

CITY OF DAWSON
Financial Statements
For The Year Ended December 31, 2016



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of City of the Dawson, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets (debt), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements present fairly, in all material respects, the financial position of the City of Dawson as at December 31, 2016 and the results of its operations, the changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
June 27, 2017

Hawkings Epp Dumont LLP

Hawkings Epp Dumont LLP
Chartered Accountants

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Members of Council of the City of Dawson
City of Dawson, Yukon

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

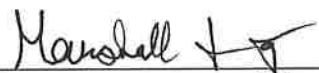
To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by the City Council to express an opinion on the City's financial statements.

City of Dawson, Yukon
June 27, 2017



John Skilnyk
Chief Administrative Officer



Marshall Lang, CPA
Chief Financial Officer (Interim)

CITY OF DAWSON
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 6,516,525	\$ 4,468,337
Receivables <i>(Note 3)</i>	776,036	1,102,241
	<u>7,292,561</u>	<u>5,570,578</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 4)</i>	1,083,655	745,172
Deferred revenue	102,697	51,036
Obligations under capital lease <i>(Note 5)</i>	127,245	57,187
Long-term debt <i>(Note 6)</i>	980,595	1,032,139
	<u>2,294,192</u>	<u>1,885,534</u>
NET FINANCIAL ASSETS	<u>4,998,369</u>	<u>3,685,044</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 7)</i>	20,058,389	17,553,542
Inventory for consumption	88,537	26,655
Prepaid expenses	44,232	44,893
	<u>20,191,158</u>	<u>17,625,090</u>
ACCUMULATED SURPLUS <i>(Note 8)</i>	<u>\$ 25,189,527</u>	<u>\$ 21,310,134</u>
Contingencies <i>(Note 10)</i>		

ON BEHALF OF COUNCIL:

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) (Note 15)	2016 (Actual)	2015 (Actual)
REVENUE			
Taxes and grants in lieu of taxes	\$ 2,876,100	\$ 2,879,322	\$ 2,735,786
Government transfers for operating	2,305,123	2,417,904	2,308,413
Sales and user charges	2,020,830	2,208,060	2,422,801
Licenses and permits	39,250	44,031	37,729
Return on investments	45,000	42,975	41,098
Penalties and costs on taxes	15,900	26,773	22,716
Other	1,700	6,345	29,671
Fines	2,000	2,335	2,400
	<u>7,305,903</u>	<u>7,627,745</u>	<u>7,600,614</u>
EXPENSES			
Parks and recreation	1,524,787	1,371,574	1,418,128
General administration	1,174,700	1,093,484	1,051,789
Transportation services	905,325	840,863	829,051
Water supply and distribution	1,006,390	778,891	888,868
Waste management	622,365	561,732	531,030
Fire	400,805	324,993	406,255
Wastewater treatment and disposal	454,415	298,331	454,680
Cable television	260,675	233,160	214,972
Council and other legislative	131,400	114,002	125,626
Land use planning, zoning and development	131,130	103,392	380,620
Bylaws enforcement and emergency measures	144,450	102,468	123,856
Cemeteries	14,000	10,178	14,505
Amortization	-	1,111,832	1,014,819
	<u>6,770,442</u>	<u>6,944,900</u>	<u>7,454,199</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE	<u>535,461</u>	<u>682,845</u>	<u>146,415</u>
OTHER REVENUE			
Government transfers for capital	-	2,915,661	1,823,263
Insurance proceeds for capital	-	280,887	50,328
Contributed tangible capital assets (Note 11)	-	-	1,122,319
Gain (loss) on disposal of tangible capital assets	-	-	18,681
	<u>-</u>	<u>3,196,548</u>	<u>3,014,591</u>
ANNUAL SURPLUS	<u>535,461</u>	<u>3,879,393</u>	<u>3,161,006</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>21,310,134</u>	<u>21,310,134</u>	<u>18,149,128</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 8)	<u>\$ 21,845,595</u>	<u>\$ 25,189,527</u>	<u>\$ 21,310,134</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) <i>(Note 15)</i>	2016 (Actual)	2015 (Actual)
ANNUAL SURPLUS	\$ 535,461	\$ 3,879,393	\$ 3,161,006
Acquisition of tangible capital assets	(24,318,884)	(3,616,679)	(4,042,803)
Amortization of tangible capital assets	-	1,111,832	1,014,819
Proceeds on disposal of tangible capital assets	-	-	50,777
Loss (gain) on disposal of tangible capital assets	-	-	(18,681)
	<u>(23,783,423)</u>	<u>1,374,546</u>	<u>165,118</u>
(Acquisition) use of inventory for consumption	-	(61,882)	17,367
(Acquisition) use of prepaid expenses	-	661	(31,017)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(23,783,423)</u>	<u>1,313,325</u>	<u>151,468</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,685,044</u>	<u>3,685,044</u>	<u>3,533,576</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (20,098,379)</u>	<u>\$ 4,998,369</u>	<u>\$ 3,685,044</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus	\$ 3,879,393	\$ 3,161,006
Non-cash items not included in annual surplus (deficit):		
Amortization of tangible capital assets	1,111,832	1,014,819
Loss (gain) on disposal of tangible capital assets	-	(18,681)
Contributed tangible capital assets	-	(1,122,319)
	<u>4,991,225</u>	<u>3,034,825</u>
Changes in non-cash working capital balances related to operations:		
Receivables	326,205	(7,147)
Land held for resale	-	134,559
Accounts payable and accrued liabilities	338,483	(397,411)
Deferred revenue	51,661	(4,538)
Inventory for consumption	(61,882)	17,367
Prepaid expenses	661	(31,017)
	<u>655,128</u>	<u>(288,187)</u>
Cash flow from operating activities	<u>5,646,353</u>	<u>2,746,638</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	50,777
Purchase of tangible capital assets	(3,616,679)	(2,920,484)
Cash flow used by capital activities	<u>(3,616,679)</u>	<u>(2,869,707)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	(51,544)	(49,562)
Repayment of obligations under capital lease	(29,942)	(21,015)
Additions to obligations under capital lease	100,000	-
Cash flow from (used by) financing activities	<u>18,514</u>	<u>(70,577)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,048,188	(193,646)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,468,337</u>	<u>4,661,983</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (NOTE 2)	<u>\$ 6,516,525</u>	<u>\$ 4,468,337</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS *(Schedule 1)*
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 16,464,216	\$ 13,397,751
Acquisition of tangible capital assets	3,616,679	4,042,803
Amortization of tangible capital assets	(1,111,832)	(1,014,819)
Repayment of capital long-term debt	51,544	49,562
Repayment of obligations under capital lease	29,942	21,015
Additions to obligations under capital lease	(100,000)	-
Net book value of disposed tangible capital assets	-	(32,096)
BALANCE, END OF YEAR	\$ 18,950,549	\$ 16,464,216
Equity in tangible capital assets is comprised of the following:		
Tangible Capital Assets (net book value)	\$ 20,058,389	\$ 17,553,542
Long-term debt	(980,595)	(1,032,139)
Obligations under capital lease	(127,245)	(57,187)
	\$ 18,950,549	\$ 16,464,216

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
 SCHEDULE OF SEGMENTED INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (Schedule 2)

	General Administration	Parks and Recreation	Protective Services	Transportation Services	Utilities and Cable TV	All Other	Total
REVENUE							
Taxes and grants in lieu of taxes	\$ 604,658	\$ 863,797	\$ 302,329	\$ 604,658	\$ 403,105	\$ 100,775	\$ 2,879,322
Government transfers	491,500	702,142	245,750	491,500	405,096	81,916	2,417,904
Sales and user charges	34,255	165,703	23,882	9,450	1,969,826	4,944	2,208,060
All other	93,351	-	2,335	-	17,334	9,439	122,459
	<u>1,223,764</u>	<u>1,731,642</u>	<u>574,296</u>	<u>1,105,608</u>	<u>2,795,361</u>	<u>197,074</u>	<u>7,627,745</u>
EXPENSES							
Salaries, wages and benefits	580,246	765,656	256,293	348,170	616,902	200,645	2,767,912
Contracted and general services	320,175	49,624	49,144	290,997	856,820	18,400	1,585,160
Materials and supplies	99,256	100,074	66,713	147,813	160,991	7,766	582,613
Utilities	23,285	202,157	9,694	17,148	172,348	-	424,632
Repairs and maintenance	34,713	139,312	5,970	32,171	46,715	-	258,881
Insurance	35,809	46,855	37,655	4,564	18,338	761	143,982
Interest on capital lease and long-term debt	-	40,427	1,992	-	-	-	42,419
Grants to individuals and organizations	-	27,469	-	-	-	-	27,469
	<u>\$ 1,093,484</u>	<u>\$ 1,371,574</u>	<u>\$ 427,461</u>	<u>\$ 840,863</u>	<u>\$ 1,872,114</u>	<u>\$ 227,572</u>	<u>\$ 5,833,068</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	130,280	360,068	146,835	264,745	923,247	(30,498)	1,794,677
Amortization	137,219	617,072	70,100	84,139	203,302	-	1,111,832
NET REVENUE (DEFICIT)	<u>\$ (6,939)</u>	<u>\$ (257,004)</u>	<u>\$ 76,735</u>	<u>\$ 180,606</u>	<u>\$ 719,945</u>	<u>\$ (30,498)</u>	<u>\$ 682,845</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015
(Schedule 3)

	General Administration	Parks and Recreation	Protective Services	Transportation Services	Utilities and Cable TV	All Other	Total
REVENUE							
Taxes and grants in lieu of taxes	\$ 574,515	\$ 820,736	\$ 287,258	\$ 574,515	\$ 383,010	\$ 95,752	\$ 2,735,786
Government transfers	448,777	743,156	272,038	444,077	309,840	90,525	2,308,413
Sales and user charges	31,446	118,474	20,525	7,200	1,719,886	525,270	2,422,801
All other	108,498	-	2,400	-	12,033	10,683	133,614
	<u>1,163,236</u>	<u>1,682,366</u>	<u>582,221</u>	<u>1,025,792</u>	<u>2,424,769</u>	<u>722,230</u>	<u>7,600,614</u>
EXPENSES							
Salaries, wages and benefits	\$ 524,925	\$ 767,471	\$ 329,963	\$ 245,119	\$ 660,294	\$ 208,592	\$ 2,736,364
Contracted and general services	260,207	39,467	66,214	324,780	946,105	33,385	1,670,158
Utilities	27,907	237,816	11,183	20,253	212,892	-	510,051
Materials and supplies	106,210	82,452	74,996	218,736	217,948	277,949	978,291
Repairs and maintenance	98,523	160,652	11,955	15,207	32,540	-	318,877
Insurance	34,017	50,975	35,800	4,956	19,771	825	146,344
Interest on capital lease and long-term debt	-	42,442	-	-	-	-	42,442
Grants to individuals and organizations	-	36,853	-	-	-	-	36,853
	<u>1,051,789</u>	<u>1,418,128</u>	<u>530,111</u>	<u>829,051</u>	<u>2,089,550</u>	<u>520,751</u>	<u>6,439,380</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	111,447	264,238	52,110	196,741	335,219	201,479	1,161,234
Amortization	146,897	609,776	15,993	65,502	176,651	-	1,014,819
NET REVENUE (DEFICIT)	<u>\$ (35,450)</u>	<u>\$ (345,538)</u>	<u>\$ 36,117</u>	<u>\$ 131,239</u>	<u>\$ 158,568</u>	<u>\$ 201,479</u>	<u>\$ 146,415</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dawson (the "City") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in financial position of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the City and are, therefore, accountable to the Mayor and Council for the administration of their financial affairs and resources.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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 City has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The City has used estimates to determine accrued liabilities, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment.

(d) Cash and cash equivalents

Cash and cash equivalents is comprised of items that are readily convertible to known amount of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

(continues)

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(f) Inventory for consumption

Inventories are valued at the lower of cost and net realizable value with cost determined by the first in, first out method.

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Buildings	7 - 40 years
Engineered structures:	
Cable TV	10 - 25 years
Water and wastewater	15 - 50 years
Other	7 - 20 years
Roads	30 years
Machinery and equipment	7 - 20 years
Land improvements	7 - 25 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Works of art for display are not recorded as tangible capital assets but are disclosed.

(h) Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

(i) 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 normal 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 (debt) for the year.

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

2. CASH AND CASH EQUIVALENTS

	2016	2015
Bank accounts and petty cash on hand	\$ 569,261	\$ 502,792
Guaranteed Investment Certificates	5,947,264	3,965,545
	\$ 6,516,525	\$ 4,468,337

Guaranteed Investment Certificates bear interest at rates ranging from 0.75% to 0.90% and maturing between April and October 2017.

3. RECEIVABLES

	2016	2015
Trade and other	\$ 655,948	\$ 978,120
Goods and Services Tax rebate	92,398	91,870
Taxes and grants in place of taxes	28,934	37,147
	777,280	1,107,137
Less: allowance for doubtful accounts	(1,244)	(4,896)
	\$ 776,036	\$ 1,102,241

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade accounts payable and accrued liabilities	\$ 804,169	\$ 442,441
Accrued vacation, overtime and sick time	263,152	285,538
Accrued interest on long-term debt	16,334	17,193
	\$ 1,083,655	\$ 745,172

The vacation and overtime liability is comprised of the vacation and overtime 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. Sick time is recorded at 50% of total time incurred.

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

5. OBLIGATIONS UNDER CAPITAL LEASE

	2016	2015
Lease agreement with Roynant Inc. repayable in equal monthly installments of \$2,052, including implied interest at 5.25%, due February 28, 2018, secured by machinery and equipment.	\$ 35,042	\$ 57,187
Lease agreement with Roynant Inc. repayable in equal monthly installments of \$1,879, including implied interest at 5.00%, due August 1, 2021, secured by machinery and equipment.	<u>92,203</u>	<u>-</u>
	<u>\$ 127,245</u>	<u>\$ 57,187</u>

The future minimum lease payments over the next four years are as follows:

2017	\$ 47,169
2018	34,308
2019	22,550
2020	22,550
2021	<u>13,164</u>
Less amount representing interest:	<u>12,496</u>
	<u>\$ 127,245</u>

Total interest paid on the capital lease obligation in 2016 amounted to \$4,073 (2015 - \$3,605).

6. LONG-TERM DEBT

Debenture debt is repayable to the Government of Yukon and bears interest at 4.0% per annum maturing in 2030.

Principal and interest payments are due as follows:

	Principal	Interest	Total
2017	\$ 53,606	\$ 39,224	\$ 92,830
2018	55,750	37,080	92,830
2019	57,980	34,850	92,830
2020	60,300	32,530	92,830
2021	62,712	30,118	92,830
To maturity	<u>690,247</u>	<u>171,600</u>	<u>861,847</u>
	<u>\$ 980,595</u>	<u>\$ 345,402</u>	<u>\$ 1,325,997</u>

Total interest paid on long-term debt in 2016 amounted to \$41,286 (2015 - \$43,268).

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

7. TANGIBLE CAPITAL ASSETS

	2016 Net Book Value	2015 Net Book Value
Engineered structures		
Water and wastewater	\$ 4,020,884	\$ 1,561,231
Other	973,569	1,057,862
Cable television	516,603	578,310
Roads	625,184	646,742
	<u>6,136,240</u>	<u>3,844,145</u>
Buildings	6,799,617	7,299,256
Work in progress	3,365,462	3,553,071
Land	1,469,401	1,267,247
Machinery, equipment, and furnishings	1,160,516	981,877
Land improvements	1,127,153	607,946
	<u>\$ 20,058,389</u>	<u>\$ 17,553,542</u>

Machinery, equipment, and furnishings includes \$235,413 (2015 - \$117,580) of assets under capital lease.

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineered structures					
Cable television	\$ 1,542,682	\$ -	\$ -	\$ -	\$ 1,542,682
Water and wastewater	11,809,999	-	-	2,524,915	14,334,914
Other	1,574,076	-	-	-	1,574,076
Roads	646,742	-	-	-	646,742
	<u>15,573,499</u>	<u>-</u>	<u>-</u>	<u>2,524,915</u>	<u>18,098,414</u>
Buildings	17,187,473	-	-	159,019	17,346,492
Machinery, equipment, and furnishings	2,667,142	358,360	-	-	3,025,502
Land	1,267,247	202,154	-	-	1,469,401
Land improvements	1,015,941	-	-	559,840	1,575,781
Work in progress	3,553,071	3,056,165	-	(3,243,774)	3,365,462
	<u>\$ 41,264,373</u>	<u>\$ 3,616,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,881,052</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Cable television	\$ 964,372	\$ 61,707	\$ -	\$ -	\$ 1,026,079
Water and wastewater	10,248,768	65,259	-	-	10,314,027
Other	516,214	84,293	-	-	600,507
Roads	-	21,558	-	-	21,558
	<u>11,729,354</u>	<u>232,817</u>	<u>-</u>	<u>-</u>	<u>11,962,171</u>
Buildings	9,888,217	658,658	-	-	10,546,875
Machinery, equipment, and furnishings	1,685,265	179,723	-	-	1,864,988
Land improvements	407,995	40,634	-	-	448,629
	<u>\$ 23,710,831</u>	<u>\$ 1,111,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,822,663</u>

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

8. ACCUMULATED SURPLUS

	2016	2015
Unrestricted surplus	\$ 3,081,678	\$ 2,170,418
Restricted surplus:		
Reserves (Note 9)	3,157,300	2,675,500
Equity in tangible capital assets (Schedule 1)	18,950,549	16,464,216
	<u>\$ 25,189,527</u>	<u>\$ 21,310,134</u>

9. RESERVES

	2016	2015
Public works	\$ 1,303,343	\$ 1,296,588
Recreation	956,623	731,372
Administration	259,238	59,456
Load capacity	147,778	146,554
Waste management	122,946	102,093
Cable	116,811	130,719
Heritage	109,692	77,841
Administration equipment replacement	36,751	43,289
Future land development	28,107	27,875
Parking	26,914	26,691
Downtown Revitalization	25,425	25,215
Protective services	22,243	7,807
Council equipment replacement	1,429	-
	<u>\$ 3,157,300</u>	<u>\$ 2,675,500</u>

10. CONTINGENCIES

- a) The City and the Government of Yukon have signed an amendment to the City's Wastewater Treatment Project Memorandum of Agreement dated December 17, 2013. The Government of Yukon has agreed to pay for and be responsible for the operating and capital costs of the treatment facility.

The City is currently in negotiations with the Government of Yukon regarding the City's financial contribution towards what the City considers might be unsustainable operational costs of the facility.

- b) The City and the Yukon Government are in discussions over whose responsibility the closure and post-closure costs of the Quigley Waste Management Facility will be. City management anticipates the City will be responsible for a portion of the costs but currently the City's share, if any, has not yet been determined. Since the amount cannot be reasonably estimated at this time no amount has been included in the financial statements.

- c) The City and the Yukon Government are in dispute over service costs regarding the Dawson Biomass facility. The Yukon Government to date has invoiced the City \$100,000 for services rendered. Since there is no agreement in place between the two parties no amount has been included in the financial statements.

CITY OF DAWSON
Notes to Financial Statements
For The Year Ended December 31, 2016

11. CONTRIBUTED TANGIBLE CAPITAL ASSETS

All contributed assets were received from the Yukon Territorial Government.

	2016	2015
Roads	\$ -	\$ 454,804
Land	-	1,250
Water and wastewater	-	666,265
	\$ -	\$ 1,122,319

12. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, obligations under capital lease and long-term debt. It is management's opinion that the City is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The City is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the City's credit risk.

13. SEGMENTED DISCLOSURES

The City provides a range of services to its citizens. Segment disclosures are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

- (a) General Administration consists of corporate administration and general municipal services.
- (b) Parks and Recreation develops initiatives to provide opportunities and support in the areas of arts heritage and culture, and in recreation, sport and leisure.
- (c) Protective Services is comprised of fire, bylaws enforcement and emergency measures.
- (d) Transportation Services is comprised of roads, streets, walks and lighting.
- (e) Utilities and Cable TV is comprised of water supply and distribution, wastewater treatment and disposal, waste management and cable television.
- (f) All other is comprised of council and other legislative, land use planning, zoning, development and cemeteries.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1). For additional information see the Schedule of Segmented Disclosure (Schedule 2).

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

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Notes to Financial Statements
For The Year Ended December 31, 2016

15. BUDGET

The budget figures presented in these financial statements are based upon the 2016 operating and capital budgets approved by Council on April 12, 2016.

The 2016 budget, prepared by the City, reflects all municipal activities including capital projects, debt repayments, and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	2016 (Budget)	2016 (Actual)	2015 (Actual)
Annual surplus	\$ 535,461	\$ 3,879,393	\$ 3,161,006
Add:			
Amortization expense	-	1,111,832	1,014,819
Transfers from reserves	69,000	331,233	670,293
Net change in inventory	100,000	-	-
Proceeds from obligations under capital lease	-	100,000	-
	<u>169,000</u>	<u>1,543,065</u>	<u>1,685,112</u>
Deduct:			
Transfers to reserves	(523,474)	(793,209)	(589,113)
Acquisition of tangible capital assets	-	(3,616,679)	(4,042,803)
Long term debt repayment	(51,544)	(51,544)	(49,562)
Obligations under capital lease repayment	-	(29,942)	(21,015)
Purchase of inventory	(100,000)	-	-
	<u>(675,018)</u>	<u>(4,491,374)</u>	<u>(4,702,493)</u>
Result of operations	<u>\$ 29,443</u>	<u>\$ 931,084</u>	<u>\$ 143,625</u>

16. COMPARATIVE FIGURES

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