

**MUNICIPAL ASSESSMENT AGENCY INC.**

**FINANCIAL STATEMENTS**  
**For The Year Ended March 31, 2019**

# ***JOHN F. MORGAN***

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The auditing standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

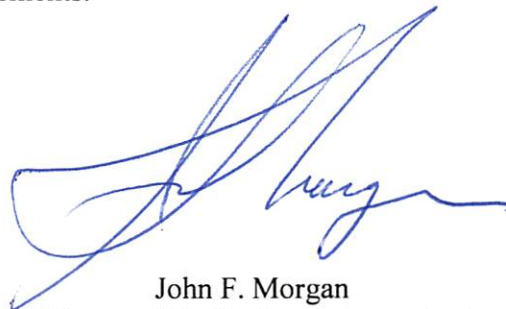
Those charged with governance are responsible for overseeing the Agency's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

St. John's, Newfoundland  
June 4, 2019

A handwritten signature in blue ink, appearing to read 'J. Morgan', is written over a printed name and title.

John F. Morgan  
Chartered Professional Accountants

**MUNICIPAL ASSESSMENT AGENCY INC.**  
**Balance Sheet**  
**As at March 31, 2019**

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

**LIABILITIES**

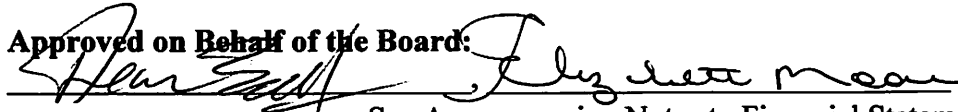
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 323,495	\$ 307,168
Accrued vacation pay (Note 8)	236,750	198,543
Deferred revenue	18,213	3,705
Accrued severance pay (Note 8)	41,015	624,268
	619,473	1,133,684

**SHAREHOLDER'S EQUITY**

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

Commitments and contingencies (Note 9)

Approved on Behalf of the Board:



See Accompanying Notes to Financial Statements

**John F. Morgan, Chartered Professional Accountants**

# MUNICIPAL ASSESSMENT AGENCY INC.

## Statement of Revenues, Expenses and Equity

For the Year Ended March 31, 2019

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

Commitments and contingencies (Note 9)

See Accompanying Notes to Financial Statements

*John F. Morgan, Chartered Professional Accountants*

**MUNICIPAL ASSESSMENT AGENCY INC.**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2019**

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

Commitments and contingencies (Note 9)

# MUNICIPAL ASSESSMENT AGENCY INC.

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

### 1. GENERAL

The Municipal Assessment Agency Inc. (the "Agency") was incorporated April 2, 1997, under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal Affairs and Environment, Government of Newfoundland and Labrador (the "Department").

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

The Agency is a crown corporation and, accordingly, is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Agency have been prepared within the framework of Public Sector Accounting Standards which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Agency are as follows:

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, balances with bank, net of any overdrafts, and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### *Capital assets*

Capital assets purchased by the Agency are recorded at cost. Amortization is recorded on a declining balance basis over the assets estimated useful lives at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%
Buildings	4%

# MUNICIPAL ASSESSMENT AGENCY INC.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### *Revenue recognition*

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

### *Accrued severance pay*

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

### *Redundancy pay*

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

### *Fair value of financial instruments*

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

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

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

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



# MUNICIPAL ASSESSMENT AGENCY INC.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

Financial assets and financial liabilities are subsequently measured according to the following methods:

<b>Financial instrument</b>	<b>Subsequent measurement</b>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Due from (to) companies under common control	Amortized cost
Bank indebtedness	Amortized cost
Long-term debt	Amortized cost

The Agency removes liabilities, or portion of, when the obligation is discharged, cancelled or expires.

### 3. FINANCIAL INSTRUMENTS

The main risks the company is exposed to through its financial instruments are currency risk, credit risk, liquidity risk, market risk, and interest rate risk.

#### a. Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at March 31, 2019, cash balances of \$42,424 (\$191,065 in 2018) are shown in US dollars in the company's account and converted into Canadian dollars as at that date for financial statement purposes.

# MUNICIPAL ASSESSMENT AGENCY INC.

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

## 3. FINANCIAL INSTRUMENTS continued

### b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge obligation. The agency's main credit risks relate to its accounts receivable. The entity provides credit to its clients in the normal course of its operations.

### c. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The agency is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, accrued vacation and severance pay.

### d. Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The agency is mainly exposed to currency risk and interest rate risk.

### e. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The agency is exposed to interest rate risk on its fixed interest rate financial instruments and cash flow risk on its floating-rate instruments.

## 4. ACCOUNTS RECEIVABLE

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

# **MUNICIPAL ASSESSMENT AGENCY INC.**

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

### **5. RESERVE FUNDS**

The Agency has internally restricted funds for the following purposes:

#### **Operating Fund Reserve**

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

#### **Technology Renewal and Advancement Fund**

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

#### **Collaborative Initiative**

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

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

# MUNICIPAL ASSESSMENT AGENCY INC.

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

## 6. CAPITAL ASSETS

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

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

# MUNICIPAL ASSESSMENT AGENCY INC.

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

## 8. SEVERANCE AND VACATION PAY

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

### Severance pay

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

### Vacation pay

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

# **MUNICIPAL ASSESSMENT AGENCY INC.**

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

### **9. COMMITMENTS AND CONTINGENCIES**

The Agency has a lease for office space in Corner Brook, Newfoundland and Labrador. The term of the lease is 1 year, starting November 1, 2018 and ending on November 1, 2019. The monthly rental fee is \$4,174. Future minimum lease payments total \$25,044 and include the following payments over the next year: 2020 - \$25,044.

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

The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2017 and ending on January 31, 2020. The monthly rental fee is \$841. Future minimum lease payments total \$18,502 and include the following payments over the next year: 2020 - \$8,410.

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

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

### **10. COMPARATIVE AMOUNTS**

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

# MUNICIPAL ASSESSMENT AGENCY INC.

## Schedule of Office and Administration

For the Year Ended March 31, 2019

### Schedule 1

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

See Accompanying Notes to Financial Statements

*John F. Morgan, Chartered Professional Accountants*