

October 7, 2008

Circular to Municipal Councils and Town Clerks

Subject: Compliance with Public Sector Accounting Board (PSAB) Generally Accepted Accounting Principles (GAAP)

As Municipalities and Inuit Community Governments continue to progress toward compliance with PSAB GAAP by March 31, 2009, the Department of Municipal Affairs continues to provide additional support through developing a resource website, increasing locations of Phase Two information sessions and by adding a Phase Three.

Website

In September 2008, the Department of Municipal Affairs launched a new website dedicated to supporting municipalities in their efforts to comply with PSAB GAAP. Included on this website are recommended timelines, information session locations and dates, reference materials, past correspondence and presentations, plus much more helpful information. Please visit our website at www.ma.gov.nl.ca/ma/psab.

TCA Valuation Manual

In early October 2008, a tangible capital assets (TCA) valuation manual was circulated to all municipalities. This manual will service as a useful and practical reference tool for Town Clerks in Newfoundland and Labrador when valuing and amortizing a municipality's TCA. Further practical examples will also be delivered at the up-coming Phase Two information sessions. If you have not received a copy of the TCA valuation manual and would like a copy, please contact Sheila Tulk toll-free at 1-877-729-4393 or email PSAB@gov.nl.ca.

Municipal Affairs Action Plan

With Phase One wrapping up at the final tangible capital assets (TCA) information session held on September 15, 2008 in Grand Falls-Windsor, Phase Two of the Department's action plan is fully underway. Based on the feedback that we received from the TCA information sessions, additional locations have been added to the upcoming Phase Two sessions. This will provide more convenient locations, as well as smaller group sizes, for improved interaction. See Appendix 1 for a copy of the invitation sent to all municipalities on September 12, 2008.

Another addition to the Department's action plan included the creation of Phase Three. In Phase Three, the Department will provide municipalities support for topics such as financial statement presentation and disclosure and financial planning (budgeting). Details on this Phase will follow in the coming months. Please see Appendix 2 for a summary of Municipal Affairs Action Plan.

Municipal Affairs Action Plan (con't)

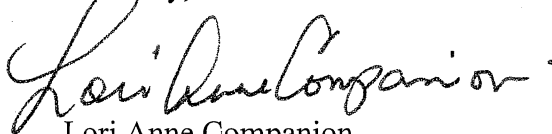
On August 4, 2008, the Minister of Municipal Affairs advised municipalities that in cases where they are unable to become PSAB compliant by March 31, 2009, "a note in the financial statement identifying the municipalities plan and where they are in the plan to become PSAB compliant will be acceptable." In accordance with the Canada-Newfoundland and Labrador Gas Tax Agreement, a PSAB/accrual budget will be required to accompany a municipality's financial statements at December 31, 2009. In order to comply with this requirement, as part of Phase Three, the Department will provide assistance training on converting a cash budget to a PSAB/accrual budget. Please note that the budgeting process may change in the future, but for now it will remain unchanged. We are also reviewing the Municipalities Act, 1999 to determine any legislative amendments required.

Reporting Progress

In addition to the critical dates identified in the August 11th Circular (see Appendix 3), the Department has developed a more encompassing recommended timeline for municipalities (see Appendix 4). This will support municipalities with a timely adoption. Progress can then be reported in the 2008 financial statements and Gas Tax Annual Expenditure Report, which are due June 30, 2009.

For more information on PSAB implementation, including reference materials and information session dates and locations, please visit us at www.ma.gov.nl.ca/ma/psab/, call us toll-free 1-877-729-4393 or email PSAB@gov.nl.ca.

Sincerely,

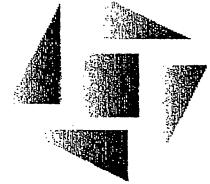


Lori Anne Companion
ADM, Municipal Support and Policy



Department of Municipal Affairs

Municipal Training and Development Corporation



PSAB

Phase Two

Main Topics:

- ✓ Municipal Reporting Entities
- ✓ Government Partnerships
- ✓ Basic Principals of Consolidation
- ✓ Obligations
- ✓ Environmental Liabilities
- ✓ Landfills
- ✓ How to Value Infrastructure?

Who should attend?

- CAOs, town clerks
- Council member (preferably, Chair of Finance Committee)
- Auditors

Facilitator: Anthony Keeping, CA
Project Manager, PSAB Implementation

To accommodate everyone, we kindly request that you fill out the attached registration form and fax it to 729-5535 before October 3.

**Don't miss this very important session,
REGISTER TODAY!!!**

All seminars will commence at 9:00 a.m. and conclude at approximately 5:00 p.m.
Refreshments will be provided.

LOCATIONS

- Oct. 16 Milltown
- Oct. 17 Gander
- Oct. 22 L'Anse au Claire
- Oct. 24 Happy Valley-Goose Bay
- Oct. 27 Springdale
- Oct. 28 Lewisporte
- Nov. 4 Whitbourne
- Nov. 6 Plum Point
- Nov. 7 Rocky Harbour
- Nov. 13 Trinity
- Nov. 14 Clarenville
- Nov. 18 Holyrood
- Nov. 20 Stephenville
- Nov. 25 Witless Bay
- Nov. 27 Grand Falls - Windsor
- Nov. 28 New-Wes-Valley
- Dec. 2 Carbonear
- Dec. 4 Marystown
- Dec. 9 Corner Brook
- Dec. 10 Deer Lake

**FAX
registration
form to:
729-5535**

Appendix 2
Municipal Affairs Action Plan Timeline

Activity*	Date
Phase One	January – September 2008
➤ Establish Steering and Working Committee	January 2008
➤ TCA Reference Manual	April 2008
➤ Information Sessions	May to July 2008
➤ Final TCA Information Session	September 15, 2008
Phase Two	September – December 2008
➤ Launch PSAB resource website	September 2008
➤ TCA Valuation Manual	October 2008
➤ Reference Manual <ul style="list-style-type: none"> • Municipal Reporting Entities, Consolidations • Accruals, Environment Liabilities, etc. 	October 2008
➤ Information Sessions	October to December 2008
Phase Three	2009
➤ Reference Manual <ul style="list-style-type: none"> • Financial Statement Presentation & Disclosure • Financial Planning (Budgets) 	2009
➤ Information Sessions	2009
Ongoing Support to Municipalities	January 2008 - Indefinite

** Please note that this Timeline is not all-encompassing and additional dates may be added as they arise.*

Appendix 3

August 11, 2008 - Circular to Municipal Councils and Town Clerks

Subject: Compliance with Public Sector Accounting Board (PSAB) Reporting

Municipalities and Inuit Community Governments throughout the Province have been presented with a significant task to comply with PSAB GAAP by March 31, 2009. In an effort to assist, the Department of Municipal Affairs has provided support by developing guidelines, conducting information sessions and providing ongoing technical aid for municipalities. Phase One of government's plan to assist municipalities has been completed and Phase Two is now underway.

Phase One

This phase included the development and distribution of the tangible capital assets (TCA) reference manual, information sessions held from May to July, as well as the creation of a general email account and toll-free number which municipalities can contact to obtain further information on PSAB related questions.

The final of 15 PSAB province-wide information sessions on TCAs took place on July 29 in Happy Valley-Goose Bay. Of the province's 277 municipalities and 5 Inuit Community Governments, 217 registered and attended sessions. Municipalities who were unable to send a representative to the earlier sessions will be offered one last TCA information session to be held in September. Details on the date and location for this session will be provided in the coming weeks. Municipalities who were unable to attend the previous sessions are strongly encouraged to attend.

Reporting Progress

Minister Denine, in an August 11, 2008 press release, noted that the Local Government Gas Tax Agreement between municipalities and the Province requires municipalities to be PSAB compliant by March 31, 2009. While it is recognized that it may not be possible for all towns to become fully compliant by this date, a note in the financial statement identifying the municipalities plan and where they are in the plan to become PSAB compliant will be acceptable. Municipalities are reminded however, that the Gas Tax Agreement with the federal government requires municipalities to be PSAB compliant by March 31, 2010.

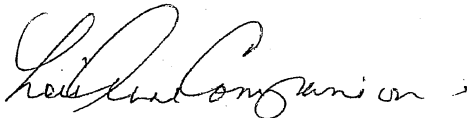
It is important that municipalities keep track of progress on PSAB compliance. This progress will be required to be reported in 2008 financial statements as well as in the Gas Tax Annual Expenditure Report, due June 30, 2009. See Attachment 1 for critical dates.

The Department recommends that senior staff responsible for preparing municipal financial statements, meet with auditors to discuss and review progress as transition stages are completed. Such stages would include listing of TCAs, valuing and calculating amortization for TCAs, and developing accounting policies and procedures. If at any time throughout the process staff have questions, please contact the PSAB Coordinator or any other member of the PSAB Working Committee as per the contact information provided in Attachment 2.

Phase Two

Phase Two is currently being developed and will include the development of a TCA valuation manual, development of a reference manual for obligations and consolidations, as well as the launch of the PSAB resource website for Newfoundland and Labrador municipalities. The Department also will be offering Phase Two information sessions, again in cooperation with the Municipal Training Development Corporation (MTDC). Information sessions on Obligations (Environmental Liabilities, Landfills, etc) and Consolidations (Municipal Reporting Entity, Government Partnerships, etc) are scheduled to start early this Fall. Details on the sessions will follow in the coming weeks. We strongly encourage all municipalities to attend these information sessions to facilitate transition to PSAB reporting.

For more information on PSAB implementation, including training, information sessions and reporting, please call toll-free 1-877-729-4393 or email PSAB@gov.nl.ca



Lori Anne Companion
ADM, Municipal Support and Policy

Appendix 1 – August 11, 2008 Circular
Critical Dates

Task*	Date
PSAB Resource Website Launch	September 2008
Distribution of TCA Valuation Manual	End of September/Early October
Distribution of Phase Two Reference Manual	End of September/Early October
Complete TCA Listing	September 30, 2008
Delivery of Phase Two Information Sessions	October through November
Complete TCA Valuation	December 1, 2008
Identify all shared services arrangements	December 1, 2008
Identify & consolidate controlled entities	December 1, 2008
Identify relationships with Government Business Enterprises & record	December 1, 2008
Identify potential environment liabilities	December 31, 2008
Identify accruals and other liabilities	December 31, 2008
Complete all Opening Balances	December 31, 2008
PSAB Compliance** Due Date (Per Local Government Gas Tax Funding Agreement)	March 31, 2009
Submit AER (Gas Tax Requirement)	June 30, 2009
Submit 2008 Financial Statements	June 30, 2009

** Please note that the listing of "Critical Dates" is not all-encompassing and additional dates may be added as they arise.*

*** PSAB compliance for the 2008 fiscal year merely requires a note in the financial statements identifying the municipalities plan and where they are in the plan. Financial statements for 2009 will require full PSAB compliance including financial statement presentation, TCA disclosure, etc.*

Appendix 2 - August 11, 2008 Circular
PSAB Working Committee – Contact Information

General Inquiries	1-877-729-4393	PSAB@gov.nl.ca
Sol Modesto	Director, Municipal Finance	729-5381 SolModesto@gov.nl.ca
Anthony Keeping	PSAB Project Manager	729-3247 AnthonyKeeping@gov.nl.ca
Sheila Tulk	PSAB Coordinator	729-4393 sheilatulk@gov.nl.ca
Dan Noseworthy	Director, Regional Operations – Eastern & Central	729-7390 dannoseworthy@gov.nl.ca
Norm Snelgrove	Assistant City Treasurer – City of Mt. Pearl	nsnelgrove@mountpearl.ca
Melanie Gash	Manager, Municipal Training	729-5107 MelanieGash@gov.nl.ca
Hiram Boland	Manager – Central Region	256-1061 hboland@gov.nl.ca
Carl Cull	Manager – Western Region	637-2338 ccull@gov.nl.ca
Bob MacAulay	Manager – Labrador Region	896-5228 bmacaula@gov.nl.ca
Vida Greening	Town Clerk/Manager – Town of Port Blandford	543-2170 vgreening@nf.aibn.com
Donna Bragg	Town Clerk/Manager – Town of Port Aux Basques	695-2214 dbraggtown@nf.aibn.com
Martina Gale	Town Clerk/Treasurer – Town of Wabush	282-5696 mgale@wabush.ca
Bob Hiscock	Chief Administrative Officer – Town of Clarenville	466-7937 bob@clarenville.net
Dale Park	Director of Corporate Services, City of Corner Brook	637-1563 dpark@cornerbrook.com
Lori Evoy	Municipal Analyst – Eastern Region	729-5020 LoriEvoy@gov.nl.ca
Trina Keough-Hackett	Municipal Analyst – Eastern Region	729-2179 TrinaKeoughHackett@gov.nl.ca
Ivan Pickett	Municipal Analyst – Eastern Region	729-5285 ipickett@gov.nl.ca
Edison Goodyear	Municipal Analyst – Central Region	256-1058 egoodyear@gov.nl.ca
Bruce Pomeroy	Municipal Analyst – Central Region	256-1053 BrucePomeroy@gov.nl.ca
Rhonda McLean	Municipal Analyst – Western Region	637-2335 rmclean@gov.nl.ca

Appendix 4
Recommended Timeline for Municipalities

Recommended Activities*	Recommended Completion Date
Phase One	
➤ Review TCA Reference Manual	May – July 2008
➤ Attend Scheduled PSAB Information Session	May – July 2008
➤ Complete TCA Listing	September 30, 2008
➤ Complete TCA Valuation	December 1, 2008
➤ Complete TCA Opening Balances <ul style="list-style-type: none"> • Record value for TCA • Record accumulated amortization 	December 31, 2008
➤ Establish Accounting Policies	December 31, 2008
➤ Record Asset Additions and Disposals	Ongoing
➤ Calculate and Record Amortization	Annually at Year-End
Phase Two	
➤ Review Reference Manuals <ul style="list-style-type: none"> • TCA Valuation Manual • Phase Two Reference Manual 	October – December 2008
➤ Begin data gathering and analysis, wherever possible before attending information session on: <ul style="list-style-type: none"> • Municipal Reporting Entities • Environmental Liabilities • Accruals 	October – December 2008
➤ Attend Scheduled PSAB Information Session	October – December 2008
➤ Identify Shared Service Agreements <ul style="list-style-type: none"> • Assess whether or not control exists 	December 1, 2008
➤ Identify Controlled Municipal Reporting Entities <ul style="list-style-type: none"> • For controlled entities, assess their compliance with PSAB GAAP and impact if not compliant. 	December 1, 2008
➤ Identify Potential Environment Liabilities	December 31, 2008
➤ Identify Accruals and Other Liabilities	December 31, 2008
➤ Complete all Opening Balances, where applicable: <ul style="list-style-type: none"> • Municipal Reporting Entities • Environment Liabilities • Accruals, etc. 	December 31, 2008
➤ Consolidate Controlled Entities	Annually at Year-End
➤ Record Environment Liabilities, Accruals, etc	Ongoing
Phase Three	
➤ Review Phase Three Reference Manual on: <ul style="list-style-type: none"> • Financial Statement Presentation & Disclosure • Financial Planning (Budgets) 	2009
➤ Attend Scheduled PSAB Information Session	2009
Prepare 2008 Financial Statements**	June 30, 2009
Prepare 2009 Financial Statements**	June 30, 2010
Maintain Compliance with PSAB GAAP	Ongoing, beyond 2009

** Please note that the Recommended Timeline for Municipalities is only a guide and is not all-encompassing. Additional dates may be added as they arise.*

*** PSAB compliance for the 2008 fiscal year merely requires a note in the financial statements identifying the municipalities plan and where they are in the plan. Financial statements for 2009 will require full PSAB compliance including financial statement presentation, TCA disclosure, etc.*