

CITY OF TERRACE
Consolidated Financial Statements
As at December 31, 2010

McAlpine
& Co. ^{CA}

CHARTERED ACCOUNTANTS

**THE CITY OF TERRACE
COUNCIL - 2010**

**MAYOR
DAVID PERNAROWSKI**

COUNCILORS

Bruce Bidgood
Lynne Christiansen
Brian Downie

Carol Leclerc
Bruce Martindale
Brad Pollard

APPOINTED OFFICIALS - 2010

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

R. Poole
R. Bowles
H. Nunn
P. Weeber
H. Dusdal
M. Kwiatkowski
C. Didier

THE CITY OF TERRACE

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AS AT DECEMBER 31, 2010**

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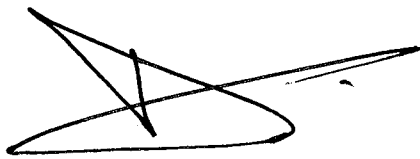
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MANAGEMENT'S REPORT

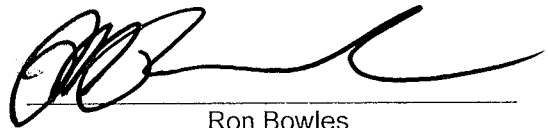
The management of The City of Terrace is responsible for the integrity of the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of the consolidated 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.



David Pernarowski
Mayor



Ron Bowles
Director of Finance

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of City of Terrace, which comprise the consolidated statements of financial position, operations, changes in net financial assets and cash flows, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the financial position of City of Terrace as at December 31, 2010, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Terrace, British Columbia
April 26, 2011

CHARTERED ACCOUNTANTS

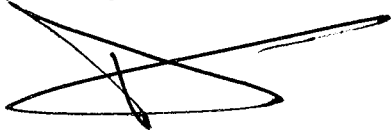
THE CITY OF TERRACE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	2010	2009 (restated)
Financial assets		
Cash and short-term investments - (Note 2)	\$ 9,254,435	\$ 9,160,017
Taxes receivable	509,592	470,028
Accounts receivable - (Note 3)	763,462	1,431,792
Land held for resale	900,000	900,000
Municipal Finance Authority of B.C. - Cash - (Note 4)	66,586	67,911
Note receivable - Terrace Community Forest Limited Partnership - (Note 5)	150,000	150,000
Investment in related companies - (Note 6)	200	200
	11,644,275	12,179,948
Liabilities		
Accounts payable and accrued liabilities	2,538,631	2,615,645
Deposits and prepayments	1,780,707	1,818,398
Accrued vacation	534,151	557,859
Deferred revenue - (Note 7)	184,594	208,618
Landfill closure liability	241,232	227,656
Municipal Finance Authority of B.C. - Debt reserve - (Note 4)		38,364
Long term debt - (Note 8)	4,236,391	4,597,917
	9,515,706	10,064,457
Net financial assets	2,128,569	2,115,491
Non-financial assets		
Inventory and other	673,191	739,521
Tangible capital assets - (Note 9)	76,090,488	75,237,255
	76,763,679	75,976,776
Accumulated surplus	\$ 78,892,248	\$ 78,092,267
Accumulated surplus comprised of:		
Operating fund	\$ 2,799,595	\$ 2,755,599
Reserves fund (Schedule 3)	4,238,556	4,697,330
Equity in tangible capital assets - (Note 10)	71,854,097	70,639,338
	\$ 78,892,248	\$ 78,092,267

Commitments and contingent liabilities - (Note 13)

Approved by:



David Pernarowski
Mayor



Ron Bowles
Director of Finance

THE CITY OF TERRACE

CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2010

	2010	Budget	2009 (restated)
Revenues			
Net taxes available for municipal purposes - (Note 11)	\$ 12,094,505	\$ 12,001,833	\$ 11,587,762
User fees and sale of goods and services	3,847,263	3,661,671	3,785,127
Government grants and transfers - (Note 12)	2,834,472	1,946,055	7,603,048
Investment income	123,479	65,000	135,422
Other revenue	148,118	23,500	247,634
	19,047,837	17,698,059	23,358,993
Expenses			
Protective services	4,478,483	4,617,243	4,362,772
Leisure services	3,393,507	3,459,563	3,211,592
Transportation and transit	2,467,729	2,572,154	2,560,927
Development services	1,334,369	1,383,468	1,331,950
General government	1,705,073	1,783,609	1,553,314
Waste management	304,224	317,722	325,155
Water operations	754,539	840,034	688,608
Sewer operations	462,324	568,876	506,106
Interest	228,807	221,389	183,495
Loss on disposal of tangible capital assets	55,610		267,400
Writedown of taxes receivable			164,529
Other	37,073	67,320	56,659
Amortization	3,026,118	2,968,000	2,967,956
	18,247,856	18,799,378	18,180,463
Annual surplus	799,981	(1,101,319)	5,178,530
Accumulated surplus - beginning of year	78,092,267	78,092,267	72,913,737
Accumulated surplus - end of year	\$ 78,892,248	\$ 76,990,948	\$ 78,092,267

THE CITY OF TERRACE

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2010

	2010	Budget	2009 (restated)
Annual surplus	\$ 799,981	\$ (1,101,319)	\$ 5,178,530
Acquisition of tangible capital assets	(3,956,959)	(4,445,214)	(8,856,851)
Amortization of tangible capital assets	3,026,117	2,968,000	2,967,956
(Gain)/loss on disposal of tangible capital assets	55,610		267,400
Proceeds on sale of tangible capital assets	22,000		
Other adjustments	66,329		(197,493)
Increase (decrease) in net financial assets	13,078	(2,578,533)	(640,458)
Net financial assets - beginning of year	2,115,491	2,115,491	2,755,949
Net financial assets - end of year	\$ 2,128,569	\$ (463,042)	\$ 2,115,491

THE CITY OF TERRACE

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2010

	2010	2009 (restated)
Operating transactions		
Annual surplus	\$ 799,981	\$ 5,178,530
Non-cash items:		
Amortization	3,026,117	2,967,956
(Increase) decrease in inventory and other	66,330	(197,493)
Changes to financial assets/liabilities:		
(Increase) decrease in taxes receivable	(39,564)	596,708
Decrease (increase) in accounts receivable	668,330	288,770
Decrease in land held for resale		(900,000)
Increase (decrease) in accounts payable	(63,438)	35,196
Increase (decrease) deposits and prepayments	(37,691)	53,752
Increase (decrease) in accrued vacation	(23,708)	7,322
Increase (decrease) in deferred revenue	(24,024)	(193,357)
Cash provided (used) by operating transactions	4,372,333	7,837,384
Capital transactions		
Acquisition of tangible capital assets	(3,956,959)	(8,856,851)
Proceeds from the disposal of tangible capital assets	22,000	
(Gain)/Loss on the disposal of tangible capital assets	55,610	267,400
Cash applied to capital transactions	(3,879,349)	(8,589,451)
Financing and investing activities		
Proceeds from debt issues		1,715,000
Debt repayment	(305,428)	(247,927)
(Increase) decrease in note receivable - Terrace Lumber Company Ltd.		1,330,128
Actuarial adjustments	(56,098)	(45,055)
Decrease in MFA debt reserve	(37,039)	(17,150)
Cash (provided) used in financing and investing activities	(398,565)	2,734,996
Increase (decrease) in cash position	94,419	1,982,929
Cash and equivalents - beginning of year	9,160,016	7,177,087
Cash and equivalents - end of year	\$ 9,254,435	\$ 9,160,016

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

THE CITY OF TERRACE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

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 established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized 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) Tangible capital assets

Tangible capital assets, comprised of capital assets and capital work-in-progress, are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put in to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Land improvements	20 years
Buildings	20 to 50 years
Furniture, equipment and technology	5 to 20 years
Motor vehicles	13 to 20 years
Transportation infrastructure	25 to 50 years
Storm sewer	50 years
Dyke and erosion protection	25 years
Water infrastructure	50 years
Sanitary sewer infrastructure	50 years

Inventories held for consumption are recorded at the lower of cost and replacement cost.

d) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale.

THE CITY OF TERRACE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

1. Significant accounting policies (continued)

e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated change in net financial assets for the year.

f) 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 amortization of tangible capital assets, the collectibility of accounts and taxes receivable and landfill closure liability.

g) 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.

h) Reporting entity and principles of financial reporting

The City's reporting entity includes the operations of the City of Terrace municipal government and all related entities which are either owned or controlled by the City of Terrace.

Business entities which are owned or controlled by the City are included in the consolidated financial statements using the modified equity method. These include:

- Terrace Community Forest Limited (City owns 100% of the issued common shares)
- Terrace Community Forest Limited Partnership (City holds a 99% limited partner interest)

2. Cash and short-term investments

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

	2010	2009
Municipal Finance Authority of B.C. investments:		
- Money market fund	\$ 7,132,841	\$ 8,772,760
- Short-term bond and intermediate funds	1,509,556	253,311
	8,642,397	9,026,071
Cash	612,038	133,946
	\$ 9,254,435	\$ 9,160,017

The City has an authorized bank overdraft limit of \$1.5 million at prime minus 0.25% to ensure cash flow demands are met during the year.

THE CITY OF TERRACE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

3. Accounts receivable

	2010	2009 (restated)
Government grants receivable:		
- Federal		
- Western Economic Diversification Canada - Sportsplex and Aquatic centre	\$ 22,436	\$ 213,311
- Provincial		
- Northern Development Initiative Trust - Community Adjustment Fund		240,161
- Ministry of Community Development - Spirit Square		150,000
- Emergency Management B.C. - Spur dyke repair		154,592
- Ministry of Housing and Social Development - Gaming revenue	112,976	109,023
- Ministry of Community Development - Local Motion	18,975	
- UBCM - Operational Fuel Management	19,753	
- Northern Development Initiative Trust	30,000	
Rio Tinto Alcan - Sportsplex contribution		50,000
Regional District of Kitimat-Stikine - cost sharing	50,335	3,752
Utilities - sewer and water	58,004	70,338
HST/GST rebate	147,207	113,839
RCMP prisoner cost reimbursement	32,315	
Other	271,461	326,776
	\$ 763,462	\$ 1,431,792

4. Municipal Finance Authority of B.C. - 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.

5. Note receivable - Terrace Community Forest Limited Partnership

The note receivable from Terrace Community Forest Limited Partnership bears interest at Royal Bank prime and is payable on the earlier of demand or September 1, 2011. (see note 1h). Terrace Community Forest Limited Partnership has provided a promissory note as security for the note receivable.

THE CITY OF TERRACE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

6. Investment in related companies

	2010		2009
Terrace Community Forest Limited (100% ownership) - modified equity basis			
- Shares	\$ 100	\$	100
- Investment (modified equity basis)	Nil		Nil
	100		100
Terrace Community Forest Limited Partnership (99% limited partnership interest)			
- Capital contribution	100		100
- Investment (modified equity basis)	Nil		Nil
	100		100
	\$ 200	\$	200

Where the modified equity method would result in a value less than the original cost of the investment, the investment is accounted for at original cost. As at December 31, 2010, the Terrace Community Forest Limited Partnership has an accumulated deficit of \$119,392.

7. Deferred revenue

Included in deferred revenue is the following:

	2010		2009
Provincial government contributions:			
- UBCM Federal Gas Tax Community Works Fund reserve	\$ 14,027	\$	13,866
Perpetual care (cemetery) fund	170,567		165,571
Other			29,181
	\$ 184,594	\$	208,618

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.

UBCM Federal Gas Tax Agreement Community Works Fund

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of B.C. Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

THE CITY OF TERRACE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

8. Long term debt

	2010	2009
<i>Municipal Finance Authority of British Columbia ("MFA")</i>		
Municipal Finance Authority of British Columbia debenture debt is reported net of estimated sinking fund asset balances. Debenture debt matures in 2011 to 2029 and debenture debt annual interest rates range from 4.13% to 7.625%.	\$ 3,186,391	\$ 3,397,917
<i>Northern Development Initiative Trust loan ("NDI")</i>		
Northern Development Initiative Trust loan is non-interest bearing with repayment in equal annual payments of \$150,000.	1,050,000	1,200,000
	\$ 4,236,391	\$ 4,597,917

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

	2011	2012	2013	2014	2015
<i>MFA</i>					
Principal payment	\$ 146,881	\$ 141,745	\$ 141,745	\$ 138,545	\$ 96,493
Actuarial addition	54,232	59,986	68,959	76,260	24,045
	201,113	201,731	210,704	214,805	120,538
<i>NDI</i>					
Principal payment	150,000	150,000	150,000	150,000	150,000
	\$ 351,113	\$ 351,731	\$ 360,704	\$ 364,805	\$ 270,538

9. Tangible capital assets

	2010	2009 (restated)
Land	\$ 10,279,932	\$ 10,279,932
Land improvements	2,173,327	1,135,321
Buildings	14,344,950	13,364,899
Motor vehicles	2,853,257	2,332,535
Furniture, equipment and technology	529,713	524,391
Transportation infrastructure	20,071,958	20,120,949
Water infrastructure	9,000,735	8,534,331
Sanitary sewer infrastructure	9,263,845	9,534,359
Storm sewer	7,330,441	7,214,968
	75,848,158	73,041,685
Assets under construction	242,330	2,195,570
	\$ 76,090,488	\$ 75,237,255

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

THE CITY OF TERRACE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

10. Equity in tangible capital assets

Equity in tangible capital assets represents the net book value of total capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2010	2009 (restated)
Increases:		
Capital acquisitions	\$ 3,956,959	\$ 8,856,851
Retirement of debt - principal repayment	305,428	247,927
- actuarial adjustment	56,098	45,055
Decreases:		
Proceeds from issue of debt		(1,715,000)
Dispositions at net book value	(77,609)	(267,400)
Amortization	(3,026,117)	(2,967,956)
Change in equity in tangible capital assets	1,214,759	4,199,477
Equity in tangible capital assets - beginning of year	70,639,338	66,439,861
Equity in tangible capital assets - end of year	\$ 71,854,097	\$ 70,639,338

11. Net taxes available for municipal purposes

	2010	2009 (restated)
Taxes:		
Property	\$ 15,848,301	\$ 15,598,035
Frontage	644,119	632,739
Utility	466,379	455,033
Local improvement levies	89,325	
Revenue in lieu of taxes	303,042	287,308
Penalties and interest on taxes	124,192	93,149
	17,475,358	17,066,264
Less taxes on behalf of:		
School	4,413,211	4,487,174
North West Regional Hospital District	563,659	570,530
Regional District of Kitimat-Stikine	309,777	331,767
B.C. Assessment Authority	93,953	88,789
Other	253	242
	5,380,853	5,478,502
Net taxes available for municipal purposes	\$ 12,094,505	\$ 11,587,762

THE CITY OF TERRACE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

12. Government grants and transfers

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

	2010	2009
Capital project grants		
- Federal	\$ 49,000	\$
- Provincial	144,554	4,431,032
- Regional District / Other	732,373	608,078
	925,927	5,039,110
Operating grants and transfers		
- Federal	49,913	81,199
- Provincial	693,800	1,531,019
- Regional District / Other	1,164,831	951,720
	1,908,544	2,563,938
	\$ 2,834,471	\$ 7,603,048

13. Commitments and contingencies

a) Capital requirements

City Council has approved a 2010 - 2014 tangible capital expenditure financial plan of \$12,719,000. The 2011 requirement of \$2,085,400 is to be funded as follows:

Operating funds	\$ 1,585,400
Grants	500,000
	\$ 2,085,400

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 about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made. The City of Terrace paid \$ 476,937 for employer contributions to the plan in fiscal 2010 (\$ 471,659 in 2009).

THE CITY OF TERRACE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

13. Commitments and contingencies (continued)

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.

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.

14. Prior period adjustments

In the 2009 fiscal year, the City restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In 2010, City management found a tangible capital asset that was not recorded at its proper value in the 2009 financial statements. The tangible capital asset value was understated by \$1,092,575. Additionally, in 2010 the City changed its accounting policy relating to the recording of local area service improvement levy revenue to comply with the Public Sector Accounting Board handbook. These adjustments resulted in the following restatements:

Adjustments to 2009 Accumulated Surplus

Accumulated surplus, as previously reported	\$ 76,914,470
Add:	
Net book value of tangible capital assets adjusted	1,092,575
Local area service improvement levy revenue	85,222
Accumulated surplus, as restated	\$ 78,092,267

Adjustments to 2009 Annual Surplus

Annual surplus, as previously reported	\$ 5,235,262
Less:	
Decrease in net taxes available for municipal purposes	(56,732)
Annual surplus, as restated	\$ 5,178,530

Certain comparative figures have been reclassified to conform to financial statement presentation adopted for the current year.

THE CITY OF TERRACE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

15. Related party transactions

The following is a summary of the City's related party transactions:

	2010	2009
Terrace Community Forest Limited Partnership (see note 1h)		
Contract services expense	\$ 207,834	\$ Nil

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CITY OF TERRACE
 Consolidated Schedule of Segmented Revenue and Expenses
 Year Ended December 31, 2010

(Schedule 1)

	2010										2010 Budget (Unaudited)	
	Protective services	Leisure services	Transportation and transit services	Development services	General government services	Waste management	Water operations	Sewer operations	Other services	Unallocated		2010 (restated)
Revenue												
Net taxes available for municipal purposes	\$ 234,148	\$ 906,104	\$ 491,840	\$ 394,743	\$	\$ 356,149	\$ 1,003,667	\$ 431,060	\$ 29,532	\$ 12,094,505	\$ 11,587,762	\$ 12,001,833
User fees and sale of goods and services	105,616	922,285	267,599	544,239	427,748		89,705	9,592		2,834,472	3,785,127	3,661,671
Government grants and transfers										467,688	7,603,048	1,946,065
Investment income										123,479	136,422	65,000
Other revenue	10,366			2,355	1,616				108,281	148,118	247,634	23,500
	350,130	1,828,389	759,439	941,337	429,364	356,149	1,093,372	440,672	137,813	12,711,172	23,358,993	17,698,059
Expenses												
Salaries, wages and benefits	1,730,211	1,418,096	1,294,380	842,124	983,375	228,615	383,859	255,061	38,436	7,174,157	7,543,283	7,716,983
Goods and services	2,748,272	1,975,411	1,173,349	492,245	721,698	75,609	370,680	207,263	(1,363)	7,763,164	7,218,329	7,893,006
Interest and bank charges		188,985	9,757	14,433	10,005		98	806			183,495	221,389
Amortization	105,188	758,322	1,434,119	6,692	78,984		266,979	355,834		228,807	2,967,956	2,968,000
Loss from disposal of tangible capital assets	(5,483)	25,279	26,802		262		8,750			3,026,118		
	4,578,188	4,366,093	3,938,407	1,355,494	1,794,324	304,224	1,050,366	818,964	37,073	18,247,856	18,180,463	18,799,378
Excess (deficiency) of revenue over expenses	\$ (4,228,058)	\$ (2,537,704)	\$ (3,178,968)	\$ (414,157)	\$ (1,364,960)	\$ 51,925	\$ 43,006	\$ (378,292)	\$ 100,740	\$ 12,706,449	\$ 5,178,530	\$ (1,101,319)

CITY OF TERRACE
 Schedule of Tangible Capital Assets
 Year Ended December 31, 2010

(Schedule 2)

	Land	Land improvements	Buildings	Motor vehicles	Furniture, equipment and technology	Transportation infrastructure	Water infrastructure	Sanitary sewer infrastructure	Storm sewer	Construction in progress	2010 Total	2009
												Total (restated)
Cost												
Opening balance	\$ 10,279,932	\$ 2,698,263	\$ 21,542,927	\$ 4,284,840	\$ 1,395,487	\$ 39,305,665	\$ 13,953,586	\$ 14,797,490	\$ 11,255,377	\$ 2,195,570	\$ 121,709,137	\$ 113,705,280
Additions		1,190,250	1,683,724	739,109	116,192	967,292	762,132	85,320	366,180	191,563	6,101,762	8,856,851
Disposals			(180,853)		(41,293)	(89,794)	(33,333)		(40,689)	(2,144,803)	(2,530,765)	(852,994)
Ending balance	10,279,932	3,888,513	23,045,798	5,023,949	1,470,386	40,183,163	14,682,385	14,882,810	11,560,668	242,330	125,280,134	121,709,137
Accumulated Amortization												
Opening balance		1,562,942	8,178,028	1,952,305	871,096	19,184,716	5,419,255	5,263,131	4,040,409		46,471,882	44,089,520
Amortization		152,244	678,133	218,387	94,353	1,013,005	286,979	355,834	227,482		3,026,117	2,957,856
Acc. amortization on disposals			(155,313)		(24,776)	(86,516)	(24,584)		(17,164)		(308,353)	(585,594)
Ending balance		1,715,186	8,700,848	2,170,692	940,673	20,111,205	5,681,650	5,618,965	4,250,427		49,189,646	46,471,882
Net book value December 31, 2010	\$ 10,279,932	\$ 2,173,327	\$ 14,344,950	\$ 2,853,257	\$ 529,713	\$ 20,071,958	\$ 9,000,735	\$ 9,263,845	\$ 7,330,441	\$ 242,330	\$ 76,090,488	\$ 75,237,255
Net book value December 31, 2009	\$ 10,279,932	\$ 1,135,321	\$ 13,364,899	\$ 2,332,535	\$ 524,391	\$ 20,120,949	\$ 8,534,331	\$ 9,534,359	\$ 7,214,968	\$ 2,195,570	\$ 75,237,255	\$ 75,237,255

CITY OF TERRACE
 Consolidated Schedule of Reserve Fund Activities
 Year Ended December 31, 2010

	2010							Total 2010
	Machinery and equipment	Capital works	Contingency	Community Foundation	Land acquisition	Parking space acquisition	Parks acquisition	
Balance - Beginning of year	\$ 2,376,730	\$ 956,529	\$ 1,016,863	\$	\$ 179,247	\$ 137,619	\$ 30,342	\$ 4,697,330
Transfers in	413,086	45,977						459,063
Investment income	34,881	11,096		23,702	2,079	1,596	352	50,004
Contributions		23,500			4,930			54,132
Transfers out	(855,144)	(105,094)	(61,735)					(1,021,973)
Balance - End of year	\$ 1,969,553	\$ 934,008	\$ 955,128	\$ 23,702	\$ 186,256	\$ 139,215	\$ 30,694	\$ 4,238,556

THE CITY OF TERRACE

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	Budget	2009
Protective services:			
Police and law enforcement	\$ 3,064,020	\$ 3,227,655	\$ 2,922,303
Fire protection	1,345,554	1,362,222	1,440,469
Protective projects	68,909	27,366	
Amortization	105,188	90,523	90,523
Loss (gain) from disposal of tangible capital assets	(5,483)		
	\$ 4,578,188	\$ 4,707,766	\$ 4,453,295
Leisure services:			
Pool	\$ 987,223	\$ 1,041,264	\$ 980,428
Arena	630,108	604,322	661,415
Parks	298,000	308,831	217,407
Recreation programs	149,821	142,900	155,341
Administration	230,006	231,152	245,681
Terrace Public Library funding	548,199	548,172	548,759
Grants to community organizations	62,804	72,100	74,771
Fee for service contracts	328,178	329,437	327,791
Leisure projects	159,168	181,385	
Interest and bank charges	188,985		153,867
Amortization	758,322	680,634	680,634
Loss from the disposal of tangible capital assets	25,279		4,611
	\$ 4,366,093	\$ 4,140,197	\$ 4,050,705
Transportation and transit services:			
Roads and streets	\$ 837,391	\$ 844,889	\$ 987,823
Building maintenance	390,284	404,374	412,479
Transit	481,294	540,000	423,237
Street and traffic lights	284,997	266,226	266,720
Administration	246,373	233,637	254,463
Shop	80,825	85,539	79,416
Inventory	128,976	137,489	136,788
Transportation projects	17,590	60,000	
Interest and bank charges	9,757		14,751
Amortization	1,434,119	1,577,339	1,577,295
Loss from disposal of tangible capital assets	26,802		113,066
	\$ 3,938,408	\$ 4,149,493	\$ 4,266,038

THE CITY OF TERRACE

**SCHEDULE OF EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	Budget	2009
Development services:			
Building inspection and licensing	\$ 187,793	\$ 219,273	\$ 206,598
Development	203,761	208,619	204,522
Animal control	227,654	230,869	232,835
Economic development and tourism	165,030	165,000	165,030
Planning	157,213	150,349	234,026
Drafting	167,643	173,315	170,177
Engineering	90,206	90,214	83,613
Bylaw enforcement	41,281	42,578	35,149
Development projects	93,789	103,251	
Interest and bank charges	14,433		2,266
Amortization	6,692	26,672	26,672
Loss from disposal of tangible capital assets			3,667
	\$ 1,355,495	\$ 1,410,140	\$ 1,364,555
General government services:			
Finance	\$ 610,666	\$ 632,819	\$ 600,613
Administration	482,128	491,615	492,575
Legislative	183,922	197,433	242,156
Insurance and other	108,956	112,708	127,905
Common services	83,078	85,700	90,066
General government projects	236,322	263,334	
Interest and bank charges	10,005		9,426
Amortization	78,984	64,976	64,976
Loss on disposal of tangible capital assets	262		345
	\$ 1,794,323	\$ 1,848,585	\$ 1,628,062

CITY OF TERRACE
DEBENTURE DEBT ANALYSIS
 December 31, 2010

BYLAW NO.	PURPOSE	MATURITY DATE	AMOUNT OF ISSUE	AMOUNT MATURED 2010	INTEREST PAID 2010	FUTURE ANNUAL PRINCIPAL	FUTURE ACTUARIAL CAPITALIZATION	TOTAL LIABILITY DEC 31/10
	GENERAL							
1239	LIP Paving	2011	55,709	1,685	1,323			
1307	LIP Paving	2013	34,530	283	796	850	1,196	2,046
1364	Library Expansion	2014	1,235,000	37,350	61,750	149,398	202,004	351,402
1655	LIP Paving	2010	18,490	1,551	291	0	0	0
1736	LIP Paving	2011	64,601	5,136	3,676	5,136	2,832	7,968
1789	LIP Paving	2014	36,690	2,917	1,825	11,668	5,181	16,849
1866	Sportsplex	2029	1,575,000	52,891	65,048	1,004,934	517,175	1,522,109
1867	Arena Retrofit	2028	1,200,000	40,298	55,800	725,366	392,426	1,117,792
1867	Arena Retrofit #2	2029	140,000	4,701	6,860	89,328	45,971	135,299
1882	LAS Paving	2018	32,194	2,682	1,497	21,452	5,272	26,724
1883	LAS Paving	2018	7,473	622	347	4,980	1,223	6,203
	TOTAL GENERAL DEBT		4,399,687	150,116	199,213	2,013,111	1,173,280	3,186,391
	SEWER							
1655	Skeena St sewer	2010	61,225	5,136	964			
	TOTAL SEWER DEBT		61,225	5,136	964			
	WATER							
1239	Waterline ext.	2011	5,811	176	138			
	TOTAL WATER DEBT		5,811	176	138			

**CITY OF TERRACE
ASSESSMENT AND TAX RATE STATISTICS**

Property Class	2009		2010		Tax Rates General, Debt and Transit		School Tax		Levy for other Governments	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
1. Residential	696,500,900	725,546,800	6.85303	6.819	4.2632	3.9343	0.8174	0.7622		
2. Utilities	3,360,110	3,113,240	64.675	62.585	14.5000	14.4000	3.1318	2.9402		
4. Major Industry	4,143,000	3,639,000	79.41271	82.34700	3.5000	3.4000	3.0564	2.8707		
5. Light Industry	5,502,400	5,502,600	48.47339	49.587	3.5000	3.4000	2.7639	2.5643		
6. Business/Other	176,035,800	188,712,000	26.21628	25.225	7.0000	6.8000	2.0483	1.9033		
8. Recreation/NonProfit	406,600	302,700	7.56494	7.674	3.7000	3.5000	0.8174	0.7622		
9. Farm	47,908	45,267	33.21346	34.412	6.9000	6.8000	0.8174	0.7622		
Total Assessment	885,996,718	926,861,607								