

Agreement on the Transfer of Funds for Public Transit 2006 - 2010
Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

UNION OF BRITISH COLUMBIA MUNICIPALITIES

For the period from March 31, 2006 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 Schedule D (1.1.2) of the Agreement on the Transfer of Funds for Public Transit dated March 31, 2006 and as amended on March 31, 2010 (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 March 31, 2006 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 March 31, 2006 to December 31, 2008, presents fairly, in all material respects, the receipts and disbursements of Eligible Recipients in accordance with Schedule D (1.1.2) 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

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the period from March 31, 2006 to December 31, 2008

Receipts and disbursements of Eligible Recipients (in thousands)

	From the date of signing, March 31, 2006 to December 31, 2008
Public Transit Agreement	
Opening Balance of Unspent Funds	\$ -
Received from UBCM	50,292
Investment Income	714
Sub-Total (total available for spending)	51,006
Spent on Eligible Projects	44,136
Spent on Administration Costs	21
Sub-Total (total spending)	44,157
Closing Balance of Unspent Funds	\$ 6,849

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

Approved by:



September 24, 2010

UNION OF BRITISH COLUMBIA MUNICIPALITIES

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For the period from March 31, 2006 to December 31, 2008

Background:

On March 31, 2006, the Union of British Columbia Municipalities (the "UBCM"), Government of Canada ("Canada") and the Province of British Columbia (the "Province") entered into the Transfer of Funds for Public Transit Agreement (the "Agreement"). The Agreement is focused on achieving environmental sustainability through public transit investment. The Agreement will result in contributions of \$52,543,010 (the "Public Transit Fund") to B.C. local governments and other eligible recipients from 2006 to 2010. On March 31, 2010, Canada amended the Agreement to extend until no later than March 31, 2011.

The Public Transit Fund provides funding for B.C. local governments and other eligible recipients for public transit infrastructure projects.

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 Schedule D (1.1.2) 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:

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; and
- iii) the costs of environmental assessments, monitoring and follow-up programs, as required by the Canadian Environmental Assessment Act or a provincial equivalent.

b) Administration costs:

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

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For the period from March 31, 2006 to December 31, 2008

3. Ineligible costs:

Costs related to the following items are ineligible costs:

- a) Eligible project costs incurred before May 18, 2005 or after March 31, 2010;
- b) services or works that are normally provided by the Eligible Recipient or a related party;
- c) salaries and other employment benefits of any employees of the Eligible Recipient;
- 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 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) costs of leasing of equipment by the Eligible Recipient;
- 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(b); and
- l) audit and evaluation costs.