



Province of New Brunswick

Department of Local Government- Implementation of PSAB

Guidance relating to accounting for capital works on provincially designated highways and contributions towards tangible capital assets owned by other organizations

November, 2011

Introduction

This document is intended to provide guidance to NB municipal units so that they can effectively deal with the implementation of the new Public Sector Accounting (PSA) standards by 2012.

Questions have arisen with respect to accounting for capital works on provincially designated highways as well as for capital contributions by municipalities for assets that are owned by another organization that provides a municipal-type service to the community. These matters also needed to be considered in the context of a municipality's ability to borrow on a long-term basis for these purposes.

Provincially Designated Highways

The transfer to municipalities of administration and control of a number of highways was made under the authority of 32(2) of the Highways Act. Many of these roads, however, are considered integral to the provincial highway network, and as such the Province designated these highways under the authority of section 15 of the Act.

The Province recognizes the beneficial interest that both parties have in maintaining these highways and works with municipalities to jointly provide maintenance and capital works. In substance, therefore, the relationship can be viewed as a government partnership.

It is therefore recommended that, where the municipality is contributing significantly to the cost of capital works on a provincially designated highway, the municipality record its share of the cost of the work as a capital asset.

Contributions to assets owned by other organizations

In certain circumstances, municipalities are permitted, by the Municipal Capital Borrowing Board, to borrow on a long-term basis to contribute to capital assets of other organizations that provide municipal-type services. Examples include grants to a recreation association or educational institution to help fund the construction of a swimming pool, library or track and field facility. The municipality must, however, have a binding commitment from the organization to provide the service for the term of the loan.

Although a municipality may borrow to provide such a grant and therefore fund it over a number of years, there is no tangible capital asset to record. The transaction should therefore be treated as a government grant/transfer and expensed when incurred.