

# City of **YELLOWKNIFE**

## FINANCIAL REPORT 2011





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# 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 for the production of the financial statements. City Council appoints independent auditors to examine and report directly to Council on the financial statements. Generally accepted accounting principles have been followed as required by the Department of Municipal and Community Affairs, as provided for in 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.

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 David Wind; Gloria Badari; Mark Cronk; Gerald Stang; and James Kennedy.

The Committee reports directly to City Council and has complete access to all City records. The Committee meets regularly with the 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 Administration and the independent auditors, the Committee recommends that City Council adopt the audited financial statements for the year ended December 31, 2011.



Gloria Badari  
Chair

# FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

## REPORT FROM THE DIRECTOR OF CORPORATE SERVICES

The following Financial Statement Discussion and Analysis (FSD&A) has been prepared by management. The FSD&A of the City of Yellowknife should be read in conjunction with the audited consolidated financial statements (the Statements) and their accompanying notes and schedules. The Statements, as well as the accompanying materials, are prepared in accordance with Canadian generally accepted accounting principles for municipal governments, established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

### THE STATEMENTS

The Statements provide information about the economic resources, obligations and accumulated surplus of the City. The different sections of the Statements are interrelated.

The Statement of Financial Position provides a snapshot of the status of the City's accounts at the end of the reporting period. It is important to understand that the balances in each account could change the very next day. Comparative information for the current year being reported on and the prior year is provided. Variances between the two years should be minimal unless there has been a significant financial transaction that took place during the fiscal year. Most differences will be related to the timing of receiving payments on amounts owed to the City and paying bills owed by the City.

The Statement of Operations provides a summary of operations for the entire period being reported on. Comparative information is provided against the budget that was approved by Council in December of the year prior to the year being reported on. Comparison is also provided against the prior year operations. Variances in this statement may be more pronounced as revenues and expenses are very much dependent upon the progress of major projects as planned. In some cases, capital projects are delayed for various reasons.

The Statement of Changes in Net Financial Assets shows the impact of the financial operations throughout the year on the ability

of the City to meet its immediate obligations. A positive net financial position is important as it shows that the City has sufficient financial assets on hand to meet its financial obligations.

The notes and schedules included in the Statements should be read in conjunction with the Statements. They provide additional information including details about the summary information provided in the Statements themselves.

### FUNDS

A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to achieve and demonstrate compliance with finance related requirements.

The General Fund reports on tax supported operations, which include services provided by the City to citizens such as public safety, parks and recreational services, transit services, street maintenance and administrative and governance support. The Capital Fund was created to account for capital projects that are supported by taxes and/or grants from other orders of government. The capital program is made up of, but is not limited to, reporting on the acquisition and/or construction of streets, parks and recreation facilities, water and sewer infrastructure and other municipal facilities. The City operates two utility funds, the Water and Sewer Fund and the Solid Waste Management Fund. These funds account separately for all activities related to the provision of those services. Funded uniquely by user fees, these funds also provide contributions to the Capital Fund to fund expenditures related to their operations. The City has also established a Land Development Fund to account for the acquisition, development and disposal of municipal lands. Utility infrastructure installed on public rights of way in new subdivisions/development areas are funded from the Land Development Fund and responsibility is transferred to the Water and Sewer Fund upon final acceptance by the City.

City Council has approved the establishment of Reserve Funds which can be categorized into two types. Three Capital Reserves - Information Technology Reserve, Mobile Equipment Reserve and the Major Community Facility Reserve - finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Five Operating Reserves - Waterfront Development Reserve, Downtown Development Reserve, Heritage Reserve, Samuel Colley Library Donation Reserve and the Twin Pine Hill Trail Reserve - provide designated revenue to fund the Reserves' authorized costs.

## GOVERNING AUTHORITY

The City of Yellowknife operates under the authority of the GNWT's *Cities, Towns and Villages Act* (the Act). The Act outlines, amongst other administrative provisions, the manner in which the City is required to account for its activities during the year. The Act authorizes the City to collect revenues through taxes and through fees for services. The Act also recognizes that the City receives revenues from other orders of government through various contribution agreements. The Act and the agreements contain specific direction on how various revenues collected by the City can be allocated. For example, the Community Public Infrastructure Funding, also known as Capital Grant, received from the GNWT can only be used to offset the cost of the City's capital investments, while operations and maintenance funding can be used for any municipal purpose. City Council has also established policies that govern how various revenues can be used. For example, notwithstanding the flexibility allowed by the GNWT regarding operations and maintenance grants, City Council has directed, via policy, that all such funds must be used to cover the cost of the City's capital investments.

## EXECUTIVE SUMMARY

During 2011, the City recorded total revenues from all sources of \$62.06 million (2010 - \$58.68 million). The City had budgeted \$57.36 million and the main sources of the budgetary variance were higher than anticipated User Fees and Sales of Goods and Services (\$19.06 million actual vs. \$17.33 million budget) and Government Transfers (\$16.71 million actual vs. \$14.00 million budget). Investment income was also higher than budgeted,

by \$195,000 due to higher than anticipated levels of investment and improved returns on investment.

During 2011, the City recorded total expenses for all activities of \$53.78 million (2010 - \$49.78 million). The City had budgeted \$51.44 million and the main sources of the budgetary variance were contracted and general service expense (\$9.38 million actual vs. \$8.44 million budget), Utilities expense (\$2.93 million actual vs. \$2.73 million budget), vehicle operations and maintenance (\$1.13 million actual vs. \$667,000 budget) and Minor Capital (\$5.41 million actual vs. \$4.24 million budget).

The City also acquired \$17.88 million worth of Tangible Capital Assets in 2011 (2010 - \$20.10 million). Some of the major acquisitions include:

- Work in progress worth \$10.27 million as follows:
  - » Water Treatment Plant - \$2.01 million
  - » Niven Lake Phase 7 infrastructure - \$3.78 million
  - » Streetscaping initiatives - \$1.35 million
  - » New cell at landfill - \$3.13 million
- New assets worth \$7.61 million as follows:
  - » 2011 Paving program - \$2.20 million
  - » 2011 Water and Sewer program - \$2.28 million
  - » Fire Station #1 Expansion and Live Fire Training Structure - \$513,000
  - » Upgrades to Recreational Facilities - \$355,000
  - » Upgrades to Service Facilities - \$303,000
  - » Parks and Trails - \$245,000
  - » Mobile Equipment - \$941,000
  - » Technical and Other Equipment - \$769,000

The Solid Waste Management Fund continued to experience challenges during 2011. The cost of processing recyclable materials and bio-hazardous materials continued to rise faster than the revenues received from tipping fees and from sale of recyclable materials. The City continues to look for ways to reduce costs and increase revenues. Details about future actions are contained in sections related to Funds.

The Land Development Fund continues to invest in land for resale. Subdivisions in Niven Lake Phase 7 continue to be completed and sales of lots are beginning to pick up. Sales in Engle business district have not been forthcoming. Plans are being formulated to make changes to the zoning requirement that would help attract investment in that area. New subdivisions in Kam Lake (light

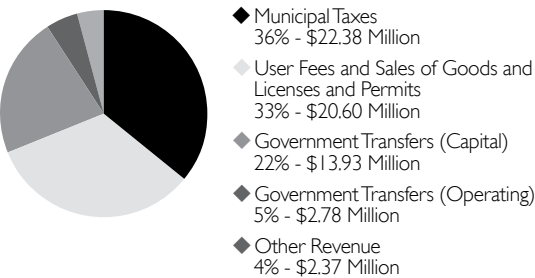
industrial/commercial) and on Grace Lake (waterside residential) were identified for development in 2011 with the majority of the work now progressing. The Land Fund is in a negative position from a cash flow perspective. The Land Fund's investments in municipal infrastructure in new subdivisions results in an increase in the amount of Tangible Capital Assets held by the City. The cash outlay is not recovered until the lots that have been developed are sold. The City also holds a significant amount of land for resale which has a book value of just over \$3.8 million but which has a potential sales value exceeding \$17 million.

**WHERE DO OUR REVENUES COME FROM?**

In 2011, the City received revenues from a variety of sources. Total revenues received amounted to \$62.06 million. The following chart shows the breakdown by type of revenue. Other Revenue is comprised of the following:

- Investment Income - \$340,000
- Fines, Penalties and Costs of Taxes - \$1.12 million
- Franchise Agreements - \$909,000

**REVENUES**



**WHERE DO WE SPEND OUR MONEY?**

Council makes decisions on where to spend the money the City raises during the Budget deliberations each fall. Decisions are made based on input from the public, the need to provide various services and the availability of resources. The City tracks its expenses by activity and by object. Activities are related to the services provided by the City to its residents. Objects describe the types of expenditures made by the City. The activities against which the City allocates its expenses are typical for municipalities throughout Canada.

General Government is the activity that encompasses the administrative functions of the City. This includes

the legislative function that is the responsibility of the Mayor and Council and the office of the City Administrator and the City Clerk, the support provided to municipal operations including, but not limited to, governance, procurement services, IT services and financial services (including taxation, accounts receivable, accounts payable).

Protective Services provides the residents with firefighting and ambulance services and enforcement of municipal and territorial by-laws and legislation.

Transportation and Public Works provides operations and maintenance programs that cover the delivery of basic municipal services. This includes garbage collection, maintenance and repair of the City's roads and sidewalks and maintenance of all City vehicles used by all departments. The City's contracted transit service is managed under this activity as well. Public Works also provides engineering services to the City's capital works program including major construction of water and sanitation systems, roads and sidewalks program and land development program.

Land Development is the activity that oversees all aspects of developing land for municipal use and/or resale. All aspects of development are managed under this activity including the acquisition, development and disposal of municipal lands, the coordination of the development process and the administration of building inspection services.

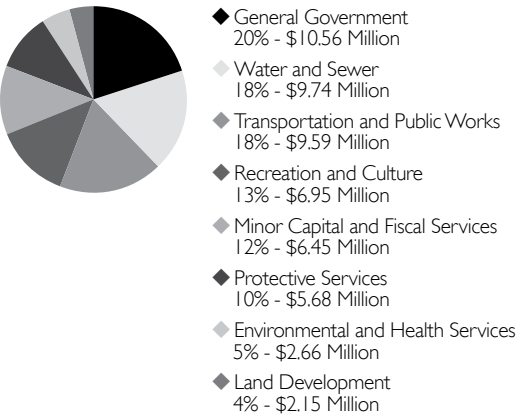
Recreation and Culture operates the City's recreational facilities, parks and trails and offers recreational and culture programming for all residents throughout the year. It is also responsible for managing all municipal facilities that are not related to public works operations.

The Minor Capital activity includes all expenses from the Capital Fund, including debt servicing costs, which do not meet the definition or the financial thresholds to be categorized as Tangible Capital Assets. This includes major studies that could lead to major capital projects and regular upgrades and maintenance on facilities and equipment.

Two major activities that support important public services are the Environmental and Public Health Services activity (Solid Waste Management) and Water and Sewer system and delivery. Under these programs the City operates a landfill site and collects garbage from residents' homes, and treats and delivers the City's drinking water and manages the storm drain and sewer systems for the City.

Expenses incurred during 2011 totaled \$53.78 million. The following chart shows the distribution of these expenses by activity.

EXPENSES BY ACTIVITY

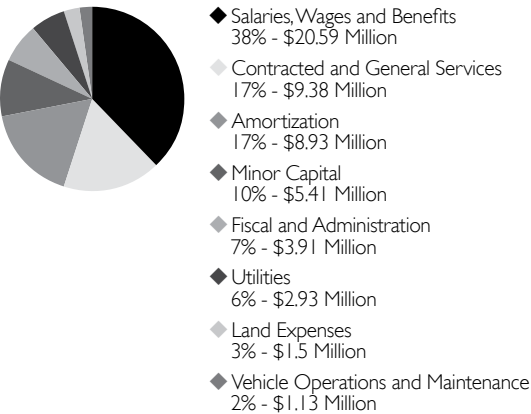


The City also tracks expenses by Object. Expenditures are classified by type of expenditure and recorded under specific objects. Major objects the City uses to track expenses are:

- Salaries, Wages and Benefits
- Amortization of Tangible Capital Assets
- Contracted and General Services
- Utilities
- Land Development
- Grants
- Fiscal and Administration Expenses (Interest, bank services, bad debts, office overhead, administrative)

The Statements include a consolidated schedule of Segment Disclosure that breaks down expenses by object. The following chart shows the breakdown of expenditures by object.

EXPENSES BY OBJECT

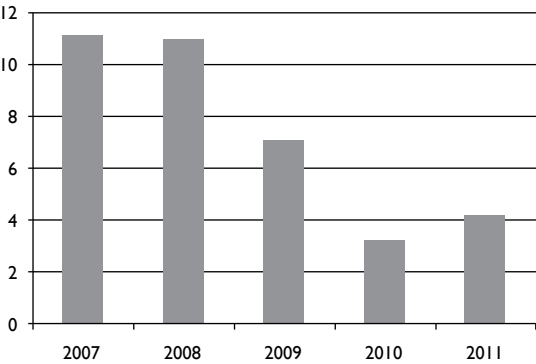


FINANCIAL POSITION

The Consolidated Statement of Financial Position provides an indication of the City's ability to meet its current obligations. It reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2011 on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The City's net financial asset position is an important financial indicator on the Consolidated Statement of Financial Position.

As of December 31, 2011, the City was in a net financial asset position of \$4.2 million (2010 - \$3.2 million). The change in net financial assets is a result of an excess of revenues over expenses of \$8.3 million and amortization of tangible capital assets of \$8.9 million, offset by a net investments in Tangible Capital Assets of \$16.3 million. The level of net financial assets from year to year is generally reflective of the level of investment in capital and land development.

NET FINANCIAL ASSETS



The change in Net Financial Assets over the past five years reflects an increase in the level of investment in Tangible Capital Assets and land development, in particular for new subdivisions in Niven Lake and the Kam Lake bypass road. As cash is used to invest in capital, there is a reduction in financial assets and an increase in non-financial assets. This trend should reverse itself, or at least stabilize, as lots are sold in these and future subdivisions.

Financial assets have increased by just under \$4.5 million primarily due to the following:

- Cash and Cash Equivalents  
Increase by \$1.3 million
- Sundry Receivables  
Increase by \$1.7 million



- Land for Resale  
Increase by \$1.5 million

It is not unusual for variations such as these to occur in these areas. In most cases such variations are caused by the timing of receiving payments for receivables or paying outstanding bills. The increase in land available for resale reflects the increased activity in development that has occurred in 2011 compared with 2010.

This is partially offset by an increase in liabilities, or financial obligations, of just under \$3.5 million primarily due to the following:

- Accounts Payable and Wage-Related Liabilities  
Increase by \$390,000
- Deferred Revenue  
Increase by \$3.5 million
- Deposits Payable  
Increase by \$400,000
- Long-Term Debt  
Decrease by \$800,000

Deferred revenue occurs mainly when capital projects funded by grants from other orders of government are deferred. In 2011 the City received its full allocation of Gas Tax Funding from Canada. This funding has been earmarked for investments in water and sewer infrastructure, in particular a new water treatment plant. The City will only record the cash received as revenue when expenditures related to the Gas Tax funded projects are completed. Since there was less expenditure than expected on those projects in 2011, the revenue that was not recorded had to be accounted for as deferred revenue. It is anticipated that the investment in water and sewer infrastructure over the next two to three years will result in the deferred revenue being recognized and expended.

The City continues to pay down its long-term debt. The City has not issued any debt since 2005. The City has relied on building up cash reserves to address recent major projects such as the new Fieldhouse that was completed in 2010, and has cut back on expenditures on municipal infrastructure over that same period of time. The City's debt load will be changing over the next several years. Council has recently approved a borrowing by-law in the amount of \$20 million to help the City address its infrastructure deficit on an accelerated basis. The proceeds of the loan will be used to fund

the completion of the Water Treatment Plant, thus freeing up cash on hand to address the aging water and sewer system in the City.

Non-financial assets are comprised primarily of the City's physical assets which are used to deliver services to the public. They include land and buildings, water and sewer systems, roads and sidewalks and vehicles and equipment. Parks, trails and recreation facilities are other examples of these types of assets. These assets are recorded at cost when they are acquired or constructed. Over their useful life, the City depreciates each asset and tracks amortization expenses over the life of the asset. The cost of the assets less the accumulated amortization is the "book value" of the asset.

For 2011, the book value of tangible capital assets increased by just over \$7.33 million. The City put into service just over \$7.61 million in new assets over the course of 2011. The City also disposed of assets having a book value of just over \$1.62 million. These are assets that have been in service for a number of years and have been replaced by new assets. The most common are water and sewer pipes and roads and sidewalks. As well, the City occasionally disposes of land that has been made available for resale but which has been carried on the books as an asset until the sale. The City also recorded amortization expenses of \$8.93 million to reduce the book value of existing assets.

There was \$10.52 million worth of work in progress on the balance sheet for assets that did not get put into service in 2011. The value of assets is not recorded as an addition until the asset is fully completed and can be considered "in service". This happens primarily on major facilities such as buildings. However, this treatment also applies to linear assets such as roads and sidewalks that are part of a series of connected improvements that are completed over a number of years. For 2011 there was \$10.28 million worth of work in progress that was added. This amount was comprised of:

- \$2,009,794 for progress on the new Water Treatment Plant
- \$3,775,924 for the linear infrastructure that is not yet fully in service in Niven Lake Phase 7 subdivision
- \$1,354,828 for the work to date on the Old Airport Road and the 52 Street streetscaping projects. They were not complete by the end of 2011.

- \$3,131,970 for the work completed to date on the new cell at the Landfill. The new cell is not complete and has not been brought into service yet.
- The increase in work in progress from prior years is indicative of the increase in activity on municipal

projects over the course of 2011. This trend should continue as the City is taking a more aggressive approach in addressing its infrastructure deficit. As well, major expenditures are expected on the new water treatment plant during 2012 and 2013 but the new plant will not be put into service until 2014 at the earliest.

## RECONCILIATION OF TANGIBLE CAPITAL ASSETS

as at December 31, 2011 (in thousands of dollars)

Book Value of Assets at beginning of year			\$ 209,899
Plus			
Additions	7,607		
WIP	<u>10,273</u>		
			<u>17,880</u>
Less			
Disposals at book value	1,621		
Amortization	<u>8,933</u>		
			<u>10,554</u>
Book Value of Assets at year end			\$ 217,225

## RESULTS OF OPERATIONS • ACTUAL COMPARISON

The Consolidated Statement of Operations reports the City's changes in economic resources and accumulated surplus for 2011 on a comparative basis. The Statements indicate that the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2011, the City recorded consolidated revenues of \$62.06 million (2010 - \$58.68 million), which included government transfers, taxation and user fees/sale of goods. Consolidated expenses totaled \$53.78 million (2010 - \$49.78 million). As a result, the City's accumulated surplus increased by \$8.28 million (2010 - \$8.90 million).

## CONSOLIDATED REVENUE

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Taxation	\$ 22,375	36%	\$ 21,478	37%	\$ 897	4%
User Fees, Sales of Goods and Services	20,596	33%	19,682	34%	914	5%
Government Transfers						
Operating	2,781	4%	2,155	4%	626	29%
Capital	13,933	22%	13,234	23%	699	5%
Investment, Fines and Penalties and Franchise Fees	<u>2,373</u>	4%	<u>2,128</u>	4%	<u>245</u>	12%
	\$ 62,058		\$ 58,677		\$ 3,381	6%

Percentages may not add up to 100% due to rounding

Revenues improved from 2010 to 2011 due to several factors. User Fees and Sales of Goods and Services were \$914,000 higher than in 2010. A large portion of this increase was due to a full year of activity in the Fieldhouse which opened in the fall of 2010. This plus a general increase in recreational user fees of 3% accounted for \$346,000 of this increase. The remaining increase was due to an increase in land sales of \$169,000 and an increase in tipping fee revenue at the Solid Waste Facility of \$340,000. This was due mainly to an increase in the amount of bio-hazardous waste collected by the City for treatment by a third party contractor. General fee hikes across all user fee categories also contributed an additional \$59,000 increase in revenues over 2010.

Government transfers were \$1.33 million higher than in 2010. However, in 2010 there was a one-time capital contribution from the GNWT in the amount

of \$3.61 million. This contribution represented the GNWT's share of the construction of the Kam Lake Bypass road, which was completed in 2010. The resultant net increase of just over \$4.94 million was due to the recognition of a number of federal transfers. A decrease in the amount of funding under the Municipal and Rural Infrastructure Fund (MRIF) of \$296,000 was offset by the addition of \$508,000 for the City's Smart Growth initiatives. The deferred revenue liability had accounted for Gas Tax funding that had been received in prior years but for which there had not been eligible expenditures. In 2011, expenditures on the water treatment plant, landfill expansion and other water and sewer projects resulted in an increase in recognition of approximately \$4.91 million of Gas Tax revenue that had previously been identified as deferred revenue.

### CONSOLIDATED EXPENSES BY ACTIVITY

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
General Government	\$ 10,562	20%	\$ 10,495	21%	\$ 67	1%
Water and Sewage	9,740	18%	9,170	18%	570	6%
Transportation and Public Works	9,594	18%	8,575	17%	1,019	12%
Recreation and Culture	6,945	13%	6,478	13%	467	7%
Protective Services	5,676	11%	5,329	11%	347	7%
Minor Capital	5,563	10%	4,266	9%	1,297	30%
Environmental and Public Health	2,659	5%	2,231	4%	428	19%
Land Development	2,150	4%	2,411	5%	(261)	(11%)
Fiscal	891	2%	823	2%	68	8%
	<b>\$ 53,780</b>		<b>\$ 49,778</b>		<b>\$ 4,002</b>	<b>8%</b>

Percentages may not add up to 100% due to rounding

Consolidated Expenses grew by \$4.00 million or eight percent over the previous year. In the Transportation and Public Works activity, Amortization expenses were \$3.27 million (2010 - \$2.60 million), Fleet O&M was \$709,000 (2010 - \$527,000). The Water and Sewer Fund experienced increases in Utility expenses - \$1.09 million (2010 - \$893,000) and Service Connection Failure Assistance program operations - \$594,000 (2010 - \$288,000). In the Recreation and Culture activity, the City had a full year of operation of the Fieldhouse for the first time. Operating expenses for

the Fieldhouse were \$697,000 (2010 - \$307,000). In the Environmental and Public Health activity, the variance in expenses is due to higher operating costs for the Solid Waste Management Facility. Contracted costs were \$417,000 (2010 - \$343,000), Repairs and Maintenance were \$206,000 (2010 - \$54,000) and Amortization was \$230,000 (2010 - \$157,000).

In most activities, the increased cost of utilities played a large part in pushing expenses upwards. In 2011 Northland Utilities filed a General Rate Application (GRA) which saw utility rates rise an average of

1.8%. As the price of oil rose during 2011, so did the cost of automobile and heating fuel. This impacted the cost of operating the City's recreational facilities, water and sewer system and its fleet of mobile equipment and stationary engines. Amortization expenses across all activities experienced either a positive or negative variance. Finally, across all activities, Salaries, Wages and Benefits increased

which impacted each activity's expenses. Of the \$2.08 million variance not previously explained, \$787,000 can be attributed to additional increases in salary expenses. The remaining \$1.30 million is related to changes in expenses related to minor capital projects. More details of the variances by activity are explained later in this FSD&A under each fund. Variance explanations by object follow.

**CONSOLIDATED EXPENSES BY OBJECT**

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Salaries, Wages and Benefits	\$ 20,594	38%	\$ 19,434	39%	\$ 1,160	6%
Contracted and General Services	9,375	17%	9,176	18%	199	2%
Amortization	8,933	17%	7,936	16%	997	13%
Minor Capital	5,412	10%	4,072	8%	1,340	33%
Fiscal and Administration	3,906	7%	4,022	8%	(116)	-3%
Utilities	2,928	5%	2,525	5%	403	16%
Land Expenses	1,504	3%	1,735	3%	(231)	-13%
Vehicle O&M	1,128	2%	878	2%	250	28%
	\$ 53,780		\$ 49,778		\$ 4,002	8%

Percentages may not add up to 100% due to rounding

The increase in Salaries, Wages and Benefits is primarily due to experience increases. Each year, employees receive step increments. This factor accounted for approximately 3.5% of the 6% increase in salaries. The remainder was due to a general increase as a result of the collective bargaining agreement that was completed early in 2011. Across all activities, savings from vacancies is often offset by increases in casual labour and/or overtime. The increase in amortization is reflective of the replacement of aging infrastructure with new infrastructure. Since amortization is based on straight line, and the cost of installing new infrastructure is higher than the cost of the infrastructure that has been replaced, the annual amortization for that infrastructure will naturally increase. The addition of the new Fieldhouse to the City's Tangible Capital Asset inventory also served to increase the amount of amortization expense, as would happen whenever a new asset is put into service.

Minor Capital expenses generally tend to track evenly from year to year. Expenses in this area include regular maintenance and/or replacement of motors,

pumps, gensets and other equipment that requires periodic mid-life cycle modifications for 2011 but whose costs fall below the threshold for capitalizing. As well, some plans and studies which are expended as Capital Projects but are not tangible in nature are also accounted for as Minor Capital Expenses. Some minor capital expenses of note that have resulted in the increase are:

- \$141,000 for a water license study in order to prepare for the renewal of the City's water license;
- \$787,000 for work related to the Con Mine Geothermal project (due diligence on the part of the City) and other Community Energy planning studies;
- \$232,000 for Wildcat Café renovations; and
- \$82,000 for Housing and Affordability Strategy (Eco-Housing)

The balance of the variance in Minor Capital expenses is made up of a variety of small differences.

The increase in both Utilities and Vehicle O&M was due to a significant increase of both heating and automobile fuel during 2011.

BUDGET COMPARISON

The consolidated budget shown in the Statements has been adjusted to reflect the differences in reporting format compared to budgeting format.

CONSOLIDATED REVENUE

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Taxation	\$ 22,319	39%	\$ 22,375	36%	\$ 56	0%
User Fees, Sales of Goods and Services	18,912	33%	20,596	33%	1,684	9%
Government Transfers						
Operating	-	0%	2,781	4%	2,781	
Capital	14,000	24%	13,933	22%	(67)	19%
Investment, Fines and Penalties and Franchise Fees	2,132	4%	2,373	4%	241	11%
	\$ 57,363		\$ 62,058		\$ 4,695	8%

Percentages may not add up to 100% due to rounding

Government Transfers budget is not broken down between operating and capital at the time the budget is established. By Council policy, all government transfers are to be used for capital expenditures. However, during the year, some of the items identified as capital do not end up meeting the definition or the thresholds established for capitalization. For those expenditures, the amount of government transfer used to acquire those assets is reclassified for reporting purposes. Overall, the 19% variance in government transfer is due to a delay in recognizing federal Gas Tax transfers from 2010 as some infrastructure projects had not progressed as far as anticipated and the revenue from the Gas Tax was deferred. Under the User Fees, Sales of Goods and Services category, Land Sales for 2011 were \$4.20 million (2010 - \$2.71 million) and Solid Waste Tipping fees were \$1.66 million (2010 - \$1.26 million). During 2011 a large number of lots in the Niven Lake subdivision that had been in inventory since 2009 were sold. The increase

in tipping fees was due mainly to a larger amount of bio-hazardous material that was recovered and brought to the Landfill for treatment and disposal.

The overall Consolidated Budget by Object differs from that which is shown in the 2011 Budget Summary due to the change in the treatment of Capital expenditures when reporting in the Statements. In the budget, the total anticipated Capital expenditures is included in the budget. However, in the Statement of Operations, only those minor capital items that are expensed in the year that they are completed are recorded as part of the budget. The Tangible Capital Assets that will be amortized over the life of the asset are not included as an expense in the Statements but as an increase in the investment in Tangible Capital Assets on the Statement of Financial Position. The reconciliation of the budget amount as it appears in the 2011 Budget Summary and as it appears in these Statements follows.

RECONCILIATION OF BUDGET - BUDGET SUMMARY VS FINANCIAL STATEMENTS

for the years ended December 31 (in thousands of dollars)

Budget as per 2011 Budget Summary	\$ 73,440
Less Capital Expenditures	26,231
	\$ 47,209
Plus Minor Capital	4,235
Budget as per 2011 Financial Statements	\$ 51,444

## CONSOLIDATED EXPENSES BY OBJECT

for the years ended December 31 (in thousands of dollars)

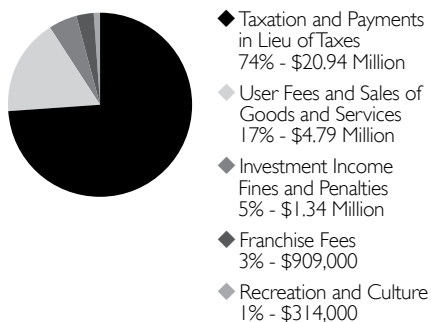
	2011		2010		Variance	Variance %
Salaries, Wages and Benefits	\$ 21,062	41%	\$ 20,594	38%	\$ 468	2%
Contracted and General Services	8,438	16%	9,375	17%	(937)	-11%
Amortization	9,176	18%	8,933	17%	243	3%
Minor Capital	4,235	8%	5,412	10%	(1,177)	-28%
Fiscal and Administration	3,514	7%	3,906	7%	(392)	-11%
Utilities	2,728	5%	2,928	5%	(200)	-7%
Land Expenses	1,624	3%	1,504	3%	120	7%
Vehicle O&M	667	1%	1,128	2%	(461)	-69%
	<u>\$ 51,444</u>		<u>\$ 53,780</u>		<u>\$ (2,336)</u>	<u>-5%</u>

Percentages may not add up to 100% due to rounding

## THE GENERAL FUND

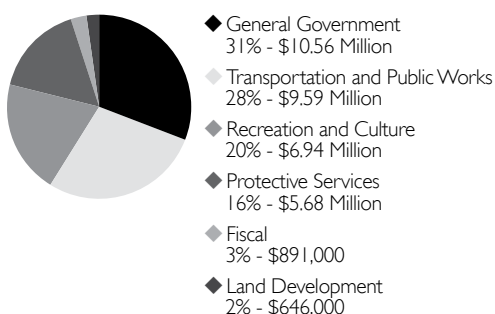
The General Fund represents approximately 64% of the City's combined expenses. When the \$17.88 million in Capital expenditures are added in, the General Fund represents approximately 48% of total expenditures.

## GENERAL FUND ACTUAL REVENUES



General Fund received revenues of \$28.29 million during 2011 (2010 - \$27.12 million). As is usual, 74% of General Fund revenues were from taxes and accounted for \$20.9 million (2010 - \$20.4 million). The increase was due to a small increase in assessed value and a general tax increase of 3.99%

## GENERAL FUND ACTUAL EXPENSES BY ACTIVITY



In addition to Revenues and Expenses, the General Fund also receives transfers from and makes transfers to other Funds. The taxation payments in lieu of tax revenues are net of a \$1.41 million transfer to the Capital Fund. The General Fund also received transfers from the following funds in 2011:

- Water and Sewer Fund  
\$1.07 million (2010 - \$1.06 million)
- Solid Waste Fund  
\$228,000 (2010 - \$205,000)
- Land Development Fund  
\$175,000 (2010 - \$175,000)

GENERAL FUND EXPENSES BY OBJECT

for the years ended December 31 (in thousands of dollars)

	2011		2010		Variance	Variance %
Salaries, Wages and Benefits	\$ 18,252	53%	\$ 17,751	52%	\$ 501	3%
Contracted and General Services	6,087	18%	5,801	17%	286	5%
Amortization	4,714	14%	4,854	14%	(140)	-3%
Fiscal and Administration	3,055	9%	3,333	10%	(278)	-9%
Utilities	1,575	5%	1,716	5%	(141)	-9%
Vehicle O&M	475	1%	859	3%	(384)	-81%
	\$ 34,158		\$ 34,314		\$ (156)	0%

Percentages may not add up to 100% due to rounding

Overall there was a \$4.65 million decrease in fund balance prior to the reallocation of Amortization to the Investment in Tangible Capital Assets in the amount of \$4.85 million. After reallocation of Amortization expense the net increase in the General Fund Balance was \$205,000 for a closing fund balance of \$2.28 million (2010 - \$2.08 million).

LAND DEVELOPMENT FUND

The Land Development Fund is established to account for the acquisition, development and disposal of municipal lands. Utility infrastructure installed on public rights of way in new subdivisions/development areas are funded from the Land Development Fund and responsibility is transferred to the Water and Sewer Fund upon final acceptance by the City.

The City continues to invest in land for resale to provide a wide choice of homes for current and future residents of the City. The recently approved General Plan identified a need for 1,500 new housing units over the next 10 years. The City's land development plan will be instrumental in meeting this demand.

The Land Fund had a closing balance of negative \$2.54 million (2010 - \$1.34 million). It is not unusual for the Land Development Fund to be in a negative balance at times. This fund covers the costs related to preparing developments for sale. This includes prepping the individual lots for resale, the construction and installation of municipal infrastructure and the design and construction of

parks, trails and other amenities that are linked to the subdivision. Once these expenditures are incurred, the lots are then recorded on the City's inventory as land for resale and the infrastructure is taken over by the City and is recorded as part of the City's investment in Tangible Capital Assets. The land is then available for sale and the Land Development Fund is replenished through the sale of the properties.

While this Fund had a negative balance of \$2.54 million, the City is holding land for resale of \$3.84 million in inventory. This is recorded at the lower of cost or market so this value is below the expected realizable value of the land. The value is arrived at by determining the cost of preparing each parcel of land. The realizable value is determined by the higher of the appraised value or the cost of preparing the entire subdivision, including all municipal infrastructure and off-site amenities associated with the subdivision. The Land Development Fund also covers the cost of developing the municipal infrastructure within commercial and residential developments. For example, the City acquired \$3.77 million worth of municipal infrastructure related to the new subdivision in Niven Lake Phase 7 and is expected to spend just over \$4 million more on roads and sidewalks, parks and trails and other local amenities. If all of the parcels of land that are currently available for sale in Niven Lake Phase 7 were to sell during 2012, the City would receive \$4.94 million in revenue. This is in addition to \$3.67 million in sales that have already been completed.

## **SOLID WASTE MANAGEMENT FUND**

The Solid Waste Management Fund was created to manage the disposal of waste in accordance with regulations and provides facilities for recycling. This fund collects revenues from user fees and from the sale of recyclables. Major expenses are labour, equipment O&M, shipping of recyclables and the treatment and disposal of contaminated waste.

This fund continues to pose challenges. The cost of accepting, sorting and disposing of recyclables continues to exceed the revenues that can be generated from its sale. The market on recyclables has diminished and there is little sign that the downward pressures will ease in the near future. The same can be said for the treatment and disposal of contaminated waste. The contracted costs continue to rise as does the volume of the waste. However, fees have now been set so that the amount of revenue received from accepting contaminated waste is sufficient to cover the contracted costs of treatment and disposal.

For 2011, the Solid Waste Management Fund experienced net expenses of \$564,000 (2010 - \$474,000). The closing fund balance for 2011 is negative \$902,000 (2010 - negative \$340,000). In order to address this shortfall and bring the fund back into a positive operating position, the City has planned increases to the single family monthly levy from \$12.00 to \$14.50 in 2012 and to \$16.50 by 2013. Thereafter, increases will be equal to the City's Municipal Price Index (MPI). The City has also planned to increase general tipping fees by 10% in each of 2012 and 2013 with future increases pegged to the MPI. The City is also reviewing its operations to address increasing costs. For 2012 the City has purchased a roll-on/roll-off vehicle that will allow its own staff to collect recycling bins and to relocate bins around the landfill site. This will reduce the amount of contracted costs without increased labour.

## **WATER AND SEWER FUND**

The Water and Sewer Fund was established to manage all aspects of the operation and maintenance of facilities and equipment and to manage the work related to the supply and treatment of potable water; the delivery of potable water; and the collection, treatment and disposal of raw sewage. The costs of operating this fund are recovered through user fees.

For 2011, the Water and Sewer Fund experienced net expenses of \$3.25 million (2010 - \$2.71 million). After a transfer of \$1.07 million to the General Fund (2010 - \$1.06 million), the resulting closing fund balance was negative \$382,000 (2010 - + \$84,000).

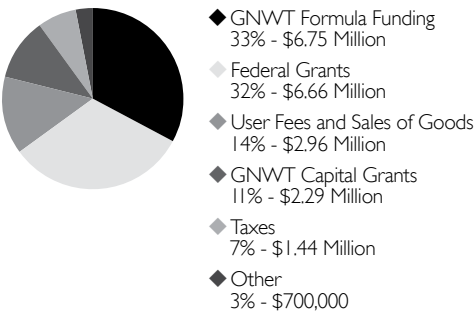
In 2011, the cost of utilities for the water and sewer program were \$1.09 million (2010 - \$893,000) and the cost of salaries and benefits were \$2.08 million (2010 - \$2.01 million). One major area of increased expense relates to the Water and Sewer Fund's contribution to the Service Connection Failure Assistance (SCFA) program. The City collects a levy from each resident that is used towards the collective replacement of failed service lines between the water and/or sewer mains and the resident's connection to the home. Over the past several years the cost of providing this service has increased. In 2011, the City spent \$594,000 on the SCFA program (2010 - \$596,000).

## **CAPITAL FUND**

The Capital Fund is used to manage the City's capital program. The Fund receives revenues from taxes, government transfers and from user fees transferred from the Water and Sewer Fund and the Solid Waste Management Fund. The Capital fund is also used to track infrastructure additions through the Land Development Fund. The closing balance of the Capital Fund for 2011 was \$6.63 million (2010 - 4.50 million). It is not unusual to have a difference in the closing fund balance from one year to the next. Project delays cause a balance to be carried forward from year to year. Amongst the projects that were scheduled for completion in 2011 but had to be carried forward to 2012 were the Communications Infrastructure project (\$1.33 million), City Hall roof replacement, Wildcat renovations and new City Garage building (approximately \$800,000 in combined deferrals). In the case of the City Hall roof replacement and the new City Garage building, bids had been received in 2011 but they were very high. A decision was made to cancel those tenders and re-issue early in 2012. The result is that the City will save taxpayers' dollars as the bid prices were a combined \$257,000 lower than those received in 2011.



CAPITAL FUND SOURCES  
OF REVENUE



The Capital Fund also accounts for transfers to and from other funds and reserves. Transfers are made to three capital reserves to allow for future expenditures in those areas. The Major Community Facilities Reserve accounts for funds being set aside for major community infrastructure such as recreational or administrative facilities. Two operating capital reserves, the Information Technology Reserve and the Mobile Equipment Reserve receive a transfer from the Capital Fund each year to provide adequate funding to replace IT and mobile equipment on a year-to-year basis. When expenditures are required from any of these reserves, they are transferred to and managed under the Capital Fund. For 2011 the net interfund transfers were \$3.90 million (2010 – \$4.12 million).

MAJOR ACTIVITIES

As previously mentioned the City is in the process of designing and building a new water treatment plant. The new plant is required in part due to the age of the existing plant but, for the most part, due to changes in water treatment standards promulgated by Health Canada and adopted by the GNWT in its regulations. The City is required to comply with these regulations or face potential penalties.

The project is expected to take three years to complete, with commissioning anticipated in 2014. The final design is near completion. Construction is expected to start soon. Projected cost of the new plant is approximately \$22 million. In order to fund this project, Council has approved a by-law authorizing the City to borrow \$20 million.

The City has also identified a need to accelerate the replacement of Corrugated Metal Pipe (CMP) infrastructure. There has been an increasing number of failures of the CMP sewer system

and emergency replacement can cost up to two times as much as planned replacement. At the current level of investment in CMP replacement, the project would not be completed until 2023. The City is developing a plan that would see the CMP replacement program completed by 2017.

The City continues on a high pace of land development, creating a variety of housing choices for current and future Yellowknife residents. Work is almost complete in the Niven Lake Phase 7 subdivision. Over the past five years, the City has invested over \$12 million in land development and new infrastructure in this area. The City has also made arrangements for renewed interest in developing Niven Lake Phase 5 (Bayview Estates) which will be a multi-family residential area. Other areas of future development include a light industrial/commercial subdivision in the Kam Lake area, large waterfront lots in the new Grace Lake Development Area and a mixed density development at Kam Lake Road and Coronation Drive. These areas contain a mix of private sector managed and City managed developments.

The City has completed negotiations with the Yellowknife Condominium Corporation #8 (Northlands) regarding assistance in addressing their aging infrastructure. An MOU will guide a process whereby Northlands residents will agree to a Local Improvement Charge (LIC) to pay for the replacement of their privately owned water and sewer infrastructure with new infrastructure which meets municipal standards. The City will be required to borrow up to \$16 million to complete this project. The total cost of the project, including financing charges, will be recovered from the residents of Northlands through the LIC over a 25-year period.

ENVIRONMENTAL MATTERS

The City's water distribution and treatment system, the sewage treatment system, and the City's solid waste landfill are governed by licenses issued by the Government of the Northwest Territories. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. 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.

The main components of the landfill closure plan are final capping using selected specific layers of earthen and synthetic materials based on engineered cap design and implementation of a drainage management plan. The post-closure care requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, and inspections.

## PLANNING CONSTRAINTS

There are inherent business risks in running a municipality. The nature of a city is such that the services provided are those that are of basic necessity. The treatment and distribution of potable water; the collection and treatment of raw sewage, the provision of fire and ambulance services and the construction and maintenance of roads and sidewalks are all considered essential to the well-being of all residents. There are any number of issues that can arise that may strain resources when providing these services. In addition, it is the responsibility of the municipality to provide adequate recreational facilities, parks and trails to support the physical and mental well-being of residents.

The City's ability to maintain its essential services is contingent upon its ability to provide modern, well-functioning infrastructure to support its operations. The risks of inadequate funding of infrastructure replacement and maintenance cannot be overstated. Failures in the City's water and sewer system could result in health and environmental issues. The City must ensure that adequate resources are available to stay on top of infrastructure requirements.

A significant portion of the City's funding (26%) comes from other orders of government. The City allocates this funding to its Capital plan. One of the issues surrounding this funding is that it is not indexed with the cost of doing business. So, the City is required to manage a "fixed income" from these other orders of government in an environment where the costs of constructing our capital infrastructure continue to rise each year. With construction costs increasing each year the amount of corrugated metal pipe that can be replaced from one year to the next is reduced given the same level of funding. As well, should there be a significant change to the funding levels provided by either the GNWT or the Government of Canada, Council would have to examine its priorities and

consider other potential sources of funding. In order to mitigate this risk, a long-term asset management plan is being put in place that would guide the budgeting process over the next 25 years.

The property taxes collected by the City are calculated on the assessment base of homes, business and government offices within its boundaries and represent 74% of the General Fund revenue to the City (36% on a consolidated basis). During slow periods of growth, as the City has experienced recently, it is necessary to increase tax rates to provide adequate resources to fund the ever increasing cost of providing basic services. Alternatively, the City would have to look at all programs and rationalize the continuation of existing services and service levels. It is all a balancing act. Over the past 15 years, the City's overall tax rate increases have been less than the increase in the general cost of living or the Consumer Price Index (CPI). Since the CPI does not fairly represent the inflationary pressures faced by a municipality, the City has developed its own index based on the weighted cost of its expenditures. The Municipal Pricing Index or MPI has been developed to help guide the City in determining its revenue requirements to meet its obligations to residents. Future tax increase levels will be guided by the MPI which will serve as a cap on tax increases, in the absence of changes in service levels. This new approach to calculating the City's revenue requirements should serve to mitigate this risk.

Over the next two years, the City will be entering into labour negotiations with all three of its bargaining units. Given that labour expenses comprise 38% of its total expenses on a consolidated basis and 52% of total General Fund expenses, an increase in wages can have a significant impact on the revenue requirements of the City. Risk mitigation, in this case, resides with Council and its decisions on what level of salary increase they would consider reasonable. There is always a risk of work stoppage whenever labour negotiations are underway.

## MAJOR ACTIVITIES

The financial position of the City remains strong. There is adequate funding available to meet the City's medium-term capital needs. The City's net financial position remains positive and provides the City with the flexibility to adapt to unforeseen changes. The City has embarked upon a more aggressive approach to both land development and infrastructure replacement. Although the City will be taking on more debt, the low interest rates coupled with a solid financial plan will assist the City to provide adequate resources to retire that debt.

Based on its solid financial planning regime, the City continues to provide the level of services expected by its residents and continues to work toward improving those levels of service where appropriate. The City is proud to present these financial statements to its stakeholders. They reflect a positive position for the City and suggest that the future will remain just as positive.

## REQUEST FOR INFORMATION

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show accountability for the funding it receives. Both the Annual Financial Report and the Popular Annual Report are available online at [www.yellowknife.ca](http://www.yellowknife.ca).

Questions concerning the information provided in these reports should be addressed to:

Director of Corporate Services  
PO Box 580  
4807 52 Street  
Yellowknife NT  
XIA 2N4



Carl Bird, CGA  
Director Corporate Services



# INDEPENDENT AUDITOR'S REPORT

## TO THE MAYOR AND MEMBERS OF COUNCIL:

We have audited the accompanying consolidated financial statements of the City of Yellowknife, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes comprised of the summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Yellowknife as at December 31, 2011, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

We further report, in accordance with the *Cities, Towns and Villages Act* that proper books of account have been kept, that the consolidated 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*

June 4, 2012  
Yellowknife, Northwest Territories  
Chartered Accountants

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2011 (in thousands of dollars)

		2011 Actual	2010 Actual
<b>Financial Assets</b>			
Cash and Cash Equivalents		\$ 17,699	\$ 16,373
Accounts Receivable			
Grants	Note 3	1,444	1,110
Taxes	Note 4	728	922
Water and Sewer	Note 5	889	1,096
Other	Note 6	6,422	4,688
Land Held for Resale		3,843	2,398
<b>Total Financial Assets</b>		<b>31,025</b>	<b>26,587</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities		\$ 7,942	\$ 7,614
Wages, Retirement Benefits, Post-Retirement Benefits and Compensated Absences Liability	Note 7	1,566	1,504
School Taxes Payable		2,257	2,285
Deposits Payable		1,346	975
Deferred Revenue	Note 8	8,498	5,020
Long-Term Debt	Note 9	3,877	4,690
Provision for Landfill Closure and and Post-Closure Costs	Note 10	1,331	1,253
<b>Total Liabilities</b>		<b>26,817</b>	<b>23,341</b>
<b>Net Financial Assets</b>		<b>4,208</b>	<b>3,246</b>
<b>Non-Financial Assets</b>			
Land & Buildings		120,729	119,918
Accum. Amort.- Land & Buildings		(29,886)	(27,956)
Infrastructure		197,049	195,563
Accum. Amort.- Infrastructure		(88,062)	(83,928)
Vehicles & Equipment		14,932	13,366
Accum. Amort. - Vehicles & Equipment		(8,055)	(7,309)
Work in Progress		10,518	245
Tangible Capital Assets	Note 11	217,225	209,899
Inventories		383	413
Prepaid Expenses		383	325
Deferred Expenses	Note 12	54	92
		<b>218,045</b>	<b>210,729</b>
<b>Accumulated Surplus</b>	Note 13	<b>\$222,253</b>	<b>\$213,975</b>
<b>Contingencies</b>	Note 16		
<b>Commitments</b>	Note 17		
<b>Subsequent Events</b>	Note 18		

Approved by:



Mayor Gordon Van Tighem



City Administrator, Robert Long

## CONSOLIDATED STATEMENT OF OPERATIONS

As at December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Revenues</b>			
Property Taxation	\$ 30,210	\$ 26,161	\$ 25,572
Payments in Lieu of Taxes	1,407	5,377	5,049
Less: School Taxes	(9,298)	(9,163)	(9,143)
Net Municipal Taxation	22,319	22,375	21,478
User Fees and Sale of Goods	17,334	19,063	18,270
Government Transfers	-	2,781	2,155
Government Transfers Related to Capital	14,000	13,933	13,234
Investment Income	145	340	246
Fines, Penalties and Costs of Taxes	1,094	1,124	1,022
Development Levies, Licenses and Permits	1,578	1,533	1,412
Franchise and Concession Contracts	893	909	860
<b>Total Revenues</b>	<b>57,363</b>	<b>62,058</b>	<b>58,677</b>
<b>Expenses</b>			
General Government	9,725	10,562	10,495
Protective Services	5,615	5,676	5,329
Transportation and Public Works	6,017	9,594	8,575
Land Development	2,355	2,150	2,411
Recreation and Culture	7,020	6,945	6,478
Environment and Public Health Services	1,667	2,659	2,231
Water and Sewage	9,609	9,740	9,170
Minor Capital (Note 19)	4,386	5,563	4,266
Fiscal	5,050	891	823
<b>Total Expenses</b>	<b>51,444</b>	<b>53,780</b>	<b>49,778</b>
<b>Annual Surplus</b>	<b>5,919</b>	<b>8,278</b>	<b>8,899</b>
<b>Accumulated Surplus, Beginning of Year</b>	<b>213,975</b>	<b>213,975</b>	<b>205,076</b>
<b>Accumulated Surplus, End of Year</b>	<b>\$ 219,894</b>	<b>\$ 222,253</b>	<b>\$ 213,975</b>

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Annual Surplus</b>	<b>\$ 5,919</b>	<b>\$ 8,278</b>	<b>\$ 8,899</b>
Acquisition of Tangible Capital Assets	(12,821)	(17,880)	(21,095)
Amortization of Tangible Capital Assets	9,176	8,933	7,936
Loss on Disposal of Tangible Capital Assets	—	1,621	385
	<b>(3,645)</b>	<b>(7,326)</b>	<b>(12,744)</b>
Changes in Inventories, Prepaid Expenses and Deferred Expenses	—	10	18
<b>Change in Net Financial Assets</b>	<b>2,274</b>	<b>962</b>	<b>(3,857)</b>
<b>Net Financial Assets, Beginning of Year</b>	<b>3,246</b>	<b>3,246</b>	<b>7,103</b>
<b>Net Financial Assets, End of Year</b>	<b>\$ 5,520</b>	<b>\$ 4,208</b>	<b>\$ 3,246</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2011 (in thousands of dollars)

	2011 Actual	2010 Actual
<b>Operations</b>		
Annual Surplus	\$ 8,278	\$ 8,899
Non-cash changes to operations:		
Amortization	8,933	7,936
Loss on Disposal of Tangible Capital Assets	1,621	385
Wages, Retirement Benefits, Post-Retirement Benefits, and Compensated Absences Liability	62	181
Provision for Landfill Closure	78	85
	<b>10,694</b>	<b>8,587</b>
Change in non-cash working capital balances related to operations:		
Land Held for Resale	(1,445)	760
Grants Receivable	(335)	1,752
Taxes Receivable	194	210
Water and Sewer Receivable	208	54
Other Receivables	(1,735)	415
Deferred Expenses	37	46
Inventories	30	(46)
Prepays	(57)	18
Accounts Payable and Accrued Liabilities	328	251
Deposits Payable	372	389
School Taxes Payable	(28)	36
Deferred Revenue	3,478	(2,014)
Bailey House Forgivable Mortgage	(79)	(74)
	<b>968</b>	<b>1,797</b>
<b>Net Cash Provided from Operations</b>	<b>\$ 19,940</b>	<b>\$ 19,283</b>
<b>Capital</b>		
Tangible Capital Asset Acquisitions	(17,880)	(21,095)
Net Cash used for Capital	<b>(17,880)</b>	<b>(21,095)</b>
<b>Financing</b>		
Long-Term Debt Repayments - Capital	(734)	(706)
Net Cash used for Financing	<b>(734)</b>	<b>(706)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,326</b>	<b>(2,518)</b>
<b>Cash and Cash Equivalents, Opening Balance</b>	<b>16,373</b>	<b>18,891</b>
<b>Cash and Cash Equivalents, Closing Balance</b>	<b>\$ 17,699</b>	<b>\$ 16,373</b>
<b>Comprised of:</b>		
Cash	2,283	6,619
Cash Held in Reserves	689	680
Cash Held in Trust (Note 20)	428	92
Investments in Money Market Funds	13,514	8,219
Investments in Provincial Government Bonds	785	763
<b>Cash and Cash Equivalents</b>	<b>\$ 17,699</b>	<b>\$ 16,373</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Yellowknife ("City") are the representations of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) 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 financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses 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.

### 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 expenses recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenses as disclosed in Note 1(e).

### c) Land Held for Resale

Land held for resale 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. 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.

### d) Minor Capital Expenses

Minor capital expenses represent the total of minor capital purchases that do not meet the City's criteria for classification as tangible capital assets, but are funded through the capital budget. They are recognized as expenses in the period they are acquired and are reported at cost. Government contributions for the acquisition of capital assets are recorded as revenue and do not reduce capital asset costs. Minor capital assets are not amortized.

### e) Employee Benefit Liabilities

Wages, retirement benefits, post-retirement benefits and compensated absences payable 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 a pension plan administered by Northern Employee Benefits Services. This is a multi-employer contributory defined benefit plan and accordingly contributions are expensed as incurred.

Employees are insured through the Northern Employee Benefits Services. Coverage includes Group Life, Accidental Death and Dismemberment and Long-Term Disability Insurance, Extended Health Care Insurance, and Dental Plan. The City is not liable for any future liabilities of this plan.

### f) Non-Financial Assets

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



### **g) Tangible Capital Assets**

Tangible capital assets are recorded at cost. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of assets and are amortized on a straight-line basis over the estimated useful life of the tangible capital asset. Straight-line amortization over the expected useful life of each asset commences on the first day of the fiscal year subsequent to acquisition or betterment and ceases on the last day of the fiscal year prior to disposal. Assets under construction are not amortized until the asset is available to begin delivery of its intended service value. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt; there were no such contributed assets received by the City in the current period. Assets with remaining book value replaced in 2011 through the City's paving and water and sewer replacement programs have been reported as asset disposals.

### **h) Inventories**

Inventories held for consumption are recorded at cost.

### **i) 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.

### **j) 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.

### **k) 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.

### **l) Property Taxes**

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

### **m) Deferred Revenue**

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

### **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 14, 2010.

## **2. FUTURE ACCOUNTING CHANGES**

### **a) Government Transfers**

In March of 2011, the Public Sector Accounting Board (PSAB) revised and replaced Section PS 3410 – Government Transfers.

The Section applies to fiscal years beginning on or after April 1, 2012 and may be applied retroactively or prospectively.

The impact of the transition to these accounting standards has been reviewed by management and is considered to be not significant.

### **b) Tax Revenue, Section PS 3510**

In February of 2010, the Public Sector Accounting Board (PSAB) released a Section PS 3510 - Tax Revenue. This new Section establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements.

The Section applies to fiscal years beginning on or after April 1, 2012.

The impact of the transition to these accounting standards has been reviewed by management and is considered to be not significant.

### **c) Liability for Contaminated Sites, Section PS 3260**

In June of 2010, the Public Sector Accounting Board (PSAB) released a Section PS 3260 – Liability for Contaminated Sites. This new Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook.

This Section is effective for fiscal periods beginning on or after April 1, 2014.

The impact of the transition to these accounting standards is being reviewed by management.

### **d) Financial Instruments, Section PS 3450 and related amendments to Financial Statement Presentation, Section PS 1200**

In March of 2011, PSAB approved new Section PS 3450, Financial Instruments, and related amendments to existing Section PS 1200, Financial Statement Presentation. The effective date for Section PS 3450 is April 1, 2012 for government organizations and April 1, 2015 for governments. Earlier adoption is permitted. Governments and government organizations adopt Section PS 3450 in the same fiscal year Section PS 2601, Foreign Currency Translation, is adopted.

The impact of the transition to these accounting standards is being reviewed by management.

### **e) Foreign Currency Translation, Section PS 2601**

In March of 2011, PSAB approved Section PS 2601, replacing existing Section PS 2600, Foreign Currency Translation. The effective date for Section PS 2601 is April 1, 2012 for government organizations and April 1, 2015 for governments. Earlier adoption is permitted. Governments and government organizations adopt Section PS 2601 in the same fiscal year Section PS 3450, Financial Instruments, is adopted.

The impact of the transition to these accounting standards has been reviewed by management and is considered to be not significant.

**3. GRANTS RECEIVABLE** (in thousands of dollars)

	2011 Actual	2010 Actual
Government of Northwest Territories		
Diamond Project	\$ 4	\$ 3
Community Grants	20	19
District Energy	25	—
Municipal Rural Infrastructure Fund Innovation Fund	—	416
Infrastructure Stimulus Fund	685	317
Aboriginal Affairs and Northern Development Canada		
Multiplex Heat Recovery	10	10
Community Grants	74	133
Olympic Ice Cover	15	15
Library Grant	2	2
Canadian Northern Economic Development		
District Energy	114	—
Eco-Housing	6	—
Energy and Natural Resources - District Energy	50	—
Federal Community Adjustment Fund	439	195
	<b>\$ 1,444</b>	<b>\$ 1,110</b>

**4. TAXES RECEIVABLE** (in thousands of dollars)

	2011 Actual	2010 Actual
Property Taxes Receivable	\$ 1,782	\$ 1,825
Less: Allowance for Doubtful Taxes Receivable	(1,054)	(903)
	<b>\$ 728</b>	<b>\$ 922</b>

**5. WATER & SEWER RECEIVABLE** (in thousands of dollars)

	2011 Actual	2010 Actual
Water and Sewer Receivable	\$ 1,116	\$ 1,134
Less: Allowance for Doubtful Accounts	(227)	(38)
	<b>\$ 889</b>	<b>\$ 1,096</b>

**6. OTHER ACCOUNTS RECEIVABLE** (in thousands of dollars)

	2011 Actual	2010 Actual
Land Sales and Trade Accounts Receivables	\$ 2,616	\$ 1,866
Community Services Receivables	308	280
Municipal Enforcement Receivables	581	469
Northland Utilities Ltd. Power Distribution Franchise	909	860
Due From Homelessness Coalition (Note 16c)	1,474	1,553
GST Receivable	867	11
Other	287	174
	<b>7,042</b>	<b>5,213</b>
Less: Allowance for Doubtful Accounts	(620)	(525)
	<b>\$ 6,422</b>	<b>\$ 4,688</b>

7. WAGES, RETIREMENT BENEFITS, POST-RETIREMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (in thousands of dollars)

	2011 Actual	2010 Actual
Accrued Payroll		
Payroll	\$ 366	\$ 411
Vacation and Lieu Time	544	473
Retirement Allowance	686	650
	1,596	1,534
Wage Assignments	(30)	(30)
	\$ 1,566	\$ 1,504

Payroll

The payroll liability is comprised of wages, salaries and benefits earned in 2011 and paid on the first payroll of 2012.

Vacation and Lieu Time

The vacation and lieu time liability is comprised of the vacation and lieu time that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Retirement Allowance

City employees retiring over the age of 55 with 10 or more years of service are entitled to one week's pay for each year of service to a maximum

of 25 weeks' pay. The retirement allowance liability is calculated from the weekly wages of all employees with 10 years of service multiplied by years of service as at December 31, 2011 and factored by a probability that the employee will remain in service at age 55 as follows:

Age 55+	100%
Age 50 – 55	67%
Age 45 – 50	50%

Wage Assignments

The wage assignment receivable is comprised of payments made by the City on behalf of employees as at December 31, 2011 that will be recovered by payroll deduction from the first payroll of 2012.

8. DEFERRED REVENUE (in thousands of dollars)

	2011 Actual	2010 Actual
Government Transfers		
Federal Gas Tax Revenue	\$ 6,545	\$ 3,284
Property Assessment Contract	12	12
Community Capacity Building Fund	771	771
Community Adjustment Fund	—	—
Infrastructure Grant	41	41
Library Grant	22	22
Transit Grant	492	492
INAC Grants	198	—
Back Bay Float Plane Dock Contributed Capital	47	—
Other	370	398
	\$ 8,498	\$ 5,020

9. LONG-TERM DEBT (in thousands of dollars)

Capital	2011 Actual	2010 Actual
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.	\$ —	\$ 29
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.	—	70
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 May 2012.	169	345
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 May 2012.	9	19
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 May 2012.	9	19
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.	345	512
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.	1,188	1,254
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.	683	889
	2,403	3,137
General		
Registered Mortgage #158,048 with Northwest Territories Housing Corporation, authorized by By-law 4468, to finance the construction of Bailey House, with annual payments of \$181,728 including principal & interest at 6.5%, expiring January 2023. Note 16(c)	1,474	1,553
	\$ 3,877	\$ 4,690

Debentures are secured by taxes and penalties levied, all grants and sundry revenues. The estimated fair value of long-term debt at December 31, 2011 is \$3,751,849 (2010 - \$4,747,236). 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:

2012	\$ 733
2013	1,605
2014	335
2015	102
2016	109
2017 and thereafter	993
	\$ 3,877

10. PROVISION FOR LANDFILL CLOSURE

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 \$1,279,428 (2010 - \$1,274,054) and the City has included \$1,224,595 (96%) (2010 - \$1,146,648 (90%)) as part of the site restoration liability. Costs for future environmental assessment and reclamation are estimated at \$106,125 (2010 - \$106,125). The remaining estimated life of the landfill is four years and monitoring will be required indefinitely. Of the total capacity of 700,000 cubic meters, 30,000 cubic meters (4%) remain. Estimates of future landfill closure costs are subject

to a significant measure of 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. The main components of the landfill closure plan are final capping using selected specific layers of earthen and synthetic materials based on engineered cap design and implementation of a drainage management plan. The post-closure care requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, and inspections.

## 11. TANGIBLE CAPITAL ASSETS (in thousands of dollars)

	USEFUL LIFE	NET BOOK VALUE	
		2011 Actual	2010 Actual
Land and Buildings	Land not amortized; Building 40-50 yrs	\$ 90,843	\$ 91,962
Infrastructure	10-40 yrs	108,987	111,635
Vehicles and Equipment	6-30 yrs	6,877	6,057
Work in Progress	Not amortized	10,518	245
		<b>\$ 217,225</b>	<b>\$ 209,899</b>

## 12. DEFERRED EXPENSES

Under an Alternative Measures Agreement with the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut, the City has allocated \$300,000 to be used to fund future training initiatives for members of its Fire Division. Accordingly, this amount is 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 expense will be recognized. In 2011, \$37,724 was spent on training initiatives. The General Fund includes \$54,424 to be used to fund these training initiatives.

## 13. ACCUMULATED SURPLUS (in thousands of dollars)

	2011 Actual	2010 Actual
<b>Surplus</b>		
Invested in Tangible Capital Assets	\$ 214,820	\$ 206,760
General Fund	2,281	2,076
Land Development Fund	(2,537)	(1,342)
Solid Waste Management Fund	(902)	(340)
Water and Sewer Fund	(382)	84
Capital Fund	6,634	4,498
Service Connection Failure Assistance Fund	33	—
<b>Total Surplus</b>	<b>219,947</b>	<b>211,736</b>
<b>Reserves</b>		
Downtown Development Reserve	366	264
Heritage Reserve	56	48
Information Technology Reserve	627	784
Major Community Facility Reserve	(748)	(919)
Mobile Equipment Replacement Reserve	1,459	1,521
Samuel Colley Library Donation Reserve	202	200
Twin Pine Hill Trail Reserve	264	261
Waterfront Development Reserve	80	80
<b>Reserves Total</b>	<b>2,306</b>	<b>2,239</b>
	<b>\$ 222,253</b>	<b>\$ 213,975</b>

14. FUNDS AND RESERVES

Management funds consist of the general, land development, water and sewer, solid waste management, service connection failure assistance, capital funds, and reserves. Transfers between funds are recorded as adjustments to the appropriate equity account. The interfund transfers are excluded from the consolidated statements. The purposes of the funds are:

**General Fund** - to account for tax and other general revenue, general expenses and 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 expenses 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 expenses. Transfers to and from reserves are reflected as an adjustment to the respective fund and not as revenue or expenses in the statement of financial activities.

The community maintains the following reserves:

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

**Heritage Reserve:**  
Amounts approved by Council for future heritage project expenses are transferred to the Heritage 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 replacement are transferred to the Mobile Equipment Replacement Reserve.

**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.

**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.

RESERVES FOR OPERATING & CAPITAL ACTIVITIES AS FOLLOWS (in thousands of dollars)

	Reserve Balance	Cash Balance	Excess (Shortfall)
Downtown Development Reserve	\$ 366	\$ 239	\$ (127)
Heritage Reserve	56	—	(56)
Information Technology Reserve	627	—	(627)
Major Community Facility Reserve	(748)	—	748
Mobile Equipment Replacement Reserve	1,459	—	(1,459)
Samuel Colley Library Donation Reserve	202	186	(16)
Twin Pine Hill Trail Reserve	264	264	—
Waterfront Development Reserve	80	—	(80)
	\$ 2,306	\$ 689	\$ (1,617)

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, 2011, the City had a shortfall of \$1,617,000 (2010 - \$1,599,000).

15. PENSION AGREEMENTS

The City makes contributions to the Northern Employee Benefits Services (NEBS) Pension Plan, which is a multi-employer plan, on behalf of some members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to the NEBS pension plan was \$ 1,030,926 (2010 - \$ 967,187) for current services and is included as an expense in the Consolidated Statement of Operations. The contributions are calculated at a rate of 8% (2010 – 8%) of regular earnings.

16. CONTINGENCIES

a) Insurance

The City participates in the NWT Association of Communities 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, a statement of claims against the City claiming damages in the amount of \$90,000 was submitted. The plaintiff’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 above noted claim, the City’s estimated exposure to such liabilities is not considered to be significant.

c) Mortgage

Construction of Bailey House was completed in 2009, but transfer of title was delayed beyond December 31, 2009 pending the resolution of

construction deficiency issues. As per a construction loan agreement among the City, the Council of The Salvation Army of Canada and the NWT Housing Corporation, registered mortgage #158,048 is to transfer from the City to The Salvation Army at the time of completion. Simultaneously, the receivable amount recorded as Due from Homelessness Coalition will be considered to be paid in full by the transfer of this mortgage and will be recorded as such. Under clause 23 of the Agreement, failure on the part of The Salvation Army to act in accordance with the Agreement as defined therein would cause the balance of mortgage #158,048 at the time of default to return as a liability to the City. This contingent liability will be disclosed as a note to the financial statements of the City until such time as the mortgage is discharged. As at December 31, 2011, The Salvation Army has been compliant with the terms of the Agreement and NWT Housing Corporation has credited forgivable payments to the mortgage as scheduled for a balance of \$1,474,157 (note 9) and other accounts receivable from the Homelessness Coalition of \$1,474,157 (note 6).

17. COMMITMENTS (in thousands of dollars)

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:

	Total
2012	\$ 2,974
2013	1,093
2014	425
2015	367
2016 and later	—
	<b>\$ 4,859</b>



18. SUBSEQUENT EVENTS

As authorized by By-law No. 4648, the City acquired by purchase, free and simple title to Lot 8, Block 31, Plan 65 on January 20, 2012. The purchase price was \$390,000. The existing building on the property is leased. This lease was assigned to the City effective the date of title transfer.

As authorized by By-law No. 4649, the City acquired by purchase, free and simple title to Lots 9 and 10, Block 31, Plan 65 on January 20, 2012. The purchase price was \$610,000. The City has entered into a commercial rental agreement. This agreement provides revenues to the City of \$3,000 monthly, plus recovery of common area expenses and allows for the operation of a commercial enterprise on the premises.

On April 23, 2012, City Council passed By-law No. 4681 authorizing the City to issue debentures on the security of which may be borrowed up to \$20,000,000 (\$20 million) to be used by the City for the purposes of financing the cost of building a new Water Treatment Plant and related infrastructure, which is required in order to comply with Government of the Northwest Territories regulations and federal government guidelines. The City has also entered into a contract to acquire the filtration system that will be used in the new Water Treatment Plant with Pall Ltd. The estimated value of the contract is \$2,478,540.

On May 1, 2012 the City entered into an agreement with a private developer ("the developer") for the acquisition and disposal of lands for development purposes. As part of the agreement the City agreed to acquire Lot 39, Block 308, Plan 3953 and Lot 10, Block 307, Plan 3953 (Niven Lake Lands) from the developer for the agreed price of \$4,037,790, and to sell to the developer Lots 7 – 10, Block 80, Plan 72 and Lot 14, Block 80, Plan 3950 and Lot 15, Block 80, Plan 4320 (the Twin Pine Lands) for the agreed price of \$910,500. The net purchase price, after adjustments paid by the City on May 29, 2012, was \$3,122,502.

On May 23, 2012 the City entered into a memorandum of understanding with Condominium Corporation No. 8 regarding the replacement of the aging water and sewer infrastructure in Northlands mobile home park. It is estimated that the City will expend up to \$16,000,000 (\$16 million) to replace said infrastructure. The City will be required to borrow the funds to pay for the work and will recover the cost of the project, including debt servicing charges, from the residents by way of a Local Improvement Charge (LIC). The project will commence once the Condominium Corporation is successful in completing a petition requesting that the City establish a local improvement charge to complete the work.

19. PRECEDING YEAR'S AND BUDGET FIGURES (in thousands of dollars)

Preceding year's and budget figures have been reclassified to conform to the current year's presentation. The City's 2011 Financial Plan reported all capital expenditures including tangible capital assets acquisitions as operations expenses. These expenditures have been reclassified as follows:

Capital purchases as presented in 2011 Budget	\$ 17,207
Less:	
Acquisitions of Tangible Capital Assets	12,821
Minor Capital Expense	\$ 4,386

20. CASH HELD IN TRUST (in thousands of dollars)

McLennan Ross LLP for firefighters' training  
Alternative Measures Agreement  
Field LLP for Land Purchases - Lot 9 & 10 Block 31 Plan 65

2011 Actual	2010 Actual
54	92
374	—
\$ 428	\$ 92

**21. CURRENT ASSETS AND LIABILITIES** (in thousands of dollars)

	2011 Actual	2010 Actual
<b>Current Assets</b>		
Cash	\$ 17,699	\$ 16,373
Accounts Receivable		
Grants	1,444	1,110
Taxes	728	922
Water & Sewer and other receivables	7,311	5,784
Land Held for Resale	3,843	2,398
Inventories	383	413
Prepays	383	325
	<b>\$ 31,791</b>	<b>\$ 27,325</b>
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 7,942	\$ 7,614
Wages, Retirement Benefits, Post-Retirement Benefits and Compensated Absences Liability	1,566	1,504
School Taxes Payable	2,257	2,285
Deposits Payable	1,346	975
Deferred Revenue	8,498	5,020
Current Portion of Long-Term Debt	649	735
Current Portion of Provision for Landfill Closure and Post-Closure Costs	339	275
	<b>\$ 22,597</b>	<b>\$ 18,408</b>

# **CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS** As at December 31, 2011 | (in thousands of dollars)

Cost	Land and Buildings	Infrastructure	Vehicles and Equipment	Work in Progress	General Government	Community Services	Planning and Lands	Public Safety	Public Works	Solid Waste Facility	Water and Sewer	Total
Balance, Beginning of year	11,991.8	195,563	13,366	245	5,894	59,477	28,203	5,335	62,896	6,872	160,415	329,092
Add:												
Additions during year	1,171	4,726	1,710	10,273	560	1,955	—	792	3,789	3,793	6,991	17,880
Less:												
Disposals during year	360	3,240	144	—	—	504	—	—	2,312	—	928	3,744
Other – donations and transfers	—	—	—	—	—	—	—	—	—	—	—	—
<b>Balance, End of Year</b>	<b>120,729</b>	<b>197,049</b>	<b>14,932</b>	<b>10,518</b>	<b>6,454</b>	<b>60,928</b>	<b>28,203</b>	<b>6,127</b>	<b>64,373</b>	<b>10,665</b>	<b>166,478</b>	<b>343,228</b>
<b>Accumulated Amortization</b>												
Balance, Beginning of Year	27,956	83,928	7,309	—	4,483	11,343	—	2,216	25,303	1,249	74,599	119,193
Add:												
Amortization during year	1,930	6,214	789	—	218	1,215	—	155	3,265	230	3,850	8,933
Less:												
Accumulated amortization on disposals	—	2,080	43	—	—	43	—	—	1,294	—	786	2,123
<b>Balance, End of Year</b>	<b>29,886</b>	<b>88,062</b>	<b>8,055</b>	<b>—</b>	<b>4,701</b>	<b>12,515</b>	<b>—</b>	<b>2,371</b>	<b>27,274</b>	<b>1,479</b>	<b>77,663</b>	<b>126,003</b>
<b>Net Book Value of Tangible Capital Assets</b>	<b>90,843</b>	<b>108,987</b>	<b>6,877</b>	<b>10,518</b>	<b>1,753</b>	<b>48,413</b>	<b>28,203</b>	<b>3,756</b>	<b>37,099</b>	<b>9,186</b>	<b>88,815</b>	<b>217,225</b>

**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE**

As at December 31, 2011 | (in thousands of dollars)

	2011 Budget	General Government	Community Services	Planning & Lands	Public Safety	Public Works	Solid Waste Facility	Water & Sewer	2011 Actual	2010 Actual
<b>Revenues</b>										
Property Taxation	\$ 22,319	\$ 22,375	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,375	\$ 21,478
User Fees, Licenses & Permits,	20,006	556	2,000	5,096	2,274	342	2,276	9,176	21,720	20,704
Sale of Goods, Levies, Fines & Penalties	14,000	15,855	214	82	135	428	—	—	16,714	15,389
Government Transfer	1,038	1,249	—	—	—	—	—	—	1,249	1,106
Other										
<b>Subtotal Revenues</b>	<b>57,363</b>	<b>40,035</b>	<b>2,214</b>	<b>5,178</b>	<b>2,409</b>	<b>770</b>	<b>2,276</b>	<b>9,176</b>	<b>62,058</b>	<b>58,677</b>
<b>Expenses</b>										
Amortization	9,176	218	1,215	—	155	3,265	230	3,850	8,933	7,936
Bad Debt	100	417	—	—	—	—	—	—	417	331
Bank Charges and Short-Term Interest	156	173	—	—	—	—	—	—	173	169
Construction and Maintenance Supplies	670	—	—	—	—	367	—	420	787	694
Contingency	75	112	—	—	—	—	—	—	112	132
Contracted and General Services	8,438	1,511	1,476	156	301	2,357	1,426	2,148	9,375	9,176
Grants	464	449	—	—	—	—	—	—	449	427
Insurance	705	704	—	—	—	—	—	—	704	697
Interest on Long-Term Debt	152	152	—	—	—	—	—	—	152	191
Land	1,624	—	—	1,504	—	—	—	—	1,504	1,735
Mayor and Council Expenses	611	479	—	—	—	—	—	—	479	703
Minor Capital	4,235	357	1,070	230	166	2,473	209	907	5,412	4,074
Office and Administrative Supplies	314	195	39	7	53	37	—	—	331	316
Professional Services	187	203	2	14	—	—	—	—	219	278
Salaries, Wages and Benefits	21,062	5,287	3,686	1,356	4,589	2,830	768	2,078	20,594	19,434
Transfers to Other Organizations	80	83	—	—	—	—	—	—	83	82
Utilities - Electricity	1,850	—	922	—	43	40	54	840	1,899	1,741
Utilities - Fuel	878	—	595	—	45	71	64	254	1,029	784
Vehicle Operations and Maintenance	667	7	73	2	151	626	118	151	1,128	878
<b>Subtotal Expenses</b>	<b>51,444</b>	<b>10,347</b>	<b>9,078</b>	<b>3,269</b>	<b>5,503</b>	<b>12,066</b>	<b>2,869</b>	<b>10,648</b>	<b>53,780</b>	<b>49,778</b>
<b>Net Revenue (Expense)</b>	<b>\$ 5,919</b>	<b>\$ 29,688</b>	<b>\$ (6,864)</b>	<b>\$ 1,909</b>	<b>\$ (3,094)</b>	<b>\$ (11,296)</b>	<b>\$ (593)</b>	<b>\$ (1,472)</b>	<b>\$ 8,278</b>	<b>\$ 8,899</b>

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS

As at December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Government of Canada</b>			
MRIF Innovation Fund	\$ —	\$ —	\$ 296
Community Capacity Building Fund	—	—	3
Gas Tax Agreement	4,519	5,777	871
Transit Funding	—	—	83
Infrastructure Stimulus Fund	—	368	317
YK Smart Community Grant (INAC/FCM)	—	571	63
	4,519	6,716	1,633
<b>Government of the Northwest Territories</b>			
MACA Formula Funding (not including insurance)	6,753	6,753	6,753
MACA Contribution Agreements:			
Infrastructure Grant	—	—	3
Capital Grant	2,210	2,210	2,210
Assessment Contract	125	125	190
Library Grant	110	105	105
Sports and Recreation Grant	83	99	61
Ground Ambulance Equipment	—	130	80
Con Mine Geothermal Study	—	422	180
Public Works Capital Contribution Kam Lake Bypass Rd	—	—	3,613
Environment & Natural Resources Contribution Agreements			
Community Transfers	60	50	70
	9,341	9,894	13,265
<b>Other Contribution Agreements</b>	140	104	491
	\$ 14,000	\$ 16,714	\$ 15,389

## SCHEDULE OF REVENUE AND EXPENDITURES

### GAS TAX AGREEMENT As at December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Revenue</b>			
Government of Canada	\$ 9,038	\$ 9,038	\$ —
<b>Deferred Revenue</b>			
From Previous Year	3,284	3,284	4,155
Balance in Deferred	—	(6,545)	(3,284)
From (to) Deferred Revenue	3,284	(3,261)	871
<b>Total Revenues</b>	<b>12,322</b>	<b>5,777</b>	<b>871</b>
<b>Expenditures</b>			
New Landfill	—	1,104	114
Pumphouse Replacement/ Water Treatment Plant	8,654	2,010	171
3-Cell Salvaging System	—	—	45
Shelter for E-Waste	30	20	26
Landfill Compactor	—	—	349
Storage for Unbaled Recycle	50	53	—
New Piping for Pumphouse & Liftstations	409	—	9
Liftstation Backup Power	300	95	—
Liftstations Upgrade	—	5	—
Monitor & Control Assessment	133	51	47
Pump Replacement Program	440	141	110
Water & Sewer Replacement	2,306	2,298	—
<b>Total Expenditures</b>	<b>12,322</b>	<b>5,777</b>	<b>871</b>
<b>Net Revenue</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

Gas Tax revenue of \$9,038,143 was received and recognized in 2011. \$4,519,094 of this amount was related to the 2010 funding agreement that was not received until 2011. The amount deferred as at December 31, 2011 is \$6,544,731. The approximate interest earned for 2011 is \$72,900 (2010: \$28,600).

## SCHEDULE OF REVENUE AND EXPENDITURES

### COMMUNITY CAPACITY BUILDING FUND As at December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Deferred Revenue</b>			
From Previous Year	\$ —	\$ 771	\$ 771
Balance in Deferred	—	(771)	(771)
From (to) Deferred Revenue	—	—	—
<b>Total Revenues</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Expenditures</b>			
911 Emergency Services	—	—	—
<b>Total Expenditures</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Revenue over Expenditures</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

# SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE

**GENERAL FUND** For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Revenues</b>			
Property Taxation	\$ 28,744	\$ 24,725	\$ 24,488
Payments in Lieu of Taxes			
Government of Canada	560	1,814	1,707
Government of Northwest Territories	809	3,401	3,185
Crown Corporations	38	162	157
Total Payment in Lieu of Taxes	1,407	5,377	5,049
Total Property Taxation	30,181	30,102	29,537
Less: School Taxes	(9,298)	(9,163)	(9,143)
<b>Net Municipal Taxation</b>	<b>20,883</b>	<b>20,939</b>	<b>20,394</b>
User Fees and Sale of Goods	3,290	3,259	2,913
Government Transfers	298	314	388
Investment Income	145	340	246
Fines, Penalties and Costs of Taxes	968	994	908
Development Levies, Licenses and Permits	1,578	1,533	1,412
Franchise and Concession Contracts	893	909	860
<b>Total Revenues</b>	<b>28,055</b>	<b>28,288</b>	<b>27,121</b>
<b>Expenses</b>			
Operating			
General Government	9,725	10,561	10,495
Protective Services	5,615	5,676	5,329
Transportation and Public Works	6,017	9,594	8,575
Land Development	732	646	676
Recreation and Culture	7,020	6,945	6,478
Fiscal	5,050	891	823
Total Operating Expenses	34,159	34,313	32,376
<b>Net Expense</b>	<b>(6,104)</b>	<b>(6,025)</b>	<b>(5,255)</b>
<b>Interfund Transfers</b>			
From Water and Sewer Fund	1,068	1,066	1,063
From Solid Waste Fund	182	228	205
From Land Development Fund	175	175	175
To Reserves	(27)	(92)	(136)
	1,398	1,377	1,307
<b>Decrease in Fund Balance before Reallocation of Amortization of Investment in Tangible Capital Assets</b>	<b>(4,706)</b>	<b>(4,648)</b>	<b>(3,948)</b>
<b>Reallocation of Amortization</b>	<b>4,714</b>	<b>4,853</b>	<b>3,952</b>
<b>Increase of Fund Balance</b>	<b>8</b>	<b>205</b>	<b>4</b>
<b>Opening Fund Balance</b>	<b>2,076</b>	<b>2,076</b>	<b>2,072</b>
<b>Closing Fund Balance</b>	<b>\$ 2,084</b>	<b>\$ 2,281</b>	<b>\$ 2,076</b>

**SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE**  
**LAND DEVELOPMENT FUND**

For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
Revenues			
User Fees and Sale of Goods	\$ 2,832	\$ 4,354	\$ 4,185
Government Transfers	—	—	3,613
Total Revenues	2,832	4,354	7,798
Expenses			
Operating			
Land Development	1,623	1,504	1,735
Capital			
Infrastructure	—	—	7,226
Total Expenditures	1,623	1,504	8,961
Net Revenues	1,209	2,850	(1,163)
Interfund Transfer			
To Capital Fund	—	(3,846)	—
To General Fund	(175)	(175)	(175)
To Reserves	—	(24)	(110)
	(175)	(4,045)	(285)
Increase (Decrease) in Fund Balance	1,034	(1,195)	(1,448)
Opening Fund Balance	(1,342)	(1,342)	106
Closing Fund Balance	\$ (308)	\$ (2,537)	\$ (1,342)



**SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE**  
**SOLID WASTE MANAGEMENT FUND**

For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
Revenues			
User Fees and Sale of Goods	\$ 1,671	\$ 2,095	\$ 1,757
Total Revenues	1,671	2,095	1,757
Expenses			
Operating			
Environmental and Public Health Services	1,667	2,659	2,231
Total Expenses	1,667	2,659	2,231
Net Expense	4	(564)	(474)
Interfund Transfers			
To General Fund	(182)	(228)	(205)
Decrease in Fund Balance before Reallocation of Amortization of Investment in Tangible Capital Assets	(178)	(792)	(679)
Reallocation of Amortization	218	230	157
Increase (Decrease) in Fund Balance	40	(562)	(522)
Opening Fund Balance	(340)	(340)	182
Closing Fund Balance	\$ (300)	\$ (902)	\$ (340)

**SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE**  
**WATER AND SEWER FUND**

For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Government Tranfers	\$ —	\$ —	\$ 1
User Fees and Sale of Goods	5,736	5,766	5,743
Fines, Penalties and Costs of Taxes	126	130	114
Total Revenues	5,862	5,896	5,858
Expenses			
Operating			
Water and Sewage	9,035	9,146	8,574
Total Expenses	9,035	9,146	8,574
Net Expense	(3,173)	(3,250)	(2,716)
Interfund Transfers			
To General Fund	(1,068)	(1,066)	(1,063)
Decrease in Fund Balance before Reallocation of Amortization of Investment in Tangible Capital Assets	(4,241)	(4,316)	(3,779)
Reallocation of Amortization	4,244	3,850	3,827
Increase (Decrease) in Fund Balance	3	(466)	48
Opening Fund Balance	84	84	36
Closing Fund Balance	\$ 87	\$ (382)	\$ 84

# SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE

**CAPITAL FUND** For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Revenues</b>			
Property Taxation	\$ 1,436	\$ 1,436	\$ 1,084
Government Transfers	13,702	16,400	11,387
User Fees and Sale of Goods	3,231	2,962	3,076
<b>Total Revenues</b>	<b>18,369</b>	<b>20,798</b>	<b>15,547</b>
<b>Expenditures</b>			
Capital			
General Government	1,138	1,069	821
Protective Services	1,242	891	255
Transportation and Public Works	5,134	3,881	3,192
Land Development	950	5,375	343
Recreation and Culture	1,203	1,178	8,499
Environmental and Public Health	1,405	4,278	1,736
Water and Sewage	7,098	5,151	2,903
<b>Total Expenditures</b>	<b>18,170</b>	<b>21,823</b>	<b>17,749</b>
<b>Net Expenditures</b>	<b>199</b>	<b>(1,025)</b>	<b>(2,202)</b>
<b>Interfund Transfers</b>			
From Information Technology Reserve	362	157	87
From Land Fund	70	3,846	—
(To) From Major Community Facility Reserve	(467)	(170)	4,288
(To) From Mobile Equipment Replacement Reserve	142	62	(223)
(To) Samuel Colley Donation Reserve	—	—	(65)
From Downtown Development Reserve	—	—	34
	<b>107</b>	<b>3,895</b>	<b>4,121</b>
	306	2,870	1,919
Less: Debt Repayment	(746)	(734)	(706)
<b>Increase (Decrease) in Fund Balance</b>	<b>(440)</b>	<b>2,136</b>	<b>1,213</b>
<b>Opening Fund Balance</b>	<b>4,498</b>	<b>4,498</b>	<b>3,285</b>
<b>Closing Fund Balance</b>	<b>\$ 4,058</b>	<b>\$ 6,634</b>	<b>\$ 4,498</b>

**SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE**  
**SERVICE CONNECTION FAILURE ASSISTANCE FUND**  
(in thousands of dollars)

For the year ended December 31, 2011

	2011 Budget	2011 Actual	2010 Actual
<b>Revenues</b>			
User Fees and Sale of Goods	\$ 574	\$ 627	\$ 596
Transfer to Deferred Revenues	—	—	—
<b>Total Revenues</b>	574	627	596
<b>Expenses</b>			
Operating			
Water and Sewage	574	594	596
<b>Total Expenses</b>	574	594	596
<b>Net Revenue</b>	—	33	—
<b>Interfund Transfers</b>			
(To) From General Fund	—	—	—
(To) From Capital Fund	—	—	—
	—	—	—
<b>Increase in Fund Balance</b>	—	33	—
<b>Opening Fund Balance</b>	—	—	—
<b>Closing Fund Balance</b>	\$ —	\$ 33	\$ —

# SCHEDULE OF FUND ACTIVITIES AND CHANGE IN FUND BALANCE

**RESERVE FUND** For the year ended December 31, 2011 (in thousands of dollars)

	2011 Budget	2011 Actual	2010 Actual
<b>Net Interfund Transfers</b>			
(To) From General Fund			
Downtown Development	\$ 27	\$ 79	\$ 102
Heritage Reserve	—	8	31
Samuel Colley Library Donation	—	2	1
Twin Pine Hill Trail Reserve	—	3	2
(To) From Land Fund			
Downtown Development	—	24	110
(To) From Capital Fund			
Information Technology	(362)	(157)	(87)
Major Community Facility	467	170	(4,288)
Mobile Equipment Replacement	(142)	(62)	223
Samuel Colley Library Donation	—	—	65
Downtown Development	—	—	(34)
<b>Decrease in Reserves</b>	(10)	67	(3,875)
<b>Opening Reserves Balance</b>	2,239	2,239	6,114
<b>Closing Reserves Balance</b>	\$ 2,239	\$ 2,306	\$ 2,239
<b>Reserve Balances</b>			
Downtown Development Reserve	\$ 291	\$ 366	\$ 263
Heritage Reserve	48	56	48
Information Technology Reserve	423	627	784
Major Community Facility Reserve	(452)	(748)	(918)
Mobile Equipment Replacement Reserve	1,379	1,459	1,521
Samuel Colley Library Donation Reserve	200	202	200
Twin Pine Hill Trail Reserve	260	264	261
Waterfront Development Reserve	80	80	80
	\$ 2,229	\$ 2,306	\$ 2,239

# CONSOLIDATED STATEMENT OF OPERATIONS

**COMPARATIVE FOR 5 YEARS** For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008 Restated	2009 Restated	2010	2011
<b>Revenue</b>					
Municipal Taxes	\$17,564	\$18,543	\$19,728	\$21,478	<b>\$22,375</b>
User Charges	13,252	15,633	13,807	18,270	<b>19,063</b>
Government Transfers	18,173	14,898	17,308	15,389	<b>16,714</b>
Investment Income	836	770	221	246	<b>340</b>
Fines, Penalties and Costs of Taxes	784	765	1,005	1,022	<b>1,124</b>
Development Levies, Licences and Permits	1,482	1,252	1,347	1,412	<b>1,533</b>
Franchise and Concessions Contracts	728	820	866	860	<b>909</b>
<b>Total Revenues</b>	<b>52,819</b>	<b>52,681</b>	<b>54,282</b>	<b>58,677</b>	<b>62,058</b>
<b>Expenditures</b>					
Operating					
General Government	8,479	9,404	9,726	10,495	<b>10,562</b>
Protective Services	4,217	4,414	4,968	5,329	<b>5,676</b>
Transportation and Public Works	4,917	8,327	8,632	8,575	<b>9,594</b>
Land Development	1,313	5,399	670	2,411	<b>2,150</b>
Recreation and Culture	5,211	5,693	5,945	6,478	<b>6,945</b>
Environmental and Public Health Services	1,550	1,605	1,662	2,231	<b>2,659</b>
Water & Sewer	4,606	8,911	9,264	9,170	<b>9,740</b>
Minor Capital	-	-	4,796	4,266	<b>5,563</b>
Fiscal	171	1,356	1,568	823	<b>891</b>
<b>Total Operating Expenditures</b>	<b>30,464</b>	<b>45,109</b>	<b>47,231</b>	<b>49,778</b>	<b>53,780</b>
Capital					
General Government	2,935	-	-	-	-
Capital	10,111	-	-	-	-
<b>Total Capital Expenditures</b>	<b>13,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>43,510</b>	<b>45,109</b>	<b>47,231</b>	<b>49,778</b>	<b>53,780</b>
<b>Net Revenue</b>	<b>9,309</b>	<b>7,572</b>	<b>7,051</b>	<b>8,899</b>	<b>8,278</b>
Accumulated Surplus at Beginning of Year	181,144	190,453	198,025	205,076	<b>213,975</b>
Restatement			(17,576)		
<b>Accumulated Surplus at End of Year</b>	<b>\$190,453</b>	<b>\$198,025</b>	<b>\$205,076</b>	<b>\$213,975</b>	<b>\$222,253</b>

## FUND BALANCES

For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008 Restated	2009 Restated	2010	2011
<b>Change in Funds Balance</b>					
General Fund	\$500	\$(191)	\$(375)	\$4	<b>\$205</b>
Land Development	(1,309)	(1,148)	(5)	(1,448)	<b>(1,195)</b>
Solid Waste Management	(166)	(7)	8	(522)	<b>(562)</b>
Water & Sewer	19	(62)	194	48	<b>(466)</b>
Service Connection Failure Assistance	237	-	-	-	<b>33</b>
Capital	2,913	(2,521)	1,303	1,213	<b>2,136</b>
Reserves					
Downtown Development	95	27	(184)	177	<b>103</b>
Heritage Committee Reserve	6	-	11	31	<b>8</b>
Information Technology	520	259	(272)	(87)	<b>(157)</b>
Major Community Facility	4,247	2,509	(5,257)	(4,288)	<b>170</b>
Mobile Equipment Replacement	(66)	(451)	(55)	224	<b>(62)</b>
Samuel Colley Library Donation	11	(51)	(64)	66	<b>2</b>
Twin Pine Hill Trail Reserve	-	7	1	3	<b>3</b>
	<b>\$7,007</b>	<b>\$(1,629)</b>	<b>\$(4,695)</b>	<b>\$(4,579)</b>	<b>\$218</b>
<b>Funds Balance</b>					
General Fund	\$2,638	\$2,447	\$2,072	\$2,076	<b>\$2,281</b>
Land Development	1,258	111	106	(1,342)	<b>(2,537)</b>
Solid Waste Management	180	174	182	(340)	<b>(902)</b>
Water & Sewer	(96)	(158)	36	84	<b>(382)</b>
Service Connection Failure Assistance	-	-	-	-	<b>33</b>
Capital	4,503	1,982	3,285	4,498	<b>6,634</b>
Reserves					
Downtown Development	244	270	86	263	<b>366</b>
Heritage Committee Reserve	6	6	17	48	<b>56</b>
Information Technology	884	1,143	871	784	<b>627</b>
Major Community Facility	6,119	8,627	3,370	(918)	<b>(748)</b>
Mobile Equipment Replacement	1,803	1,352	1,297	1,521	<b>1,459</b>
Samuel Colley Library Donation	249	198	134	200	<b>202</b>
Twin Pine Hill Trail Reserve	250	257	258	261	<b>264</b>
Waterfront Development	80	80	80	80	<b>80</b>
	<b>\$18,118</b>	<b>\$16,489</b>	<b>\$11,794</b>	<b>\$7,215</b>	<b>\$7,433</b>

## GOVERNMENT TRANSFERS

For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008	2009	2010	2011
GNWT - Formula Funding	\$6,556	\$6,472	\$6,500	\$6,753	<b>\$6,753</b>
GNWT - Capital Grant	1,783	2,219	2,210	2,210	<b>2,210</b>
Community Capacity Building Fund	4,971	101	17	3	<b>13</b>
Gas Tax Agreement	2,319	2,846	1,534	871	<b>5,778</b>
Build Canada Fund	-	-	4,371	-	<b>-</b>
Municipal Rural Infrastructure Fund	1,814	2,320	1,215	299	<b>0</b>
Other	730	940	1,461	5,253	<b>1,960</b>
	<b>\$18,173</b>	<b>\$14,898</b>	<b>\$17,308</b>	<b>\$15,389</b>	<b>\$16,714</b>

## EXPENDITURES BY OBJECT

For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008	2009	2010	2011
Amortization	-	\$8,515	\$9,000	\$7,936	<b>\$8,933</b>
Bank Charges and Short-Term Interest	\$192	212	279	169	<b>173</b>
Capital Purchases	12,602	-	-	-	<b>-</b>
Capital Purchases - Minor	-	-	4,547	4,074	<b>5,412</b>
Construction and Maintenance Supplies	520	611	473	694	<b>787</b>
Contingency	126	20	66	132	<b>112</b>
Contracted and General Services	7,854	8,279	8,333	9,176	<b>9,375</b>
Grants	426	427	418	427	<b>449</b>
Insurance	797	574	574	697	<b>704</b>
Interest on Long-Term Debt	443	325	248	191	<b>152</b>
Land	780	4,796	45	1,735	<b>1,504</b>
Mayor and Council Expenses	526	526	540	703	<b>479</b>
Office and Administrative Supplies	330	341	353	316	<b>331</b>
Professional Services	367	262	136	278	<b>219</b>
Provision for Allowances (Recovery)	(85)	175	264	331	<b>417</b>
Salaries, Wages and Benefits	15,538	16,516	18,447	19,434	<b>20,594</b>
Transfers to Other Organizations	64	74	79	82	<b>83</b>
Utilities - Electricity	1,358	1,500	1,643	1,741	<b>1,899</b>
Utilities - Fuel	990	1,129	819	784	<b>1,029</b>
Vehicle O & M	682	826	967	878	<b>1,128</b>
<b>Total Expenditures</b>	<b>\$43,510</b>	<b>\$45,109</b>	<b>\$47,231</b>	<b>\$49,778</b>	<b>\$53,780</b>



## CAPITAL FINANCING

For the year ended December 31, 2011 (in thousands of dollars)

	2006	2007	2008	2009	2010	2011
<b>Revenue</b>						
Taxation	\$1,817	\$1,396	\$1,776	\$1,105	\$1,084	<b>\$1,436</b>
Government Transfers	10,786	17,232	14,060	16,851	11,387	<b>16,400</b>
User Charges	1,975	3,172	1,921	3,022	3,076	<b>2,962</b>
	14,578	21,800	17,757	20,978	15,547	<b>20,798</b>
Debt Issued	-	-	-	-	-	-
Debt Principal Repayments	(1,965)	(2,301)	(1,451)	(1,128)	(706)	<b>(734)</b>
Fund Transfers	(895)	(3,540)	(2,238)	5,866	4,121	<b>3,895</b>
Fund Balance Used (Accumulated)	(408)	(2,913)	2,520	(1,303)	(1,213)	<b>(2,136)</b>
	11,310	13,046	16,588	24,413	17,749	<b>21,823</b>
<b>Capital Expenditures (By Function)</b>						
General Government	1,850	2,492	453	576	630	<b>917</b>
Community Services	1,048	891	2,761	12,520	8,499	<b>1,178</b>
Public Safety	113	166	83	181	255	<b>891</b>
Public Works	4,109	3,247	4,705	3,376	3,192	<b>3,881</b>
Planning & Development	-	96	297	906	343	<b>5,375</b>
Water & Sewer	3,351	5,175	7,688	4,335	2,903	<b>5,151</b>
Solid Waste Management	273	536	276	2,271	1,736	<b>4,278</b>
Debt Interest	566	443	325	248	191	<b>152</b>
	\$11,310	\$13,046	\$16,588	\$24,413	\$17,749	<b>\$21,823</b>

## PRINCIPAL CORPORATE TAXPAYERS

For the year ended December 31, 2011 (in thousands of dollars)

	2010	2011	Percent of 2011 Total
Northern Property REIT & Urbco Inc.	1,909	<b>2,137</b>	6.79%
Dundee Canada West (GP) Inc.	931	<b>959</b>	3.05%
RTL Robinson Enterprises Ltd and Robinson Trucking Ltd	677	<b>692</b>	2.20%
Polar Developments Ltd & 5119 NWT Ltd	570	<b>514</b>	1.63%
Northwestel Inc.	372	<b>397</b>	1.26%
HREIT Holdings 18 Corp	317	<b>306</b>	0.97%
4912 NWT Ltd o/a Explorer Hotel	313	<b>323</b>	1.03%
Gold Bar Development & Andromeda Investment Ltd.	298	<b>279</b>	0.89%
Royal Host GP Inc (Yellowknife Inn)	207	<b>213</b>	0.68%
NWT Community Services Corp	201	<b>207</b>	0.66%

## ANALYSIS OF PROPERTY ASSESSMENT AND TAXATION SCHEDULE

For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008	2009 Restated	2010 Restated	2011
Assessed Value of Property*	\$1,861,916	\$1,911,408	\$1,951,055	\$1,977,025	\$1,996,863
Municipal Mill Rates					
Residential	7.01	7.22	7.50	7.93	8.25
Multi-Residential	7.54	7.76	8.07	8.53	8.87
Commercial/Industrial	12.83	13.21	13.73	14.51	15.09
Mining/Quarrying	14.50	14.93	15.52	16.40	17.05
High Density Parking	6.70	6.90	7.17	7.58	7.88
Agriculture	7.01	7.22	7.50	7.93	8.25
School Mill Rates	4.64	4.64	4.64	4.64	4.64
Municipal Tax Levy	17,603	18,578	19,728	21,478	22,375
Taxes Collected and Transferred to Local School Boards					
Public School Board	4,963	5,110	5,303	5,467	5,558
Separate School Board	3,650	3,658	3,645	3,677	3,605
	8,613	8,768	8,948	9,144	9,163
Yearly Residential Property Tax Bill (based on an average residential home in Yellowknife)					
Municipal Taxes	\$1,426	\$1,468	\$1,525	\$1,620	\$1,685
School Taxes	944	944	944	948	948
	\$2,369	\$2,412	\$2,469	\$2,567	\$2,633
Outstanding Property Taxes **	1,689	1,475	1,132	922	727
Outstanding Property Taxes As a Percentage of the Tax Levy	6%	5%	4%	3%	2%

\*Includes taxable and grantable properties only.

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

## ANALYSIS OF LONG-TERM DEBT

For the year ended December 31, 2011 (in thousands of dollars)

	2007	2008 Restated	2009 Restated	2010	2011
<b>Debt Outstanding*</b>					
Supported by Property Taxes	6,422	4,971	3,843	3,137	<b>2,403</b>
Supported by Land Sales	-	-	-	-	-
	6,422	4,971	3,843	3,137	<b>2,403</b>
<b>Legal Debt Limit**</b>	186,192	191,141	195,106	197,703	<b>199,686</b>
<b>Per Capita Debt</b>					
Supported by Property Taxes	333	258	195	157	<b>121</b>
Supported by Land Sales	-	-	-	-	-
	333	258	195	157	<b>121</b>
<b>Interest &amp; Principal Repayments as a Percentage of Total Expenditures</b>					
Capital	6%	3%	3%	2%	<b>2%</b>
Land	0%	0%	0%	0%	<b>0%</b>
	6%	3%	3%	2%	<b>2%</b>
<b>Debt Burden (Overlapping Debt)</b>					
City	6,422	4,971	3,843	3,137	<b>2,403</b>
Public School Board***	-	-	-	-	-
Separate School Board***	7,011	6,485	5,926	5,371	<b>4,705</b>
	13,433	11,456	9,769	8,508	<b>7,108</b>

\*Debt amounts are gross debt. The City does not have sinking funds. \*\*From 2004 onwards, debt limit is 10% of the assessed value of property. \*\*\*School board debt is as of June 30 each year.

## COMMUNITY PROFILE

For the year ended December 31, 2011 (in thousands of dollars)

	2006	2007	2008	2009	2010	2011
<b>Population</b>						
Population*	18,695	19,306	19,256	19,711	19,927	<b>19,234</b>
Households**	6,630	6,630	6,630	6,742	6,871	<b>6,938</b>
<b>Construction Values</b> (in thousands of dollars)						
Residential	10,889	8,670	13,080	11,004	20,818	n/a
Commercial/Industrial	10,966	41,745	8,578	52,885	23,337	n/a
	21,855	50,415	21,658	63,889	44,155	
<b>City Employees</b>						
Continuous full-time	166	168	176	183	186	<b>188</b>
Per 1,000 population	8.9	8.7	9.1	9.3	9.3	<b>9.5</b>
Employee turnover	23%	17%	27%	19%	14%	<b>15%</b>
<b>City Infrastructure</b> (kms)						
Paved roads and alleys	76.6	77.8	77.8	79.0	75.2	<b>80.3</b>
Unpaved roads and alleys	13.7	14.7	22.5	30.1	41.7	<b>25.0</b>
	90.3	92.5	100.3	109.1	116.9	<b>105.3</b>
Water lines	69.6	73.5	75.0	75.0	73.9	<b>74.1</b>
Sewer lines	54.5	56.0	56.7	56.7	59.6	<b>62</b>
Storm drain lines	21.3	21.3	21.7	21.7	17.3	<b>21</b>
Fire hydrants (number of)	318	315	315	315	312	<b>317</b>

\*Source: Northwest Territories Bureau of Statistics. \*\*There is no updated information for 2007, 2008



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Enterprise Drive  
Extension & Grace Lake



Niven Lake Phase V  
Niven Lake Phase VII

## Land for Sale



For more information, contact

City of Yellowknife  
Planning and Development Department  
867.920.5611 or 867.920.5614  
[www.yellowknife.ca](http://www.yellowknife.ca)