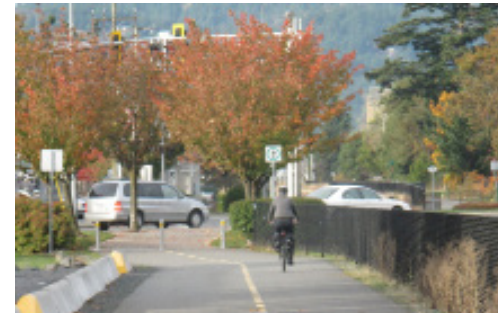


# Annual Expenditure Report

## GAS TAX AGREEMENT IN B.C.



# 2012

This Annual expenditure and Audit Report for the Period January 1, 2012 to December 31, 2012 is made pursuant to the Canada – British Columbia – UBCM Agreement on the Transfer of Federal Gas Tax Revenue (Gas Tax Agreement) and the Agreement on the Transfer of Public Transit Funds (Public Transit Agreement).

Photo credits: TransLink, City of Abbotsford, City of Burnaby, Cariboo Regional District, Cowichan Valley Regional District, City of Enderby, City of Kelowna, Village of Montrose, Town of View Royal, Summerland Review and District of Mission.

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# EXECUTIVE SUMMARY

The 2012 reporting year was highlighted by a number of key milestones for the Gas Tax Fund. By year end, nearly 2,000 infrastructure and capacity building projects were complete or underway in British Columbia, drawing on cumulative transfers of over \$1 billion to local governments and other eligible recipients since 2005. Local governments and other eligible recipients have invested over \$646 million of this federal transfer into sustainable infrastructure and capacity building projects throughout British Columbia since 2005.

These investments continue to fund local government infrastructure needs while leading to environmentally sustainable outcomes of cleaner



air, cleaner water and reduced greenhouse gas emissions. In 2012 alone, over 569 projects across British Columbia benefitted from Gas Tax funding and of those, 361 were new construction.

In order to maintain transparency, accountability and visibility for the Gas Tax Fund, UBCM continues to work with federal, provincial and local government representatives to communicate the benefits of the program through media events and news releases. From the inception of the program until year end 2012, 130 media events or news releases have highlighted projects across every region in the Province.

**361** New Gas Tax funded projects in 2012  
**569** Total Active Gas Tax funded projects in 2012  
**1,949** Cumulative Gas Tax funded projects since 2005  
**\$646** million invested since 2005

# GAS TAX FUND OVERVIEW

The Gas Tax Fund provides funding to B.C. local governments and other eligible recipients for a number of infrastructure and capacity building projects.

Eligible project categories include:

- Public Transit
- Local Roads, Bridges and Tunnels
- Active Transportation Infrastructure
- Community Energy
- Solid Waste
- Water/Wastewater
- Capacity Building/Integrated Community Sustainability Planning



The Gas Tax Fund in British Columbia categorizes local governments into a system of tiers (Table 1) based on characteristics such as population density, degree of urbanization, and the need for intra-regional infrastructure. The funding is delivered through a number of unique funding programs (Table 2), which include Community Works Fund (CWF), Innovations Fund (IF), General Strategic Priorities Fund (GSPF), Tier 2 Regionally Significant Projects Fund (RSP), and Tier 3 Strategic Priorities Fund (Tier 3 SPF).

**Table 1: Tier System**

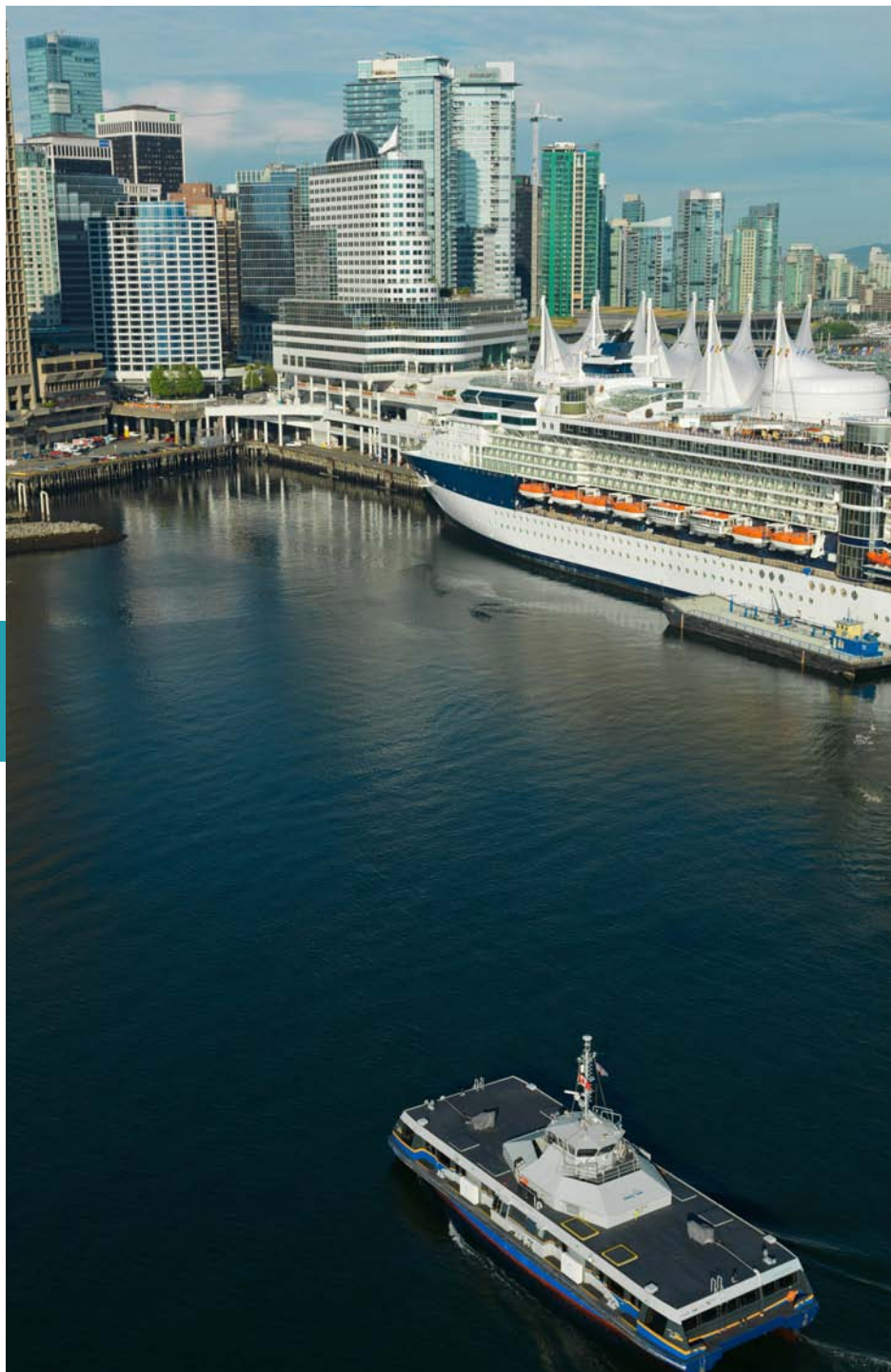
Community Tier	Jurisdiction
Tier 1	All areas of B.C. except Stikine and those areas in Tier 2 and 3
Tier 2	Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish-Lillooet Regional District and their municipalities
Tier 3	Greater Vancouver Regional District and its member municipalities



Table 2: Gas Tax Funding Streams

Funding Stream	Community Works	Innovations	Strategic Priorities Fund		
Streams	Community Works Fund (CWF)	Innovations Fund (IF)	General Strategic Priorities Fund (GSPF)	Regionally Significant Projects Fund (RSP)	Tier 3 Strategic Priorities Fund (SPF)
Purpose or Objectives	Supports the achievement of local priorities through an allocation based on population and a funding floor	Provides funding for projects which reflect an innovative approach to achieving the Gas Tax program outcomes	Provides funding for strategic investments that are larger in scale or regional in impact		
Tier	Available for Tiers 1 and 2	Available for Tiers 1,2,3	Available for Tiers 1 and 2	Available for Tier 2	Available for Tier 3





## FUNDING PROFILE: TRANSLINK AND METRO VANCOUVER

### Translink: Staying on Track

Effective and efficient transportation systems are necessary for the economy and communities to function. Providing access to services and jobs facilitates economic growth and promotes a healthier environment and improved quality of life.

Metro Vancouver's transportation network of roads, bridges, buses and trains run by the South Coast British Columbia Transportation Authority (TransLink), benefits the region as a whole. It helps people and businesses move goods to where they are needed. People rely on

the network to get to work and school, and to connect with friends and family by walking, cycling, driving or taking transit.

TransLink serves the largest metropolitan population in B.C. Since 2002, it increased the capacity of its transit services across the region by 45 percent, and moves nearly 80 per cent more transit customers. In 2012, TransLink provided more than 239 million moves on its transit network. Over 50 percent of people in this region use transit in a typical month, reflecting the broad reach and quality of TransLink's services.



Since 2005, the Gas Tax Fund has provided \$554 million to replace 746 vehicles, refurbish 114 SkyTrain vehicles and acquire 324 vehicles including fuel-efficient hybrid and CNG buses to expand service. The Fund has also made possible improvements to the Hamilton Transit Centre and SkyTrain Operations and Maintenance Centre and supported the rehabilitation of TransLink's vehicle fleet giving customers one of the newest, fully accessible and environmentally friendly bus fleets in North America.

The Gas Tax Fund also enabled the replacement of two aging SeaBus ferries, the second of which is scheduled for delivery in 2015. The Fund allowed TransLink and the region to leverage \$306 million in investments to secure \$860 million in assets, which in turn helped TransLink to expand service by more than 28 percent from 2005 to 2012.

Over the remaining years of the program, TransLink plans to leverage \$56 million of its budget to acquire an additional \$300 million in fleet replacement assets, including conventional buses, Community Shuttles, and HandyDART buses. This investment created jobs, improved commute times and productivity, reduced road congestion, and helped reduce greenhouse gases. The Gas Tax Fund represents the largest federal funding program yet available to TransLink.





# 2012 PROJECT HIGHLIGHTS

The Gas Tax Fund supports infrastructure projects leading towards cleaner air, cleaner water or reduced greenhouse gas emissions. The impact of the program, though, is far greater than these stated program outcomes. Gas Tax funded projects also enhance public safety, support economic development and improve accessibility, mobility and community health. Our 2012 project highlights are selected to convey the full value the Gas Tax Fund is providing to B.C. communities



## Road Improvements

The District of Summerland used Gas Tax funding to construct a roundabout at one of the busiest intersections in the community. Not only will the project cut GHG emissions by reducing idling and improving traffic flow, the addition of new sidewalks, crosswalks and bike lanes will improve pedestrian safety, particularly for children attending nearby schools.



## Road Improvements

Gellatly Bay is one of the Okanagan's treasured destinations, valued for its natural beauty and recreational attributes. Due to the corridor's importance for tourism and economic development, improving the bayside road by adding parallel cycling lanes and a lakeshore trail has been a top priority of the District of West Kelowna. The Gas Tax Fund supported the construction of an upgraded road surface, walking trails, cycling lanes and transit stations.

## Active Transportation

The second phase of City of Kelowna's Rails with Trails project completed a vital section in a planned 19.5 km continuous loop of the urban core. This off-road multi-use pathway links residential neighbourhoods with commercial centres, parks, schools and transit facilities.

One of the greatest benefits of the project is that it will provide a safe route that allows commuters to avoid some of the busiest intersections in Kelowna. The added feeling of safety from being on a separated pathway away from traffic can make active modes of travel a more attractive commuting option for beginner cyclists.





## Alternative Energy Systems

The City of Enderby has used Gas Tax funding to construct a bio-energy heating system to service two of its municipal buildings. By utilizing wood waste that until recently was disposed of in a landfill or burned without capturing the heat, the City is expected to reduce its greenhouse gas emissions by 250 tonnes per year. The project utilizes Canadian engineered technology built in Enderby.



## Alternative Energy Systems

The City of Burnaby is using the sun's energy for heating pool and domestic water at the Bonsor Recreation Complex. The system is expected to reduce natural gas consumption by 1260 GJs, and eliminate 62 million tonnes of GHG emissions annually.

The solar heating system, which was 100% funded through the Gas Tax Fund, incorporates 780 square metres of plastic solar panels. The pool water is pumped through the solar panels and the heat is transferred to the water.



## Stormwater Systems

The Town of View Royal has taken a comprehensive approach to upgrading the Island Highway through its community. Along with road surface upgrades, bike lanes and improved transit facilities, the project will dramatically improve the quality of storm water discharged into Portage Inlet and Esquimalt Harbour. Water collected from the road surface will be treated in a combination of newly constructed wetlands, bioswales and rain gardens to remove pollutants such as heavy metals and oil.



## Wastewater Treatment

The JAMES Wastewater Treatment Plant provides primary and secondary treatment to the sewerage areas of Abbotsford, Mission and Sumas, WA. The Gas Tax Fund is contributing to upgrades that will improve the quality of the treated effluent discharged by the plant into the Fraser River, and will increase the facility's capacity to accommodate future growth. The first phase of construction saw the addition of new tanks and pump stations. These improvements will help the JAMES Plant to continue to exceed the acceptable standards for wastewater treatment.

## Protecting Infrastructure Through Flood Management

The Cowichan Valley Regional District is using Gas Tax funds to construct new back dikes, diversion channels, a pump station and a cut-off dike as part of a comprehensive plan to reduce the risk of flooding in the region. These improvements will protect a wastewater treatment plant, the sanitary collection system, two City of Duncan water wells, three main arterial roads, and other critical infrastructure in the region. To enhance the value of these flood protection improvements, pathways have been added to the tops of the dikes to link to an extensive system of trails.



## Solid Waste Management

Cariboo Regional District is improving its practices for managing solid waste by constructing compaction facilities at refuse transfer stations across the region. Compaction of solid waste makes it possible to transport greater amounts of material, reducing the number of trips. The addition of compaction to the Lac La Hache facility through Gas Tax funding has reduced fuel consumption for transport by 13,000 litres annually. The savings have allowed the Cariboo Regional District to provide new recycling services, further reducing its greenhouse gas emissions by diverting more waste from the landfill.



## Economic Development Through Better Planning

In the fall of 2012, the District of Mission undertook an integrated planning initiative for its downtown, the result of which is the Mission City Downtown Action Plan. This plan, made possible through Gas Tax funding, set out development policies and capital investment priorities to improve public spaces in the downtown. The plan also provides practical tools and incentive opportunities intended to support existing businesses and attract future downtown investment. The project has provided greater certainty for local residents, the development community and the District as they build towards the future.



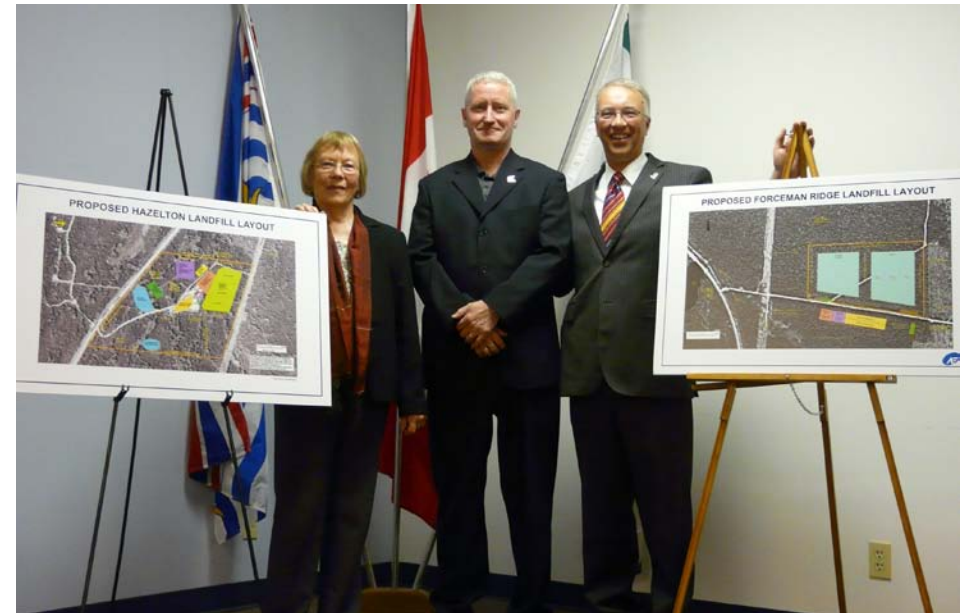


# COMMUNICATIONS

In order to support the transparency and accountability of the Gas Tax Fund, all parties to the agreement work with recipients to communicate funding and project information to B.C.'s citizens.

In keeping with its role as program administrator, UBCM coordinates joint communications activities with local governments, the Province of B.C. and Canada.

The end of the 2012 reporting period saw the 130th joint communication for the Gas Tax Fund in B.C. Communications activities have been held in every region of the province, in communities from the





smallest to the largest, and have highlighted investments in all of the major project categories eligible through the Gas Tax Fund.

Starting in 2012, UBCM and local governments also began to use social media tools to increase the visibility of investments through the Gas Tax Fund. UBCM also worked with federal counterparts to introduce new federal standards for temporary project signage.



# GAS TAX PROGRAM HIGHLIGHTS

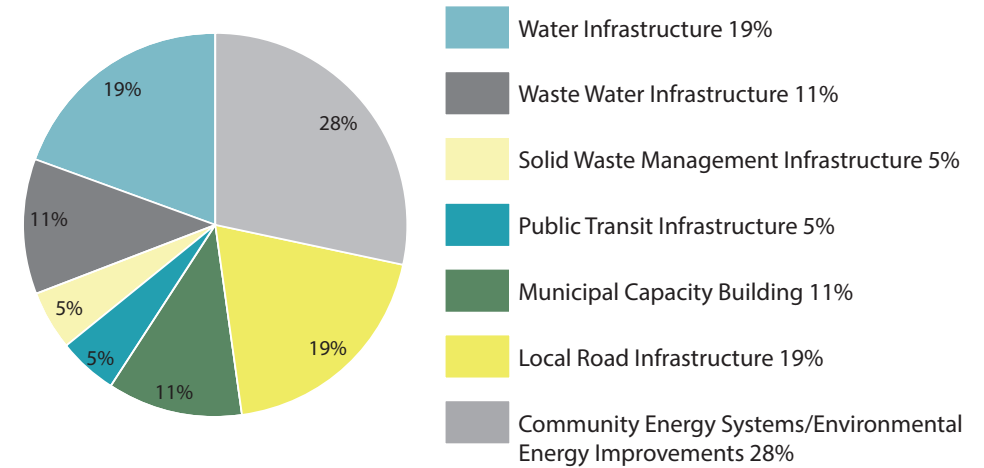
## Projects Funded

The 2012 reporting year saw local governments investing in over 569 Gas Tax projects totaling over \$92 million. Of those, over 361 were new infrastructure and capacity building projects. This represents a slight increase in both projects reported and local government spending from the 2011 report.

2012 brings the cumulative project totals to 1,949, nearing the 2,000 project milestone.

Cumulative project spending by recipients as of 2012 passed over \$646 million mark.

**Table 3: New Gas Tax Funded Projects by Category 2012**

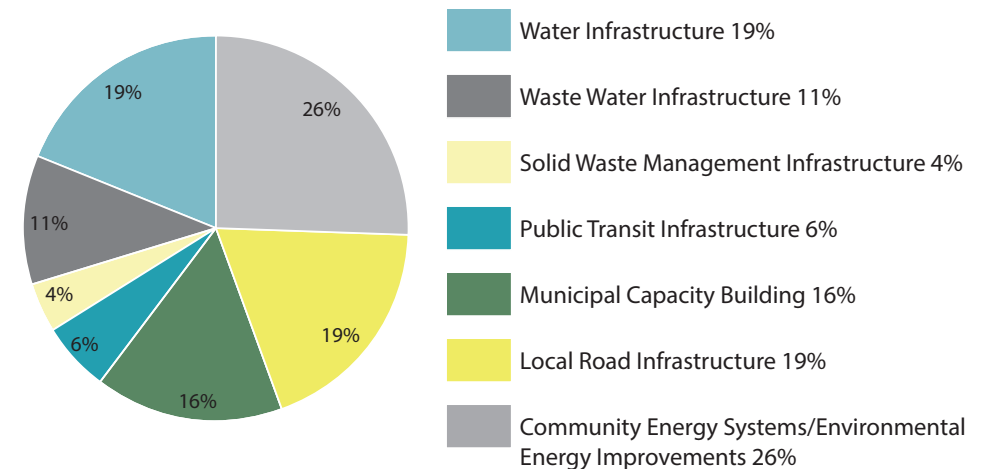


## Gas Tax Reporting by Project Category

In 2012, project reporting by category saw a slight increase in Community Energy and Water infrastructure projects and a decrease Local Road/Active Transportation and Capacity Building projects.

As in prior years, the majority of projects reported were in the Community Energy category, consisting of nearly 30% of all new projects reported in 2012. The following charts show the breakdown of Gas Tax project reporting by category for 2012 (Table 3), and the cumulative breakdown of projects reported by investment category since 2005 (Table 4).

**Table 4: Cumulative Gas Tax Funded Projects by Category**





## Pooled Funding

### General Strategic Priorities Fund and Innovations Fund

The General Strategic Priorities Fund (GSPF) and Innovations Fund (IF) are application-based programs that support environmental sustainable projects. Funding is specifically targeted in the GSPF program towards strategic investments that are larger in scale or regional in impact, while the IF program funds projects that reflect an innovative technology or approach.

2012 saw a second intake for the 2010-2014 GSPF and IF. The intake ran from February to April 2012 and saw approximately 215 applications submitted totaling over \$400 million in requested funding for sustainable infrastructure and capacity building projects.



In January 2013, the Gas Tax Management Committee approved a total of 53 projects totaling over \$53 million in GSPF and IF grants to local governments.

### The Regionally Significant Projects Fund (RSP)

The RSP program supports regionally specific environmentally sustainable projects that are larger in scale or regional in impact. The RSP fund is available for each of the Tier 2 regions.

In 2012, 24 projects totaling over \$13.36 million were approved under the RSP program. These projects, which ranged from linking regional trail networks to improving regional wastewater facilities, saw Gas Tax RSP funding committed in five of the Tier 2 regions in 2012.





### Tier 3 Strategic Priorities Fund

Tier 3 Strategic Priorities Fund provides funding for strategic investments that are larger in scale or regional in impact in the Metro Vancouver region. Since 2005, the Tier 3 Strategic Priorities Fund has been pooled and made available for transportation investments with TransLink.

In 2012, TransLink reported over \$26.7 million in spending on public transit infrastructure reaching a cumulative total of \$295 million. This represents over 46% of all Gas Tax spending since 2005.

The TransLink projects which received Gas Tax funding in 2012 included:

- Expo Line Propulsion Power Upgrade;
- HandyDART Vehicle Replacements;
- 2nd Seabus Replacement;
- Conventional Bus Replacements;
- Hamilton Transit Centre;
- Smart Cards Bus Equipment; and
- Community Shuttle Replacements.

## Transfers and Spending

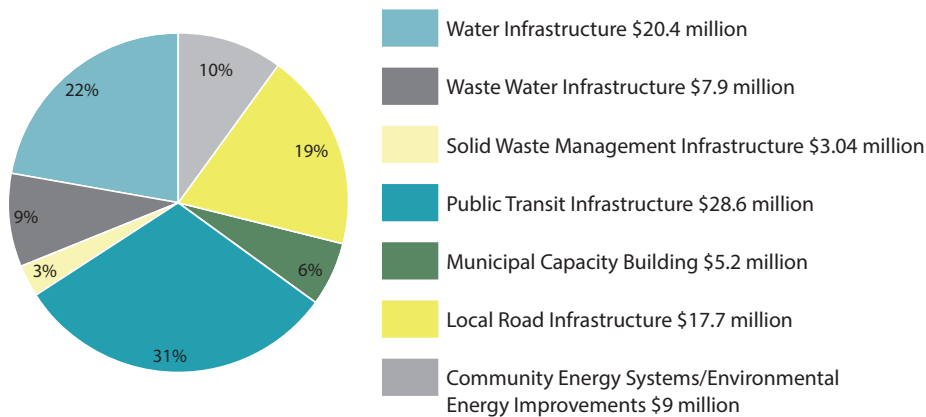
In 2012, UBCM transferred over \$91.8 million in Gas Tax funding to local governments and other eligible recipients, making the cumulative total to \$1.08 billion.

Local governments and other eligible recipients reported \$92 million in spending in 2012 and \$646 million to date. This year saw a spending increase of 9.7% by local governments compared to 2011.

Table 5 shows Gas Tax spending by category for 2012.

UBCM distributed \$91.8 million of Gas Tax Funds in 2012, with a cumulative total disbursement of \$1.08 billion.

Table 5: Total Spending in 2012 by Project Category



## FINANCIAL AND COMPLIANCE REPORTING

Table 6 sets out receipts and disbursements of the Gas Tax Funds for the 2012 reporting period. The table also provides cumulative data for UBCM and recipients in the aggregate.

From January to December 2012, UBCM received \$250,697,000 federal Gas Tax Funds, making a cumulative total of \$1.387 billion.



**Table 6: Schedule of Receipts and Disbursements**

UBCM		
GAS TAX AGREEMENT		
	January 1, 2012 to December 31, 2012	Cumulative Date of Signing to December 2012
Opening Balance of Unspent Funding	152,541,174.19	0.00
Received from Canada	250,697,000	1,387,690,000
Interest and Other Investment Income	2,124,423.35	12,665,562.60
<b>Sub-Total (Available for Spending)</b>	<b>405,362,597.54</b>	<b>1,400,355,562.60</b>
Transferred to Eligible Recipients	91,842,769.47	1,083,635,073.87
Spent on Administration Costs	849,839.02	4,050,499.67
<b>Sub-Total (Total Spending)</b>	<b>92,692,608.49</b>	<b>1,087,685,573.55</b>
<b>Closing Balance of Unspent Funds</b>	<b>312,669,989.05</b>	<b>312,669,989.05</b>

ELIGIBLE RECIPIENTS IN AGGREGATE		
GAS TAX AGREEMENT		
	January 1, 2012 to December 31, 2012	Cumulative Date of Signing to December 31, 2012
Opening Balance of Unspent Funding	454,371,211.17 <sup>1</sup>	0.00
Received from UBCM	91,842,769.47	1,083,635,073.87
Interest and other Investment Income	6,658,583.55	25,095,951.97
<b>Sub-Total (Total Available for Spending)</b>	<b>552,872,564.19</b>	<b>1,108,731,025.84</b>
Spent on Eligible Projects	92,105,767.26	646,880,030.62
Spent on Administration Costs	296,112.31	1,380,310.54
<b>Sub-Total (Total Spending)</b>	<b>92,401,879.57</b>	<b>648,260,341.16</b>
Closing Balance of Unspent Funding	460,470,684.62	460,470,684.68

# RECIPIENT COMPLIANCE AND REPORTING

There are four major elements for the recipient accountability framework:

1. Recipients file an Annual Report to indicate the funds they received, how the funds were used and details of the eligible projects funded;
2. Financial Officers certify that to the best of their knowledge, the Annual Report is complete and accurate and that the recipient has complied with all material provisions of the funding agreement;
3. UBCM undertakes an annual audit of Gas Tax recipient reports;

4. The province annually reports to UBCM on relevant financial data included in the recipient's audited financial statements to indicate
  - a. Whether the financial statement included a qualified audit opinion in relation to Gas Tax funds;
  - b. Whether the recipient complied with rules of the Public Sector Accounting Board; and
  - c. The amount of capital spending by recipients from their own sources.

UBCM relies on this accountability framework in relation to its responsibility to enforce the terms and conditions of funding agreements, and as such, withholds further payments to recipients that fail to file an Annual Report or the required certifications.

## Annual Reports and Financial Officer Certifications

There were 167 recipients that were required to file an Annual Expenditure Report for the 2012 reporting year. As of September 13, 2013, all but one have fulfilled their requirement, and all but two recipients have submitted their financial statement to the province.

## Capital Investment Plans

An annual five-year financial plan is statutorily required for all local governments in British Columbia. These plans are the equivalent of the Capital Investment Plans required under the Gas Tax Agreement.

## Incrementality

The Gas Tax Agreement requires that recipients ensure that the Gas Tax funding received has resulted in net incremental capital spending. The determination of incrementality compliance is achieved by comparing the cumulative spending of recipients (local governments collectively, TransLink, and B.C. Transit) over a five-year period to thresholds that were established based on historic spending levels.

B.C. recipients achieved this five-year incremental spending requirement in just four years.



## UBCM COMPLIANCE, REPORTING AND ADMINISTRATION

The Gas Tax Agreement requires an audit of UBCM financial information and compliance with the Agreement. The unqualified audit opinion on UBCM's schedule of Receipts and Disbursements under the Gas Tax Agreement, and UBCM's compliance with the evaluation criteria can be found as an appendix to this report. UBCM's annual reporting requirement is fulfilled through the preparation of an Annual Expenditure Report by September 30 each fiscal year.

UBCM delivered funding through Community Works Funding, Regionally Significant Project Funding, General Strategic Priorities Funding, and Innovations Funding in 2012. Also in 2012, the Gas Tax Management

## LOOKING AHEAD

2013 will be a significant year for the Gas Tax Fund as it reaches the final year of the 2010-2014 program extension period. General Strategic Priorities Fund, Innovations Fund, Regionally Significant Projects Fund and Tier 3 Strategic Priorities Fund programs will have fully committed all of the funding for the 2010-2014 extension period and the final Community Works Fund payments will be delivered to local governments.

UBCM will continue working with federal and provincial Gas Tax partners towards developing a renewed Gas Tax Fund, which will take effect in 2014. The federal 2013 budget has indicated that the new fund will see an expansion in eligible project categories, a 10-year commitment, and a

Committee met three times and approved 24 Regionally Significant Projects Funded projects, two scope change requests and an own force labour and equipment request.

A second intake for the General Strategic Priorities Fund and Innovations Fund program occurred in 2012, which saw 53 projects approved for funding totaling approximately \$53 million.

Gas Tax Funds (both principal and interest) may be used by UBCM in respect to administering the delivery of the Funds. Administration costs include staff salaries; travel and meeting expenses; office, overhead and other operating costs; and professional and consulting services such as audits. The administration expenditures in 2012 were \$849,839 or 0.33 percent of funds received during the year. All administration costs to date have been recovered through interest.

new agreement by early 2014. The renewed Gas Tax Fund will continue to see dedicated long-term funding for local government infrastructure for healthy, green, livable communities which will encourage economic growth and job creation throughout the province.

Communications opportunities will continue to showcase Gas Tax investments throughout 2013 with more projects being highlighted than ever before.

UBCM will also be preparing for a second Outcome Report in the next year which will highlight the impact the last few years of infrastructure investments has had in the province and how these projects have resulted in measurable improvements to the air quality, water quality and a reduction in greenhouse gas emissions.

## APPENDIX A: FOOTNOTES

Table 7 reconciles the Eligible Recipient Aggregated Closing Balance of Unspent Funding as at December 2011, as reported in the Schedule of Receipts and Disbursements.

**Table 7: Reconciliation of Eligible Recipient Aggregated Closing Balance as at December 2011**

Closing Balance of Unspent Funding December 31, 2011, as previously reported:	\$454,590,853.01
Plus: Additional interest reported for prior period	\$2,423.58
Less: Addition of administration costs reported in prior period	(\$279.01)
Less: Restatement of Gas Tax spending on projects from prior period (2011)	\$134,061.04
Less: Adjustment from prior period (2006-2010)	\$88,281.12
Closing Balance of Unspent Funding December 31, 2011, as restated	\$454,371,211.17



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

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

For the year ended December 31, 2012



**KPMG LLP**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the accompanying schedule of receipts and disbursements as set out in the Annual Expenditure Report – Receipts and Disbursements of the Union of British Columbia Municipalities for the year ended December 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information (together “the Annual Expenditure Report”). The Annual Expenditure Report has been prepared by management in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

### *Management's Responsibility for the Annual Expenditure Report*

Management is responsible for the preparation of the Annual Expenditure Report in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Annual Expenditure Report in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Annual Expenditure Report that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this Annual Expenditure Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Expenditure Report is free from material misstatement.





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Expenditure Report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Annual Expenditure Report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Annual Expenditure Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Expenditure Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Annual Expenditure Report of the Union of British Columbia Municipalities for the year ended December 31, 2012 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

#### *Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the Annual Expenditure Report, which describes the basis of accounting. The Annual Expenditure Report is prepared to meet the requirements of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia. As a result, the Annual Expenditure Report may not be suitable for another purpose. Our report is intended solely for the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia and should not be used by parties other than the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Accountants

September 27, 2013

Vancouver, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements

For the year ended December 31, 2012

## Receipts and Disbursements (in thousands)

	Cumulative September 19, 2005 to December 31, 2011	For the period January 1, 2012 to December 31, 2012	Cumulative September 19, 2005 to December 31, 2012
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 152,541	\$ -
Received from Canada	1,136,993	250,697	1,387,690
Investment Income	10,542	2,124	12,666
Sub-Total (total available for spending)	1,147,535	405,362	1,400,356
Transferred to Eligible Recipients	991,793	91,843	1,083,636
Spent on Administration Costs	3,201	850	4,051
Sub-Total (total spending)	994,994	92,693	1,087,687
Closing Balance of Unspent Funds	\$ 152,541	\$ 312,669	\$ 312,669

See accompanying notes to the Annual Expenditure Report – Receipts and Disbursements.



# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements

For the year ended December 31, 2012

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### **Background:**

On September 19, 2005, the Union of British Columbia Municipalities (the “UBCM”), the Government of Canada (“Canada”) and 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 British Columbia 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 2011/2012 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 - Receipts and Disbursements of the UBCM (the “Annual Expenditure Report”) has been prepared in accordance with the financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province.

Significant interpretations of the financial reporting provisions of Section 1.5 of the Agreement between the UBCM, Canada and the Province include:

- (a) The financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province require the Annual Expenditure Report to be prepared in a manner consistent with generally accepted accounting principles (GAAP). The UBCM has interpreted GAAP to be the recognition and measurement principles of Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by GAAP for a complete set of financial statements.

Compliance with the Evaluation Criteria with Respect to the  
Agreement on the Transfer of Federal Gas Tax Revenues

## **UNION OF BRITISH COLUMBIA MUNICIPALITIES**

As at December 31, 2012





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## **AUDITORS' REPORT ON COMPLIANCE WITH EVALUATION CRITERIA**

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the Union of British Columbia Municipalities' ("UBCM") compliance as at December 31, 2012 with the evaluation criteria ("evaluation criteria"), as attached, for the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 (the "Agreement") among the Government of Canada ("Canada"), the Province of British Columbia (the "Province") and UBCM. The evaluation criteria have been developed based upon consideration of the relevant provisions of the Agreement as interpreted by the management of UBCM. Compliance with the evaluation criteria and the completeness and accuracy of UBCM's interpretations, as attached, are the responsibility of UBCM. The suitability of the evaluation criteria is the responsibility of UBCM. Our responsibility is to express an opinion, based on our audit, regarding UBCM's compliance with the evaluation criteria. Our audit does not constitute a legal determination on UBCM's compliance with the terms and conditions of the Agreement.

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 UBCM complied with the evaluation criteria. Such an audit includes examining, on a test basis, evidence supporting UBCM's compliance with the evaluation criteria, performing such other procedures as we considered necessary in the circumstances, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, UBCM has complied as at December 31, 2012, in all material respects, with the evaluation criteria.

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  
September 27, 2013  
Vancouver, Canada

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
3.3.2 (iii)	UBCM will build on these past actions by playing a leadership role on behalf of its members in the implementation of this Agreement. The UBCM agrees that it will enforce all terms and conditions of the Funding Agreement in a diligent and timely manner, and seek remedies from non-compliant Eligible Recipients.	<p>“Enforcement of all terms and conditions” of the Funding Agreement refers to management’s commitment to obtain:</p> <p>(a) an approved Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement, and</p> <p>(b) a declaration, from an officer responsible for financial administration at the designated recipient, of the amounts received and disbursed by the designated recipient and that the amounts were used in accordance with the Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement.</p> <p>To “seek remedies from non-compliant Eligible Recipients” means employing remedies available to UBCM management under the Gas Tax Agreement, including withholding an installment of Community Works Funds or a payment for a project under the Strategic Priorities Fund or Innovations Fund until the non-compliance has been remedied.</p>	<p>Approved agreements exist for any funds disbursed by UBCM to designated recipients under a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement and such agreements include at a minimum, Schedule C of the Gas Tax Agreement.</p> <p>Management has received a declaration for the period ended December 31, 2012 from an officer responsible for financial administration at each designated recipient, of the amount received and disbursed by each recipient that includes a declaration that the funds were used in accordance with a Community Works Fund Agreement, Strategic Priorities Fund Agreement, or Innovations Fund Agreement prior to disbursing any funds to Eligible Recipients for the next reporting period.</p> <p>Approved agreements include Schedule C of the Gas Tax Agreement that includes a statement that in the event of default, UBCM may reduce, suspend, or terminate any further payment.</p>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

Section	Agreement Content	Management’s Interpretation	Evaluation Criteria for Audit Purposes										
6.3	<p>A Community Works Fund will be established to support the achievement of local priorities that are in alignment with the desired outcomes of greenhouse gas emission reduction, cleaner air and cleaner water. The Fund has two elements: an allocation based on population and a funding floor.</p> <p>(a) The Community Works Fund will disburse funding directly to Local Governments based on a percentage of the per capita allocation, as set out in Table 1, for local spending priorities.</p> <p>(b) In order to receive Funds, Local Governments must first sign a Community Works Fund agreement with the UBCM containing, at a minimum, the elements in Schedule C.</p> <p>(c) A funding “floor” will ensure a reasonable base allocation of funds for Local Governments who receive funding directly under the Community Works Fund. Local Governments will receive:</p> <table><tr><td>2005/2006</td><td>\$25,000</td></tr><tr><td>2006/2007</td><td>\$25,000</td></tr><tr><td>2007/2008</td><td>\$31,583</td></tr><tr><td>2008/2009</td><td>\$38,478</td></tr><tr><td>2009/2010 to 2013/2014</td><td>\$50,000</td></tr></table>	2005/2006	\$25,000	2006/2007	\$25,000	2007/2008	\$31,583	2008/2009	\$38,478	2009/2010 to 2013/2014	\$50,000	<p>The aggregate amount of the Community Works Fund funding “floor” amounts are deducted from amounts otherwise available to those tiers that are eligible to receive the funding floor prior to calculation of the per capita amounts for those tiers.</p> <p>The percentage distribution between the Community Works Fund and the Strategic Priorities Fund set out in Table 1 in Section 6.2 applies only to per capita amounts that are derived after taking the floor amounts into consideration.</p> <p>Per capita amounts are based on Census data available at the time the allocations are made, as adjusted for changes in boundaries.</p>	<p>Funding available to Tier 3 local governments for the Community Works Fund and the Strategic Priorities Fund is calculated as follows:</p> <p>(a) Funding allocated to the Innovations Fund is deducted from Canada’s funding contribution; then</p> <p>(b) unless the Tier 3 local governments are to receive Community Works Fund funding, then allocations to the Tier 3 Strategic Priorities Fund are calculated based on a per capita allocation using 2006 Census data, adjusted to take into consideration changes to boundaries, both of which are obtained from the Ministry of Community and Rural Development, Government of British Columbia.</p> <p>Of the designated funds allocated to Tier 3, no more than 25% has been allocated to the Community Works Fund and no less than 75% has been allocated to the Strategic Priorities Fund.</p> <p>Funding available to Tiers 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is based on the amount of Canada’s contribution remaining after deducting the amount allocated for the Innovations Fund and the amount available to the Tier 3 local governments for Community</p>
2005/2006	\$25,000												
2006/2007	\$25,000												
2007/2008	\$31,583												
2008/2009	\$38,478												
2009/2010 to 2013/2014	\$50,000												



**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.3 (continued)			<p>Works Funds and Strategic Priorities Funds.</p> <p>Funding available to Tiers 1 and 2 local governments for the Community Works Fund and Strategic Priorities Fund is allocated as follows:</p> <ul style="list-style-type: none"> <li>(a) Each designated recipient has received, at minimum, the Community Works Fund funding “floor” allocation of \$50,000 for the period ended December 31, 2012,</li> <li>(b) The remaining funds are allocated to Tiers 1 and 2 based on a per capita allocation using 2006 Census data, adjusted to take into consideration changes to boundaries, both of which are obtained from the Ministry of Community and Rural Development, Government of British Columbia,</li> <li>(c) Of the designated funds allocated in (b) to Tier 1, 75% has been allocated to the Community Works Fund and 25% has been allocated to the Strategic Priorities Fund; and</li> </ul>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.3 (continued)			<p>(d) Of the designated funds allocated to Tier 2 in (b), 50% has been allocated to the Community Works Fund and 50% has been allocated to the Strategic Priorities Fund.</p> <p>Approved Community Works Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>
6.4	<p>A Strategic Priorities Fund will provide funding for strategic investments that are larger in scale or regional in impact. This fund will be created by pooling a percentage of the per capita allocation (see Table 1 for percentages).</p> <p>All British Columbia Eligible Recipients will be eligible to apply for funding under the Strategic Priorities Fund. The GVRD Board of Directors has requested that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund and made available for transportation investments.</p> <p>The trigger for funding under the Strategic Priorities Fund is a successful application and a Strategic Priorities Fund agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.</p>	<p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p>	<p>The Partnership Committee has approved the request by the GVRD Board of Directors that 100% of the allocation applicable to Tier 3 be allocated to the Strategic Priorities Fund.</p> <p>The Management Committee has approved an application for funding under the Strategic Priorities Fund prior to the execution of a Strategic Priorities Fund Funding Agreement.</p> <p>Approved Strategic Priorities Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.5	<p>An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia will be established.</p> <p>The Management Committee may apply a portion of these funds toward projects and initiatives by Eligible Recipients that reflect an innovative approach to achieving the intended outcomes of reduced green house gas emissions, cleaner air and cleaner water.</p> <p>The trigger for funding under the Innovations Fund is a successful application and an Innovations Fund Agreement between the Eligible Recipient and the UBCM containing, at a minimum, the elements in Schedule C.</p> <p>The Partnership Committee will establish the size of the Innovations Fund, set criteria and establish guidelines for the selection of projects and initiatives.</p>	<p>The “successful application” requirement refers to an approval of an application for funding by the Management Committee.</p>	<p>Approval of the allocation to the Innovations Fund by the Partnership Committee is documented in the minutes meeting.</p> <p>The allocation to the Innovations Fund is not more than 5% of the total New Deal allocation.</p> <p>The Management Committee has approved an application for funding under the Innovations Fund prior to the execution of an Innovations Fund Funding Agreement.</p> <p>Approved Innovations Fund agreements have been signed by the designated recipients and at minimum, include Schedule C of the Gas Tax Agreement.</p>
6.6.1	<p>UBCM agrees that it shall record Canada’s contribution into a separate and distinct account, pending payment to Eligible Recipients in accordance with the terms of this Agreement.</p>	<p>This requirement refers to accounting for the contribution separately, and does not refer to physical separation of the contribution in a distinct bank or investment account.</p>	<p>The UBCM maintains separate and distinct accounting records for the receipt and disbursement of funds received under the Agreement.</p>



**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.6.2	To support the achievement of environmentally sustainable outcomes, the Parties agree that Funds will be paid to Eligible Recipients solely for Eligible Projects identified in Schedule A, and solely in respect of Eligible Costs identified in Schedule B.	Management is not required to review, audit or otherwise verify that the use of the funds by the Eligible Recipients are consistent with those Eligible Projects and Costs identified in Schedules A and B of the Agreement.	Approved agreements have been signed by the designated recipients which confirm the agreement of the designated recipient that the Funds will be used for the Eligible Projects and Costs identified in Schedules A and B of the Agreement.
6.6.3	All administration costs of UBCM in respect of the implementation and management of this Agreement shall be for the account of UBCM, provided that Funds (both principal and interest) may be used by UBCM to pay the administrative costs incurred by UBCM in the delivery of the Funds, or in fulfilling the reporting and audit requirements set out below in Section 7, provided the UBCM develop and submit, in advance, for review by the Partnership Committee and acceptance by the federal Minister, a business case justifying such use of Funds.	<p>The business case represents the combined administration costs of the Gas Tax Agreement and the Agreement on the Transfer of Funds for Public Transit 2006 - 2010 dated March 31, 2006 (the “Public Transit Agreement”).</p> <p>The UBCM is required to obtain approval of a new business case only if the cumulative combined administration costs incurred exceeds the amount previously approved by the federal Minister of Transport, Infrastructure and Communities in UBCM’s Business Case, for the period from February 1, 2012 to December 31, 2013.</p>	<p>The Partnership Committee has reviewed the UBCM combined Gas Tax Agreement and Public Transit Agreement business case for the period from February 1, 2012 to December 31, 2013 as evidenced in the Partnership Committee meeting minutes and submission to the federal Minister of Transport, Infrastructure and Communities.</p> <p>Acceptance of UBCM’s Business Case, for the period from February 1, 2012 to December 31, 2013 by the federal Minister of Transport, Infrastructure and Communities, is evidenced in written communication.</p> <p>The costs incurred by UBCM are for the administration, implementation and management of the funds and allocated in accordance with management’s estimates.</p>

**Union of British Columbia Municipalities**  
**Evaluation Criteria for the Agreement on the Transfer of Federal Gas Tax Revenues**  
**Under the New Deal for Cities and Communities 2005-2015 (the “Agreement”)**  
**December 31, 2012**

<b>Section</b>	<b>Agreement Content</b>	<b>Management’s Interpretation</b>	<b>Evaluation Criteria for Audit Purposes</b>
6.6.3 (continued)		Costs of UBCM directly relating to the implementation, management and administration of the Gas Tax Agreement and the Public Transit Agreement are recorded in aggregate and allocated 90% and 10%, respectively to the funds, representing management’s estimate of the allocation of administration costs, except for audit and compliance costs directly allocated to the Gas Tax and Public Transit Fund as specifically required under each agreement.	<p>The administration amounts allocated to the combined funds by UBCM from February 1, 2012 to December 31, 2012 have not exceeded the total amount set out in the UBCM’s business case for the period from February 1, 2012 to December 31, 2013.</p> <p>The allocation of administration costs between the Gas Tax Agreement and the Public Transit Agreement are 90% and 10%, respectively, in accordance with management’s interpretation, except for audit and compliance costs directly allocated to the Gas Tax and Public Transit Fund as specifically required under each agreement.</p>

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 year ended December 31, 2012





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## **INDEPENDENT AUDITORS' REPORT**

To the Presidents Committee of the Union of British Columbia Municipalities

We have audited the accompanying schedule of receipts and disbursements as set out in the Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information (together “the Annual Expenditure Report”). The Annual Expenditure Report has been prepared by management in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

### *Management's Responsibility for the Annual Expenditure Report*

Management is responsible for the preparation of the Annual Expenditure Report in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Annual Expenditure Report in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Annual Expenditure Report that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this Annual Expenditure Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Expenditure Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Expenditure Report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Annual Expenditure Report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Annual Expenditure Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Expenditure Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the Annual Expenditure Report of Eligible Recipients of the Union of British Columbia Municipalities for the year ended December 31, 2012 is prepared, in all material respects, in accordance with the financial reporting provisions in Sections 1.5 and 7.1.1(a) of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

### *Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the Annual Expenditure Report, which describes the basis of accounting. The Annual Expenditure Report is prepared to meet the requirements of the Agreement on the Transfer of Federal Gas Tax Revenues dated September 19, 2005 and as amended on March 17, 2008, March 20, 2008 and September 24, 2010 between the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia. As a result, the Annual Expenditure Report may not be suitable for another purpose. Our report is intended solely for the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia and should not be used by parties other than the Union of British Columbia Municipalities, the Government of Canada and the Province of British Columbia.

A handwritten signature in black ink that reads 'KPMG LLP'. Below the signature is a long, horizontal, slightly curved line.

Chartered Accountants

September 27, 2013

Vancouver, Canada

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

## Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the year ended December 31, 2012

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

	From the date of signing March 31, 2006 to December 31, 2011	January 1, 2012 to December 31, 2012	Cumulative from March 31, 2006 to December 31, 2012
<b>Gas Tax Agreement</b>			
Opening Balance of Unspent Funds	\$ -	\$ 454,592	\$ -
Received from UBCM	991,793	91,843	1,083,636
Investment Income	18,430	6,665	25,095
<b>Sub-Total (total available for spending)</b>	<b>1,010,223</b>	<b>553,100</b>	<b>1,108,731</b>
Spent on Eligible Projects	554,547	92,333	646,880
Spent on Administration Costs	1,084	296	1,380
<b>Sub-Total (total spending)</b>	<b>555,631</b>	<b>92,629</b>	<b>648,260</b>
<b>Closing Balance of Unspent Funds (note 4)</b>	<b>\$ 454,592</b>	<b>\$ 460,471</b>	<b>\$ 460,471</b>

See accompanying notes to the Annual Expenditure Report – Receipts and Disbursements of Eligible Recipients.



# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients

For the year ended December 31, 2012

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## **Background:**

On September 19, 2005, the Union of British Columbia Municipalities (the "UBCM"), the Government of Canada ("Canada") and 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 2011/2012 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.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2012

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## 1. Basis of presentation:

The Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (the "Annual Expenditure Report") has been prepared in accordance with the financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province.

Significant interpretations of the financial reporting provisions of Section 1.5 of the Agreement between the UBCM, Canada and the Province include:

- The financial reporting provisions in Section 1.5 of the Agreement between the UBCM, Canada and the Province require the Annual Expenditure Report to be prepared in a manner consistent with generally accepted accounting principles (GAAP). The UBCM has interpreted GAAP to be the recognition and measurement principles of Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by GAAP for a complete set of financial statements.

The following terms in notes 2 and 3 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;
- 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.

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2012

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## 2. Eligible costs (cont'd):

### 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.

## 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;

# UNION OF BRITISH COLUMBIA MUNICIPALITIES

Annual Expenditure Report - Receipts and Disbursements of Eligible Recipients (continued)

For the year ended December 31, 2012

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## **3. Ineligible costs (cont'd):**

- 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. Closing Balance of Unspent Funds:**

Included in the Closing Balance of Unspent Funds as at December 31, 2012 is \$1,543,000 of cumulative disbursements made by Eligible Recipients in excess of the Gas Tax Funds received by them as at December 31, 2012. These disbursements are expected to be funded through future Gas Tax Funding receipts.