

CITY OF DAWSON
Financial Statements
For The Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the City of Dawson, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, changes in net financial assets, 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 City of Dawson as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

METRIX GROUP LLP

Chartered Professional Accountants

June 12, 2018
Edmonton, Alberta

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.

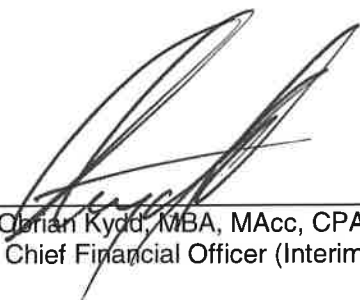
To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the City Council to express an opinion on the City's financial statements.

City of Dawson, Yukon
June 12, 2018



Cory Bellmore
Chief Administrative Officer

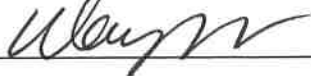


Orlan Kydd, MBA, MAcc, CPA, CGA
Chief Financial Officer (Interim)

CITY OF DAWSON
Statement of Financial Position
As At December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 6,966,471	\$ 6,516,525
Receivables <i>(Note 3)</i>	<u>732,075</u>	<u>776,036</u>
	<u>7,698,546</u>	<u>7,292,561</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 4)</i>	1,072,857	1,083,655
Deferred revenue	92,239	102,697
Obligations under capital lease <i>(Note 5)</i>	85,553	127,245
Long-term debt <i>(Note 6)</i>	<u>926,989</u>	<u>980,595</u>
	<u>2,177,638</u>	<u>2,294,192</u>
NET FINANCIAL ASSETS	<u>5,520,908</u>	<u>4,998,369</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 7)</i>	20,748,302	20,058,389
Inventory for consumption	101,482	88,537
Prepaid expenses	<u>6,845</u>	<u>44,232</u>
	<u>20,856,629</u>	<u>20,191,158</u>
ACCUMULATED SURPLUS <i>(Note 8)</i>	<u>\$ 26,377,537</u>	<u>\$ 25,189,527</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, 2017

	2017 (Budget) (Note 14)	2017 (Actual)	2016 (Actual)
REVENUE			
Taxes and grants in lieu of taxes	\$ 2,909,527	\$ 2,925,584	\$ 2,879,322
Government transfers for operating	2,321,714	2,287,176	2,417,904
Sales and user charges	2,306,937	2,232,329	2,208,060
Licenses and permits	51,500	50,089	44,031
Other	4,233	39,076	6,345
Return on investments	43,000	36,832	42,975
Penalties and costs on taxes	24,400	30,347	26,773
Fines	3,000	1,450	2,335
	<u>7,664,311</u>	<u>7,602,883</u>	<u>7,627,745</u>
EXPENSES			
Parks and recreation	1,621,460	1,535,346	1,371,574
General administration	1,112,387	1,054,978	1,093,484
Transportation services	951,526	1,016,711	840,863
Water supply and distribution	1,065,424	943,218	778,891
Waste management	668,912	645,096	561,732
Fire	457,354	331,231	324,993
Wastewater treatment and disposal	514,436	280,400	298,331
Cable television	269,562	259,360	233,160
Land use planning, zoning and development	172,511	136,151	103,392
Bylaws enforcement and emergency measures	143,532	121,645	102,468
Council and other legislative	138,267	121,300	114,002
Cemeteries	9,000	1,175	10,178
Amortization	-	1,279,211	1,111,832
	<u>7,124,371</u>	<u>7,725,822</u>	<u>6,944,900</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE	<u>539,940</u>	<u>(122,939)</u>	<u>682,845</u>
OTHER REVENUE			
Government transfers for capital	2,170,900	1,217,979	2,915,661
Insurance proceeds for capital	244,000	69,095	280,887
Gain on disposal of tangible capital assets	-	23,875	-
	<u>2,414,900</u>	<u>1,310,949</u>	<u>3,196,548</u>
ANNUAL SURPLUS	<u>2,954,840</u>	<u>1,188,010</u>	<u>3,879,393</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>25,189,527</u>	<u>25,189,527</u>	<u>21,310,134</u>
ACCUMULATED SURPLUS, END OF YEAR <i>(NOTE 8)</i>	<u>\$ 28,144,367</u>	<u>\$ 26,377,537</u>	<u>\$ 25,189,527</u>

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

CITY OF DAWSON
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2017

	2017 (Budget) (Note 14)	2017 (Actual)	2016 (Actual)
ANNUAL SURPLUS	\$ 2,954,840	\$ 1,188,010	\$ 3,879,393
Acquisition of tangible capital assets	(2,884,263)	(1,972,124)	(3,616,679)
Amortization of tangible capital assets	-	1,279,211	1,111,832
Proceeds on disposal of tangible capital assets	-	26,875	-
Loss (gain) on disposal of tangible capital assets	-	(23,875)	-
	<u>70,577</u>	<u>498,097</u>	<u>1,374,546</u>
(Acquisition) use of inventory for consumption	-	(12,945)	(61,882)
(Acquisition) use of prepaid expenses	-	37,387	661
INCREASE IN NET FINANCIAL ASSETS	<u>70,577</u>	<u>522,539</u>	<u>1,313,325</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,998,369</u>	<u>4,998,369</u>	<u>3,685,044</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 5,068,946</u>	<u>\$ 5,520,908</u>	<u>\$ 4,998,369</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, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 1,188,010	\$ 3,879,393
Non-cash items not included in annual surplus (deficit):		
Amortization of tangible capital assets	1,279,211	1,111,832
Loss (gain) on disposal of tangible capital assets	(23,875)	-
	<u>2,443,346</u>	<u>4,991,225</u>
Changes in non-cash working capital balances related to operations:		
Receivables	43,961	326,205
Accounts payable and accrued liabilities	(10,798)	338,483
Deferred revenue	(10,458)	51,661
Inventory for consumption	(12,945)	(61,882)
Prepaid expenses	37,387	661
	<u>47,147</u>	<u>655,128</u>
Cash flow from operating activities	<u>2,490,493</u>	<u>5,646,353</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,972,124)	(3,616,679)
Proceeds on sale of tangible capital assets	26,875	-
Cash flow used by capital activities	<u>(1,945,249)</u>	<u>(3,616,679)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	(53,606)	(51,544)
Repayment of obligations under capital lease	(41,692)	(29,942)
Additions to obligations under capital lease	-	100,000
Cash flow from (used by) financing activities	<u>(95,298)</u>	<u>18,514</u>
CHANGE IN CASH AND CASH EQUIVALENTS	449,946	2,048,188
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,516,525</u>	<u>4,468,337</u>
CASH AND CASH EQUIVALENTS, END OF YEAR <i>(NOTE 2)</i>	<u>\$ 6,966,471</u>	<u>\$ 6,516,525</u>

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

CITY OF DAWSON
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2017

(Schedule 1)

	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 18,950,549	\$ 16,464,216
Acquisition of tangible capital assets	1,972,124	3,616,679
Amortization of tangible capital assets	(1,279,211)	(1,111,832)
Repayment of capital long-term debt	53,606	51,544
Repayment of obligations under capital lease	41,692	29,942
Additions to obligations under capital lease	-	(100,000)
Net book value of disposed tangible capital assets	(3,000)	-
BALANCE, END OF YEAR	\$ 19,735,760	\$ 18,950,549
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 20,748,302	\$ 20,058,389
Long-term debt	(926,989)	(980,595)
Obligations under capital lease	(85,553)	(127,245)
	\$ 19,735,760	\$ 18,950,549

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

CITY OF DAWSON
Schedule of Segmented Information
For the Year Ended December 31, 2017

(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	\$ 614,373	\$ 877,675	\$ 307,186	\$ 614,373	\$ 409,582	\$ 102,395	\$ 2,925,584
Government transfers	510,307	686,153	240,153	480,307	320,205	50,051	2,287,176
Sales and user charges	29,420	170,597	20,015	9,450	2,001,697	1,150	2,232,329
All other	125,997	-	1,450	-	15,589	14,758	157,794
	<u>1,280,097</u>	<u>1,734,425</u>	<u>568,804</u>	<u>1,104,130</u>	<u>2,747,073</u>	<u>168,354</u>	<u>7,602,883</u>
EXPENSES							
Salaries, wages and benefits	539,623	785,424	264,717	400,183	699,810	237,504	2,927,261
Contracted and general services	329,438	99,600	50,800	416,555	964,474	10,533	1,871,400
Materials and supplies	99,010	106,442	74,310	165,689	189,343	9,799	644,593
Utilities	30,071	315,395	11,287	20,277	207,266	-	584,296
Repairs and maintenance	25,318	105,932	5,259	9,429	48,027	-	193,965
Insurance	31,518	49,201	42,232	4,578	19,154	790	147,473
Interest on capital lease and long-term debt	-	38,331	4,271	-	-	-	42,602
Grants to individuals and organizations	-	35,021	-	-	-	-	35,021
	<u>\$ 1,054,978</u>	<u>\$ 1,535,346</u>	<u>\$ 452,876</u>	<u>\$ 1,016,711</u>	<u>\$ 2,128,074</u>	<u>\$ 258,626</u>	<u>\$ 6,446,611</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	225,119	199,079	115,928	87,419	618,999	(90,272)	1,156,272
Amortization	145,756	618,573	75,778	95,984	343,120	-	1,279,211
NET REVENUE (DEFICIT)	<u>\$ 79,363</u>	<u>\$ (419,494)</u>	<u>\$ 40,150</u>	<u>\$ (8,565)</u>	<u>\$ 275,879</u>	<u>\$ (90,272)</u>	<u>\$ (122,939)</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, 2016

(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	\$ 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.

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 expenses, 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.

Expenses 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
Year Ended December 31, 2017

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 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
Year Ended December 31, 2017

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Bank accounts and petty cash on hand	\$ 2,017,207	\$ 569,261
Guaranteed Investment Certificates	4,949,264	5,947,264
	<u>\$ 6,966,471</u>	<u>\$ 6,516,525</u>

Guaranteed Investment Certificates bear interest at rates ranging from 0.60% to 0.75% and maturing between April and October 2018.

3. RECEIVABLES

	<u>2017</u>	<u>2016</u>
Receivable from other governments	\$ 529,667	\$ 516,266
Trade and other	114,803	139,682
Goods and Services Tax rebate	65,252	92,398
Taxes and grants in place of taxes	23,441	28,934
	<u>733,163</u>	<u>777,280</u>
Less: allowance for doubtful accounts	<u>(1,088)</u>	<u>(1,244)</u>
	<u>\$ 732,075</u>	<u>\$ 776,036</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade accounts payable and accrued liabilities	\$ 792,956	\$ 804,169
Accrued vacation, overtime and sick time	264,460	263,152
Accrued interest on long-term debt	15,441	16,334
	<u>\$ 1,072,857</u>	<u>\$ 1,083,655</u>

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
Year Ended December 31, 2017

5. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2017</u>	<u>2016</u>
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.	\$ 11,707	\$ 35,042
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>73,846</u>	<u>92,203</u>
	<u>\$ 85,553</u>	<u>\$ 127,245</u>

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

2018	\$ 34,308
2019	22,550
2020	22,550
2021	13,164
Less amount representing interest:	<u>7,019</u>
	<u>\$ 85,553</u>

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	65,220	27,610	92,830
To maturity	<u>625,027</u>	<u>143,990</u>	<u>769,017</u>
	<u>\$ 926,989</u>	<u>\$ 306,178</u>	<u>\$ 1,233,167</u>

Total interest paid on long-term debt in 2017 amounted to \$39,224 (2016 - \$41,286).

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2017

7. TANGIBLE CAPITAL ASSETS

	2017 Net Book Value	2016 Net Book Value
Engineered structures		
Water and wastewater	\$ 3,854,628	\$ 4,020,884
Other	889,276	973,569
Cable television	454,896	516,603
Roads	603,626	625,184
	5,802,426	6,136,240
Buildings	6,745,606	6,799,617
Work in progress	4,657,263	3,365,462
Land	1,469,401	1,469,401
Machinery, equipment, and furnishings	1,010,504	1,160,516
Land improvements	1,063,102	1,127,153
	\$ 20,748,302	\$ 20,058,389

Machinery, equipment, and furnishings cost includes \$235,413 (2016 - \$235,413) 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	14,334,914	-	-	-	14,334,914
Other	1,574,076	-	-	-	1,574,076
Roads	646,742	-	-	-	646,742
	18,098,414	-	-	-	18,098,414
Buildings	17,346,492	35,338	-	575,670	17,957,500
Machinery, equipment, and furnishings	3,025,502	69,315	(36,608)	-	3,058,209
Land	1,469,401	-	-	-	1,469,401
Land improvements	1,575,781	-	-	-	1,575,781
Work in progress	3,365,462	1,867,471	-	(575,670)	4,657,263
	\$ 44,881,052	\$ 1,972,124	\$ (36,608)	\$ -	\$ 46,816,568
	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Cable television	\$ 1,026,079	\$ 61,707	\$ -	\$ -	\$ 1,087,786
Water and wastewater	10,314,027	166,256	-	-	10,480,283
Other	600,507	84,294	-	-	684,801
Roads	21,558	21,558	-	-	43,116
	11,962,171	333,815	-	-	12,295,986
Buildings	10,546,875	665,018	-	-	11,211,893
Machinery, equipment, and furnishings	1,864,988	216,327	(33,608)	-	2,047,707
Land improvements	448,629	64,051	-	-	512,680
	\$ 24,822,663	\$ 1,279,211	\$ (33,608)	\$ -	\$ 26,068,266

CITY OF DAWSON
Notes to Financial Statements
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8. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 2,776,231	\$ 3,081,678
Restricted surplus:		
Reserves (Note 9)	3,865,546	3,157,300
Equity in tangible capital assets (Schedule 1)	<u>19,735,760</u>	<u>18,950,549</u>
	<u>\$ 26,377,537</u>	<u>\$ 25,189,527</u>

9. RESERVES

	<u>2017</u>	<u>2016</u>
Recreation - facility	\$ 910,177	\$ 747,549
Sewer services	667,889	613,487
Administration	449,703	259,238
Water services	286,625	259,761
Equipment replacement	220,383	143,518
Load capacity	157,578	147,778
Road maintenance	150,657	144,620
Road replacement	142,976	141,957
Heritage	141,679	109,692
Recreation - operating	131,631	95,942
Waste management	128,377	122,946
Recreation - capital	118,638	113,132
Cable	117,649	116,811
Protective services	98,356	22,243
Administration equipment replacement	45,765	36,751
Future land development	28,309	28,107
Parking	27,107	26,914
Downtown Revitalization	25,608	25,425
Council equipment replacement	16,439	1,429
	<u>\$ 3,865,546</u>	<u>\$ 3,157,300</u>

10. CONTINGENCIES

- a) The City and the Government of Yukon entered into an Memorandum of Agreement (amended December 17, 2013) regarding the Wastewater Treatment Project located in the City. The terms of the agreement state the City shall be responsible for the sustainable operation and maintenance of the completed Wastewater Treatment Project. In April 2018, the Government of Yukon invoiced the City in the amount of \$210,000 for operations and maintenance costs for the period April 1, 2017 - March 31, 2018.

The City is currently in negotiations with the Government of Yukon regarding the City's financial contribution towards what the City considers sustainable operational costs of the facility. Since the amount cannot be reasonably estimated at this time no amount has been included in the financial statements.

- 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.

11. 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.

12. 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).

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

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Notes to Financial Statements
Year Ended December 31, 2017

14. BUDGET

The budget figures presented in these financial statements are based upon the 2017 operating and capital budgets approved by Council on April 12, 2017.

The 2017 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.

	2017 (Budget)	2017 (Actual)	2016 (Actual)
Annual surplus	\$ 2,954,840	\$ 1,188,010	\$ 3,879,393
Add:			
Amortization expense	593,363	1,279,210	1,111,832
Transfers from reserves	-	87,007	331,233
Proceeds from obligations under capital lease	-	-	100,000
	<u>593,363</u>	<u>1,366,217</u>	<u>1,543,065</u>
Deduct:			
Transfers to reserves	(610,305)	(795,251)	(793,209)
Acquisition of tangible capital assets	(2,884,263)	(1,972,124)	(3,616,679)
Long term debt repayment	(53,606)	(53,606)	(51,544)
Obligations under capital lease repayment	-	(41,692)	(29,942)
	<u>(3,548,174)</u>	<u>(2,862,673)</u>	<u>(4,491,374)</u>
	<u>\$ 29</u>	<u>\$ (308,446)</u>	<u>\$ 931,084</u>
