



Municipal
Assessment
Agency Inc.

2014-15

Annual Report



DOC/2015/04467

Ms. Sandra Barnes
Clerk of the House of Assembly
East Block, Confederation Building

Dear Ms. Barnes:

On behalf of Minister Hutchings, I am pleased to submit the 2014-15 Annual Report for the Municipal Assessment Agency in accordance with section 9 of the *Transparency and Accountability Act*. Ten copies of the report are enclosed.

Please feel free to contact me at 729-3052 if you have any questions.

Sincerely,



COLLEEN JANES
Deputy Minister for Municipal Affairs

Enclosures

BOARD OF DIRECTORS

MARCH 31, 2015

Chairperson **Mayor Dean Ball**
Deer Lake

Vice-Chairperson **Mayor Betty 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 Falls

Eastern **Mayor Paul Pike**
St. Lawrence

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

Urban **Councillor Peggy Roche**
Torbay

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR REPRESENTATIVE

Mayor Al Hawkins
Vice President, MNL
Grand Falls-Windsor

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 year ended March 31, 2015.

The *Assessment Act, 2006* establishes the Municipal Assessment 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.

We have identified the following area as the key priority of the Agency for this planning period:

Education and Public Relations

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

We considered 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.

OUR MISSION

By March 31, 2017, the Municipal Assessment Agency has improved its service delivery to be better able to meet the assessment and valuation needs of its clients.

Measure: Improved service delivery

Indicators:

- Improved integration with municipalities
- Increased use of technology
- Increased public understanding of the property assessment process
- Controlled the cost per parcel

MANDATE

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

Municipalities in Newfoundland and Labrador which impose a real property tax or a business tax based on property values use the services of the Agency. 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
 - Information, data and assessment information
 - Property inspections
 - Valuation services to all levels of the Crown, including municipalities
- Consultation and taxation services

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.

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. 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.

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.

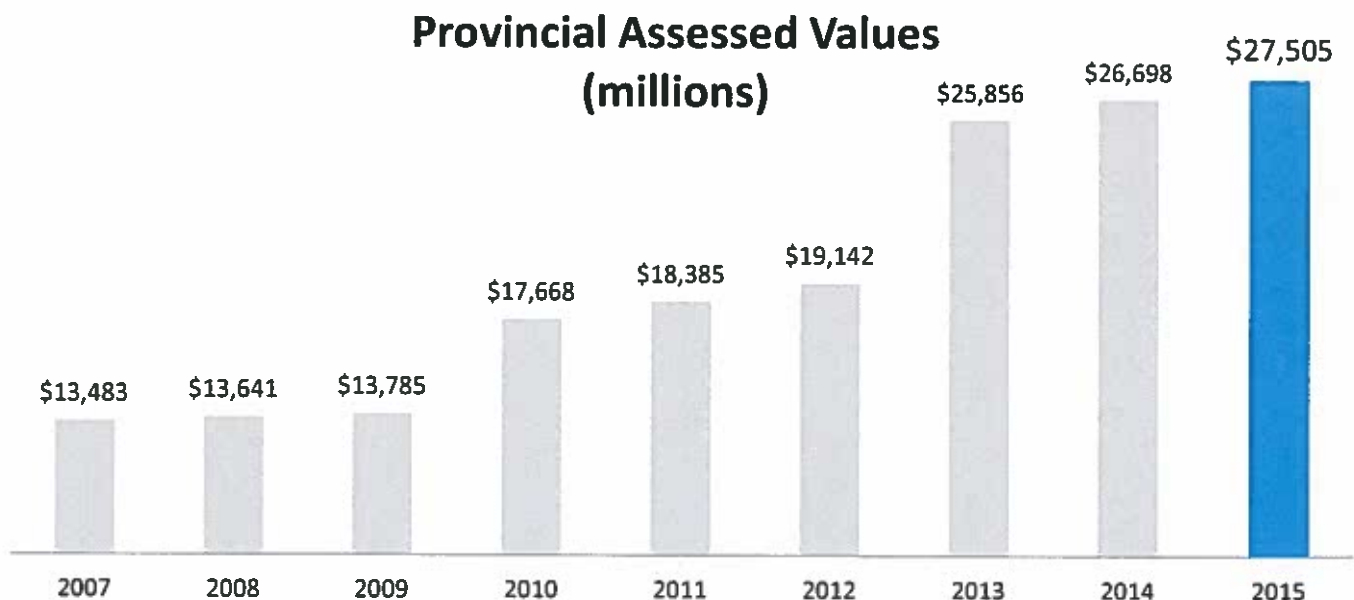
KEY STATISTICS

Permanent staff: 62 (42 male and 20 female)

Office locations: 11

Total assessed value: \$ 27,506,000,000¹

Number of land parcels: 188,169



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
- Director Valuation Services
Deborah Allen
- Director Data & Field Services
Greg Rumbolt
- Manager Financial Operations
Jennifer Ryan
- Manager Human Resources (T)
Judy Perchard
- 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 2051, 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

Clarenville
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 2014-15

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

The Assessment Act, 2006, provides for new valuations of real property every three years. There is a lag of twenty-two months between the date set as the reference date in the legislation (the base date) and the date that new values are completed (the notice date). The year 2014 was not a year for new valuation. In October 2015, the Agency will deliver a valuation update.

Staff continue to conduct site reviews of existing and new property, with nearly 23,000 site reviews completed during the past year. These reviews are triggered by property sales, assessment appeals, new

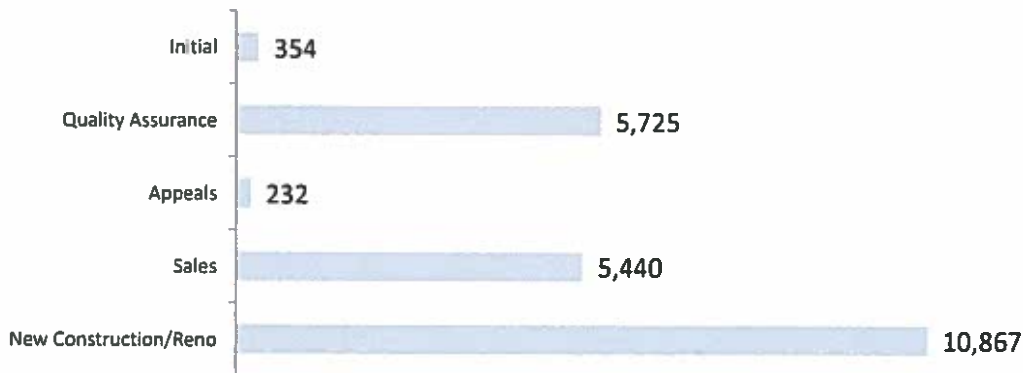
construction and renovations, and our quality assurance program (see table below).

Through our site reviews, the number and value of the amendments to the property data through new construction and renovations have increased steadily in recent years. For the 2015 taxation year, the Agency added \$807 million in new construction and renovations. At an average residential/commercial tax rate of 10 mils, this would represent an increase of \$8.07 million in new 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, twice a year, for a total of six sessions annually. We also offer training for elected officials regionally once per year, and upon request.

2014 Site Reviews



REPORT ON PERFORMANCE

In consideration of the financial resources of the Agency, we have identified the following area as the key priority of the Agency for the next three years: Education and Public Relations. While much work has been done in this area over the past three years, much remains to be done. 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, presents an opportunity for the Agency.

During the past year, the Agency engaged its key stakeholders (municipal administrators and elected officials and property owners) through an on-line survey. The survey established the level of understanding of the assessment and the role of the Agency. Based on the results, we have identified gaps in understanding. Creating our strategy to address these gaps will be a key component of our activities in the coming year. We have met our objective for the year and are well positioned to meet our mission during the remainder of this planning cycle.

This is the first report of our business plan for 2014-17, in accordance with the requirements of the *Transparency and Accountability Act*. For this year, we will report on the results of our objectives for the 2014-15 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.

Goal: By March 31, 2017, the Municipal Assessment Agency will have improved public understanding of its role in the assessment process.

REPORT ON PERFORMANCE

Education and Public Relations	
2014 -15 Objective: By March 31, 2015, the Municipal Assessment Agency has established a base line of current levels of understanding by stakeholder group.	
Measure: Established baseline of stakeholders understanding	
Indicators	Results
Developed survey methodology to target specific stakeholders (ratepayers, municipal administrators, and municipal elected officials)	<p>Reviewed available survey methods, including:</p> <ul style="list-style-type: none"> • On-line survey <ul style="list-style-type: none"> ○ This method is cost effective, but can be limiting based on technical skill. • Random sample, telephone and mail. • Panel review • Mail out questionnaire <p>Based on the review of each type of survey and methodology, an on-line survey was selected as practical and affordable.</p>
Surveyed stakeholders (ratepayers, municipal administrators, and municipal elected officials)to establish baselines of understanding	<p>A copy of the survey is appended.</p> <p>Input was solicited in a number of ways:</p> <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. <p>The results of the survey established high levels of understanding of the role of the assessment in the property tax system, and the role of the Agency in providing the assessed values.</p>
Reviewed survey results and identified information gaps/needs	<p>The survey revealed:</p> <ul style="list-style-type: none"> • Respondents identified with a strong knowledge of property assessment, its application, and their own assessed values. Responses scored over 90% in each of these three areas. • The impact of changes in assessed value is less well understood, with 50-60% of respondents unclear or incorrect of the impact. • Belief in the fairness and effectiveness of the property tax was strong with 60-70% those surveyed identifying property tax with fairness and affordability. • Over 70% identified the Municipal Assessment Agency as the assessing authority. <p>Information gaps or needs include:</p> <ul style="list-style-type: none"> • Impact of changes in assessed value • Fairness and affordability of the assessment • Understanding the Municipal Assessment Agency as a Crown-owned service provider.

REPORT ON PERFORMANCE

2015-16 OBJECTIVE: By March 31, 2016, the Municipal Assessment Agency has implemented a strategy to improve stakeholder understanding.

MEASURE: Strategy implemented to improve stakeholder understanding

INDICATORS:

- Reviewed existing educational program
- Surveyed other jurisdictions educational programs
- Defined key messages to address identified gaps
- Developed strategy to improve stakeholder understanding
- Strategy implemented

Based on the baselines established, the Agency will, in 2015-16, develop strategies to improve the awareness of the impacts of assessment changes, the impact of the legislated base date on assessed values, as well as the relationship between assessed value and property taxes. We will be reviewing our education programs and materials to further highlight these areas, as well as seeking additional opportunities to enhance understanding.

Survey Results

How familiar are you with property assessment?

Answer Options	Response Percent
Extremely familiar	13.2%
Very familiar	36.8%
Moderately familiar	42.1%
Slightly familiar	6.6%
Not at all familiar	1.3%

Property assessments are always less than market value.

Answer Options	Response Percent
True	46.1%
False	40.8%
Unsure	13.2%

Property assessments are used to determine your property tax.

Answer Options	Response Percent
True	96.1%
False	3.9%
Unsure	0.0%

REPORT ON PERFORMANCE

Property taxes are a fair way to collect municipal taxes.

Answer Options	Response Percent
Strongly agree	42.1%
Somewhat agree	28.9%
Neither agree or disagree	10.5%
Somewhat disagree	13.2%
Strongly disagree	5.3%

Property taxes increase whenever the assessed value increases.

Answer Options	Response Percent
True	51.3%
False	47.4%
Unsure	1.3%

Property taxes are good value for the money.

Answer Options	Response Percent
Strongly agree	13.2%
Agree	48.7%
Neither agree nor disagree	31.6%
Disagree	6.6%
Strongly disagree	0.0%

Do you know the assessed value of your property?

Answer Options	Response Percent
Yes	94.7%
No	5.3%
Not applicable	0.0%

In your community, who completes the property assessments?

Answer Options	Response Percent
Council	5.4%
Province	16.2%
Private company	8.1%
Crown agency	43.2%
Other (MAA)	27.0%

OPPORTUNITIES & CHALLENGES

The process to establish the values for the next revaluation, based on January 2014, is underway. The results of this revaluation will be reported in the fall of 2015. Municipalities will use the values for three years, beginning with the 2016 taxation year. The Agency will need to clearly explain the reason the assessed value may not represent the current value. This will be particularly important in any community where property values have declined since January 2014.

For our budget 2015-16, the Agency has maintained its fee of \$28 per assessment. While certain elements of our costs are increasing, the Agency has been successful in managing its overall costs. We are pleased to report that the Agency has significantly reduced its deficit from \$118,297 to \$2,491.

Staffing is increasingly complicated for the Agency. With many staff approaching retirement eligibility, the limited number of qualified persons, and compensation limitations, the Agency's ability recruit and retain qualified individuals has become very difficult. We will continue to work with our employees and future employees to address this challenge.

This is the first year of our three year plan, and the Agency is well positioned to achieve its mission by 2017.

**MUNICIPAL ASSESSMENT
AGENCY INC.**

FINANCIAL STATEMENTS
Year ended March 31, 2015

JOHN F. MORGAN

Chartered Professional Accountant

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, 2015, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.



CHARTERED PROFESSIONAL ACCOUNTANT

St. John's, Newfoundland
May 26, 2015

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET AS AT MARCH 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,367,237	\$ 1,412,776
Accounts receivable (note 2)	203,558	136,288
Current portion of long term receivables	-	14,349
Prepaid expenses	140,902	108,742
	1,711,697	1,672,155
Severance reserve fund (note 3)	789,271	871,403
Capital assets (note 4)	1,341,821	1,439,205
	\$ 3,842,789	\$ 3,982,763

LIABILITIES AND SHAREHOLDER'S EQUITY

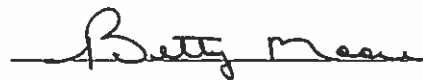
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 196,967	\$ 248,236
Accrued vacation pay (note 5)	284,758	300,082
Deferred revenue	11,242	-
	492,967	548,318
Accrued severance pay (note 5)	789,271	871,403
	1,282,238	1,419,721

SHAREHOLDER'S EQUITY

CAPITAL:		
Authorized and issued		
1 Common share	1	1
Equity from operations	2,560,550	2,563,041
	2,560,551	2,563,042
	\$ 3,842,789	\$ 3,982,763

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, 2015

	2015	2014
REVENUES:		
Assessment services	\$ 5,555,463	\$ 5,516,921
Valuation revenue	65,945	32,869
Interest revenue	23,292	23,902
Municipal training	1,880	3,360
	5,646,580	5,577,052
EXPENSES:		
Salaries	3,434,612	3,521,445
Benefits	649,852	655,389
Travel	341,620	334,102
Information technology	251,080	250,487
Postage and courier	160,614	153,304
Professional fees	141,319	159,802
Premises and equipment lease	92,676	90,355
Printing	57,956	60,374
Telephone	60,419	57,672
Repairs and maintenance	48,655	55,423
Office supplies	49,901	55,247
Utilities	35,670	28,740
Advertising and public relations	29,105	22,512
Insurance	21,729	20,153
Exchange gain/loss	29,834	11,915
Payroll processing	5,259	5,094
Bank charges	2,914	1,746
Meetings and events	3,387	-
	5,416,602	5,483,760
Excess of revenues over expenses before the following:	229,978	93,292
Provision for severance and vacation pay (note 5)	67,620	16,862
Amortization of capital assets	168,441	197,835
Bad debt expense (recovery)	(3,592)	(3,108)
Excess of expenses over revenues	(2,491)	(118,297)
Equity from operations, beginning of year	2,563,041	2,681,338
EQUITY FROM OPERATIONS, END OF YEAR	\$ 2,560,550	\$2,563,041
Commitments and contingencies (note 6)		

MUNICIPAL ASSESSMENT AGENCY INC.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2015**

	2015	2014
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ (2,491)	\$ (118,297)
Items not affecting cash:		
Amortization of capital assets	168,441	197,835
Decrease (increase) in long-term receivable	14,349	3,800
Decrease in severance pay accrual	(82,132)	(54,346)
Decrease in vacation pay accrual	(15,324)	(10,189)
Net change in non-cash working capital balance	(139,457)	(95,110)
CASH PROVIDED BY OPERATING ACTIVITIES	(56,614)	(76,307)
INVESTING ACTIVITIES:		
Purchase of capital assets	(71,057)	(75,535)
CASH USED IN INVESTING ACTIVITIES	(71,057)	(73,535)
Increase (decrease) in cash position	(127,671)	(149,842)
Cash position, beginning of year	2,284,179	2,434,021
CASH POSITION, END OF YEAR	\$ 2,156,508	\$ 2,284,179

Cash is represented by:		
Operating cash	\$ 1,367,237	\$ 1,412,776
Severance reserve fund	789,271	871,403
	\$ 2,156,508	\$ 2,284,179

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

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 and Intergovernmental Affairs, 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 and Intergovernmental Affairs, 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, 2015**

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.

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, 2015, cash balances of \$159,141 (\$144,771 in 2014) 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>2015</u>	<u>2014</u>
Trade receivables	\$ 83,127	\$ 81,845
HST recoverable	118,865	49,130
Employee receivable	<u>1,566</u>	<u>5,313</u>
	<u>\$ 203,558</u>	<u>\$ 136,288</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, 2015**

4. Capital assets:

	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 413,506	\$ 392,654	\$ 20,852	\$ 25,942
Furniture and equipment	230,763	192,207	38,556	39,594
Integrated assessment system	1,819,697	1,510,443	309,254	368,638
Buildings	1,028,654	263,716	764,938	796,810
Land	208,221	-	208,221	208,221
	<u>\$ 3,700,841</u>	<u>\$ 2,359,020</u>	<u>\$ 1,341,821</u>	<u>\$ 1,439,205</u>

5. Severance and vacation pay:

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

Severance pay	2015	2014
Opening balance	\$ 871,403	\$ 925,749
Severance paid out	(118,064)	(67,883)
Current year expense	35,932	13,537
Closing balance	<u>\$ 789,271</u>	<u>\$ 871,403</u>
Vacation pay	2015	2014
Opening balance	\$ 300,082	\$ 310,271
Current year expense	31,688	3,325
Vacation paid out	(47,012)	(13,514)
Closing balance	<u>\$ 284,758</u>	<u>\$ 300,082</u>

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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 \$125,220 and include the following payments over the next 3 years: 2015 - \$37,566, 2016 - \$50,088, 2017 - 37,566.

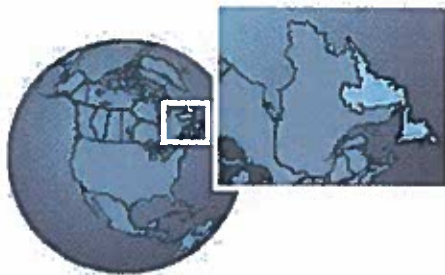
The Agency has a lease for office space in Clarenville, Newfoundland and Labrador. The term of the lease is 5 years, starting May 1, 2013 and ending on April 30, 2018. The monthly rental fee is \$450. Future minimum lease payments total \$16,650 and include the following payments over the next 4 years: 2015 - \$4,050, 2016 - \$5,400, 2017 - \$5,400, 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, 2014 and ending on January 31, 2017. The monthly rental fee is \$764. Future minimum lease payments total \$16,808 and include the following payments over the next 3 years: 2015 - \$6,876, 2016 - \$9,168, 2017 - \$764.

The Agency has a lease for office space in Deer Lake, Newfoundland and Labrador. The term of the lease is 3 years, starting July 1, 2012 and ending on June 30, 2015. The monthly rental fee is \$425. Future minimum lease payments total \$1,275 and include the following payments over the next year: 2015 - \$1,275.

The Agency has a lease for office space in Stephenville, Newfoundland and Labrador. The term of the lease is 3 years, starting September 1, 2013 and ending on August 31, 2016. The monthly rental fee is \$398. Future minimum lease payments total \$6,766 and include the following payments over the next 2 years: 2015 - \$3,582, 2016 - \$3,184.

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.

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