

ANNUAL REPORT 2006 – 2007



Municipal Assessment
Agency Inc.

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

- Fair** Each employee will provide opinions of value without bias.
- Transparent** Each employee is responsible for their actions and accountable to the public.
- Competent** Employees are encouraged to participate in continuing professional development.
- Cooperative** Employees will actively seek alternate (client) opinions on their activities and report those opinions to direct our change process.
- Integrity** Employees will act with integrity and, if in any doubt, will seek appropriate guidance to ensure they perform their duties in an ethical manner.



Letter of Transmittal

September 30, 2007

The Honourable Jack Byrne, M.H.A.
Minister of Municipal Affairs
P.O. Box 8700
St. John's NL A1B 4J6

Dear Minister:

On behalf of the Municipal Assessment Agency Incorporated, I have the pleasure to submit our annual report for 2006 and the financial statements for the year ended March 31, 2007.

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 (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 230 municipalities, we are pleased to support local government in providing valuable service to the people of our province and our 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.

As a board we are accountable for the results reported in this document. We will continue to fulfill our mandate and look forward to meeting future challenges.

Sincerely,

Fred Best

Fred Best
Chairperson, Board of Directors

Corporate Overview

OUR VISION

The vision of the Municipal Assessment Agency is 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 the primary objective within the vision statement. It is also important to understand the need to constrain the vision statement within the means available. The assessment service must be tailored to fit the means of the municipalities.

OUR MISSION

By 2011, the Municipal Assessment Agency will have improved its service delivery in support of provincial property assessments and valuations.

LINES OF BUSINESS

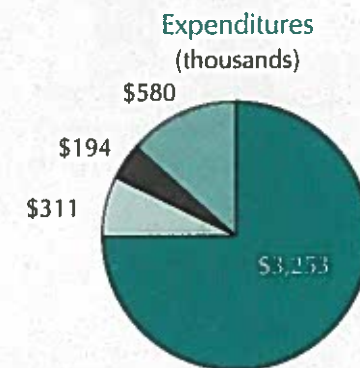
The Agency has a single line of business – property assessment and valuation.

GOVERNANCE

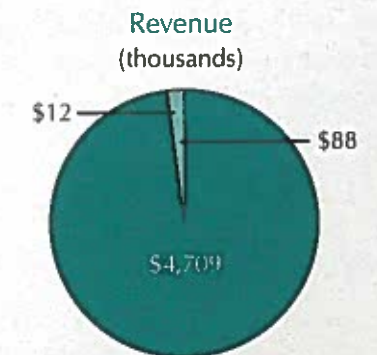
The Agency is a crown-owned corporation which is governed by a representative Board of Directors. The board includes eight municipal representatives, six of which are elected by municipalities and two taxpayer representatives.

KEY STATISTICS

Permanent staff	62
Office locations	11
Total assessed value	\$ 12,990 million
Number of parcels	168,972



■ Salaries & Benefits ■ Travel ■ IT ■ Other

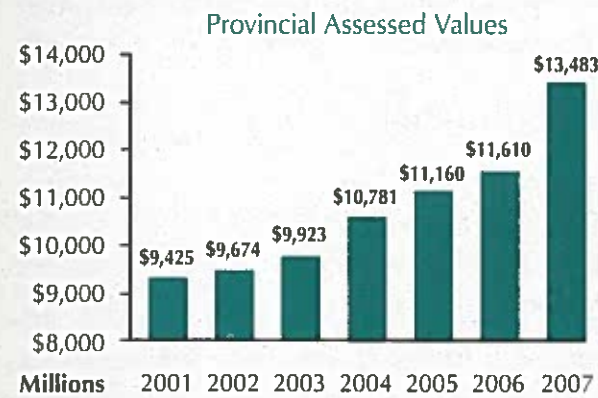


■ Assessment Services ■ Sales ■ Interest

Highlights

ASSESSED VALUES

Property values grew by \$ 1,795 million dollars last year as the Agency completed a reassessment as required by the *Assessment Act*. This represented a 15.95% increase over the last assessment. New construction and renovations remained strong with more than \$ 170 million in new construction recorded in the first three quarters of 2006.



Municipalities incorporated these increases in their 2007 budgets and used the increase to offset any increase necessary in local rates to provide appropriate service levels to property owners.

GOVERNANCE

2006 was an election year for the Agency's municipal directors. The election process was again fully engaged with 36 candidates seeking election to one of six positions. Voter participation remained high with 78% of eligible ballots cast. Elected for three year terms (January 2007 to December 2010) are:

Avalon	Deputy Mayor Deborah Quilty, <i>Paradise</i>
Eastern	Mayor Fred Best, <i>Clareville</i>
Central	Councillor Barry Oake, <i>Grand Falls-Windsor</i>
Western	Mayor Darryl Kelly, <i>Deer Lake</i>
Labrador	Deputy Mayor Terry Hancock, <i>Forteau</i>
Urban	Councillor Sterling Willis, <i>Paradise</i>

The Agency's by-laws were amended prior to the election so the terms for the elected representatives will coincide with their term of office as municipal officials.

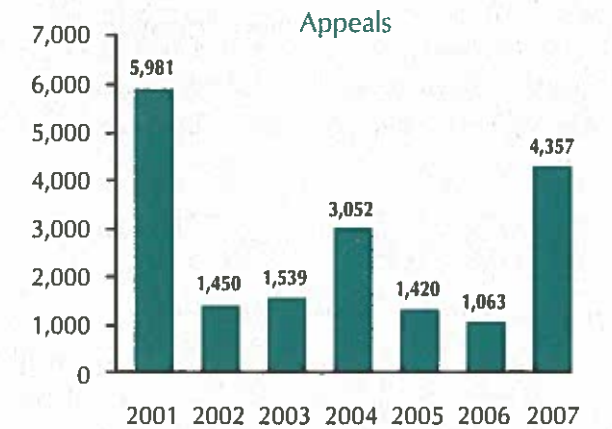
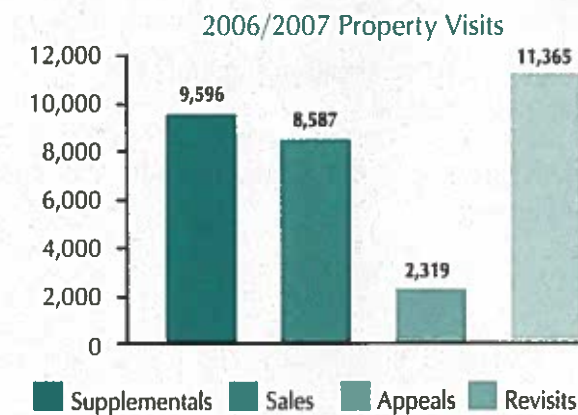
During the past year, both taxpayer representatives, Mr. Bruce Borden, Corner Brook and Mr. David Manning, Torbay were reappointed for an additional two year term.

Highlights

BUSINESS PLAN

During the year, the Board completed its business plan for 2007-08 in accordance with the requirements of the *Transparency and Accountability Act*. Thank you to the staff of the Transparency and Accountability office for their assistance in the development of the plan and their patience.

This plan, and its future iterations, will form the basis for this and future annual reports. For this year's report we will introduce the issues, goals, and objectives and provide our progress in next year's annual report.



- Increase of \$1.75 billion in assessed values.
- Commercial tenant values increased by \$287 million.
- New construction of \$172 million in first three quarters of 2006.
- More than 30,000 property visits conducted.

Outputs

This report covers the period April 1, 2006 to March 31, 2007. This period predates the Agency's business plan for 2007 compiled under the requirements of the Transparency and Accountability Act. This report will introduce the issues and objectives while our next annual report will provide the details of the progress toward these issues and objectives. As the business plan covers a one-year period only, goals were not developed and will not be reported.

ISSUES AND OBJECTIVES

1. Improved Client Awareness

Identification by clients of the role of the Agency and its responsibilities presents challenges and costs for all stakeholders. An important part of public confidence in the property tax is the independent relationship between the Agency and taxing authorities. It is also important that municipalities understand where the role of the Agency ends and their responsibilities begin.

Objective: By 2008, the Municipal Assessment Agency will have increased its activities to educate its clients on the services provided by the Agency.

Measure: Increased activities

Indicators: Increased frequency of workshops with municipalities, as compared to the 2006 baseline

Revised/enhanced web site (tracking activities)

Revised assessment notice

Developed orientation package for elected officials

Developed and distributed periodic newsletter

Outputs

2. Review of options for Client Fee Structure

Municipalities, through the fee for assessment services, provide the funding for the Agency. Client pressure to contain costs will require the Agency to constantly review and moderate its fee structure to reflect the demands of our clients and to continue to meet our legislative responsibility.

Objective: By 2008, the Municipal Assessment Agency will have identified options for reorganizing the current client fee structure.

Measure: Options identified

Indicators: National survey completed

Characteristics of property types are defined

Clients are consulted

Detailed inventory report is developed

3. Improved Internal Operations

As part of the Agency's on-going commitment to clients, we will continue to review our internal operations and service delivery model for the opportunity to achieve improvements.

Objective: By 2008, the Municipal Assessment Agency will have improved its assessment services to its clients.

Measure: Improved Services

Indicators: Enhanced system search capabilities

Increased on-line access to reporting for select municipalities

Mechanisms for tracking web uses and client-user satisfaction are developed

Assessment-related web-based services are analyzed

Opportunities & Challenges

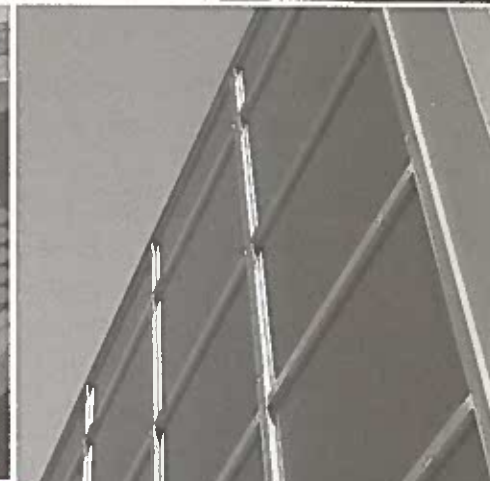
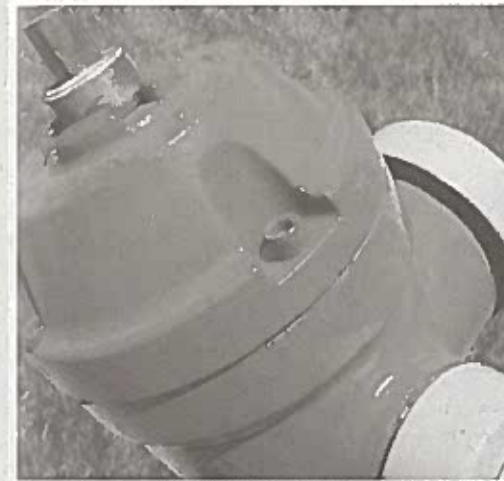
In the coming years, we will need to address challenges as a service provider in Newfoundland and Labrador. There are three key challenges facing the Municipal Assessment Agency:

- Human Resources
Our ability to attract, train and retain quality employees.
- Pressure on a stable property tax system
Our ability to create stability in funding for municipalities.
- Technological support
Our need to invest carefully and meet the needs of stakeholders

All employers in the province and across Canada face an aging workforce and the demands of the next generation for flexibility in work arrangements. Our population is aging and becoming increasingly urbanized. The nature of our work is highly specialized and in low supply across Canada. We will have to compete with other employers to engage the next generation and provide a meaningful work experience.

The property tax system is constantly challenged by stakeholders. Municipalities require a cost effective and stable service as they are presented with changing demands of the population. Property owners are questioning the value received for their tax dollars and their avenue to challenge those taxes is the property assessment. Property values are increasing, often due to the investment of non-residents.

Technology is providing an opportunity to share information on a global scale. Property owners can find the tax and administrative policies relating to property tax from around the world. This information is used to challenge the practices and results from the Agency and local municipalities. Property owners expect cost to be contained by use of technology, and, while a cost saving opportunity does exist, there is also increased risk of investing in the appropriate technology. The technology dichotomy continues to present an opportunity to complete work faster and more efficiently while public expectations increase to demand even faster and more efficient operations. Our personal and professional communications continue to accelerate and our expectation of change in relation to our demands is also increasing.



During last year the Agency was successful in posting a positive bottom line of \$357,994, approximately \$176,000 above the anticipated results. While the overall variance was small, representing less than 4% of revenues, the Agency was able to increase its equity position. The Agency's articles of incorporation provide that any surplus must be used only to further the property assessment function in the province.



Auditor's Report

JOHN F. MORGAN

Chartered Accountant
Suite 901, TD Place, 140 Water Street
St. John's, NF A1C 6H6
Office: (709) 576-6776
Fax: (709) 576-6777

To the Shareholder of
Municipal Assessment Agency Inc.

We have audited the balance sheet of Municipal Assessment Agency Inc. as at March 31, 2007, and the statements of revenue, expenses and equity and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007, and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland
May 29, 2007



CHARTERED ACCOUNTANT

Balance Sheet

As at March 31, 2007

	ASSETS	
	2007	2006
Current Assets		
Cash	\$ 1,483,234	\$ 1,250,788
Accounts receivable (note 2)	194,904	170,084
Current portion of long term receivables (note 3)	37,987	-
Prepaid expenses	56,629	44,528
	<u>1,772,754</u>	<u>1,465,400</u>
Long term receivables (note 3)	25,876	-
Severance reserve fund (note 4)	755,694	692,947
Capital assets (note 5)	322,387	351,443
	<u>\$ 2,876,711</u>	<u>\$ 2,509,790</u>

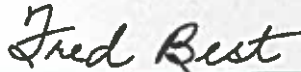
LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities		
Accounts payable and accrued liabilities	\$144,518	\$201,899
Accrued vacation pay (note 6)	189,168	157,656
Current portion of deferred contributions - capital (note 7)	27,951	27,951
	<u>361,637</u>	<u>387,506</u>
Accrued severance pay (note 6)	755,694	692,947
Deferred contributions - capital (note 7)	-	27,951
	<u>1,117,331</u>	<u>1,108,404</u>

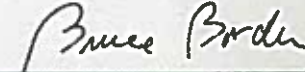
SHAREHOLDER'S EQUITY

Capital		
Authorized and issued		
1 Common share	1	1
Equity from operations	1,759,379	1,401,385
	<u>1,759,380</u>	<u>1,401,386</u>
	<u>\$ 2,876,711</u>	<u>\$ 2,509,790</u>

Commitments and contingencies (note 6 and note 8)
On behalf of the board:



Fred Best



Bruce Borden

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Equity

For the year ended March 31, 2007

	2007	2006
Revenues:		
Assessment services	\$ 4,709,272	\$ 4,601,468
Valuation revenue	12,430	9,880
Interest revenue	87,957	44,249
	<u>4,809,659</u>	<u>4,655,597</u>
Expenses:		
Salaries	2,698,369	2,487,991
Benefits	554,621	536,341
Travel	310,627	281,558
Information technology	194,396	202,122
Premises and equipment lease	179,329	179,590
Postage and courier	105,857	130,651
Professional fees	82,431	59,499
Telephone	71,406	73,360
Printing	53,145	45,893
Office supplies	39,047	36,843
Advertising and public relations	27,091	20,786
Insurance	14,613	12,312
Payroll processing	4,519	4,289
Bank charges	2,428	2,296
	<u>4,337,879</u>	<u>4,073,531</u>
Excess of revenues over expenses before the following	471,780	582,066
Provision for severance and vacation pay (note 6)	94,260	55,254
Amortization of deferred contributions - capital (note 7)	(27,951)	(22,362)
Amortization of capital assets	118,615	111,370
Bad debt expense (recovery)	(71,138)	(19,826)
Excess of revenues over expenses	<u>357,994</u>	<u>457,630</u>
Equity from operations, beginning of year	1,401,385	943,755
Equity from operations, end of year	<u>\$ 1,759,379</u>	<u>\$ 1,401,385</u>

See Accompanying Notes to Financial Statements

Statement of Changes in Financial Position

For the year ended March 31, 2007

	2007	2006
Operating activities:		
Excess of revenues over expenses	\$ 357,994	\$ 457,630
Items not affecting cash:		
Amortization of capital assets	118,615	111,370
Amortization of deferred contributions	(27,951)	(22,362)
Increase in long-term receivable	(36,568)	3,626
Increase in severance pay accrual	62,747	22,130
Increase in vacation pay accrual	31,512	8,158
Net change in non-cash working capital balance	(121,596)	91,379
Cash provided by operating activities	<u>384,753</u>	<u>671,931</u>
Investing activities:		
Purchase of capital assets	(89,560)	(121,558)
Increase in cash position	<u>295,193</u>	<u>550,373</u>
Cash position, beginning of year	<u>1,943,735</u>	<u>1,393,362</u>
Cash position, end of year	<u>\$ 2,238,928</u>	<u>\$ 1,943,735</u>
Cash is represented by:		
Operating cash	\$ 1,483,234	\$ 1,250,788
Severance reserve fund	755,694	692,947
	<u>\$ 2,238,928</u>	<u>\$ 1,943,735</u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

For the year ended March 31, 2007

GENERAL:

Effective April 2, 1997, the Municipal Assessment Agency Inc. (the "Corporation") was incorporated 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 Provincial Affairs, Government of Newfoundland and Labrador (the "Department").

The Corporation has one common share with a par value of \$1.00 issued to the Minister of Municipal and Provincial Affairs, Government of Newfoundland and Labrador.

The Corporation 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 Corporation have been prepared within the framework of generally accepted accounting principles 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 Corporation are as follows:

(a) Capital assets

Capital assets purchased by the Corporation 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%

In 1998 and 1999 the Agency received funds from the Government that were used to purchase furniture and equipment, computer hardware and software and integrated assessment system. During the year the Agency changed its method of amortizing these capital assets to a straight line method in order to reflect the remaining economic value of these assets.

Notes to Financial Statements

For the year ended March 31, 2007

The Corporation is currently using furniture, equipment and computers provided by the Department. As title to these assets have not been transferred to the Corporation, they have not been recorded in the accounts.

1. Summary of significant accounting policies (continued):

(b) Revenue recognition

Government assistance related to acquisition of capital assets is deferred and amortized to income on the same basis as the related capital assets are amortized.

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

(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 Corporation. 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 company 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.

Notes to Financial Statements

For the year ended March 31, 2007

2. Accounts receivable:

	<u>2007</u>	<u>2006</u>
Trade receivables	\$ 170,982	\$ 278,148
Accrued interest	8,034	6,058
HST recoverable	48,011	39,340
Employee receivable	2,968	2,755
Allowance for doubtful accounts	<u>(35,091)</u>	<u>(156,217)</u>
	<u>\$ 194,904</u>	<u>\$ 170,084</u>

3. Long term receivables:

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period of 48 months, provided all future fees are paid on a current basis.

4. 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.

5. Capital assets:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 449,902	\$ 305,335	\$ 144,567	\$ 153,697
Furniture and equipment	219,037	116,281	102,756	86,201
Integrated assessment system	1,101,632	1,032,495	69,137	111,545
Land	<u>5,927</u>	<u>-</u>	<u>5,927</u>	<u>-</u>
	<u>\$ 1,776,498</u>	<u>\$ 1,454,111</u>	<u>\$ 322,387</u>	<u>\$ 351,443</u>

Notes to Financial Statements

For the year ended March 31, 2007

6. Severance and vacation pay:

As at the time of incorporation, the Corporation assumed liabilities for severance pay, vacation and accrued overtime associated with employees transferred to the Corporation resulting in an opening deficit in the amount of \$366,950. During fiscal 2001, an agreement was reached with the province to fund this liability by a payment of \$160,000, which represented the present value of the liability as calculated by management.

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

Severance pay

	<u>2007</u>	<u>2006</u>
Opening balance	\$ 692,947	\$ 670,817
Current year expense	62,747	47,097
Usage	<u>-</u>	<u>(24,967)</u>
Closing balance	\$ 755,694	\$ 692,947

Vacation pay

	<u>2007</u>	<u>2006</u>
Opening balance	\$ 157,656	\$ 149,498
Current year expense	<u>31,513</u>	<u>8,158</u>
Closing balance	\$ 189,169	\$ 157,656

Notes to Financial Statements

For the year ended March 31, 2007

7. Deferred Contributions - Capital:

The Corporation received Government funding in prior years that was deferred for future operating expenses and capital expenditures. During the year, the Corporation recognized the following deferred contributions.

	<u>2007</u>	<u>2006</u>
Opening balance	\$ 55,902	\$ 78,264
Capital contribution recognized	<u>27,951</u>	<u>22,362</u>
Closing balance	<u>\$ 27,951</u>	<u>\$ 55,902</u>

8. Commitment:

The Board of Directors has given its approval to purchase the building currently occupied by the Agency's headquarters in St. John's and to construct a building in Gander for use as office space. As at March 31, 2007 the associated costs and extent of commitments were not finalized.

9. Comparative Figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

Board of Directors

March 31, 2007

Chairperson

Mayor Fred Best
Clarenville

Vice-Chairperson

Councillor Barry Oake
Grand Falls-Windsor

MUNICIPAL REPRESENTATIVES

Labrador

Deputy Mayor Terry Hancock
Forteau

Western

Mayor Darryl Kelly
Deer Lake

Central

Councillor Barry Oake
Grand Falls-Windsor

Eastern

Mayor Fred Best
Clarenville

Avalon

Deputy Mayor Deborah Quilty
Paradise

Urban

Councillor Sterling Willis
Paradise

NLFM REPRESENTATIVE

Mayor Harry Hallet
Small Towns Director, NLFM
Leading Tickles

NLAMA REPRESENTATIVE

Mr. Rodney Cumby
Past President, NLAMA
Torbay

PROVINCIAL REPRESENTATIVES

2 Vacant Positions

TAXPAYER REPRESENTATIVES

Mr. David Manning
Torbay

Mr. Bruce Borden
Corner Brook

Management Directory

March 31, 2007

Residential Manager (T)

Director Valuation Services

Director Data & Field Services

Director Corporate Services

Manager Payroll & Accounts

Manager Human Resources

Executive Director/CEO

Mr. Wayne Rossiter

Ms. Deborah Allen

Mr. Greg Rumbolt

Mr. Eric Hart

Ms. Rosemarie Evans

Ms. Dale Hiscock

Mr. 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

1 Markham Place, P.O.Box 570,
Gander NL A1V 2E1

Tel: (709) 651-4460 Fax: (709) 651-4473

WESTERN REGIONAL OFFICE

63 Broadway, Corner Brook
NL A2H 4C7

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) 486-8065 Fax: (709) 292-1171

Stephenville

Tel: (709) 649-3330 Fax: (709) 643-8571

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