

January 19, 2009

Circular to Municipalities

2008 FINANCIAL STATEMENTS & 2009 BUDGET

As you are aware, a signed copy of your 2008 audited Financial Statements must be submitted to the Department of Municipal Affairs by **June 30, 2009**. You should also be aware that your 2009 Annual Budget was due as of **December 31, 2008**.

Failure to submit Financial Statements or the Annual Budget by the above mentioned deadlines will result in future gas tax funding entitlements and municipal operating grants being withheld. Furthermore, requests for **capital works funding, special assistance or Approvals to Borrow will not be considered** should the Financial Statements or Annual Budget not be in the Department at the time the request is received. Towns must therefore ensure that auditors are engaged in adequate time to comply with these dates.

Please send a copy of your Financial Statements and Budget to the following offices:

2008 Financial Statements

Mail: Department of Municipal Affairs, Municipal Finance Division
P.O. Box 8700, West Block, Confederation Building, St. John's, NL A1B 4J6
Attention: Jose Budgell
Fax: (709) 729-5535
Email: JoseBudgell@gov.nl.ca.

2009 Budgets

Eastern Regional Office (Tel. # 709-729-0259)	Western Regional Office (Tel. # 709-637-2332)
Central Regional Office (Tel. # 709-256-1050)	Labrador Regional Office (Tel. # 709-896-2941)

Please note that under the terms of the Local Government Gas Tax Funding Agreements section 4.3(i), all municipalities are required to have adopted and use the accounting rules of the Public Sector Accounting Board (PSAB) no later than March 31, 2009. In cases where municipalities are unable to comply by this date, a note in the financial statements identifying the municipality's plan and where they are in the plan to become PSAB compliant will be acceptable. This refers more specifically to a municipality's tangible capital assets (TCA). See the attached Appendix for a sample note disclosure.

Should you have any questions, or require any additional information, please contact the Department's Regional Office for your area. For specific questions regarding PSAB reporting, please contact the general inquiries number at 1-877-729-4393 or email PSAB@gov.nl.ca.

Sincerely,



Lori Anne Companion
Assistant Deputy Minister,
Municipal Support and Policy

cc: Auditing firms
Regional Offices

Appendix

SAMPLE NOTE DISCLOSURE FOR 2008 FINANCIAL STATEMENTS

A sample note format is as follows:

Effective January 1, 2008, "Municipality Name" (the "municipality") adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section PS 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

Prior to January 1, 2008, the municipality recorded tangible capital assets including assets held under capital leases at cost in the period they were acquired on the Statement of Financial Position and as an expenditure within the capital fund. The capital assets recorded on the Statement of Financial Position were not amortized.

During 2008, the Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the municipality has prepared a complete listing and values for "insert categories that have been completed". A complete listing of assets and values for "insert categories that have been completed" is currently underway and is expected to be completed by "insert date" to comply with section PS 3150.

As of January 1, 2008, capital assets including assets held under capital leases are recorded at cost in the period they are acquired and recorded as expenditure within the capital fund. Contributed assets related to road, water distribution and wastewater collection systems are capitalized and are recorded at their estimated fair value upon acquisition. Works of art for display in municipal property are not included as capital assets. Certain capital assets for which historical cost information is not available has been recorded at current fair market or replacement value, discounted by the relevant inflation factor.

The Municipality has adopted a policy that states that it "does / does not" capitalize interest as part of the cost of its capital assets.

Certain assets such as "list assets" have been recorded at nominal values as the determination of a fair market value for these types of assets is not appropriate.

Note: As per PSAB, municipalities are not required to include their TCA information in their financial statements for the fiscal year ending December 31, 2008. However, when a municipality has inventoried, valued and amortized some but not all categories of its TCA, the information on the completed categories should be disclosed in the notes to the financial statements. The municipality should also disclose the categories of TCA that have not yet been completed. For more details on TCA note disclosures refer to page 63 of the TCA Valuation Manual.

In cases where a municipality has not started the process to inventory, value and amortize their TCA as at December 31, 2008, the Department requires this be disclosed in the notes to the financial statements. Any additional information with regards to the municipality's progress toward becoming PSAB compliant should also be disclosed, for example, have all Controlled Entities and Government Partnerships been assessed to determine whether or not control exists.

For specific questions regarding PSAB reporting, please contact the general inquiries number at 1-877-729-4393 or email PSAB@gov.nl.ca.