



Municipal
Assessment
Agency Inc.

2015-16

Annual Report



BOARD OF DIRECTORS

MARCH 31, 2016

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Deer Lake

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

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L'Anse au Loup

Western **Mayor Dean Ball**
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Bishop's Falls

Eastern **Mayor Paul Pike**
St. Lawrence

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Torbay

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Northern Director, MNL
St. Luniere- Griquet

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, 2016.

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.

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
 - 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.

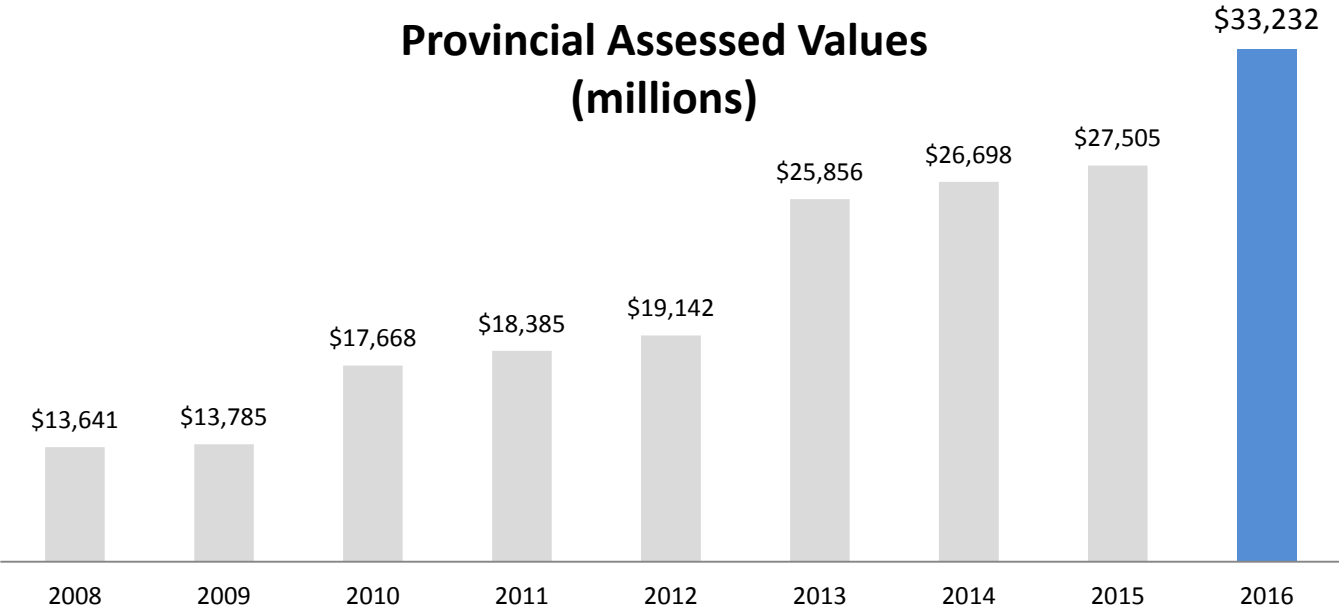
KEY STATISTICS

Permanent staff: 61 (41 male and 20 female)

Office locations: 11

Total assessed value: \$ 33,232,000,000¹

Number of land parcels: 189,385



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
Don Hearn
- 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 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

- 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 2015-16

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). As a result, the value on the assessment notice reports the market value as of twenty-two months prior. In October 2015, the Agency delivered a valuation update. Assessed values for the province continue the trend of increasing at a moderate rate, with the three-year change for the province showing an increase of 26% for an annualized rate of 8.7%.

In addition to valuation updates, delivered every three years (in accordance with the *Assessment Act, 2006*), the Agency continues to work to maintain its property data, collect sales information, and complete revisions to property data to reflect

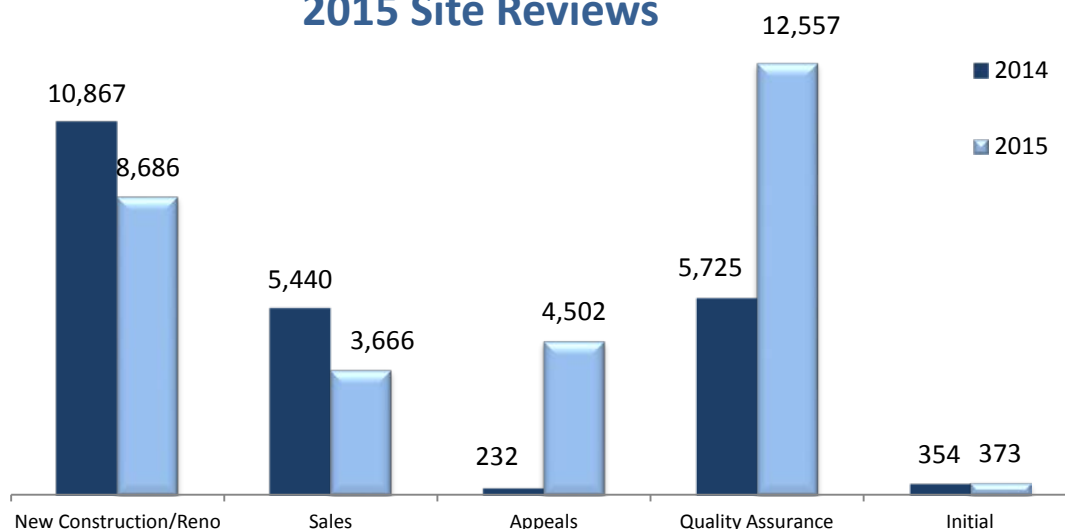
renovations. The number and value of the amendments to the property data through new construction and renovations have increased steadily in recent years. For 2015, the Agency added \$604 million in new construction and renovations. At a mil rate of 10, this represents an increase of more than six million dollars in local property tax revenue for municipalities.

Staff continue to conduct site reviews of existing and new property, with nearly 30,000 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).

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. During the past year, sessions were held in Corner Brook, Gander, Channel-Port aux Basques, Fortune, Wabush, St. John's, Carmanville, Musgrave Harbour and Sunnyside. There were 105 attendees in total, representing 50 municipalities.

2015 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 this planning cycle: 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 has implemented an enhanced strategy to improve stakeholder understanding. The strategy is 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 second 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 2015-16 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.

Education and Public Relations	
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:	RESULTS
Reviewed existing educational program	Reviewed existing educational programs: <ul style="list-style-type: none"> • Property Assessment for Elected Officials <ul style="list-style-type: none"> ○ Delivered as three-hour seminar ○ Offered regionally and on-demand • Property Assessment for Municipal Administrators <ul style="list-style-type: none"> ○ Delivered as a one-day seminar ○ Offered semi-annually and regionally • Property Assessment in Newfoundland and Labrador <ul style="list-style-type: none"> ○ Guide for the public ○ Available on-line ○ Insert with annual assessment notice Programs reviewed to more clearly identify the impact

REPORT ON PERFORMANCE

	of changes to the assessed values on municipal taxation and the ability of a property owner to request a review of an assessment at any time, without filing a formal appeal.
Surveyed other jurisdictions educational programs	<p>Fourteen jurisdictions across Canada contacted by telephone and a review of websites conducted. The focus of the review was identifying how jurisdictions addressed changes in assessed values, fairness and equity in assessment and the role of the assessor. Findings include:</p> <ul style="list-style-type: none"> • Reliance on web-based materials (14) • Information often included with assessment notice (10) • Methodology Guides available in select jurisdictions (Ontario, Alberta) • Truth in taxation² measures in Alberta, most notably the City of Calgary.
Defined key messages to address identified gaps	<p>Key messages Based on the gaps identified by prior year surveys, messages were developed to address:</p> <ul style="list-style-type: none"> • Impact of changes in assessed value <ul style="list-style-type: none"> ○ Tax level set by local council ○ New assessment may shift tax • Fairness and affordability of the assessment <ul style="list-style-type: none"> ○ Change in assessed value does not equal change in tax ○ Process reflects market value • Understanding the Municipal Assessment Agency as a Crown-owned service provider <ul style="list-style-type: none"> ○ Not for profit ○ At arm's length from taxing authority ○ Change in assessed values does not impact Agency revenues
Developed strategy to improve stakeholder understanding	<p>Review stakeholder survey results from last year. Review staff interactions with stakeholders.</p> <p>Identify opportunities for stakeholder engagement</p> <ul style="list-style-type: none"> • Education programs • Assessment notice • Website • Direct inquiries <p>Ensure key messages are included and highlighted in stakeholder engagements</p>
Strategy implemented	<p>Revised educational programs</p> <ul style="list-style-type: none"> • Additional focus on key messages • Work with joint councils to increase offerings <p>Revised assessment notice</p> <ul style="list-style-type: none"> • Additional information on appeal/review options

² Truth in taxation measures requires a taxing authority to declare the effective tax rate when assessed values change. If the average property increases in assessment from 100,000 to 150,000, a reduction of 50% in the tax rate would make the assessment change revenue neutral. The municipality would identify any change less than the 50% reduction as a tax increase.

REPORT ON PERFORMANCE

	<ul style="list-style-type: none">• Additional property detail Improved material available on-line <ul style="list-style-type: none">• Guides reviewed and revised Direct inquiries <ul style="list-style-type: none">• Key messages included in staff script for answering questions• Common questions tracked and key messages refined in response.
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2016-17 OBJECTIVE: By March 31, 2017, the Municipal Assessment Agency has evaluated its strategy for improved stakeholder understanding of the Agency’s role in the property assessment process.

MEASURE: Strategy for improved stakeholder understanding evaluated.

INDICATORS:

- Developed survey methodology to measure stakeholder understanding
- Surveyed stakeholders to establish levels of understanding
- Reviewed survey results and compare with baselines
- Evaluate stakeholder understanding

This is the second year of our three-year plan, and the Agency is well positioned to achieve its mission by 2017. During 2016-17, we will determine if the strategies implemented have improved stakeholder understanding of the Agency’s role in the assessment process.

OPPORTUNITIES AND CHALLENGES

CHALLENGES

With many staff approaching retirement eligibility, the limited number of qualified persons, and compensation limitations, the Agency's ability to recruit and retain qualified individuals has become very difficult. We will continue to work with our employees and future employees to address this challenge. The Agency will be looking to increase its use of technology to offset this situation.

For our budget 2016-17, the Agency has maintained its fee of \$28 per assessment. While certain elements of our costs are increasing, the Agency has been managing its overall costs. The Agency's deficit has increased from \$2,491 to \$98,779 for this fiscal year, due to the increase in pension costs.

OPPORTUNITIES

There was extensive media coverage of the public response to the 2016 revaluation delivered in October 2015. The measurable result was an increase in the number of assessment appeals to 4426, which represents 2.2% of all assessments delivered by the Agency. This highlights the need for public education on the assessment process.

As noted in the mandate letter to Minister Joyce, in December 2015, in partnership with the Municipal Assessment Agency and Municipalities Newfoundland and Labrador, Government will undertake a review of the Assessment Act, 2006. The review of the *Assessment Act* is an identified priority in the December 2015 mandate letter of the Minister of Municipal Affairs. The review will address known operational issues associated with the timing of assessments, assessment criteria, implementation of the associated mil rate and special purpose properties.

**MUNICIPAL ASSESSMENT
AGENCY INC.**

FINANCIAL STATEMENTS

Year ended March 31, 2016

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, 2016, 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

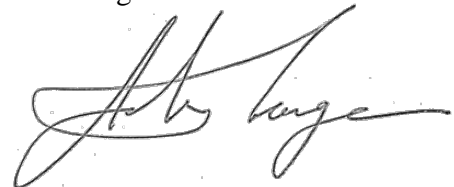
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.



CHARTERED PROFESSIONAL ACCOUNTANTS

St. John's, Newfoundland
June 8, 2016

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET AS AT MARCH 31, 2016

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash	\$1,490,604	\$1,367,237
Accounts receivable (note 2)	158,141	203,558
Prepaid expenses	163,792	140,902
	1,812,537	1,711,697
Severance reserve fund (note 3)	866,438	789,271
Capital assets (note 4)	1,224,531	1,341,821
	\$3,903,506	\$3,842,789

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 249,223	\$ 196,967
Accrued vacation pay (note 5)	326,073	284,758
Deferred revenue	-	11,242
	575,296	492,967
Accrued severance pay (note 5)	866,438	789,271
	1,441,734	1,282,238

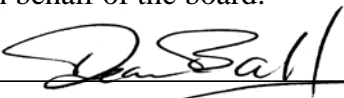
SHAREHOLDER'S EQUITY

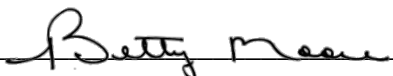
CAPITAL:

Authorized and issued		
1 Common share	1	1
Equity from operations	2,461,771	2,560,550
	2,461,772	2,560,551
	\$3,903,506	\$3,842,789

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, 2016

	2016	2015
REVENUES:		
Assessment services	\$5,622,866	\$5,555,463
Valuation revenue	46,303	65,945
Interest revenue	17,024	23,292
Municipal training	2,080	1,880
	5,688,273	5,646,580
EXPENSES:		
Salaries	3,372,228	3,434,612
Benefits	706,241	649,852
Travel	372,243	341,620
Information technology	263,306	251,080
Postage and courier	163,304	160,614
Professional fees	141,188	141,319
Premises and equipment lease	99,615	92,676
Printing	66,336	57,956
Telephone	62,846	60,419
Repairs and maintenance	62,488	48,655
Office supplies	42,818	49,901
Advertising and public relations	38,827	29,105
Utilities	32,607	35,670
Insurance	21,513	21,729
Meeting and events	10,890	3,387
Payroll processing	5,454	5,259
Bank charges	2,772	2,914
Exchange gain/loss	(11,091)	29,834
	5,453,585	5,416,602
Excess of revenues over expenses before the following:	234,688	229,978
Provision for severance and vacation pay (note 5)	185,301	67,620
Amortization of capital assets	140,690	168,441
Bad debt expense (recovery)	7,476	(3,592)
Excess of expenses over revenues	(98,779)	(2,491)
Equity from operations, beginning of year	2,560,550	2,563,041
EQUITY FROM OPERATIONS, END OF YEAR	\$2,461,771	\$2,560,550
Commitments and contingencies (note 6)		

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ (98,779)	\$ (2,491)
Items not affecting cash:		
Amortization of capital assets	140,690	168,441
Decrease (increase) in long-term receivable	-	14,349
Increase (decrease) in severance pay accrual	77,167	(82,132)
Increase (decrease) in vacation pay accrual	41,315	(15,324)
Net change in non-cash working capital balance	63,541	(139,457)
CASH PROVIDED BY OPERATING ACTIVITIES	223,934	(56,614)
INVESTING ACTIVITIES:		
Purchase of capital assets	(23,400)	(71,057)
CASH USED IN INVESTING ACTIVITIES	(23,400)	(71,057)
Increase (decrease) in cash position	200,534	(127,671)
Cash position, beginning of year	2,156,508	2,284,179
CASH POSITION, END OF YEAR	\$2,357,042	\$2,156,508

Cash is represented by:

Operating cash	\$1,490,604	\$1,367,237
Severance reserve fund	866,438	789,271
	\$2,357,042	\$2,156,508

Commitments and contingencies (note 6)

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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, 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, 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, 2016

1. Summary of significant accounting policies (continued):

(c) Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years and, accordingly, no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Agency. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

(d) Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

(e) Fair value of financial instruments

The Agency has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value, unless otherwise indicated.

The Agency considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Agency accounts for the following as financial instruments:

- Cash and cash equivalents
- Trade and other receivables
- Due from (to) companies under common control
- Bank indebtedness
- Payables and accruals
- Long-term debt

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

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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, 2016, cash balances of \$162,369 (\$159,141 in 2015) 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>2016</u>	<u>2015</u>
Trade receivables	\$ 47,639	\$ 83,127
HST recoverable	107,294	118,865
Employee receivable	<u>3,208</u>	<u>1,566</u>
	<u>\$ 158,141</u>	<u>\$ 203,558</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, 2016

4. Capital assets:

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 413,506	\$ 398,909	\$ 14,597	\$ 20,852
Furniture and equipment	233,969	200,239	33,730	38,556
Integrated assessment system	1,839,891	1,606,249	233,642	309,254
Buildings	1,028,654	294,313	734,341	764,938
Land	<u>208,221</u>	<u>-</u>	<u>208,221</u>	<u>208,221</u>
	<u>\$3,724,241</u>	<u>\$2,499,710</u>	<u>\$1,224,531</u>	<u>\$1,341,821</u>

5. Severance and vacation pay:

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

Severance pay	<u>2016</u>	<u>2015</u>
Opening balance	\$ 789,271	\$ 871,403
Severance paid out	(39,158)	(118,064)
Current year expense	<u>116,325</u>	<u>35,932</u>
Closing balance	<u>\$ 866,438</u>	<u>\$ 789,271</u>
Vacation pay	<u>2016</u>	<u>2015</u>
Opening balance	\$ 284,758	\$ 300,082
Vacation paid out	(27,661)	(47,012)
Current year expense	<u>68,976</u>	<u>31,688</u>
Closing balance	<u>\$ 326,073</u>	<u>\$ 284,758</u>

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

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 \$75,132 and include the following payments over the next 2 years: 2016 - \$37,566, 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 \$11,250 and include the following payments over the next 3 years: 2016 - \$4,050, 2017 - \$5,400, 2018 - \$1,800.

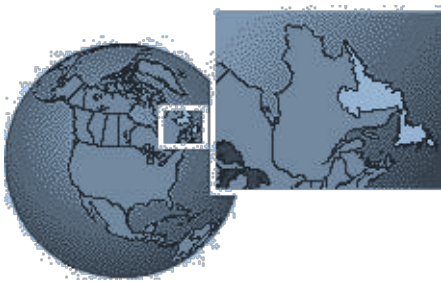
The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2014 and ending on January 31, 2017. The monthly rental fee is \$764. Future minimum lease payments total \$7,645 and include the following payments over the next 2 years: 2016 - \$6,881, 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 February 1, 2016 and ending on January 31, 2019. The monthly rental fee is \$425. Future minimum lease payments total \$14,450 and include the following payments over the next year: 2016 - \$3,825, 2017 - \$5,100, 2018 - \$5,100, 2019 - \$425.

The Agency has a lease for office space in Stephenville, Newfoundland and Labrador. The term of the lease is 3 years, starting September 1, 2013 and ending on August 31, 2016. The monthly rental fee is \$398. Future minimum lease payments total \$1,990 and include the following payment over the next year: 2016 - \$1,990.

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 \$24,650 and include the following payments over the next year: 2016 - \$7,650, 2017 - \$10,200, 2018 - \$6,800.

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



Municipal Assessment Agency Inc.

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