

THE TOWN OF THE CITY OF DAWSON
Financial Statements
For The Year Ended December 31, 2011

Hawkings Epp Dumont LLP

Chartered Accountants

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Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of The Town of the City of Dawson

Report on the Financial Statements

We have audited the accompanying financial statements of The Town of the City of Dawson, which comprise the statement of financial position as at December 31, 2011, 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 The Town of the City of Dawson as at December 31, 2011 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Edmonton, Alberta
June 27, 2012

HAWKINGS EPP DUMONT LLP
Chartered Accountants

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To His Worship the Mayor and Members of Council of The Town of the City of Dawson
Dawson City, 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 Town Council to express an opinion on the Town's financial statements.

Dawson City, Yukon
June 27, 2012



Jeff Renaud
Chief Administrative Officer

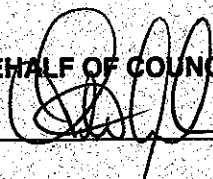



Joanne Van Nostrand, CMA
Senior Financial Officer

**THE TOWN OF THE CITY OF DAWSON
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011**

	2011	2010
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,043,861	\$ 2,612,904
Receivables (Note 3)	458,158	1,352,640
Land held for resale	36,483	-
	<u>3,538,502</u>	<u>3,965,544</u>
LIABILITIES		
Accounts payable and accrued liabilities	671,144	1,110,239
Deferred revenue (Note 4)	92,286	294,610
Obligation under capital lease (Note 5)	59,112	79,908
Long-term debt (Note 6)	1,219,240	1,261,606
	<u>2,041,782</u>	<u>2,746,363</u>
NET FINANCIAL ASSETS	<u>1,496,720</u>	<u>1,219,181</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 7)	15,639,279	16,445,768
Inventory	94,249	21,478
Prepaid expenses	-	12,744
	<u>15,733,528</u>	<u>16,479,990</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$ 17,230,248</u>	<u>\$ 17,699,171</u>
Contingencies (Note 10)		

ON BEHALF OF COUNCIL:

 MAYOR

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

THE TOWN OF THE CITY OF DAWSON
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 (Budget) (Note 14)	2011 (Actual)	2010 (Actual)
REVENUE			
Taxes and grants in lieu of taxes	\$ 2,035,225	\$ 1,992,471	\$ 1,989,248
Sales and user charges	1,656,900	1,933,436	1,739,833
Government transfers for operating	1,901,000	1,780,693	1,738,964
Licenses and permits	24,250	34,544	32,788
Other	4,800	30,826	8,850
Penalties and costs on taxes	14,000	26,029	18,450
Return on investments	42,500	25,556	25,507
Fines	2,500	8,757	2,180
	<u>5,681,175</u>	<u>5,832,312</u>	<u>5,555,820</u>
EXPENSES			
Parks and recreation	1,301,007	1,314,817	1,131,406
General administration	790,924	970,108	1,087,167
Water supply and distribution	776,790	807,219	630,661
Transportation services	757,517	799,335	1,147,887
Waste water treatment and disposal	414,115	347,109	194,350
Waste management	407,109	343,410	329,244
Fire	269,339	275,765	280,213
Cable TV	191,113	156,507	143,432
Land use planning, zoning and development	197,299	135,674	140,661
Bylaws enforcement and emergency measures	132,987	109,090	84,722
Council and other legislative	94,890	86,764	66,826
Cemeteries	13,000	7,719	4,415
Amortization	-	1,393,800	1,418,911
	<u>5,346,090</u>	<u>6,747,317</u>	<u>6,659,895</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>335,085</u>	<u>(915,005)</u>	<u>(1,104,075)</u>
OTHER INCOME			
Government transfers for capital	321,725	259,382	1,990,002
Contributed assets	-	186,700	-
	<u>321,725</u>	<u>446,082</u>	<u>1,990,002</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	656,810	(468,923)	885,927
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	17,699,171	16,813,244
ACCUMULATED SURPLUS, END OF YEAR (Note 8)	<u>\$ -</u>	<u>\$ 17,230,248</u>	<u>\$ 17,699,171</u>

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

**THE TOWN OF THE CITY OF DAWSON
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011 (Budget) (Note 14)	2011 (Actual)	2010 (Actual)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 656,810	\$ (468,923)	\$ 885,927
Acquisition of tangible capital assets	(2,774,200)	(587,311)	(2,174,890)
Amortization of tangible capital assets	-	1,393,800	1,418,911
	<u>(2,117,390)</u>	<u>337,566</u>	<u>129,948</u>
(Acquisition) use of supplies inventory	-	(72,771)	40,854
Use of prepaid expenses	-	12,744	-
	<u>(2,117,390)</u>	<u>277,539</u>	<u>170,802</u>
INCREASE IN NET FINANCIAL ASSETS			
	<u>(2,117,390)</u>	<u>277,539</u>	<u>170,802</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,219,181</u>	<u>1,219,181</u>	<u>1,048,379</u>
NET ASSETS, END OF YEAR	<u>\$ (898,209)</u>	<u>\$ 1,496,720</u>	<u>\$ 1,219,181</u>

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

**THE TOWN OF THE CITY OF DAWSON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (468,923)	\$ 885,927
Non-cash item not included in excess of revenue over expenses:		
Amortization of tangible capital assets	<u>1,393,800</u>	<u>1,418,911</u>
	<u>924,877</u>	<u>2,304,838</u>
Changes in non-cash working capital balances related to operations:		
Receivables	894,482	(478,027)
Land held for resale	(36,483)	47,495
Accounts payable and accrued liabilities	(439,095)	517,178
Deferred revenue	(202,324)	150,107
Inventory	(72,771)	40,854
Prepaid expenses	<u>12,744</u>	<u>-</u>
	<u>156,553</u>	<u>277,607</u>
Cash flow from operating activities	<u>1,081,430</u>	<u>2,582,445</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(587,311)</u>	<u>(2,174,890)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	(42,366)	(40,736)
Repayment of obligations under capital lease	<u>(20,796)</u>	<u>(26,205)</u>
Cash flow used by financing activities	<u>(63,162)</u>	<u>(66,941)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	430,957	340,614
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,612,904</u>	<u>2,272,290</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,043,861</u>	<u>\$ 2,612,904</u>

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

THE TOWN OF THE CITY OF DAWSON
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS *(Schedule 1)*
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
BALANCE, BEGINNING OF YEAR	\$ 15,104,254	\$ 14,281,334
Acquisition of tangible capital assets	587,311	2,174,890
Amortization of tangible capital assets	(1,393,800)	(1,418,911)
Repayment of capital long-term debt	63,162	66,941
BALANCE, END OF YEAR	\$ 14,360,927	\$ 15,104,254
Equity in tangible capital assets is comprised of the following:		
Tangible Capital Assets (net book value)	\$ 15,639,279	\$ 16,445,768
Long-term debt	(1,219,240)	(1,261,606)
Obligation under capital lease	(59,112)	(79,908)
	\$ 14,360,927	\$ 15,104,254

**THE TOWN OF THE CITY OF DAWSON
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

(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	\$ 522,512	\$ 708,176	\$ 207,288	\$ 430,531	\$ -	\$ 123,964	\$ 1,992,471
Sales and user charges	39,359	104,120	21,570	16,800	1,748,876	2,711	1,933,436
Government transfers	466,974	632,904	185,256	384,771	-	110,788	1,780,693
All other	41,205	-	8,757	19,217	10,380	46,153	125,712
	<u>1,070,050</u>	<u>1,445,200</u>	<u>422,871</u>	<u>851,319</u>	<u>1,759,256</u>	<u>283,616</u>	<u>5,832,312</u>
EXPENSES							
Salaries, wages and benefits	485,517	582,341	256,599	238,846	507,494	163,217	2,234,014
Materials, supplies and utilities	100,290	315,927	61,180	194,629	602,125	9,222	1,283,373
Contracted and general services	317,395	47,739	39,853	356,105	497,037	57,211	1,315,340
Repairs and maintenance	40,570	247,092	4,601	6,230	33,489	-	331,982
Insurance	26,337	36,283	22,623	3,525	14,101	504	103,373
Grants to individuals and organizations	-	35,599	-	-	-	-	35,599
Interest on long-term debt	-	49,836	-	-	-	-	49,836
	<u>\$ 970,109</u>	<u>\$ 1,314,817</u>	<u>\$ 384,856</u>	<u>\$ 799,335</u>	<u>\$ 1,654,246</u>	<u>\$ 230,154</u>	<u>\$ 5,353,517</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	99,941	130,383	38,015	51,984	105,010	53,462	478,795
Amortization	111,345	535,075	40,218	59,259	647,903	-	1,393,800
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (11,404)</u>	<u>\$ (404,692)</u>	<u>\$ (2,203)</u>	<u>\$ (7,275)</u>	<u>\$ (542,893)</u>	<u>\$ 53,462</u>	<u>\$ (915,005)</u>

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

**THE TOWN OF THE CITY OF DAWSON
 SCHEDULE OF SEGMENTED INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (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	\$ 663,244	\$ 992,002	\$ 334,002	\$ -	\$ -	\$ -	\$ 1,989,248
Sales and user charges	41,662	85,379	23,260	14,905	1,574,252	375	1,739,833
Government transfers	455,314	439,713	151,772	303,544	303,544	85,077	1,738,964
All other	35,943	-	7,672	8,850	8,014	27,296	87,775
	<u>1,196,163</u>	<u>1,517,094</u>	<u>516,706</u>	<u>327,299</u>	<u>1,885,810</u>	<u>112,748</u>	<u>5,555,820</u>
EXPENSES							
Salaries, wages and benefits	\$ 541,076	\$ 489,960	\$ 250,506	\$ 688,285	\$ 19,959	\$ 124,092	\$ 2,113,878
Materials, supplies and utilities	121,620	314,710	60,806	214,418	611,631	14,992	1,338,177
Contracted and general services	283,018	29,432	28,456	197,994	516,273	47,818	1,102,991
Repairs and maintenance	101,516	179,252	5,359	29,176	152,436	-	467,739
Insurance	36,378	35,080	19,807	18,014	948	-	110,227
Grants to individuals and organizations	-	31,557	-	-	-	25,000	56,557
Interest on long-term debt	-	51,415	-	-	-	-	51,415
	<u>1,083,608</u>	<u>1,131,406</u>	<u>364,934</u>	<u>1,147,887</u>	<u>1,301,247</u>	<u>211,902</u>	<u>5,240,984</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	112,555	385,688	151,772	(820,588)	584,563	(99,154)	314,836
Amortization	114,505	545,166	1,833	99,501	657,906	-	1,418,911
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (1,950)	\$ (159,478)	\$ 149,939	\$ (920,089)	\$ (73,343)	\$ (99,154)	\$ (1,104,075)

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

THE TOWN OF THE CITY OF DAWSON

Notes to Financial Statements

December 31, 2011

1. ACCOUNTING POLICIES

The financial statements of the The Town of the City of Dawson (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town 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 Town 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 Town 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 generally accepted accounting principles 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 expenditures 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.

(d) 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.

(e) Inventory

Inventories are valued at the lower of cost and net realizable value with cost determined by the average cost method.

(continues)

THE TOWN OF THE CITY OF DAWSON

Notes to Financial Statements

December 31, 2011

1. ACCOUNTING POLICIES (continued)

(f) 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
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.

(g) 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 for the year.

2. CASH AND TEMPORARY INVESTMENTS

	2011	2010
Operating account	\$ 240,308	\$ 643,293
Guaranteed investment certificates	2,803,553	1,969,611
	<u>\$ 3,043,861</u>	<u>\$ 2,612,904</u>

Guaranteed investment certificates bearing interest at rates ranging from 0.70% to 4.00% and maturing in 2012.

3. RECEIVABLES

	2011	2010
Trade and other	\$ 300,440	\$ 1,242,708
Taxes and grants in place of taxes	191,461	167,507
Goods and Services Tax rebate	82,733	67,859
	<u>574,634</u>	<u>1,478,074</u>
Less: allowance for doubtful accounts	<u>(116,476)</u>	<u>(125,434)</u>
	<u>\$ 458,158</u>	<u>\$ 1,352,640</u>

THE TOWN OF THE CITY OF DAWSON

Notes to Financial Statements

December 31, 2011

4. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2011	2010
Conditional government grants	\$ 62,345	\$ 250,607
Deferred development charge	29,941	44,003
	<u>\$ 92,286</u>	<u>\$ 294,610</u>

5. OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease, repayable in monthly blended installments of \$935 including interest at 3.95%, matured in April 2011.

	2011	2010
	\$ -	\$ 4,677

Obligation under capital lease, repayable in monthly blended installments of \$1,759 including interest at 7.35%, maturing in January 2013.

	59,112	75,231
	<u>\$ 59,112</u>	<u>\$ 79,908</u>

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

2012	\$ 21,112
2013	42,024
	<u>63,136</u>
Less imputed interest:	4,024
	<u>\$ 59,112</u>

THE TOWN OF THE CITY OF DAWSON
Notes to Financial Statements
December 31, 2011

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>
2012	\$ 44,060	\$ 48,770	\$ 92,830
2013	45,823	47,007	92,830
2014	47,656	45,174	92,830
2015	49,562	43,268	92,830
2016	51,544	41,286	92,830
To maturity	<u>980,595</u>	<u>553,743</u>	<u>1,534,338</u>
	<u>\$ 1,219,240</u>	<u>\$ 779,248</u>	<u>\$ 1,998,488</u>

Total cash interest paid on long term debt in 2011 amounted to \$50,464 (2010 - \$52,094).

THE TOWN OF THE CITY OF DAWSON
Notes to Financial Statements
December 31, 2011

7. TANGIBLE CAPITAL ASSETS

	2011 Net Book Value	2010 Net Book Value
Engineered structures		
Water and wastewater	\$ 1,452,429	\$ 1,961,355
Other	1,395,035	1,466,761
Cable TV	825,139	886,847
	<u>3,672,603</u>	<u>4,314,963</u>
Buildings	9,537,265	10,011,090
Land	1,183,412	1,105,412
Work in progress	362,709	569,868
Machinery, equipment, and furnishings	483,644	340,532
Land improvements	399,646	103,903
	<u>\$ 15,639,279</u>	<u>\$ 16,445,768</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineered structures					
Cable TV	\$ 1,542,682	-	-	-	\$ 1,542,682
Water and wastewater	10,178,525	-	-	-	10,178,525
Other	1,561,992	12,084	-	-	1,574,076
	<u>13,283,199</u>	<u>12,084</u>	<u>-</u>	<u>-</u>	<u>13,295,283</u>
Buildings	16,751,198	169,930	-	-	16,921,128
Machinery, equipment, and furnishings	2,326,917	133,451	-	97,272	2,557,640
Land	1,105,412	78,000	-	-	1,183,412
Land improvements	363,067	65,382	-	238,351	666,800
Work in progress	569,868	128,464	-	(335,623)	362,709
	<u>\$ 34,399,661</u>	<u>\$ 587,311</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 34,986,972</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Cable TV	\$ 655,835	61,708	-	-	\$ 717,543
Water and wastewater	8,217,170	508,926	-	-	8,726,096
Other	95,231	83,810	-	-	179,041
	<u>8,968,236</u>	<u>654,444</u>	<u>-</u>	<u>-</u>	<u>9,622,680</u>
Buildings	6,740,108	643,755	-	-	7,383,863
Machinery, equipment, and furnishings	1,986,385	87,611	-	-	2,073,996
Land improvements	259,164	7,990	-	-	267,154
	<u>\$ 17,953,893</u>	<u>\$ 1,393,800</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 19,347,693</u>

THE TOWN OF THE CITY OF DAWSON

Notes to Financial Statements

December 31, 2011

8. ACCUMULATED SURPLUS

	2011	2010
Unrestricted surplus	\$ 1,368,717	\$ 1,241,453
Restricted surplus:		
Reserves (Note 9)	1,500,604	1,353,464
Equity in tangible capital assets (Schedule 1)	14,360,927	15,104,254
	<u>\$ 17,230,248</u>	<u>\$ 17,699,171</u>

9. RESERVES

	2011	2010
Public works	\$ 638,271	\$ 509,396
Administration	299,873	409,849
Protective services	210,469	201,836
Recreation	98,418	100,000
Computer network	60,513	-
Load capacity	50,800	-
Cable	50,257	25,000
Future land development	46,407	82,048
Parking	25,596	25,335
Waste management	20,000	-
	<u>\$ 1,500,604</u>	<u>\$ 1,353,464</u>

10. CONTINGENCIES

The Town has been ordered by the Yukon Supreme Court to bring a new secondary sewage treatment facility into operation. A deadline of December 31, 2012 has been imposed by the Court. If the Court Order is not complied with, a fine of \$5,000 per month will be levied. The Town is required to report to the Court on the progress of the facility.

The Town and the Government of Yukon have signed a Memorandum of Agreement in effect to December 31, 2013. The Government of Yukon has agreed to pay for and be responsible for the capital costs of the treatment facility. The Town has agreed to be responsible for the sustainable operation and maintenance costs of the completed facility. If the operation and maintenance costs are not sustainable, the Town may enter into future agreements with the Government of Yukon or other funding bodies to help offset costs.

The Town will be deemed to be the owner upon the successful commissioning of the facility and the Town has agreed to work diligently and cooperatively with the Government of Yukon in ensuring that the facility is completed and operational by December 31, 2012.

11. HERITAGE FUND

The Town passed a bylaw in 2009 to establish a Heritage Fund which is to be funded through transfers budgeted for this purpose and through donations of money or property. The bylaw requires that the monies in the Fund be accounted for through a schedule to the annual financial statements. At December 31, 2011, there were no monies in the Fund.

THE TOWN OF THE CITY OF DAWSON

Notes to Financial Statements

December 31, 2011

12. FINANCIAL INSTRUMENTS

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

The Town 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 Town's credit risk.

13. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. 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 accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure (Schedule 2).

14. BUDGET

Budget figures are presented for information purposes only and are unaudited.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

16. COMPARATIVE FIGURES

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