembly. As a result of the amendments:

- There will be a new assessment each year starting in 2020.
- The next reassessment will be completed in 2020 for taxation year 2021.
- The annual assessment roll must be completed by August 31.
- The appeal period will be 60 days from the date of the assessment notice.
- Special purpose property provisions of the **Act** are removed.

In response to these changes, beginning in 2019, the Municipal Assessment Agency will:

- Deliver the annual assessment roll in June. This will allow the Agency to address appeals and other concerns prior to the municipal budget period.
- Complete new assessments each year beginning in 2020.
- Complete the next reassessment in 2020 for tax year 2021.
- Revise the assessment notice to reflect the sixty day appeal period.
- Special purpose properties have been assessed at market value since 2016. This change reflects the direction of a 2015 court case.

The Agency welcomes these changes and accepts the challenge to deliver annual assessments in support of local government in Newfoundland and Labrador.

OPPORTUNITIES

For our budget 2019, the Agency has reduced its fee of \$27 per assessment to \$26 per assessment. This is the third reduction in fees in the past five 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.

The Agency has committed to utilizing technology to constrain costs and improve the assessment service. We will be expanding our integration of aerial imagery and have committed to electronic data collection. In addition, we are exploring partnerships with other assessment jurisdictions to standardize valuation procedures.

MUNICIPAL ASSESSMENT AGENCY INC.

FINANCIAL STATEMENTS

For The Year Ended March 31, 2019

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

To the Board of Directors of Municipal Assessment Agency Inc.:

Opinion

We have audited the accompanying financial statements of Municipal Assessment Agency Inc., which comprise the balance sheet as at March 31, 2019, the income statement, and statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Assessment Agency Inc. as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditing 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

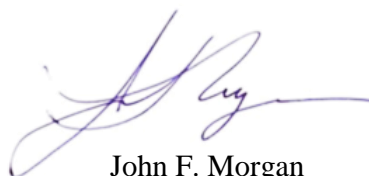
Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 judgement, 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 and fair presentation 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 overall presentation of the financial statements.

St. John's, Newfoundland
June 4, 2019



John F. Morgan
Chartered Professional Accountants

MUNICIPAL ASSESSMENT AGENCY INC.

Balance Sheet As at March 31, 2019

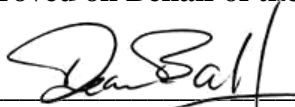
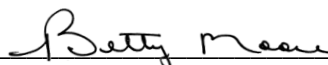
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 549,690	\$ 2,534,321
Accounts receivable (Note 4)	153,549	114,200
Prepaid expenses	223,727	154,521
	<u>926,966</u>	2,803,042
Reserve funds (Note 5)	2,300,000	624,268
Capital assets (Note 6)	1,058,736	1,060,304
	<u>\$ 4,285,702</u>	<u>\$ 4,487,614</u>

<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 323,495	\$ 307,168
Accrued vacation pay (Note 8)	236,750	198,543
Deferred revenue	18,213	3,705
Accrued severance pay (Note 8)	41,015	624,268
	<u>619,473</u>	1,133,684

<u>SHAREHOLDER'S EQUITY</u>		
Capital		
Authorized and issued 1 common share	1	1
Equity from reserves (Note 5)	2,300,000	-
Equity from operations	1,366,228	3,353,929
	<u>3,666,229</u>	3,353,930
	<u>\$ 4,285,702</u>	<u>\$ 4,487,614</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, 2019

	<u>2019</u>	<u>2018</u>
REVENUES		
Assessment services	\$ 5,474,059	\$ 5,642,905
Valuation revenue	56,332	64,914
Interest revenue	60,044	39,289
Municipal training	2,520	2,680
	<u>5,592,955</u>	<u>5,749,788</u>
EXPENSES		
Salaries	2,928,518	2,950,447
Benefits	654,053	620,795
Office and administration (Schedule 1)	594,017	487,855
Information technology	405,840	282,910
Travel	307,870	318,865
Postage and courier	169,402	160,201
Municipal Collaborative Initiative	20,000	-
Valuation project	-	184,443
	<u>5,079,700</u>	<u>5,005,516</u>
Excess of revenues over expenses before the following:	513,255	744,272
Amortization of tangible assets	80,171	90,901
Provision for severance and vacation pay	120,785	159,627
	<u>312,299</u>	<u>493,744</u>
Excess of revenues over expenses	312,299	493,744
Equity from operations, beginning of year	3,353,929	2,860,185
Allocation of reserve funds (Note 5)	(2,300,000)	-
	<u>1,366,228</u>	<u>3,353,929</u>
EQUITY FROM OPERATIONS, END OF YEAR	\$ 1,366,228	\$ 3,353,929

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, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 312,299	\$ 493,743
Amortization of capital assets	80,171	90,901
Increase (decrease) in severance pay accrual	(583,253)	(92,056)
Increase (decrease) in vacation pay accrual	38,207	(93,808)
Net change in non-cash working capital balance	(77,720)	50,487
	<u>(230,296)</u>	<u>449,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(78,603)	(26,321)
Net cash increase (decreases) in cash and cash equivalents	(308,899)	422,946
Cash and cash equivalents at beginning of period	<u>3,158,589</u>	<u>2,735,643</u>
Cash and cash equivalents at end of period	<u>\$ 2,849,690</u>	<u>\$ 3,158,589</u>
Cash and cash equivalents consist of the following:		
Operating cash	\$ 549,690	\$ 2,534,321
Reserve funds	<u>2,300,000</u>	<u>624,268</u>
	<u>\$ 2,849,690</u>	<u>\$ 3,158,589</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, 2019

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:

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.

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, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Revenue recognition

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

Accrued severance pay

The Agency has stopped accruing severance to comply with NAPE Collective Agreement that came into effect March 31, 2018 stating there was to be no further accumulation of service for severance. A large portion of the severance accrual was paid out in the current year. The remaining amount in accrued severance pay at year-end is expected to be paid out in 2019-20 fiscal year.

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.

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.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *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:

Financial instrument	Subsequent measurement
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, 2019, cash balances of \$42,424 (\$191,065 in 2018) 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, 2019

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>2019</u>	<u>2018</u>
Trade receivables	\$ 71,465	\$ 46,015
HST recoverable	80,346	67,307
Employee receivable	1,738	878
	<u>\$ 153,549</u>	<u>\$ 114,200</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2019

5. RESERVE FUNDS

The Agency has internally restricted funds for the following purposes:

Operating Fund Reserve

Board Restricted Operating Fund Reserve was designated at February 8, 2019 Board Meeting. The general purpose of the fund is to help ensure the long-term financial stability of the Agency. The fund will be used to offset future budget increases in operating expenses, position the Agency to respond to carrying changes and economic conditions affecting the Agency's financial position, and to meet specific financial requirements in accordance with the Agency's strategic vision and values. Amount of reserved funds as at March 31, 2019 - \$1,300,000.

Technology Renewal and Advancement Fund

Board Restricted Technology Renewal and Advancement Fund Reserve was designated at February 8, 2019 Board Meeting. The general purpose of the fund is to meet major technology developments in software and hardware enhancing the Agency's vision to meet the property assessment and valuation needs of their clients. The fund will be used to meet major technology system developments, fund special projects and collaborations in information technology, and to renew existing information technology infrastructure. Amount of reserved funds as at March 31, 2019 - \$600,000.

Collaborative Initiative

Board Restricted Collaborative Initiative Fund Reserved was designated at February 8, 2019 Board Meeting. The general purpose of the fund is to foster and encourage collaborative partnerships to develop and implement best practices in providing fair and effective property assessment and valuation. The fund will be used to encourage partnerships with municipalities that support innovation in property assessments and valuations, to support the Agency's participation in the National Collaborative Initiative, and to work with other partners in projects that will further the Agency's objectives. Amount of reserved funds as at March 31, 2019 - \$400,000.

The restricted funds are held in the Agency's operating account that bears interest.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2019

6. CAPITAL ASSETS

			2019	2018
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	\$ 431,026	\$ (412,934)	\$ 18,092	\$ 9,632
Furniture and equipment	268,515	(227,556)	40,959	51,198
Integrated assessment system	1,857,721	(1,762,427)	95,294	114,485
Buildings	1,076,075	(379,905)	696,170	676,768
Land	208,221	-	208,221	208,221
	<u>\$ 3,841,558</u>	<u>\$ (2,782,822)</u>	<u>\$ 1,058,736</u>	<u>\$ 1,060,304</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	\$ 104,386	\$ 152,174
Accrued wages payable	107,455	102,464
Accrued professional fee	43,641	20,319
Appeal fees	37,525	13,461
Employee expenses payable	22,884	15,760
Others	7,604	2,990
	<u>\$ 323,495</u>	<u>\$ 307,168</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2019

8. SEVERANCE AND VACATION PAY

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

Severance pay

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 624,268	\$ 716,324
Severance paid out	(677,711)	(236,222)
Current year expense	94,458	144,166
Closing balance	\$ 41,015	\$ 624,268

Vacation pay

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 198,543	\$ 292,351
Vacation paid out	11,880	(144,269)
Current year expense	26,327	50,461
Closing balance	\$ 236,750	\$ 198,543

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to the Financial Statements For the Year Ended March 31, 2019

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 November 1, 2018 and ending on November 1, 2019. The monthly rental fee is \$4,174. Future minimum lease payments total \$25,044 and include the following payments over the next year: 2020 - \$25,044.

The Agency has a lease for office space in Clarenville, Newfoundland and Labrador. The term of the lease is 3 years, starting November 1, 2018 and ending on October 31, 2021 with the option to renew at the same rate for 3 years. The monthly rental fee is \$475. Future minimum lease payments total \$14,725 and include the following payments over the next years: 2020 - \$5,700; 2021 - \$5,700; 2022 - \$3,325.

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 year: 2020 - \$8,410.

The Agency has a lease for office space in Spaniard's Bay, Newfoundland and Labrador. The term of the lease is 3 years, starting December 1, 2018 and ending on November 30, 2021. The monthly rental fee is \$550. Future minimum lease payments total \$17,600 and include the following payments over the next year: 2020 - \$6,600; 2021 - \$6,600; 2022 - \$4,400.

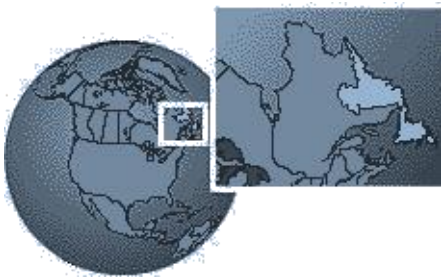
The Agency has prepared property valuations which are subject to litigation to which the Agency has been included as a third party defendant. These claims could be considered in the normal course of the Agency's activities. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

10. COMPARATIVE AMOUNTS

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

Schedule 1

	2019	2018
Premises and equipment	\$ 103,575	\$ 100,994
Repairs and maintenance	67,090	75,559
Telephone	65,633	67,313
Printing	61,669	55,181
Advertising and public relations	47,624	44,010
Office supplies	47,067	37,684
Professional fees	132,194	30,081
Utilities	34,180	27,393
Insurance	27,332	26,457
Exchange loss (gain)	(3,583)	8,322
Meetings and events	3,053	7,381
Payroll processing	5,465	5,968
Interest and bank charges	2,204	1,525
Bad debt expense	514	(13)
	\$ 594,017	\$ 487,855



Municipal Assessment Agency Inc.

Toll Free 1-877-777-2807

www.maa.ca