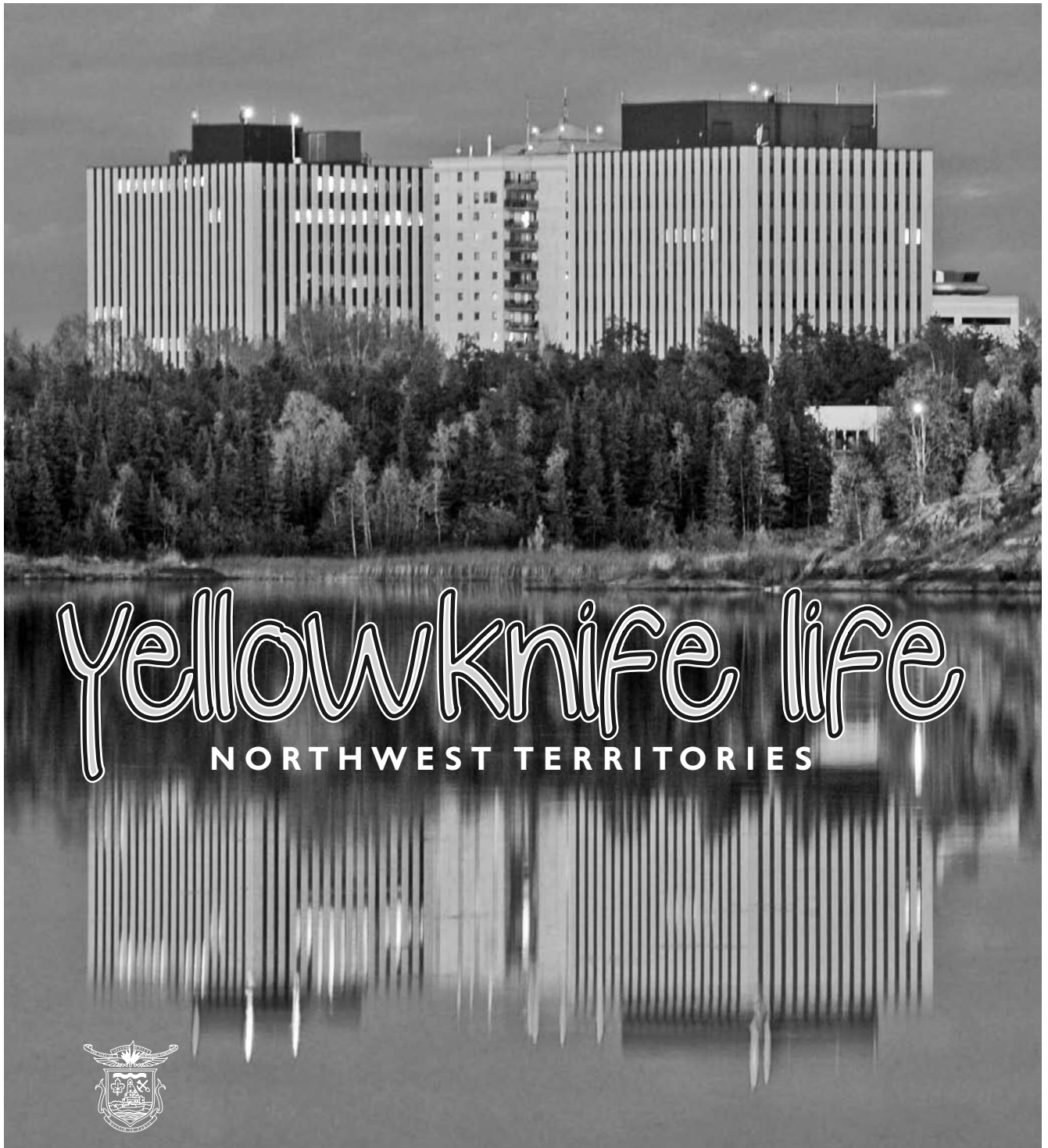


December 31, 2006

2006

ANNUAL
FINANCIAL
REPORT



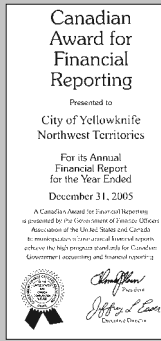
Yellowknife life
NORTHWEST TERRITORIES



www.Yellowknife.ca

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Canadian Award for Financial Reporting

Award Winners for Fiscal Years Ended in 2005

- | | |
|---|--|
| Capital Regional District, British Columbia | City of Whitehorse, Yukon Territory |
| City of Abbotsford, British Columbia | City of Yellowknife, Northwest Territories |
| City of Burlington, Ontario | Corporation of the City of Brampton, Ontario |
| City of Calgary, Alberta | Corporation of the District of Maple Ridge, British Columbia |
| City of Coquitlam, British Columbia | Corporation of the Town of Markham, Ontario |
| City of Edmonton, Alberta | Corporation of the Town of Oakville, Ontario |
| City of Grande Prairie, Alberta | Corporation of the City of Port Coquitlam, British Columbia |
| City of Kelowna, British Columbia | County of Lethbridge, Alberta |
| City of Kitchener, Ontario | Niagara Region, Ontario |
| City of Lethbridge, Alberta | Parkland County, Alberta |
| City of Medicine Hat, Alberta | Regional Municipality of Durham, Ontario |
| City of Mississauga, Ontario | Regional Municipality of Peel, Ontario |
| City of New Westminster, British Columbia | Regional Municipality of York, Ontario |
| City of Port Alberni, British Columbia | Sunshine Coast Regional District, British Columbia |
| City of Port Moody, British Columbia | West Vancouver District, British Columbia |
| City of Regina, Saskatchewan | |
| City of Richmond, British Columbia | |
| City of St. Albert, Alberta | |
| City of Surrey, British Columbia | |
| City of Victoria, British Columbia | |

City of Yellowknife Annual Financial Report

For the year ended December 31, 2006
 Prepared by the City of Yellowknife,
 Department of Corporate Services
 4807 - 52nd Street, Yellowknife, NT Canada (867) 920-5600

Cover Photo Fall skyline by Cody Peterson

Designed and Printed by Artisan Press Ltd., Yellowknife, NT



Summary of 2006 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. The financial statements are the responsibility of management. Auditor's responsibility is to express an opinion on these financial statements based on their audit. 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. City Management publishes the Annual Financial Report as a source of financial and statistical information commonly used by City Council, Management and Citizens.

MANAGEMENT DISCUSSION AND ANALYSIS December 31, 2006

SUMMARY

Overall, the City is experiencing a slowdown in building activity that is affecting building permit revenues and assessment growth. The City is managing its financial resources in a prudent manner during this period and monitoring the affect of certain inflationary pressures such as fuel and power rates. At year-end, the City has managed to maintain a sound financial condition with Fund and Reserve balances of \$11.1 million (2005 - \$7.8 million). The City is also making good progress in reducing its reliance on long term debt to fund core capital funding obligations and at year-end the City's long term debt was \$8.7 million compared to \$10.7 in 2005.

At year end, there is a \$2.6 million balance in the Land Development Fund that will be instrumental in the City's ability to finance development in the Niven Lake residential subdivision and the Airport West Industrial Park. In 2006, there was a notable improvement in the Solid Waste Management Fund's financial performance as the City fully implemented the User Pay System for solid waste disposal. The fund is now operating in a surplus position of \$346,000 compared to a \$633,000 deficit in 2003.

The City is adapting to the financial challenges associated with mine closures reducing taxation revenues and water and sewer costs that exceed revenues. The City is actively planning to mitigate these financial concerns in 2007 and beyond.

FINANCIAL POSITION

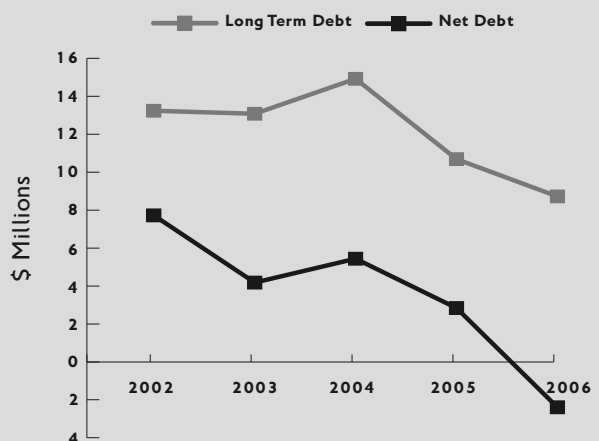
The City's overall financial position is very good with cash on hand of \$12.5 million and fund balances of \$11.1 million. The cash balance would normally be

about \$7 million but is higher due to \$5 million in grants from the Gas Tax Agreement and Community Capacity Building Fund that were received in 2006 but will be expended in 2007.

The City has five operating funds: General Fund, Land Development Fund, Solid Waste Management Fund, Water and Sewer Fund and Service Connection Failure Assistance Fund. The current balance in these operating funds is \$4.7 million compared to \$3.1 million last year. The General Fund, Solid Waste Management Fund and Land Development Fund are well funded within the budget policies of Council. The Water and Sewer Fund and Service Connection Failure Assistance Fund will need to improve their performance to achieve the objectives set by the Budget Stabilization Policy. The City has set aside funding in 2007 to review options to improve the financial condition of these two operating funds, and corrective measures are expected in 2007 and 2008.

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 outlook for capital projects has improved since 2004 with the announcement of new Federal funding sources under the Municipal Rural Infrastructure Fund and the Gas Tax Agreement. The City completed an Infrastructure Needs Assessment in 2006 that identified a \$67.8 million infrastructure gap over the next ten years. The long term capital funding support under the Gas Tax Agreement and other infrastructure grant programs will be critical to the City in its vision to eliminate the infrastructure gap over the next ten years.

Debt Levels



BUDGET VARIANCE

The City's overall consolidated operating surplus was \$3.6 million higher than budgeted in 2006.

Overall revenues were up \$1.8 million primarily due to the \$1.4 million of Community Capacity Building funds distributed to community based projects and the increase of \$312,000 in investment income due to the \$5 million in capital funding set up as deferred revenue in 2006 to be expended in 2007. The overall expenditures were less than planned by \$1.8 million primarily due to the carry over of \$1.5 million in capital projects to 2007, lower than expected land costs on sales within the Kam Lake Industrial Park (Utsingi) and a high level of vacancies due to staff turnover of 26%.

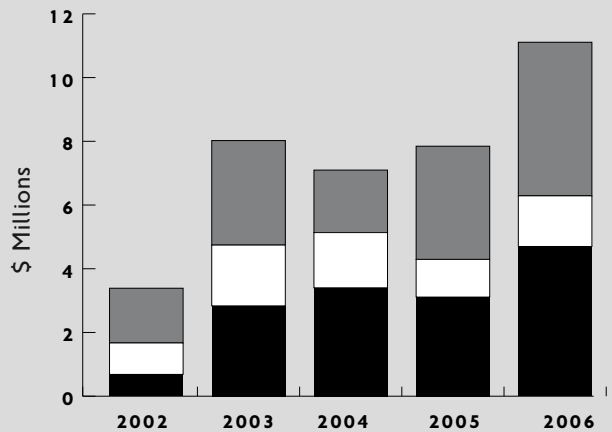
A significant highlight for the City was a reduction in power consumption that saved the City \$77,000 (excluding the Multiplex that used more power once the second sheet was completed) due to measures related to the Community Energy Plan.

Smith

A/Director of Corporate Services

Budget Variance	Over (Under)	
	Budget (\$'000's)	
Revenue		
Development Levies, Licences and Permits	(54)	
Government Transfers	1,310	
Land Sales	457	
Other	202	
Property Taxation	(50)	
User Fees	(114)	
	<hr/>	1,751
Expenditures		
Capital	(2,360)	
Computer Capital	1,351	
Contracted and General Services	305	
Cost of Land Sold	(619)	
Debenture Interest	(12)	
Other	(240)	
Professional Services	212	
Salaries	(433)	
Utilities - electricity and fuel	(127)	
Vehicle Operating and Maintenance	98	(1,825)
Net Over Budgeted Expenditures	<hr/>	<hr/> <hr/> 3,576

Fund Balance

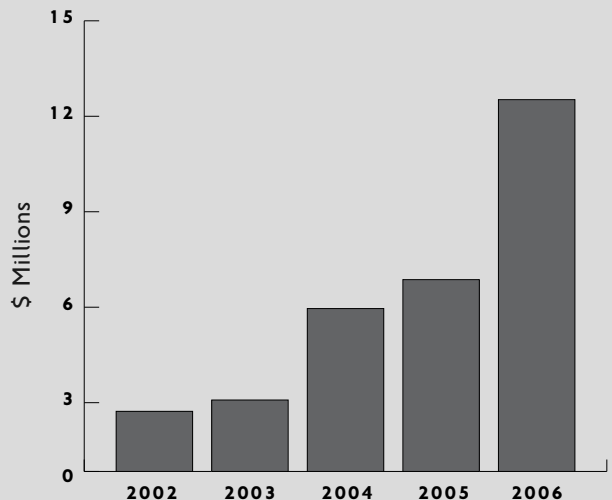


Reserves Reserves are established at the discretion of Council to set aside funds for the future operating and capital expenditures.

Capital Capital

Operating Fund Operating funds include general, water and sewer, solid waste management, land development, and service connection failure assistance program operations.

Year End Cash Balance



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 2006 financial statements and audit procedures were reviewed in detail by Committee members.

The Committee is comprised of:

Mayor Gordon Van Tighem (ex-officio);
Councillor Dave McCann; Pawan Chugh, C.G.A.;
Calvin Yip; Eitan Dehtiar; and Nicole Hayduk.

Our City Council

City Council



Mayor Gordon Van Tighem



Bob Brooks



Mark Heyck



Shelagh Montgomery



David McCann



Paul Falvo



David Wind



Kevin Kennedy



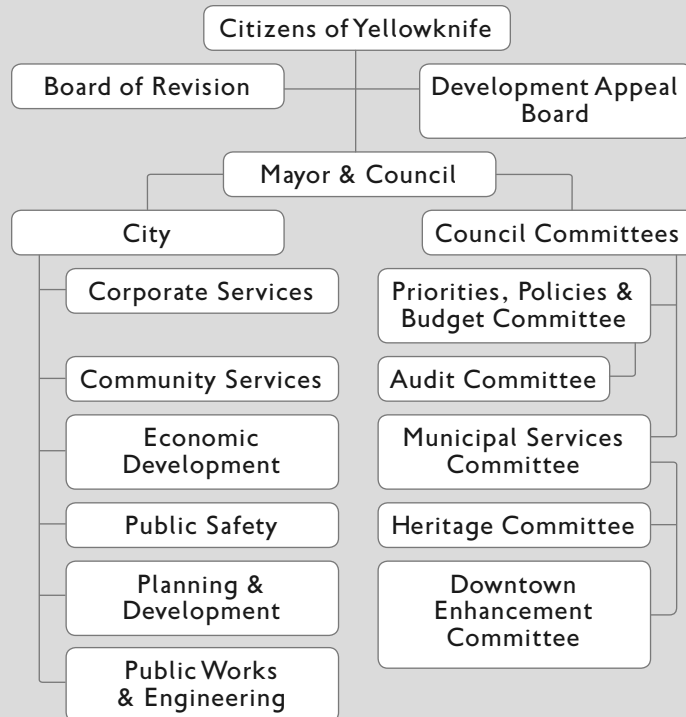
Lydia Bardak

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 | (vacant) |
| Director of Economic Development | P. Neugebauer |
| Director of Community Services | G. White |
| Director of Public Safety | D. Marchiori |
| Director of Planning and Development | J. Humble |
| Director of Public Works and Engineering | G. Kehoe |
| City Auditors | MacKay LLP |
| City Bankers | TD Canada Trust |
| City Solicitors | McLennan Ross |



Overview

The citizen survey is a tool used by City Council to determine how well the City is meeting the needs of its residents. It is also used to help guide the City as it makes decisions regarding planning, budgeting and issues management. The citizen survey has been conducted on an annual basis since 2001. This year it took place between March 27th and April 7th, 2007, and was conducted by Ipsos Reid.

The main objective of this year's research was :

- Determine issues in need of attention from local leaders;
- Assess residents' perceptions towards quality of life;
- Assess importance of, satisfaction with and usage of selected City services;
- Measure residents' perceived value for taxes; and,
- Determine residents' attitudes towards Yellowknife's housing supply.

A total of 801 interviews were conducted with a randomly selected representative sample of Yellowknifer's aged 16 years and older. The final data was weighted to ensure that the age and gender distribution reflects that of the actual population in the City according to the 2001 Census data. Overall results are accurate to ± 3.5 percentage points 19 times out of 20. The complete report on the survey is available on the City's website www.yellowknife.ca and at City Hall reception.

VALUE FOR TAXES

Yellowknife residents' perception of the value they receive for the taxes they pay has remained steady over the past few years at 76% in 2007 and 75% in 2006. This is slightly lower than in other surveyed Canadian Municipalities (80% in 2007 and 79% in 2006).

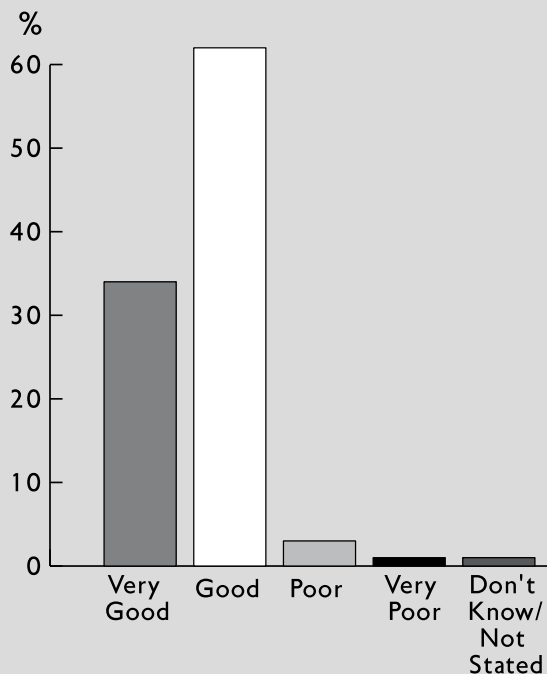
STRONG SUPPORT FOR ADOPTING HIGHER ENERGY EFFICIENT BUILDING STANDARDS

The vast majority (88%) of citizens would support the City adopting higher energy efficiency requirements for new residential and commercial developments. Furthermore, the intensity of support is high, with 59% of residents saying they would "strongly support" such an initiative. Overall, these findings suggest most citizens feel the City is on the right track with its approach to energy conservation.

QUALITY OF LIFE

Citizens are united in their positive outlook for the quality of life in Yellowknife.

Overall, residents are delighted with the quality of life they experience in their community, with fully 96% rating the quality of life in Yellowknife positively. More specifically, 34% of citizens rate the quality of life in Yellowknife as "very good" and another 62% regard it as "good".



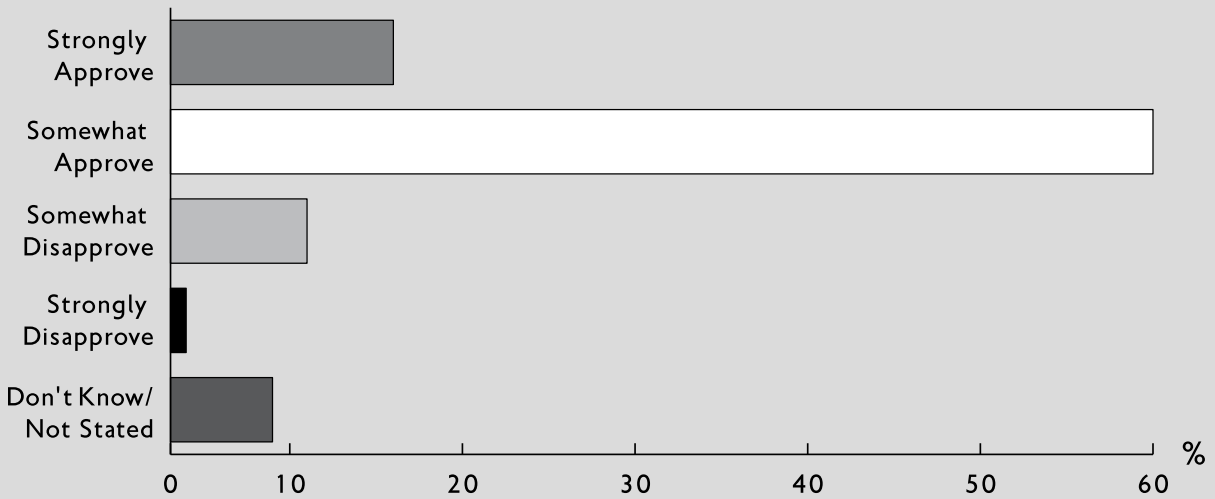
Yellowknife residents' overall perceptions of quality of life are on par with other surveyed Canadian municipalities (96% "very good/good" Canada norm). However, the intensity of ratings is lower in Yellowknife (40% "very good" Canada norm).

Fact File

Overall, there is greatest demand for low density housing including single-family homes and duplexes, with 52% of citizens saying there is "too little" of this type of housing in Yellowknife.

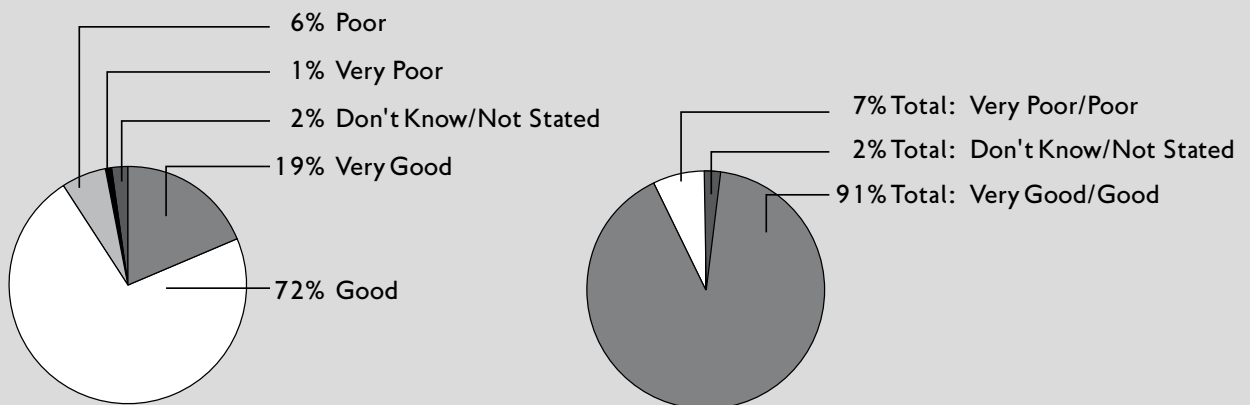
MOST RESIDENTS APPROVE OF COUNCIL'S PERFORMANCE TO-DATE

Perceptions of City Council's performance are predominately positive, with more than three-quarters (77%) of Yellowknife residents saying they approve of Council's performance to-date (when assessing Council's performance, respondents were asked to specifically focus on Council's performance since the October, 2006 election).



CITY STAFF RECEIVE FAVOURABLE PERFORMANCE RATINGS OVERALL

The vast majority (91%) of citizens rate overall performance of City staff favourably. Most (73%) say City staff are doing a "good" job; fewer (19%) believe City staff are doing a "very good job". The perception of City staff this year has grown 6 points as compared to 2005 (85%).



All survey information is tabulated using: Base: All respondents (n=801)

Management Responsibility For Financial Statements

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.



Max Hall,
City Administrator



Terrilynn Smith,
A/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 Dave McCann; Pawan Chugh, C.G.A.; Calvin Yip; Eitan Dehtiar; and Nicole Hayduk.

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, 2006.



Pawan Chugh, CGA, Chair

AUDITORS' 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, 2006 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, 2006 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 5, 2007

Consolidated Statement of Financial Position

as at December 31, 2006

	2006 Actual (\$000's)	2005 Actual (\$000's)
Financial Assets		
Cash	\$ 12,523	\$ 6,867
Accounts Receivable		
Grants	Note 2 546	535
Taxes	Note 3 863	1,193
Water and Sewer	Note 4 866	1,065
Other	Note 4 7,789	4,614
Land Held for Resale	776	1,109
Deferred Expenses	Note 5 300	-
Prepays	316	367
Total Financial Assets	23,979	15,750
Physical Assets		
Capital Assets	Note 6 225,746	215,054
Total Physical Assets	225,746	215,054
	\$249,725	\$230,804
Liabilities		
Accounts Payable and Accrued Liabilities	\$3,703	\$3,241
Wages and Benefits Payable	790	688
School Taxes Payable	2,027	1,807
Deposits Payable	281	816
Deferred Revenue	Note 8 5,032	109
Long-Term Debt	Note 9 8,724	10,689
Provision for Landfill Closure	Note 10 1,036	1,243
Total Liabilities	21,593	18,593
Municipal Position		
Equity in Physical Assets	217,023	204,365
Capital Fund	Note 11 1,590	1,182
	218,613	205,547
General Fund	Note 5 2,138	1,939
Land Development Fund	2,567	1,551
Solid Waste Management Fund	346	(49)
Water and Sewer Fund	(115)	(91)
Service Connection Failure Assistance Fund	(237)	(239)
Reserves	Note 12 4,820	3,553
	9,519	6,664
Total Municipal Position	228,132	212,211
	\$ 249,725	\$ 230,804



Approved by: Gordon Van Tighem, Mayor



Max Hall, City Administrator

Consolidated Statement of Financial Activities

For the year ended December 31, 2006

	2006 Budget (\$000's)	2006 Actual (\$000's)	2005 Actual (\$000's)
Revenues			
Property Taxation	\$ 20,938	\$ 20,756	\$ 20,064
Payments in Lieu of Taxes	4,472	4,527	3,984
Less: School Taxes	(8,663)	(8,586)	(8,187)
Net Municipal Taxation	16,747	16,697	15,861
User Fees and Sale of Goods	13,541	13,884	12,034
Government Transfers	10,407	11,717	8,543
Investment Income	169	481	198
Fines, Penalties and Costs of Taxes	962	866	944
Development Levies, Licenses and Permits	1,163	1,109	1,193
Franchise and Concessions Contracts	686	672	679
Total Revenues	43,675	45,426	39,452
Expenditures			
Operating			
General Government	8,164	8,341	7,354
Protective Services	3,977	3,815	3,663
Transportation and Public Works	4,631	4,609	4,742
Land Development	2,332	1,666	1,171
Recreation and Culture	4,780	4,744	4,717
Environmental and Public Health Services	1,241	1,219	1,558
Water and Sewage	4,278	4,358	4,254
Fiscal	290	136	678
Total Operating Expenditures	29,693	28,888	28,137
Capital			
General Government	1,073	2,413	1,054
Capital	11,257	8,897	7,662
Total Capital Expenditures	12,330	11,310	8,716
Total Expenditures	42,023	40,198	36,853
Excess of Revenue over Expenditures	1,652	5,228	2,599
Less: Debt Repayment	(1,959)	(1,965)	(1,850)
Increase (Decrease) in Fund Balances	(307)	3,263	749
Opening Fund Balances	7,293	7,846	7,097
Closing Fund Balances	\$ 6,986	\$ 11,109	\$ 7,846

Consolidated Statement of Changes in Fund Balances

For the year ended December 31, 2006

	General Fund (\$000's)	Land Development Fund (\$000's)	Solid Waste Management Fund (\$000's)	Water and Sewer Fund (\$000's)	Capital Fund (\$000's)	Service Connection Failure Assistance Fund (\$000's)	2006 Total (\$000's)	2005 Total (\$000's)
Net Revenue (Expenditures)	\$ (1,029)	\$ 1,516	\$ 579	\$ 892	\$ 3,268	\$ 2	\$ 5,228	\$ 2,599
Net Interfund Transfers								
(To) From General Fund		(150)	(184)	(916)		22	(1,228)	(1,282)
(To) From Land Development Fund	150						150	175
(To) From Solid Waste Management Fund	184						184	176
(To) From Water and Sewer Fund	916						916	946
(To) From Capital Fund		(350)					895	1,576
(To) From Reserves	(22)				(895)		(917)	(1,591)
	199	1,016	395	(24)	2,373	2	5,228	2,599
Debt Repayment					(1,965)		(1,965)	(1,850)
Change in Fund Balance	199	1,016	395	(24)	408	2	3,263	749
Fund Balance, Beginning of Year	1,939	1,551	(49)	(91)	1,182	(239)	7,846	7,097
Fund Balance, End of Year	\$2,138	\$2,567	\$346	\$ (115)	\$1,590	\$ (237)	\$11,109	\$7,846

Reserves consist of:

	2005 (\$000's)	Increase (\$000's)	Decrease (\$000's)	2006 (\$000's)
Waterfront Development Reserve	\$ 80	\$ -	\$ -	\$ 80
Downtown Development Reserve	136	91	(78)	149
Information Technology Reserve	273	360	(271)	362
Mobile Equipment Replacement Reserve	1,988	840	(960)	1,868
Major Community Facility Reserve	721	1,455	(304)	1,872
Samuel Colley Library Donation Reserve	230	9	-	239
Twin Pine Hill Trail Reserve	125	125	-	250
	\$ 3,553	\$ 2,880	\$ (1,613)	\$4,820

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2006

	2006 Actual (\$000's)	2005 Actual (\$000's)
Operations		
Excess of Revenue over Expenditures	\$ 5,228	\$ 2,599
Add back non-cash items		
Grants Receivable	(11)	(535)
Taxes Receivable	331	1,930
Water and Sewer Receivable	199	292
Other Receivables	(3,175)	2,422
Deferred Expenses	(300)	-
Prepays	51	(63)
Accounts Payable and Accrued Liabilities	462	(1,730)
Wages and Benefits Payable	101	(12)
School Taxes Payable	220	(217)
Deposits Payable	(535)	322
Deferred Revenue	4,923	(277)
Provision for Landfill Closure	(207)	(167)
Net Cash from Operations	7,288	4,564
Investing		
Land Disposals	333	577
Net Cash from Investing	333	577
Financing		
Long-Term Debt Repayments - Capital	(1,965)	(1,850)
Long-Term Debt Repayments - Land	-	(2,382)
Net Cash used for Financing	(1,965)	(4,232)
Increase in Cash	5,656	909
Cash, Opening Balance	6,867	5,958
Cash, Closing Balance	\$ 12,523	\$ 6,867
Comprised of:		
Cash	\$ 12,523	\$ 6,867

Schedule of Consolidated Expenditures by Object

For the year ended December 31, 2006

	2006 Budget (\$000's)	2006 Actual (\$000's)	2005 Actual (\$000's)
Expenditures			
Bank Charges and Short-term Interest	\$ 190	\$ 164	\$ 159
Capital Purchases	11,752	10,743	8,034
Construction and Maintenance Supplies	518	503	589
Contingency	100	20	54
Contracted and General Services	7,080	7,385	7,246
Grants	430	431	431
Insurance	892	911	984
Interest on Long-term Debt	578	566	750
Land	1,705	1,086	632
Mayor and Council Expenses	491	475	469
Office and Administrative Supplies	282	287	230
Professional Services	212	424	282
Provision for Allowances (Recovery)	40	(95)	395
Salaries, Wages and Benefits	15,078	14,645	13,836
Transfers to Other Organizations	60	67	55
Utilities - Electricity	1,222	1,186	1,237
Utilities - Fuel	793	702	781
Vehicle O & M	600	698	689
Total Expenditures	<u>\$ 42,023</u>	<u>\$ 40,198</u>	<u>\$ 36,853</u>

Schedule of Government Transfers

For the year ended December 31, 2006

	2006 Budget (\$000's)	2006 Actual (\$000's)	2005 Actual (\$000's)
Government of Canada			
Municipal Rural Infrastructure Fund	\$ 490	\$ 490	\$ 490
Community Capacity Building Fund	-	1,389	-
Gas Tax Agreement	731	397	-
Other Contribution Agreements (other than PIL of Taxes)	-	-	122
Government of the Northwest Territories			
MACA Formula Funding (not including Insurance)	5,695	5,695	5,695
MACA Water and Sewer Subsidy	210	210	210
MACA Contribution Agreements			
Infrastructure Grant	797	797	834
Insurance Grant	634	625	716
Capital Grant	1,410	1,415	-
Assessment Contract	140	140	140
Library Grants	88	89	88
RIMP Upgrade	-	59	-
Sports and Recreation Grant	80	94	80
Traffic Light Upgrades	-	-	33
Infrastructure Gap Study	-	30	-
YKCA Radiant Foil Ceiling	-	-	27
MACA 2004 yearend assistance	-	-	9
Environment and Natural Resources Contribution Agreements			
Community Transfers	60	50	50
Energy Conservation Program	37	43	-
Federation of Canadian Municipalities	-	109	-
Other Contribution Agreements	35	85	49
	<u>\$ 10,407</u>	<u>\$ 11,717</u>	<u>\$ 8,543</u>

Schedule of Revenue and Expenditures

Gas Tax Agreement

For the year ended December 31, 2006

	2006 Budget (\$000's)	2006 Actual (\$000's)	2005 Actual (\$000's)
Revenue			
Government of Canada	\$ 731	\$ 2,682	\$ -
Less: Deferred Revenue	-	(2,285)	-
Total Revenues	731	397	-
Expenditures			
Public Transit	50	36	-
Traffic Lights Replacement Program	63	63	-
Energy Conservation Program	40	40	-
New Landfill	225	55	-
Bailing Facility Mechanical Upgrades	25	24	-
Water Treatment Plant	328	179	-
Total Expenditures	731	397	-
Net Revenue	\$ -	\$ -	\$ -

Schedule of Revenue and Expenditures

Community Capacity Building Funds

For the year ended December 31, 2006

	2006 Budget (\$000's)	2006 Actual (\$000's)	2005 Actual (\$000's)
Revenue			
Government of Canada	\$ -	\$ 4,049	\$ -
Less: Deferred Revenue	-	(2,660)	-
Total Revenues	-	1,389	-
Expenditures			
Yellowknife Association of Concerned Citizens for Seniors	-	1,200	-
Northern Arts and Cultural Centre	-	20	-
Royal Canadian Legion	-	19	-
Yellowknife Metis Local 66	-	150	-
Total Expenditures	-	1,389	-
Net Revenue	\$ -	\$ -	\$ -

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

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 changes 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 general, land development, water and sewer, solid waste management, service connection failure assistance, 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.

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

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

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

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

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.

d) Land Held for Resale

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

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 or 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) Property Taxes

Property taxes are a function of assessed values and mill rates. The assessed values are determined through Territorial Legislation and the mill rates are set by Council. The revenue is recognized in the period the taxes are levied.

k) Deferred Revenue

Deferred revenue consists mainly of Government transfers for which the events giving rise to the transfer has not yet occurred. The deferred revenue will be recognized in the financial statements as revenue in the period in which the related expenditures are incurred.

l) 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:

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

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

Mobile Equipment Replacement Reserve
Amounts budgeted for future mobile equipment Reserve replacements are transferred to the Mobile Equipment.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

Twin Pine Hill Trail Reserve:
Amounts approved by Council for future development of the Twin Pine Hill Trail are transferred to the Twin Pine Hill Trail Reserve.

m) 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.

n) 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.

o) Budget

Budget figures are unaudited and are those approved by Council on December 19, 2005.

p) 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. Where practicable, the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

For cash, grants receivable, taxes receivable, water and sewer receivable, other accounts receivable, accounts payable and accrued liabilities, wages and benefits payable, school taxes payable, and deposits payable 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.

Approximately 25% of the City's annual tax revenue comes from three taxpayers: Government of the Northwest Territories Grants in lieu (11%), Northern Property REIT (7%), and Government of Canada Grants in lieu (7%).

2. GRANTS RECEIVABLE

	2006 Actual (\$000's)	2005 Actual (\$000's)
Government of Northwest Territories		
Sports and Recreation Grant	\$ 40	\$ 40
Facilities Lighting Retrofit	3	-
Community Transfers	13	-
Indian and Northern Affairs Canada - Community Energy Plan	-	5
Municipal Rural Infrastructure Fund	490	490
	<u>\$ 546</u>	<u>\$ 535</u>

3. TAXES RECEIVABLE

	2006 Actual (\$000's)	2005 Actual (\$000's)
Property Taxes Receivable	\$ 1,301	\$ 1,726
Less: Taxes Receivable Allowance	(438)	(533)
	<u>\$ 863</u>	<u>\$ 1,193</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

4. OTHER ACCOUNTS RECEIVABLE

	2006 Actual (\$000's)	2005 Actual (\$000's)
Sundry Receivables	\$ 3,254	\$ 3,401
Community Services Receivables	165	155
Municipal Enforcement Receivables	198	166
Payment in Lieu of Taxes - GNWT	2,715	-
Northland Utilities Ltd. Power Distribution Franchise	672	679
GST Receivable	636	319
Other	530	306
	<u>8,170</u>	<u>5,026</u>
Less: Allowance	<u>(381)</u>	<u>(412)</u>
	7,789	4,614
Water and Sewer Receivables	890	1,078
Less: Allowance	<u>(24)</u>	<u>(13)</u>
	866	1,065
	<u>\$ 8,655</u>	<u>\$ 5,679</u>

5. DEFERRED EXPENSES

Under an Alternative Measures Agreement with the Workers Compensation Board of the NWT and Nunavut, the City of Yellowknife has allocated \$300,000 to be used to fund future training initiatives for members of its Fire Division. Accordingly, this amount will be held in a trust account with the City's solicitors until such training has occurred. This cash has been included with the general cash on the Consolidated Statement of Financial Position and a liability has been recorded to reflect this obligation. As the members utilize the training funds, the liability will be reduced and the related expenditure will be recognized. The General fund includes \$300,000 to be used to fund these training initiatives.

6. PHYSICAL ASSETS

	2005 Actual (\$000's)	Additions	Disposals	2006 Actual (\$000's)
Land and Buildings	\$ 48,722	\$ 2,450	\$ -	\$ 51,172
Infrastructure	149,269	5,817	-	155,086
Vehicles and Equipment	17,063	2,425	-	19,488
	<u>\$ 215,054</u>	<u>\$ 10,692</u>	<u>\$ -</u>	<u>\$ 225,746</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

7. CURRENT ASSETS AND LIABILITIES

	2006 Actual (\$000's)	2005 Actual (\$000's)
CURRENT ASSETS		
Cash	\$ 12,523	\$ 6,867
Accounts Receivable		
Grants	546	535
Taxes	863	1,193
Other Receivables	8,655	5,679
Land Held for Resale	776	1,109
Deferred Expenses	300	-
Prepays	316	367
	<u>\$ 23,979</u>	<u>\$ 15,750</u>

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 3,703	\$ 3,241
Wages and Benefits Payable	790	688
School Taxes Payable	2,027	1,807
Deposits Payable	281	816
Deferred Revenue	5,032	109
Current Portion of Long-term Debt	2,295	1,964
Current Portion of Provision for Landfill Closure	204	492
	<u>\$ 14,332</u>	<u>\$ 9,117</u>

8. DEFERRED REVENUE

	2006 Actual (\$000's)	2005 Actual (\$000's)
Facility Booking and Program Registration	\$ 24	\$ 23
Government Transfers		
Federal Gas Tax Revenue	2,285	-
Property Assessment Contract	12	12
Community Capacity Building Fund	2,660	-
Community Transfers	-	13
Library Grant	22	35
Other	29	26
	<u>\$ 5,032</u>	<u>\$ 109</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

9. LONG TERM DEBT

CAPITAL – GENERAL

	2006 Actual (\$000's)	2005 Actual (\$000's)
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.	\$ 269	\$ 533
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.	662	1,070
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.	752	1,096
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.	142	166
CIBC Debenture #234, authorized by By-law 4131 to finance part of the 2001 paving program, with annual payments of \$80,406, including principal & interest at 5.56%, expiring October 2011.	338	397
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.	954	1,085
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.	53	60
CIBC Debenture #237, authorized by By-law 4178 to finance traffic lights, with annual payments of \$11,032 including principal & interest at 6.14%, expiring October 2011.	53	60
CIBC Debenture #240, authorized by By-law 4244 to finance the 2003 paving program, with annual payments of \$191,155 including principal & interest at 4.82%, expiring July 2013.	1,105	1,237
RBC Debenture #239, authorized by By-law 4213 to finance completion of phase one of the Multiplex, with annual payments of \$140,098 including principal & interest at 5.81%, expiring March 2013.	1,488	1,539
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.	1,291	1,669
Pacific and Western Debenture #242, authorized by By-law 4280 to finance the 2004 paving program, with annual payments of \$251,269 including principal & interest at 5.11%, expiring July 2014.	1,617	1,777
	<u>\$ 8,724</u>	<u>\$ 10,689</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

9. LONG TERM DEBT CONTINUED...

Debentures are secured by taxes and penalties levied, all grants and sundry revenues. The estimated fair value of long-term debt at December 31, 2006 is \$8,476,871 (2005 - \$10,557,967). 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:

	(\$000's)
2007	\$ 2,295
2008	1,442
2009	1,114
2010	688
2011	779
2012 and thereafter	2,406
	<u>\$ 8,724</u>

10. PROVISION FOR LANDFILL CLOSURE

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 \$1,462,505 and the City has included \$1,036,214 (71%) as part of the site restoration liability. The remaining estimated life of the landfill is seven years and monitoring will be required indefinitely. Of the total capacity of 700,000 cubic metres, 220,000 cubic meters (31%) 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.

11. CAPITAL FUND BALANCE

	2006 Actual (\$000's)	2005 Actual (\$000's)
General Government	\$ -	\$ 50
Community Services	708	70
Waterfront Development	16	19
Public Works	332	261
Solid Waste	170	96
Water and Sewer	194	362
Landfill Site Restoration	170	324
	<u>\$ 1,590</u>	<u>\$ 1,182</u>

12. RESERVES

Reserves for operating and capital activities changed as follows:

	Reserve Balance (\$000's)	Cash Balance (\$000's)	Shortfall (\$000's)
Waterfront Development Reserve	\$ 80	\$ -	\$ (80)
Downtown Development Reserve	149	146	(3)
Information Technology Reserve	362	-	(362)
Mobile Equipment Replacement Reserve	1,868	-	(1,868)
Major Community Facility Reserve	1,872	-	(1,872)
Samuel Colley Library Donation Reserve	239	239	-
Twin Pine Hill Trail Reserve	250	-	(250)
	<u>\$ 4,820</u>	<u>\$ 385</u>	<u>\$(4,435)</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

12. RESERVES CONTINUED...

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, 2006, the City had a shortfall of \$4,435,000 (2005 - \$3,211,000).

13. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of cash, grants receivable, taxes receivable, water and sewer receivable, and other receivables, accounts payable and accrued liabilities, wages and benefits payable, school taxes payable and deposits payable, which will result in future cash receipts, as well as accounts payable and accruals, and long-term payable and long-term debt which will result in future cash outlays. The City is exposed to the following risks in respect of certain of the instruments held:

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The City is exposed to credit risk from its customers.

b) Fair value

The City's carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term nature of these instruments.

c) Interest rate risk

The City manages its exposure to interest rate risk through fixed rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates.

14. 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

In 1999, Polar Developments Ltd. (Polar) submitted a statement of claim against the City claiming damages in the amount of \$90,000. Polar's claim for compensation has since increased to \$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.

15. 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 four years are as follows:

	Capital		
	Construction (\$000's)	Contracts (\$000's)	Total (\$000's)
2007	\$ -	\$ 2,705	\$ 2,705
2008	-	602	602
2009	-	245	245
2010	-	213	213
	<u>\$ -</u>	<u>\$ 3,765</u>	<u>\$ 3,765</u>

16. PRECEDING YEAR'S FIGURES

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

Statement of Financial Activities

For the year ended December 31, 2006

	2002 (\$000's)	2003 (\$000's)	2004 (\$000's)	2005 (\$000's)	2006 (\$000's)
Revenue					
Municipal Taxes	14,472	14,794	15,178	15,861	16,697
User Charges	17,408	18,802	14,662	12,034	13,884
Government Transfers	7,172	7,952	7,651	8,543	11,717
Investment Income	244	289	209	198	481
Fines Penalties and Costs of Taxes	1,002	920	921	944	866
Development Levies, Licences and Permits	1,184	1,396	1,255	1,193	1,109
Franchise and Concessions Contracts	624	645	671	679	672
	42,106	44,798	40,547	39,452	45,426
Expenditures					
Operating					
General Government	5,940	6,870	7,222	7,354	8,341
Recreation and Culture	3,366	3,907	4,238	4,717	4,744
Protective Services	2,991	3,262	3,703	3,663	3,815
Transportation and Public Works	4,003	4,044	4,326	4,742	4,609
Water & Sewer	3,778	4,303	4,316	4,254	4,358
Environmental and Public Health Services	1,142	1,488	1,418	1,558	1,219
Land Development	5,949	5,916	2,913	1,171	1,666
Fiscal	728	718	365	678	136
Total Operating Expenditures	27,897	30,508	28,501	28,137	28,888
Capital					
General Government	1,155	2,076	1,412	1,054	2,413
Capital	16,293	8,672	11,891	7,662	8,897
Total Capital Expenditures	17,448	10,748	13,303	8,716	11,310
Total Expenditures	45,345	41,256	41,804	36,853	40,198
Net Revenue (Expenditures)	(3,239)	3,542	(1,257)	2,599	5,228
Debt Proceeds	1,595	3,114	1,930	-	-
Debt Principal Repayments	(3,051)	(2,022)	(1,599)	(1,850)	(1,965)
Increase (Decrease) in Fund Balances	(4,695)	4,634	(926)	749	3,263
Opening Balance	8,084	3,389	8,023	7,097	7,846
Closing Balance	3,389	8,023	7,097	7,846	11,109

Fund Balances

For the year ended December 31, 2006

	2002 (\$000's)	2003 (\$000's)	2004 (\$000's)	2005 (\$000's)	2006 (\$000's)
Change in Funds Balance					
General Fund	772	538	32	(178)	199
Land Development	350	1,974	190	(8)	1,016
Solid Waste Management	246	(69)	555	29	395
Water & Sewer	(58)	(94)	(179)	(156)	(24)
Service Connection Failure Assistance	(32)	(198)	(31)	22	2
Capital	701	921	(175)	(551)	408
Reserves					
Information Technology	95	69	27	(41)	89
Downtown Development	38	57	32	9	13
Major Community Facility	(6,782)	1,023	(677)	1,204	(1,151)
Mobile Equipment Replacement	(25)	194	(678)	288	(120)
Twin Pine Hill Trail Reserve	-	-	-	125	125
Samuel Colley Library Donation	-	219	5	6	9
	(4,695)	4,634	(899)	749	961
Funds Balance					
General Fund	1,547	2,085	2,117	1,939	2,138
Land Development	(605)	1,369	1,559	1,551	2,567
Solid Waste Management	(564)	(633)	(78)	(49)	346
Water & Sewer	338	244	65	(91)	(115)
Service Connection Failure Assistance	(32)	(230)	(261)	(239)	(237)
Capital	987	1,908	1,733	1,182	1,590
Reserves					
Information Technology	218	287	314	273	362
Downtown Development	38	95	127	136	149
Major Community Facility	(802)	221	(483)	721	1,872
Mobile Equipment Replacement	2,184	2,378	1,700	1,988	1,868
Waterfront Development	80	80	80	80	80
Twin Pine Hill Trail	-	-	-	125	250
Samuel Colley Library Donation	-	219	224	230	239
	3,389	8,023	7,097	7,846	11,109

Details of Government Transfers

For the year ended December 31, 2006

	2002 (\$000's)	2003 (\$000's)	2004 (\$000's)	2005 (\$000's)	2006 (\$000's)
GNWT -Formula Funding	5,267	6,136	6,085	6,621	6,530
GNWT - Capital Grant	-	-	-	-	1,415
Community Capacity Building Fund	-	-	-	-	1,389
Municipal Rural Infrastructure Fund	-	-	-	1,324	1,287
Other	1,905	1,826	1,566	598	1,096
	<u>7,172</u>	<u>7,962</u>	<u>7,651</u>	<u>8,543</u>	<u>11,717</u>

Expenditures (By Object)

For the year ended December 31, 2006

	2002 (\$000's)	2003 (\$000's)	2004 (\$000's)	2005 (\$000's)	2006 (\$000's)
Bank Charges and Short-term Interest	159	218	157	159	164
Capital Purchases	16,599	9,901	12,566	8,034	10,743
Contingency	6	91	-	54	20
Construction and Maintenance Supplies	538	491	475	589	503
Contracted and General Services	6,057	7,015	6,999	7,246	7,385
Grants	342	345	363	431	431
Interest on Long-term Debt	905	851	815	750	566
Insurance	629	819	954	984	911
Land	5,503	5,307	2,331	632	1,086
Mayor and Council Expenses	445	454	459	469	475
Office and Administrative Supplies	233	274	249	230	287
Professional Services	191	248	358	282	424
Provision for Allowances	368	327	43	395	(95)
Salaries, Wages and Benefits	11,206	12,450	13,473	13,836	14,645
Site Restoration	-	21	9	-	-
Transfers to Other Organizations	43	60	79	55	67
Utilities - Electricity	1,135	1,234	1,238	1,237	1,186
Utilities - Fuel	459	642	629	781	702
Vehicle O & M	526	508	607	689	698
Total Expenditures	<u>45,344</u>	<u>41,256</u>	<u>41,804</u>	<u>36,853</u>	<u>40,198</u>

Capital Financing

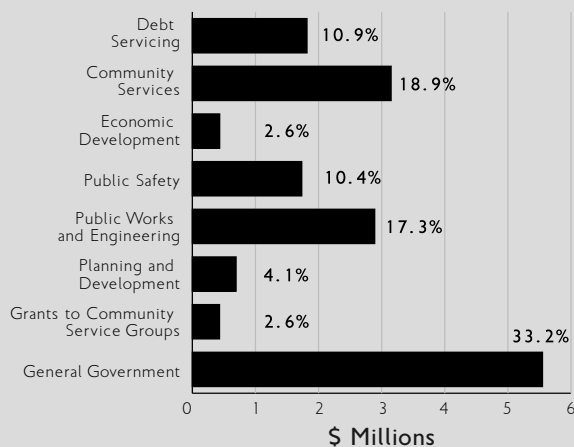
For the year ended December 31, 2006

	2002 (\$000's)	2003 (\$000's)	2004 (\$000's)	2005 (\$000's)	2006 (\$000's)
Capital Financing					
Revenue					
Taxation	3,249	2,759	2,327	1,932	1,817
Government Transfers	5,958	6,569	6,283	7,295	10,780
User Charges	3,685	2,535	2,832	2,364	1,981
	12,892	11,863	11,442	11,591	\$14,578
Debt Issued					
Debt Principal Repayments	(3,051)	(2,022)	(1,599)	(1,850)	(1,965)
Fund Transfers	6,712	(1,286)	1,355	(1,576)	(895)
Fund Balance Used	(701)	(921)	175	551	(408)
	17,447	10,748	13,303	8,716	\$11,310

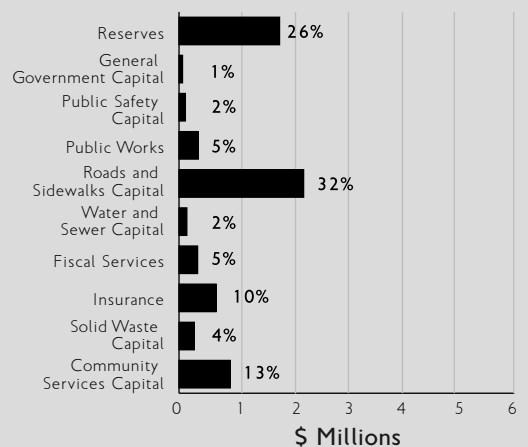
Capital Expenditures (By Function)

General Government	416	1,339	684	373	1,850
Community Services	10,647	3,417	3,991	1,127	1,048
Public Safety	116	59	828	22	113
Public Works	2,416	2,048	2,929	2,544	4,109
Planning & Development	-	-	-	40	-
Water & Sewer	2,836	3,036	4,039	3,394	3,351
Solid Waste Management	269	112	104	535	273
Debenture Interest	747	737	728	681	566

Use of Taxes



Use of Formula Funding



Analysis of Property Assessment & Taxation

For the year ended December 31, 2006

(in thousands of dollars)

	2002	2003	2004	2005	2006
Assessed Value of Property*	1,297,354	1,412,569	1,474,902	1,497,323	1,574,119
Municipal Mill Rates (per thousand dollar of assessed value)					
Residential	8.63	8.06	8.06	8.21	8.41
Multi-Residential	8.94	8.23	8.23	8.38	8.59
Commercial/Industrial	15.17	14.01	14.01	14.26	14.61
Mining/Quarrying	12.00	15.91	15.91	16.20	16.60
High Density Parking	7.30	7.00	7.00	7.13	7.31
Agriculture	8.63	8.06	8.06	8.21	8.41
School Mill Rates (per thousand dollar of assessed value)	6.059	5.63	5.63	5.63	5.63
Municipal Tax Levy	14,472	14,794	15,231	16,117	16,734
Taxes Collected and Transferred to Local School Boards					
Public School Board	4,604	4,744	4,665	4,655	4,738
Separate School Board	3,052	3,163	3,486	3,533	3,848
	7,656	7,907	8,151	8,188	8,586
Yearly Residential Property Tax Bill (based on an average residential home in Yellowknife)					
Municipal Taxes	1,373	1,290	1,265	1,344	1,377
School Taxes	964	901	884	922	922
	2,337	2,191	2,149	2,266	2,299
Outstanding Property Taxes**	989	883	3,124	1,193	863
Outstanding Property Taxes As a Percentage of the Tax Levy	7%	6%	21%	7%	5%

*Includes taxable and grantable properties only.

**Includes outstanding municipal and school taxes net of allowance for doubtful accounts.

Principal Corporate Taxpayers	2006 (\$000's)	Percent of 2006 Total	2005 (\$000's)
Northern Property REIT	1,457	8.73%	1,065
Dundeal Canada West (GP) Inc	824	4.94%	801
WAM Group GP Inc	526	3.15%	517
Polar Developments Ltd & 5119 NWT Ltd	417	2.50%	411
Gold Bar Development & Andromedia Investment Ltd	283	1.69%	276

Analysis of Long-term Debt

For the year ended December 31, 2006

(in thousands of dollars, unless otherwise stated)

	2002	2003	2004	2005	2006
Debt Outstanding*					
Supported by Property Taxes	11,115	12,208	12,539	10,689	8,724
Supported by Utility Charges	-	-	-	-	-
Supported by Land Sales	2,123	871	2,382	-	-
	13,238	13,079	14,921	10,689	8,724
Legal Debt Limit**	259,471	282,514	294,980	299,465	314,824
Per Capita Debt					
Supported by Property Taxes	601	654	658	550	467
Supported by Land Sales	115	47	125	-	-
	716	701	783	550	467
Interest & Principal Repayments as a Percentage of Total Expenditures					
Capital	8%	6%	6%	7%	6%
Land	5%	3%	0%	0%	0%
	13%	9%	6%	7%	6%
Debt Burden (Overlapping Debt)					
City	13,238	13,079	14,921	10,688	8,724
Public School Board***	15	-	-	-	-
Separate School Board***	9,301	8,834	8,418	7,976	7,478
	22,554	21,913	23,339	18,664	16,202

*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.

Principal Corporate Taxpayers Continued	2006 (\$000's)	Percent of 2006 Total	2005 (\$000's)
HREIT Holdings 18 Corp	260	1.56%	294
994552 NWT Ltd	242	1.45%	159
4912 NWT Ltd o/a Explorer Hotel	219	1.31%	207
NWT Community Services Ltd.	185	1.11%	179
752464 Alberta Ltd. o/a Yellowknife Inn	168	1.01%	165

Community Profile

For the year ended December 31, 2006

	2002	2003	2004	2005	2006
Population					
Population*	18,500	18,673	19,056	19,429	18,695
Households**	5,700	5,845	6,257	6,557	6,258
Construction Values (in thousands of dollars)					
Residential	38,600	38,000	29,322	26,028	10,889
Commercial/Industrial	22,000	47,000	37,761	21,285	10,966
Mechanical	15,000	-	-	-	-
	75,600	85,000	67,083	47,313	21,855
City Employees					
Continuous full time	149.5	157.0	161.0	166.0	155.0
Per 1,000 population	8.1	8.4	8.4	8.5	8.3
Employee turnover	16%	20%	15%	20%	23%
City Infrastructure (kms)					
Paved roads and alleys	63.9	67.7	69	70.6	80.3
Unpaved roads and alleys	13.8	12.9	13	13.9	13.7
	77.7	80.6	82	84.5	94.0
Water lines	67.6	68.5	69	69	69.6
Sewer lines	51.9	52.8	53	54	54.5
Storm drain lines	20.3	20.4	21	21	21.3
Fire hydrants (number of)	298	310	310	315	318

*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.

**Department of Corporate Services
City of Yellowknife**

4807-52nd Street
Yellowknife, NT Canada
(867) 920-5600