

# **Ontario Municipal Readiness for Tangible Capital Asset Accounting**

## **Survey Report**

**June 1, 2006**

A Joint Project of

Municipal Finance Officers' Association of Ontario (MFOA)

Association of Municipal Managers, Clerks & Treasurers of Ontario (AMCTO)

## Introduction

- The survey was conducted in May 2006 by the Municipal Finance Officers' Association of Ontario (MFOA) and the Association of Municipal Managers, Clerks & Treasurers of Ontario (AMCTO) in order to ascertain the readiness of Ontario municipalities for tangible capital asset accounting as proposed by the Public Sector Accounting Board (PSAB) in the April 2006 Exposure Draft of PS 3150. The survey revealed that Ontario municipalities face significant challenges in meeting PSAB's proposed implementation date of 2009.

## Survey Methodology

- The survey was carried out over the Internet using a Web-based survey application.
- The survey was anonymous, although participants were given the option of identifying themselves.
- The 435 of Ontario's 445 municipal treasurers who had valid email addresses were invited to participate.
- The requests to participate were sent out by email on May 24. The survey closed on June 1.
- There were 186 responses - a response rate of about 43%.

## Survey Results

- All sizes of municipalities participated in the survey. See the table below.

Population	% Response Rate	% Total Municipalities
Less than 2,000	9%	27%
2,000 to 10,000	41%	36%
10,000 to 25,000	24%	18%
25,000 to 50,000	9%	4%
50,000 to 100,000	11%	7%
100,000 to 300,000	4%	5%
More than 300,000	1%	3%
	100%	100%

- Municipalities from all regions of the province participated (see the chart for Question 2 below).
- Slightly less than half the municipalities (47%) said that they were reasonably familiar with the changes that PSAB is proposing for municipal accounting for tangible capital assets (answered "4" or "5" on a scale of 1 to 5). See the chart for Question 3 chart).
- Only 21% of smaller municipalities (less than 25,000 population) said they were reasonably familiar with the proposed changes, whereas 50% of larger municipalities (more than 25,000 population) said they were.
- The extent to which municipalities have inventories of their tangible capital assets varies according to the category of asset. For example, whereas 81% of the municipalities have good inventories of their vehicles, only 42% of the municipalities engaged in water distribution have inventories of these assets. See the table for Question 4.
- Some of the figures in the table for Question 4 and other such tables have to be adjusted for the fact that not all municipalities provide certain services listed (e.g., local municipalities where water distribution is an upper-tier responsibility). The end of this report presents tables with percentages recalculated based on the exclusion of "Not Applicable" responses.

- Population size is a factor when it comes to inventories, but not a decisive factor. For example, 35% of smaller municipalities said they had good inventories of their roads, bridges and sidewalks, compared to 48% for larger municipalities.
- Most municipalities break their capital asset down into components only to a limited extent. See the Question 5 table.
- Most municipalities have limited information on the year of acquisition or construction of assets. For example, only 9% of municipalities said they had good information for roads, bridges and sidewalks. See the Question 6 table.
- The same pattern is evident for the original cost of assets. For example, only 3% of municipalities said they had good information for roads, bridges and sidewalks. See the table for Question
- Only 7% of municipalities said they were familiar the methods for estimating original cost when historical records are not available. For smaller municipalities, the figure was 4%, for larger municipalities, 18%. See the Question 8 table.
- The same pattern was evident for information on material improvements. See the Question 9 table. For example, only 9% of municipalities said that they had good information of this sort.
- Information on the condition and useful life (original estimate and remaining life) of assets is equally lacking. See the table for Question 10. For example, only 19% of municipalities said they had good information for roads, bridges and sidewalks.
- Only 9% of municipalities said they had systems in place for tracking such information for assets acquired or constructed in future years? See the table for Question 11.
- When asked, "What is the minimum dollar threshold amount(s) you anticipate using to classify expenditures as capital assets (could vary by type of asset)?" the answers ranged from \$500 to \$100,000.
- Although PSAB's proposals for PS 3150 would require recording assets at historical rather than replacement cost, the survey posed the question, "Do you have information on the replacement costs of your tangible capital assets?" The answer was generally, no. Only 12% of treasurers said that they had good replacement cost information for their roads, bridges and sidewalks (14% said they didn't know). See the table for Question 13.
- Only 9% of treasurers said that their tangible capital asset data exists in electronic form exists in electronic form rather than hardcopy, and only 3% said that the data is included in or linked to their accounting system. See the charts for Question 14 and 15. Larger municipalities are not much better off than smaller ones. Only 14% of municipalities with a population over 25,000 have their data in electronic form.
- While only 28% of the treasurers said that there had been a serious discussion within their senior management team about the need to get ready for tangible capital asset accounting, nearly one out of two treasurers (46%) had discussed it with their auditor. See the charts for Questions 17 and 18.
- Only a handful of treasurers had made a report to council on the subject or secured budget for the work that lies ahead. See the charts for Questions 18 and 19.
- When asked, "In general terms, to what extent is your municipality ready for tangible capital asset accounting?" only treasurer said he or she was ready (answered 4 or 5 on a scale of 1 to 5). Only one of the 186 treasurers answered, yes. See the chart for Question 20.
- A question about what treasurers see as the principal obstacles elicited a range of answers, although "compiling inventory establishing historical cost" was the overarching theme.
- The forms of support that treasurers are looking for include a grant to offset costs, a how-to guide and training. See the table for Question 22.