

Agreement on the Transfer of Federal Gas Tax Revenues  
Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the period from September 19, 2005 to December 31, 2008



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## **AUDITORS' REPORT ON THE ANNUAL EXPENDITURE REPORT OF ELIGIBLE RECIPIENTS**

To the Presidents Committee

We have audited the receipts and disbursements as set out in the Annual Expenditure Report of Eligible Recipients in accordance with Section 7.2.1 of the Transfer of Federal Gas Tax Revenues Agreement dated September 19, 2005 and as amended on March 17, 2008 (collectively, the "Agreement"), among the Union of British Columbia Municipalities ("UBCM"), the Government of Canada ("Canada") and the Province of British Columbia (the "Province"), for the period from September 19, 2005 to December 31, 2008. The Annual Expenditure Report of Eligible Recipients is the responsibility of the management of UBCM. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the Annual Expenditure Report of Eligible Recipients to the Government of Canada and the Province of British Columbia for the period from September 19, 2005 to December 31, 2008, presents fairly, in all material respects, the receipts and disbursements of Eligible Recipients in accordance with Section 7.2.1 of the Agreement.

This report is intended solely for the information and internal use of UBCM, Canada and the Province, and is not intended to be and should not be used by anyone other than the specified parties or for any other purpose.

Chartered Accountants

Burnaby, Canada  
August 17, 2010

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

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For the period from September 19, 2005 to December 31, 2008

## Receipts and disbursements of Eligible Recipients (in thousands)

	From the date of signing, September 19, 2005 to December 31, 2008	
<b>Gas Tax Agreement</b>		
Opening Balance of Unspent Funds	\$	-
Received from UBCM		310,863
Investment Income		8,904
<b>Sub-Total (total available for spending)</b>		<b>319,767</b>
Spent on Eligible Projects (note 4)		197,044
Spent on Administration Costs		349
<b>Sub-Total (total spending)</b>		<b>197,393</b>
Closing Balance of Unspent Funds	\$	122,374

See accompanying notes to the Annual Expenditure Report of Eligible Recipients.

Approved by:



September 24, 2010

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## **Background:**

On September 19, 2005, the Union of British Columbia Municipalities (the "UBCM"), the Government of Canada ("Canada") and the the Province of British Columbia (the "Province") entered into an agreement under the New Deal for Cities and Communities on the Transfer of Federal Gas Tax Revenues (the "Agreement"). The Agreement is focused on achieving three environmental sustainability outcomes: reduced greenhouse gas emissions, cleaner water and cleaner air with reliable and predictable funding. The Agreement will result in contributions of \$635,599,000 (the "Gas Tax Fund") to B.C. local governments and other eligible recipients from 2005/2006 to 2009/2010 through three delivery mechanisms: a Community Works Fund, a Strategic Priorities Fund and an Innovations Fund.

The Gas Tax Fund provides funding for B.C. local governments and other eligible recipients for a variety of capital and planning projects. Eligible project categories include:

- a) Public transit,
- b) Community energy systems,
- c) Solid waste management,
- d) Water and wastewater; and
- e) Capacity building / Integrated Community Sustainability Planning.

On March 17, 2008, the Agreement was amended to provide additional contributions of \$1,002,788,000 from 2010/2011 to 2013/2014.

UBCM administers the funding under each of these programs and is responsible for reporting to Canada and the Province on the use of funding and outcomes achieved.

## **1. Basis of presentation:**

The Annual Expenditure Report of Eligible Recipients (the "Report") sets out the receipts and disbursements of the Eligible Recipients as required by Section 7.2.1 of the Agreement. The Report has been prepared in accordance with the Agreement and Canadian generally accepted accounting principles.

The following terms have been defined in the Agreement.

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## 2. Eligible costs:

### a) Project costs:

Eligible Costs are all direct costs that are incurred, and paid by an Eligible Recipient under a contract for goods and services necessary for the implementation of an Eligible Project. Eligible Costs may include only the following:

- i) the capital costs of acquiring, constructing or renovating a tangible capital asset and any debt financing charges related thereto;
- ii) the fees paid to professionals, technical personnel, consultants and contractors specifically engaged to undertake the surveying, design, engineering, manufacturing or construction of a project infrastructure asset, and related facilities and structures;
- iii) the costs of environmental assessments, monitoring and follow-up programs, as required by the Canadian Environmental Assessment Act or a provincial equivalent; and
- iv) the costs related to strengthening the ability of Local Governments to develop Integrated Community Sustainability Planning.

### b) Employee and equipment costs:

The incremental costs of the Local Government's employees or equipment may be included in its Eligible Costs under the following conditions:

- i) the Local Government has determined that it is not economically feasible to tender a contract;
- ii) employees or equipment are employed directly in respect of the work that would have been the subject of the contract; and
- iii) the arrangement is approved in advance and in writing by the Management Committee.

### c) Administration costs:

The portion of Gas Tax Funds representing interest earned may be used to pay for administration costs.

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### 3. Ineligible costs:

Costs related to the following items are ineligible costs:

- a) Eligible project costs incurred before April 1, 2005;
- b) services or works that, in the opinion of the Management Committee are normally provided by the Eligible Recipient or a related party;
- c) salaries and other employment benefits of any employees of the Eligible Recipient, except as those defined under project costs in note 2(a);
- d) an Eligible Recipient's overhead costs, its direct or indirect operating or administrative costs, and, more specifically, its costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its applicant's staff;
- e) costs of feasibility and planning studies for individual eligible projects;
- f) taxes for which the Eligible Recipient is eligible for a tax rebate and all other costs eligible for rebates;
- g) costs of land or any interest therein, and related costs;
- h) cost of leasing of equipment by the Local Government, except those defined under project costs in note 2(a);
- i) routine repair and maintenance costs;
- j) legal fees;
- k) administrative costs incurred as a result of implementing this Agreement, except those defined as administration costs in note 2(c); and
- l) audit and evaluation costs.

### 4. Spent on Eligible Projects:

Included in the Spent on Eligible Projects of \$197,044,000 is \$4,970,000 of disbursements made by Eligible Recipients in excess of the Gas Tax Funds received by them as at December 31, 2008. These disbursements are expected to be funded through future Gas Tax Funding receipts.