
THE CITY OF TERRACE
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2004

McAlpine & Co.

CHARTERED ACCOUNTANTS

THE CITY OF TERRACE
COUNCIL - 2004

MAYOR
JACK TALSTRA

COUNCILLORS

Lynne Christiansen
Marylin Davies
Carol Leclerc

Stew Christensen
David D. Hull
Richard McDaniel

APPOINTED OFFICIALS - 2004

Chief Administrative Officer
Director of Finance
Director of Administration
Fire Chief
Director of Public Works
Director of Development Services

R. Poole
J. Degerness
D. Fisher
R. Smith
H. Dusdal
M. Kwiatkowski

THE CITY OF TERRACE
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AS AT DECEMBER 31, 2004

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MANAGEMENT'S REPORT

The management of The City of Terrace is responsible for the integrity of the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and careful judgement of management.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The consolidated financial statements have been audited by the independent firm of McAlpine & Co. Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements accompanies this statement.



Ron Poole
Chief Administrative Officer



Judy Degerness
Director of Finance

McALPINE & CO.

CHARTERED ACCOUNTANTS

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MICHAEL JOHNSON, C.A.
(A partnership of incorporated professionals)

AUDITORS' REPORT

To His Worship the Mayor and Members of Council
The City of Terrace

We have audited the consolidated statement of financial position of The City of Terrace as at December 31, 2004 and consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Terrace as at December 31, 2004 and the results of its financial activities and changes in its financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.
March 25, 2005



CHARTERED ACCOUNTANTS

THE CITY OF TERRACE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004

	2004	2003
FINANCIAL ASSETS		
Cash and short-term investments - Note 2	\$ 9,110,030	\$ 8,335,238
Taxes receivable (net of allowance for doubtful taxes) - Note 3	1,046,521	2,621,747
Accounts receivable - Note 4	782,353	340,960
Land held for resale	321,075	276,100
Municipal Finance Authority of B.C. - Deposit notes - Note 5	<u>210,041</u>	<u>676,011</u>
	<u>11,470,020</u>	<u>12,250,056</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,894,580	\$ 1,726,916
Deposits and prepayments	1,321,149	1,229,293
Accrued vacation	429,535	414,221
Deferred revenue - Note 7	276,141	271,551
Landfill closure liability	183,265	195,177
Municipal Finance Authority of B.C. - Debt reserve - Note 5	210,041	676,011
Long term debt - Note 8	<u>1,359,045</u>	<u>1,867,940</u>
	<u>5,673,756</u>	<u>6,381,109</u>
NET FINANCIAL ASSETS	<u>5,796,264</u>	<u>5,868,947</u>
PHYSICAL ASSETS		
Inventory and other	349,234	348,833
Property, plant and equipment - Note 6	<u>71,149,398</u>	<u>68,500,356</u>
	<u>71,498,632</u>	<u>68,849,189</u>
NET POSITION	<u>\$ 77,294,896</u>	<u>\$ 74,718,136</u>
MUNICIPAL POSITION		
Operating fund (Schedule 1 and 5)	\$ 3,595,126	\$ 4,776,243
Reserves fund (Schedule 3)	<u>3,909,419</u>	<u>3,356,796</u>
Fund balances	7,504,545	8,133,039
Equity in property, plant and equipment - Note 9	<u>69,790,351</u>	<u>66,585,097</u>
MUNICIPAL POSITION	<u>\$ 77,294,896</u>	<u>\$ 74,718,136</u>

Commitments and contingent liabilities - Note 13

Approved by:



Ron Poole
Chief Administrative Officer



Judy Degerness
Director of Finance

See accompanying notes to consolidated financial statements

THE CITY OF TERRACE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
REVENUES			
Net taxes available for municipal purposes - Note 10	\$ 10,350,683	\$ 10,401,363	\$ 10,189,556
User fees and sale of goods and services	2,868,248	2,761,800	2,837,544
Government grants and transfers - Note 11	1,616,408	985,102	855,816
Investment earnings	188,562	200,000	207,658
Penalties and interest on taxes	279,682	150,000	264,657
Licenses and permits	210,305	217,105	299,210
Rental	229,135	215,712	252,387
Proceeds from sale of physical assets	21,428		367,306
Contributions from developers	29,794		116,409
Municipal Finance Authority excess sinking fund refund	247,342		190,764
Actuarial adjustment - sinking fund earnings	58,000		95,112
Reduction of debt on suspended issues	335,570		718,992
Other	<u>14,260</u>	<u> </u>	<u>11,016</u>
	<u>16,449,417</u>	<u>14,931,082</u>	<u>16,406,427</u>
EXPENDITURES - Note 12			
Protective services - Schedule 4	3,441,494	3,690,960	3,347,046
Transportation services - Schedule 4	1,675,469	1,728,656	1,661,824
Parks and recreation services - Schedule 4	1,629,967	1,611,969	1,762,224
General municipal services - Schedule 4	1,131,877	1,286,675	1,120,476
Development services - Schedule 4	728,845	793,279	726,669
Cultural services - Schedule 4	734,869	732,999	726,728
Interest - Schedule 4	296,289	415,613	442,171
Water operations	540,186	614,341	546,498
Sewer operations	336,290	372,408	368,924
Waste management	308,687	306,523	308,253
Transit services	312,275	326,755	277,328
Economic development and tourism	165,025	165,000	165,025
Writedown of taxes receivable - Note 3	2,497,732		
Cemetery services	52,224	68,800	65,958
Capital expenditures	<u>2,717,787</u>	<u>3,303,783</u>	<u>1,935,099</u>
	<u>16,569,016</u>	<u>15,417,761</u>	<u>13,454,223</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	(119,599)	(486,679)	2,952,204
Debenture borrowings	36,690		
Debt principal repayment (includes actuarial)	<u>(545,585)</u>	<u>(156,899)</u>	<u>(1,045,586)</u>
CHANGE IN FUND BALANCES FOR THE YEAR	(628,494)	(643,578)	1,906,618
CONSOLIDATED FUND BALANCE - BEGINNING OF YEAR	<u>8,133,039</u>	<u>8,133,039</u>	<u>6,226,421</u>
CONSOLIDATED FUND BALANCE - END OF YEAR	<u>\$ 7,504,545</u>	<u>\$ 7,489,461</u>	<u>\$ 8,133,039</u>

See accompanying notes to consolidated financial statements

THE CITY OF TERRACE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenditures	\$ (119,599)	\$ 2,952,204
Decrease (increase) in taxes receivable	1,575,226	(919,809)
Increase in accounts receivable	(441,393)	(123,347)
Increase in land held for resale	(44,975)	
(Increase) decrease in inventory and other	(401)	33,492
Increase in accounts payable	155,752	426,048
Increase (decrease) deposits and prepayments	91,856	(37,430)
Increase (decrease) in accrued vacation	15,314	(6,838)
Increase (decrease) in deferred revenue	<u>4,590</u>	<u>(75,057)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,236,370</u>	<u>2,249,263</u>
FINANCING AND INVESTING ACTIVITIES		
Debenture borrowings	36,690	
Repayment of long term debt	(545,585)	(1,045,586)
(Increase) decrease in construction in progress	<u>47,317</u>	<u>(17,228)</u>
CASH USED IN FINANCING AND INVESTING ACTIVITIES	<u>(461,578)</u>	<u>(1,062,814)</u>
INCREASE IN CASH POSITION	774,792	1,186,449
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>8,335,238</u>	<u>7,148,789</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 9,110,030</u>	<u>\$ 8,335,238</u>

Cash and equivalents is represented by cash and short-term investments.

See accompanying notes to consolidated financial statements.

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Terrace (the City) are prepared by management in accordance with Canadian generally accepted accounting principles for municipal governments as applicable for British Columbia municipal governments. Significant aspects of the accounting policies adopted by the City are as follows:

a) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

b) Fund Accounting

Funds within the consolidated financial statements consists of the operating, capital and reserves funds. Transactions between funds are recorded as inter fund transfers.

- | | |
|----------------|---|
| Operating Fund | - This fund, consisting of the general, water and sewer operating funds, comprises the operating costs of the services provided by the City. |
| Capital Fund | - This fund, consisting of the general, water and sewer capital funds, comprises property, plant and equipment expenditures and related financing. |
| Reserves Fund | - The reserves fund has been established to hold assets for specific future purposes as approved by City Council. Allowable transfers to and from these funds are defined in reserve fund establishment bylaws. |

c) Property, plant and equipment

Property, plant and equipment and construction in progress are recorded at cost, except for land which is recorded at the appraised value assigned by B.C. Assessment Authority in 1996. No provision is made for depreciation of property, plant and equipment.

d) Equity in property, plant and equipment

Equity in property, plant and equipment represents the investment in property, plant and equipment excluding construction in progress and after deducting the portion financed by long term debt.

THE CITY OF TERRACE
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It is reasonably possible that circumstances may arise that cause actual results to differ from management estimates, however, management does not believe it is likely that such differences will materially affect the City's financial position. Adjustments, if any, will be reflected in operations in the period of settlement.

Significant areas requiring the use of management estimates relate to the collectibility of accounts and New Skeena taxes receivable, landfill closure liability, and amortization of property, plant and equipment.

f) Financial Instruments

The City's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

2. CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments are comprised of cash on deposit and investments as follows:

	2004	2003
Municipal Finance Authority of B.C. investments:		
- Money market fund	\$ 8,758,278	\$ 5,730,700
- Short-term bond fund	<u>211,919</u>	<u>198,083</u>
	8,970,197	5,928,783
Cash	<u>139,833</u>	<u>2,406,455</u>
	<u>\$ 9,110,030</u>	<u>\$ 8,335,238</u>

The City has an authorized bank overdraft limit of \$2.5 million to ensure cash flow demands are met during the year.

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

3. TAXES RECEIVABLE

Taxes receivable is recorded net of allowance for doubtful taxes in the amount of \$2,000,000 and net of School tax payable pursuant to a S.124(3) election under the School Act in the amount of \$418,000. The allowance for doubtful taxes and School tax payable relates to 2002, 2003 and 2004 property taxes and related interest and penalty charges of \$2,898,000 owing from New Skeena Forest Products Inc. ("New Skeena"). In November, 2003 New Skeena filed for creditor protection under the Companies' Creditors Arrangement Act and during 2004 New Skeena filed for bankruptcy. Upon dissolution of New Skeena assets by the Receiver in bankruptcy, city management estimates \$480,000 will be recovered relating to the City's security interests in equipment and land net of allocated creditor and legal costs. Management is presently negotiating with the provincial ministry to allow the City to not remit outstanding New Skeena School taxes of \$418,000 from the expected proceeds on dissolution of New Skeena assets. Based upon ongoing discussions with the provincial ministry, management believes they will be successful upon finalization of these negotiations and as such has included the School tax amount as recoverable in determining the total recoverable amount of New Skeena taxes.

Included in the writedown of taxes receivable in the statement of financial activities is the writeoff of 2001 year property taxes owing from New Skeena relating to a previous proposal under the Companies' Creditors Arrangement Act pursuant to a court order plus City legal costs incurred in regards to the New Skeena tax arrears.

4. ACCOUNTS RECEIVABLE

	2004	2003
Government grants receivable - capital projects:		
- Federal		
- 16/37 Community Futures - George Little House and Ferry Island projects	\$ 335,323	\$
- Provincial		
- Canada/BC Infrastructure program - Sportsplex project	129,818	
Regional District of Kitimat-Stikine - cost sharing	25,308	58,050
Tax sale properties' receivable		12,909
Utilities - sewer and water	88,336	87,903
Insurance proceeds receivable		50,652
GST rebate	83,069	25,885
Other	<u>120,499</u>	<u>105,561</u>
	<u>\$ 782,353</u>	<u>\$ 340,960</u>

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

5. MUNICIPAL FINANCE AUTHORITY OF B.C. - DEPOSIT NOTES / DEBT RESERVE

The Municipal Finance Authority of British Columbia ("MFA") provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund. Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The MFA pays into the Debt Reserve Fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund, if at any time there are insufficient funds, to meet payments on its obligations. If this occurs the regional districts may be called upon to restore the fund. Upon the maturity of a debt issue the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Municipality.

	2004	2003
Cash reserves	\$ 60,696	\$ 274,267
Demand notes	<u>149,345</u>	<u>401,744</u>
	<u>\$ 210,041</u>	<u>\$ 676,011</u>

6. PROPERTY, PLANT AND EQUIPMENT

	General	Water	Sewer	2004 Total	2003 Total
Engineering structures	\$ 24,101,290	\$ 8,224,482	\$ 9,355,903	\$ 41,681,675	\$ 40,174,455
Buildings	11,897,079			11,897,079	10,940,011
Machinery and shop equipment	9,167,206	972,835	438,583	10,578,624	10,325,125
Land	<u>6,701,186</u>	<u>12,200</u>	<u>278,634</u>	<u>6,992,020</u>	<u>7,013,448</u>
	51,866,761	9,209,517	10,073,120	71,149,398	68,453,039
Construction in progress	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>47,317</u>
	<u>\$ 51,866,761</u>	<u>\$ 9,209,517</u>	<u>\$ 10,073,120</u>	<u>\$ 71,149,398</u>	<u>\$ 68,500,356</u>

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

7. DEFERRED REVENUE

Included in deferred revenue is the following:

	2004	2003
Provincial government contributions:		
- Aboriginal Youth F.I.R.S.T. program	\$	\$ 135,091
Federal government contributions:		
- Ferry Island capital project	95,000	
- George Little House capital project	30,000	
Perpetual care (cemetery) fund	147,546	131,865
Other	<u>3,595</u>	<u>4,595</u>
	<u>\$ 276,141</u>	<u>\$ 271,551</u>

The use of perpetual care (cemetery) fund monies, together with any earnings thereon, is restricted by legislation. Revenue of this fund is recognized in the period monies are used for the purpose specified.

8. LONG TERM DEBT

Long term debt consists of debenture debt issued by the Municipal Finance Authority of British Columbia. Debenture debt is reported net of estimated sinking fund asset balances.

Principal payment required on long term debt for the next five years are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Principal payment	\$ 119,222	\$ 119,221	\$ 102,653	\$ 102,653	\$ 72,662
Actuarial addition	<u>66,715</u>	<u>76,012</u>	<u>75,356</u>	<u>76,609</u>	<u>73,233</u>
	<u>\$ 185,937</u>	<u>\$ 195,233</u>	<u>\$ 178,009</u>	<u>\$ 179,262</u>	<u>\$ 145,895</u>

Existing long term debt matures in 2006 to 2014 and long term debt annual interest rates range from 4.90% to 8.75%.

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

9. EQUITY IN PROPERTY, PLANT AND EQUIPMENT	2004	2003
Increases:		
Property, plant and equipment expenditures (net of proceeds)	\$ 2,696,359	\$ 1,935,099
Retirement of debt - principal repayment	152,015	231,482
- actuarial addition	58,000	95,112
- reduction of debt on suspended issues	335,570	718,992
Decreases:		
Debt proceeds	<u>(36,690)</u>	<u> </u>
Change in Equity in Property, Plant and Equipment	3,205,254	2,980,685
Equity in Property, Plant and Equipment - Beginning of Year	<u>66,585,097</u>	<u>63,604,412</u>
Equity in Property, Plant and Equipment - End of Year	<u>\$ 69,790,351</u>	<u>\$ 66,585,097</u>
10. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	2004	2003
Taxes:		
Property	\$ 14,062,101	\$ 13,835,469
Frontage	615,777	609,334
Utility	375,410	395,533
Local improvement levies	170,581	184,522
Revenue in lieu of taxes	<u>358,190</u>	<u>354,982</u>
	<u>15,582,059</u>	<u>15,379,840</u>
Less taxes on behalf of:		
School	4,463,512	4,458,058
North West Regional Hospital District	482,651	484,464
Regional District of Kitimat-Stikine	185,159	137,972
B.C. Assessment Authority	99,894	109,629
Other	<u>160</u>	<u>161</u>
	<u>5,231,376</u>	<u>5,190,284</u>
Net taxes available for municipal purposes	<u>\$ 10,350,683</u>	<u>\$ 10,189,556</u>

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

11. GOVERNMENT GRANTS AND TRANSFERS

The following government grants and transfers have been included in revenues:

	2004	2003
Capital project grants		
- Federal	\$ 527,523	\$
- Provincial	<u>129,818</u>	<u> </u>
	657,341	
Operating grants and transfers		
- Provincial	380,164	249,303
- Shared cost agreements - Regional District of Kitimat-Stikine	<u>578,903</u>	<u>606,513</u>
	<u>959,067</u>	<u>855,816</u>
	<u>\$ 1,616,408</u>	<u>\$ 855,816</u>

12. EXPENDITURES BY OBJECT

	2004	2003
Salaries, wages and employee benefits	\$ 7,217,333	\$ 7,179,027
Purchased goods and services	1,440,022	1,623,997
Property, plant and equipment expenditures	2,717,787	1,935,099
Writedown of taxes receivable	2,497,732	
RCMP contract	1,664,984	1,547,201
Interest	296,289	442,171
Terrace Public Library funding	497,829	497,838
Grants to community organizations	<u>237,040</u>	<u>228,890</u>
	<u>\$ 16,569,016</u>	<u>\$ 13,454,223</u>

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

13. COMMITMENTS AND CONTINGENCIES

a) Capital Requirements

City Council has approved a 2004 - 2008 capital expenditure financial plan of \$16,201,000. The 2005 requirement of \$3,283,000 is to be funded as follows:

Operating funds	\$ 2,340,000
Reserve funds	<u>943,000</u>
	<u>\$ 3,283,000</u>

b) Pension Plan

The City of Terrace and its employees contribute to the Municipal Pension Plan (the plan), a jointly-trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has approximately 130,000 active contributors, including approximately 29,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. Each employer expenses contributions to the plan in the year in which payments are made. The City of Terrace paid \$297,800 for employer contributions to the plan in fiscal 2004 (\$295,200 in 2003).

c) Third Party Claims

The City is involved in certain legal actions, the outcome of which is uncertain at this time. Accordingly, no provision has been made in the accounts for these actions.

d) B.C. Assessment Authority Appeals

Due to the uncertainty of the outcome of appeals to the B.C. Assessment Authority, it is not possible to accurately estimate any liability to repay taxes or any asset for taxes receivable. It is the policy of the City to record the effect of any tax adjustments relating to outstanding appeals in the year the taxes are repaid or received.

THE CITY OF TERRACE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

13. COMMITMENTS AND CONTINGENCIES (continued)

e) Contingent liabilities

- (i) The City, as a member of the Regional District of Kitimat-Stikine, is jointly and severally liable for their net capital liabilities.
- (ii) The loan agreements with the Municipal Finance Authority ("MFA") provide that if the MFA does not have sufficient funds to meet payments on its obligations it shall make payments from the Debt Reserve Fund which in turn is established by a similar Debt Reserve Fund in the City and all other borrowing participants. If the Debt Reserve Fund is deficient the MFA's obligations become a liability of the Regional District and may become a liability of the participating municipalities.

f) Subsequent event

Subsequent to the year end in accordance with Section 21 of the Community Charter, the City entered into a partnering agreement with the Terrace Lumber Company Ltd. to provide the service of economic development for the benefit and enhancement of the economic well-being of the residents of the City of Terrace. The City has agreed to assist the company by loaning it \$950,000 repayable with interest over a term of 10 years. As collateral for the loan receivable, the City has been provided with a mortgage on land and improvements on the sawmill property to be used in the operations of the Terrace Lumber Company Ltd.

THE CITY OF TERRACE
OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
REVENUES			
Net taxes available for municipal purposes - Note 10	\$ 10,350,683	\$ 10,401,363	\$ 10,189,556
User fees and sale of goods and services	2,868,248	2,761,800	2,837,544
Government grants and transfers - Note 11	959,067	985,102	855,816
Investment earnings	108,880	200,000	127,741
Penalties and interest on taxes	279,682	150,000	264,657
Licences and permits	210,305	217,105	299,210
Rental	<u>229,135</u>	<u>215,712</u>	<u>252,387</u>
	<u>15,006,000</u>	<u>14,931,082</u>	<u>14,826,911</u>
EXPENDITURES			
Protective services	3,441,494	3,690,960	3,347,046
Transportation services	1,675,469	1,728,656	1,661,824
Parks and recreation services	1,629,967	1,611,969	1,762,224
General municipal services	1,131,877	1,286,675	1,120,476
Development services	728,845	793,279	726,669
Cultural services	734,869	732,999	726,728
Interest	296,289	415,613	442,171
Water operations	540,186	614,341	546,498
Sewer operations	336,290	372,408	368,924
Waste management	308,687	306,523	308,253
Transit services	312,275	326,755	277,328
Economic development and tourism	165,025	165,000	165,025
Writedown of taxes receivable - Note 3	2,497,732		
Cemetery services	<u>52,224</u>	<u>68,800</u>	<u>65,958</u>
	<u>13,851,229</u>	<u>12,113,978</u>	<u>11,519,124</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,154,771	2,817,104	3,307,787
Net interfund transfers			
- to capital fund - Schedule 2	(1,884,830)	(3,168,783)	(1,266,715)
- to reserves fund - Schedule 3	(299,043)	(299,043)	(395,388)
Debt principal repayment	(487,585)	(156,899)	(950,474)
Reduction of debt on suspended issues	<u>335,570</u>	<u> </u>	<u>718,992</u>
CHANGE IN OPERATING FUND BALANCE FOR THE YEAR	(1,181,117)	(807,621)	1,414,202
OPERATING FUND BALANCE - BEGINNING OF YEAR	<u>4,776,243</u>	<u>4,776,243</u>	<u>3,362,041</u>
OPERATING FUND BALANCE - END OF YEAR - Schedule 5	<u>\$ 3,595,126</u>	<u>\$ 3,968,622</u>	<u>\$ 4,776,243</u>

THE CITY OF TERRACE
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
REVENUES			
Proceeds from sale of property, plant and equipment	\$	\$	\$ 367,306
Municipal Finance Authority excess sinking fund refund	247,342		190,764
Contributions from developers	29,794		116,409
Government grants and transfers	657,341		
Other	<u>4,390</u>	<u> </u>	<u> </u>
	938,867		674,479
EXPENDITURES			
Property, plant and equipment expenditures	<u>2,717,787</u>	<u>3,303,783</u>	<u>1,935,099</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES			
	<u>(1,778,920)</u>	<u>(3,303,783)</u>	<u>(1,260,620)</u>
NET INTER FUND TRANSFERS			
Transfer from (to) reserves fund - Schedule 3	(142,600)	135,000	(6,095)
Transfer from operating fund - Schedule 1	1,884,830	3,168,783	1,266,715
DEBENTURE BORROWINGS			
	<u>36,690</u>	<u> </u>	<u> </u>
CHANGE IN CAPITAL FUND FOR THE YEAR			
	NIL	NIL	NIL
CAPITAL FUND BALANCE - BEGINNING OF YEAR			
	<u>NIL</u>	<u>NIL</u>	<u>NIL</u>
CAPITAL FUND BALANCE - END OF YEAR			
	<u>\$ NIL</u>	<u>\$ NIL</u>	<u>\$ NIL</u>

PROPERTY, PLANT AND EQUIPMENT EXPENDITURES DURING THE YEAR ARE AS FOLLOWS:

	2004	2003
Engineering structures	\$ 1,507,220	\$ 997,312
Machinery and equipment	253,500	529,728
Buildings	957,067	390,162
Land	<u> </u>	<u>17,897</u>
	<u>\$ 2,717,787</u>	<u>\$ 1,935,099</u>

THE CITY OF TERRACE
RESERVES FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
REVENUES			
Proceeds from sale of property, plant and equipment	\$ 21,428	\$	\$
Investment income	79,682		79,917
Other	<u>9,870</u>	<u> </u>	<u>11,016</u>
EXCESS OF REVENUES OVER EXPENDITURES	110,980		90,933
Transfers from operating fund			
- vehicle replacement charge	299,043	299,043	395,388
Transfers from (to) capital fund	<u>142,600</u>	<u>(135,000)</u>	<u>6,095</u>
CHANGE IN RESERVE FUND FOR THE YEAR	552,623	164,043	492,416
RESERVE FUND BALANCE - BEGINNING OF YEAR	<u>3,356,796</u>	<u>3,356,796</u>	<u>2,864,380</u>
RESERVE FUND BALANCE - END OF YEAR	<u>\$ 3,909,419</u>	<u>\$ 3,520,839</u>	<u>\$ 3,356,796</u>

RESERVE FUND BALANCE REPRESENTED BY:

	2004	2003
Machinery and equipment	\$ 2,831,947	\$ 2,577,207
Land acquisition	56,439	78,478
Capital works	584,673	327,142
Parks acquisition	38,537	32,556
Parking space	75,748	64,313
Land held for resale	321,075	276,100
Animal protection	<u>1,000</u>	<u>1,000</u>
	<u>\$ 3,909,419</u>	<u>\$ 3,356,796</u>

THE CITY OF TERRACE
 SCHEDULE OF EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
PROTECTIVE SERVICES:			
Police and law enforcement	\$ 2,428,530	\$ 2,683,828	\$ 2,292,680
Fire protection	<u>1,012,964</u>	<u>1,007,132</u>	<u>1,054,366</u>
	<u>\$ 3,441,494</u>	<u>\$ 3,690,960</u>	<u>\$ 3,347,046</u>
TRANSPORTATION SERVICES:			
Roads and streets	\$ 679,571	\$ 703,707	\$ 647,429
Building maintenance	423,515	456,243	382,499
Street and traffic lights	231,783	228,500	226,964
Administration	138,773	144,107	205,035
Shop	75,497	74,442	74,780
Inventory	<u>126,330</u>	<u>121,657</u>	<u>125,117</u>
	<u>\$ 1,675,469</u>	<u>\$ 1,728,656</u>	<u>\$ 1,661,824</u>
PARKS AND RECREATION SERVICES:			
Pool	\$ 761,511	\$ 749,828	\$ 773,197
Arena	287,771	293,553	305,192
Parks	237,341	204,121	245,307
Recreation programs	120,321	115,568	119,284
Administration	202,639	217,034	283,350
Recreation centre	<u>20,384</u>	<u>31,865</u>	<u>35,894</u>
	<u>\$ 1,629,967</u>	<u>\$ 1,611,969</u>	<u>\$ 1,762,224</u>

THE CITY OF TERRACE
 SCHEDULE OF EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	Budget	2003
GENERAL MUNICIPAL SERVICES:			
Finance	\$ 437,892	\$ 432,574	\$ 403,477
Administration	365,103	355,792	343,404
Legislative	147,274	150,784	144,934
Insurance and other	123,450	288,215	173,617
Common services	<u>58,158</u>	<u>59,310</u>	<u>55,044</u>
	<u>\$ 1,131,877</u>	<u>\$ 1,286,675</u>	<u>\$ 1,120,476</u>
DEVELOPMENT SERVICES:			
Building inspection and licencing	\$ 120,297	\$ 162,419	\$ 125,816
Bylaw enforcement	63,837	62,635	62,864
Animal control	130,602	122,159	118,565
Planning	119,417	127,854	120,648
Drafting	125,424	144,420	141,839
Engineering	64,325	67,662	156,937
Development	<u>104,943</u>	<u>106,130</u>	<u> </u>
	<u>\$ 728,845</u>	<u>\$ 793,279</u>	<u>\$ 726,669</u>
CULTURAL SERVICES:			
Terrace Public Library funding	\$ 497,829	\$ 497,850	\$ 497,838
Grants to community organizations	<u>237,040</u>	<u>235,149</u>	<u>228,890</u>
	<u>\$ 734,869</u>	<u>\$ 732,999</u>	<u>\$ 726,728</u>
INTEREST			
Interest on long term debt	\$ 273,041	\$ 300,655	\$ 411,371
Interest - other	<u>23,248</u>	<u>114,958</u>	<u>30,800</u>
	<u>\$ 296,289</u>	<u>\$ 415,613</u>	<u>\$ 442,171</u>

THE CITY OF TERRACE

SCHEDULE OF CHANGE IN OPERATING FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Sewer Fund	Water Fund	Total Operating Fund
BALANCE - BEGINNING OF YEAR	\$ 3,407,477	\$ 493,624	\$ 875,142	\$ 4,776,243
CHANGE IN FUND BALANCE FOR THE YEAR	<u>(1,354,279)</u>	<u>(84,333)</u>	<u>257,495</u>	<u>(1,181,117)</u>
BALANCE - END OF YEAR	<u>\$ 2,053,198</u>	<u>\$ 409,291</u>	<u>\$ 1,132,637</u>	<u>\$ 3,595,126</u>

CITY OF TERRACE
DEBENTURE DEBT ANALYSIS
December 31, 2004

BYLAW NO.	PURPOSE	MATURITY DATE	AMOUNT OF ISSUE	AMOUNT MATURED 2004	INTEREST PAID 2004	FUTURE ANNUAL PRINCIPAL	FUTURE ACTUARIAL CAPITALIZATION	TOTAL LIABILITY DEC 31/04
	GENERAL							
1093	LIP Paving	2006	161,486		7872			
1179	Swimming Pool Expansion	2009	485,402	14,680	31,551	73,399	95,234	168,633
1191	LIP Paving	2010	135,468	4,097	8,805	24,581	30,593	55,174
1239	LIP Paving	2011	537,893	1,685	5,710	11,794	14,073	25,867
1307	LIP Paving	2013	34,530	283	796	2,549	2,791	5,340
1364	Library Expansion	2014	1,235,000	37,350	117,572	373,496	391,725	765,221
1454	LIP Paving	2006	2,699	215	209	429	221	650
1515	LIP Paving	2006	51,714	4,111	3,838	8,223	4,230	12,453
1588	LIP Paving	2007	232,663	18,498	13,611	55,493	26,561	82,054
1615	LIP Paving	2008	130,837	10,402	7,261	41,608	18,474	60,082
1655	LIP Paving	2010	18,490	1,470	1,193	11,820	334	12,154
1736	LIP Paving	2011	64,601	5,136	3,676	35,953	12,457	48,410
1789	LIP Paving	2014	36,690			29,170	7,520	36,690
	TOTAL GENERAL DEBT		3,127,473	97,927	202,094	668,515	604,213	1,272,728
	SEWER							
1118	Sewer treatment plant	2007	1,180,847	35,712	73,803			
1454	LIP sewer ext	2006	46,243	3,677	3,584	7,353	3,782	11,135
1515	LIP sewer ext	2006	107,734	8,565	7,995	17,131	8,812	25,943
1629	LIP sewer ext	2008	13,725	1,091	762	4,365	1,938	6,303
1655	Skeena St sewer	2010	61,225	4,868	3,949	29,206	11,039	40,245
	TOTAL SEWER DEBT		1,409,774	53,913	90,093	58,055	25,571	83,626
	WATER							
1239	Waterline ext.	2011	5,811	176	596	1,230	1,468	2,698
	TOTAL WATER DEBT		5,811	176	596	1,230	1,468	2,698

CITY OF TERRACE
ASSESSMENT AND TAX RATE STATISTICS

Property Class	2003		2004		Tax Rates General & Debt Transit		School Tax		Levy for other Governments	
					2003	2004	2003	2004	2003	2004
1. Residential	447,831,690	446,102,190	8.7572	8.8024	6.0476	6.0708	0.8371	0.8803		
2. Utilities	2,675,275	2,592,375	66.4456	67.459	15.0000	15.0000	3.1184	3.2527		
4. Major Industry	13,307,500	12,463,800	70.2021	75.0416	12.5000	12.5000	3.0463	3.1753		
5. Light Industry	4,151,500	3,233,400	37.5988	48.1005	9.9000	9.9000	2.7761	2.9288		
6. Business/Other	131,398,300	134,162,100	26.733	27.4041	9.9000	9.9000	2.0908	2.1929		
8. Seasonal/Recreation	430,400	299,600	9.2339	6.0909	4.5000	4.5000	0.8370	0.8802		
9. Farm	74,400	77,100	26.8472	25.9448	6.8000	6.8000	0.8370	0.8802		
	599,869,065	598,930,565								