



Corporation of the Municipality of Temagami

Memo No.
Memo 2024-M-191

Memorandum to Council

Subject:	Compliance and Oversight of CCBF (Gas Tax Funds)
Agenda Date:	November 14, 2024
Attachments:	

RECOMMENDATION

WHEREAS the Municipality of Temagami receives funding under the Canada Community-Building Fund (CCBF), formerly known as the Gas Tax Fund, for eligible infrastructure projects;

AND WHEREAS federal and provincial guidelines mandate proper tracking, segregation, and reporting of these funds;

BE IT RESOLVED, THAT Council accepts Memo 2024-M-191 as presented;

THEREFORE, BE IT RESOLVED, THAT:

1. A dedicated bank account for CCBF shall be established.
2. All revenues and expenditures related to the CCBF shall be processed exclusively through this account.
3. The Treasurer shall ensure that CCBF activity is incorporated into the fiscal audit process, ensuring readiness for selecting an auditor for the 2025-2029 audit cycle, as per Resolution #24-513.
4. The CAO/Treasurer shall propose updates to municipal financial policies and procedures to align with these practices and ensure compliance.

EXECUTIVE SUMMARY

This report evaluates the Municipality of Temagami's management of Canada Community-Building Fund (CCBF) allocations, formerly known as the Gas Tax Fund. The CCBF provides critical funding for municipal infrastructure projects and is subject to stringent reporting and usage requirements outlined in the Municipal Funding Agreement (MFA).

While Temagami complies with general accounting principles, identified gaps in fund segregation, transparency, and reporting practices have raised concerns. This report recommends measures to address these gaps, ensuring robust compliance, enhanced transparency, and effective management of funds in alignment with best practices observed across Ontario municipalities.

BACKGROUND

The CCBF supports municipal infrastructure through predictable, long-term funding. As outlined in the MFA, municipalities are required to:

- Use funds exclusively for eligible projects (MFA Section 5).
- Maintain accurate records and submit detailed annual reports (MFA Section 6).
- Carry forward and accurately report unspent funds for future eligible projects.

Non-compliance with these requirements may lead to funding delays, penalties, or clawbacks, emphasizing the importance of proper fund management and reporting.

FINDINGS

- **Current Practices in Temagami**

Gas Tax/CCBF funds are currently recorded in general accounts such as "Deferred Revenues" or "Obligatory Reserve Funds," without being segregated into a dedicated account. Financial statements lack detailed schedules or notes specifying fund inflows, outflows, and remaining balances.

- **Comparative Analysis**

Municipalities across Ontario, ranging from small single-tier townships to large upper-tier cities, have adopted dedicated accounts for Gas Tax/CCBF funds. This practice ensures compliance with MFA requirements, simplifies audits, and enhances transparency. Examples include:

- Small Single-Tier Municipalities: Township of Johnson, Township of Faraday, Township of Madoc, Township of Central Frontenac, Township of McKellar.
- Mid-Sized Single-Tier Municipalities: Town of Bracebridge, Town of Cobourg, Town of Collingwood, Town of Huntsville, Town of Grimsby.
- Large Single-Tier Municipalities: City of Belleville, City of Guelph, City of Kingston, City of London, City of Thunder Bay.
- Large Upper-Tier Municipalities: City of Hamilton, City of Ottawa, City of Toronto.

These examples demonstrate that segregating funds into dedicated accounts is a best practice for municipalities of all sizes, ensuring better tracking and compliance.

- **Benefits of Dedicated Accounts**

A dedicated bank account for Gas Tax/CCBF funds provides:

- Transparency: Clear visibility of fund inflows, outflows, and balances.
- Compliance: Simplified adherence to MFA requirements for fund management.
- Efficiency: Streamlined reporting and reduced administrative burden during audits.

RECOMMENDATIONS

To address current gaps and align with MFA requirements, the following actions are recommended:

- **Establish a Dedicated Bank Account**

Direct staff to open a dedicated account exclusively for Gas Tax/CCBF funds. All transactions should be processed through this account to ensure proper segregation and oversight.

- **Enhance Financial Reporting**

Incorporate a schedule or note into annual financial statements to detail:

- Inflows: Allocations received from federal and provincial governments.
- Outflows: Expenditures for eligible projects.
- Remaining Balances: Unspent funds carried forward for future projects.

- **Update Financial Policies**

Review and revise municipal policies, bylaws, and procedures to institutionalize best practices for managing Gas Tax/CCBF allocations. Updates shall address:

- Fund Segregation: Formal guidelines requiring the segregation of Gas Tax/CCBF funds in a dedicated bank account.
- Reporting Requirements: Detailed reporting obligations, including the preparation of an annual report certified by an external CPA auditor.
- Integration into Audits: Incorporation of Gas Tax/CCBF fund management into the municipality's fiscal audit framework.

CONCLUSION

Implementing these recommendations will align the Municipality of Temagami with MFA requirements and best practices observed across Ontario municipalities. This proactive approach will build public trust, simplify audits, and ensure the effective management of essential infrastructure funds.

Respectfully Submitted

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