

CITY OF DAWSON
Financial Statements
For The Year Ended December 31, 2019

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of City of Dawson

Opinion

We have audited the financial statements of City of Dawson (the City), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

Independent Auditors' Report to the Mayor and Council of City of Dawson (*continued*)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
June 29, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Members of Council of City of Dawson

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.

Cory Bellmore
Chief Administrative Officer

CITY OF DAWSON
Statement of Financial Position
As At December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 6,555,654	\$ 5,673,619
Receivables <i>(Note 3)</i>	<u>1,208,930</u>	<u>1,403,625</u>
	<u>7,764,584</u>	<u>7,077,244</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 4)</i>	647,870	839,580
Deferred revenue	193,432	109,950
Obligations under capital lease <i>(Note 5)</i>	<u>34,268</u>	<u>54,551</u>
	<u>875,570</u>	<u>1,004,081</u>
NET FINANCIAL ASSETS	<u>6,889,014</u>	<u>6,073,163</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 6)</i>	37,773,910	20,629,150
Inventory for consumption	33,021	81,734
Prepaid expenses	<u>72,920</u>	<u>1,977</u>
	<u>37,879,851</u>	<u>20,712,861</u>
ACCUMULATED SURPLUS <i>(Note 7)</i>	<u>\$ 44,768,865</u>	<u>\$ 26,786,024</u>
Contingencies <i>(Note 9)</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, 2019

	2019 (Budget) (Note 12)	2019 (Actual)	2018 (Actual)
REVENUE			
Taxes and grants in lieu of taxes	\$ 3,049,819	\$ 3,048,257	\$ 3,026,736
Government transfers for operating	2,523,338	2,518,316	2,675,410
Sales and user charges	2,376,294	2,389,664	2,237,439
Return on investments	37,000	85,310	46,915
Licenses and permits	73,220	63,352	65,588
Penalties and costs on taxes	36,717	18,829	27,538
Other	15,200	8,287	31,142
Fines	3,000	1,065	2,080
	<u>8,114,588</u>	<u>8,133,080</u>	<u>8,112,848</u>
EXPENSES			
Parks and recreation	1,935,548	1,648,207	1,769,234
Transportation services	950,031	1,105,514	967,532
General administration	1,355,870	1,089,053	1,133,740
Water supply and distribution	1,195,134	954,717	996,707
Waste management	728,012	644,749	654,388
Wastewater treatment and disposal	525,586	538,155	484,266
Fire	429,910	350,692	384,605
Cable television	257,760	315,088	203,817
Land use planning, zoning and development	353,666	223,858	291,446
Council and other legislative	138,906	148,612	165,759
Bylaws enforcement and emergency measures	154,125	124,103	138,140
Cemeteries	15,000	639	1,020
Amortization	-	1,413,079	1,245,153
	<u>8,039,548</u>	<u>8,556,466</u>	<u>8,435,807</u>
ANNUAL SURPLUS (DEFECIT) BEFORE OTHER REVENUE	<u>75,040</u>	<u>(423,386)</u>	<u>(322,959)</u>
OTHER REVENUE			
Government transfers for capital	11,639,585	18,921,478	546,426
Other	10,000	9,578	-
Gain (loss) on disposal of tangible capital assets	-	(524,829)	(18,632)
	<u>11,649,585</u>	<u>18,406,227</u>	<u>527,794</u>
ANNUAL SURPLUS	<u>11,724,625</u>	<u>17,982,841</u>	<u>204,835</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>26,786,024</u>	<u>26,786,024</u>	<u>26,581,189</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u>\$ 38,510,649</u>	<u>\$ 44,768,865</u>	<u>\$ 26,786,024</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, 2019

	2019 (Budget) (Note 12)	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS	\$ 11,724,625	\$ 17,982,841	\$ 204,835
Acquisition of tangible capital assets	(12,219,585)	(19,082,668)	(1,158,443)
Amortization of tangible capital assets	-	1,413,079	1,245,153
Proceeds on disposal of tangible capital assets	-	-	13,810
Loss (gain) on disposal of tangible capital assets	-	524,829	18,632
	<u>(494,960)</u>	838,081	323,987
(Acquisition) use of inventory for consumption	-	48,713	19,748
(Acquisition) use of prepaid expenses	-	(70,943)	4,868
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(494,960)</u>	815,851	348,603
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>6,073,163</u>	6,073,163	5,724,560
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 5,578,203</u>	\$ 6,889,014	\$ 6,073,163

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

CITY OF DAWSON
Statement of Cash Flows
For The Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 17,982,841	\$ 204,835
Non-cash items not included in annual surplus (deficit):		
Amortization of tangible capital assets	1,413,079	1,245,153
Loss (gain) on disposal of tangible capital assets	524,829	18,632
	<u>19,920,749</u>	<u>1,468,620</u>
Changes in non-cash working capital balances related to operations:		
Receivables	194,695	(467,898)
Accounts payable and accrued liabilities	(191,710)	(233,277)
Deferred revenue	83,482	17,711
Inventory for consumption	48,713	19,748
Prepaid expenses	(70,943)	4,868
	<u>64,237</u>	<u>(658,848)</u>
Cash flow from operating activities	<u>19,984,986</u>	<u>809,772</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(19,082,668)	(1,158,443)
Proceeds on sale of tangible capital assets	-	13,810
Cash flow used by capital activities	<u>(19,082,668)</u>	<u>(1,144,633)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	-	(926,989)
Repayment of obligations under capital lease	(20,283)	(31,002)
Cash flow used by financing activities	<u>(20,283)</u>	<u>(957,991)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	882,035	(1,292,852)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,673,619</u>	<u>6,966,471</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 2)	<u>\$ 6,555,654</u>	<u>\$ 5,673,619</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, 2019

	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 20,574,599	\$ 19,735,760
Acquisition of tangible capital assets	19,082,668	1,158,443
Amortization of tangible capital assets	(1,413,079)	(1,245,153)
Repayment of capital long-term debt	-	926,989
Repayment of obligations under capital lease	20,283	31,002
Net book value of disposed tangible capital assets	<u>(524,829)</u>	<u>(32,442)</u>
BALANCE, END OF YEAR	<u>\$ 37,739,642</u>	<u>\$ 20,574,599</u>
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 37,773,910	\$ 20,629,150
Obligations under capital lease	<u>(34,268)</u>	<u>(54,551)</u>
	<u>\$ 37,739,642</u>	<u>\$ 20,574,599</u>

DRAFT

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

CITY OF DAWSON
Schedule of Segmented Information
For the Year Ended December 31, 2019

(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	\$ 640,134	\$ 914,477	\$ 320,067	\$ 640,134	\$ 426,756	\$ 106,689	\$ 3,048,257
Government transfers	530,215	769,658	259,912	530,215	336,258	92,068	2,518,326
Sales and user charges	52,493	229,044	20,270	9,450	2,077,207	1,200	2,389,664
All other	156,949	-	1,065	-	522	18,307	176,843
	1,379,791	1,913,179	601,314	1,179,799	2,840,743	218,264	8,133,090
EXPENSES							
Salaries, wages and benefits	488,636	812,563	293,642	469,812	851,340	351,908	3,267,901
Contracted and general services	316,062	122,529	59,174	362,110	1,159,190	7,567	2,026,632
Materials and supplies	118,917	125,315	60,275	238,592	117,007	12,787	672,893
Utilities	24,976	291,327	14,322	20,805	232,451	-	583,881
Repairs and maintenance	101,353	187,597	5,876	8,403	61,621	-	364,850
Insurance	39,110	58,284	39,239	5,792	31,100	847	174,372
Grants to individuals and organizations	-	49,779	-	-	-	-	49,779
Interest on capital lease and long-term debt	-	813	2,267	-	-	-	3,080
	\$ 1,089,054	\$ 1,648,207	\$ 474,795	\$ 1,105,514	\$ 2,452,709	\$ 373,109	\$ 7,143,388
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	290,737	264,972	126,519	74,285	388,034	(154,845)	989,702
Amortization	114,459	812,364	83,804	106,092	296,360	-	1,413,079
NET REVENUE (DEFICIT)	\$ 176,278	\$ (547,392)	\$ 42,715	\$ (31,807)	\$ 91,674	\$ (154,845)	\$ (423,377)

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

CITY OF DAWSON

Schedule of Segmented Information

For the Year Ended December 31, 2018

(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	\$ 635,615	\$ 908,021	\$ 317,807	\$ 635,615	\$ 423,743	\$ 105,935	\$ 3,026,736
Government transfers	514,328	727,032	253,622	514,328	346,620	319,480	2,675,410
Sales and user charges	51,842	195,550	19,055	9,450	1,957,080	4,462	2,237,439
All other	143,645	-	2,080	-	10,340	17,198	173,263
	<u>1,345,430</u>	<u>1,830,603</u>	<u>592,564</u>	<u>1,159,393</u>	<u>2,737,783</u>	<u>447,075</u>	<u>8,112,848</u>
EXPENSES							
Salaries, wages and benefits	\$ 624,758	\$ 819,822	\$ 316,848	\$ 409,084	\$ 701,009	\$ 375,521	\$ 3,247,042
Contracted and general services	282,157	92,872	95,328	348,188	1,123,569	17,798	1,959,912
Materials and supplies	117,352	151,686	50,914	181,395	155,389	64,094	720,830
Utilities	30,148	284,748	12,890	18,219	306,129	-	652,134
Repairs and maintenance	42,009	294,083	2,906	7,129	30,605	-	376,732
Insurance	37,316	50,526	40,605	3,518	22,476	812	155,253
Interest on capital lease and long-term debt	-	37,080	3,254	-	-	-	40,334
Grants to individuals and organizations	-	38,417	-	-	-	-	38,417
	<u>1,133,740</u>	<u>1,769,234</u>	<u>522,745</u>	<u>967,533</u>	<u>2,339,177</u>	<u>458,225</u>	<u>7,190,654</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	211,690	61,369	69,819	191,860	398,606	(11,150)	922,194
Amortization	79,424	658,001	77,395	107,732	322,601	-	1,245,153
NET REVENUE (DEFICIT)	<u>\$ 132,266</u>	<u>\$ (596,632)</u>	<u>\$ (7,576)</u>	<u>\$ 84,128</u>	<u>\$ 76,005</u>	<u>\$ (11,150)</u>	<u>\$ (322,959)</u>

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

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

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.

(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.

(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 and sidewalks are recorded as physical assets under the respective function.

(continues)

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 in the year of purchase.

(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.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality and are recognized as revenue in the year in which the local improvement project is completed.

(i) *Contaminated Sites*

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the City is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(continues)

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *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.

(k) *New Accounting Standards not yet Adopted*

Effective for fiscal years beginning on or after April 1, 2021, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2022, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions

2. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
Bank accounts and petty cash on hand	\$ 2,246,983	\$ 1,438,595
Guaranteed Investment Certificates	4,308,671	4,235,024
	<u>\$ 6,555,654</u>	<u>\$ 5,673,619</u>

Guaranteed Investment Certificates bear interest at rates ranging from 1.80% to 2.10% and maturing between April and November 2020.

3. RECEIVABLES

	<u>2019</u>	<u>2018</u>
Receivable from other governments	\$ 741,450	\$ 1,151,835
Trade and other	358,619	104,857
Goods and Services Tax	44,296	93,225
Taxes and grants in place of taxes	65,653	54,796
	<u>1,210,018</u>	<u>1,404,713</u>
Less: allowance for doubtful accounts	<u>(1,088)</u>	<u>(1,088)</u>
	<u>\$ 1,208,930</u>	<u>\$ 1,403,625</u>

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Accrued vacation, overtime and sick time	\$ 342,526	\$ 289,206
Trade accounts payable and accrued liabilities	305,345	534,933
Accrued interest on long-term debt	-	15,441
	<u>\$ 647,871</u>	<u>\$ 839,580</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.

5. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2019</u>	<u>2018</u>
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>\$ 34,268</u>	<u>\$ 54,551</u>

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

2020	\$ 22,550
2021	13,164
Less amount representing interest:	<u>(1,446)</u>
	<u>\$ 34,268</u>

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS

	2019 Net Book Value	2018 Net Book Value
Engineered structures		
Water and wastewater	\$ 21,292,031	\$ 3,688,373
Other	732,110	804,983
Cable television	331,481	393,188
Roads	560,510	582,068
	22,916,132	5,468,612
Buildings	10,007,452	10,351,431
Work in progress	1,057,780	906,665
Land	1,630,285	1,630,285
Machinery, equipment, and furnishings	953,523	1,087,562
Land improvements	1,208,738	1,184,596
	\$ 37,773,910	\$ 20,629,150

Machinery, equipment, and furnishings cost includes \$235,413 (2018 - \$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	18,268,502	(4,632,436)	-	27,970,980
Other	1,574,076	-	-	-	1,574,076
Roads	646,742	-	-	-	646,742
	18,098,414	18,268,502	(4,632,436)	-	31,734,480
Buildings	22,250,828	510,118	-	-	22,760,946
Machinery, equipment, and furnishings	3,266,239	58,105	-	-	3,324,344
Land	1,630,285	-	-	-	1,630,285
Land improvements	1,761,325	94,828	-	-	1,856,153
Work in progress	906,664	151,115	-	-	1,057,779
	\$ 47,913,755	\$ 19,082,668	\$ (4,632,436)	\$ -	\$ 62,363,987

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Cable television	\$ 1,149,493	\$ 61,707	\$ -	\$ -	\$ 1,211,200
Water and wastewater	10,646,540	140,014	(4,107,607)	-	6,678,947
Other	769,093	72,873	-	-	841,966
Roads	64,674	21,558	-	-	86,232
	12,629,800	296,152	(4,107,607)	-	8,818,345
Buildings	11,899,396	854,097	-	-	12,753,493
Machinery, equipment, and furnishings	2,178,679	192,143	-	-	2,370,822
Land improvements	576,730	70,687	-	-	647,417
	\$ 27,284,605	\$ 1,413,079	\$ (4,107,607)	\$ -	\$ 24,590,077

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 2,351,785	\$ 2,083,518
Restricted surplus:		
Reserves (Note 8)	4,677,438	4,127,907
Equity in tangible capital assets (Schedule 1)	<u>37,739,642</u>	<u>20,574,599</u>
	<u>\$ 44,768,865</u>	<u>\$ 26,786,024</u>

8. RESERVES

	<u>2019</u>	<u>2018</u>
Recreation - facility	\$ 1,223,844	\$ 1,022,593
Sewer services	757,717	724,035
Administration	462,417	453,842
Water services	340,202	314,263
Equipment replacement	266,931	193,279
Load capacity	202,411	179,028
Heritage	177,779	174,482
Road maintenance	173,257	170,044
Waste management	172,384	149,558
Road replacement	157,112	149,291
Recreation - capital	121,992	119,730
Cable	120,976	118,732
Future land development	114,110	28,570
Recreation - operating	102,194	103,232
Protective services	101,567	67,251
Administration equipment replacement	96,151	75,186
Council equipment replacement	32,188	31,591
Parking	27,874	27,357
Downtown Revitalization	26,332	25,843
	<u>\$ 4,677,438</u>	<u>\$ 4,127,907</u>

9. CONTINGENCIES

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.

10. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and obligations under capital lease. 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.

11. 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).

CITY OF DAWSON
Notes to Financial Statements
Year Ended December 31, 2019

12. BUDGET

The budget figures presented in these financial statements are based upon the 2019 operating and capital budgets approved by Council on April 15, 2019.

The 2019 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.

	2019 (Budget)	2019 (Actual)	2018 (Actual)
Annual surplus	\$ 11,724,625	\$ 17,982,841	\$ 204,835
Add:			
Amortization expense	-	1,413,079	1,245,153
Transfers from reserves	1,191,450	136,438	217,752
	<u>1,191,450</u>	<u>1,549,517</u>	<u>1,462,905</u>
Deduct:			
Transfers to reserves	(696,490)	(626,493)	(480,114)
Acquisition of tangible capital assets	(12,219,585)	(19,082,668)	(1,158,443)
Long term debt repayment	-	-	(926,989)
Obligations under capital lease repayment	-	(20,283)	(31,002)
	<u>(12,916,075)</u>	<u>(19,729,444)</u>	<u>(2,596,548)</u>
	<u>\$ -</u>	<u>\$ (197,086)</u>	<u>\$ (928,808)</u>

13. SUBSEQUENT EVENT

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 27, 2020 the Yukon Territory declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the City. An estimate of the potential financial impact cannot be made at this time.

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
