

**TOWN OF FARO**  
**Financial Statements**  
**For The Year Ended December 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Mayor and Council of the Town of Faro

### *Opinion*

We have audited the financial statements of the Town of Faro (the Town), which comprise the statement of financial position as at December 31, 2020, 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 Town as at December 31, 2020, and the results of its operations, changes in net financial assets, 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 Town 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.

### *Other Matter*

The financial statements of the Town as at end for the year ended December 31, 2019 were audited by BDO Canada LLP Chartered Professional Accountants who expressed an unqualified opinion on those statements on May 26, 2020.

### *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 accounting standards for not-for-profit organizations, 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditors' Report to the Mayor and Council of Town of Faro (continued)

*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:

- 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 Town'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 Town'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 Town 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  
May 18, 2021

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

To the Mayor and Members of Council of the Town of Faro

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 judgments 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 Town Council to express an opinion on the Town's financial statements.



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John Thomas  
Chief Administrative Officer

**TOWN OF FARO**  
**Statement of Financial Position**  
**As At December 31, 2020**

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents <i>(Note 2)</i>	\$ 2,867,550	\$ 2,560,409
Receivables <i>(Note 3)</i>	223,403	128,594
Properties held for sale <i>(Note 4)</i>	122,111	122,111
	<u>3,213,064</u>	<u>2,811,114</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 5)</i>	302,944	270,339
Deferred revenue	12,505	14,847
Landfill closure and post-closure liability <i>(Note 6)</i>	91,000	48,000
	<u>406,449</u>	<u>333,186</u>
<b>NET FINANCIAL ASSETS</b>	<u>2,806,615</u>	<u>2,477,928</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 7)</i>	21,762,974	21,454,277
Inventory of supplies	17,483	17,483
Prepaid expenses	-	19,192
	<u>21,780,457</u>	<u>21,490,952</u>
<b>ACCUMULATED SURPLUS <i>(Note 8)</i></b>	<u>\$ 24,587,072</u>	<u>\$ 23,968,880</u>

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

**TOWN OF FARO**  
**Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2020**

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
<b>REVENUE</b>			
Government transfers for operating (Schedule 3)	\$ 2,120,756	\$ 1,987,304	\$ 2,233,444
Taxation, including grants in lieu of taxes (Schedule 2)	707,500	709,587	691,781
Utilities	362,440	344,452	299,530
Equipment and property rentals	52,504	49,128	55,572
Other revenue	47,050	34,983	133,338
Sale of goods and services	36,900	27,831	46,631
Investment income	34,000	18,810	35,625
License, permits and fines	4,375	4,823	4,678
Penalties on taxes	3,500	4,027	5,824
	<u>3,369,025</u>	<u>3,180,945</u>	<u>3,506,423</u>
<b>EXPENSES</b>			
General administration	1,121,387	856,227	752,288
Public works	840,584	771,978	805,995
Recreation and culture	673,760	577,191	603,080
Environmental health	535,843	456,762	431,913
Council and legislative	124,575	89,778	116,045
Fire services	107,655	84,114	88,707
Community development services	21,864	18,940	25,880
Amortization	900,000	908,799	880,696
	<u>4,325,668</u>	<u>3,763,789</u>	<u>3,704,604</u>
<b>ANNUAL DEFICIT BEFORE OTHER REVENUE</b>	<u>(956,643)</u>	<u>(582,844)</u>	<u>(198,181)</u>
<b>OTHER REVENUE</b>			
Government transfers for capital (Schedule 3)	1,360,000	1,201,036	7,382,443
Gain (loss) on disposal of tangible capital assets	3,000	-	(71,659)
	<u>1,363,000</u>	<u>1,201,036</u>	<u>7,310,784</u>
<b>ANNUAL SURPLUS</b>	406,357	618,192	7,112,603
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>23,968,880</u>	<u>23,968,880</u>	<u>16,856,277</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 8)</b>	<u>\$ 24,375,237</u>	<u>\$ 24,587,072</u>	<u>\$ 23,968,880</u>

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

**TOWN OF FARO**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2020**

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
<b>ANNUAL SURPLUS</b>	\$ 406,357	\$ 618,192	\$ 7,112,603
Acquisition of tangible capital assets	(1,475,000)	(1,217,496)	(7,730,381)
Amortization of tangible capital assets	900,000	908,799	880,696
Gain (loss) on disposal of tangible capital assets	-	-	71,659
	(168,643)	309,495	334,577
Land transferred to inventory held for resale	-	-	47,350
Consumption (purchase) of prepaid expenses and inventory of supplies	-	19,192	(19,192)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	(168,643)	328,687	362,735
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,477,928	2,477,928	2,115,193
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 2,309,285	\$ 2,806,615	\$ 2,477,928

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

**TOWN OF FARO**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 618,192	\$ 7,112,603
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	908,799	880,696
Loss on disposal of tangible capital assets	-	71,659
Landfill closure liability	43,000	-
Gain on properties held for sale	-	(46,872)
	<u>1,569,991</u>	<u>8,018,086</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(94,809)	431,700
Accounts payable and accrued liabilities	32,605	(350,836)
Deferred revenue	(2,342)	5,322
Prepaid expenses	19,192	(19,192)
	<u>(45,354)</u>	<u>66,994</u>
Cash flow from operating activities	<u>1,524,637</u>	<u>8,085,080</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(1,217,496)	(7,730,381)
Proceeds on sale of tangible capital assets	-	228,847
Cash flow used by capital activities	<u>(1,217,496)</u>	<u>(7,501,534)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>307,141</b>	<b>583,546</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>2,560,409</b></u>	<u><b>1,976,863</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 2,867,550</b></u>	<u><b>\$ 2,560,409</b></u>

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



**TOWN OF FARO****Schedule of Equity in Tangible Capital Assets****(Schedule 1)****For the Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 21,454,277</b>	<b>\$ 14,723,601</b>
Acquisition of tangible capital assets	1,217,496	7,730,381
Amortization of tangible capital assets	(908,799)	(880,696)
Net book value of tangible capital assets disposed of	-	(119,009)
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 21,762,974</u></b>	<b><u>\$ 21,454,277</u></b>
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	<b><u>\$ 21,762,974</u></b>	<b><u>\$ 21,454,277</u></b>

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

**TOWN OF FARO**  
**Schedule of Taxation**  
**For the Year Ended December 31, 2020**

**(Schedule 2)**

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
<b>TAXATION</b>			
Real property tax	\$ 527,000	\$ 528,118	\$ 510,320
Government grants in lieu of property tax	180,500	<b>181,469</b>	181,461
	<u>\$ 707,500</u>	<u>\$ 709,587</u>	<u>\$ 691,781</u>

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

**TOWN OF FARO****Schedule of Government Transfers****(Schedule 3)****For the Year Ended December 31, 2020**

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Government of the Yukon block funding	\$ 1,734,765	\$ 1,734,765	\$ 1,734,765
Government of Canada conditional grants	111,123	134,279	344,497
Government of the Yukon conditional grants	274,868	118,260	154,182
	2,120,756	1,987,304	2,233,444
<b>TRANSFERS FOR CAPITAL</b>			
Government of the Yukon conditional transfers	1,360,000	1,201,036	7,382,443
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 3,480,756</b>	<b>\$ 3,188,340</b>	<b>\$ 9,615,887</b>

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

**TOWN OF FARO**  
**Schedule of Segmented Information**  
**For the Year Ended December 31, 2020**

(Schedule 4)

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
<b>REVENUE</b>								
Government of Yukon - Block funding	-	1,684,765	50,000	-	-	-	-	1,734,765
Taxation and grants in lieu	-	709,587	-	-	-	-	-	709,587
Utilities	-	-	-	-	344,452	-	-	344,452
Government transfers for operating	-	252,539	-	-	-	-	-	252,539
Equipment and property rental	-	22,688	18,921	7,519	-	-	-	49,128
Other revenue	-	7,569	-	8,071	-	19,093	250	34,983
Sales of goods and services	-	-	-	9,864	-	17,967	-	27,831
Investment income	-	18,810	-	-	-	-	-	18,810
License, permits and fines	-	4,823	-	-	-	-	-	4,823
Penalties on taxes	-	4,027	-	-	-	-	-	4,027
	-	2,704,808	68,921	25,454	344,452	37,060	250	3,180,945
<b>EXPENSES</b>								
Salaries and benefits	63,192	570,226	23,259	524,375	93,622	233,836	-	1,508,510
Utilities and fuel	-	24,271	20,615	109,330	135,655	120,496	-	410,367
Other goods and services	26,436	89,332	13,292	20,697	17,833	22,739	16,476	206,805
Repairs and maintenance	-	8,087	1,445	18,351	83,113	91,745	-	202,741
Professional fees and consultants	-	91,633	-	-	61,460	-	-	153,093
Insurance	-	30,037	7,795	22,138	24,242	44,433	2,464	131,109
Vehicles	-	-	7,134	54,845	26,795	-	-	88,774
Equipment and supplies	-	12,134	6,201	12,135	788	55,733	-	86,991
Communications	-	15,484	3,873	7,445	6,689	3,517	-	37,008
Training, travel and meetings	150	9,142	500	2,663	6,565	4,692	-	23,712
Interest and other	-	5,881	-	-	-	-	-	5,881
	89,778	856,227	84,114	771,979	456,762	577,191	18,940	2,854,991
Amortization	-	41,925	37,986	171,554	458,000	199,333	-	908,798
<b>NET REVENUE (DEFICIT)</b>	<b>(89,778)</b>	<b>1,806,656</b>	<b>(53,179)</b>	<b>(918,079)</b>	<b>(570,310)</b>	<b>(739,464)</b>	<b>250</b>	<b>(582,844)</b>

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

**TOWN OF FARO**  
**Schedule of Segmented Information**  
**For the Year Ended December 31, 2019**

(Schedule 4)

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
<b>REVENUE</b>								
Government of Yukon - Block funding	-	1,684,765	50,000	-	-	-	-	1,734,765
Taxation and grants in lieu	-	691,781	-	-	-	-	-	691,781
Utilities	-	-	-	-	299,530	-	-	299,530
Government transfers for operating	-	498,679	-	-	-	-	-	498,679
Other revenue	3,960	52,877	98	3,692	-	24,956	47,755	133,338
Equipment and property rental	-	27,838	19,832	7,902	-	-	-	47,670
Sales of goods and services	-	-	-	13,787	-	32,844	-	46,631
Investment income	-	35,625	-	-	-	-	-	35,625
Penalties on taxes	-	5,824	-	-	-	-	-	5,824
License, permits and fines	-	4,678	-	-	-	-	-	4,678
	<b>3,960</b>	<b>3,002,067</b>	<b>69,930</b>	<b>25,381</b>	<b>299,530</b>	<b>57,800</b>	<b>47,755</b>	<b>3,506,423</b>
<b>EXPENSES</b>								
Salaries and benefits	48,018	540,333	25,021	583,502	160,036	241,903	-	1,598,813
Utilities and fuel	-	25,986	18,183	100,623	121,192	123,088	-	389,072
Other goods and services	43,816	59,840	20,281	13,093	18,920	113,666	22,789	292,405
Repairs and maintenance	-	7,089	1,398	14,954	77,725	28,086	1,012	130,264
Insurance	-	27,174	5,683	16,638	20,689	37,170	2,079	109,433
Equipment and supplies	-	13,782	4,833	32,219	4,077	52,679	-	107,590
Professional fees and consultants	-	46,591	-	-	16,692	-	-	63,283
Training, travel and meetings	24,211	11,767	1,922	6,530	4,790	1,222	-	50,442
Communications	-	13,979	6,326	7,293	5,650	5,266	-	38,514
Vehicles	-	-	5,060	31,143	2,142	-	-	38,345
Interest and other	-	5,747	-	-	-	-	-	5,747
	<b>116,045</b>	<b>752,288</b>	<b>88,707</b>	<b>805,995</b>	<b>431,913</b>	<b>603,080</b>	<b>25,880</b>	<b>2,823,908</b>
Amortization	-	37,118	31,331	168,473	438,634	205,140	-	880,696
<b>NET REVENUE (DEFICIT)</b>	<b>(112,085)</b>	<b>2,212,661</b>	<b>(50,108)</b>	<b>(949,087)</b>	<b>(870,547)</b>	<b>(750,420)</b>	<b>(25,880)</b>	<b>(198,181)</b>

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

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**1. ACCOUNTING POLICIES**

The financial statements of the Town of Faro (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.

*(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.

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 Town has used estimates to determine accrued liabilities, the useful lives of tangible capital assets and landfill closure and post-closure liability.

*(d) Cash and cash equivalents*

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition. In addition, cash equivalents include investments in Municipal Finance Authority money market funds that are recorded at fair value, which approximates cost.

*(e) Properties held for resale*

Properties held for sale are valued at the lower of cost and expected realizable value. When a decline in net realizable value is determined to be other than temporary, the impairment is recognized in the statement of operations.

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**1. ACCOUNTING POLICIES (continued)**

(f) *Landfill Closure and Post-Closure Liability*

The estimated present value of the landfill closure liability and post-closure costs are recognized as a liability. This liability is recognized based on estimated future expenses, included estimated inflation discounted to the current date and accrued based on the proportion of the total capacity of the landfill used to date. The change in this estimated liability during the year is recorded as a charge to operations. These estimates are reviewed and adjusted annually.

(g) *Inventory*

Inventories of supplies held for consumption are recorded at the lower of weighted-average cost and replacement cost

(h) *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:

Engineered structures:	
Water and sewer infrastructure	50 years
Roads and surface	15 - 50 years
Land improvements	20 years
Buildings	25 - 40 years
Machinery and equipment	10 - 15 years
Vehicles	7 years
Furnishing	10 years
Electronics	3 years

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

(i) *Revenue Recognition*

Taxes are recognized as revenue in the year they are levied. Charges for sewer and water usage are recorded as utility charge revenue when used. Connection fee revenues are recognized when the connection has been established.

Sales of service, user fees, admissions fees, licenses, and rentals and other revenue are recognized on an accrual basis.

Management assesses the collectibility of its property tax, penalty and interest receivable balances annually. When the collection is in doubt, the balance is written down to the estimated receivable amount being the estimated net realizable value of the underlying properties.

Government transfers, which include legislative grants, are recognized in the financial statements when received if the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**1. ACCOUNTING POLICIES (continued)**

*(j) Contaminated Sites*

Contaminated sites are defined as the 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 Town 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.

*(k) New Accounting Standards not yet Adopted*

Effective for fiscal years beginning on or after April 1, 2022, 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, 2023, 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.

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**2. CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
Operating accounts	\$ 547,174	\$ 308,843
Money market fund	2,320,376	2,251,566
	<u>\$ 2,867,550</u>	<u>\$ 2,560,409</u>

The money market fund is invested with Municipal Finance Authority of BC and earns interest at an average of 0.83%.

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**3. RECEIVABLES**

	<u>2020</u>	<u>2019</u>
Government transfers	\$ 183,790	\$ 59,436
Property tax, penalties and other	39,613	72,852
	<u>223,403</u>	132,288
Less: allowance for doubtful accounts	-	(3,694)
	<u>\$ 223,403</u>	<u>\$ 128,594</u>

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**4. PROPERTIES HELD FOR SALE**

The Town continues to hold seven properties for sale (2018 - 16). The properties are recorded at the lower of the original cost and the estimated fair market value, which in most cases is equivalent to the fair market value of the underlying land.

During fiscal 2020, the Town disposed of no properties (2019 - \$228,847) and a net gain on sale of Nil (2019 - \$46,872).

At least one of the remaining properties is contaminated with asbestos. There is no requirement to remediate any of the facilities at this time. One site has a significant amount of contamination that has been identified, and an independent assessment as been performed. The costs to remediate are estimated to be \$800,000. Given there are no requirements to remediate no liability has been recorded in the financial statements at this time.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2020</u>	<u>2019</u>
Salaries and benefits	\$ 159,283	\$ 164,866
Trade payables and accrued liabilities	<u>143,661</u>	<u>105,473</u>
	<u>\$ 302,944</u>	<u>\$ 270,339</u>

**6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

The Town has made a provision for the closure and post closure costs of the landfill based on its best estimates of the closure costs, post closure costs, discount rate, inflation, expected useful life of the landfill and its capacity. Management relied on an initial report prepared on behalf of the Government of Yukon in 2013 which was updated in 2017 and again in 2020.

The Town estimates that the remaining life of its landfill is at least 180 years (2019 -114 years). The estimated liability is based on the sum of discounted future cash flows for closure and post-closure activities for 30 years after closure using a discount rate of 2.8% (2019 - 4.5%) and assuming annual inflation of 2.0% (2019 - 3%).

The following summarizes the total net present value of the estimated total costs for closure and post-closure care:

	<u>2020</u>	<u>2019</u>
Estimated closure costs	\$ 605,137	\$ 160,000
Estimated post-closure costs	<u>50,665</u>	<u>-</u>
Estimated total liability	<u>655,802</u>	<u>160,000</u>
Estimated capacity remaining	86 %	70 %
Portion of total liability remaining to be recognized	<u>564,802</u>	<u>112,000</u>
Estimated capacity used	14 %	30 %
Accrued liability portion	<u>\$ 91,000</u>	<u>\$ 48,000</u>

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**7. TANGIBLE CAPITAL ASSETS**

	2020 Net Book Value	2019 Net Book Value
Engineered structures		
Water and sewer infrastructure	\$ 14,601,420	\$ 13,935,577
Roadways	1,675,997	1,727,948
	<b>16,277,417</b>	<b>15,663,525</b>
Buildings	1,977,947	2,122,272
Land improvements	1,536,978	1,541,398
Machinery and equipment	947,138	1,074,099
Land	881,340	881,340
Vehicles	74,763	104,250
Furnishing and electronics	67,391	67,393
	<b>\$ 21,762,974</b>	<b>\$ 21,454,277</b>

	Cost Beginning of Year	Purchased Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roadways	\$ 3,276,829	\$ -	\$ -	\$ -	\$ 3,276,829
Water and sewer infrastructure	20,028,226	1,064,046	-	-	21,092,272
	23,305,055	1,064,046	-	-	24,369,101
Buildings	5,524,984	-	-	-	5,524,984
Machinery and equipment	2,267,527	-	-	-	2,267,527
Land	881,340	-	-	-	881,340
Land improvements	3,036,142	130,553	-	-	3,166,695
Vehicles	417,756	-	-	-	417,756
Furnishing and electronics	354,091	22,897	-	-	376,988
	<b>\$ 35,786,895</b>	<b>\$ 1,217,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,004,391</b>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 1,548,881	\$ 51,951	\$ -	\$ -	\$ 1,600,832
Water and wastewater systems	6,092,649	398,203	-	-	6,490,852
	7,641,530	450,154	-	-	8,091,684
Buildings	3,402,712	144,325	-	-	3,547,037
Machinery and equipment	1,193,428	126,961	-	-	1,320,389
Land improvements	1,494,744	134,973	-	-	1,629,717
Vehicles	313,506	29,487	-	-	342,993
Furnishing and electronics	286,698	22,899	-	-	309,597
	<b>\$ 14,332,618</b>	<b>\$ 908,799</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,241,417</b>

**TOWN OF FARO**  
**Notes to Financial Statements**  
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**8. ACCUMULATED SURPLUS**

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 1,984,529	\$ 1,691,861
Restricted surplus (Note 9)	839,569	822,742
Investment in tangible capital assets	<u>21,762,974</u>	<u>21,454,277</u>
	<u>\$ 24,587,072</u>	<u>\$ 23,968,880</u>

Reserve funds represent funds set aside by bylaw or Council resolution and may be restricted in accordance with Section 244(1) of the Municipal Act.

**9. RESTRICTED SURPLUS**

	<u>2020</u>	<u>2019</u>
Water and Sewer System reserve	\$ 526,230	\$ 521,900
Firefighting Protective Service	179,858	178,378
PW Equipment Replacement reserve	72,148	71,555
Parks, Trails, & recreation reserve	21,252	21,077
Waste Management reserve	20,084	10,000
Land Development reserve	<u>19,997</u>	<u>19,832</u>
	<u>\$ 839,569</u>	<u>\$ 822,742</u>

**10. ECONOMIC DEPENDENCE**

The Town is economically dependant on the continued support of the Government of Yukon to maintain normal operations.

**11. FUNDS HELD IN TRUST**

The Town administers the following trust funds on behalf of third parties. As related trust assets are not owned by the Town, the trusts have been excluded from the financial statements.

	<u>2020</u>	<u>2019</u>
Faro Youth Group	\$ 5,298	\$ 4,983
Swim Meat	2,073	2,073
Faro Curling Club	984	984
Fire Department	<u>280</u>	<u>280</u>
	<u>\$ 8,635</u>	<u>\$ 8,320</u>

**12. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities. 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 is a diversified municipal government institution that provides a wide range of services to its citizens such as water, sewer and fire protection. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

*Legislative*

This area is comprised of expenditures that relate to Council and Council's membership in the Association of Yukon Communities.

*Administration*

This area handles administration for the Town of Faro including support to Council, Council Committees and all municipal departments. The office processes all financial transactions for the municipality and is the public face of the Town that handles inquiries, takes payments and issues business licenses and dog tags.

*Fire Services*

Fire Services includes the fire department and emergency management operations planning.

*Public Works*

This department is responsible for roads, streets and lighting, handles repair and maintenance of all municipal buildings and maintenance of municipal vehicles. Management of the municipal cemetery is also under public works.

*Environmental Health*

Environmental Health is responsible for the maintenance of the municipal water and sewer systems and ensuring the water system meets all required standards. Management of the municipal landfill is also included under Environmental Health.

*Recreation and Interpretive Centre*

Recreation is managing the activities and programming at the recreation centre, pool during the summer months and arena during the winter.

Interpretive centre is open during the summer months and provides information to tourists, oversees the RV park and assists with various community events.

*Community Development Services*

Community development services is responsible for advertising and website maintenance, assisting with funding applications.

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**14. BUDGET FIGURES**

The 2020 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on April 9, 2020. The table below reconciles the approved financial plan to the figures reported in these financial statements

	2020 Budget	2020 Actual
Annual surplus	\$ 406,357	\$ 618,192
Amortization expense	900,000	908,799
Acquisition of tangible capital assets	(1,475,000)	(1,217,496)
Net transfers (to) from reserves	168,643	(16,827)
	<u>\$ -</u>	<u>\$ 292,668</u>

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**15. UNCERTAINTY DUE TO COVID-19**

On March 11, 2020, the World Health Organization declared a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused significant disruptions to businesses, governments, and other organizations resulting in an economic slow-down and increased volatility. Governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

While COVID-19 has not significantly impacted the Town's operations or financial condition to date, the rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may have a financial impact on the Town's activities, operations and financial condition in the future.

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**16. COMPARATIVE FIGURES**

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

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**17. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and management.

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