

# **CITY OF TERRACE**

## **2005**

# **ANNUAL REPORT**



*Keeping Terrace the best place to live in British Columbia*

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# 2005 ELECTED OFFICIALS



*Back row (from left to right): Councillors Stewart Christiansen, Carol Leclerc, Lynne Christiansen and David D. Hull (resigned May 10, 2005)  
Front row (from left to right): Councillor Rich McDaniel, Mayor Jack Talstra, and Councillor Marilyn Davies*

Council conducts its Regular Meetings on the second and fourth Monday of every month at 7:30 p.m. in Council Chambers at City Hall at 3215 Eby Street.

The City has a "Talk Back Line" (638-4778) that residents can call 24 hours a day to comment on items of interest.

For more information, visit the City website at [www.city.terrace.bc.ca](http://www.city.terrace.bc.ca) or contact the City at:

City of Terrace,  
3215 Eby Street  
Terrace, B.C. V8G 2X8  
(250) 635-6311 (telephone)  
(250) 638-4777 (fax)

***City Council is the legislative body representing the citizens of Terrace, providing leadership and establishing policies and priorities for the community.***



# MESSAGE FROM THE MAYOR



On behalf of Council and staff at the City of Terrace, it is my pleasure to present to you the City of Terrace 2005 Annual Report. The past year has been significant for Terrace in that many changes began to take place that will impact the future of our City and the Northwest

2005 was an exceptionally busy year. A commemorative signing of the Airport Lands was completed with Minister Abbott at the Terrace-Kitimat Airport. This represented the official beginning of our quest to own and develop these lands in conjunction with the construction of the Container Port Facility in Prince Rupert. In addition, I was fortunate enough to travel to China, courtesy of the Municipal Finance Authority, with a group of northern businessmen and politicians with the goal of marketing Northern B.C. to Asia.

Indeed, the highlight of the year was the sale of the Terrace New Skeena Sawmill to the Terrace Lumber Company (affectionately known as "TLC"). This brought to a close a long and arduous process of reviving our once largest employer from bankruptcy. On February 23rd, close to 1,000 people showed up at the mill site to celebrate the purchase of the Terrace mill by a group of local business men. The mill was able to begin operating its first shift before summer.



## **MESSAGE FROM THE MAYOR - continued**

The City also saw the Grand Opening of the George Little House in March. This was another step towards building a downtown tourism zone and promoting the City to visitors. The City also hosted the 50th North Central Municipal Association Conference in May with close to 300 delegates, sponsors and spouses from 100 Mile House north to the Yukon border. This event was not only the most successful one to date, but it also served to showcase Terrace's amenities, scenery and most of all, our hospitality.

The economy began to pick up in 2005 with building permits valued at more than \$11.5 million being issued. This was more than double the 2004 value. We also worked on our Area Concept Plan for the Airport including a visioning session with stakeholders. With a shortage of available industrial land in the City, these lands will serve to fill this gap and attract business to our area.

2005 also marked the 4th year that the City held the line on taxes. With the community still recovering from the past downturn, Council was insistent that we not unduly burden the residents. Services and projects were reduced in an effort to operate within a reduced budget, and with community support we were able to manage during these times. Council is focusing on increasing capital projects (especially roads) in 2006, attempting to catch up on postponed projects. I wish to thank the public for its patience during this period.

Finally, the future looks good as we go forward into 2006. The economy is gaining positive momentum and the potential within the mining sector, container port and Asia-Pacific opportunities will only fuel the turn around in our community. As we compare ourselves to other communities in B.C. and across Canada, I am proud to say "Terrace is the best place to live!" With the commitment of volunteers, staff, Council and most of all, you, this has become a great place to call home!



## 2005 COUNCILLORS' AREAS OF RESPONSIBILITY

### STEW CHRISTENSEN

1. Forestry Task Force Implementation Committee
2. 9-1-1
3. Community Consultative Cttee.
4. RD of Kitimat-Stikine, Director
5. Finance, Personnel & Administration
6. NWLA - Project Steering Cttee.

### LYNNE CHRISTIANSEN

1. Health Task Force Monitoring Group
2. Terrace & Dist. Heritage Museum Society
3. Council for Healthy Early Childhood
4. Health & Hospital Services
5. RD - 1<sup>st</sup> Alternate for Mayor Talstra & 2<sup>nd</sup> Alternate for Stew Christensen
6. Development Services
7. Seniors Advisory Commission

### MARYLIN DAVIES

1. Riverboat Days Cttee.
2. NCMA 2005 Conference Cttee.
3. Terrace Tourism Society
4. NCDC
5. RD 1<sup>st</sup> Alternate for Stew Christensen & 2<sup>nd</sup> Alternate for Mayor Talstra
6. TEDA
7. UNBC & NWCC

### DAVID HULL

1. Terrace-Kitimat Airport Society
2. Public Works, Environment & Waste Management
3. 9-1-1
4. Municipal Emergency Program (MEP)
5. Transit Advisory
6. Terrace Public Library

### CAROL LECLERC

1. Advisory Parks & Recreation Commission
2. Sportsplex Committee
3. Skeena Multiculturalism Diversity Project
4. Recreation, Parks & Leisure Services
5. Chamber of Commerce
6. 1<sup>st</sup> Nations Community Services

### RICH McDANIEL

1. Sportsplex Committee
2. NCMA 2005 Conference
3. Greater Terrace Beautification Society
4. Yellowhead Highway Association
5. Educational Services, School District #82
6. George Little House Society

### JACK TALSTRA

1. Skeena Treaty Advisory Committee
2. Regional District of Kitimat- Stikine, Chair
3. Governments



## 2005 COUNCIL INITIATIVES

During the Spring of 2005 City of Terrace Council underwent a planning session that identified the City's top nine initiatives to achieve its preferred future.

These nine initiatives form the building blocks of the City of Terrace's 2005 Plan.

### 1. **SPORTSPLEX**

Objective:

To provide an improved quality of life by constructing the Sportsplex.

Initiatives:

Secure a good engineer

Develop a Plan "B"

Funding

Progress:

Secured the services of PBK Architects

Worked at design and tendering to reduce the building costs

Approached FCM and West Fraser for grant and sponsorship funds

### 2. **ECONOMIC DIVERSIFICATION**

Objective:

To retain, grow and attract new and existing business and industries.

Initiatives:

Work with TEDA

Progress:

The City worked closely with TEDA to encourage business

Issues pursued include a First Nations Economic Development Partnership, an Aboriginal Power Policy, Airport Boundary Expansion, an Asia Pacific Strategy, Transmission Line Extension beyond Meziadin and Forestry Issues

### 3. **TOURISM**

Objective:

To attract and maintain a growing, diversified, and sustainable tourism industry.

Initiatives:

Market an image for Terrace

Council needs to review tourism strategy

Create Terrace as the "Conference Centre of the Northwest"

Continue with developing the tourism zone

Develop internal Terrace tourism marketing

Liaise with Kitsault

Liaise with First Nations

Progress:

Pursued UBCM funding with Regional District for a Tourism Organizational Review

Secured the Co-op property for future development including tie-in with Tourism Zone

Mayor met with owner of Kitsault to discuss future plans for the area

Opened the George Little House as a "Gateway to Downtown Terrace"

Met with UNBC to discuss further development of the Downtown Tourism Zone

Worked with Kitselas and Kitsumkalum to identify cultural and historical tourism products



## 2005 COUNCIL INITIATIVES - continued

### 4. ORGANIZATIONAL CAPACITY

Objective:

Ensure “creative approach” to staffing and department structure.

Initiatives:

Review structure  
Consistent review of staff workload  
Succession planning (training)  
Hiring consultants as necessary

Progress:

Staff met to review the effects of reductions to services and departments and recommendations to address workloads  
Staff were asked to focus on training individuals within their departments that could fill promotional positions  
Training for each department was identified for this purpose in the 2005 budget

### 5. ALTERNATIVE REVENUE SOURCES

Objective:

Research alternative revenue sources.

Initiatives:

Low cost housing  
Joint business ventures (gas lines, City Tel, fiberoptics)  
Contact post secondary for research  
Letter to UBCM and MFA for a planning session/workshop  
Develop NDI Guidelines

Progress:

Main focus was on development of the Airport Lands  
UNBC approached regarding possible funding for workshops  
Developed guidelines for submission of NDI Funds  
Met with Prince Rupert to look at possible business ventures

### 6. INFRASTRUCTURE

Objective:

To continue the publicly acceptable level of service and prepare for future needs of the growing community.

Initiatives:

Address impact of container port on City infrastructure  
Meet with all interested parties (City, RD, CN, Highways, etc.)  
Review City facilities, parks, roads (infrastructure)

Progress:

Staff worked with CN to identify possible impact of container port on the City  
Traffic counts conducted on City streets to identify street paving priority system  
Staff began a review of City facilities to tie in renovations/upgrades with future budgets



## 2005 COUNCIL INITIATIVES - continued

### 7. AIRPORT LANDS DEVELOPMENT

Objective:

To develop, market, and sell airport lands.

Initiatives:

“Flexible” Land Use Plan (Area Structure Plan – consultant)  
Proceed with Boundary Expansion  
Liaise with TEDA  
Liaise with Government (re: First Nations)

Progress:

Signed an Agreement in Principle with Minister Abbott for the Airport Lands  
Began the Area Concept Plan  
Studied the spur line into the airport with CN  
Began the process to expand the airport lands  
Worked with TEDA to promote the lands  
Liaised with Kitselas regarding the Airport Lands

### 8. CONFERENCE CENTRE

Objective:

Review feasibility of building a conference centre.

Initiatives:

Check 2010 Olympic funding  
Pursue 2010 Community Benefits Chair replacement  
Investigate conference centres in B.C. (Penticton, Victoria, Whistler, etc.)  
Pursue “Longhouse” Museum  
Pursue Location

Progress:

Purchased the Co-op property as a potential conference centre site  
Looked into other conference centre facilities owned and operated by municipalities  
Looked into the concept of a Longhouse Museum in conjunction with a conference centre  
Roger Harris was named the chair of the 2010 Terrace Olympic Benefits Committee

### 9. REGIONAL CO-OPERATION

Objective:

To promote regional co-operation for the mutual benefit of our communities.

Initiatives:

Regional Fire Department review  
Pursue North West Municipal Association (NWMA)  
Pursue meeting with local First Nations

Progress:

Reviewed current Fire Department service and continued with the arrangement  
Investigated the concept of establishing a North West Municipal Association and looked at the Peace Country model  
Identified that the fall of 2006 is the best time to have the first NWMA meeting  
Worked with the local First Nations of Kitselas and Kitsumkalum and identified holding a Community to Community Forum in early 2006  
Applied for and received UBCM funding for a 2006 Community to Community Forum

# PREVIEW OF 2006 COUNCIL INITIATIVES

## Creating a Healthy & Vibrant Community

- ❖ New hospital
- ❖ Adequate seniors housing
- ❖ Maintain Terrace as the Regional Centre
- ❖ Develop an inviting downtown image
- ❖ Encourage a full range of community educational opportunities
- ❖ Create and maintain outdoor amenities
- ❖ Provide accessible recreation opportunities
- ❖ Establish a Community Forest
- ❖ Promote local arts and culture
- ❖ Begin the process to attract a conference centre
- ❖ Re-examine City boundaries

## Encouraging Business & Tourism

- ❖ Develop the airport industrial lands
- ❖ Diversify the economy
- ❖ Develop regional tourism
- ❖ Promote Terrace as a tourist destination
- ❖ Seek Asia-Pacific opportunities
- ❖ Secure a stable forestry sector
- ❖ Encourage 2010 initiatives
- ❖ Pursue Sportsplex Phase One

Community to Community Forum



## Building Partnerships & Enhancing Relationships

- ❖ Strengthen our bonds with local First Nations Communities
- ❖ Strengthen Provincial and Federal affairs
- ❖ Strengthen relationships with other Northwest centres, including Kitimat and Prince Rupert
- ❖ Develop a Northwest Municipal Association

Grand Trunk Pathway



## Ensuring Community Infrastructure

- ❖ Develop infrastructure at the airport
- ❖ Design a long term plan for City buildings
- ❖ Ensure a sustainable Capital Works Budget for City streets
- ❖ Develop the old Co-Op property
- ❖ Enhance community transportation links (highway, rail, air)



## 2005 UBCM MINISTERIAL PRESENTATIONS

- ❖ Premier Gordon Campbell
  - Update of all Terrace Issues
  
- ❖ Honourable Tom Christensen, Minister of Aboriginal Relations and Reconciliation
  - City of Terrace/First Nations Economic Development Partnership
  - Mining - Resolving the Tahltan Situation
  - Aboriginal Power Policy
  - Forest Issues
  
- ❖ Honourable Pat Bell, Minister of Agriculture and Lands
  - Update to Minister on Terrace Issues
  
- ❖ Honourable Ida Chong, Minister of Community Services
  - Senior Services in the Community
  - Airport Boundary Expansion
  
- ❖ Honourable Colin Hansen, Minister of Economic Development
  - Include Northwest in Asia Pacific Strategy
  - Funding Assistance for Airport Lands
  - 2010 Olympic Opportunities for Terrace
  
- ❖ Honourable Richard Neufeld, Minister of Energy, Mines and Petroleum Resources
  - Methanex
  - Transmission Line Extension Beyond Meziadin
  - Aboriginal Power Policy
  
- ❖ Honourable Richard Coleman, Minister of Forests and Range
  - Terrace Lumber Company - Accessing Fibre
  - Forest Issues
  
- ❖ Honourable George Abbott, Minister of Health
  - Seniors Care
  - Northern Transportation Fund
  - New Hospital for Terrace
  - Bed Shortage and Trauma Centre
  
- ❖ Assist. Deputy Minister Peter Milburn, Ministry of Transportation
  - Stewart Omineca Resource Road
  - Cranberry Connector
  - Container Port Impact Study

## 2005 Highlights in Review

### JANUARY

- ❖ Airport Lands Signing with Minister Abbott
- ❖ Meeting with Ministers Abbot, Bell and Neufeld
- ❖ Chinese Trade Mission – Mayor visited China
- ❖ City-Hosted NDI Trust-NW RAC Meeting

### FEBRUARY

- ❖ Volunteer Appreciation Dinner
- ❖ Shoppers Drug Mart Development Permit
- ❖ Muks-Kum-Oi Housing Development Permit
- ❖ Terrace Group bought New Skeena Sawmill
  - ❖ City-hosted Celebration at the mill site (Terrace Lumber Company)

### MARCH

- ❖ Letter of Support: Federal Ministry of Fisheries – Salmonid Enhancement Program
  - ❖ George Little House Grand Opening
  - ❖ BC Offshore Oil & Gas Meeting
- ❖ B.C. Sports Tourism Events–Marketplace 2005
- ❖ Sportsplex Announcement with Roger Harris
  - ❖ City of Terrace Awarded Host to the 2010 B.C. Winter Games
- ❖ CFDC of Pacific NW – “Opportunities on the Horizon”
- ❖ Council Retreat – 2005 Council Initiatives
  - ❖ TS Rail Presentation
  - ❖ Dinner with Minister Bell
  - ❖ Greenville Village Council Meeting
- ❖ City-Hosted NDI Trust-NW RAC Meeting

### APRIL

- ❖ Dinner Meeting with Minister Rich Coleman, Minister of Forests & Range
- ❖ Unveiling of Sayt Haat Monument at Gingolx (Kincolith)
- ❖ City-Hosted NDI Trust-NW RAC Meeting



Mill Site Celebration

### MAY/JUNE

- ❖ Letter of Support: Highway 37-Extension of Power Line (also letters in October and November)
- ❖ Lions Club Bears in the City Launch
  - ❖ Lt. Governor Honourable Iona Campagnolo Visit
  - ❖ Meeting with Tolko
  - ❖ Meeting with Kitimat LNG
- ❖ Coast Tshimshian Resources – Forestry and TLC Update and China Paper Group
  - ❖ Caravan Tour Bookings Feasibility
  - ❖ Sportsplex Re-tendered
- ❖ City-Hosted North Central Municipal Association Conference
- ❖ Official Opening of Terrace Lumber Co.
- ❖ City-Hosted NDI Trust-NW RAC Meeting

## 2005 Highlights in Review - continued

### JULY/AUGUST

- ❖ Luncheon with Minister Bill Bennett, Minister of State for Mining
  - ❖ Staples Development Permit

### SEPTEMBER/OCTOBER

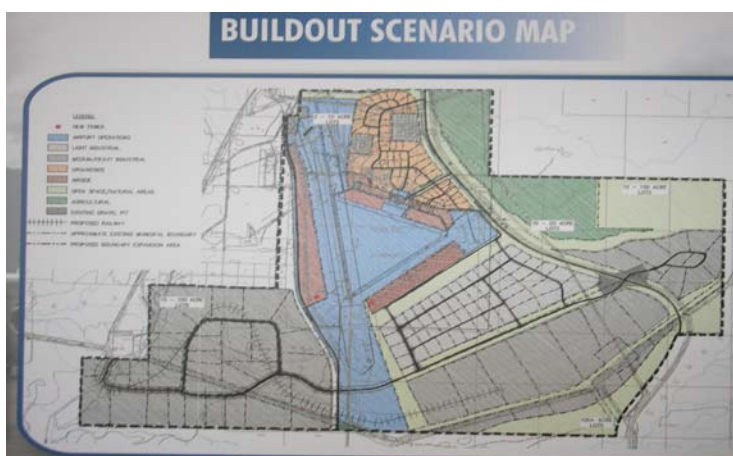
- ❖ Letter of Support: Port Authority – Container Port
  - ❖ New Aiyansh Totem Pole Raising
    - ❖ NCDC Meeting
    - ❖ Enbridge Meeting
  - ❖ Tourism Strategy Review
- ❖ City Purchased Old Co-Op Property
- ❖ Mayor Presented 25-Year Long Standing Service Award at UBCM Conference
  - ❖ UBCM Conference
- ❖ City-Hosted NDI Trust-NW RAC Meeting

### NOVEMBER

- ❖ Letter of Support: Premier's Council on Aging & Seniors Issues (presented senior's concerns and requested a NW representative on the PCASI )
- ❖ Letter of Support: Transportation Canada – Proposed Approach Ban
- ❖ BC Lions Spirit Bears in the City Unveiling
  - ❖ Airport Area Concept Plan
- ❖ Dinner with Minister Colin Hansen, re: Asia Pacific Initiative
  - ❖ Airport Lands ACP Visioning Session
  - ❖ George Little House – Lease Signing Agreement – Nisga'a and City of Terrace
- ❖ UNBC-Keith Avenue OCP Amendment and Rezone
- ❖ School District No. 82 – 4-day School Week
- ❖ NWCC – Qingdao Student and Instructor Exchange Agreement

### DECEMBER

- ❖ Letter of Support: Youth Safe Home
  - ❖ Meeting with Kitselas/Gitau
  - ❖ Kitselas Land Code Celebration
- ❖ Terrace Mountain Bike Trail Preliminary Plan and Development
  - ❖ City-Hosted Elected Officials Training
- ❖ City-Hosted NDI Trust-NW RAC Meeting



Terrace Airport Lands Area Concept Plan

# DEPARTMENTAL OVERVIEWS

## ADMINISTRATION

The City's Administration Department consists of the Chief Administrative Officer, Corporate Administrator and an Executive Assistant. The CAO oversees the City's operations and assists Council to establish strategic direction for the City. The Corporate Administrator provides legislative and administrative support to Mayor and Council, as well as other City Departments. The Executive Assistant provides clerical support to Mayor and Council, and for the Department.



Council meetings and special functions are co-ordinated through Administration, and this department is also responsible for providing the public with information relating to the activities and direction of Council, the maintenance and retention of bylaws of the City, preparation and preservation of Council Minutes, the proper conduct of the Elections process, and for inquiries under the Freedom of Information and Protection of Privacy legislation.

Key activities in this Department over the past year include:



Fabulous 50's Dance  
NCMA Conference

- ❖ A community party was held in February to celebrate the purchase of the sawmill by local interests (Terrace Lumber Company);
- ❖ The City hosted the 50th Annual North Central Municipal Association (NCMA) Conference attracting 250 people to Terrace,

# DEPARTMENTAL OVERVIEWS

## ADMINISTRATION...continued

- ❖ Hosted the Lieutenant Governor, Iona Campagnolo, during a visit to Terrace



- ❖ Launched the Lions Society's Spirit Bears in the City Campaign in Terrace
- ❖ Revised the Council Proceedings Bylaw to formalize a process for holding electronic meetings
- ❖ Co-ordinated the 2005 Local Government Elections and Fluoridation Question Referendum
- ❖ Negotiated leases for use of City property with a number of local groups and organizations
- ❖ Commenced a review of all City bylaws dating back to 1927

Spirit Bears in the City



- ❖ Negotiated Management Contract for the operations of George Little House

# DEPARTMENTAL OVERVIEWS

## DEVELOPMENT SERVICES

The Development Services Department is responsible for engineering, including infrastructure design and project management for major capital works; planning, including long range planning and the processing of zoning, subdivision, development permit, and variance permit applications; building inspection and business licensing, including plan reviews and inspection services; mapping; and bylaw enforcement and animal control.

The major projects completed by the Engineering Division in 2005 included construction of the Ferry Island Campground Washroom Facility and Septic Disposal Field, reconstruction of 3500 Munroe Street and 4800 Scott Avenue, and drilling, pump testing, and environmental assessment work for the Green Street Well Project.



The Planning Division had a significant increase in rezoning and development permit applications in 2005. Major development permits were issued for Canadian Tire, Staples, Shoppers Drug Mart, and Wightman and Smith Insurance. Although subdivision applications were once again low, indications show that numbers should improve. Work began late in 2005 on infrastructure installation for the Yeo Street Bareland Strata Development for a future cluster townhouse development in the Hillside Residential Zone. An Area Concept Plan (ACP) Study was initiated on the Airport Lands including a visioning session and stakeholders meetings. The purpose of the ACP will be to guide orderly development of the area and ensure that development and land uses are compatible with airport operations.

The Building Inspection and Business License Division issued building permits for approximately 11.5 million dollars in construction value in 2005. This is more than double the value of permits issued in 2004 and is an indication of the positive economic trend in the Northwest. The total number of businesses licensed in 2005 was 1082 which was slightly down from the previous year.

The Mapping Division provides mapping and property history information for all City departments in addition to processing requests from the public, realtors, developers, and the business community. Mapping staff completed the transfer of water and sewer infrastructure information into the GIS database.

In 2005 the Bylaw Enforcement function was carried out by the respective departments and divisions which administer the various bylaws. The number of written complaints received and tickets issued was 245 and 28 respectively and is similar to 2004, when 255 written complaints were received and 21 tickets issued.

The Animal Control Division continues to handle the majority of the bylaw complaints with 128 registered in 2005 under the Animal Control Bylaw. 2005 marked the first full year of operation of the animal crematorium and has been well received throughout the Northwest. A total of 388 private cremations were performed with 224 customers requesting the ashes be returned.



# DEPARTMENTAL OVERVIEWS

## FINANCE

The City of Terrace Finance Department is responsible for administering the financial resources within the City in order to meet the expectations of short term and long term budgetary demands set out in the five-year Financial Plan and to maintain and provide support for the computer systems within the City. This is accomplished by working closely with Council and our Chief Administrative Officer as well as all the Departments within the City and various levels of government.



Our Finance Department consists of a Cashier, Accounts Payable Clerk, Finance Clerk, Payroll Clerk, Information Systems Manager, Financial Services Manager and Director of Finance. These positions provide financial and information systems support to the public and all City Departments. This support includes the calculating and collecting of property taxes, maintaining property tax and utilities information, preparing and monitoring budgets, preparing the five-year financial plan, payroll, processing invoices, customer

service and information systems support for the Royal Canadian Mounted Police. The Finance Department, as well as all City Departments, works under the guidelines outlined in the Community Charter and the Local Government Act.

The Finance Department monitors the cost sharing agreements between the Regional District and the City of Terrace. These include but are not limited to the arena, pool, library, cemetery, and Regional Transit. We also cost share on various community grants some of which the Regional District provides and some the City provides.

The Finance Department has prepared the audited Consolidated Financial Statements as at December 31, 2005 for the City of Terrace. Both the Consolidated Financial Statements and the list of Tax Exemptions are included in the last section of this report.



# DEPARTMENTAL OVERVIEWS

## FINANCE - continued

Key activities in the Finance Department included:

- ❖ Preparing the 2005 – 2009 Financial Plan Bylaw.
- ❖ Preparing the 2005 Tax Rates Bylaw. This includes the tax rates for Municipal, Regional District and Hospital taxes. For municipal taxes, the City sets the budget required for operations and capital, then the finance department calculates the applicable tax rates. For Regional District and Hospital taxes, the Regional District requisitions the City. We then calculate the tax rate, collect the taxes and remit to the Regional District.
- ❖ Preparing the Permissive Tax Exemptions Bylaw.
- ❖ Conducting the annual tax sale on the last Monday in September.
- ❖ Arranging for the annual audit.
- ❖ Ensuring the property taxes, expenditures, liabilities and investments are processed in accordance with the Community Charter requirements.
- ❖ Working with the Regional District, Northern Health Authority, Kitselas (Gitaus), Kitsumkalum, Kitimaat Village, and the District of Kitimat to develop a transit system between these communities. This system will connect to the existing transit systems in Terrace and Kitimat.

# DEPARTMENTAL OVERVIEWS

## FIRE DEPARTMENT

The Fire Department has been serving the community for over 50-years. The organizational structure of the department is composite, meaning we use both career and volunteer firefighters. Our current complement of firefighters consists of 8 Career and 25 Volunteer fire fighters.



Fire Hall 1, located adjacent to City Hall, is staffed 24 hours a day, 365 days a year by the career component of the department. There are four shifts working a four day on, four day off rotation (two days, two nights). Our department responds to fire, medical, rescue, hazmat and airport emergencies. When a call is received, the firefighter on shift alerts firefighters via pager and responds to the emergency scene. As the crews arrive, the firefighter on duty, or the next arriving senior officer, takes control of the incident and organizes the firefighters into tactical groups to deal with the emergency.

The career component of our department is responsible for the training and safety of our volunteers, both on and off the emergency scene. There is very little margin for error in the work we do, so the ability to work together as a team during emergencies and during training is essential.

The volunteer group represents a workforce worth approximately 2.5 million dollars annually. The cost effectiveness of our composite system is the envy of many municipalities in B.C. Over the years, many of the volunteers have used their training and experience to secure full time employment in the fire service, and all of our current career staff, including the Fire Chief, started in our volunteer ranks.

# DEPARTMENTAL OVERVIEWS

## FIRE DEPARTMENT - continued

2005 was an especially challenging year with a few high profile incidents starting with the CN hazardous materials spill which resulted in an evacuation of the east Keith Avenue industrial area. This was followed by the Kenny Street apartment fire, and then the tragic Nav Air plane crash at the Terrace Kitimat Airport. In 2005, the Fire Department responded to over 600 emergency incidents including: 203 fire related calls, 3 aircraft emergencies, 15 hazardous materials incidents, 75 motor vehicle rescue calls and 139 first responder calls.

When not training or responding to emergencies, our firefighters commit time to a number of community charities and events such as the annual Riverboat Days' Fireworks, Muscular Dystrophy Boot Drive, Good Food Box Program, Canada Day pancake breakfast to raise funds for the B.C. Professional Fire Fighters' Burn Fund, and medical coverage for various events in the community (i.e. dry grad, sports events, etc.).

The services we provide are rarely pleasant and always challenging; it takes a special type of person to commit the time it takes to become a volunteer firefighter or choose the fire service as a career. The success of our department is the result of an over 50-year tradition of teamwork and commitment to always being prepared to answer the call in our community's hour of need.

And finally, 2005 saw the departure of our Fire Chief Randy Smith, and the replacement by new Fire Chief Peter Weeber.



# DEPARTMENTAL OVERVIEWS

## LEISURE SERVICES

2005 proved to be a year of new ventures that brought about some exciting and innovative projects.

In February the Leisure Services Department, with the assistance of the Terrace Parks and Recreation Advisory Board submitted a successful bid to host the 2010 BC Winter Games. Although volunteer recruitment is a few years away, the response from the community has been overwhelming. With the games following the 2010 Vancouver Winter Olympics, this could prove to be a once in a lifetime opportunity to show- case Terrace to the rest of the world. Leisure Services hopes to continue to be a vital part of that process.



The program division once again proved that creativity has some amazing rewards. One incredible success was the introduction of programs that catered specifically to women. Through a partnership with the local Golf and Country Club (their golf instructors instructed the Ladies Links program offered by Leisure Services) the department exceeded their participation expectation by 200%. The Golf and Country Club also reaped some of the rewards as of the 72 women put through the Ladies Links program it was estimated that 40% have become frequent users of their facility.

The Terrace Aquatic Centre proudly offered to the residents of Terrace and surrounding area a total of eleven lesson sets in 2005. We enjoyed the challenge of instructing an average of 200 students in each of the lesson sets to learn to swim or improve their swimming technique. The Terrace Aquatic Centre offers one of the most successful school lesson programs in British Columbia with over 90% of the time available for local schools booked for lesson or recreational swims. The lesson and recreation opportunities offered to the schools of Terrace were enjoyed by over 5,000 children in 2005. In September 2005 we offered additional information for those teachers that wished to expand on their student's knowledge of swimming and water safety by making available the Red Cross Swim @ School Brain Games program. A Landice treadmill, Nu-Step bike and squat rack were all welcome additions to the weight room in 2005. Since its arrival the treadmill has logged an average of 199.6 miles per day or 24,950 miles, slightly more than once around the world.



*Did you know:*

- The main pool holds 154,192.5 US gallons of water and all of the water is circulated and filtered every 5.25 hours?
- You would have to complete 23,160 lengths of the pool to equal the length of the Skeena River?

# DEPARTMENTAL OVERVIEWS

## LEISURE SERVICES...continued

Ferry Island (the municipal campground) enjoyed an upgrade to its grounds with the addition of a new washroom/shower facility as well as the installation of a new playground. Both the Skeena Valley and Downtown Rotary Clubs volunteered the material, playground equipment, and man hours necessary for installation to create a vibrant new area for the children visiting the island to play on.



Seeing the importance of the partnerships to deliver programs to the community encouraged Leisure Services to volunteer their time to act as a sponsoring agent for the Canadian Tire Jumpstart program. This program provides financial means necessary to assist children between the ages of 6-18 to participate in the sport or recreation activity of choice where they otherwise would be unable to. Leisure Services acts as one of the facilitators in the administrative part of the program.

In 2005 the arena was filled with excitement as the Terrace River Kings, Terrace's CIHL Senior Men's hockey team finished their sophomore year at the top of the league standings. Crowds filled the arena for each of the River Kings games providing the community with some dynamic, emotionally charged hockey games. To facilitate future River King development Leisure Services partnered with the Lou Lemire Hockey School bringing a skills camp to Terrace after a two year hiatus. Fifty Five (55) children registered and it is hope that because of the success of the camp even more will register for the 2006 summer season.

In 2005 the City of Terrace through the Leisure Services Department interred 27 people and 13 cremations into their final resting places. A total of 32 grave markers were also installed in the city run cemeteries.

# DEPARTMENTAL OVERVIEWS

## PUBLIC WORKS

As with many other City Departments, Public Works budgets saw continued reductions in services in several areas through 2005. In the Roads Department, boulevard maintenance, drainage maintenance, road maintenance, and road marking remained at reduced levels. Fortunately, the easy winters of 2004/2005 and 2005/2006 helped stretch maintenance budgets somewhat. With an increased emphasis on rebuilding some of our streets, Munroe Street from Walsh to Straume, and Scott Avenue between Eby and Munroe, were reconstructed by the Development Services Department. With a return to normal budgets, we anticipate significantly more road projects in the coming years.

The Building Maintenance Department was kept busy with routine maintenance as well as several larger projects that included renovations at the George Little House, a new heating system in the Public Works building on Graham Avenue, and the retrofit of cells at the RCMP. Also completed was the new Emergency Operations Center and Training Room downstairs in City Hall. Located next door to the Provincial Emergency Program headquarters, the center is ideally situated for emergency operations, as well as providing meeting space for the Volunteer firefighters and other groups.

The increasing participation in the composting program has added to the Environmental Health Department's workload through the spring, summer and fall. The compost is successfully being used for boulevard and park maintenance, as well as to provide final cover for our landfill on Kalum Lake Road. We anticipate closing our landfill within the next few years, pending the construction of the proposed Forceman Ridge Landfill south of Terrace.

The moderate weather of 2005 made for a more controlled pace for our Environmental Health Technicians in charge of supplying water and treating wastewater. Hot weather and the resultant lawn sprinkling typically increase water demand to the point that crews are busy virtually around the clock. Wet fall and winter weather can also be extremely demanding times for crews dealing with wastewater flows. With 2005's moderate weather, crews were able to concentrate more on maintenance, and help plan projects such as the Green Street well, and a new aeration system for the sewer treatment plant, both projects which are scheduled for 2006.



# DEPARTMENTAL OVERVIEWS

## TERRACE RCMP DETACHMENT

The Terrace Detachment of the Royal Canadian Mounted Police provides front line, emergency policing services to the City of Terrace as well as the rural and unincorporated areas surrounding it. The unit is comprised of a mix of Provincially/Municipally funded front line officers and support staff. The service is an integrated and seamless one that provides a maximization of efficiency in the use of all resources in delivering policing services in what continues to be a busy Detachment.



In addition, the Detachment is home to a number of Provincial Support units which provide services to not only the Terrace Detachment area but those as far away as Dease Lake in the north, Kitimat in the south and Houston in the west. These services are in the area of Forensic Identification, Traffic Services, Collision Reconstructionist, Regional GIS unit and Police Dog Services. Our office is also home to a First Nations Policing position that is dedicated to policing issues within the First Nations Communities of Kitselas – Gitau and Kitsumkalum.

The Detachment itself has a number of sub-sections and programs. There is a 4-member plain clothes unit responsible for Drug Enforcement and major crime investigations. To supplement this section, a new regional GIS team was established in Terrace to assist all detachments in the Northwest with complex drug/major crime investigations.

Our office also has 2 full time Victims Assistance workers who, along with approximately 12 dedicated volunteers, provide assistance to the victims of crime in the Detachment's service area. There is a full time Community Policing officer who oversees a host of community programs and volunteer groups as well. These groups include our 12 Auxiliary Constables, a group of volunteer citizens who dedicate their time and energy to various community policing events throughout the years. Our Citizens On Patrol program has a large number of community-minded volunteers that provide the Detachment with a great deal of assistance in special events as well as acting as a constant set of eyes for our police officers. Our Crimestoppers program has a board of directors comprised of volunteers from the community.

# DEPARTMENTAL OVERVIEWS

## TERRACE RCMP DETACHMENT - continued

In 2005, the Detachment embarked on a number of initiatives in support of our primary focus of providing for the young people of our community a safe environment and the types of education, experiences and role models that will assist them in the future to make healthy, positive choices. We have increased the number of our DARE instructors and are now teaching this program in most of our schools. DARE teaches youth the dangers of substance abuse and arms them with skills to make the right decisions when pressured to experiment with drugs/alcohol. In the spring, three students from the high school attended a week long RCMP youth academy in Prince George. During this time, the youth experienced some of the training and demands the members of the RCMP undertake at Depot. Our members continue to be involved in the community. For example, one constable has continued instructing at a free karate club that he established three years ago. Other members have coached school sports such as volleyball and basketball.

The Tamara Chipman missing person file, a triple shooting and a plane crash are just a few of the major incidents we've investigated in the past year. These files have taxed our human and financial resources. However, we now look forward to pursuing more proactive investigations as we start to focus on more drug enforcement projects.

In 2005, we experienced a high turnover of our senior members. During the past 10 months, seven out of eight supervisors transferred to other communities. All of their replacements have now arrived and our new management team looks forward to working together for the foreseeable future.

In the coming year, we look forward to working with all of our valued partners and local agencies with a goal of making our community a safer place for our children.





# APPENDIX "A"

## STATEMENT OF PROPERTY TAX EXEMPTIONS

### For The Year Ended December 31, 2006

In accordance with Statutory Exemptions and Section 98(2)(b) of the Community Charter, the following properties in the City of Terrace were provided property tax exemptions by Council and legislation in 2006.

#### Public Worship Exemptions [Sections 224 (2)(f) and 224 (2)(g)]

Folio #	Name	Address	Class	Tax Value
228.000	Congregation of Jehovah's Witnesses	2908 Eby	8	922.97
229.000	Trustees of Kingdom Hall	2906 Eby	8	4,166.16
3263.000	Pentecostal Assemblies	4808 Scott	8	15,026.88
5342.000	Anglican Synod Diocese	4505 Lazelle	8	318.42
5342.005	Anglican Synod Diocese	4506 Lakelse	8	5,427.58
5342.005	Anglican Synod Diocese	4506 Lakelse	6	192.45
3007.000	Knox United Church	4907 Lazelle	8	3,302.20
6628.000	Christian and Missionary Alliance	4919 Agar	6	2,128.72
6628.000	Christian and Missionary Alliance	4919 Agar	8	11,797.06
16536.000	Seventh-Day Adventist Church	5401 McConnell	8	11,357.28
1139.000	Terrace Evangelical Free Church	3302 Sparks	8	856.17
1116.000	Terrace Evangelical Free Church	4640 Park	8	13,148.66
14023.000	Uplands Baptist Church	5003 Halliwell	8	560.02
1769.000	Christian Reformed Church	3602 Sparks	8	3,154.12
2624.000	Terrace Gospel Hall	4802 Scott	8	837.47
287.000	Zion Baptist Church	2911 Sparks	8	5,458.76
1309.000	Christ Lutheran Church	3227 Sparks	8	1,161.22
1700.000	Pentecostal Assemblies of BC	4643 Walsh	8	1,654.44
6184.000	Skeena Valley Guru Nanak Soc.	4916 Medeek	8	3,170.82
1410.000	Skeena Gursikh Society	4634 Walsh	8	4,691.66
16020.000	Skeena Valley Baptist Church	3306 Griffiths	8	760.42
6447.000	United Pentecostal Church of BC	5012 Agar	8	276.11
6446.000	United Pentecostal Church of BC	5010 Agar	8	665.78
5281.000	The Governing Council of The Salvation Army in Canada	3236 Kalum	8	3,372.34
1949.000	Terrace Church of Christ	3406 Eby	8	1,003.13
<b>Total Church Exemptions for 2006</b>				<b>\$ 95,412.82</b>

# APPENDIX "A" - continued

## STATEMENT OF PROPERTY TAX EXEMPTIONS

### For The Year Ended December 31, 2006

In accordance with Statutory Exemptions and Section 98(2)(b) of the Community Charter, the following properties in the City of Terrace were provided property tax exemptions by Council and legislation in 2006.

#### Senior Housing, Hospital and Private School Exemptions [Section 224(1)(h)]

Folio #:	Name:	Address:	Class	Tax Value
1307.000	Terrace & District Council for Social Resources	4623 Tuck	1	6,125.67
341.000	Northern Health Council	4720 Haugland	6	159,752.28
9681.000	Northern Health Council	4707 Kerby	6	84,991.75
3288.000	Roman Catholic Episcopal Corp.	4830 Straume	6	32,146.83
3288.00	Roman Catholic Episcopal Corp.	4830 Straume	8	4,614.84
2011.00	Terrace Calvin Christian School	3608 Sparks	6	100,815.77
<b>Total Elderly Citizens, Hospitals and Learning Institutions Exemptions for 2006</b>				<b>\$ 388,447.14</b>

#### Non-Profit Organization and Recreational Exemptions (Cultural and Charitable) [Section 224 (2)(a) and 224 (2)(l)]

Folio #	Name	Address	Class	Tax Value
120.000	Tourist Information Center	4511 Keith	6	5,298.24
5586.000	Terrace Curling Association	3210 School	6	16,063.60
1260.000	Terrace Little Theatre	3625 Kalum	6	2,003.04
1261.000	Terrace Little Theatre	3627 Kalum	6	1,358.93
1262.000	Terrace Little Theatre	4605 Soucie	6	989.74
5277.000	Womens' Aux to Hospital	4544 Lazelle	6	2,419.36
9500.502	Terrace Kinsmen (Kin Hut)	4119 Sparks	8	407.49
9500.503	T & A Health Council (bus)	4103 Sparks	6	408.46
678.000	Terrace Elks	2822 Tetrault	8	1,114.46
345.001	Terrace Child Development Center	2510 Eby	6	13,703.15
1111.000	Kermode Friendship	3313 Kalum	8	5,911.89
20301.000	Terrace Kitimat Airport Society	Beam Station Rd.	6	62.84
20700.000	Terrace Kitimat Airport Society	Airport	6	126,152.26
20700.000	Terrace Kitimat Airport Society	747 Air Cadets	8	1,766.89
20800.000	Terrace Kitimat Airport Society	Airport	6	47.13
20903.000	Terrace Kitimat Airport Society	Airport	6	1,849.87
<b>Total Permissive Exemptions for 2006</b>				<b>\$ 179,557.34</b>

The Tax Value of the Permissive Tax Exemptions is the amount of property taxes that would have been imposed on each property had it not been exempt in 2006. The value of the annual tax exemption has been calculated using 2006 tax rates.



# APPENDIX “B”

2005 Consolidated Financial Statements

**THE CITY OF TERRACE**  
**Consolidated Financial Statements**  
**As at December 31, 2005**

McAlpine  
& Co. <sup>CA</sup>  
CHARTERED ACCOUNTANTS

**THE CITY OF TERRACE  
COUNCIL - 2005**

**MAYOR  
JACK TALSTRA**

**COUNCILLORS**

Lynne Christiansen  
Marylin Davies  
Stew Christensen

Carol Leclerc  
Richard McDaniel  
David Hull

**APPOINTED OFFICIALS - 2005**

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  
J. Degerness  
D. Fisher  
P. Weeber  
H. Dusdal  
M. Kwiatkowski  
R. Milnthorp

**THE CITY OF TERRACE**  
**Consolidated Financial Statements**  
**As at December 31, 2005**

McAlpine  
& Co. <sup>CA</sup>  
CHARTERED ACCOUNTANTS

**THE CITY OF TERRACE  
COUNCIL - 2005**

**MAYOR  
JACK TALSTRA**

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**APPOINTED OFFICIALS - 2005**

Chief Administrative Officer  
Director of Finance  
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R. Milnthorp

THE CITY OF TERRACE  
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AS AT DECEMBER 31, 2005

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Consolidated Statement of Financial Activities	Page 4
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Capital Fund Revenues and Expenditures and Change in Fund Balance	Schedule 2
Reserves Fund Revenues and Change in Fund Balance	Schedule 3
Schedule of Expenditures	Schedule 4
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Debenture Debt Analysis	Schedule 6
Assessment and Tax Rate Statistics	Schedule 7

## 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

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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the City of Terrace as at December 31, 2005 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, British Columbia  
March 24, 2006




CHARTERED ACCOUNTANTS

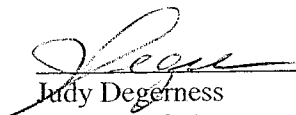
THE CITY OF TERRACE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2005

	2005	2004
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments - Note 2	\$ 10,248,313	\$ 9,110,030
Taxes receivable (net of allowance for doubtful taxes) - Note 3	820,275	1,046,521
Accounts receivable - Note 4	736,799	782,353
Land held for resale	321,075	321,075
Municipal Finance Authority of B.C. - Deposit notes - Note 5	215,119	210,041
Note receivable - Note 6	<u>1,157,012</u>	<u>                    </u>
	<u>13,498,593</u>	<u>11,470,020</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,877,584	\$ 1,894,580
Deposits and prepayments	1,789,256	1,321,149
Accrued vacation	427,149	429,535
Deferred revenue - Note 7	1,140,138	276,141
Landfill closure liability	169,078	183,265
Municipal Finance Authority of B.C. - Debt reserve - Note 5	215,119	210,041
Long term debt - Note 8	<u>1,173,109</u>	<u>1,359,045</u>
	<u>6,791,433</u>	<u>5,673,756</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,707,160</u>	<u>5,796,264</u>
<b>PHYSICAL ASSETS</b>		
Inventory and other	480,746	349,234
Property, plant and equipment - Note 9	<u>74,649,511</u>	<u>71,149,398</u>
	<u>75,130,257</u>	<u>71,498,632</u>
<b>NET POSITION</b>	<u>\$ 81,837,417</u>	<u>\$ 77,294,896</u>
<b>MUNICIPAL POSITION</b>		
Operating fund (Schedule 1 and 5)	\$ 4,854,300	\$ 3,595,126
Reserves fund (Schedule 3)	<u>3,527,331</u>	<u>3,909,419</u>
Fund balances	8,381,631	7,504,545
Equity in property, plant and equipment - Note 10	<u>73,455,786</u>	<u>69,790,351</u>
<b>MUNICIPAL POSITION</b>	<u>\$ 81,837,417</u>	<u>\$ 77,294,896</u>

Commitments and contingent liabilities - Note 14

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, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Net taxes available for municipal purposes - Note 11	\$ 9,993,903	\$ 9,962,757	\$ 10,350,683
User fees and sale of goods and services	2,948,587	2,740,650	2,868,248
Government grants and transfers - Note 12	2,148,570	1,155,128	1,616,408
Investment earnings	360,009	170,000	188,562
Penalties and interest on taxes	290,555	90,000	279,682
Licenses and permits	288,767	204,930	210,305
Rental	234,315	221,120	229,135
Proceeds from sale of physical assets			21,428
Contributions from developers			29,794
Municipal Finance Authority excess sinking fund refund	28,934		247,342
Actuarial adjustment - sinking fund earnings	66,715		58,000
Reduction of debt on suspended issues			335,570
Other	<u>109,570</u>	<u>                    </u>	<u>14,260</u>
	<u>16,469,925</u>	<u>14,544,585</u>	<u>16,449,417</u>
<b>EXPENDITURES - Note 13</b>			
Protective services - Schedule 4	3,263,571	3,642,701	3,441,494
Transportation services - Schedule 4	1,627,157	1,712,210	1,675,469
Parks and recreation services - Schedule 4	1,908,143	1,603,708	1,629,967
General municipal services - Schedule 4	1,348,237	1,315,346	1,131,877
Development services - Schedule 4	735,221	732,727	728,845
Cultural services - Schedule 4	764,753	751,803	734,869
Interest - Schedule 4	180,911	319,811	296,289
Water operations	516,312	564,348	540,186
Sewer operations	344,961	368,602	336,290
Waste management	308,586	351,959	308,687
Transit services	327,593	326,755	312,275
Economic development and tourism	165,080	165,000	165,025
Writedown of taxes receivable - Note 3	154,000		2,497,732
Cemetery services	45,526	68,800	52,224
Capital expenditures	<u>3,716,853</u>	<u>3,846,460</u>	<u>2,717,787</u>
	<u>15,406,904</u>	<u>15,770,230</u>	<u>16,569,016</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES</b>	1,063,021	(1,225,645)	(119,599)
Debenture borrowings			36,690
Debt principal repayment (includes actuarial)	<u>(185,935)</u>	<u>(121,187)</u>	<u>(545,585)</u>
<b>CHANGE IN FUND BALANCES FOR THE YEAR</b>	877,086	(1,346,832)	(628,494)
<b>CONSOLIDATED FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,504,545</u>	<u>7,504,545</u>	<u>8,133,039</u>
<b>CONSOLIDATED FUND BALANCE - END OF YEAR</b>	<u>\$ 8,381,631</u>	<u>\$ 6,157,713</u>	<u>\$ 7,504,545</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, 2005

	2005	2004
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenditures for the year	\$ 1,063,021	\$ (119,599)
Decrease in taxes receivable	226,246	1,575,226
Decrease (increase) in accounts receivable	45,554	(441,393)
Increase in land held for resale		(44,975)
Increase in inventory and other	(131,512)	(401)
Increase (decrease) in accounts payable	(31,186)	155,752
Increase (decrease) deposits and prepayments	468,107	91,856
Increase (decrease) in accrued vacation	(2,386)	15,314
Increase (decrease) in deferred revenue	<u>863,997</u>	<u>4,590</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,501,841</u>	<u>1,236,370</u>
FINANCING AND INVESTING ACTIVITIES		
Debenture borrowings		36,690
Repayment of long term debt	(185,935)	(545,585)
Note receivable	(1,157,012)	
(Increase) decrease in construction in progress	<u>(20,611)</u>	<u>47,317</u>
CASH USED IN FINANCING AND INVESTING ACTIVITIES	<u>(1,363,558)</u>	<u>(461,578)</u>
INCREASE IN CASH POSITION	1,138,283	774,792
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>9,110,030</u>	<u>8,335,238</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 10,248,313</u>	<u>\$ 9,110,030</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, 2005

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, 2005

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 taxes receivable and landfill closure liability.

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:

	2005	2004
Municipal Finance Authority of B.C. investments:		
- Money market fund	\$ 9,729,760	\$ 8,758,278
- Short-term bond fund	<u>215,095</u>	<u>211,919</u>
	9,944,855	8,970,197
Cash	<u>303,458</u>	<u>139,833</u>
	<u>\$ 10,248,313</u>	<u>\$ 9,110,030</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, 2005

3. TAXES RECEIVABLE

Taxes receivable includes \$130,215 relating to the remaining balance the City expects to receive from the New Skeena Forest Products Inc. ("New Skeena") bankruptcy trustee. The 2004 taxes receivable balance was recorded net of allowance for doubtful taxes in the amount of \$2,000,000 and net of School tax payable in the amount of \$418,000 which related to property taxes and related interest and penalty charges of \$2,898,000 owing from New Skeena.

4. ACCOUNTS RECEIVABLE	2005	2004
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
- Canada/BC Infrastructure program - Green St. well project	329,683	
- Ministry of Transportation - Cycling lane project	13,182	
Regional District of Kitimat-Stikine - cost sharing		25,308
Utilities - sewer and water	97,931	88,336
GST rebate	88,176	83,069
Other	<u>207,827</u>	<u>120,499</u>
	<u>\$ 736,799</u>	<u>\$ 782,353</u>

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.

	2005	2004
Cash reserves	\$ 63,394	\$ 60,696
Demand notes	<u>151,725</u>	<u>149,345</u>
	<u>\$ 215,119</u>	<u>\$ 210,041</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

6. NOTE RECEIVABLE

The note receivable comprises monies owed to the City pursuant to a loan agreement with Terrace Lumber Company Ltd. The note bears interest at 15% per annum to April, 2009, 8.5% April, 2009 to April, 2010 and 5% to maturity in April, 2015 and is to be repaid in two principal and interest instalments, \$700,000 in April, 2010 and the balance remaining at maturity. Terrace Lumber Company has provided a mortgage on its mill property land and improvements as collateral for the note receivable.

7. DEFERRED REVENUE

Included in deferred revenue is the following:

	2005	2004
Provincial government contributions:		
- Terrace Sportsplex project	\$ 632,828	\$
- Community Works Fund reserve	169,378	
Federal government contributions:		
- Ferry Island capital project		95,000
- George Little House capital project		30,000
Terrace Sportsplex project community donations	182,790	
Perpetual care (cemetery) fund	151,087	147,546
Other	<u>4,055</u>	<u>3,595</u>
	<u>\$ 1,140,138</u>	<u>\$ 276,141</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Principal payment	\$ 119,222	\$ 102,653	\$ 102,653	\$ 72,662	\$ 57,982
Actuarial addition	<u>76,012</u>	<u>75,356</u>	<u>76,609</u>	<u>73,233</u>	<u>56,258</u>
	<u>\$ 195,234</u>	<u>\$ 178,009</u>	<u>\$ 179,262</u>	<u>\$ 145,895</u>	<u>\$ 114,240</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, 2005

9. PROPERTY, PLANT AND EQUIPMENT

	General	Water	Sewer	2005 Total	2004 Total
Engineering structures	\$ 25,034,682	\$ 8,948,840	\$ 9,366,319	\$ 43,349,841	\$ 41,681,675
Buildings	12,369,728			12,369,728	11,897,079
Machinery and shop equipment	9,260,141	978,104	503,681	10,741,926	10,578,624
Land	<u>7,876,571</u>	<u>12,200</u>	<u>278,634</u>	<u>8,167,405</u>	<u>6,992,020</u>
	54,541,122	9,939,144	10,148,634	74,628,900	71,149,398
Construction in progress	<u>20,611</u>			<u>20,611</u>	
	<u>\$ 54,561,733</u>	<u>\$ 9,939,144</u>	<u>\$ 10,148,634</u>	<u>\$ 74,649,511</u>	<u>\$ 71,149,398</u>

10. EQUITY IN PROPERTY, PLANT AND EQUIPMENT

	2005	2004
Increases:		
Property, plant and equipment expenditures (net of proceeds)	\$ 3,479,500	\$ 2,696,359
Retirement of debt - principal repayment	119,220	152,015
- actuarial addition	66,715	58,000
- reduction of debt on suspended issues		335,570
Decreases:		
Debt proceeds		<u>(36,690)</u>
Change in Equity in Property, Plant and Equipment	3,665,435	3,205,254
Equity in Property, Plant and Equipment - Beginning of Year	<u>69,790,351</u>	<u>66,585,097</u>
Equity in Property, Plant and Equipment - End of Year	<u>\$ 73,455,786</u>	<u>\$ 69,790,351</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

11. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	2005	2004
Taxes:		
Property	\$ 13,715,415	\$ 14,062,101
Frontage	620,817	615,777
Utility	382,311	375,410
Local improvement levies	161,823	170,581
Revenue in lieu of taxes	<u>321,917</u>	<u>358,190</u>
	<u>15,202,283</u>	<u>15,582,059</u>
Less taxes on behalf of:		
School	4,343,985	4,463,512
North West Regional Hospital District	510,880	482,651
Regional District of Kitimat-Stikine	263,037	185,159
B.C. Assessment Authority	90,320	99,894
Other	<u>158</u>	<u>160</u>
	<u>5,208,380</u>	<u>5,231,376</u>
Net taxes available for municipal purposes	<u>\$ 9,993,903</u>	<u>\$ 10,350,683</u>

12. GOVERNMENT GRANTS AND TRANSFERS

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

	2005	2004
Capital project grants		
- Federal	\$ 122,378	\$ 527,523
- Provincial	<u>663,613</u>	<u>129,818</u>
	785,991	657,341
Operating grants and transfers		
- Provincial	494,901	380,164
- Shared cost agreements - Regional District of Kitimat-Stikine	692,678	578,903
- Skeena Native Development Society	<u>175,000</u>	<u>          </u>
	<u>1,362,579</u>	<u>959,067</u>
	<u>\$ 2,148,570</u>	<u>\$ 1,616,408</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

13. EXPENDITURES BY OBJECT	2005	2004
Salaries, wages and employee benefits	\$ 6,175,753	\$ 6,147,619
Purchased goods and services	2,873,038	2,509,736
Property, plant and equipment expenditures	3,716,853	2,717,787
Writedown of taxes receivable	154,000	2,497,732
RCMP contract	1,552,675	1,664,984
Interest	180,911	296,289
Terrace Public Library funding	497,789	497,829
Grants to community organizations	<u>255,885</u>	<u>237,040</u>
	<u>\$ 15,406,904</u>	<u>\$ 16,569,016</u>

14. COMMITMENTS AND CONTINGENCIES

a) Capital Requirements

City Council has approved a 2005 - 2009 capital expenditure financial plan of \$25,037,000. The 2006 requirement of \$7,238,000 is to be funded as follows:

Operating funds	\$ 2,697,000
Reserve funds	1,296,000
Grants	1,185,000
Proceeds from borrowing	<u>2,060,000</u>
	<u>\$ 7,238,000</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 about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 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 \$335,100 for employer contributions to the plan in fiscal 2005 (\$297,800 in 2004).

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

14. 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.

THE CITY OF TERRACE  
OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Net taxes available for municipal purposes - Note 11	\$ 9,993,903	\$ 9,962,757	\$ 10,350,683
User fees and sale of goods and services	2,948,587	2,740,650	2,868,248
Government grants and transfers - Note 12	1,362,579	1,030,128	959,067
Investment earnings	249,876	170,000	108,880
Penalties and interest on taxes	290,555	90,000	279,682
Licences and permits	288,767	204,930	210,305
Rental	234,315	221,120	229,135
Other	<u>100,000</u>	<u>          </u>	<u>          </u>
	<u>15,468,582</u>	<u>14,419,585</u>	<u>15,006,000</u>
<b>EXPENDITURES</b>			
Protective services	3,263,571	3,642,701	3,441,494
Transportation services	1,627,157	1,712,210	1,675,469
Parks and recreation services	1,908,143	1,603,708	1,629,967
General municipal services	1,348,237	1,315,346	1,131,877
Development services	735,221	732,727	728,845
Cultural services	764,753	751,803	734,869
Interest	180,911	319,811	296,289
Water operations	516,312	564,348	540,186
Sewer operations	344,961	368,602	336,290
Waste management	308,586	351,959	308,687
Transit services	327,593	326,755	312,275
Economic development and tourism	165,080	165,000	165,025
Writedown of taxes receivable - Note 3	154,000		2,497,732
Cemetery services	<u>45,526</u>	<u>68,800</u>	<u>52,224</u>
	<u>11,690,051</u>	<u>11,923,770</u>	<u>13,851,229</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,778,531</b>	<b>2,495,815</b>	<b>1,154,771</b>
Net interfund transfers			
- to capital fund - Schedule 2	(1,831,194)	(3,137,260)	(1,884,830)
- to reserves fund - Schedule 3	(568,943)	(186,931)	(299,043)
Debt principal repayment	(119,220)	(121,187)	(487,585)
Reduction of debt on suspended issues	<u>          </u>	<u>          </u>	<u>335,570</u>
<b>CHANGE IN OPERATING FUND</b>			
<b>BALANCE FOR THE YEAR</b>	<b>1,259,174</b>	<b>(949,563)</b>	<b>(1,181,117)</b>
<b>OPERATING FUND BALANCE</b>			
- BEGINNING OF YEAR	<u>3,595,126</u>	<u>3,595,126</u>	<u>4,776,243</u>
<b>OPERATING FUND BALANCE</b>			
- END OF YEAR - Schedule 5	<u>\$ 4,854,300</u>	<u>\$ 2,645,563</u>	<u>\$ 3,595,126</u>

THE CITY OF TERRACE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Municipal Finance Authority excess sinking fund refund	\$ 28,934	\$	\$ 247,342
Contributions from developers			29,794
Government grants and transfers	785,991	125,000	657,341
Other	<u>                    </u>	<u>                    </u>	<u>4,390</u>
	814,925	125,000	938,867
<b>EXPENDITURES</b>			
Property, plant and equipment expenditures	3,479,500	3,846,460	2,717,787
Sportsplex design and other costs	<u>237,353</u>	<u>                    </u>	<u>                    </u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES</b>	<u>(2,901,928)</u>	<u>(3,721,460)</u>	<u>(1,778,920)</u>
<b>NET INTER FUND TRANSFERS</b>			
Transfer from (to) reserves fund - Schedule 3	1,070,734	584,200	(142,600)
Transfer from operating fund - Schedule 1	1,831,194	3,137,260	1,884,830
<b>DEBENTURE BORROWINGS</b>	<u>                    </u>	<u>                    </u>	<u>36,690</u>
<b>CHANGE IN CAPITAL FUND FOR THE YEAR</b>	NIL	NIL	NIL
<b>CAPITAL FUND BALANCE - BEGINNING OF YEAR</b>	<u>                    </u> NIL	<u>                    </u> NIL	<u>                    </u> NIL
<b>CAPITAL FUND BALANCE - END OF YEAR</b>	\$ <u>                    </u> NIL	\$ <u>                    </u> NIL	\$ <u>                    </u> NIL

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

	2005	2004
Engineering structures	\$ 1,668,165	\$ 1,507,220
Machinery and equipment	163,301	253,500
Buildings	472,649	957,067
Land	<u>1,175,385</u>	<u>                    </u>
	\$ <u>3,479,500</u>	\$ <u>2,717,787</u>

THE CITY OF TERRACE  
RESERVES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Proceeds from sale of property, plant and equipment	\$	\$	\$ 21,428
Investment income	110,133		79,682
Other	<u>9,570</u>	<u>          </u>	<u>9,870</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>119,703</b>		<b>110,980</b>
Transfers from operating fund			
- vehicle replacement charge	186,931	186,931	299,043
- other	382,012		
Transfers from (to) capital fund	<u>(1,070,734)</u>	<u>(584,200)</u>	<u>142,600</u>
<b>CHANGE IN RESERVE FUND FOR THE YEAR</b>	<b>(382,088)</b>	<b>(397,269)</b>	<b>552,623</b>
<b>RESERVE FUND BALANCE - BEGINNING OF YEAR</b>	<u>3,909,419</u>	<u>3,909,419</u>	<u>3,356,796</u>
<b>RESERVE FUND BALANCE - END OF YEAR</b>	<u>\$ 3,527,331</u>	<u>\$ 3,512,150</u>	<u>\$ 3,909,419</u>

## RESERVE FUND BALANCE REPRESENTED BY:

	2005	2004
Machinery and equipment	\$ 2,025,275	\$ 2,831,947
Capital works	642,404	584,673
Contingency	382,012	
Land held for resale	321,075	321,075
Parking space	87,428	75,748
Land acquisition	28,097	56,439
Parks acquisition	40,040	38,537
Animal protection	<u>1,000</u>	<u>1,000</u>
	<u>\$ 3,527,331</u>	<u>\$ 3,909,419</u>

THE CITY OF TERRACE  
 SCHEDULE OF EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>PROTECTIVE SERVICES:</b>			
Police and law enforcement	\$ 2,285,972	\$ 2,650,606	\$ 2,428,530
Fire protection	<u>977,599</u>	<u>992,095</u>	<u>1,012,964</u>
	<u>\$ 3,263,571</u>	<u>\$ 3,642,701</u>	<u>\$ 3,441,494</u>
<b>TRANSPORTATION SERVICES:</b>			
Roads and streets	\$ 576,781	\$ 659,946	\$ 679,571
Building maintenance	435,680	432,377	423,515
Street and traffic lights	226,609	232,500	231,783
Administration	189,408	190,522	138,773
Shop	74,387	73,088	75,497
Inventory	<u>124,292</u>	<u>123,777</u>	<u>126,330</u>
	<u>\$ 1,627,157</u>	<u>\$ 1,712,210</u>	<u>\$ 1,675,469</u>
<b>PARKS AND RECREATION SERVICES:</b>			
Pool	\$ 834,441	\$ 719,390	\$ 761,511
Arena	349,210	299,676	287,771
Parks	241,070	236,074	237,341
Recreation programs	139,999	130,575	120,321
Administration	322,004	188,991	202,639
Recreation centre	<u>21,419</u>	<u>29,002</u>	<u>20,384</u>
	<u>\$ 1,908,143</u>	<u>\$ 1,603,708</u>	<u>\$ 1,629,967</u>

## THE CITY OF TERRACE

## SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>GENERAL MUNICIPAL SERVICES:</b>			
Finance	\$ 494,033	\$ 507,581	\$ 437,892
Administration	414,166	329,462	365,103
Legislative	120,374	156,844	147,274
Insurance and other	271,373	266,151	123,450
Common services	<u>48,291</u>	<u>55,308</u>	<u>58,158</u>
	<u>\$ 1,348,237</u>	<u>\$ 1,315,346</u>	<u>\$ 1,131,877</u>
<b>DEVELOPMENT SERVICES:</b>			
Building inspection and licencing	\$ 112,931	\$ 116,268	\$ 120,297
Bylaw enforcement	25,756	25,719	63,837
Animal control	153,010	143,900	130,602
Planning	121,758	116,300	119,417
Drafting	131,421	145,662	125,424
Engineering	79,682	75,626	64,325
Development	<u>110,663</u>	<u>109,252</u>	<u>104,943</u>
	<u>\$ 735,221</u>	<u>\$ 732,727</u>	<u>\$ 728,845</u>
<b>CULTURAL SERVICES:</b>			
Terrace Public Library funding	\$ 497,789	\$ 497,850	\$ 497,829
Grants to community organizations	255,885	253,953	237,040
Tourism strategy review	<u>11,079</u>	<u>          </u>	<u>          </u>
	<u>\$ 764,753</u>	<u>\$ 751,803</u>	<u>\$ 734,869</u>
<b>INTEREST</b>			
Interest on long term debt	\$ 157,110	\$ 226,853	\$ 273,041
Interest - other	<u>23,801</u>	<u>92,958</u>	<u>23,248</u>
	<u>\$ 180,911</u>	<u>\$ 319,811</u>	<u>\$ 296,289</u>

## THE CITY OF TERRACE

## SCHEDULE OF CHANGE IN OPERATING FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Sewer Fund	Water Fund	Total Operating Fund
BALANCE - BEGINNING OF YEAR	\$ 2,053,198	\$ 409,291	\$ 1,132,637	\$ 3,595,126
CHANGE IN FUND BALANCE FOR THE YEAR	<u>884,967</u>	<u>403,058</u>	<u>(28,851)</u>	<u>1,259,174</u>
BALANCE - END OF YEAR	<u>\$ 2,938,165</u>	<u>\$ 812,349</u>	<u>\$ 1,103,786</u>	<u>\$ 4,854,300</u>

CITY OF TERRACE  
DEBENTURE DEBT ANALYSIS  
December 31, 2005

BYLAW NO.	PURPOSE	MATURITY DATE	AMOUNT OF ISSUE	AMOUNT MATURED 2005	INTEREST PAID 2005	FUTURE ANNUAL PRINCIPAL	FUTURE ACTUARIAL CAPITALIZATION	TOTAL LIABILITY DEC 31/05
	<b>GENERAL</b>							
1179	Swimming Pool Expansion	2009	485,402	14,680	31,551	58,719	79,395	138,114
1191	LIP Paving	2010	135,468	4,097	8,805	20,485	26,578	47,063
1239	LIP Paving	2011	537,893	1,685	5,710	10,109	12,581	22,690
1307	LIP Paving	2013	34,530	283	796	2,265	2,590	4,855
1364	Library Expansion	2014	1,235,000	37,350	61,750	336,146	368,236	704,382
1454	LIP Paving	2006	2,699	215	209	215	118	333
1515	LIP Paving	2006	51,714	4,111	3,838	4,111	2,267	6,378
1588	LIP Paving	2007	232,663	18,498	13,611	36,996	19,030	56,026
1615	LIP Paving	2008	130,837	10,402	7,261	31,206	14,937	46,143
1655	LIP Paving	2010	18,490	1,470	1,193	7,350	3,017	10,367
1736	LIP Paving	2011	64,601	5,136	3,676	30,816	11,648	42,464
1789	LIP Paving	2014	36,690	2,917	2,015	26,253	7,520	33,773
	<b>TOTAL GENERAL DEBT</b>		<b>2,965,987</b>	<b>100,843</b>	<b>140,416</b>	<b>564,671</b>	<b>547,917</b>	<b>1,112,588</b>
	<b>SEWER</b>							
1454	LIP sewer ext	2006	46,243	3,677	3,584	3,676	2,027	5,703
1515	LIP sewer ext	2006	107,734	8,565	7,995	8,566	4,722	13,288
1629	LIP sewer ext	2008	13,725	1,091	762	3,274	1,566	4,840
1655	Skeena St sewer	2010	61,225	4,868	3,949	24,338	9,990	34,328
	<b>TOTAL SEWER DEBT</b>		<b>228,927</b>	<b>18,201</b>	<b>16,290</b>	<b>39,854</b>	<b>18,305</b>	<b>58,159</b>
	<b>WATER</b>							
1239	Waterline ext.	2011	5,811	176	596	1,054	1,313	2,367
	<b>TOTAL WATER DEBT</b>		<b>5,811</b>	<b>176</b>	<b>596</b>	<b>1,054</b>	<b>1,313</b>	<b>2,367</b>



**THE CITY OF TERRACE  
COUNCIL - 2005**

**MAYOR  
JACK TALSTRA**

**COUNCILLORS**

Lynne Christiansen  
Marylin Davies  
Stew Christensen

Carol Leclerc  
Richard McDaniel  
David Hull

**APPOINTED OFFICIALS - 2005**

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  
J. Degerness  
D. Fisher  
P. Weeber  
H. Dusdal  
M. Kwiatkowski  
R. Milnthorp

THE CITY OF TERRACE  
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AS AT DECEMBER 31, 2005

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Assessment and Tax Rate Statistics	Schedule 7

## 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

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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the City of Terrace as at December 31, 2005 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, British Columbia  
March 24, 2006




CHARTERED ACCOUNTANTS

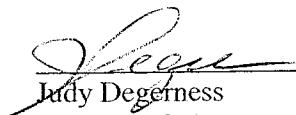
THE CITY OF TERRACE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2005

	2005	2004
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments - Note 2	\$ 10,248,313	\$ 9,110,030
Taxes receivable (net of allowance for doubtful taxes) - Note 3	820,275	1,046,521
Accounts receivable - Note 4	736,799	782,353
Land held for resale	321,075	321,075
Municipal Finance Authority of B.C. - Deposit notes - Note 5	215,119	210,041
Note receivable - Note 6	<u>1,157,012</u>	<u>                    </u>
	<u>13,498,593</u>	<u>11,470,020</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,877,584	\$ 1,894,580
Deposits and prepayments	1,789,256	1,321,149
Accrued vacation	427,149	429,535
Deferred revenue - Note 7	1,140,138	276,141
Landfill closure liability	169,078	183,265
Municipal Finance Authority of B.C. - Debt reserve - Note 5	215,119	210,041
Long term debt - Note 8	<u>1,173,109</u>	<u>1,359,045</u>
	<u>6,791,433</u>	<u>5,673,756</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,707,160</u>	<u>5,796,264</u>
<b>PHYSICAL ASSETS</b>		
Inventory and other	480,746	349,234
Property, plant and equipment - Note 9	<u>74,649,511</u>	<u>71,149,398</u>
	<u>75,130,257</u>	<u>71,498,632</u>
<b>NET POSITION</b>	<u>\$ 81,837,417</u>	<u>\$ 77,294,896</u>
<b>MUNICIPAL POSITION</b>		
Operating fund (Schedule 1 and 5)	\$ 4,854,300	\$ 3,595,126
Reserves fund (Schedule 3)	<u>3,527,331</u>	<u>3,909,419</u>
Fund balances	8,381,631	7,504,545
Equity in property, plant and equipment - Note 10	<u>73,455,786</u>	<u>69,790,351</u>
<b>MUNICIPAL POSITION</b>	<u>\$ 81,837,417</u>	<u>\$ 77,294,896</u>

Commitments and contingent liabilities - Note 14

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, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Net taxes available for municipal purposes - Note 11	\$ 9,993,903	\$ 9,962,757	\$ 10,350,683
User fees and sale of goods and services	2,948,587	2,740,650	2,868,248
Government grants and transfers - Note 12	2,148,570	1,155,128	1,616,408
Investment earnings	360,009	170,000	188,562
Penalties and interest on taxes	290,555	90,000	279,682
Licenses and permits	288,767	204,930	210,305
Rental	234,315	221,120	229,135
Proceeds from sale of physical assets			21,428
Contributions from developers			29,794
Municipal Finance Authority excess sinking fund refund	28,934		247,342
Actuarial adjustment - sinking fund earnings	66,715		58,000
Reduction of debt on suspended issues			335,570
Other	<u>109,570</u>	<u>                    </u>	<u>14,260</u>
	<u>16,469,925</u>	<u>14,544,585</u>	<u>16,449,417</u>
<b>EXPENDITURES - Note 13</b>			
Protective services - Schedule 4	3,263,571	3,642,701	3,441,494
Transportation services - Schedule 4	1,627,157	1,712,210	1,675,469
Parks and recreation services - Schedule 4	1,908,143	1,603,708	1,629,967
General municipal services - Schedule 4	1,348,237	1,315,346	1,131,877
Development services - Schedule 4	735,221	732,727	728,845
Cultural services - Schedule 4	764,753	751,803	734,869
Interest - Schedule 4	180,911	319,811	296,289
Water operations	516,312	564,348	540,186
Sewer operations	344,961	368,602	336,290
Waste management	308,586	351,959	308,687
Transit services	327,593	326,755	312,275
Economic development and tourism	165,080	165,000	165,025
Writedown of taxes receivable - Note 3	154,000		2,497,732
Cemetery services	45,526	68,800	52,224
Capital expenditures	<u>3,716,853</u>	<u>3,846,460</u>	<u>2,717,787</u>
	<u>15,406,904</u>	<u>15,770,230</u>	<u>16,569,016</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES</b>	1,063,021	(1,225,645)	(119,599)
Debenture borrowings			36,690
Debt principal repayment (includes actuarial)	<u>(185,935)</u>	<u>(121,187)</u>	<u>(545,585)</u>
<b>CHANGE IN FUND BALANCES FOR THE YEAR</b>	877,086	(1,346,832)	(628,494)
<b>CONSOLIDATED FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,504,545</u>	<u>7,504,545</u>	<u>8,133,039</u>
<b>CONSOLIDATED FUND BALANCE - END OF YEAR</b>	<u>\$ 8,381,631</u>	<u>\$ 6,157,713</u>	<u>\$ 7,504,545</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, 2005

	2005	2004
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenditures for the year	\$ 1,063,021	\$ (119,599)
Decrease in taxes receivable	226,246	1,575,226
Decrease (increase) in accounts receivable	45,554	(441,393)
Increase in land held for resale		(44,975)
Increase in inventory and other	(131,512)	(401)
Increase (decrease) in accounts payable	(31,186)	155,752
Increase (decrease) deposits and prepayments	468,107	91,856
Increase (decrease) in accrued vacation	(2,386)	15,314
Increase (decrease) in deferred revenue	<u>863,997</u>	<u>4,590</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,501,841</u>	<u>1,236,370</u>
FINANCING AND INVESTING ACTIVITIES		
Debenture borrowings		36,690
Repayment of long term debt	(185,935)	(545,585)
Note receivable	(1,157,012)	
(Increase) decrease in construction in progress	<u>(20,611)</u>	<u>47,317</u>
CASH USED IN FINANCING AND INVESTING ACTIVITIES	<u>(1,363,558)</u>	<u>(461,578)</u>
INCREASE IN CASH POSITION	1,138,283	774,792
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>9,110,030</u>	<u>8,335,238</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 10,248,313</u>	<u>\$ 9,110,030</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, 2005

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, 2005

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 taxes receivable and landfill closure liability.

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:

	2005	2004
Municipal Finance Authority of B.C. investments:		
- Money market fund	\$ 9,729,760	\$ 8,758,278
- Short-term bond fund	<u>215,095</u>	<u>211,919</u>
	9,944,855	8,970,197
Cash	<u>303,458</u>	<u>139,833</u>
	<u>\$ 10,248,313</u>	<u>\$ 9,110,030</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, 2005

3. TAXES RECEIVABLE

Taxes receivable includes \$130,215 relating to the remaining balance the City expects to receive from the New Skeena Forest Products Inc. ("New Skeena") bankruptcy trustee. The 2004 taxes receivable balance was recorded net of allowance for doubtful taxes in the amount of \$2,000,000 and net of School tax payable in the amount of \$418,000 which related to property taxes and related interest and penalty charges of \$2,898,000 owing from New Skeena.

4. ACCOUNTS RECEIVABLE	2005	2004
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
- Canada/BC Infrastructure program - Green St. well project	329,683	
- Ministry of Transportation - Cycling lane project	13,182	
Regional District of Kitimat-Stikine - cost sharing		25,308
Utilities - sewer and water	97,931	88,336
GST rebate	88,176	83,069
Other	<u>207,827</u>	<u>120,499</u>
	<u>\$ 736,799</u>	<u>\$ 782,353</u>

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.

	2005	2004
Cash reserves	\$ 63,394	\$ 60,696
Demand notes	<u>151,725</u>	<u>149,345</u>
	<u>\$ 215,119</u>	<u>\$ 210,041</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

6. NOTE RECEIVABLE

The note receivable comprises monies owed to the City pursuant to a loan agreement with Terrace Lumber Company Ltd. The note bears interest at 15% per annum to April, 2009, 8.5% April, 2009 to April, 2010 and 5% to maturity in April, 2015 and is to be repaid in two principal and interest instalments, \$700,000 in April, 2010 and the balance remaining at maturity. Terrace Lumber Company has provided a mortgage on its mill property land and improvements as collateral for the note receivable.

7. DEFERRED REVENUE

Included in deferred revenue is the following:

	2005	2004
Provincial government contributions:		
- Terrace Sportsplex project	\$ 632,828	\$
- Community Works Fund reserve	169,378	
Federal government contributions:		
- Ferry Island capital project		95,000
- George Little House capital project		30,000
Terrace Sportsplex project community donations	182,790	
Perpetual care (cemetery) fund	151,087	147,546
Other	<u>4,055</u>	<u>3,595</u>
	<u>\$ 1,140,138</u>	<u>\$ 276,141</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Principal payment	\$ 119,222	\$ 102,653	\$ 102,653	\$ 72,662	\$ 57,982
Actuarial addition	<u>76,012</u>	<u>75,356</u>	<u>76,609</u>	<u>73,233</u>	<u>56,258</u>
	<u>\$ 195,234</u>	<u>\$ 178,009</u>	<u>\$ 179,262</u>	<u>\$ 145,895</u>	<u>\$ 114,240</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, 2005

9. PROPERTY, PLANT AND EQUIPMENT

	General	Water	Sewer	2005 Total	2004 Total
Engineering structures	\$ 25,034,682	\$ 8,948,840	\$ 9,366,319	\$ 43,349,841	\$ 41,681,675
Buildings	12,369,728			12,369,728	11,897,079
Machinery and shop equipment	9,260,141	978,104	503,681	10,741,926	10,578,624
Land	<u>7,876,571</u>	<u>12,200</u>	<u>278,634</u>	<u>8,167,405</u>	<u>6,992,020</u>
	54,541,122	9,939,144	10,148,634	74,628,900	71,149,398
Construction in progress	<u>20,611</u>			<u>20,611</u>	
	<u>\$ 54,561,733</u>	<u>\$ 9,939,144</u>	<u>\$ 10,148,634</u>	<u>\$ 74,649,511</u>	<u>\$ 71,149,398</u>

10. EQUITY IN PROPERTY, PLANT AND EQUIPMENT

	2005	2004
Increases:		
Property, plant and equipment expenditures (net of proceeds)	\$ 3,479,500	\$ 2,696,359
Retirement of debt - principal repayment	119,220	152,015
- actuarial addition	66,715	58,000
- reduction of debt on suspended issues		335,570
Decreases:		
Debt proceeds		<u>(36,690)</u>
Change in Equity in Property, Plant and Equipment	3,665,435	3,205,254
Equity in Property, Plant and Equipment - Beginning of Year	<u>69,790,351</u>	<u>66,585,097</u>
Equity in Property, Plant and Equipment - End of Year	<u>\$ 73,455,786</u>	<u>\$ 69,790,351</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

11. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	2005	2004
Taxes:		
Property	\$ 13,715,415	\$ 14,062,101
Frontage	620,817	615,777
Utility	382,311	375,410
Local improvement levies	161,823	170,581
Revenue in lieu of taxes	<u>321,917</u>	<u>358,190</u>
	<u>15,202,283</u>	<u>15,582,059</u>
Less taxes on behalf of:		
School	4,343,985	4,463,512
North West Regional Hospital District	510,880	482,651
Regional District of Kitimat-Stikine	263,037	185,159
B.C. Assessment Authority	90,320	99,894
Other	<u>158</u>	<u>160</u>
	<u>5,208,380</u>	<u>5,231,376</u>
Net taxes available for municipal purposes	<u>\$ 9,993,903</u>	<u>\$ 10,350,683</u>

12. GOVERNMENT GRANTS AND TRANSFERS

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

	2005	2004
Capital project grants		
- Federal	\$ 122,378	\$ 527,523
- Provincial	<u>663,613</u>	<u>129,818</u>
	785,991	657,341
Operating grants and transfers		
- Provincial	494,901	380,164
- Shared cost agreements - Regional District of Kitimat-Stikine	692,678	578,903
- Skeena Native Development Society	<u>175,000</u>	<u>          </u>
	<u>1,362,579</u>	<u>959,067</u>
	<u>\$ 2,148,570</u>	<u>\$ 1,616,408</u>

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

13. EXPENDITURES BY OBJECT	2005	2004
Salaries, wages and employee benefits	\$ 6,175,753	\$ 6,147,619
Purchased goods and services	2,873,038	2,509,736
Property, plant and equipment expenditures	3,716,853	2,717,787
Writedown of taxes receivable	154,000	2,497,732
RCMP contract	1,552,675	1,664,984
Interest	180,911	296,289
Terrace Public Library funding	497,789	497,829
Grants to community organizations	<u>255,885</u>	<u>237,040</u>
	<u>\$ 15,406,904</u>	<u>\$ 16,569,016</u>

14. COMMITMENTS AND CONTINGENCIES

a) Capital Requirements

City Council has approved a 2005 - 2009 capital expenditure financial plan of \$25,037,000. The 2006 requirement of \$7,238,000 is to be funded as follows:

Operating funds	\$ 2,697,000
Reserve funds	1,296,000
Grants	1,185,000
Proceeds from borrowing	<u>2,060,000</u>
	<u>\$ 7,238,000</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 about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 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 \$335,100 for employer contributions to the plan in fiscal 2005 (\$297,800 in 2004).

THE CITY OF TERRACE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

14. 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.

THE CITY OF TERRACE  
OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Net taxes available for municipal purposes - Note 11	\$ 9,993,903	\$ 9,962,757	\$ 10,350,683
User fees and sale of goods and services	2,948,587	2,740,650	2,868,248
Government grants and transfers - Note 12	1,362,579	1,030,128	959,067
Investment earnings	249,876	170,000	108,880
Penalties and interest on taxes	290,555	90,000	279,682
Licences and permits	288,767	204,930	210,305
Rental	234,315	221,120	229,135
Other	<u>100,000</u>	<u>          </u>	<u>          </u>
	<u>15,468,582</u>	<u>14,419,585</u>	<u>15,006,000</u>
<b>EXPENDITURES</b>			
Protective services	3,263,571	3,642,701	3,441,494
Transportation services	1,627,157	1,712,210	1,675,469
Parks and recreation services	1,908,143	1,603,708	1,629,967
General municipal services	1,348,237	1,315,346	1,131,877
Development services	735,221	732,727	728,845
Cultural services	764,753	751,803	734,869
Interest	180,911	319,811	296,289
Water operations	516,312	564,348	540,186
Sewer operations	344,961	368,602	336,290
Waste management	308,586	351,959	308,687
Transit services	327,593	326,755	312,275
Economic development and tourism	165,080	165,000	165,025
Writedown of taxes receivable - Note 3	154,000		2,497,732
Cemetery services	<u>45,526</u>	<u>68,800</u>	<u>52,224</u>
	<u>11,690,051</u>	<u>11,923,770</u>	<u>13,851,229</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,778,531</b>	<b>2,495,815</b>	<b>1,154,771</b>
Net interfund transfers			
- to capital fund - Schedule 2	(1,831,194)	(3,137,260)	(1,884,830)
- to reserves fund - Schedule 3	(568,943)	(186,931)	(299,043)
Debt principal repayment	(119,220)	(121,187)	(487,585)
Reduction of debt on suspended issues	<u>          </u>	<u>          </u>	<u>335,570</u>
<b>CHANGE IN OPERATING FUND</b>			
<b>BALANCE FOR THE YEAR</b>	<b>1,259,174</b>	<b>(949,563)</b>	<b>(1,181,117)</b>
<b>OPERATING FUND BALANCE</b>			
- BEGINNING OF YEAR	<u>3,595,126</u>	<u>3,595,126</u>	<u>4,776,243</u>
<b>OPERATING FUND BALANCE</b>			
- END OF YEAR - Schedule 5	<u>\$ 4,854,300</u>	<u>\$ 2,645,563</u>	<u>\$ 3,595,126</u>

THE CITY OF TERRACE  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Municipal Finance Authority excess sinking fund refund	\$ 28,934	\$	\$ 247,342
Contributions from developers			29,794
Government grants and transfers	785,991	125,000	657,341
Other	<u>                    </u>	<u>                    </u>	<u>4,390</u>
	814,925	125,000	938,867
<b>EXPENDITURES</b>			
Property, plant and equipment expenditures	3,479,500	3,846,460	2,717,787
Sportsplex design and other costs	<u>237,353</u>	<u>                    </u>	<u>                    </u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES</b>	<u>(2,901,928)</u>	<u>(3,721,460)</u>	<u>(1,778,920)</u>
<b>NET INTER FUND TRANSFERS</b>			
Transfer from (to) reserves fund - Schedule 3	1,070,734	584,200	(142,600)
Transfer from operating fund - Schedule 1	1,831,194	3,137,260	1,884,830
<b>DEBENTURE BORROWINGS</b>	<u>                    </u>	<u>                    </u>	<u>36,690</u>
<b>CHANGE IN CAPITAL FUND FOR THE YEAR</b>	NIL	NIL	NIL
<b>CAPITAL FUND BALANCE - BEGINNING OF YEAR</b>	<u>                    </u> NIL	<u>                    </u> NIL	<u>                    </u> NIL
<b>CAPITAL FUND BALANCE - END OF YEAR</b>	\$ <u>                    </u> NIL	\$ <u>                    </u> NIL	\$ <u>                    </u> NIL

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

	2005	2004
Engineering structures	\$ 1,668,165	\$ 1,507,220
Machinery and equipment	163,301	253,500
Buildings	472,649	957,067
Land	<u>1,175,385</u>	<u>                    </u>
	\$ <u>3,479,500</u>	\$ <u>2,717,787</u>

THE CITY OF TERRACE  
RESERVES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>REVENUES</b>			
Proceeds from sale of property, plant and equipment	\$	\$	\$ 21,428
Investment income	110,133		79,682
Other	<u>9,570</u>	<u>          </u>	<u>9,870</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>119,703</b>		<b>110,980</b>
Transfers from operating fund			
- vehicle replacement charge	186,931	186,931	299,043
- other	382,012		
Transfers from (to) capital fund	<u>(1,070,734)</u>	<u>(584,200)</u>	<u>142,600</u>
<b>CHANGE IN RESERVE FUND FOR THE YEAR</b>	<b>(382,088)</b>	<b>(397,269)</b>	<b>552,623</b>
<b>RESERVE FUND BALANCE - BEGINNING OF YEAR</b>	<u>3,909,419</u>	<u>3,909,419</u>	<u>3,356,796</u>
<b>RESERVE FUND BALANCE - END OF YEAR</b>	<u>\$ 3,527,331</u>	<u>\$ 3,512,150</u>	<u>\$ 3,909,419</u>

## RESERVE FUND BALANCE REPRESENTED BY:

	2005	2004
Machinery and equipment	\$ 2,025,275	\$ 2,831,947
Capital works	642,404	584,673
Contingency	382,012	
Land held for resale	321,075	321,075
Parking space	87,428	75,748
Land acquisition	28,097	56,439
Parks acquisition	40,040	38,537
Animal protection	<u>1,000</u>	<u>1,000</u>
	<u>\$ 3,527,331</u>	<u>\$ 3,909,419</u>

THE CITY OF TERRACE  
 SCHEDULE OF EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>PROTECTIVE SERVICES:</b>			
Police and law enforcement	\$ 2,285,972	\$ 2,650,606	\$ 2,428,530
Fire protection	<u>977,599</u>	<u>992,095</u>	<u>1,012,964</u>
	<u>\$ 3,263,571</u>	<u>\$ 3,642,701</u>	<u>\$ 3,441,494</u>
<b>TRANSPORTATION SERVICES:</b>			
Roads and streets	\$ 576,781	\$ 659,946	\$ 679,571
Building maintenance	435,680	432,377	423,515
Street and traffic lights	226,609	232,500	231,783
Administration	189,408	190,522	138,773
Shop	74,387	73,088	75,497
Inventory	<u>124,292</u>	<u>123,777</u>	<u>126,330</u>
	<u>\$ 1,627,157</u>	<u>\$ 1,712,210</u>	<u>\$ 1,675,469</u>
<b>PARKS AND RECREATION SERVICES:</b>			
Pool	\$ 834,441	\$ 719,390	\$ 761,511
Arena	349,210	299,676	287,771
Parks	241,070	236,074	237,341
Recreation programs	139,999	130,575	120,321
Administration	322,004	188,991	202,639
Recreation centre	<u>21,419</u>	<u>29,002</u>	<u>20,384</u>
	<u>\$ 1,908,143</u>	<u>\$ 1,603,708</u>	<u>\$ 1,629,967</u>

## THE CITY OF TERRACE

## SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	Budget	2004
<b>GENERAL MUNICIPAL SERVICES:</b>			
Finance	\$ 494,033	\$ 507,581	\$ 437,892
Administration	414,166	329,462	365,103
Legislative	120,374	156,844	147,274
Insurance and other	271,373	266,151	123,450
Common services	<u>48,291</u>	<u>55,308</u>	<u>58,158</u>
	<u>\$ 1,348,237</u>	<u>\$ 1,315,346</u>	<u>\$ 1,131,877</u>
<b>DEVELOPMENT SERVICES:</b>			
Building inspection and licencing	\$ 112,931	\$ 116,268	\$ 120,297
Bylaw enforcement	25,756	25,719	63,837
Animal control	153,010	143,900	130,602
Planning	121,758	116,300	119,417
Drafting	131,421	145,662	125,424
Engineering	79,682	75,626	64,325
Development	<u>110,663</u>	<u>109,252</u>	<u>104,943</u>
	<u>\$ 735,221</u>	<u>\$ 732,727</u>	<u>\$ 728,845</u>
<b>CULTURAL SERVICES:</b>			
Terrace Public Library funding	\$ 497,789	\$ 497,850	\$ 497,829
Grants to community organizations	255,885	253,953	237,040
Tourism strategy review	<u>11,079</u>	<u>          </u>	<u>          </u>
	<u>\$ 764,753</u>	<u>\$ 751,803</u>	<u>\$ 734,869</u>
<b>INTEREST</b>			
Interest on long term debt	\$ 157,110	\$ 226,853	\$ 273,041
Interest - other	<u>23,801</u>	<u>92,958</u>	<u>23,248</u>
	<u>\$ 180,911</u>	<u>\$ 319,811</u>	<u>\$ 296,289</u>

## THE CITY OF TERRACE

## SCHEDULE OF CHANGE IN OPERATING FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Sewer Fund	Water Fund	Total Operating Fund
BALANCE - BEGINNING OF YEAR	\$ 2,053,198	\$ 409,291	\$ 1,132,637	\$ 3,595,126
CHANGE IN FUND BALANCE FOR THE YEAR	<u>884,967</u>	<u>403,058</u>	<u>(28,851)</u>	<u>1,259,174</u>
BALANCE - END OF YEAR	<u>\$ 2,938,165</u>	<u>\$ 812,349</u>	<u>\$ 1,103,786</u>	<u>\$ 4,854,300</u>

CITY OF TERRACE  
DEBENTURE DEBT ANALYSIS  
December 31, 2005

BYLAW NO.	PURPOSE	MATURITY DATE	AMOUNT OF ISSUE	AMOUNT MATURED 2005	INTEREST PAID 2005	FUTURE ANNUAL PRINCIPAL	FUTURE ACTUARIAL CAPITALIZATION	TOTAL LIABILITY DEC 31/05
	<b>GENERAL</b>							
1179	Swimming Pool Expansion	2009	485,402	14,680	31,551	58,719	79,395	138,114
1191	LIP Paving	2010	135,468	4,097	8,805	20,485	26,578	47,063
1239	LIP Paving	2011	537,893	1,685	5,710	10,109	12,581	22,690
1307	LIP Paving	2013	34,530	283	796	2,265	2,590	4,855
1364	Library Expansion	2014	1,235,000	37,350	61,750	336,146	368,236	704,382
1454	LIP Paving	2006	2,699	215	209	215	118	333
1515	LIP Paving	2006	51,714	4,111	3,838	4,111	2,267	6,378
1588	LIP Paving	2007	232,663	18,498	13,611	36,996	19,030	56,026
1615	LIP Paving	2008	130,837	10,402	7,261	31,206	14,937	46,143
1655	LIP Paving	2010	18,490	1,470	1,193	7,350	3,017	10,367
1736	LIP Paving	2011	64,601	5,136	3,676	30,816	11,648	42,464
1789	LIP Paving	2014	36,690	2,917	2,015	26,253	7,520	33,773
	<b>TOTAL GENERAL DEBT</b>		<b>2,965,987</b>	<b>100,843</b>	<b>140,416</b>	<b>564,671</b>	<b>547,917</b>	<b>1,112,588</b>
	<b>SEWER</b>							
1454	LIP sewer ext	2006	46,243	3,677	3,584	3,676	2,027	5,703
1515	LIP sewer ext	2006	107,734	8,565	7,995	8,566	4,722	13,288
1629	LIP sewer ext	2008	13,725	1,091	762	3,274	1,566	4,840
1655	Skeena St sewer	2010	61,225	4,868	3,949	24,338	9,990	34,328
	<b>TOTAL SEWER DEBT</b>		<b>228,927</b>	<b>18,201</b>	<b>16,290</b>	<b>39,854</b>	<b>18,305</b>	<b>58,159</b>
	<b>WATER</b>							
1239	Waterline ext.	2011	5,811	176	596	1,054	1,313	2,367
	<b>TOTAL WATER DEBT</b>		<b>5,811</b>	<b>176</b>	<b>596</b>	<b>1,054</b>	<b>1,313</b>	<b>2,367</b>

