

YELLOWKNIFE
NORTHWEST TERRITORIES

Life



2003
Annual Financial Report
For the year ending December 31, 2003





City of Yellowknife

Annual Financial Report
For the year ended December 31, 2003

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



Cover Photos

Hikers at Sunset (background); D.
Walker/GNWT; Husky: Robert Redshaw;
Swimmers: Tessa Macintosh; Ice Castle:
Tessa Macintosh; Inukshuk: Jiri Hermann;
Aboriginal Dancer: Jiri Hermann; Bikers on
Frame Lake: Robert Redshaw

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Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

City of Yellowknife,
Northwest Territories

For the fiscal year ending
December 31, 2002



Leonard Hamilton
President

Jeffrey L. Eves
Executive Director

Canadian Award for Financial Reporting

Award Winners for Fiscal Years Ended in 2002

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City of Coquitlam, BC	Corporation of the City of Burlington, ON
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City of Montreal, QC	Parkland County, AB
City of Mississauga, ON	Regional Municipality of Peel, ON
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City of Regina, SK	
City of Richmond, BC	
City of St. Albert, AB	
City of Saskatoon, SK	
City of Surrey, BC	
City of Yellowknife, NT	

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

Summary of 2003 Financial Statements

The Management Discussion & Analysis summarizes some of the key financial information from the 2003 financial statements. The complete statements start on page 8 of the report. The financial statements are the responsibility of management. City management

publishes the Annual Financial Report as a single source of financial and statistical information commonly used by City Council, management and Citizens. Questions are welcomed and may be directed to the Department of Corporate Services at City Hall.

Management Discussion & Analysis

December 31, 2003

Summary

Overall the City has managed to improve its overall financial position in 2003 without increasing property tax and user fee rates. This is due in part to the economic growth in the community and increased land sales by the City. However, the City continues to be

challenged to fund increasing solid waste, water and sewer and capital costs as well as land fill closure costs. Currently the growth in the assessment base and land sales are compensating for the rising costs in these other key areas.

Financial Position

The City's overall financial position improved in 2003. The primary reason for the improvement was the net revenue of \$1.97 million generated on the Land Sales of \$7.3 million in 2003. The City's cash balance at yearend was up modestly at \$3.1 million and receivables were up \$2.5 million due to the land sales. In addition to an improved asset position at year end, the accounts payable were \$1.68 million lower than the previous year.

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 \$2.8 million compared to \$684,000 last year. Both the General Fund and the Land Development Fund improved their financial condition in 2003 while the Solid Waste Management Fund and Service Connection Failure Assistance Fund are operating in a deficit position of \$633,000 and \$230,000 respectively. The City will be reviewing options to improve the financial condition of these two operating funds in 2004.

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.

Budget Variance

Net revenue/expenditures were \$1,482,000 better than budgeted in 2003. Overall revenues were up \$8.1 million with Land Sales contributing \$6.2 million more than expected. The growth in the community also lead to higher than expected user fees, development levies and government transfers.

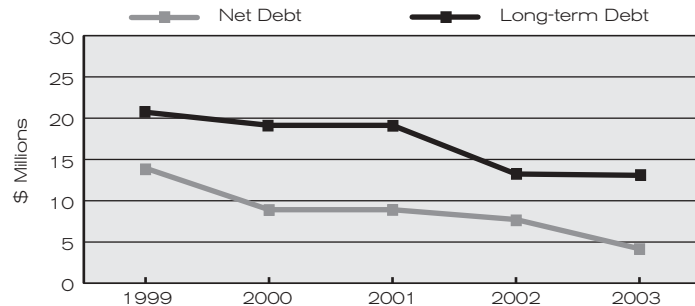
Overall expenditures were up \$6.6 million with Cost of Lands Sold contributing \$4.3 million. Carryover capital projects scheduled for 2002 that were completed in 2003 lead to an increase in spending on capital projects. There were certain operating costs that were higher than planned. The City required more staffing for certain recreational facilities (such as Multiplex) and the utility costs related to running city infrastructure increased due to rising fuel costs and increased electricity usage. The other major increase in costs was for contracted services with the major overage in the Service Connection Failure Assistance Fund where costs exceeded budget by \$203,000.



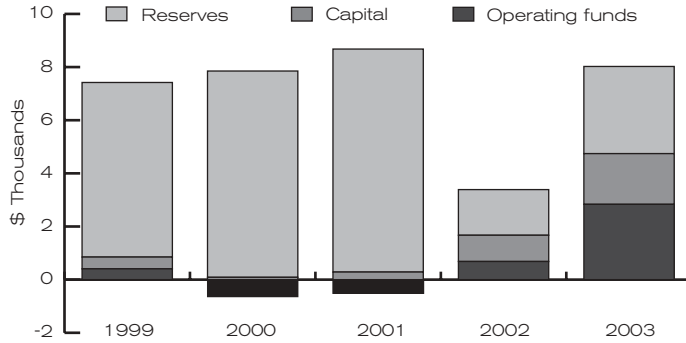
Director of Corporate Services
May 31, 2004

Budget Variance	Over (Under) Budget	
Revenue		
Taxation	37,000	
Land Sales	6,232,000	
Government Transfers	682,000	
User Fees	593,000	
Investment Income	209,000	
Development Levies, licenses and permits	324,000	
Other	21,000	\$ 8,098,000
Expenditures		
Cost of Land Sold	4,278,000	
Computer Capital Projects	338,000	
Other Capital Projects	791,000	
Salaries	246,000	
Vehicle Operating and Maintenance	147,000	
Utilities - electricity and fuel	176,000	
Insurance	132,000	
Contracted and General Services	488,000	
Other	20,000	\$ 6,616,000
Net Unbudgeted Revenue		\$ 1,482,000

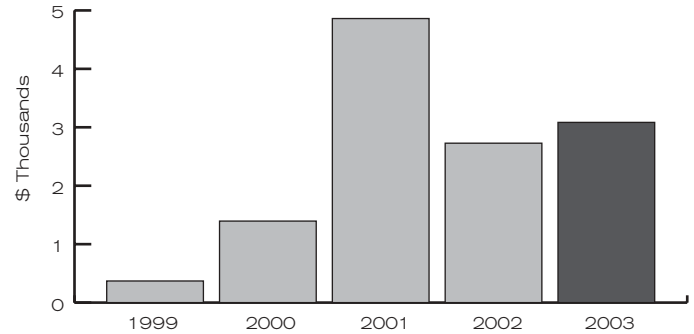
Debt levels



Funds balance



Year end cash position



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

Audit Committee:

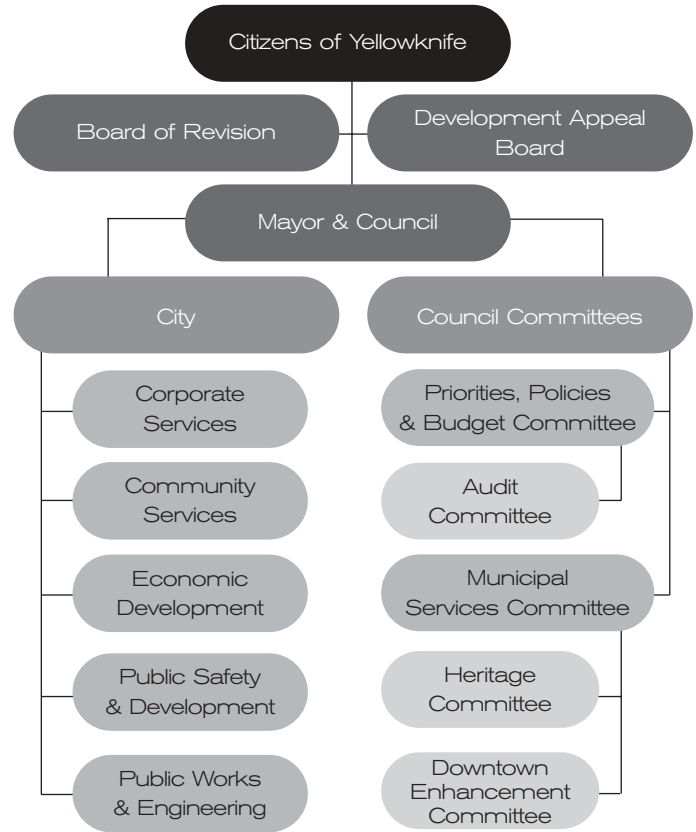
City Council has appointed an Audit Committee to ensure that the City's financial reporting is of the highest quality. The Committee reports directly to City Council and has complete access to all City records, management and the independent auditors. The 2003 financial statements and audit procedures were reviewed in detail by Committee members.

Members

- | | |
|------------------------------|-----------------------------|
| Terry Brookes, P Eng (Chair) | Mayor Gordon Van Tighem |
| Pawan Chugh, CGA | Councillor Doug Witty |
| Tony Wong, LLB | City Administrator Max Hall |
| Eitan Dehtiar | |

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



Bob Brooks
Councillor



Doug Witty
Councillor



David McCann
Councillor



Blake Lyons
Councillor



Kevin O'Reilly
Councillor



Alan Woytuik
Councillor



Mark Heyck
Councillor

Citizen's Survey

The Citizen Survey is a tool used by City Council to obtain feedback from residents with respect to their concerns, needs, attitudes and priorities. It has been conducted on an annual basis since 2001. This year, information was collected between February 16th and 25th, 2004 by Ipsos-Reid in partnership with Kellett Communications.

This year's survey focused on residents' perceptions of the City and attitudes towards living in Yellowknife, Economic Development & Heritage Preservation, Financing Options, Emergency Services and the new Multiplex.

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 at the City's website or at City hall reception.

The Survey Says...

Taxes are well Spent!

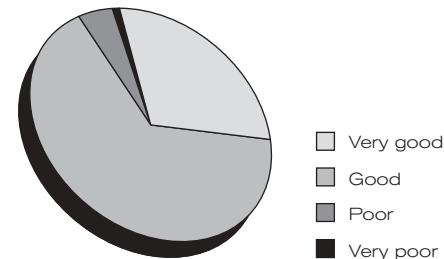
Seven in ten residents (71%) feel they receive "very good" or "good" value for their tax dollars. The reasons for this? Municipal services topped the list, with an emphasis on road maintenance and clearing. Others cited parks and recreation facilities, such as the Multiplex, which 76% of residents say they're happy with.

SURVEY FACT:

This year, the Citizen Survey showed far more support by residents for Private-Public Partnerships and/or Corporate Sponsorships than for new or increased user-fees. And the City's joint partnership with Diavik and Facilities for Kids to achieve early completion of the Multiplex shows that the City is listening!

The Survey Says...Quality of Life in YK has improved!

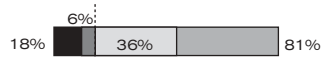
Survey results showed that 94% of Yellowknife residents feel their city offers a great quality of life. As well, 32% reported that their quality of life has improved, a number slightly higher than the 28% reported in other municipalities.



The Survey Says... About City Vision Statements...

As the graph below indicates, residents are telling us that while we are doing well in some areas, there are others that need further improvement. Stay tuned for continued action on these and other fronts...

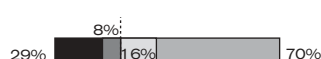
Has a strong local economy that is made up of many different industries



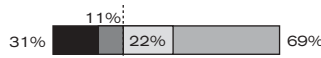
Has a strong workforce that delivers high quality efficient programs and services



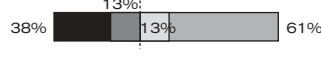
Is financially healthy, takes good care of the things that it owns and has built, and is able to adjust to ups and downs of the economy



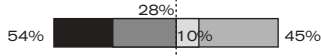
Is a safe and caring community focused on protecting the natural environment and keeping its rich past



Listens to its citizens and makes changes to keep up with their needs and priorities



Is a well-planned City that responsibly manages the growth of the City

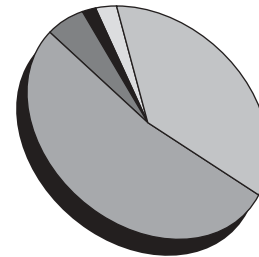


■ Somewhat disagree ■ Strongly disagree □ Strongly agree □ Somewhat agree

The percentages referenced above may not equal 100% as some respondents either declined to answer the question or replied "don't know".

The Survey Says...Residents Think their Futures are Bright!

Not only are 90% of residents positive about their long-term future, but nearly seven in ten (67%) also feel much hope for the future overall. When compared on both a national and an international basis, Yellowknifers are exceptionally optimistic - even more so than our neighbours to the far south, the Americans, who come in at 61%!



□ Much better off
□ Somewhat better off
□ Somewhat worse off
■ Much worse off
□ Don't know

The Survey Says... Our Logo is a Hit!

The Yellowknife, Diamond Capital of North America™ logo was trademarked by the City's Economic Development Department in 2002 and is both well-recognized and supported by residents. Nine in ten residents are aware of this branding initiative and 91% support it! Overall, residents also believe that tourism is key to encouraging further economic development in the City. Bring on the planes, paddles and R.V.s!

The Survey Says...Emergency Services are Important!

Virtually all residents say that ambulance (99%), firefighting (99%) and rescue services (98%) are important; and satisfaction with all three services is 90% or higher. Good work, Fire Division!

The City Says... Thank-you to all residents that took the time to participate in this year's Citizen Survey!

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 Recommendation 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, are 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; 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 Canadian 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, 2003.


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, 2003 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, 2003 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
May 7, 2004

mackay.ca

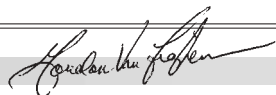
Consolidated Statement of **Financial Position**

As at December 31, 2003

		2003 Actual (\$000s)	2002 Actual (\$000s)
Financial Assets			
Cash		3,084	2,728
Accounts Receivable			
Grants		-	-
Taxes	Note 2	883	989
Water and Sewer	Note 3	1,247	1,015
Other	Note 3	9,104	6,675
Land Held for Resale		2,325	3,946
Prepays		410	-
Total Financial Assets		17,053	15,353
Physical Assets			
Capital Assets	Note 5	195,586	184,263
Inventory		-	-
Total Physical Assets		195,586	184,263
Liabilities			
Accounts Payable and Accrued Liabilities		3,057	5,509
Wages and Benefits Payable		961	844
School Taxes Payable		1,886	1,710
Deposits Payable		361	91
Deferred Revenue	Note 6	472	303
Long-Term Debt	Note 7	13,079	13,238
Provision for Landfill Closure	Note 8	1,422	1,384
Total Liabilities		21,238	23,079
Municipal Position			
Equity in Physical Assets		183,378	173,148
Capital Fund	Note 14	1,908	987
		185,286	174,135
General Fund		2,085	1,547
Land Development Fund		1,369	(605)
Solid Waste Development Fund		(633)	(564)
Water and Sewer Fund		244	338
Service Connection Failure Assistance Fund		(230)	(32)
Reserves		3,280	1,718
		6,115	2,402
Total Municipal Position		191,401	176,537
		212,639	199,616

Approved by:

Gordon Van Tighem, Mayor:



Max Hall, City Administrator:



Consolidated Statement of **Financial Activities**

As at December 31, 2003	2003 Budget (\$000s)	2003 Actual (\$000s)	2002 Actual (\$000s)
Revenues			
Property Taxation	19,062	19,278	18,865
Payments in Lieu of Taxes	3,500	3,423	3,262
Less: School Taxes	(7,805)	(7,907)	(7,656)
Net Municipal Taxation	14,757	14,794	14,471
User Fees and Sale of Goods	11,977	18,802	17,408
Government Transfers	7,270	7,952	7,172
Investment Income	80	289	245
Fines, Penalties and Costs of Taxes	951	920	1,002
Development Levies, Licenses and Permits	1,072	1,396	1,184
Franchise and Concessions Contracts	592	645	624
Total Revenues	36,699	44,798	42,106
Expenditures			
Operating			
General Government	6,682	6,870	5,940
Protective Services	3,396	3,262	2,991
Transportation and Public Works	3,956	4,044	4,003
Land Development	1,638	5,916	5,949
Recreation and Culture	3,597	3,907	3,366
Environmental and Public Health Services	1,389	1,488	1,142
Water and Sewage	3,779	4,303	3,778
Fiscal	583	718	728
Total Operating Expenses	25,020	30,508	27,897
Capital			
General Government	1,738	2,076	1,155
Capital	7,881	8,672	16,292
Total Capital Expenditures	9,619	10,748	17,447
Total Expenditures	34,639	41,256	45,344
Net Revenue (Expenditures)	2,060	3,542	(3,238)
Add: New Debt Issued	1,482	3,114	1,595
Less: Debt Repayment	(2,116)	(2,022)	(3,051)
Increase (Decrease) in Fund Balances	1,426	4,634	(4,694)
Opening Fund Balances	1,176	3,389	8,083
Closing Fund Balances	2,602	8,023	3,389

Consolidated Statement of Change in Fund Balance

As at December 31, 2003	General Fund (\$000s)	Water & Sewer Fund (\$000s)	Land Dev. Fund (\$000s)	Capital Fund (\$000s)	SCFA* Fund (\$000s)	Solid Waste Fund (\$000s)	Reserve Fund (\$000s)	2003 Total (\$000s)	2002 Total (\$000s)
Net Revenue (Expenditures)	(380)	965	1,974	1,115	(198)	66	-	3,542	(3,238)
Net Interfund Transfers									
(To) From General Fund		(1,059)				(135)	276	(918)	(1,062)
(To) From Water and Sewer Fund	1,059							1,059	965
(To) From Solid Waste Fund	135							135	135
(To) From Land Development Fund									
(To) From Capital Fund							1,286	1,286	(6,712)
(To) From SCFA Fund									
(To) From Reserves	(276)			(1,286)				(1,562)	6,674
Debt Issued	538	(94)	1,974	(171)	(198)	(69)	1,562	3,542	(3,238)
Debt Repayment				3,114				3,114	1,595
				(2,022)				(2,022)	(3,051)
Change in Fund Balance	538	(94)	1,974	921	(198)	(69)	1,562	4,634	(4,694)
Fund Balance, Beginning of Year	1,547	338	(605)	987	(32)	(564)	1,718	3,389	8,083
Fund Balance, End of Year	2,085	244	1,369	1,908	(230)	(633)	3,280	8,023	3,389

* SCFA – Service Connection Failure Assistance Fund

Reserves consist of:	2002 (\$000's)	Increase (\$000's)	Decrease (\$000's)	2003 (\$000's)
Waterfront Development Reserve	80	-	-	80
Downtown Development Reserve	38	73	(16)	95
Information Technology Reserve	218	250	(181)	287
Mobile Equipment Replacement Reserve	2,184	507	(313)	2,378
Major Community Facility Reserve	(802)	1,645	(622)	221
Samuel Colley Library Donation Reserve	-	219	-	219
	1,718	2,694	(1,132)	3,280

Consolidated Statement of **Changes in Financial Position**

As at December 31, 2003	2003 Actual (\$000s)	2002 Actual (\$000s)
Operations		
Excess of Revenue Over Expenditures	3,542	(3,239)
Add back non-cash items		
Grants Receivable	-	4
Taxes Receivable	106	353
Water and Sewer Receivable	(232)	144
Other Receivables	(2,429)	(3,327)
Prepays	(410)	-
Accounts Payable and Accruals	(2,453)	2,046
Wages and Benefits Payable	117	89
Deposits Payable	270	-
Site Restoration	38	(71)
School Taxes Payable	176	84
Deferred Revenue	169	222
Net Cash from (used for) Operations	(1,106)	(3,695)
Investing		
Land Acquisitions	(3,536)	(1,935)
Land Disposals	5,157	5,382
Net Cash (used for) Investing	1,621	3,447
Financing		
Long-Term Debt Issued	3,114	1,595
Long-Term Debt Repayments – Capital	(2,022)	(3,051)
Long-Term Debt Repayments – Land	(1,251)	(429)
Net Cash from (used for) Financing	(159)	(1,885)
Increase (Decrease) in Cash and Cash Equivalents	356	(2,133)
Cash, Opening Balance	2,728	4,861
Cash, Closing Balance	3,084	2,728
Comprises:		
Cash and Temporary Investments	3,084	2,728

Schedule of **Consolidated Expenditures by Object**

As at December 31, 2003	2003 Budget (\$000s)	2003 Actual (\$000s)	2002 Actual (\$000s)
Expenditures			
Bank Charges and Short-term Interest	209	218	159
Capital Purchases	8,826	9,901	16,599
Contingency	147	91	6
Construction and Maintenance Supplies	505	491	538
Contracted and General Services	6,527	7,015	6,057
Grants	346	345	342
Interest on Long-term Debt	917	851	905
Insurance	687	819	629
Land	1,030	5,307	5,503
Mayor and Council Expenses	468	454	445
Office and Administrative Supplies	285	274	233
Professional Services	177	248	191
Provision for Allowances	190	327	368
Salaries, Wages and Benefits	12,204	12,450	11,206
Site Restoration	-	21	-
Transfers to Other Organizations	60	60	43
Utilities – Electricity	1,180	1,234	1,135
Utilities – Fuel	520	642	459
Vehicle O & M	361	508	526
Total Expenditures	34,639	41,256	45,344

Notes to the Financial Statements

For the year ended December 31, 2003

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.

Reserve Fund - 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 depreciated.

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 December 10, 2002.

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.

Approximately 25% of the City's annual tax revenue comes from four taxpayers: Miramar Con Mine (8%), Government of the Northwest Territories (8%), Government of Canada (5%) and Bellanca Developments (4%).

2/Taxes and grants in lieu of taxes receivable

	2003 Actual (\$000s)	2002 Actual (\$000s)
Property Taxes Receivable	1,154	2,450
Other Taxes Receivable	554	2,354
Taxes Receivable Allowance	(825)	(3,815)
	883	989

3/Other accounts receivable

	2003 Actual (\$000s)	2002 Actual (\$000s)
Sundry Receivables	9,306	6,825
Less: Allowance	(202)	(150)
Utilities Receivables	1,259	1,023
Less: Allowance	(12)	(8)
	10,351	7,690

4/Current assets and liabilities

	2003 Actual (\$000s)	2002 Actual (\$000s)
Current Assets		
Cash	3,084	2,728
Receivables		
Taxes and Grants in Lieu of Taxes	883	989
Utilities and Other Receivables	10,351	7,690
Land Held for Resale	2,325	3,946
Prepays	410	-
	<u>17,053</u>	<u>15,353</u>
Current Liabilities		
Accounts Payable and Accrued Liabilities	3,057	5,390
Wages and Benefits Payable	961	844
School Taxes Payable	1,886	1,710
Deposit Liabilities	361	91
Deferred Revenue	472	303
Current Portion of Long-term Debt	1,828	2,436
Landfill Closure	137	18
	<u>8,702</u>	<u>10,792</u>

5/Physical assets

	2002 Actual (\$000s)	Additions (\$000s)	Disposals (\$000s)	2003 Actual (\$000s)
Land and Buildings	42,330	3,319	(755)	44,894
Infrastructure	130,212	7,043	-	137,255
Vehicles and Equipment	11,721	1,818	(102)	13,437
	<u>184,263</u>	<u>12,180</u>	<u>(857)</u>	<u>195,586</u>

6/Deferred revenue

	2003 Actual (\$000s)	2002 Actual (\$000s)
Government Transfers	79	261
Facility Booking and Program Registration	39	29
Land Sales	315	-
Other	39	13
	472	303

7/Long term debt

	2003 Actual (\$000s)	2002 Actual (\$000s)
Capital – General		
CIBC Debenture #174 (Refinance), authorized by By-law 3975 with monthly payments of \$68,384 including principal & interest at 5.82%, expired October, 2003.	-	666
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.	1,017	1,238
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.	1,810	2,145
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.	1,724	2,017
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.	2,354	2,665
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.	211	232

7/Long term debt (continued)

	2003 Actual (\$000s)	2002 Actual (\$000s)
Capital – General (continued)		
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.	505	555
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.	1,325	1,435
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.	74	80
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.	74	80
Capital leases to finance computer hardware and software with total monthly payments of \$14,419 including principal & interest at 12.2% expired January 2003.	-	2
RBC Debenture #239, authorized by By-law 4213 to finance completion of phase one of the Muiltplex, with annual payments of \$140,098 including principal & interest at 5.81%, expiring March 2023.	1,632	-
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.	1,482	-
	12,208	11,115
Land		
Pacific & Western Debenture #232, authorized by By-law 4111, with annual payments of interest only at 7.05%, expiring June 2007.	871	2,123
	13,079	13,238

Debentures are secured by taxes and penalties levied, all grants and sundry revenues. The estimated fair value of long-term debt at December 31, 2003 is \$13,204,944 (2002 - \$12,996,753). 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)
2004	1,828
2005	1,934
2006	2,071
2007	2,202
2008	1,238
2009 and thereafter	3,806
	13,079

8/Landfill closure & post-closure liability

The City has adopted nationally recommended accounting policies earlier than the Government of the Northwest Territories (NWT) 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 \$1,621,812 and the City has included \$1,316,263 (81.16%) 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 592,592 cubic metres, 111,644 cubic meters (18.84%) 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/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	95	38	(57)
Information Technology Replacement Reserve	287		(287)
Mobile Equipment Reserve	2,378		(2,378)
Major Community Facility Reserve	221		(221)
Samuel Colley Library Donation Reserve	219	219	-
	3,280	257	(3,023)

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 been created for any new reserves established by the municipality since 2002. As at December 31, 2003, the Municipality had a shortfall of \$3,023,000.

10/Contingencies

a) Insurance

The Community participates in the NWT Association of Municipalities insurance programs. Under these programs, the Community 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.

c) Demolition of Gerry Murphy Arena

During the 2003 Budget Update deliberations, Council approved an initial expenditure of \$235,000 to cover the costs associated with the demolition of the Gerry Murphy arena site. Early in 2004, Council directed Administration to proceed with a "green demolition" of the Gerry Murphy Arena by way of Requests for Proposals. It is expected that the costs will be more than the original amount budgeted.

d) Memorandum of Understanding with Diavik Diamond Mines Inc.

On March 31, 2004, the Mayor and City Administrator entered into a Memorandum of Understanding with Diavik for the accelerated completion of Phase 2 of the Multiplex Arena. At the time that the financial statements were being prepared an agreement detailing the scope, schedule, costs and financial arrangements for completing the second ice surface was not signed by either party.

11/Commitments

The City has contracted with the Government of the Northwest Territories to sell land and services worth \$1.1 million and, in return, acquire the site of the Yellowknife Correctional Centre by 2004.

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 (\$000s)	Contracts (\$000s)	Total (\$000s)
2004	1,478	2,864	4,342
2005		1,931	1,931
2006		401	401
2007		284	284
2008		221	221
2009 & Later		400	400
	1,478	6,101	7,579

12/Preceding year's figures

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

13/Future operations

Subsequent to year end the City sold a large parcel of land which is expected to generate revenue in the Land Development Fund.

14/Capital fund balance

	2003 Actual (\$000s)	2002 Actual (\$000s)
General Government	253	445
Community Services	652	-
Waterfront Development	54	20
Public Safety	23	-
Public Works	401	15
Solid Waste	60	99
Water and Sewer	465	408
	1,908	987

2003 Statistical section

Statement of Financial Activities

For the year ended December 31	1999 (\$000s)	2000 (\$000s)	2001 (\$000s)	2002 (\$000s)	2003 (\$000s)
Revenue					
Municipal Taxes	13,920	13,869	14,154	14,472	14,794
User Charges	11,766	13,067	12,392	17,408	18,802
Government Transfers	5,462	5,601	5,782	7,172	7,952
Investment Income	106	125	204	244	289
Fines Penalties and Costs of Taxes	666	695	693	1,002	920
Development Levies, Licences and Permits	832	869	867	1,184	1,396
Franchise and Concessions Contracts	527	534	577	624	645
	33,279	34,760	34,669	42,106	44,798
Expenditures					
Operating					
General Government	5,435	5,553	5,502	5,940	6,870
Recreation and Culture	2,789	2,520	3,402	3,366	3,907
Protective Services	3,545	3,522	3,502	2,991	3,262
Transportation and Public Works	2,945	3,421	2,961	4,003	4,044
Water & Sewer	3,328	3,359	3,742	3,778	4,303
Environmental and Public Health Services	1,111	2,427	969	1,142	1,488
Land Development	651	1,985	829	5,949	5,916
Fiscal	851	358	1,135	728	718
Total Operating Expenditures	20,655	23,145	22,042	27,897	30,508
Capital					
General Government	1,627	1,406	1,172	1,155	2076
Capital	8,239	5,825	7,027	16,292	8672
Total Capital Expenditures	9,866	7,231	8,199	17,447	10,748
Total Expenditures	30,521	30,376	30,241	45,344	41,256
Net Revenue (Expenditures)	2,758	4,384	4,428	(3,238)	3,542
Debt Proceeds	3,013	-	854	1,595	3,114
Debt Principal Repayments	(4,433)	(4,688)	(4,315)	(3,051)	(2,022)
Increase (Decrease) in Fund Balances	1,338	(304)	967	(4,694)	4,634
Opening Balance	6,082	7,420	7,116	8,083	3,389
Closing Balance	7,420	7,116	8,083	3,389	8,023

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

Fund Balances

For the year ended December 31

	1999 (\$000s)	2000 (\$000s)	2001 (\$000s)	2002 (\$000s)	2003 (\$000s)
Change in Funds Balance					
General Fund	(92)	(379)	97	773	538
Land Development	(81)	36	110	350	1,974
Solid Waste Management	(25)	(938)	150	246	(69)
Water & Sewer	172	139	(216)	(58)	(94)
Service Connection Failure Ass				(32)	(198)
Capital	(130)	(355)	198	701	921
Reserves					
Computer	(25)	13	(28)	95	69
Downtown Development	-	-	-	38	57
Major Community Facility	1,195	1,250	684	(6,782)	1,023
Mobile Equipment Replacement	316	335	209	(25)	194
Offsite Levy	-	(45)	(174)	-	-
Parking Development	-	-	(62)	-	-
Quarry Development	8	(360)	-	-	-
Waterfront Development	-	-	-	-	-
Samuel Colley Library Donation	-	-	-	-	219
	1,338	(304)	968	(4,694)	4634
Funds Balance					
General Fund	1,057	678	774	1,547	2,085
Land Development	(1,101)	(1,065)	(955)	(605)	1,369
Solid Waste Management	(22)	(960)	(810)	(564)	(633)
Water & Sewer	473	612	396	338	244
Service Connection Failure Assistance				(32)	(230)
Capital	443	88	286	987	1,908
Reserves					
Information Technology	138	151	123	218	287
Downtown Development	-	-	-	38	95
Major Community Facility	4,046	5,296	5,980	(802)	221
Mobile Equipment Replacement	1,665	2,000	2,209	2,184	2,378
Offsite Levy	219	174	-	-	-
Parking Development	62	62	-	-	-
Quarry Development	360	-	-	-	-
Waterfront Development	80	80	80	80	80
Samuel Colley Library Donation	-	-	-	-	219
	7,420	7,116	8,083	3,389	8,023

Details of **Government Transfers**

For the year ended December 31	1999	2000	2001	2002	2003
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
GNWT -Formula Funding	5,234	4,987	5,189	4,877	5,367
Other	228	614	593	2,295	2,585
	5,462	5,601	5,782	7,172	7,952

Expenditures (By Object)

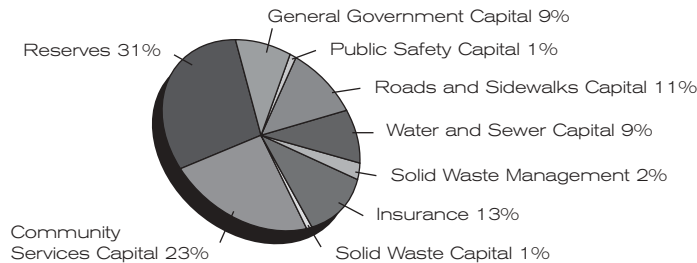
For the year ended December 31	1999	2000	2001	2002	2003
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Bank Charges and Short-term Interest	119	144	126	159	218
Capital Purchases	7,195	4,954	6,305	16,599	9,901
Contingency	(19)	(8)	86	6	91
Construction and Maintenance Supplies	494	530	505	538	491
Contracted and General Services	5,596	6,751	5,716	6,057	7,015
Grants	307	385	374	342	345
Interest on Long-term Debt	1,360	1,198	1,190	905	851
Insurance	226	247	495	629	819
Land	640	1,984	985	5,503	5,307
Mayor and Council Expenses	481	493	449	445	454
Office and Administrative Supplies	233	254	239	233	274
Professional Services	121	152	167	191	248
Provision for Allowances	851	358	777	368	327
Salaries, Wages and Benefits	11,009	10,912	10,902	11,206	12,450
Site Restoration	-	34	-	-	21
Transfers to Other Organizations	54	57	55	43	60
Utilities - Electricity	960	1,041	983	1,135	1,234
Utilities - Fuel	458	456	454	459	642
Vehicle O & M	436	434	433	526	508
Total Expenditures	30,521	30,376	30,241	45,344	41,256

Capital Financing

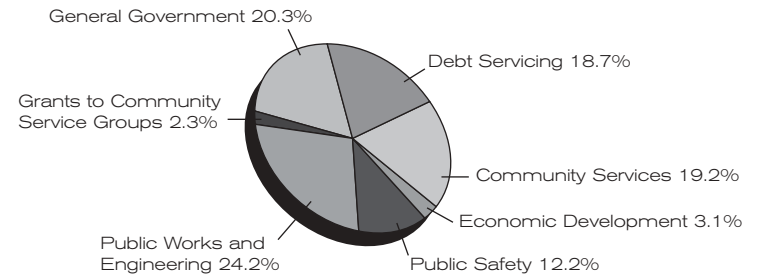
For the year ended December 31

	1999 (\$000s)	2000 (\$000s)	2001 (\$000s)	2002 (\$000s)	2003 (\$000s)
Capital Financing					
Revenue					
Taxation	4,324	4,381	4,163	3,249	2,759
Government Transfers	4,411	4,764	4,371	5,958	6,569
User Charges	2,545	2,561	3,139	3,685	2,535
	11,280	11,706	11,673	12,892	11,863
Debt Issued	3,013	-	854	1,595	3,114
Debt Principal Repayments	(4,433)	(4,688)	(4,315)	(3,051)	(2,022)
Fund Transfers	(1,485)	(1,338)	(763)	6,712	(1,286)
Fund Balance Used	130	355	(198)	(701)	(921)
	8,505	6,035	7,251	17,447	10,748
Capital Expenditures (By Function)					
General Government	193	164	199	416	1,339
Community Services	567	607	1,390	10,647	3,417
Public Safety	27	-	241	116	59
Public Works	3,224	1,518	2,011	2,416	2,048
Water & Sewer	3,162	2,600	2,464	2,836	3,036
Solid Waste Management	22	65	-	269	112
Debtenture Interest	1,310	1,081	946	747	737
	8,505	6,035	7,251	17,447	10,748

Use of Formula Funding



Use of Taxes



Analysis of **Property Assessment & Taxation**

For the year ended December 31	1999 (\$000s)	2000 (\$000s)	2001 (\$000s)	2002 (\$000s)	2003 (\$000s)
Assessed Value of Property*	1,251,817	1,248,387	1,260,839	1,297,354	1,412,569
Municipal Mill Rates (per thousand dollar of assessed value)					
Residential	8.81	8.63	8.63	8.63	8.06
Multi-Residential	9.12	8.94	8.94	8.94	8.23
Commercial/Industrial	15.48	15.17	15.17	15.17	14.01
Mining/Quarrying	12.00	12.00	12.00	12.00	15.91
High Density Parking	7.30	7.30	7.30	7.30	7.00
Agriculture	-	8.63	8.63	8.63	8.06
School Mill Rates (per thousand dollar of assessed value)	6.059	6.059	6.059	6.059	5.63
Municipal Tax Levy	13,920	13,869	14,154	14,472	14,794
Taxes Collected and Transferred to Local School Boards					
Public School Board	4,476	4,539	4,609	4,604	4,744
Separate School Board	2,746	2,898	2,902	3,052	3,163
	7,222	7,437	7,511	7,656	7,907
Yearly Residential Property Tax Bill (based on an average residential home in Yellowknife)					
Municipal Taxes	1,402	1,373	1,373	1,373	1,290
School Taxes	964	964	964	964	901
	2,366	2,337	2,337	2,337	2,191
Outstanding Property Taxes**	3,711	3,400	1,342	989	883
Outstanding Property Taxes As a Percentage of the Tax Levy	27%	25%	9%	7%	6%

* Includes taxable and grantable properties only.

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

Principal Corporate Taxpayers	2003 (\$000s)	Percent of 2003 Total	2002 (\$000s)
Miramar Con Mine Ltd./Royal Oak Mines	1,496	8.45%	1,564
Bellanca Developments Ltd.	788	4.45%	798
Northern Property REIT	773	4.37%	822
Polar Pandas Developments Ltd.	505	2.85%	513
Gold Bar Developments & Andromeda Investments Ltd.	273	1.54%	271
Consolidated Properties (NWT) Inc.	248	1.40%	226
Polar Developments Ltd.	232	1.31%	228
Regency International Development Corporation Ltd.	205	1.16%	211
NWT Community Services Corp.	177	1.00%	248
752464 Alberta Ltd. O/A Yellowknife Inn	163	0.92%	162

Analysis of Long-term Debt

For the year ended December 31	1999	2000	2001	2002	2003
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Debt Outstanding*					
Supported by Property Taxes	17,515	14,457	12,030	11,115	12,208
Supported by Utility Charges	3,205	1,575	541	-	-
Supported by Land Sales	-	3,100	2,552	2,123	871
	20,720	19,132	15,123	13,238	13,079
Legal Debt Limit**	250,363	249,677	252,168	259,471	282,514
Per Capita Debt					
Supported by Property Taxes	989	802	660	601	654
Supported by Utility Charges	181	87	30	-	-
Supported by Land Sales	-	172	140	115	47
	1,170	1,061	830	716	701
Interest & Principal Repayments as a Percentage of Total Expenditures					
Capital	19%	19%	17%	8%	6%
Land	6%	0%	3%	5%	3%
	25%	19%	20%	13%	9%
Debt Burden (Overlapping Debt)					
City	20,720	19,132	15,123	13,238	13,079
Public School Board***	-	-	26	15	-
Separate School Board***	883	9,919	9,597	9,301	8,834
	21,603	29,051	24,746	22,554	21,913

*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	1999	2000	2001	2002	2003
Population					
Population*	17,702	18,028	18,214	18,500	18,673
Households**	5,490	5,634	5,692	5,700	5,845
Construction Values (\$000s)					
Residential	3,300	5,400	12,273	38,600	38,000
Commercial/Industrial	19,100	12,900	14,752	22,000	47,000
Mechanical	4,500	5,300	5,978	15,000	-
	26,900	23,600	33,003	75,600	85,000
City Employees					
Continuous full time	150.5	148.5	146.0	149.5	157.0
Per 1,000 population	8.5	8.2	8.0	8.1	8.4
Employee turnover	9%	10%	19%	16%	20%
City Infrastructure (kms)					
Paved roads and alleys	63.9	63.9	63.9	63.9	67.7
Unpaved roads and alleys	13.8	13.8	13.8	13.8	12.9
	77.7	77.7	77.7	77.7	80.6
Water lines	67.6	67.6	67.6	67.6	68.5
Sewer lines	51.9	51.9	51.9	51.9	52.8
Storm drain lines	20.3	20.3	20.3	20.3	20.4
Fire hydrants (number of)	289	289	289	298	310

*Source: Northwest Territories Bureau of Statistics

**Source: Canada Mortgage and Housing Corporation



Photo by Tim Atherton



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Photo by Tessa Macintosh



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 and 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.



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