

yellowknife life

Northwest Territories



2004 Annual Financial Report

December 31, 2004





City of Yellowknife

Annual Financial Report
For the year ended December 31, 2004

Prepared by the City of Yellowknife
Department of Corporate Services
4807 - 52nd Street,
Yellowknife, NT Canada
(867) 920-5600



Cover Photos

Cover Photos from left to right – (Great Slave Lake) Patrick Bisailon, (Bee) Luke Marshall, (Ptarmigan) Edward Hardy, (Float Plane) Jiri Hermann, (Prince of Wales Heritage Museum) Jiri Hermann



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Artisan Press Ltd.

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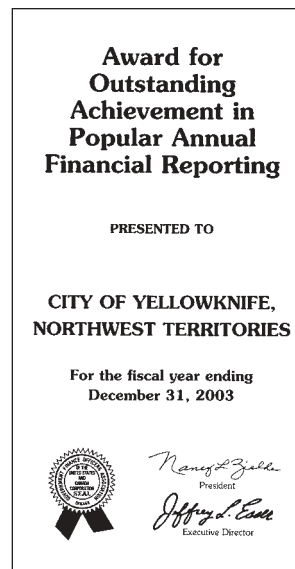
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Canadian Award for Financial Reporting

Award Winners for Fiscal Years Ended in 2003



Capital Regional District,
British Columbia

City of Abbotsford,
British Columbia

City of Burlington, Ontario

City of Calgary, Alberta

City of Coquitlam,
British Columbia

City of Edmonton, Alberta

City of Grande Prairie,
Alberta

City of Kelowna,
British Columbia

City of Lethbridge, Alberta

City of Medicine Hat,
Alberta

City of Montreal, Quebec

City of Mississauga, Ontario

City of Port Alberni,
British Columbia

City of Regina,
Saskatchewan

City of Richmond,
British Columbia

City of St. Albert, Alberta

City of Surrey,
British Columbia

City of Yellowknife,
Northwest Territories

Corporation of the
City of Brampton, Ontario

Corporation of the
District of Maple Ridge,
British Columbia

Corporation of the Town of
Markham, Ontario

Corporation of the Town of
Oakville, Ontario

County of Lethbridge,
Alberta

District of Campbell River,
British Columbia

Parkland County, Alberta

Regional Municipality of
Durham, Ontario

Regional Municipality of
Peel, Ontario

Regional Municipality of
York, Ontario

Sunshine Coast Regional
District, British Columbia

*see further details on this prestigious award on the back cover

Summary of 2004 Financial Statements

The following condensed financial statements are derived from the City's Audited Financial report which is prepared according to Canadian Generally Accepted Accounting Principles. Visit City Hall or the City website to see the Audited Financial Report, which contains the complete audited financial statements and other key financial information.

Management Discussion and Analysis

December 31, 2004

Summary

Overall the City is managing their financial resources in a prudent manner during a period of strong economic growth and has managed to maintain a fairly strong financial condition with Fund and Reserve balances of \$7.1 million (2003 - \$8 million) at yearend.

The highlight of the year was the completion of the second ice pad at the Multiplex arena in November 2004, and the community based partnership between the City, Diavik Diamond Mines Inc. and the Facilities for Kids. This partnership enabled this project to be completed 2 years earlier than planned at a cost significantly lower than the 2006 budget estimate of \$4.5 million. This community based partnership and the many businesses in the community that contributed to this project shows how government, business and community groups can partner to produce a lasting legacy for the community in a cost effective manner.

At the end of 2003 the City was finding it challenging to fund increasing solid waste, water and sewer and capital costs as well as land fill closure costs. During 2004, the City took the proactive step to address the deficit balance in the Solid Waste Fund by allocating \$515,000 of the GST Rebate

to contribute toward the costs associated with closing the existing landfill. At yearend the fund is now only in a \$78,000 deficit position compared to a \$633,000 deficit in 2003.

The main area of financial concern at the end of 2004 is the funding of the Water and Sewer Fund and the Service Connection Failure Assistance Fund that operated in a deficit for 2004, and will need proactive measures taken in 2005 and 2006 to address the shortfall in revenues compared to costs.

Financial Position

The City's overall financial position is good. The City maintained a strong liquidity position in 2004 despite the additional expenditures of \$2.36 million (net the Facilities for Kids \$500,000 contribution) to complete the Multiplex. The primary reason being the Land Sales of \$2.5 million including Niven Lake Phase 6 and the new Kam Lake Industrial lots.

The City has five operating funds: General Fund, Land Development Fund, Solid Waste Development Fund, Water and Sewer Fund and Service Connection Failure Assistance Fund. The current balance in these operating funds is \$3.4 million compared to \$2.8 million last year. The General Fund, Land Development Fund and Solid Waste Fund improved their financial condition in 2004 while the Water and Sewer Fund and Service

Connection Failure Assistance Fund had an operating deficit of \$179,000 and \$31,000 respectively. The City will be reviewing options to improve the financial condition of these two operating funds in 2005 and 2006.

The City maintains a Capital Fund and Reserves to fund major capital projects. Both the Capital Fund and Reserves are adequately funded based on Council's approved capital plans. The Major Community Facility Reserve did finish the year in a deficit position of \$483,000 due to the acceleration of the Multiplex project but the reserve will recover in 2005 and benefit from the savings realized on the project. This will enable the City to pursue new initiatives earlier than originally planned in the 2004 Budget document.

Budget Variance

Net revenue/expenditures were \$899,000 lower than budgeted in 2004. Overall revenues were up \$2.56 million with the main additional revenues sources being Land Sales \$1.4 million, the GST Rebate of \$515,000 and the Facilities for Kids contribution of \$500,000. However, overall expenditures were up \$3.46 million with the main additional costs being Cost of Lands Sold of \$586,000, the accelerated Multiplex project costs of \$2.86 million, and the higher than expected power and fuel costs.


 Director of Corporate Services

Budget Variance	Over (Under) Budget (\$000s)
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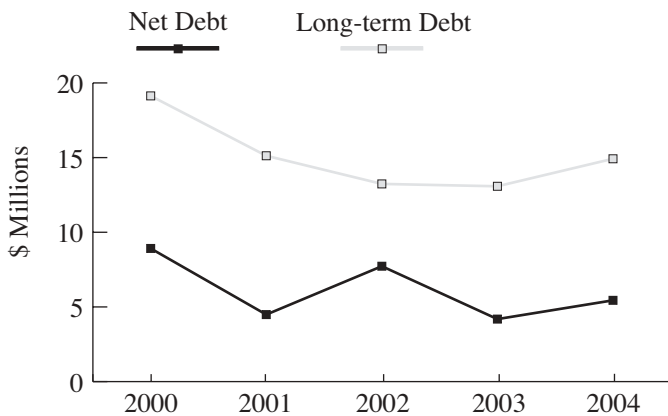
Revenue

Development Levies,		
Licenses and Permits	109	
Government Transfers	189	
Land Sales	1,416	
Other	82	
Property Taxation	(165)	
User Fees	930	
		2,561

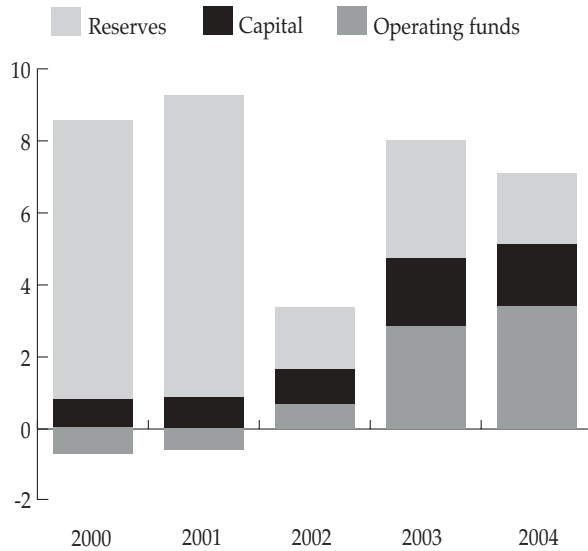
Expenditures

Capital	2,470	
Computer Capital	189	
Contracted and General Services	(91)	
Cost of Land Sold	586	
Debenture Interest	(93)	
Other	(125)	
Professional Services	154	
Utilities - electricity and fuel	165	
Vehicle Operating and Maintenance	205	3,460
Net Under budgeted Expenditures		(899)

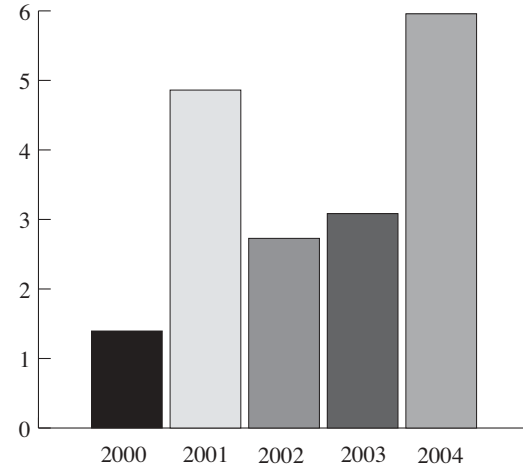
Debt levels



Funds balance



Year end cash balance



Reserves are established at the discretion of Council to set aside funds for the future operating and capital expenditures. Operating funds include general, water and sewer, solid waste management, land development, and service connection failure assistance program operations.

Audit Committee:

City Council has appointed an Audit Committee to ensure that the City's financial reporting is of the highest quality. The Committee reports directly to City Council and has complete access to all City records, management and the independent auditors. The 2004 financial statements and audit procedures were reviewed in detail by Committee members.

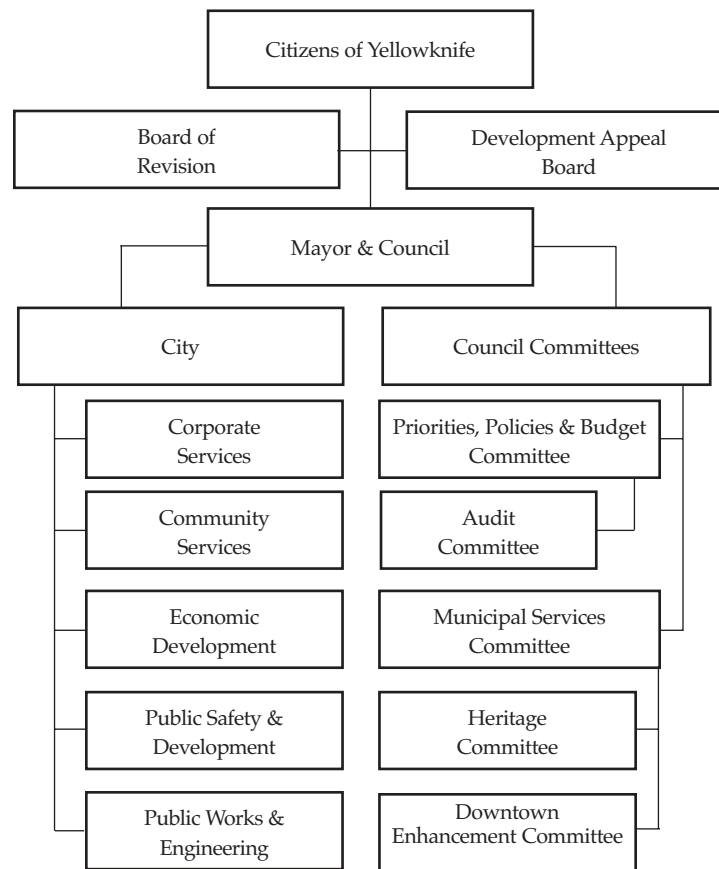
Members

Terry Brookes, P Eng (Chair)
Pawan Chugh, CGA
Tony Wong, LLB
Eitan Dehtiar

Mayor Gordon Van Tighem
Concillor Blake Lyons
City Administrator Max Hall

Political Structure

The political structure of the City is organized so that decisions are made in public at City Council meetings. Council decisions are made after deliberations of one of the two standing committees: the Priorities, Policies and Budget Committee and the Municipal Services Committee. As the most accessible form of government, municipalities actively encourage Citizens to give input on Council decisions. Public presentations are invited at meetings of Council and of the Municipal Services Committee. In addition to hearing presentations, the City gathers input through advisory committees, hearings, surveys, and one-on-one discussions.



Civic Administration

City Administrator	M. Hall
Director of Corporate Services	D. Devana
Director of Economic Development	P. Neugebauer
Director of Community Services	G. White
Director of Public Safety and Development	D. Nicklen
Director of Public Works and Engineering	G. Kehoe
City Auditors	MacKay LLP
City Bankers	TD Canada Trust
City Solicitors	Lawson Lundell

City Council



Gordon Van Tighem
Mayor



Wendy Bisaro
Deputy Mayor



Doug Witty
Councillor



David McCann
Councillor



Blake Lyons
Councillor



Kevin O'Reilly
Councillor



Alan Woytuik
Councillor



Mark Heyck
Councillor



Bob Brookes
Councillor

Citizen's Survey

facts:

The Citizen Survey is a tool used by City Council to obtain feedback from residents about their concerns, needs, attitudes and priorities. It has been conducted on an annual basis since 2001. This year it was conducted between February 15th and 26th, 2005 by Ipsos-Reid, in partnership with the local firm Kellet Communications.

The 2005 survey focused on seven central themes and captured residents' perceptions of the City as well as attitudes towards living in Yellowknife, issues facing Yellowknife, the importance of and satisfaction with City Services, willingness to pay for curbside recycling pick-up, City staff and Council performance, City communication with residents and public transit.

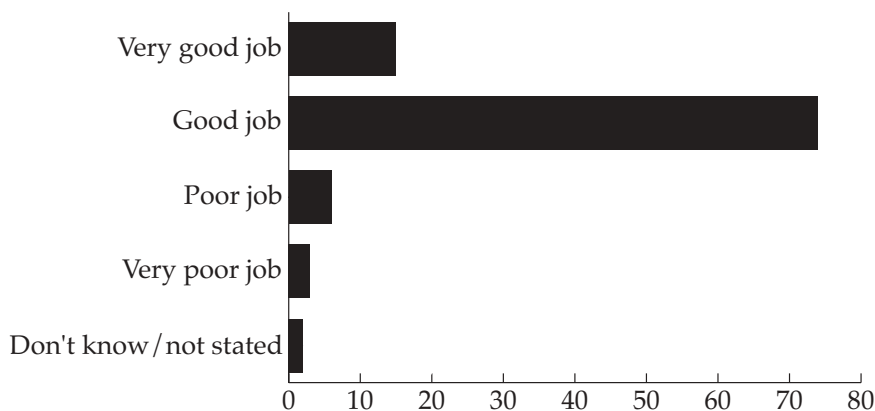
A total of 800 telephone interviews were completed and overall results were weighted to ensure that the age/gender distributions reflected the actual population in Yellowknife in accordance with the 2001 census data. Overall results are accurate to $\pm 3.5\%$ nineteen times out of twenty. More detailed results are available either on-line via the City's website or at City Hall reception.

Just over 92% (nine out of ten) Yellowknife residents regularly access the Internet. This is much higher than in the rest of Canada where only 78% of Canadians report having access to (rather than regularly accessing) the Internet either at home, work or school, or at another location!

The Survey Says...

Yellowknife Residents Pleased with the Performance of City Staff

Overall, Yellowknife residents are quite pleased with the performance of City Staff. Nine-in-ten (89%) say that City staff are doing a good job, although this figure is much more lukewarm than intense (15% "very good job" and 74% "good job"). Only 9% say they are not satisfied with the performance of City staff (6% "poor job" and 3% "very poor job").

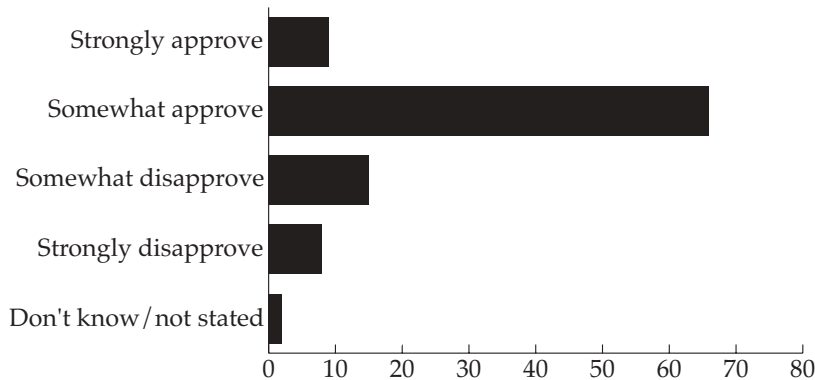


The Survey Says...

Majority of Yellowknife Residents Approve of City Council's Performance

Two-thirds of Yellowknife residents (75%) say they approve of City Council's performance. However, this proportion is tempered somewhat by the fact that most residents (66%) only "somewhat approve" of Council's performance. Only 9% say they "strongly approve."

Conversely, one-quarter of Yellowknife residents (23%) do not approve of City Council's performance, as 15% "somewhat disapprove" and 8% "strongly disapprove"

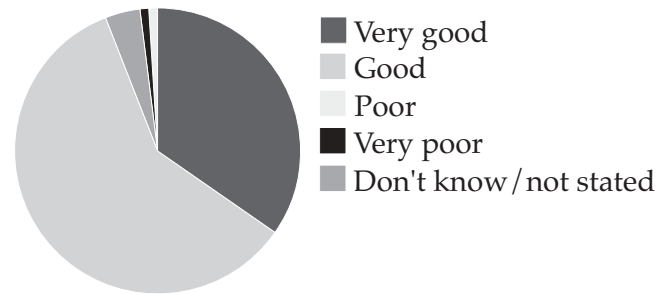


The Survey Says...

Quality of Life in YK is both very good and has further improved!

Some 95% of respondents rated the quality of life in Yellowknife as good or very good. In addition, 27% said that the quality of life in Yellowknife had improved – slightly down from last year when 35% reported an improvement, but still strong overall. New facilities/developments, more shopping and increased job opportunities were among the top reasons cited for the improvement.

Yellowknife Residents Enjoy High Quality of Life



The Survey Says...

Residents want to see more residential building lots!

Of the four options given to respondents to rank as being most and least important, the issue overwhelmingly said to be the most important was the need to make building lots available. We are working with the GNWT, and others, to make this a reality!

The Survey Says...

About the Capital Update...

Of the 79% of respondents that remember receiving the City's weekly flyer, *Capital Update*, in their mailboxes, 95% are either frequent or occasional readers. Also 37% have expressed an interest in receiving more information from the City – so stay tuned for new sources of information and even better coverage of City issues!

Management responsibility

City Council, which is responsible for, among other things, the financial statements of the City of Yellowknife, delegates to Administration the responsibility of the financial statements. City Council appoints independent auditors to examine and report directly to them on the financial statements. Administration prepares the financial statements. Accounting principles have been followed as recommended by the Department of Municipal and Community Affairs, based upon the requirements of the Cities, Towns and Villages Act of the Northwest Territories, and the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Administration maintains a system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, properly approved and result in reliable financial statements. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Administration believes its system provides the appropriate balance in this respect.

The City Council carries out its responsibility for review of the financial statements primarily through the Audit Committee. This Committee meets regularly with Administration to discuss financial matters, including the results of audit examinations. The Committee reports its findings to City Council for its consideration in approving the financial statements of issuance.

The financial statements have been reported on by MacKay LLP Chartered Accountants. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



City Administrator



Director of Corporate Services

Audit committee's report

The Audit Committee oversees the City's financial reporting process on behalf of City Council. The Committee is comprised of: Mayor Gordon Van Tighem (ex-officio); Councillor Doug Witty; Councillor Blake Lyons, Terry Brookes, P.Eng; Pawan Chugh, C.G.A.; Tony Wong, L.L.B.; Eitan Dehtiar; and City Administrator Max Hall.

The Committee reports directly to City Council and has complete access to all City records. The Committee meets regularly with the independent auditors to discuss the independence of the auditor, the scope and key risk areas for the audit, the results of their examinations, the evaluations of the City's internal controls, the overall quality of the City's external financial reporting and other matters required by generally accepted accounting standards.

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. Management represents that the City's financial statements are prepared in accordance with Canadian generally accepted accounting principles. Based on the Committee's review of the financial statements and discussions with management and the independent auditors, the Committee recommends that City Council adopt the audited financial statements for the year ended December 31, 2004.



Terry Brookes, P.Eng., Chair

Auditor's report

To the Mayor and Members of Council:

We have audited the consolidated statement of financial position of the City of Yellowknife as at December 31, 2004 and the consolidated statement of financial activities, consolidated statement of changes in fund balances and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Yellowknife as at December 31, 2004 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with

accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

We further report, in accordance with the *Cities, Towns and Villages Act*, that proper books of account have been kept, that the financial statements are in agreement with the books of account, and that the transactions that have come under our notice have been within the statutory powers of the City.

Mackay LLP

Chartered Accountants

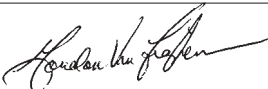
Yellowknife, NT
April 12, 2005


mackay.ca

Consolidated Statement of Financial Position

As at December 31, 2004	2004 Actual (\$'000s)	2003 Actual (\$'000s)
Financial Assets		
Cash	5,958	3,084
Accounts Receivable		
Grants		
Taxes	3,124	883
Water and Sewer	1,357	1,247
Other	7,036	9,104
Land Held for Resale	1,685	2,325
Prepays	304	410
Total Financial Assets	19,464	17,053
Physical Assets		
Capital Assets	206,894	195,586
Total Physical Assets	206,894	195,586
	226,358	212,639
Liabilities		
Accounts Payable and Accrued Liabilities	4,972	3,057
Wages and Benefits Payable	701	961
School Taxes Payable	2,023	1,886
Deposits Payable	493	361
Deferred Revenue	386	472
Long-Term Debt	14,921	13,079
Provision for Landfill Closure	1,410	1,422
Total Liabilities	24,906	21,238
Municipal Position		
Equity in Physical Assets	194,355	183,378
Capital Fund	1,733	1,908
	196,088	185,286
General Fund	2,117	2,085
Land Development Fund	1,559	1,369
Solid Waste Management Fund	(78)	(633)
Water and Sewer Fund	65	244
Service Connection Failure Assistance Fund	(261)	(230)
Reserves	1,962	3,280
	5,364	6,115
Total Municipal Position	201,452	191,401
	226,358	212,639

Approved by:

Gordon Van Tighem, Mayor: 

Max Hall, City Administrator: 

Consolidated Statement of Financial Activities

For the year ended December 31, 2004	2004 Budget	2004 Actual	2003 Actual
	(\$000s)	(\$000s)	(\$000s)
Revenues			
Property Taxation	19,976	19,846	19,278
Payments in Lieu of Taxes	3,595	3,483	3,423
Less: School Taxes	(8,228)	(8,151)	(7,907)
Net Municipal Taxation	15,343	15,178	14,794
User Fees and Sale of Goods	12,309	14,655	18,849
Government Transfers	7,469	7,658	7,962
Investment Income	133	209	232
Fines, Penalties and Costs of Taxes	946	921	920
Development Levies, Licenses and Permits	1,146	1,255	1,396
Franchise and Concessions Contracts	640	671	645
Total Revenues	37,986	40,547	44,798
Expenditures			
Operating			
General Government	7,526	7,222	6,870
Protective Services	3,607	3,703	3,262
Transportation and Public Works	4,131	4,326	4,044
Land Development	2,337	2,913	5,916
Recreation and Culture	4,101	4,238	3,907
Environmental and Public Health Services	1,433	1,418	1,488
Water and Sewage	4,106	4,316	4,303
Fiscal	436	365	718
Total Operating Expenditures	27,677	28,501	30,508
Capital			
General Government	1,223	1,412	2,076
Capital	9,444	11,891	8,672
Total Capital Expenditures	10,667	13,303	10,748
Total Expenditures	38,344	41,804	41,256
Net Revenue (Expenditures)	(358)	(1,257)	3,542
Add: New Debt Issued	1,950	1,930	3,114
Less: Debt Repayment	(1,665)	(1,599)	(2,022)
Increase (Decrease) in Fund Balances	(73)	(926)	4,634
Opening Fund Balances	5,046	8,023	3,389
Closing Fund Balances	4,973	7,097	8,023

Consolidated Statement of Change in Fund Balance

For the year ended December 31, 2004	General Fund	Water & Sewer Fund	Land Dev. Fund	Capital Fund	SCFA* Fund	Solid Waste Fund	Reserves	2004 Total	2003 Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Net Revenue (Expenditures)	(1,133)	773	290	(1,861)	(31)	705	-	(1,257)	3,542
Net Interfund Transfers									
(To) From General Fund		(952)	(100)			(150)	37	(1,165)	(918)
(To) From Water and Sewer Fund	952							952	1,059
(To) From Solid Waste Fund	150							150	135
(To) From Land Development Fund	100							100	
(To) From Capital Fund							(1,355)	(1,355)	1,286
(To) From SCFA Fund									
(To) From Reserves	(37)			1,355				1,318	(1,562)
	32	(179)	190	(506)	(31)	555	(1,318)	(1,257)	3,542
Debt Issued				1,930				1,930	3,114
Debt Repayment				(1,599)				(1,599)	(2,022)
Change in Fund Balance	32	(179)	190	(175)	(31)	555	(1,318)	(926)	4,634
Fund Balance, Beginning of Year	2,085	244	1,369	1,908	(230)	(633)	3,280	8,023	3,389
Fund Balance, End of Year	2,117	65	1,559	1,733	(261)	(78)	1,962	7,097	8,023

* SCFA – Service Connection Failure Assistance Fund

Reserves consist of:	2003	Increase	Decrease	2004
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Waterfront Development Reserve	80	-	-	80
Downtown Development Reserve	95	81	(49)	127
Information Technology Reserve	287	300	(273)	314
Mobile Equipment Replacement Reserve	2,378	724	(1,402)	1,700
Major Community Facility Reserve	221	1,655	(2,359)	(483)
Samuel Colley Library Donation Reserve	219	5	-	224
	3,280	2,765	(4,083)	1,962

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2004	2004 Actual (\$000s)	2003 Actual (\$000s)
Operations		
Excess of Revenue Over Expenditures	(1,257)	3,542
Add back non-cash items		
Grants Receivable	-	-
Taxes Receivable	(2,241)	106
Water and Sewer Receivable	(110)	(232)
Other Receivables	2,068	(2,429)
Prepays	107	(410)
Accounts Payable and Accruals	1,917	(2,453)
Wages and Benefits Payable	(261)	117
Deposits Payable	131	270
Provision for Landfill Closure	(12)	38
School Taxes Payable	138	176
Deferred Revenue	(87)	169
Net Cash from (used for) Operations	393	(1,106)
Investing		
Land Acquisitions	(678)	(3,536)
Land Disposals	1,317	5,157
Net Cash from Investing	639	1,621
Financing		
Long-Term Debt Issued	3,530	3,114
Long-Term Debt Repayments – Capital	(1,599)	(2,022)
Long-Term Debt Repayments – Land	(89)	(1,251)
Net Cash from (used for) Financing	1,842	(159)
Increase in Cash and Cash Equivalents	2,874	356
Cash, Opening Balance	3,084	2,728
Cash, Closing Balance	5,958	3,084
Comprised of:		
Cash and Temporary Investments	5,958	3,084

Schedule of Consolidated Expenditures by Object

For the year ended December 31, 2004	2004 Budget (\$000s)	2004 Actual (\$000s)	2003 Actual (\$000s)
Expenditures			
Bank Charges and Short-term Interest	189	157	218
Capital Purchases	9,907	12,566	9,901
Contingency	100	-	91
Construction and Maintenance Supplies	536	475	491
Contracted and General Services	7,091	6,999	7,015
Grants	366	363	345
Interest on Long-term Debt	908	815	851
Insurance	930	954	819
Land	1,775	2,331	5,307
Mayor and Council Expenses	487	459	454
Office and Administrative Supplies	262	249	274
Professional Services	204	358	248
Provision for Allowances	20	43	327
Salaries, Wages and Benefits	13,386	13,473	12,450
Site Restoration	-	9	21
Transfers to Other Organizations	80	79	60
Utilities – Electricity	1,148	1,238	1,234
Utilities – Fuel	553	629	642
Vehicle O & M	402	607	508
Total Expenditures	38,344	41,804	41,256

Notes to the Financial Statements

For the year ended December 31, 2004

1/Significant accounting policies

The consolidated financial statements of the City of Yellowknife are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Yellowknife are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the City of Yellowknife. It is comprised of all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education that are not part of the City of Yellowknife.

b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues recognized in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(f).

c) Fund accounting

Management funds consist of the operating, land, water and sewer, solid waste management, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. The purposes of the funds are:

General Fund - to account for tax and other general revenue, general expenditures, other transactions not accounted for in other funds.

Land Development Fund - to account for land sales and land development costs.

Water and Sewer Fund - to account for revenues and expenses related to water and sewer services.

Solid Waste Management Fund - to account for revenue from solid waste charges and the costs of collecting, recycling and processing solid waste.

Capital Fund - to account for revenue related to capital and all capital expenditures with the exception of land.

Reserves - to record reserves established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and or from reserves are reflected as an adjustment to the respective fund.

Service Connection Failure Assistance Fund - to account for the service connection failure assistance program separately from the Water and Sewer fund.

d) Land inventory

Land inventory is recorded at the lower of cost and the net recoverable amount. The net recoverable amount is the amount the City estimates it will collect from the sale of the land inventory within the next fifteen years. Inventory includes costs of acquisition, lot servicing and infrastructure. Valuation of land is subject to significant measurement uncertainty because sales of large parcels of land are subject to Council's approval of proposed developments.

e) Capital assets

Capital assets are recognized as expenditures in the period they are acquired and are reported at cost. Certain planning and maintenance costs are expended and carried as capital assets under their respective function. Government contributions for the acquisition of capital assets are recorded as revenue and do not reduce capital asset costs. Capital assets are not amortized.

f) Employee benefit liabilities

Accounts payable and accrued liabilities include employee benefit liabilities which are future obligations of the City to its employees for benefits earned but not taken as at the end of the fiscal year. The City and its employees make contributions to RRSPs administered by Standard Life. These contributions represent the total liability of the City and are recognized in the accounts on a current basis. Employees are insured through the Northern Employee Benefits Services. The City is not liable for any future liabilities of this plan.

g) Government transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

h) Land sale revenue

Land sales are recognized as of the earlier of the transfer of title and transfer of possession under an agreement to sell.

i) School taxes

School taxes are levied by the City on behalf of the Boards and are not reported as revenue. The school mill rate set by City Council is the rate necessary to meet the requisitions of the Boards. Board requisitions are paid quarterly and the fourth payment is paid subsequent to the City's year end. All school taxes, net of uncollectible accounts, are paid or payable to the Boards.

j) Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund and not as revenue or expenditures in the statement of operations.

The community maintains the following reserves:

Information Technology Reserve: Amounts approved by Council for future information technology are transferred to the Information Technology Reserve.

Major Community Facility Reserve: Amounts approved by Council for future community facilities are transferred to the Major Community Facility Reserve.

Mobile Equip. Replace. Reserve: Amounts budgeted for future mobile equipment replacement are transferred to the Mobile Equipment Replacement Reserve.

Downtown Development Reserve: Starting in 2002, 25% of the parking meter revenue is transferred to the Downtown Development Reserve to fund future projects that impact the downtown area.

Waterfront Development Reserve: Amounts approved by Council for future waterfront development are transferred to the Waterfront Development Reserve.

Samuel Colley Donation Reserve: To provide for the Yellowknife Public Library.

k) Equity in physical assets

Equity in physical assets represents the Community's net investment in its total physical assets, after deducting work in progress, the portion financed by third parties through debenture and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities.

l) 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results could differ from those estimates.

m) Budget

Budget figures are unaudited and are those approved by Council on January 19, 2004.

n) Financial instruments

Significant financial assets and financial liabilities of the City are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk. For cash, grants receivable, utility accounts receivable, other accounts receivable, bank indebtedness, accounts and school taxes payable and accrued liabilities, the carrying amounts of these financial instruments approximates their fair value due to their short-term maturity

or capacity of prompt liquidation. The City is exposed to credit risk arising from the possibility that taxpayers may experience financial difficulty and be unable to pay outstanding taxes. Taxes receivable is initially recorded at historical cost and an allowance is made so that the carrying amount approximates the fair value. The city regularly monitors the amount of outstanding taxes and initiates collection procedures to minimize credit risk.

More than 25% of the City's annual tax revenue comes from four taxpayers: Miramar Con Mine (5%), Government of the Northwest Territories (11%), Government of Canada (6%) and Northern Property REIT (6%).

2/Taxes and grants in lieu of taxes receivable

	2004 Actual (\$000s)	2003 Actual (\$000s)
Property Taxes Receivable	3,203	1,154
Other Taxes Receivable	-	554
Taxes Receivable Allowance	(79)	(825)
	<u>3,124</u>	<u>883</u>

3/Other accounts receivable

	2004 Actual (\$000s)	2003 Actual (\$000s)
Other Receivables	7,375	9,306
Less: Allowance	(339)	(202)
	<u>7,036</u>	<u>9,104</u>
Water and Sewer Receivables	1,368	1,259
Less: Allowance	(11)	(12)
	<u>1,357</u>	<u>1,247</u>
	<u>8,393</u>	<u>10,351</u>

4/Current assets and liabilities

	2004 Actual (\$000s)	2003 Actual (\$000s)
Current Assets		
Cash	5,958	3,084
Receivables		
Taxes and Grants in Lieu of Taxes	3,124	883
Utilities and Other Receivables	8,393	10,351
Land Held for Resale	1,685	2,325
Prepays	304	410
	19,464	17,053
Current Liabilities		
Accounts Payable and Accrued Liabilities	4,972	3,057
Wages and Benefits Payable	701	961
School Taxes Payable	2,023	1,886
Deposits Payable	493	361
Deferred Revenue	386	472
Current Portion of Long-term Debt	2,599	1,828
Provision for Landfill Closure	343	137
	11,517	8,702

5/Physical assets

	2003 Actual (\$000s)	Additions (\$000s)	Disposals (\$000s)	2004 Actual (\$000s)
Land and Buildings	44,894	3,732	(1,266)	47,360
Infrastructure	137,255	6,512	-	143,767
Vehicles and Equipment	13,437	2,330	-	15,767
	195,586	12,574	(1,266)	206,894

6/Deferred revenue

	2004 Actual (\$000s)	2003 Actual (\$000s)
Facility Booking and Program Registration	26	39
Government Transfers	26	79
Land Sales	315	315
Other	19	39
	386	472

7/Long term debt

	2004 Actual (\$000s)	2003 Actual (\$000s)
Capital – General		
CIBC Debenture #226, authorized by By-law 3953 as amended, to finance the 1997 paving program, with monthly payments of \$24,107 including principal & interest at 6.00%, expiring November 2007.	782	1,017
CIBC Debenture #227, authorized by By-law 3976 to finance the purchase of the Library property, with monthly payments of \$38,704 including principal & interest at 6.45%, expiring December 2007.	1,452	1,810
CIBC Debenture #230, authorized by By-law 3992 as amended, to finance the 1998 paving program, with annual payments of \$411,282 including principal & interest at 6.19%, expiring July, 2008.	1,419	1,724
Pacific & Western Debenture #231, authorized by By-law 4029 to finance the 1999 paving program, with two annual interest payments of \$197,527 and then annual payments of \$489,079 including principal & interest at 6.68%, expiring August, 2009.	2,023	2,354
CIBC Debenture #233, authorized by By-law 4130 to finance part of the 2001 paving program, with annual payments of \$33,760 including principal & interest at 5.56%, expiring October, 2011.	190	211
CIBC Debenture #234, authorized by By-law 4131 to finance 2001 paving program, with annual payments of \$80,406, including principal & interest at 5.56%, expiring October, 2011.	452	505

7/Long term debt (continued)

	2004 Actual (\$000s)	2003 Actual (\$000s)
Capital – General (continued)		
CIBC Debenture #235, authorized by By-law 4176 to finance part of the 2001 paving program, with annual payments of \$197,898 including principal & interest at 6.14%, expiring October 2011.	1,209	1,325
CIBC Debenture #236, authorized by By-law 4177 to finance traffic lights, with annual payments of \$11,032 including principal & interest at 6.14%, expiring October 2011.	67	74
CIBC Debenture #237, authorized by By-law 4130 to finance traffic lights, with annual payments of \$11,032 including principal & interest at 6.14%, expiring October 2011.	67	74
CIBC Debenture #240, authorized by By-law 4244 to finance 2003 paving program, with annual payments of \$191,155 including principal & interest at 4.82%, expiring July 2013.	1,362	1,482
RBC Debenture #239, authorized by By-law 4213 to finance completion of phase one of the Multplex, with annual payments of \$140,098 including principal & interest at 5.81%, expiring March 2023.	1,586	1,632
CIBC Debenture #242, authorized by By-law 4280 to finance 2004 paving program, with annual payments of \$251,269 including principal & interest at 5.11%, expiring July 2014.	1,930	-
	12,539	12,208
Land		
Pacific & Western Debenture #241, authorized by By-law 4255 to finance the development of land in Kam Lake, with annual payments of \$578,090 including principal & interest at 4.14%, expiring July 2007.	1,600	-
Pacific & Western Debenture #232, authorized by By-law 4111, with annual payments of interest only at 7.05%, expiring June 2007.	782	871
	2,382	871
	14,921	13,079

Debentures are secured by taxes and penalties levied, all grants and sundry revenues. The estimated fair value of long-term debt at December 31, 2004 is \$14,851,886 (2003 - \$13,204,944). Fair value is estimated by discounting future cash flows at the rate currently offered by the City's bank for debt of similar credit quality and period to maturity. Annual principal repayment requirements on long-term debt for the next five years are as follows:

	(\$000s)
2005	2,599
2006	2,765
2007	3,060
2008	1,415
2009	1,085
2010 and thereafter	3,997
	14,921

8/Landfill closure & post-closure liability

The City has adopted nationally recommended accounting policies earlier than the Government of the Northwest Territories requires their adoption. As part of these policies, the City is required to estimate future landfill closure costs and set aside a portion of these costs. Total closure and post-closure costs are estimated to be \$1,738,506 and the City has included \$1,303,879 (75%) as part of the site restoration liability. The remaining estimated life of the landfill is three years and monitoring will be required indefinitely. Of the total capacity of 700,000 cubic metres, 175,000 cubic meters (25%) remain.

Estimates of future landfill closure costs are subject to significant measurement uncertainty. NWT landfill closure standards have not been established. The accuracy of the estimated closure costs is expected to improve when engineers determine standards for closing a section of the landfill.

9/Capital Fund Balance

	2004 Actual (\$000s)	2003 Actual (\$000s)
General Government	50	253
Community Services	284	652
Waterfront Development	209	54
Public Safety	65	23
Public Works	655	401
Solid Waste	140	60
Water and Sewer	330	465
	1,733	1,908

10/Reserves

Reserves for operating and capital activities changed as follows:

	Reserve Balance (\$000s)	Cash Balance (\$000s)	Shortfall (\$000s)
Waterfront Development Reserve	80		(80)
Downtown Development Reserve	127	112	(15)
Information Technology Replacement Reserve	314		(314)
Mobile Equipment Reserve	1,700		(1,700)
Major Community Facility Reserve	(483)		483
Samuel Colley Library Donation Reserve	224	224	-
	1,962	336	(1,626)

Sufficient funds must be deposited to separate bank accounts to correspond with the respective reserve fund balances. Interest earned on the account is credited to the appropriate reserve. A separate bank account has not been created for any new reserves established by the municipality since 2002. As at December 31, 2004, the City had a shortfall of \$1,626,000 (2003 - \$3,023,000).

11/Contingencies

(a) Insurance

The City participates in the NWT Association of Municipalities insurance programs. Under these programs, the City could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b) Litigation

Polar Developments Ltd. has initiated a legal action against the City claiming damages in the amount of \$3,000,000. The City disputes this claim. In the normal course of operations, the City is subject to various legal claims. Except for the claim by Polar Developments Ltd., the City's estimated exposure to such liabilities is not considered to be significant.

12/Commitments

In the course of normal operations the City has entered into various multi-year contracts. The minimum payments for these contracts for the next five years are as follows:

	Capital Construction	Contracts	Total
	(\$000s)	(\$000s)	(\$000s)
2005	-	2,490	2,490
2006	-	908	908
2007	-	624	624
2008	-	200	200
2009	-	200	200
2010	-	200	200
	-	4,622	4,622

13/Preceding Year's Figures

Preceding year's figures have been reclassified to conform to the current year's presentation.

14/Subsequent Events

The majority of the employees of the City of Yellowknife are members of the Public Service Alliance of Canada Union. The collective agreement with the City of Yellowknife expired on December 31, 2004. A new agreement has been negotiated however it has not been published to date. The new agreement is a three year contract that will expire December 31, 2007.

2004 Statistical section

Statement of Financial Activities

For the year ended December 31, 2004

	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Revenue					
Municipal Taxes	13,869	14,154	14,472	14,794	15,178
User Charges	13,067	12,392	17,408	18,849	14,655
Government Transfers	5,601	5,782	7,172	7,962	7,658
Investment Income	125	204	244	232	209
Fines Penalties and Costs of Taxes	695	693	1,002	920	921
Development Levies, Licences and Permits	869	867	1,184	1,396	1,255
Franchise and Concessions Contracts	534	577	624	645	671
	34,760	34,669	42,106	44,798	40,547
Expenditures					
Operating					
General Government	5,553	5,502	5,940	6,870	7,222
Recreation and Culture	2,520	3,402	3,366	3,907	4,238
Protective Services	3,522	3,502	2,991	3,262	3,703
Transportation and Public Works	3,421	2,961	4,003	4,044	4,326
Water & Sewer	3,359	3,742	3,778	4,303	4,316
Environmental and Public Health Services	2,427	969	1,142	1,488	1,418
Land Development	1,985	829	5,949	5,916	2,913
Fiscal	358	1,135	728	718	365
Total Operating Expenditures	23,145	22,042	27,897	30,508	28,501
Capital					
General Government	1,406	1,172	1,155	2,076	1,412
Capital	5,825	7,027	16,292	8,672	11,891
Total Capital Expenditures	7,231	8,199	17,447	10,748	13,303
Total Expenditures	30,376	30,241	45,344	41,256	41,804
Net Revenue (Expenditures)	4,384	4,428	(3,238)	3,542	(1,257)
Debt Proceeds	-	854	1,595	3,114	1,930
Debt Principal Repayments	(4,688)	(4,315)	(3,051)	(2,022)	(1,599)
Increase (Decrease) in Fund Balances	(304)	967	(4,694)	4,634	(926)
Opening Balance	7,420	7,116	8,083	3,389	8,023
Closing Balance	7,116	8,083	3,389	8,023	7,097

note: prior years have been restated to conform to current presentation

Fund Balances

For the year ended December 31, 2004

	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Change in Funds Balance					
General Fund	(379)	97	773	538	32
Land Development	36	110	350	1,974	190
Solid Waste Management	(938)	150	246	(69)	555
Water & Sewer	139	(216)	(58)	(94)	(179)
Service Connection Failure Assistance	-	-	(32)	(198)	(31)
Capital	(355)	198	701	921	(175)
Reserves					
Information Technology	13	(28)	95	69	(27)
Downtown Development	-	-	38	57	32
Major Community Facility	1,250	684	(6,782)	1,023	(677)
Mobile Equipment Replacement	335	209	(25)	194	(678)
Offsite Levy	(45)	(174)	-	-	-
Parking Development	-	(62)	-	-	-
Quarry Development	(360)	-	-	-	-
Waterfront Development	-	-	-	-	-
Samuel Colley Library Donation	-	-	-	219	5
	(304)	968	(4,694)	4,634	(899)
Funds Balance					
General Fund	678	774	1,547	2,085	2,117
Land Development	(1,065)	(955)	(605)	1,369	1,559
Solid Waste Management	(960)	(810)	(564)	(633)	(78)
Water & Sewer	612	396	338	244	65
Service Connection Failure Assistance	-	-	(32)	(230)	(261)
Capital	88	286	987	1,908	1,733
Reserves					
Information Technology	151	123	218	287	314
Downtown Development	-	-	38	95	127
Major Community Facility	5,296	5,980	(802)	221	(483)
Mobile Equipment Replacement	2,000	2,209	2,184	2,378	1,700
Offsite Levy	174	-	-	-	-
Parking Development	62	-	-	-	-
Quarry Development	-	-	-	-	-
Waterfront Development	80	80	80	80	80
Samuel Colley Library Donation	-	-	-	219	224
	7,116	8,084	3,389	8,023	7,097

Details of Government Transfers

For the year ended December 31, 2004	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
GNWT - Formula Funding	4,987	5,189	5,267	6,136	6,085
Other	614	593	1,905	1,826	1,573
	5,601	5,782	7,172	7,962	7,658

Expenditures (By Object)

For the year ended December 31	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Bank Charges and Short-term Interest	144	126	159	218	157
Capital Purchases	4,954	6,305	16,599	9,901	12,566
Contingency	(8)	86	6	91	-
Construction and Maintenance Supplies	530	505	538	491	475
Contracted and General Services	6,751	5,716	6,057	7,015	6,999
Grants	385	374	342	345	363
Interest on Long-term Debt	1,198	1,190	905	851	815
Insurance	247	495	629	819	954
Land	1,984	985	5,503	5,307	2,331
Mayor and Council Expenses	493	449	445	454	459
Office and Administrative Supplies	254	239	233	274	249
Professional Services	152	167	191	248	358
Provision for Allowances	358	777	368	327	43
Salaries, Wages and Benefits	10,912	10,902	11,206	12,450	13,473
Site Restoration	34	-	-	21	9
Transfers to Other Organizations	57	55	43	60	79
Utilities - Electricity	1,041	983	1,135	1,234	1,238
Utilities - Fuel	456	454	459	642	629
Vehicle O & M	434	433	526	508	607
Total Expenditures	30,376	30,241	45,344	41,256	41,804

Capital Financing

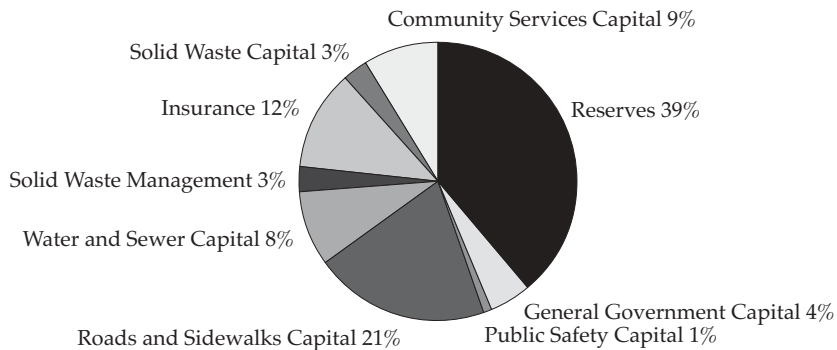
For the year ended December 31, 2004

	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Capital Financing					
Revenue					
Taxation	4,381	4,163	3,249	2,759	2,327
Government Transfers	4,764	4,371	5,958	6,579	6,283
User Charges	2,561	3,139	3,685	2,525	2,832
	11,706	11,673	12,892	11,863	11,442
Debt Issued	-	854	1,595	3,114	1,930
Debt Principal Repayments	(4,688)	(4,315)	(3,051)	(2,022)	(1,599)
Fund Transfers	(1,338)	(763)	6,712	(1,286)	1,355
Fund Balance Used	355	(198)	(701)	(921)	175
	6,035	7,251	17,447	10,748	13,303

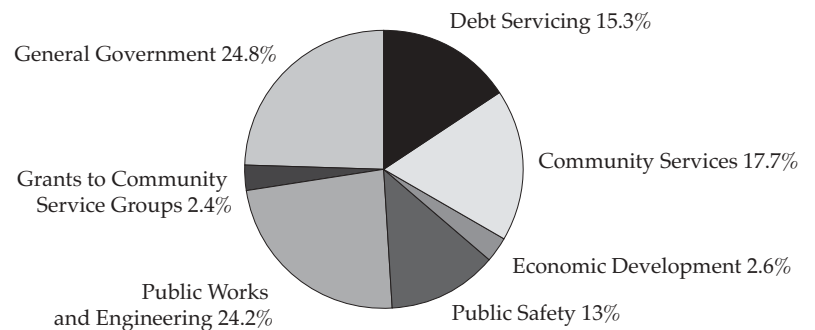
Capital Expenditures (By Function)

General Government	164	199	416	1,339	684
Community Services	607	1,390	10,647	3,417	3,991
Public Safety	-	241	116	59	828
Public Works	1,518	2,011	2,416	2,048	2,929
Water & Sewer	2,600	2,464	2,836	3,036	4,039
Solid Waste Management	65	-	269	112	104
Debtenture Interest	1,081	946	747	737	728
	6,035	7,251	17,447	10,748	13,303

Use of Formula Funding



Use of Taxes



Analysis of Property Assessment & Taxation

For the year ended December 31, 2004

	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Assessed Value of Property*	1,248,387	1,260,839	1,297,354	1,412,569	1,474,902
Municipal Mill Rates (per thousand dollar of assessed value)					
Residential	8.63	8.63	8.63	8.06	8.06
Multi-Residential	8.94	8.94	8.94	8.23	8.23
Commercial/Industrial	15.17	15.17	15.17	14.01	14.01
Mining/Quarrying	12.00	12.00	12.00	15.91	15.91
High Density Parking	7.30	7.30	7.30	7.00	7.00
Agriculture	8.63	8.63	8.63	8.06	8.06
School Mill Rates (per thousand dollar of assessed value)	6.059	6.059	6.059	5.63	5.63
Municipal Tax Levy	13,869	14,154	14,472	14,794	15,178
Taxes Collected and Transferred to Local School Boards					
Public School Board	4,539	4,609	4,604	4,744	4,665
Separate School Board	2,898	2,902	3,052	3,163	3,486
	7,437	7,511	7,656	7,907	8,151
Yearly Residential Property Tax Bill (based on an average residential home in Yellowknife)					
Municipal Taxes	1,373	1,373	1,373	1,290	1,265
School Taxes	964	964	964	901	884
	2,337	2,337	2,337	2,191	2,149
Outstanding Property Taxes**	3,400	1,342	989	883	3,124
Outstanding Property Taxes As a Percentage of the Tax Levy	25%	9%	7%	6%	21%

* Includes taxable and grantable properties only.

**Includes outstanding Municipal and School taxes net of allowance for doubtful accounts.

Principal Corporate Taxpayers

	2004	Percent of	2003
	(\$000s)	2004 Total	(\$000s)
Northern Property REIT	832	5.48%	773
Bellanca Developments Ltd.	791	5.21%	788
Miramar Con Mine Ltd.	693	4.57%	1496
Polar Pandas Developments Ltd.	406	2.67%	505
Gold Bar Developments & Andromeda Investments Ltd.	273	1.80%	273
Consolidated Properties (NWT) Inc.	252	1.66%	248
Polar Developments Ltd.	228	1.50%	232
Regency International Development Corporation Ltd.	205	1.35%	205
NWT Community Services Corp.	177	1.17%	177
752464 Alberta Ltd. O/A Yellowknife Inn	163	1.07%	163

Analysis of Long-term Debt

For the year ended December 31, 2004	2000	2001	2002	2003	2004
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Debt Outstanding*					
Supported by Property Taxes	14,457	12,030	11,115	12,208	12,539
Supported by Utility Charges	1,575	541	-	-	-
Supported by Land Sales	3,100	2,552	2,123	871	2,382
	19,132	15,123	13,238	13,079	14,921
Legal Debt Limit**	249,677	252,168	259,471	282,514	294,980
Per Capita Debt					
Supported by Property Taxes	802	660	601	654	658
Supported by Utility Charges	87	30	-	-	-
Supported by Land Sales	172	140	115	47	125
	1,061	830	716	701	783
Interest & Principal Repayments as a Percentage of Total Expenditures					
Capital	19%	17%	8%	6%	6%
Land	0%	3%	5%	3%	0%
	19%	20%	13%	9%	6%
Debt Burden (Overlapping Debt)					
City	19,132	15,123	13,238	13,079	14,921
Public School Board***	-	26	15	-	-
Separate School Board***	9,919	9,597	9,301	8,834	8,418
	29,051	24,746	22,554	21,913	23,339

*Debt amounts are gross debt. The City does not have sinking funds.

**The City's legal debt limit is 20% of the assessed value of property.

***School Board debt is as of June 30 each year.

Community Profile

For the year ended December 31, 2004	2000	2001	2002	2003	2004
Population					
Population*	18,028	18,214	18,500	18,673	19,056
Households**	5,634	5,692	5,700	5,845	6,257
Construction Values (\$000s)					
Residential	5,400	12,273	38,600	38,000	29,322
Commercial/Industrial	12,900	14,752	22,000	47,000	37,761
Mechanical	5,300	5,978	15,000	-	-
	23,600	33,003	75,600	85,000	67,083
City Employees					
Continuous full time	148.5	146.0	149.5	157.0	161.0
Per 1,000 population	8.2	8.0	8.1	8.4	8.4
Employee turnover	10%	19%	16%	20%	15%
City Infrastructure (kms)					
Paved roads and alleys	63.9	63.9	63.9	67.7	68.5
Unpaved roads and alleys	13.8	13.8	13.8	12.9	13.1
	77.7	77.7	77.7	80.6	82
Water lines	67.6	67.6	67.6	68.5	68.5
Sewer lines	51.9	51.9	51.9	52.8	52.8
Storm drain lines	20.3	20.3	20.3	20.4	20.7
Fire hydrants (number of)	289	289	298	310	310

*Source: Northwest Territories Bureau of Statistics

**Source: Canada Mortgage and Housing Corporation

Award for Financial Reporting

Since 1996, the City of Yellowknife annual financial reports have been awarded the Canadian Award for Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded the Canadian Award for Financial Reporting the City must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such a report should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the City's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting our annual financial report for the current year to the GFOA.



Back Cover Photo – (Diamonds) Jiri Hermann

Department of Economic Development • City of Yellowknife • Box 580, Yellowknife, NT X1A 2N4
Telephone: (867) 669-3422 • Facsimile: (867) 920-5649 • Email: ed@yellowknife.ca