Tangible Capital Assets Accounting
Policy Implementation in Middlesex County

MPA Research Report

Submitted to

The Local Government Program
Department of Political Science
The University of Western Ontario

Glenda Ogilvie
March 2010

Table of Contents

List of Abbreviations

A_cSB	Accounting Standards Board
A_cSOC	Accounting Standards Oversight Council
AMCTO	Association of Municipal Managers, Clerks and Treasurers of Ontario
CICA	Canadian Institute of Chartered Accountants
FCM	Federation of Canadian Municipalities
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
MFOA	Municipal Finance Officers' Association of Ontario
MPIR	Ministry of Public Infrastructure Renewal
OMBI	Ontario's Municipal CAO's Benchmarking Initiative
PSAB	Public Sector Accounting Board
TCA	Tangible Capital Assets

List of Municipalities in Middlesex County

Municipality of Adelaide Metcalfe

Municipality of Lucan Biddulph

Municipality of Middlesex Centre

Municipality of North Middlesex

Municipality of Southwest Middlesex

Municipality of Strathroy-Caradoc

Municipality of Thames Centre

Village of Newbury

List of Appendices

Chapter 1: Introduction

For many years, municipalities have invested heavily in infrastructure and other municipal assets with the objective of maintaining or enhancing community service levels. These assets, referred to as tangible capital assets (TCA), are significant resources managed by local governments and they are a key component in the delivery of many government programs. Tangible capital assets include such things as: infrastructure, land, land improvements, buildings, roads, vehicles and equipment. Appendix A provides a pictorial illustration.

In the past, when these assets were acquired or constructed, the funds expended would appear on the municipality's financial statements as expenditures for that particular year. With the introduction of the new accounting reporting requirements, municipalities are now required, by the Canadian Institute of Chartered Accountants (CICA), to report tangible capital assets (instead of expenses) on their financial statements. In comparison to the previous method, financial statements will now not only show how much has been spent on tangible capital assets, but also how much they have been amortized since their construction or acquisition, and how much amortization has been recorded in the current year. Amortization is a method of spreading the cost of an asset over its useful life.

This research report focuses on implementation aspects of the new Pubic Sector Accounting Board (PSAB) standard for accounting for tangible capital assets in Middlesex County. The research has been primarily conducted on municipalities located within Middlesex County. The first chapter of this research report begins with this brief introduction. This is followed by Chapter 2, which reviews the historical context, outlining the role that the Canadian Institute of Chartered Accountants (CICA) played in the change. The next three chapters discuss the legal context, provide a literature review, and outline the research framework.

The next chapter, Chapter 6, pertains to Middlesex County. This chapter is followed by a section on Winnipeg, which was one of the first municipalities to implement the accounting change. Chapters 8 and 9 provide data pertaining to each individual municipality being researched. These two chapters divide the municipalities in half based on whether they favour implementing the new TCA accounting policy or are opposed to this. Chapter 10 is a summary of the research findings and Chapter 11 outlines the conclusions of this research report. The final chapter of this research report is Chapter 12, which discusses the possibilities that exist for future research.

It is important to understand that this is, by far, the largest change in municipal accounting to ever happen and the biggest financial reporting challenge to ever face all municipalities right across Canada. Moreover, the current economic downturn has caused many employers, including local governments, to reduce their workforce. Not only do many local governments now have less staff to do the actual work, but there is also the added pressure of trying to do more with less. Consequently, and not surprisingly, many municipalities have been struggling to comply with this new significant requirement.

This change will bring accounting for local governments in line with senior levels of government. The introduction of TCA accounting underscores provincial policies and guidelines focusing on preservation and stewardship of infrastructure assets. It also marks the beginning of improved financial management of municipal infrastructure to foster future growth and ensure continued economic prosperity. Up until now, local governments have been using the modified accrual basis of accounting, which means that revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the associated liability is incurred. This new procedure will ultimately impact the surplus or deficit of local governments because tangible capital assets will now be accounted for on the financial statements.

The purpose of this research is to determine the answers to these questions: How has the implementation of the new TCA accounting policy been working in Middlesex County? Has this new policy been implemented with ease or great difficulty? Has there been a lot of resistance to comply with the implementation of this new policy? Other related questions will be discussed later in this report. Many considerations need to be taken into account, including obstacles and challenges surrounding the implementation of this new policy.

Chapter 2: Historical Context

The history of this significant accounting change began when the Canadian Institute of Chartered Accountants (CICA) released a research report, *Accounting for Infrastructure in the Public Sector*, in 2002, which recommended a major change in accounting procedures. A key recommendation was that municipalities should record and report their capital assets, in their financial statements, including information pertaining to the condition of those assets. This report provided the framework for the ongoing debate in Canada regarding the need to report infrastructure assets in public sector financial statements and formed the basis for developing current accounting standards as outlined by the Public Sector Accounting Board.[1]

The CICA approved this recommendation, known as PSAB 3150, which is effective for the 2009 reporting year. This change involves how local governments will report on government-owned tangible capital assets. According to the CICA, financial information about the stock and use of infrastructure must be at the forefront of public sector decision making. The CICA decided to make this significant accounting change: (1) to make public sector accounting consistent with that of the private sector, and (2) since municipalities were the only 'businesses' that did not report their assets and amortization (depreciation) on their financial statements.[2]

The purpose of the tangible capital assets (TCA) policy is to provide overall direction for the capitalization of assets, provide technical guidance in the creation of a capital asset accounting system and address areas of PSAB 3150 that may require professional judgment. The new tangible capital assets accounting policy will help

---

[1] Canadian Institute of Chartered Accountants, *Accounting for Infrastructure in the Public Sector*, Research Report, Toronto, 2002.
[2] *Ibid*.

municipalities make consistent and sound decisions, plan ahead for future needs, and provide public confidence in accounting and financial reporting processes.

As internal processes and corporate decisions vary between municipalities, so to will certain sections of the policy, such as thresholds, segmentation, useful life and amortization. Thresholds refer to minimum amounts set to reduce the number of assets maintained for asset accounting purposes without ignoring significantly material assets or asset pools. Segmentation refers to dividing or segmenting some assets into smaller groups. For example, a water system could be divided into valves, chambers and pipes. The estimated useful life of an asset is normally the shortest of its physical, technological, commercial or legal life and will vary by the nature of the asset. The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use.[3]

In addition, refinements to the new Tangible Capital Assets policy were to be expected throughout the implementation phase, in an effort to tailor the policy to individual local government needs. The CICA clearly recognizes the fact that no two municipalities are the same and that different local governments have different needs, and it encourages municipalities to adjust their policies accordingly.

The Canadian Institute of Chartered Accountants introduced this new accounting policy because it believes capitalizing and amortizing tangible capital assets (TCAs) results in a more accurate picture of the true annual costs of government programs and services. This helps legislators and managers decide how best to spend revenues, raise taxes, set user charges and determine cost-sharing arrangements The improved quality of financial information is very important for local governments as it will allow them to make better, and more informed, decisions.

---

[3] *Ibid*.

The CICA, in their research report, *Accounting for Infrastructure in the Public Sector*, set out the major characteristics of infrastructure to include the following: Infrastructure is a cornerstone to the health, welfare and safety of Canadian citizens. Infrastructure is fundamental to economic and social growth. Infrastructure requires a significant investment. Infrastructure does not last forever. Infrastructure creates significant ongoing operating costs. Infrastructure represents an interdependent system. The condition of infrastructure may not be evident.[4]

The long-term health of Canada's economy is closely linked to the scope and quality of municipal infrastructure investment. The bottom line is that the existence and condition of infrastructure affects everyone. Modern communities cannot function nor can they grow without proper infrastructure in place. Municipalities cannot plan for future expansions if they are not able to meet the basic needs of their constituents. The legal requirements are also very important and shall be considered in the next chapter.

[4] *Ibid*.

Chapter 3: Legal Context

The laws and regulations, that feed into asset management and reporting, include such laws as the Sustainable Water and Sewage Systems Act (Bill 175) and the Building Code (Bill 124). According to the Municipal Finance Officers' Association of Ontario (MFOA), asset management can be described as a systematic process of maintaining, upgrading and operating physical assets cost-effectively. Asset management combines engineering principles with sound business practices and economic theory. The MFOA also notes that asset management provides the tools needed to facilitate a more organized, logical approach to decision making.[5]

The impact of Bill 175 was to ensure that water and wastewater systems generate sufficient revenue to recover fully all of the long-term operating and capital costs required to provide residents with clean, safe water. It is hoped that, with this Bill in place, events like the Walkerton water tragedy will never be repeated. This happened several years ago, in May 2000, when non-chlorinated water, tainted with E. coli, claimed seven lives in Walkerton and made thousands more ill.[6]

The Building Code, known as Bill 124, was enacted to improve public safety with respect to new building construction and building renovation in Ontario. Similar to Bill 175, this Bill also involves improvements to infrastructure. This Bill will help local governments to ensure that builders are following provincial codes, which in turn will ensure that all buildings are safe and free from any possible hazards.

The Municipal Act also requires Public Sector Accounting Board (PSAB) reporting. Municipal Act 2001, s. 294.1 "A municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally

---

[5] Please refer to the Municipal Finance Officers' Association of Ontario (MFOA) website: http://www.mfoa.on.ca for further details.
[6] Please refer to the Ministry of the Attorney General website: http://www.attorneygeneral.jus.gov.on.ca/english/about/pubs/walkerton/ for further details.

accepted accounting principles (GAAP) for local governments as recommended, from time to time, by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA)." It should be noted that the PSAB sets the national standards for public sector entities. The PSAB is accountable to the Accounting Standards Oversight Council (A_cSOC) and they also report to the Accounting Standards Board (A_cSB).

The Ministry of Public Infrastructure Renewal (MPIR) released a report, in 2004, entitled *Building a Better Tomorrow*. This is an infrastructure planning, financing and procurement policy framework. It should be noted that this report represents the first comprehensive framework in Ontario's history to guide the province, municipalities, and broader public sector partners in choosing the best options to plan, finance and procure public infrastructure assets.[7]

With growing responsibilities and limited revenues, municipalities are often forced to choose between providing necessary services to their citizens on the one hand, and making necessary investments in the maintenance and construction of their public infrastructure on the other. Funding shortfalls have resulted in reduced maintenance and delayed replacement of aging infrastructure, referred to as an infrastructure deficit, which could ultimately lead to catastrophic consequences.

Recognizing this growing infrastructure deficit and its implications, the Ontario Government has taken some important steps in infrastructure investment. The Province has gone a step further, beyond the framework just mentioned, and enacted the Places to Grow Act (Bill 136) and growth plans for the "Greater Golden Horseshoe."[8] Building complete and strong communities, making efficient use of existing infrastructure and preserving natural and agricultural resources will contribute to maximizing the benefits,

[7] Ministry of Public Infrastructure Renewal, *Building a Better Tomorrow*, July 2004, p. 65.

and minimizing the costs, of growth. It is important that decisions about growth are made across all levels of government, as this will contribute to maximizing the value of public investments and contribute to the greater public good.

It is beyond the scope of this research paper to delve any deeper into the various laws and regulations that pertain to this new accounting policy. Furthermore, only Ontario laws and regulations are being mentioned here, although it should be noted that other provinces and territories would have their own laws, which would likely be similar. Next, the literature shall be reviewed.

---

[8] Please refer to the e-Laws website: http://www.e-laws.gov.on.ca/navigation?file=home&lang=en for more details.

Chapter 4: Literature Review

The literature review encompasses two main themes. It begins with policy development and implementation, and then moves on to focus upon tangible capital assets financial information gap. According to the literature, in order for local governments to be able to successfully implement this new accounting procedure, having the necessary resources, particularly people and money, is absolutely critical. Unfortunately, in times of economic downturn, local governments have budgetary constraints to deal with which ultimately impact both their levels of human resources and the amount of financial resources available to them.

When implementing any new policy, a number of steps need to be followed. The Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) outlined the following steps to be essential in implementing this new accounting policy:[9]

- Step 1 – Education
- Step 2 – Get Buy-In
- Step 3 – Readiness Assessment
- Step 4 – Prepare Project Schedule
- Step 5 – Policy Development
- Step 6 – Asset Inventory
- Step 7 – Valuation, Useful and Remaining Life
- Step 8 – Assess Software Requirements
- Step 9 – "Go Forward Policies"

Assessing readiness (Step 3 above) was identified as one of the most important steps in this process, as it is at this stage where clear communication and understanding are necessary to move forward with the implementation. Appendix B provides a pictorial illustration of Step 3 – Readiness Assessment, as provided by AMCTO. The readiness assessment consists of the six main themes outlined in the diagram.[10] The nine steps above are being mentioned at the outset, since it is critical for the reader to understand

---

[9] Please refer to the following AMCTO website for further details: http://www.amcto.com.
[10] *Ibid*.

the process. Furthermore, there are many other technical steps to implementation, that would need to be considered, but this is beyond the scope of this research report.

In his book, *Beyond Policy Analysis*, Leslie Pal states that one should "think of design as the blueprint for the policy and implementation as its execution."[11] He notes that "a well-designed policy that has good implementation is almost a definition of success: a good idea well executed."[12] Hogwood and Gunn note that perfect implementation never happens and they conclude that some degree of failure is almost inevitable.[13] Hogwood and Gunn, as well as Sabatier and Mazmanian[14], emphasize that it is a lot easier to outline the requirements for a successful implementation than to actually fulfill them.[15]

Elements for successful implementation are clearly contrived by Hogwood and Gunn and referred to by Leslie Pal. This can be found in Appendix C. Some of the elements which are highlighted are time, money, and people, as well as clear communication and understanding, and strong leaders.[16] Having adequate time and sufficient resources to implement new policies is a real challenge for Canadian municipalities, especially in these times of economic downturn. However, the mantra of the day continues to be that local governments need to 'do more with less' and that is not likely going to change any time soon.

Leslie Pal notes that, like everything else in policy making, the world of implementation has changed drastically in recent years. He indicates that the main trends have been toward decentralization, devolution of responsibilities to other

---

[11] Leslie A. Pal, *Beyond Policy Analysis: Public Issue Management in Turbulent Times*, 3rd edition, Thomson Nelson: Toronto, 2006, p. 191.
[12] *Ibid*., p. 192.
[13] B.W. Hogwood and L.A. Gunn, *Policy analysis for the real world*, Oxford University Press: Oxford, 1984, p. 198.
[14] Daniel A. Mazmanian and Paul A. Sabatier, *Effective Policy Implementation*, Lexington Books: Toronto, 1981, p. 7.
[15] Leslie A. Pal, *Beyond Policy Analysis: Public Issue Management in Turbulent Times*, 3rd edition, Thomson Nelson: Toronto, 2006, p. 200.

government jurisdictions or third parties, and restructuring accountability relationships within government departments.[17]

Leslie Pal concludes that conventional work on policy implementation has tended to highlight its multidimensionality, difficulty, ambiguity, and a growing realization of its importance. He states that policy is initially nothing more than ideas or conceptualizations, while implementation is the specific means of execution and elaboration in practice. He also claims that policy design should emphasize simplicity.[18]

According to William Dunn, policy analysis is client-oriented which raises some ethical issues. Dunn notes that there are some limitations to effective public policy and generic policy solutions. This author indicates that the communication of policy-relevant knowledge may be viewed as a four-stage process involving policy analysis, material development, interaction, and knowledge use.[19] Please refer to Appendix D for a visual illustration of this process. This author indicates that strong leaders, providing clear communication, are essential for the successful implementation of new policies.

Mazmanian and Sabatier, in their chapter on effective policy implementation, attempt to capture the dynamic nature of implementation by focusing on the manner in which changes in socioeconomic conditions, public opinion, and other factors affect the implementation process. They present a framework which distinguishes the three categories of independent variables from the stages of implementation, which constitute the dependent variables.[20] These authors present a skeletal flow diagram of the variables involved in the implementation process.

---

[16] *Ibid*., p. 194.
[17] *Ibid*., p. 201.
[18] Leslie A. Pal, *Beyond Policy Analysis: Public Issue Management in Turbulent Times*, 3rd edition, Thomson Nelson: Toronto, 2006, p. 200.
[19] William N. Dunn, *Public Policy Analysis: An Introduction*, 4th edition, Pearson Prentice Hall: New Jersey, 2008, p. 422.
[20] Daniel A. Mazmanian and Paul A. Sabatier, *Effective Policy Implementation*, Lexington Books: Toronto, 1981, p. 7.

Mazmanian and Sabatier note that for policy implementation to be effective, communication is important, as the objectives need to be clear and consistent. They also indicate that financial resources, as well as human resources, are very important. Perceptions, as they pertain to costs and benefits of policy implementation, are also noted to be important, as are the perceived impacts of new policies. These authors note that implementation is the carrying out of a basic policy decision, usually made in a statute. They feel that more of an effort is needed in conceptualizing, and empirically exploring, the linkage between individual behavior and the political, economic, and legal context in which it occurs.[21]

According to Daryl Wilson, the former Chair of the Public Sector Accounting Board, "the landscape has remained the same, but the picture is being taken from a different perspective."[22] This is how he described the new TCA government reporting model in a news release back in 2003. At the time that this statement was made, governments all across Canada would have been just beginning to think about how this significant change would impact them. He emphasized the importance of filling the financial information gap to address the growing infrastructure crisis in Canada.

The Canadian Institute of Chartered Accountants (CICA) reported that, for the public sector as a whole, the financial information gap has been created by inconsistent financial information and data which is not comparable. Financial information, which is specialized in nature, also leads to a gap, as does financial data which is fragmented and incomplete. According to the CICA, the significance of the financial information gap is that it makes it difficult for anyone to: assess overall spending priorities; establish infrastructure spending priorities; determine the sufficiency of tax and user fee rates; assess accountability for the resources provided; make judgments about performance;

---

[21] *Ibid*., p. 3.
[22] Daryl Wilson, Public Sector Accounting Board, News Release, February 10, 2003.

assess financial sustainability, flexibility and vulnerability; and make cost comparisons.[23] For a better understanding of what the financial information gap pertains to, please refer to the diagram shown in Appendix E, which illustrates the Comprehensive Asset Management (CAM) Triangle.

Although billions of dollars have been spent on creating infrastructure, much of that spending occurred right after the Second World War. Canada is now facing a number of challenges related to its infrastructure. The financial information gap contributes to the infrastructure deficit because without complete knowledge, pertaining to the tangible capital assets that they own, local governments cannot make informed decisions. The current state of Canada's infrastructure is an indication that the ongoing maintenance and renewal of infrastructure systems have not received the attention that they deserve.[24]

It is widely accepted that there is a major infrastructure deficit in Canada, with the shortage in public infrastructure running in the billions of dollars, especially at the municipal level. All levels of government are working together to try to deal with this critical matter. According to Gord Steeves, President of the Federation of Canadian Municipalities, "if serious action isn't taken now, our infrastructure is headed for collapse - the problem will simply overtake us."[25] Steves warned that "the infrastructure in Canadian cities is 'near collapse' and will cost $123 billion to repair and replace - money that municipalities don't have. That figure is far higher than previous estimates and indicates that the physical foundations of cities like Toronto are deteriorating faster than was originally thought to be the case."[26]

---

[23] Canadian Institute of Chartered Accountants, *Accounting for Infrastructure in the Public Sector*, Research Report, Toronto, 2002.
[24] *Ibid*.
[25] Gord Steves, President, Federation of Canadian Municipalities, "Infrastructure 'near collapse'" in *The Toronto Star*, November 20, 2007.
[26] *Ibid*.

In an article written by Saeed Mirza, Professor of Civil Engineering at McGill University, Canada's infrastructure deficit is discussed. Mirza is a nationally recognized expert on infrastructure. He notes that the health, socio-economic well being and quality of life of Canadians depend on basic infrastructure systems, such as roads, highways, bridges, water supply systems, sewers, airports, telecommunications facilities and transit systems. Mirza mentions that most of Canada's infrastructure was constructed between the 1950s and 1970s, in response to the population growth, due to the ‘baby boom,’ high immigration levels and rapid urbanization. Although billions of dollars have been spent on creating infrastructure, much of that spending took place years ago, right after the Second World War.[27]

Mirza indicates that a scarcity of funds for maintenance has led to the accelerated deterioration of infrastructure assets. In some cases, he points out that the escalating deterioration has resulted in catastrophic failure. For instance, he mentions the Walkerton tragedy and he refers to the de la Concorde Overpass which collapsed in Laval, Quebec, in 2007, killing five people and injuring a number of others. These situations were worsened by the gradually increasing infrastructure age and competing fiscal demands on available government resources.[28]

According to a recent study that Mirza completed for the Federation of Canadian Municipalities (FCM), based on estimates made in 2007, Canada needs in excess of $100 billion to upgrade its roads, bridges, sewer plants and other vital infrastructure. Mirza called the state of Canada's infrastructure 'disastrous' and warned that more bridge collapses and other failures could, unfortunately, be on the way.[29] He also noted that smaller municipalities would likely not have the resources to deal with such issues.

[27] Saeed Mirza, Professor of Civil Engineering, McGill University, "Canada's infrastructure deficit: a sad legacy for future generations," in *Municipal Leader, Winter 2009, p. 32.*
[28] *Ibid*.
[29] *Ibid*.

The literature review determined that for local governments to be able to successfully implement this new accounting procedure, having the necessary resources, particularly people and money, is absolutely critical. Communication is also extremely important and is a determinant of success. It was also noted that in times of economic downturn, local governments have budgetary constraints to deal with which has a negative effect on both their levels of human resources and the amount of financial resources which are available.

Both policy development and implementation, along with tangible capital assets financial information gap, were focused upon in this section, since these themes are highly relevant to this research paper. This also clearly connects with the foregoing discussion on the infrastructure deficit. Mirza’s work is invaluable here since it highlights the urgency of the situation, with respect to deteriorating infrastructure, and it emphasizes the need for the new accounting policy which is expected to fill the financial information gap. The research framework which was utilized for this research report will be discussed next, prior to moving on to the actual research.

Chapter 5: Research Framework

The research for this report was primarily conducted through a series of interviews with Treasurers working in Middlesex County. Middlesex County is made up of a total of eight municipalities, which include the following: Adelaide Metcalfe, Lucan Biddulph, Middlesex Centre, North Middlesex, Southwest Middlesex, Strathroy-Caradoc, Thames Centre, and Village of Newbury. Some background information pertaining to Middlesex County is shown in Appendix F. A map of the municipalities in Middlesex County is shown in Appendix G.

The interview questions are outlined in Appendix M and the questionnaire in Appendix N was also used to collect data. It should be noted that not all of the questions found in these appendices were asked of respondents. A combination of some of these questions was used at the time that the research was being conducted. It will become clear, by the data that was collected, which questions were focused upon. The questionnaire was more recently developed, and elaborated upon, to serve as a sample of what could be used for future research if a larger survey of municipalities were to be conducted.

At the outset, it was expected that there would be a response rate of approximately 75%. This means that six out of eight municipalities were expected to participate in this qualitative research study. In reality, that turned out to be an accurate assumption. Two municipalities, the Municipality of Adelaide Metcalfe and the Village of Newbury, declined their participation in this research study. The reason given by both, at the time, was insufficient human resources. They said that they simply did not have time to participate in this research study. The letter of appreciation, shown in Appendix L, was sent to thank the six municipalities that participated in the research study.

Chapter 6: Middlesex County

Middlesex County is located within close proximity to many major markets as is shown in Appendix F. For instance, it is only about 175 kilometres to travel to Toronto, and around the same distance, 171 kilometres, to travel to Detroit, Michigan. The County occupies approximately 3,317.15 square kilometres of land. Employment of residents crosses a broad spectrum, ranging from agriculture to tourism and from industrial to institutional. All of the eight municipalities involved in this research study have gone through an amalgamation process, and all municipalities surveyed occupy prime agricultural land. As such, agriculture represents the most significant economic and community asset held by these municipalities.

The County of Middlesex is a census division located in southwestern Ontario. The administrative centre of the County is in the City of London, although the City is now separated from the jurisdiction of the County. The population of the County, based on Statistics Canada's 2006 assessment information, is approximately 422,333, of which about 70,000 live outside of the City of London. The entire County is within the London census metropolitan area. In the Canada 2006 Census, Middlesex County was the sixteenth largest census division in Canada, by population, and the largest division in Canada with county status.[30]

When this research study began in April 2009, the first person to be interviewed was James Gates, the Treasurer for the County of Middlesex, located in London, Ontario. This County had completed implementing the new tangible capital assets accounting policy in September 2008. It took the County six months to complete the implementation process. Implementation plans were communicated to the various stakeholders, within the County of Middlesex, by a series of presentations to staff and Council, as well as email communications that went out to the lower tiers. The County met with the key departments individually and determined what databases already existed so that they could utilize that information.

One of their biggest obstacles was trying to work this significant accounting change into their already hectic workloads. Gates indicated that a big benefit which would come out of this is that the County would be able to move towards life cycle analysis for their assets. He also noted that it was about time that the government tracked their assets to better budget for their replacement. Overall, he noted that the implementation went smoothly, mainly because they were able to hire some summer students to assist in the inventory gathering. Without this needed assistance, it would have been very difficult for the County staff to complete this particular project.

According to Gates, the new tangible capital assets accounting policy will definitely be worth the effort for the County of Middlesex. He said that it will be worth the cost to provide better information to Council and staff. He indicated that municipalities would be better off, at the end of the day, with this new accounting policy, so long as they use the information to develop lifecycles for their assets.

Some of the major benefits of this significant change were reported to be the following: municipalities will have an accurate, up-to-date inventory of assets; the ability of municipalities to track assets for replacement will be greatly enhanced; municipalities will be able to build better budgets for asset replacement; the new process will allow for better financial information to present to Council with respect to asset replacement justification and; this improved information will be available to determine future funding requirements and to establish user fees and tax rates. Gates indicated that a con would be that inventory is in historical cost and not replacement cost. He also noted that more financial assistance for smaller municipalities is required.

---

[30] Please refer to Statistics Canada website: http://www.statcan.gc.ca for more details.

James Gates developed a Tangible Capital Asset Policy for the County of Middlesex which is shown in Appendix I. He indicated that this policy would enable the County to comply with the requirements of the new PSAB 3150 accounting policy. He noted that where any section of this document conflicts with the CICA Public Sector Accounting Board (PSAB) Handbook, then the CICA PSAB Handbook is the document to be followed.

Gates also provided the financial information found in Appendix J, which reveals that tangible capital asset accounting will have a significant impact on budgets being managed by local governments all across Canada. It was James Gates who suggested that Jason Ruby be contacted. He mentioned that Ruby looked after the TCA project for City of Winnipeg, and he said that Winnipeg was one of the first municipalities in Canada to implement. Gates indicated that this contact could provide valuable insight into the implementation process.

Chapter 7: Winnipeg: One of the First to Implement

On the advice of James Gates, the next person to be contacted, with respect to this research study, was Jason Ruby, Senior Corporate Accountant for the City of Winnipeg. As Gates had mentioned, Ruby looked after the implementation of the tangible capital assets (TCA) accounting policy for the City of Winnipeg. This large municipality was one of the first in Canada to complete implementation. According to Ruby, the City of Winnipeg's implementation date was December 31, 2006, which was well ahead of almost every other municipality in the country.

Ruby said that he wanted to be an early adopter to this system partly because there were some pending staff changes in the works which would disrupt the work flow, so it was decided that it would be better to get this done sooner than later. Ruby mentioned that it took the City of Winnipeg only approximately six months to complete the entire implementation.

The City of Winnipeg was fortunate because they did not need to hire external consultants nor did they need to hire any additional staff. Instead, by doing this early on, Ruby stated that they were able to defer some other less important activities to a later date. He said that staff did have to work some overtime, but overall it really was not that much. Ruby noted that members of his municipality decided to use a spreadsheet approach, so that they would not need to build a new system. He felt that this worked out particularly well and saved money.

Ruby said that the communication of this new policy was done on more of a political level. The Corporate Controller met with various committees and Department Heads to make sure that all parties concerned understood what needed to be done. He said that they used benchmarks to track their progress. Ruby noted that there were many information sessions held and lots of email communications had gone out as well.

So far as communication is concerned, Ruby mentioned that the engineers at the City of Winnipeg got really concerned about what was going on, especially as it pertained to the capital and operating budgets. They felt that accounting was starting to drive the business, and this was not good at all, in their opinion. More meetings were held to clear the air and to ensure that the whole process was transparent to everyone. Ruby said that this helped a lot and got things moving in the right direction. Ruby noted that Council never really asked any questions. He said that the politicians were only concerned with the bottom line, especially whether there would be a surplus or deficit. So long as the budget was showing a surplus, this group was not concerned with the minute details.

According to Ruby, the biggest obstacle for the City of Winnipeg was dealing with imperfect information. He said that it was discovered that there could be as many as three different systems tracking the exact same thing. Some redundancies were uncovered. Ruby noted that there were different levels of completeness of information. This made it difficult, at times, to determine which data was the most reliable. So far as pricing of tangible capital assets is concerned, Ruby mentioned that pricing was all over the map, from high to low, encompassing quite a diverse range. As such, it was decided that the City of Winnipeg would adopt a conservative approach, and keep their pricing on the low end of the spectrum.

Ruby indicated that expensing capital expenditures and moving to international standards will provide for more harmonization and it will bring to light serious problems associated with the growing infrastructure crisis in Canada. He noted that Winnipeg alone has a backlog of approximately $200 million for infrastructure upgrades. He said that for a municipality to properly manage their assets, it is essential for them to know exactly what they have and the value of those assets. Ruby stated that this ties in with asset management theory which is very important.

For the City of Winnipeg, Ruby stated that the new tangible capital assets (TCA) accounting policy is a good thing. In his opinion, this is something that should have been done years ago. Ruby noted that this is particularly important, since for most municipalities, most of their money has gone into building roadways and bridges. So it makes a lot of sense to account for these sorts of things. He said that this is private sector thinking which makes sense for the public sector as well.

According to Ruby, one of the biggest benefits of this new accounting policy is that it will raise awareness with Council about aging infrastructure which needs to be replaced. Council has always been very interested in talks concerning land or buildings, so this will help. Another unexpected benefit of going through this process was that the City of Winnipeg discovered that they were actually under-insured. Ruby noted that this could have caused them plenty of problems later on, so they were fortunate to discover this and address it before it became an issue.

Ruby did not have anything particularly negative to say about the whole process. He felt that it was a positive, worthwhile, experience. He pointed out that although all Canadian municipalities have to undergo this process, they are not receiving any additional money from the province to do this. He said that local governments are simply expected to do this somehow, without any financial assistance. He stated that for some of the smaller municipalities it would be extremely difficult and that it did not make much sense. Ruby closed by saying that bigger municipalities, such as the City of Winnipeg, are much better equipped, in terms of both financial resources and human resources, than are their smaller counterparts, to deal with such a significant change in policy. He felt that it was an unfair burden to place on small municipalities.

The discussion will now move on to see how the smaller municipalities, in Middlesex County, were able to deal with the implementation process and how it has worked out for them.

Chapter 8: Municipalities in Favour of TCA Accounting

Three out of the six municipalities (50%) surveyed were found to be in favour of implementing the new tangible capital assets accounting policy. The ones in favour include the municipalities of Middlesex Centre, Southwest Middlesex and Thames Centre. These municipalities comprise most of the larger municipalities surveyed (2/3 or 67%) and one of the smaller ones (1/3 or 33%). Appendix K provides a table which summarizes the data obtained from the municipalities surveyed.

Research data regarding the Municipality of Middlesex Centre was collected from the Treasurer/Deputy Clerk of this municipality, Greg Watterton, in May 2009. Watterton has worked for this municipality for about 12 years. He indicated that there is approximately 70 full-time permanent staff members employed at his municipality.

The population of Middlesex Centre is close to being four times bigger than the Municipality of Lucan Biddulph, which was previously discussed, as this municipality has a population of about 16,189 people, according to the most recent census assessment done in 2006. The Township of Middlesex Centre is situated at the north, northwest, and westerly limits of the City of London.

At the time that the research survey was conducted, in May 2009, the Municipality of Middlesex Centre had completed the implementation of the new tangible capital assets accounting policy. According to Greg Watterton, it did not take his municipality as long as some other municipalities because they had completed a capital financial plan/fleet management study in 2006, which listed the majority of their assets at that time. For this municipality to meet the new PSAB accounting standards, it was simply a matter of updating that information.

The implementation process began in 2006 with communication coming from consultants, who met with Council and the senior management team on several occasions, to outline what would be taking place to comply with the new policy requirements. Watterton and other members of his municipality felt that this was not a process where there was a need to have anyone outside of Council and staff involved. As such, they met internally only and there was never any public involvement. This was beneficial in that Council and the managers could understand the process better and the reasons behind the necessity for this significant change.

Watterton indicated that he did not feel that the whole process was particularly onerous for the Municipality of Middlesex Centre, since their consultants were doing most of the actual legwork. In fact, Watterton believed that this change in process was a good thing and well worth the effort. He felt that the biggest obstacle was entering the physical data into their computer system. This was the most time consuming part of the entire process. The biggest benefit, from Greg Watterton's viewpoint, was having a listing and value for all of their locally owned assets. It would also be beneficial to make public sector accounting consistent with that of the private sector. According to Watterton, the biggest cost, for this municipality, was paying the consultants.

Watterton mentioned that his municipality was lucky that their costs were not that great. He did not have great confidence that the whole thing would be worth it in the end though. Watterton reported that he did not see any significant value in what they were doing, in this regard. So far as Watterton was concerned, his municipality would still have to set their budget and establish tax rates accordingly, and he felt than an asset inventory does not really affect that process in what he had seen, at that time.

According to Greg Watterton, there were no real pros or cons to this process, for his municipality, other than that this process had made everyone internal to the organization aware of how many assets were locally owned and the value of these assets. However, he felt that this information was of no real value, since it is highly unlikely that his municipality would be selling their business to any interested parties.

Watterton closed by saying that his implementation process was done with ease, but that, overall, small municipalities would not be better off with this new accounting policy.

The research data concerning the Municipality of Southwest Middlesex was obtained from the Treasurer of this municipality, Sherry Graham, in May 2009. Graham has worked for this municipality for about 20 years. She indicated that there is approximately 30 full-time permanent staff members employed at her municipality.

The population of this municipality is approximately 5,890 people. The Municipality of Southwest Middlesex is located in the southwest corner of Middlesex County and it sits approximately halfway between London and Chatham. The restructured municipality of Southwest Middlesex was incorporated on January 1, 2001. This amalgamation joined the former Villages of Glencoe and Wardsville with the Townships of Ekfrid and Mosa.

According to Sherry Graham, the Municipality of Southwest Middlesex had completed implementing the new tangible capital assets accounting policy, when this research survey was conducted, in May 2009. She indicated that her municipality had begun working on this in 2007 and they had just finished everything up in April 2009.

Graham indicated that the municipal implementation plans had been communicated to the various stakeholders through a series of meetings given to their various leaders. She mentioned that they had about four or five meetings with their senior management, as well as direct contact with the staff responsible for gathering the necessary data.

One of the biggest obstacles, for this municipality, was gathering the underground infrastructure data, as some of it was quite old. Another significant obstacle was gathering the historical costs of a lot of the items, due to loss of records over the years, and also due to restructuring that had occurred within the organization.

This municipality, like many other municipalities, had gone through an amalgamation which resulted in a loss of some files and information.

The Treasurer for the Municipality of Southwest Middlesex indicated that a benefit of this new accounting policy is that it facilitates the ability to do asset management and cost projections over future years. She noted that, in the collecting of most of the linear infrastructure, they were able to hire a couple of engineering students to acquire most of the data and plot it into a GIS program. Graham mentioned that this was found to be a great help, as this data could be downloaded into their asset management program.

Sherry Graham stated that this new accounting process will bring Canadian municipalities in line with private organizations, with respect to how they report tangible capital assets on their financial statements, and also will permit better management of their assets. She noted that, previously, the annual financial statements only took into consideration the current year's information and did not take into consideration any assets that a municipality may have purchased in previous years. Many municipalities did not realize exactly what they owned nor did they have a plan to maintain or replace their locally owned assets.

Graham indicated that members of this municipality felt that the continued asset management abilities that would come out of this exercise would be a great benefit to local governments. She believed that the biggest advantage to collecting most of this data will enable each department to manage their assets better and also assist in planning for the future of their operations, especially those pertaining to local service delivery. Graham mentioned that municipalities will probably be better off with the implementation of this new accounting policy, since they will have a better understanding of their assets and how to manage them better. This will assist in the budgeting process over time.

Graham felt that although there were benefits involved, the costs of making this significant change were also high, especially for the smaller municipalities such as hers. She said that it made more sense for the larger municipalities to engage in this change process, but that she was not so sure whether or not smaller municipalities would stand to gain that much. She indicated that she had mixed feelings about the whole process. She closed by noting that the quality of the financial reporting, prior to TCA accounting, was adequate for smaller municipalities. She remained positive, however, that the change would be a good thing, overall.

The research data concerning the Municipality of Thames Centre was obtained from the Treasurer of this municipality, John Cummings, in May 2009. Cummings has worked for this municipality for about 2 years. He indicated that there is approximately 50 full-time permanent staff members employed at his municipality.

The population of this municipality is approximately 13,085 people. The Township of Thames Centre is located just southeast of the City of London, in Dorchester. This municipality was formed on January 1, 2001 with the amalgamation of the townships of West Nissouri and North Dorchester. There are several smaller communities located within this municipality.

At the time that the research survey was conducted, in May 2009, the new accounting procedure for tangible capital assets was still being developed in the Municipality of Thames Centre. According to John Cummings, this municipality had started working on this process early in 2007 with a dual focus on inventory/valuation and policy development. The implementation process was expected to be fully functional by February 2010, in time for the 2009 reporting year.

John Cummings indicated that the stakeholders to tangible capital assets accounting are mostly the financial auditor and the various provincial ministries and federal agencies. He noted that all along the way, they had been including their auditor in the discussion. In March 2009, Cummings said that his municipality hired KPMG to assist them with the implementation of this significant accounting change. At that time, he expected to have sign-off from the auditor for both inventory/valuation and to have completed the implementation process by September 2009. He indicated that provincial stakeholders were more interested in ensuring compliance, although they had offered several information sessions. Cummings mentioned that his municipality had not had any direct dialogue with other levels of government at that time.

According to Cummings, the Municipality of Thames Centre had two interviews with their prior auditor and one interview with their new auditor, at the time that the research survey was taken. He noted that the auditor provided him with useful advice about how to record, value and present capital asset information, which facilitated the transition into tangible capital assets accounting.

Cummings indicated that the biggest obstacle that his municipality faced was the tight timeline. The biggest benefit was indicated to be the ability to increase stewardship of the assets owned by municipalities and to financially plan for future purchases of assets. The biggest cost involved with this change was the purchase of new computer software that would be necessary. He mentioned that a great deal of information about tangible capital asset accounting had to be absorbed by staff in a fairly small amount of time. Cummings noted that the pros of this will be asset management. The cons will be increased staff costs related to tracking and reporting information.

Cummings indicated that, prior to reporting for tangible capital assets, municipal financial statements were not very readable or understandable to the average person. He noted that eventually governments had to fully incorporate Generally Accepted Accounting Principles (GAAP) and move from a cash/fund basis. Cash or fund accounting is an accounting system emphasizing accountability rather than profitability, commonly used by governments. Cummings felt that making this significant change will be worth it if comparability can be achieved and the statements become more useful to the readers. He felt that, overall, implementation had been done with ease, largely because he had more staff than some of the smaller municipalities. He said the benefits would outweigh the costs more so for larger municipalities, than for smaller ones.

Chapter 9: Municipalities Opposed to TCA Accounting

Three out of the six municipalities (50%) surveyed were opposed to implementing the new tangible capital assets accounting policy. The ones opposed include the municipalities of Lucan Biddulph, North Middlesex and Strathroy-Caradoc. These municipalities comprise most of the smaller municipalities surveyed (2/3 or 67%) and one of the larger ones (1/3 or 33%). Appendix K provides a table which summarizes the data obtained from the municipalities surveyed, as noted previously.

Information pertaining to the Municipality of Lucan Biddulph was obtained from the Treasurer of this municipality, Kate Smith, in May 2009. Smith has worked for this municipality for about 3 years. She indicated that there is approximately 20 full-time permanent staff members employed at her municipality.

The population of this small municipality is 4,201 people. The Township of Lucan Biddulph is situated at the north end of the County of Middlesex, a mere 15 minutes north of the City of London. This municipality was formed on January 1, 1999 with the amalgamation of the former Village of Lucan and the Township of Biddulph.

At the time that the research survey was conducted, the Township of Lucan Biddulph was still working on the implementation of the new tangible capital assets accounting policy. According to Kate Smith, they had started working on this process in 2007. The implementation process was communicated to the various stakeholders by holding regular meetings with staff, auditors and with town Council.

The biggest obstacle, that this municipality faced, was the large amount of data that needed to be collected. Smith reported that some of the infrastructure was very old, in this particular municipality, and that there was no actual cost information available. These items were costed at the current rates and discounted to the value at the date of implementation. Smith indicated that another obstacle pertained to poor communication.

At times, not a lot of clarification was given as to what should or should not be capitalized, thereby making the process more difficult.

Kate Smith reported that the biggest benefit, to be gained by her municipality from implementing this new accounting policy, would be that people would see the actual amount of capital that municipalities manage. She noted that most people may not be able to understand the whole capital asset process, and therefore, they would not see much benefit for making this significant change. On the other hand, Smith felt that the biggest costs associated with the change, for her municipality, would be the number of hours that staff would have to work to implement it.

Smith reported that the internal benefits would be minimal, overall, for the Municipality of Lucan Biddulph, without knowledgeable people who would be able to understand the new format. Smith felt certain that internal stakeholders would continue to want to look at statements, without the capital component, and make decisions the same as before. It was believed that it would take a long time for people to adjust their thinking and analysis of financial statements. She indicated that for her municipality, she felt that the costs outweighed the benefits and that she would rather not have to engage in the process at all, if that were a possibility.

Kate Smith indicated that members of her municipality did not believe that Canadian municipalities would be better off, at the end of the day, with this new accounting policy. Instead, she noted that they felt that the process was very time consuming for staff and very confusing for town Council members. Overall, it was felt that most people would not understand the new tangible capital assets accounting policy and that they would not, therefore, understand the new financial information. She said that she did not feel there were any problems with the quality of the financial reporting, prior to TCA accounting. Smith closed by mentioning that she believed that only those with a strong financial background would benefit from this change.

Information concerning the Municipality of North Middlesex was obtained from the Treasurer of this municipality, Chuck Daigle, in May 2009. Daigle has worked for North Middlesex for about 9 years. He indicated that there are approximately 35 full-time permanent staff members employed at his municipality.

The population of this small municipality is about 6,980 people. This municipality is situated at the north end of Middlesex County, close to Lake Huron. The Municipality of North Middlesex was incorporated on January 1, 2001, primarily by the amalgamation of Ailsa Craig, McGillivray, East Williams, West Williams and Parkhill.

When the research survey was conducted, the Municipality of North Middlesex was still in the process of completing this change over. According to Chuck Daigle, his municipality had begun working on this in the Fall of 2006 when their Council and Department Heads were first given the criteria of the information that would be needed. Regular meetings were held to discuss the issues and to answer questions of the various Department Heads. At that time, he said that it was outlined, to each Department Head, what information would be required on each asset, within their various departments. Daigle mentioned that they were given forms, like the one found in Appendix J, to begin the process. They simply had to fill in the blanks to supply the needed information.

Daigle reported that the biggest obstacle, to the whole process, was getting other parties, especially Department Heads, to believe that this was a required process. This was, by far, the most difficult part of the whole thing. Daigle did not see any benefit to making this significant change. He noted that they were being told that it would bring them in line with the rest of the world, so far as it pertains to finance. However, he felt that since the size of his municipality is relatively small, they lacked both the staff and the expertise to go about making this change properly. He indicated that he perceived the benefits to be much smaller than the costs involved.

According to Chuck Daigle, the largest cost associated with this change, for his municipality, had been the fees to the auditor, since he noted that everything must be approved by them. In turn, Daigle stated that when he asked questions to the auditor, he was told that the auditor could not advise his municipality and audit his municipality at the same time, as that would be auditing their own work. As such, Daigle felt that this process was not working very well. His municipality had to hire a firm to complete the process, on a quote basis, and there was not enough money in the budget for such things.

Daigle believed that the change in accounting process was nothing but a money grab by the Canadian Institute of Chartered Accountants (CICA). He noted that they had survived for over a century with the other system, and then all of a sudden, they were supposed to make this massive change to keep the CICA happy. In fact, it was noted that they were required to have a Chartered Accountant (CA) do the audit and, all throughout the process, they were required to consult with their auditor to see if they are happy with the methods being proposed.

Daigle indicated that members of his municipality felt that reporting issues, under the prior system, might be more relevant to larger urban centres, such as Toronto or London. For smaller municipalities, such as the Municipality of Middlesex Centre, this significant accounting change had become a real financial burden. Therefore, Daigle did not feel that it was worth it for small municipal centres, as the perception was that this change would not help in the future. Daigle said that they were being told that they needed to do this, as new government grants would be based on information from the new system. However, it was believed that smaller municipalities were being painted with the same brush as larger municipalities. It was felt that this expensive exercise would not be valuable or worth the effort involved.

Chuck Daigle indicated that the main benefit of making this significant change, for the Municipality of Middlesex Centre, will be a better understanding of their assets base and a better knowledge of the value of their infrastructure. It was stated that a well known fact is that all municipalities have infrastructure deficits, in that they do not have the reserves to fund the replacement of aging assets. Daigle went on to mention that the flip side of the exercise is that municipalities will still have the same tax base after the implementation of this new policy has been complete, so spending a lot of money to find this out did not make much sense. He said that small municipalities work with a very limited tax base to begin with.

The final point that Chuck Daigle wanted to make was that rural municipal councilors, unless they happen to be accountants themselves, are not very likely to understand the financial information contained in accounting statements. The biggest worry, in the past, as it pertains to finance, has been whether or not municipalities are in a deficit or surplus situation. Daigle finished his comments by indicating that it seemed highly unlikely to him that local part-time politicians would understand the new tangible capital asset accounting policy. He said that, so far as he was concerned, there was nothing wrong with the quality of the financial reporting, prior to TCA accounting, for his small municipality, so he did not think this change was necessary.

Information regarding the Municipality of Strathroy-Caradoc was obtained from Jane McPherson, the Treasurer of this municipality, in May 2009. McPherson has worked for Strathroy-Caradoc for close to 5 years. She indicated that there are approximately 100 full-time permanent staff members employed at her municipality, which she noted to be the largest municipality in Middlesex County.

The population of this municipality is around 19,977 people. The Township of Strathroy-Caradoc is located approximately 40 kilometres west of the City of London. This municipality was formed in 2001 with the amalgamation of the Town of Strathroy and the Township of Caradoc, which married the urban centre of Strathroy with the rural community of Caradoc.

At the time that the research survey was conducted, the Municipality of Strathroy-Caradoc was still working on the implementation of the new tangible capital assets accounting policy. According to Jane McPherson, this municipality had begun the implementation process in 2008 and they still had a lot of work to accomplish to have this in place for 2009 reporting purposes.

Jane McPherson indicated that the municipal stakeholders were inevitably the tax payers and she indicated that no communication had been made to the general public about the change in accounting that was soon to take place. She said that they did not conduct any stakeholder interviews because they did not think this would be beneficial, especially given that they did not have any choice in the matter. Members of the municipality felt that this would only confuse the average rate payer, since most of them probably would not understand detailed accounting information.

According to McPherson, the biggest obstacle for the Municipality of Strathroy-Caradoc to overcome in the process was determining what system to implement to record and keep track of their tangible capital assets. McPherson indicated that the biggest benefit to be gained, by her municipality, would be that Council would now have to address issues regarding fixed asset management. She was happy that Council would no longer be able to ignore disintegrating infrastructure to keep the tax rate down. On the other hand, McPherson said that the biggest cost, to her municipality, was in terms of human resources: staff time was being drained on this project.

McPherson indicated that getting complete inventories from Department Heads did not work very well. She said that it was difficult to convince them of the necessity of this change and to get them to buy into the whole process. She noted that municipalities were the only businesses that were not reporting their assets and depreciation or amortization on their financial statements. McPherson did not believe that there were any issues with the quality of the financial reporting process, prior to tangible capital assets accounting.

Jane McPherson went on to state that she did not feel that the costs, associated with the new accounting policy, would be worth the effort involved for the Municipality of Strathroy-Caradoc. It was indicated that for smaller municipalities, the perceived costs would not outweigh the perceived benefits. McPherson felt that a major hurdle would be to keep the information current. She also did not believe that municipalities, in general, would be better off, as a result of this significant accounting change. She closed by suggesting that what most people really care about, with respect to the finances of local governments, is whether or not a given municipality has a surplus or a deficit.

Chapter 10: Summary of Research Findings

Six out of the eight municipalities participated in the research survey, which is a 75% response rate, as mentioned earlier. All of these municipalities had gone through restructuring and amalgamations. Three out of the six participating municipalities were fairly small, with populations ranging from 4,201 to 6,980 people. The other three municipalities were larger with populations of 13,085, 16,189, and 19,977. The larger municipalities employed a larger number of staff. The Treasurers interviewed had been working, in their respective municipalities, for between 2 to 20 years. Their years of service varied considerably. Educational levels attained by Treasurers also varied and, in fact, most of them did not have accounting designations. Only two Treasurers were accountants, but all Treasurers had attended some college or university.

According to the Treasurers of the municipalities surveyed, the stakeholders included the following: CAOs, Treasurers, Department Heads, Management Teams, Auditors, Council, Provincial Ministries, Federal Agencies, and taxpayers to a lesser degree. By January 2010, all municipalities surveyed had finished implementing this significant accounting change. The process began between 2006 and 2008 for all municipalities surveyed. Given that implementation had to be in place by January 2010, it is not surprising to learn that all municipalities are now fully functional in this regard.

The communication methods used by the various municipalities surveyed varied. All Treasurers surveyed indicated that they communicated this change by giving presentations to staff and Council, as well as by holding regular meetings and workshops on the subject. All municipalities used email to keep their key staff informed. Some of the larger municipalities surveyed held special meetings with their Auditors. They also hired consultants who met with Council and the Senior Management Teams. Municipalities also held open Question and Answer (Q&A) sessions to try and make the process as transparent and understandable as possible.

There were many challenges and obstacles for these local governments to surpass, in this process. According to the Treasurers of the municipalities surveyed, one of the biggest obstacles was getting other parties, particularly Department Heads, to believe that this was a required process. Another big obstacle was that of gathering the underground infrastructure and historical costs, due to lost records. The restructuring and amalgamating of municipalities led to records being disposed of that should have been kept. The large amount of data to be physically collected was another obstacle for municipalities.

It was also difficult for municipalities to determine what computer system to implement to record and keep track of their tangible capital assets. There are many systems on the market, but these municipalities had only limited budgets, so they could not afford to buy the biggest or the best computer systems. Perhaps, they should have had AMCTO select and recommend a good product to be used by all municipalities for consistency. Finally, the last common obstacle noted was the challenge of trying to fit the implementation of this significant change in with the current workload, given that staff time was already very stretched, for most municipalities surveyed.

There are costs and benefits to almost everything imaginable. Local governments are constantly searching to find the right balance between costs and benefits to justify their decision making processes. The Treasurers of the municipalities surveyed indicated that one of the biggest costs involved in this process was hiring consultants and auditors. Most of them cited the purchase of new software to be a substantial cost. They all agreed that the time involved, especially the amount of overtime that staff had to work, was also a significant cost. In many cases, staff had to go out in the field and physically count roadways or bridges, unless they were fortunate enough to be able to hire students to assist in this regard.

Looking through a more optimistic, brighter lens, municipalities surveyed realized that a major benefit would be that local governments will now have a listing and value for all of their assets. The Treasurers of the municipalities surveyed indicated that better information will provide for more strategic planning, especially with respect to future asset purchases. More accurate and reliable data will also be a better foundation upon which to establish future tax rates and user fees. The municipalities surveyed were particularly happy that Council would now have to address issues pertaining to disintegrating infrastructure. Previously, in many cases, Council had been able to strategically avoid such matters, but it seems highly unlikely that this will be the case in the future.

All municipalities surveyed indicated that a major future challenge would be keeping the information current. It is not enough to put a website up and then not maintain it. Similarly, it would not make sense to go through this exercise and then not keep the information current. However, without adequate resources in place, it is difficult to translate good intentions into a real plan of action.

Chapter 11: Conclusions

The literature review revealed that for local governments to achieve a successful implementation with respect to this new accounting procedure, having the necessary resources, especially in terms of both people and money, is absolutely critical. Communication was also deemed to be extremely important as a determinant of success. In times of economic downturn, local governments have budgetary constraints to deal with which has a negative effect on both their levels of human resources and the amount of financial resources which are available. Both policy development and implementation, along with tangible capital assets financial information gap, were the relevant themes focused upon in the literature review section of this research paper.

The findings obtained by conducting this research provide the reader with a better understanding of how the implementation of the new tangible capital assets (TCA) accounting policy has been working in Middlesex County. This research has determined that for smaller municipalities, implementing the new Tangible Capital Assets accounting policy proved to be very difficult, especially since municipalities were not given any additional resources to facilitate the change. It seems very questionable whether it even makes sense for small municipalities to have to comply with the same policies as their larger counterparts. It is not surprising to have found high levels of resistance to comply with the implementation of this new policy. It is difficult to buy into a process when there are numerous obstacles and challenges in the way of making changes.

The concept of Big GAAP-Little GAAP has been around for years. The idea behind this theory is that there should be one set of Generally Accepted Accounting Principles (GAAP) for big companies or large municipalities, and another for small companies or tiny municipalities. The largest municipalities are bigger than ever today and their transactions are even more complex. The gap between Metro Toronto and the Village of Newbury is wider now than ever before, so it seems questionable whether or not it is truly legitimate to require all municipalities, no matter what their population is, to abide by the same financial reporting requirements.

The larger municipalities, which participated in the survey, had a larger number of staff, which contributed to the ease with which they were able to implement this new policy. Of course, the quality of the staff would also need to be taken into consideration, since quantity does not necessarily translate into quality. Moreover, larger municipalities also have larger budgets to work with, and this translates into more resources in terms of both people and money. Although finances were not directly discussed with the Treasurers, it is expected that municipalities with adequate revenues would have found it much easier to implement this new accounting policy.

In municipalities where the Treasurers perceived the costs of implementing the new accounting policy to be high, there were more signs of resistance to compliance. Whereas, in municipalities where the Treasurers perceived the benefits of implementation to be high, there were no signs of resistance because they seemed to be welcoming the change. Similarly, in municipalities where the Treasurers perceived the quality of the financial reporting, prior to the new TCA accounting policy, to be inadequate, they were less likely to resist compliance.

The information presented in this research report has focused on the theory of implementation. The research findings may also be applicable to the implementation of other policies affecting local governments, not just the new TCA accounting policy. However, the findings from this research report could not be considered to be generalizable because the sample size is too small. More municipalities would need to be surveyed to make generalizations possible. Comparative research produces better results, so increasing the scope of this survey beyond Middlesex County would lead to more valid data. One County only provides a snapshot of data, whereas involving more municipalities would broaden the lens and sharpen the focus.

The public policy process, particularly as it pertains to implementation, is very largely an organizational process. Local governments implement countless numbers of policies and make numerous decisions, based on a variety of information, every single day. As mentioned at the outset, tangible capital assets are significant resources, and that is why the implementation of this new policy is so very important.

Financial functions, particularly accounting and budgeting, are very important processes which local governments must manage on a daily basis. These functions ensure that policies are translated into concrete programs by allocating resources to meet the goals and aspirations of the public. It is a political process which results in documents such as summary budgets, estimates and appropriations. These documents permit budgeting decisions to be communicated effectively, hold the government accountable for those decisions and form the foundation for legislative approval and administrative control.

Government financial management systems have, over the years, been influenced by the economy. Recent economic events have resulted in many challenges to local governments, and have put a strain on their, already tight, budgets. An accounting gap has appeared between what is actually reported in financial statements and what was in the original budgets. The issues associated with this gap now require urgent attention from senior governments and standard setters. This is particularly important as it pertains to the aging infrastructure in Canada, discussed earlier.

In summary, TCA accounting should be seen as an important first step in helping to address the potentially growing infrastructure crisis in Canada by filling the financial information gap and providing local governments with the ability to make better financial decisions, especially ones pertaining to infrastructure. The long-term health of Canada's economy is closely linked to the scope and quality of municipal infrastructure investment. There is an urgent need to reverse the rapid deterioration of our municipal infrastructure.

Chapter 12: Future Research

This research report has raised some additional questions that would benefit from further study. This study could be broadened to survey the Province of Ontario or possibly even all Canadian municipalities. In a telephone interview, in May 2009, with Frank Nicholson, the Director of Legislative Services & Government Relations at AMCTO, Nicholson offered to assist with getting this survey out to all municipalities in Ontario by putting it on SurveyMonkey.[31] Similarly, perhaps the Federation of Canadian Municipalities (FCM) could be approached to see if they would be interested in circulating the survey Canada wide. A larger research study would yield better data which could be statistically analyzed and lead to generalizations.

Another area for future research is to determine the severity of the growing infrastructure crisis in Canada. It is postulated that some Canadian cities are facing a much bigger infrastructure crisis than others. As mentioned earlier, there have been serious problems with the water supply in some communities, such as Walkerton, and it was only a few years ago that an overpass in Montreal collapsed killing five people and injuring several others. The picture, in Appendix O, puts the priority that this should be given into perspective. Most local governments would undoubtedly concur with Gord Steves', of the Federation of Canadian Municipalities (FCM), statement that "if serious action isn't taken now, our infrastructure is headed for collapse."[32]

Infrastructure is something that people pay little attention to, that is, until it fails. Given that the Canadian municipal infrastructure deficit is estimated at more than $100 billion dollars, and is growing at an alarming rate of about $2 to $3 billion per year, this is definitely an area that warrants further research.

---

[31] Frank Nicholson, Director of Legislative Services & Government Relations, AMCTO, *Telephone Interview*, May 2009.

[32] Gord Steves, President, Federation of Canadian Municipalities, "Infrastructure 'near collapse'" in *The Toronto Star*, November 20, 2007.

APPENDIX A

Pictorial Illustration of Tangible Capital Assets

Source: City of Hamilton, 2005 Life-Cycle State of the
Infrastructure Report On Public Works Assets

APPENDIX B

Pictorial Illustration of Readiness Assessment

Source: Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO)

APPENDIX C

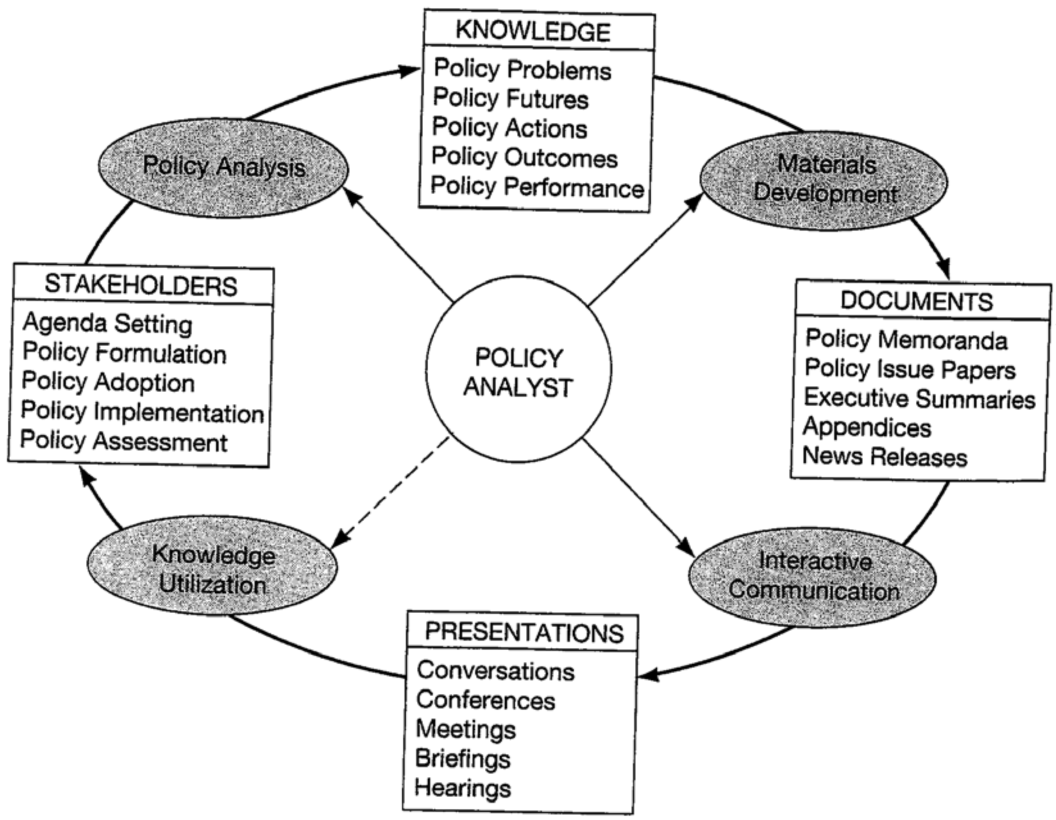
Elements for Successful Implementation

No insurmountable external constraints	• Usually organizations and individuals that will not cooperate, but can include acts of nature
Adequate time and sufficient resources	• Time, money, and people
Required combinations	• Time, money, and people in the right order and mix
Valid theory	• Good design, especially cause-and-effect relationships
Causal connections are reasonable, clear, and direct	• Focus on causal variables that can realistically be addressed by public policy, rather than, for example, large systemic ones that are resistant to intervention
Dependency relationships are minimal	• Authority is not fragmented or dispersed
Agreed objectives	• Everyone sings from the same song sheet; no dispute about ends
Correct sequence of tasks	• Doing first things first, and so on
Communication	• Clear communication and understanding
Compliance	• No sabotage, recalcitrance, or rebellion

Source: Hogwood and Gunn, *Policy analysis for the real world*

APPENDIX D

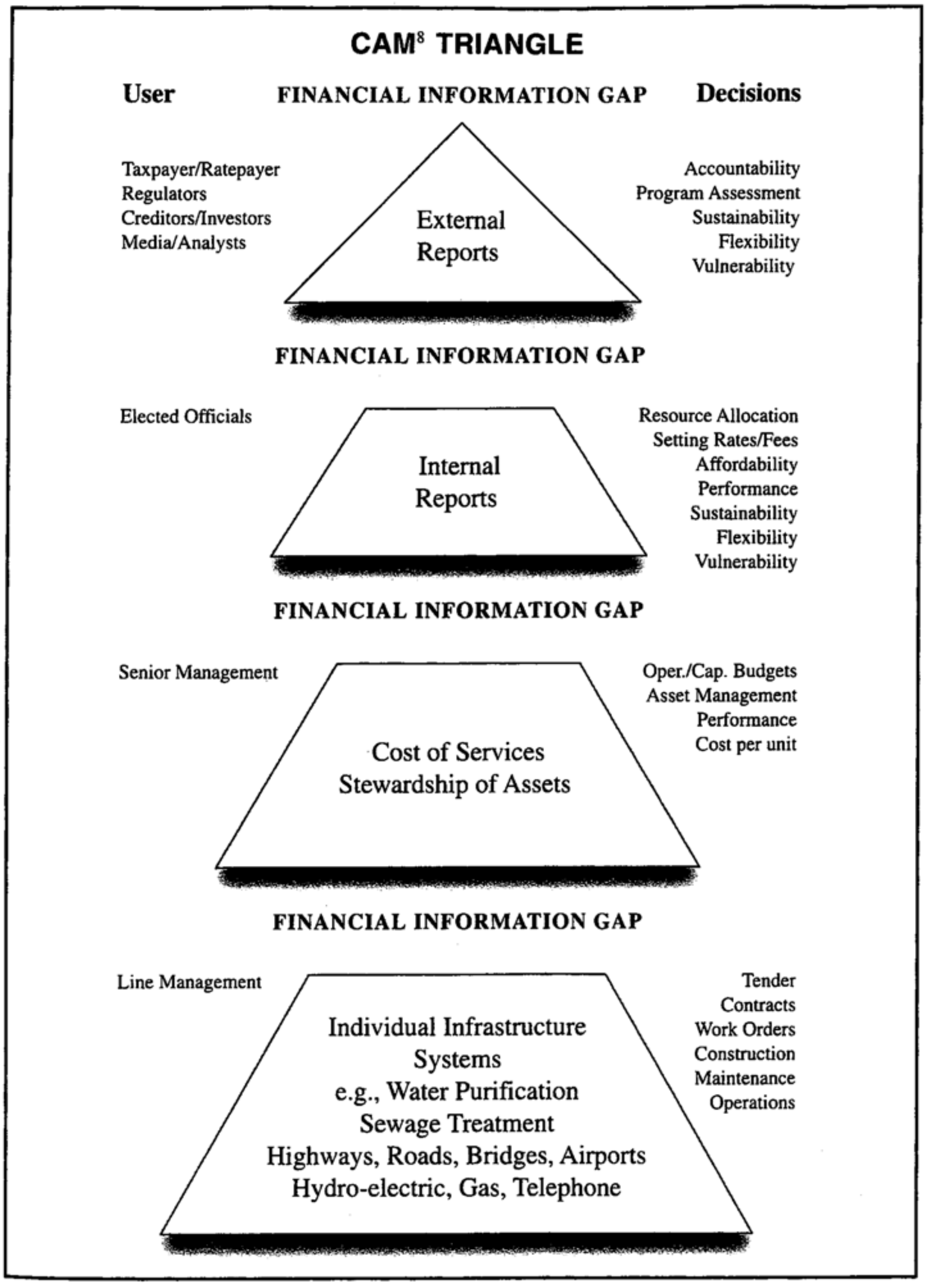
Four-Stage Policy Communication Process



Source: William Dunn, *Public Policy Analysis: An Introduction*

APPENDIX E

Financial Information Gap



Source: CICA, *Accounting for Infrastructure in the Public Sector*

APPENDIX F

Middlesex County Background Information

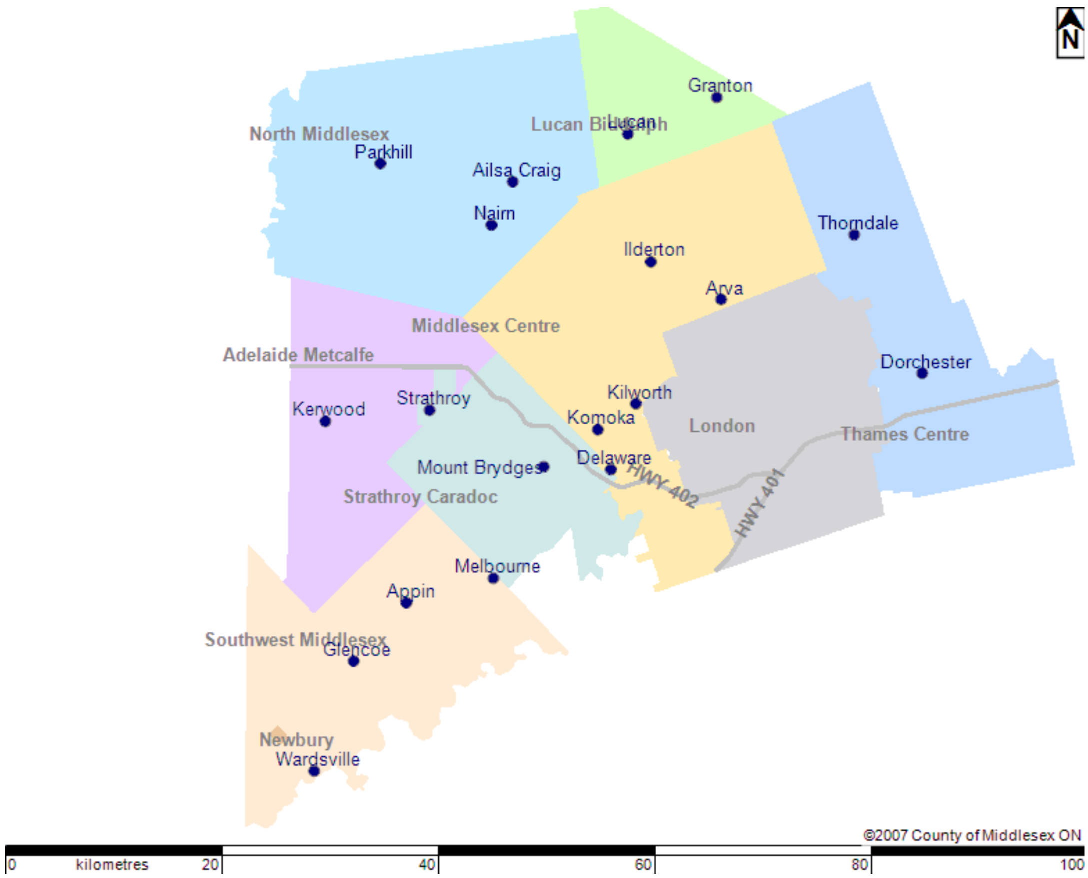
Distances to Major Markets			
City	km	Miles	Driving (hrs)
Toronto	175	110	2.0
Hamilton	110	70	1.25
Kitchener-Waterloo	90	55	1.1
Niagara Falls	242	151	2.5
London	10	6	0.15
Ottawa	658	411	6.5
Montreal	750	469	8.0
Buffalo	225	140	2.5
Detroit	171	107	1.75
Cleveland	440	275	4.5
Pittsburgh	630	394	6.25
Chicago	530	332	5.25
New York	900	563	9.0
Boston	995	622	9.5
Source: MapQuest 2005			

Quick Facts	2001	2006
Population	66,635	71,232 (adjusted)
Labour Force	36,960	39,480
Median Household Income*	$47,985	$55,435
Participation Rate	72.6%	72.7%
Unemployment Rate	4.05%	3.9%
Number of Households	23,669	24,560
Land Area (sq. km)	2824.09	

Source: Statistics Canada 2001 & 2006 Census
**includes City of London in calculation*

APPENDIX G

Map of Municipalities in Middlesex County



Source: Middlesex County website

APPENDIX H

County of Middlesex
Tangible Capital Asset Policy

Purpose and Scope

The purpose of this document is to provide detailed policies and guidelines for the accounting and recording of all tangible capital assets in the County of Middlesex's financial records and financial statements. Where any section of this document conflicts with the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB) Handbook, then the CICA PSAB Handbook is to be followed.

Each department is responsible for the use, care and maintenance of their tangible capital assets. The Treasurer is responsible to account for and report tangible capital assets in the County of Middlesex's annual financial statements in accordance with the CICA PSAB Handbook. This requires all departments to effectively communicate and share information on tangible capital assets.

Tangible Capital Assets

Tangible capital assets are non-financial assets having physical substance that:

- are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- have useful economic lives extending beyond an accounting period;
- are to be used on a continuing basis; and
- are not for sale in the ordinary course of operations.

Tangible capital assets also include betterments. Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the item's period of usefulness or improve its functionality.

If the work carried out on the tangible capital asset only maintains the predetermined service potential of the asset and its given useful life, then whatever is done is in the nature of maintenance or repairs, and is to be charged in full in the accounting period in which the expense is incurred.

If the work carried out increases the service potential of the asset and/or its' useful life, then the work is deemed to be a betterment or an enhancement, and is capitalized. The cost of the betterment will be added to the historical cost of the asset, and the revised net book value of the asset will be amortized over the remainder of the asset's useful life.

All land is to be capitalized regardless of its cost.

Certain studies do not result in the acquisition of a tangible capital asset.
These studies are not to be included in tangible capital assets.

Works of art and historical treasures are property that has cultural, aesthetic or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in our financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Nevertheless, the existence of such property must be disclosed and reported to the Treasurer.

Threshold

Departments shall treat as a tangible capital asset any asset that, in addition to meeting the above conditions, has a useful life in excess of one year and a threshold greater than:

- $5,000 for an individual asset
- $25,000 for a pooled asset
- $100,000 for a linear asset

Certain items such as books and computers might be below the capitalization threshold individually but are typically purchased or held in large quantities so as to represent significant expenditures overall. In such cases, departments are to capitalize all items acquired in a given pool and amortize the pool over its estimated useful life.

All tangible capital assets acquired/constructed after the effective date will be recorded at their original historical cost.

Where the County of Middlesex does not have historical cost accounting records for its' tangible capital assets acquired/constructed before the effective date, it will use replacement value and discount the asset to estimate the historical cost.

Cost is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset. The cost of a leased tangible capital asset is determined in accordance with Public Sector Guideline PSG-2, Leased Tangible Capital Assets.

All expenses incurred to place the tangible capital asset in service that are considered integral to the acquisition of the asset, form part of the total cost of the tangible capital asset.

The cost of designing a tangible capital asset is to be added to the cost of the tangible capital asset. If after the design costs have been incurred, the decision is made not to proceed with the acquisition/construction of the tangible capital asset then the costs must be written off as they cannot be capitalized.

Direct costs and directly attributable overhead costs are to be included in the cost of an asset. Indirect costs are not to be included in the cost of an asset. Interest expense related to financing costs incurred during the time an asset is under construction will not be capitalized.

Capitalization of Tangible Capital Assets

The Treasury Department in conjunction with departments will ensure that all tangible capital assets held by the department at the date this policy becomes effective and any future acquisition of tangible capital assets are properly valued and recorded.

- Ensure that all costs required to make a capital asset operational have been recorded in the appropriate capital account. Costs include purchase price and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs and duties. The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity (such as the costs of leased space used solely for the construction or development activities);
- Ensure that procedures are in place to differentiate between "betterments" which are capitalized, and "repairs and maintenance" which are expensed. Betterments improve the functionality or increase the useful life of an asset while repairs and maintenance primarily maintain the functionality of the asset. Where a cost can not easily be differentiated between a repair and a betterment, the cost should be expensed in respecting the accounting principle of conservatism;
- Establish procedures to ensure that when tangible capital assets are sold or traded-in, the historical cost and accumulated amortization amounts relating to the particular capital asset are removed from the appropriate general ledger accounts and a gain or loss on disposal is recognized to the extent that the asset's net book value differs from the sale proceeds or from the trade-in value;
- Establish procedures to distinguish between a capital lease and an operating lease;
- Establish procedures to ensure that when tangible capital assets become obsolete, impaired and/or are removed from service, and the long-term expectation is that the assets no longer have value or use to the County, treasury will write down the net carrying amount of the asset to its net realizable value. If the capital asset is subsequently returned to service the asset cannot be increased to its book value. Only betterments that have been made to bring the asset back into service should be added to the book value;
- Estimate the useful life of tangible capital assets on a consistent basis,

Valuation of Tangible Capital Assets on Hand

All tangible capital assets held by a department at the date this policy becomes effective must be identified and valued using an appropriate cost base.

Where practical and cost-effective, existing tangible capital assets will be valued using historical costs, adjusted for the proportion of the useful life of the asset that has already been consumed through the establishment of a provision for accumulated amortization. Where it is not practical and cost-effective to establish a reasonable estimate of an asset's historical cost, replacement value will be used and extrapolate back to estimated historical cost using the consumer price index (CPI) or some other relevant price/cost index as agreed to by the auditor.

All lease agreements must be reviewed to determine if they should be accounted for as capital leases or operating leases.

Donated assets should be valued at fair value at the date of contribution. If the fair value cannot be determined, the asset should be recorded at a nominal value (one dollar).

Grouping of Assets (Whole Asset vs. Component Approach)

For purposes of capitalization and amortization, the two methods of defining a capital asset are Whole Asset and Component.

- The Whole Asset approach considers an asset to be an assembly of connected parts. Costs of all parts would be capitalized and amortized as one asset. For example, a computer network would be considered as one asset.
- Under the Component approach, different components are individually capitalized and amortized. Under this approach, the servers, routers, lines, software, etc. used in a network would all be individual assets.

The whole asset method and the component approach are equally acceptable under Generally Accepted Accounting Principles. In certain circumstances, it is appropriate to allocate the total disbursement on an asset to its component parts and account for each component separately. This is the case when the component assets have different useful lives or provide economic benefits or service potential to the County of Middlesex in a different pattern, thus necessitating use of different amortization rates. For example, the pavement, curbs, sidewalks, bridges and lighting may need to be treated as separate items within a road system to the extent that they have different useful lives. Similarly, the furnace, air conditioning system, roof and structure of a building may need to be treated as separate amortizable assets if they have different useful lives. Additional factors influencing the choice of method include:

- Significance of amounts;
- Quantity of individual asset components (volume);
- Availability of information with respect to specific components of the capital expenditures; and
- Specific information needs of management for decision making and asset control purposes.

Leasehold Improvements

A leasehold improvement is a betterment made to a leased property.

Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the item's period of usefulness or improve its functionality. To be considered a leasehold improvement, the modification must have at least four characteristics:

- The modifications must be made to assets that have been leased;
- The lessee must pay for the improvements. If the expenses are the responsibility of the lessor then it will account for the expenses in its own records;

- The leasehold improvements must bring benefits to the lessee for more than one year; and
- The betterment reverts to the lessor at the end of the lease (i. e. cannot be detached from the leased property).

Examples of leasehold improvements that should be capitalized include significant upgrades to the electrical system to meet the needs of computer systems and the installation of walls and doors to create permanent offices.

Examples of modifications that would not be capitalized include remodeling costs such as painting and carpeting.

Betterments made to an asset subject to an operating lease or a capital lease where ownership does not transfer to the lessee (i.e. lease does not contain a bargain purchase option or provide for transfer of ownership of the asset) should be classified as a leasehold improvement. Betterments made to an asset subject to a capital lease where ownership is expected to transfer to the lessee, should be classified as betterments. The cost of betterments must be capitalized as part of the cost of the capital asset and amortized over the useful life of the asset. However, where the useful life of the betterment is significantly shorter than that of the asset, it should be capitalized and amortized separately.

Amortization of Tangible Capital Assets

The cost of property, equipment and other tangible capital assets is essentially a long-term prepayment of an expense in advance of the use of the asset. As the economic service life of the asset expires, the cost of the asset is systematically allocated to operations as an expense called "amortization".

Periodic amortization expense should be an allocation of the historical cost of the asset less expected salvage value, if applicable, to operations in proportion to the economic benefits received each period from the use of the asset.

The service life of an asset should be measured in terms of years.

Departments are in the best position to estimate the expected life (in years) of an asset.

Straight line amortization shall be used to calculate the annual charge to each department's accounts for the use of all tangible capital assets.

Amortization will be recorded on an annual basis. For example, where a type of asset has an average expected life of 3 years and the balance is $30,000, the annual amortization would be calculated as 1/3 x $30,000 or $10,000. The amortization charges related to the asset should be reviewed for reasonableness at year-end.

Another important factor of Canadian tax law as it relates to amortization is the so-called "half in the first year rule". According to this rule, in the first year of the ownership of an asset, the cost base used to determine the first year's amortization charge is half of the acquisition cost. The County of Middlesex will be applying this rule for our amortization of assets.

The estimate of the useful life of the remaining unamortized portion of a tangible capital asset should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

Internal Transfers of Tangible Capital Assets

Transfers of tangible capital assets between departments shall be at the net book value of the asset. The receiving department would record the asset at its original historical cost and accumulated amortization.

Donations, Transfers and Contributions of Tangible Capital Assets

Donations, transfers and contributions of tangible capital assets are effectively two different accounting transactions. The first transaction is the recording of the cost and the second transaction is the recording of the revenue.

The County of Middlesex could receive contributions of tangible capital assets from members of the public or other governments. The cost of a contributed asset is considered equal to its fair value at the date of contribution. Fair value of a contributed tangible capital asset may be estimated using market or appraisal values. In unusual circumstances, where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

The transfer of land from an outside party to the County should only be capitalized as an asset when the agreement provides for a transfer of ownership. Where the agreement does not provide for a transfer of ownership, the land may not be capitalized. However, the costs of buildings and infrastructure built on the land may be capitalized if they meet the capitalization criteria. An example of this situation is when an agreement provides for unlimited use of the land by the County but the land reverts to the outside party once the County is no longer using it.

Effective Date

This policy is effective January 1, 2009 and applies to all tangible capital assets which exist at that time.

APPENDIX I

County of Middlesex TCA Financial Information

County of Middlesex
Tangible Capital Assets
January 1, 2008 Draft Summary

	Cost	Accumulated Amortization	Opening Net Book Value
Roads	61,593,437	26,217,307	35,376,130
Bridges	21,850,670	9,716,737	12,133,933
Strathmere Lodge	18,547,845	1,253,456	17,294,389
Roads Equipment	6,143,909	2,948,209	3,195,700
Buildings			
Administration	5,134,603	2,527,972	2,606,631
Garages	2,911,273	534,703	2,376,570
Salt Domes	671,070	100,543	570,527
Ambulance Vehicles	2,562,841	1,664,380	898,461
Ambulance Equipment	1,185,241	395,080	790,161
Library Books	2,054,633	1,140,071	914,562
Traffic Lights	920,976	405,940	515,036
Culverts	377,192	236,502	140,690
Computer Equipment	527,822	402,884	124,938
Computer Software	36,191	9,818	26,373
Land	652,053		652,053
Total	125,169,756	47,553,602	77,616,154

County of Middlesex
Tangible Capital Assets
Jan. 1, 2008 Draft Replacement Cost Summary

	Replacement Costs	Cost	Shortfall
Roads	312,257,387	61,593,437	250,663,950
Bridges	118,150,213	21,850,670	96,299,543
Strathmere Lodge	18,547,845	18,547,845	-
Roads Equipment			
Buildings			
Administration			
Garages	5,400,000	2,911,273	2,488,727
Salt Domes	1,350,000	671,070	678,930
Ambulance Vehicles			
Ambulance Equipment			
Library Books			
Traffic Lights	1,461,144	920,976	540,168
Culverts	3,022,991	377,192	2,645,799
Computer Equipment			
Computer Software			
Land			
Total	460,189,580	106,872,463	353,317,117

APPENDIX I (Continued)

County of Middlesex TCA Financial Information

COUNTY OF MIDDLESEX

SEGMENTED BY ASSET CLASS

Draft	2008 Opening Net Book Value (NBV) $
Land & Land Improvements	655,554
Buildings	17,727,521
Machinery & Equipment	6,577,104
Vehicles	4,090,661
Infrastructure	47,650,753
Library Books	914,561
other:	
other:	
Total Tangible Capital Assets:	77,616,154

APPENDIX J

Tangible Capital Assets (TCA) Inventory Form

MUNICIPALITY OF ___________________________________

TANGIBLE CAPITAL ASSETS - INVENTORY FORM

Date Recorded: ____

Department: ____

Division: ____

Asset Description: ____

Asset Category: ____

Asset Sub Category: ____

Location: ____

Identification #: ____

Acquisition or
In-Service Date: ____

Purchase Price:
(if available) ____

Estimated Useful Life: ____

Disposal Value: ____

Amortization Method: ____

Comments: ____

Please attach invoices or any costing information that may be available.

APPENDIX K

Summary of Data Obtained from

Middlesex County Municipalities

Municipality	Name of Treasurer	# of Years Treasr worked there	# of Staff employed approx. (regular full-time)	Size of Popu-lation	Year TCA implem-entation began	Implem-entation complete by 01/10 Y or N	Seen as +ve or -ve
Lucan Biddulph	Kate Smith	3	20	4,201	2007	Y	-ve
Middlesex Centre	Greg Watterton	12	70	16,189	2006	Y	+ve
North Middlesex	Chuck Daigle	9	35	6,980	2006	Y	-ve
Southwest Middlesex	Sherry Graham	20	30	5,890	2007	Y	+ve
Strathroy-Caradoc	Jane McPherson	5	100	19,977	2008	Y	-ve
Thames Centre	John Cummings	2	50	13,085	2007	Y	+ve

APPENDIX L

Sample Letter sent to Middlesex County Municipalities

May 15, 2009

Ms. Kate Smith
Treasurer
Municipality of Lucan Biddulph
33351 Richmond Street
P.O. Box 190
Lucan, Ontario
N0M 2J0

Dear Ms. Smith,

Further to our recent conversation, I am writing to thank you for your assistance with my research project on the implementation of the new tangible capital assets (TCA) accounting policy in Canada.

The results of this project will enable me to complete my final research report required for the Master of Public Administration (MPA) degree at The University of Western Ontario. I hope to gain a better understanding of implementation theory as it pertains to the new tangible capital assets (TCA) accounting policy in Canada. Given the financial nature of your position, I trust that you will find this project of value and interest. Upon completion of this project, I would be happy to share my results with you.

Please feel free to contact me at 519-619-6416 if you have any questions.

Sincerely yours,

Glenda Ogilvie

APPENDIX M

TCA Accounting Policy Implementation

Interview Questions - May 2009

1. How long have you been working at your municipality? What is the population of your municipality? Has your municipality been amalgamated or restructured?

2. How long did it take to implement the new tangible capital assets accounting policy?

3. When was this significant accounting policy change implemented?

4. How did you communicate your implementation plans to the various stakeholders?

5. What was the biggest obstacle that you have had to overcome in this process? How would you rank it on a scale from 1 to 10, with 10 being huge and 1 being small?

6. What do you see as being the biggest benefit for going through all of this? What would you say is the biggest cost associated with this change?

7. What worked well? What did not work very well? If you could do this again, what would you change?

8. What do you think were some of the issues with the quality of the financial reporting before?

9. The new TCA program is obviously costing municipalities a great deal, in terms of time and money, as well as other resources. In your opinion, is it worth it? Or will it be worth it in the long run? Is this a valuable exercise?

10. Are municipalities going to be better off, at the end of the day, with this new accounting approach, in your opinion?

APPENDIX N

TCA Accounting Policy Implementation Questionnaire

Welcome to my survey for Treasurers working in municipalities in Middlesex County.
I would like to thank you in advance for your time.

There are 3 brief sections in total and it should only take about 10 minutes to complete.

Participation is voluntary. All responses will be kept confidential.

PART A: Please tell me about yourself.

1. My gender is:
   - o male
   - o female

2. My age is:
   ____ years old.

3. What level of education have you completed?
   - o some high school
   - o high school diploma
   - o some college or university
   - o college or university graduate
   - o post-graduate degree

4. I have worked in this municipality for:
   ____ years.

5. What is your view about the following statement?

   There is a growing infrastructure crisis in Canada.

   Please choose one of the following:
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

PART B: Please tell me about the municipality that you represent.

1. The number of people who live in my municipality is:
   _________ people.

2. The number of staff who work in my municipality is:
   _________ staff members.

3. The total annual revenue in my municipality is:
   $___________.

4. The total size of the budget (current and capital combined) in my municipality is:
   $___________.

5. The overall quality of most staff, in my municipality, can be best described as:
   - o excellent
   - o good
   - o fair
   - o poor
   - o very poor

6. The majority of staff, in my municipality, receive a lot more compliments than they do complaints, from local citizens:
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

7. The size of the budget, in my municipality, can be best described as:
   - o very inadequate
   - o somewhat inadequate
   - o inadequate
   - o somewhat adequate
   - o very adequate

8. The infrastructure, in my municipality, is in good shape overall:
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

PART C: Please tell me about your experience with the implementation of the new tangible capital assets (TCA) accounting policy in your municipality.

1. Has your municipality finished implementing the new TCA accounting policy?
   - o yes
   - o no

2. What were the biggest obstacles to overcome, in your municipality, in implementing this significant change? Please keep your answer brief in the space below, if possible.

   ____

   ____

Do you agree with the following statements?

3. There have been many obstacles and challenges with respect to implementing this accounting change.
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

4. I was very much in favour of changing the accounting policy, as it relates to tangible capital assets.
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

5. Prior to TCA accounting, there was a gap in the financial information being reported.
   - o strongly disagree
   - o disagree
   - o neither agree nor disagree
   - o agree
   - o strongly agree

   [Note: If you answered agree or strongly agree, please go to Q6, otherwise go to Q7.]

6. The new TCA accounting will fill the financial information gap, as it pertains to infrastructure.
   - o strongly agree
   - o agree
   - o neither agree nor disagree
   - o disagree
   - o strongly disagree

7. There was a lot of resistance to complying with the new TCA accounting standards.
    - strongly disagree
    - disagree
    - neither agree nor disagree
    - agree
    - strongly agree

8. Those responsible for implementing the new TCA accounting policy, in my municipality, have taken the lead on a lot of worthwhile endeavours.
    - strongly disagree
    - disagree
    - neither agree nor disagree
    - agree
    - strongly agree

9. The leadership skills of those responsible for implementing the new TCA accounting policy, in my municipality, are very strong.
    - strongly disagree
    - disagree
    - neither agree nor disagree
    - agree
    - strongly agree

10. Implementing the new TCA accounting policy will be effective in helping municipalities in Canada deal with matters pertaining to aging infrastructure.
    - strongly agree
    - agree
    - neither agree nor disagree
    - disagree
    - strongly disagree

11. The new TCA accounting policy will effectively bridge the financial information gap and provide decision makers with better financial information.
    - strongly agree
    - agree
    - neither agree nor disagree
    - disagree
    - strongly disagree

How would you best describe the following statements?

12. Which of the following best describes the costs associated with implementing the new TCA accounting procedure in your municipality?
    - very high
    - somewhat high
    - somewhat low
    - very low

13. Which of the following best describes the benefits associated with implementing the new TCA accounting procedure in your municipality?
    - very low
    - somewhat low
    - somewhat high
    - very high

14. Which of the following best describes how the new TCA accounting policy has been implemented in your municipality?
    - with extreme ease
    - with some ease
    - with some difficulty
    - with great difficulty

Thank You!

Thank you very much for participating in this research survey.

If you have any comments or questions about this survey, or if you would like to receive a summary of the results, please feel free to contact me at Glenda.Ogilvie@schulich.uwo.ca.

Your time and input are very much appreciated.

Sincerely yours,

Glenda Ogilvie

APPENDIX O

Some Canadian Cities Face an Infrastructure Crisis

Five people died in Montreal when an overpass collapsed.
Some say Canada's growing infrastructure deficit in our cities is to blame.

REFERENCES

Accounting Standards Board (A_cSB) website: http://www.acsbcanada.org/.

Accounting Standards Oversight Council (A_cSOC) website: http://www.acsoc.ca/.

Association of Municipal Managers, Clerks and Treasurers of Ontario website: http://www.amcto.com.

Canadian Institute of Chartered Accountants, *Accounting for Infrastructure in the Public Sector*, Research Report, Toronto, 2002.

Canadian Institute of Chartered Accountants (CICA) website: http://www.cica.ca.

City of Hamilton, 2005 Life-Cycle State of the Infrastructure Report On Public Works Assets.

City of Winnipeg website: http://www.winnipeg.ca.

County of Middlesex website: http://www.county.middlesex.on.ca.

Cummings, John, Director of Financial Services/Treasurer, Municipality of Thames Centre, *Personal Interview*, May 2009.

Daigle, Chuck, Treasurer, Municipality of North Middlesex, *Personal Interview*, May 2009.

Dunn, William N., *Public Policy Analysis: An Introduction*, 4th edition, Pearson Prentice Hall: New Jersey, 2008.

Federation of Canadian Municipalities website: http://www.fcm.ca.

Gates, James, Treasurer, County of Middlesex, London, Ontario, *Personal Interview*, April 2009.

Gordon, Betty, Clerk-Treasurer, Village of Newbury, *Personal Interview*, May 2009.

Graham, Sherry, Treasurer, Municipality of Southwest Middlesex, *Personal Interview*, May 2009.

Hogwood, B.W. and L.A. Gunn, *Policy analysis for the real world*, Oxford University Press: Oxford, 1984.

International Accounting Standards Board website: http://www.iasb.org.

Mazmanian, Daniel A. and Paul A. Sabatier, *Effective Policy Implementation*, Lexington Books: Toronto, 1981.

McPherson, Jane, Director of Financial Services & Treasurer, Municipality of Strathroy-Caradoc, *Personal Interview*, May 2009.

Meier, Kenneth J., Jeffrey L. Brudney, and John Bohte, *Applied Statistics for Public & Nonprofit Administration*, 7th edition, Thomson Wadsworth: New York, 2009.

Ministry of the Attorney General Website: http://www.attorneygeneral.jus.gov.on.ca/english/about/pubs/walkerton/.

Ministry of Public Infrastructure Renewal, *Building a Better Tomorrow*, July 2004.

Mirza, Saeed, Professor of Civil Engineering, McGill University, "Canada's infrastructure deficit: a sad legacy for future generations," in *Municipal Leader, Winter 2009, pp. 32-33.*

Municipal Finance Officers' Association of Ontario website: http://www.mfoa.on.ca.

Municipality of Adelaide Metcalfe website: http://www.adelaidemetcalfe.on.ca.

Municipality of Lucan Biddulph website: http://www.lucanbiddulph.on.ca.

Municipality of Middlesex Centre website: http://www.middlesexcentre.on.ca.

Municipality of North Middlesex website: http://www.northmiddlesex.on.ca.

Municipality of Southwest Middlesex website: http://www.southwestmiddlesex.ca.

Municipality of Strathroy-Caradoc website: http://www.strathroy-caradoc.ca.

Municipality of Thames Centre website: http://www.thamescentre.on.ca.

O'Sullivan, Elizabethann, Gary R. Rassel, and Maureen Berner, *Research Methods for Public Administrators*, 5th edition, Pearson Longman: New York, 2008.

Ontario e-Laws website: http://www.e-laws.gov.on.ca/navigation?file=home&lang=en.

Ontario Municipal CAO's Benchmarking Initiative: http://www.ombi.ca/accounting.asp.

Nicholson, Frank, Director of Legislative Services & Government Relations, AMCTO, *Telephone Interview*, May 2009.

Pal, Leslie A., *Beyond Policy Analysis: Public Issue Management in Turbulent Times*, 3rd edition, Thomson Nelson: Toronto, 2006.

Public Sector Accounting Board, *Guide to Accounting for and Reporting Tangible Capital Assets: Guidance for Local Government Entities That Apply the Public Sector Handbook,* Ottawa, 2007.

Ruby, Jason, Senior Corporate Accountant, City of Winnipeg, *Telephone Interview*, April 2009.

Smith, Kate, Treasurer, Municipality of Lucan Biddulph, *Personal Interview*, May 2009.

Statistics Canada website: http://www.statcan.gc.ca.

Steves, Gord, President, Federation of Canadian Municipalities, "Infrastructure 'near collapse'" in *The Toronto Star*, November 20, 2007.

Urbshott, Fran, Administrator-Clerk-Treasurer, Municipality of Adelaide Metcalfe, *Personal Interview*, May 2009.

Village of Newbury website: http://www.newbury.ca.

Watterton, Greg, Treasurer/Deputy Clerk, Municipality of Middlesex Centre, *Personal Interview*, May 2009.

Wilson, Darryl, Chair, Public Sector Accounting Board, News Release, February 10, 2003.