

TOWN OF FARO
Financial Statements
For The Year Ended December 31, 2023

INDEPENDENT AUDITORS' REPORT

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, 2023, 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, 2023, 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.

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 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.

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)



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.



Larry Baran
Chief Administrative Officer

Independent Auditors' Report to the Mayor and Council of Town of Faro *(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 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
June 18, 2024

TOWN OF FARO
Statement of Financial Position
As At December 31, 2023

	2023	2022 <i>(Restated)</i> <i>(Note 18)</i>
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 2,524,901	\$ 3,162,922
Investments <i>(Note 3)</i>	610,000	385,000
Receivables <i>(Note 4)</i>	580,516	344,673
Properties held for sale <i>(Note 5)</i>	112,461	122,111
	<u>3,827,878</u>	<u>4,014,706</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	410,943	447,046
Deferred revenue <i>(Note 7)</i>	20,398	32,008
Asset retirement obligations <i>(Note 8)</i>	1,448,261	1,379,296
	<u>1,879,602</u>	<u>1,858,350</u>
NET FINANCIAL ASSETS	<u>1,948,276</u>	<u>2,156,356</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	30,841,709	30,788,123
Inventory of supplies	54,082	73,931
Prepaid expenses	1,420	5,500
	<u>30,897,211</u>	<u>30,867,554</u>
ACCUMULATED SURPLUS <i>(Note 10)</i>	<u>\$ 32,845,487</u>	<u>\$ 33,023,910</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, 2023

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual) (Restated) (Note 18)
REVENUE			
Government transfers for operating (Schedule 3)	\$ 2,122,561	\$ 2,172,504	\$ 2,025,681
Taxation, including grants in lieu of taxes (Schedule 2)	812,200	823,746	809,552
Utilities	407,000	371,557	339,828
Sale of goods and services	84,630	149,546	77,300
Investment income	60,000	134,077	66,108
Equipment and property rentals	51,190	63,999	49,384
Other revenue	19,030	27,952	25,253
Penalties on taxes	6,000	12,544	9,379
License, permits and fines	7,300	8,476	6,303
	<u>3,569,911</u>	<u>3,764,401</u>	<u>3,408,788</u>
EXPENSES			
Public works	1,156,152	1,235,908	883,719
General administration	1,132,786	1,009,744	906,360
Recreation and culture	770,897	805,408	728,930
Environmental health	643,386	568,602	459,596
Council and legislative	125,596	123,969	116,002
Fire services	135,337	121,795	89,556
Community development services	88,183	73,380	47,023
Amortization	1,100,000	1,223,065	884,900
	<u>5,152,337</u>	<u>5,161,871</u>	<u>4,116,086</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE	<u>(1,582,426)</u>	<u>(1,397,470)</u>	<u>(707,298)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital (Schedule 3)	1,704,500	1,155,145	10,496,735
Gain (loss) on disposal of tangible capital assets	375,000	63,902	(109,477)
	<u>2,079,500</u>	<u>1,219,047</u>	<u>10,387,258</u>
ANNUAL SURPLUS (DEFICIT)	497,074	(178,423)	9,679,960
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>33,023,910</u>	<u>33,023,910</u>	<u>23,343,950</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	<u>\$ 33,520,984</u>	<u>\$ 32,845,487</u>	<u>\$ 33,023,910</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, 2023

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual) (Restated) (Note 18)
ANNUAL SURPLUS (DEFICIT)	\$ 497,074	\$ (178,423)	\$ 9,679,960
Acquisition of tangible capital assets	(2,376,000)	(1,293,701)	(10,539,302)
Amortization of tangible capital assets	1,100,000	1,223,065	884,900
Proceeds on sale of tangible capital assets	-	80,952	-
Loss (gain) on disposal of tangible capital assets	-	(63,902)	109,477
	(778,926)	(232,009)	135,035
Use (acquisition) of inventory of supplies	-	19,849	(31,450)
Use (acquisition) of prepaid expenses	-	4,080	(5,500)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(778,926)	(208,080)	98,085
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,156,356	2,156,356	2,058,271
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,377,430	\$ 1,948,276	\$ 2,156,356

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

TOWN OF FARO
Statement of Cash Flows
For The Year Ended December 31, 2023

	2023	2022 <i>(Restated)</i> <i>(Note 18)</i>
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (178,423)	\$ 9,679,960
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	1,223,065	884,900
Loss (gain) on disposal of tangible capital assets	(63,902)	109,477
	<u>980,740</u>	<u>10,674,337</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(235,843)	(162,157)
Land held for resale	9,650	-
Accounts payable and accrued liabilities	(36,103)	157,952
Deferred revenue	(11,610)	(109,620)
Inventory of supplies	19,849	(31,450)
Prepaid expenses	4,080	(5,500)
Asset retirement obligations	68,965	65,681
	<u>(181,012)</u>	<u>(85,094)</u>
Cash flow from operating activities	<u>799,728</u>	<u>10,589,243</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,293,701)	(10,539,302)
Proceeds on sale of tangible capital assets	80,952	-
Cash flow used by capital activities	<u>(1,212,749)</u>	<u>(10,539,302)</u>
INVESTMENT ACTIVITIES		
Purchase of investments	(225,000)	(385,000)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(638,021)	(335,059)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,162,922	3,497,981
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,524,901	\$ 3,162,922

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, 2023**

	2023	2022 <i>(Restated)</i> <i>(Note 18)</i>
BALANCE, BEGINNING OF YEAR	\$ 29,873,808	\$ 20,372,422
Acquisition of tangible capital assets	1,293,701	10,539,302
Amortization of tangible capital assets	(1,223,065)	(884,900)
Net book value of tangible capital assets disposed of	(17,050)	(109,477)
Asset retirement obligation accretion	(45,716)	(43,539)
BALANCE, END OF YEAR	\$ 29,881,678	\$ 29,873,808
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 30,841,709	\$ 30,788,123
Asset retirement obligations	(960,031)	(914,315)
	\$ 29,881,678	\$ 29,873,808

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

TOWN OF FARO
Schedule of Taxation
For the Year Ended December 31, 2023

(Schedule 2)

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual)
TAXATION			
Real property tax	\$ 601,200	\$ 612,581	\$ 603,907
Government grants in lieu of taxes	211,000	211,165	205,645
	<u>\$ 812,200</u>	<u>\$ 823,746</u>	<u>\$ 809,552</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, 2023**

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual)
TRANSFERS FOR OPERATING			
Government of the Yukon block funding	\$ 1,849,026	\$ 1,849,026	\$ 1,782,509
Government of the Yukon conditional grants	245,375	276,133	213,116
Government of Canada conditional grants	28,160	47,345	30,056
	<u>2,122,561</u>	<u>2,172,504</u>	<u>2,025,681</u>
TRANSFERS FOR CAPITAL			
Government of the Yukon conditional transfers	1,704,500	1,155,145	10,415,868
Government of Canada conditional grants	-	-	80,867
	<u>1,704,500</u>	<u>1,155,145</u>	<u>10,496,735</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,827,061</u>	<u>\$ 3,327,649</u>	<u>\$ 12,522,416</u>

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

TOWN OF FARO
Schedule of Segmented Information
For the Year Ended December 31, 2023

(Schedule 4)

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
REVENUE								
Government of Yukon - Block funding	-	1,799,026	50,000	-	-	-	-	1,849,026
Taxation and grants in lieu	-	823,746	-	-	-	-	-	823,746
Utilities	-	-	-	-	371,557	-	-	371,557
Government transfers for operating	-	323,478	-	-	-	-	-	323,478
Sales of goods and services	-	-	-	71,082	-	78,464	-	149,546
Investment income	-	134,077	-	-	-	-	-	134,077
Equipment and property rental	-	23,450	22,084	18,465	-	-	-	63,999
Other revenue	1,467	3,341	-	8,079	-	4,519	10,546	27,952
Penalties on taxes	-	12,544	-	-	-	-	-	12,544
License, permits and fines	-	8,476	-	-	-	-	-	8,476
	1,467	3,128,138	72,084	97,626	371,557	82,983	10,546	3,764,401
EXPENSES								
Salaries and benefits	70,302	700,265	29,421	777,465	120,537	331,912	-	2,029,902
Utilities and fuel	-	40,846	23,910	149,554	154,346	142,181	-	510,837
Other goods and services	37,318	71,565	19,906	36,767	22,679	109,260	67,793	365,288
Insurance	-	34,566	10,759	54,815	50,214	82,885	5,403	238,642
Repairs and maintenance	-	39,054	939	55,609	102,331	35,456	-	233,389
Equipment and supplies	-	21,811	16,408	69,887	15,850	64,472	-	188,428
Professional fees and consultants	-	56,136	-	-	58,560	-	-	114,696
Vehicles	-	-	2,268	56,004	15,962	-	-	74,234
Accretion of asset retirement obligations	-	12,848	6,366	8,590	7,702	33,273	184	68,963
Communications	-	14,404	10,775	24,130	9,487	4,010	-	62,806
Training, travel and meetings	16,349	10,458	1,043	3,087	10,934	1,959	-	43,830
Interest and other	-	7,791	-	-	-	-	-	7,791
Amortization	123,969	1,009,744	121,795	1,235,908	568,602	805,408	73,380	3,938,806
	-	60,776	20,125	485,329	453,123	203,712	-	1,223,065
NET REVENUE (DEFICIT)	(122,502)	2,057,618	(69,836)	(1,623,611)	(650,168)	(926,137)	(62,834)	(1,397,470)

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

TOWN OF FARO
Schedule of Segmented Information
For the Year Ended December 31, 2022

(Schedule 4)

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
REVENUE								
Government of Yukon - Block funding	-	1,732,509	50,000	-	-	-	-	1,782,509
Taxation and grants in lieu	-	809,552	-	-	-	-	-	809,552
Utilities	-	-	-	-	339,828	-	-	339,828
Government transfers for operating	-	243,173	-	-	-	68,070	-	243,173
Sales of goods and services	-	-	-	9,230	-	-	-	77,300
Investment income	-	66,108	-	-	-	-	-	66,108
Equipment and property rental	-	22,876	20,978	5,530	-	-	-	49,384
Other revenue	-	10,206	-	5,262	-	2,209	7,576	25,253
Penalties on taxes	-	9,379	-	-	-	-	-	9,379
License, permits and fines	-	6,302	-	-	-	-	-	6,302
	-	2,900,105	70,978	20,022	339,828	70,279	7,576	3,408,788
EXPENSES								
Salaries and benefits	66,076	625,931	24,406	555,585	109,157	299,681	-	1,680,836
Utilities and fuel	-	40,771	24,369	134,692	149,581	153,717	-	503,130
Other goods and services	37,462	78,997	3,102	25,485	20,008	63,199	42,329	270,582
Insurance	-	28,972	10,165	25,948	42,479	68,728	4,518	180,810
Equipment and supplies	-	21,633	9,650	42,947	17,177	76,136	-	167,543
Repairs and maintenance	-	30,765	6,272	38,738	53,517	30,481	-	159,773
Professional fees and consultants	-	41,293	-	-	48,971	-	-	90,264
Accretion of asset retirement obligations	-	12,236	6,064	8,181	7,335	31,689	176	65,681
Communications	-	13,467	4,862	12,317	8,447	3,771	-	42,864
Vehicles	-	-	119	31,304	2,444	-	-	33,867
Training, travel and meetings	12,464	5,551	547	8,522	480	1,528	-	29,092
Interest and other	-	6,744	-	-	-	-	-	6,744
	116,002	906,360	89,556	883,719	459,596	728,930	47,023	3,231,186
Amortization	-	65,583	16,584	173,117	444,057	185,559	-	884,900
NET REVENUE (DEFICIT)	(116,002)	1,928,162	(35,162)	(1,036,814)	(563,825)	(844,210)	(39,447)	(707,298)

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

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

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 asset retirement obligations.

(d) *Valuation of financial assets and liabilities*

The Town's financial assets and liabilities are measured as follows:

Cash and cash equivalents	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Assets held for resale	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Asset retirement obligations	Present value

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TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

1. ACCOUNTING POLICIES (continued)

(e) *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.

(f) *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.

(g) *Asset retirement obligations*

During 2023, the Town adopted *PS 3280 Asset Retirement Obligations* which provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(h) *Inventory*

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

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TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

1. ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(k) 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.

(l) New Accounting Standards not yet Adopted

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.

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

2. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Operating accounts	\$ 275,995	\$ 455,843
Money market fund	2,248,906	1,957,079
Guaranteed investment certificates	-	750,000
	<u>\$ 2,524,901</u>	<u>\$ 3,162,922</u>

3. INVESTMENTS

Investments consist of Guaranteed Investment Certificates bearing interest at rates between 4.95% and 5.15% maturing between June and November 2024.

4. RECEIVABLES

	<u>2023</u>	<u>2022</u>
Other governments	\$ 491,581	\$ 279,692
Taxes, penalties and other	88,935	64,981
	<u>\$ 580,516</u>	<u>\$ 344,673</u>

5. PROPERTIES HELD FOR SALE

The Town holds six properties for sale (2022 - 7). 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 2023, the Town disposed of one property (2022 - Nil) for a net gain on sale of Nil (2022 - Nil).

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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade payables and accrued liabilities	\$ 221,283	\$ 280,338
Salaries and benefits	189,660	166,708
	<u>\$ 410,943</u>	<u>\$ 447,046</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

7. DEFERRED REVENUE

	2022	Funds Received	Funds Expended	2023
New Horizon Seniors grant	\$ 13,699	\$ 6,521	\$ (13,699)	\$ 6,521
Other grants	9,956	5,479	(9,956)	5,479
Other revenue	2,293	4,398	(2,293)	4,398
Canada Post Community Foundation	-	4,000	-	4,000
Youth mental health grant	6,060	-	(6,060)	-
	\$ 32,008	\$ 20,398	\$ (32,008)	\$ 20,398

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

8. ASSET RETIREMENT OBLIGATIONS

Buildings

The Town has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Town to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or being demolished. The undiscounted future cash flows expected for abatement costs total \$1,273,00 are expected to occur between the years 2027 and 2058. The estimated total liability of \$798,281 (2022 - \$760,268) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 5% and assuming annual inflation of 3.1%. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Town to remove the materials when the asset retirement activities occur. The Town has not designated assets for settling these liabilities.

Landfill

The Town operates a landfill site and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The undiscounted future cash flows for closure costs expected to occur in year 2200 total \$2,965,980 with annual post-closure activities expected to commence in 2201 of \$8,000 per year for 30 years to year 2230. The estimated total liability of \$161,750 (2022 - \$154,048) is based on the sum of discounted future cash flows for closure and post-closure activities using a discount rate of 5% and assuming annual inflation of 3.1%. The Town has established a waste management reserve totaling \$62,911 (2022 - \$45,706) for settling these closure and post-closure liabilities.

Land leases

The Town has asset retirement obligations pursuant to Government of Yukon lease agreements to fund the future reclamation of its leased sites. The undiscounted future cash flows of expected remediation costs total \$673,000 expected to occur between 2029 and 2059. The estimated total liability of \$488,230 (2022 - \$464,980) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 5% and assuming annual inflation of 3.1%. Although, the timing of the work site\ reclamation is conditional on the length of time until the site is expected to be inactive, regulations create an existing obligation for the Town to reclaim the work site when the asset retirement activity occurs.

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 1,379,296	\$ 1,313,615
Accretion expense	68,965	65,681
Balance, end of the year	<u>\$ 1,448,261</u>	<u>\$ 1,379,296</u>
Asset retirement obligations are comprised of the following:		
Buildings	\$ 798,281	\$ 760,268
Land leases	488,230	464,980
Landfill	161,750	154,048
	<u>\$ 1,448,261</u>	<u>\$ 1,379,296</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

9. TANGIBLE CAPITAL ASSETS

	2023	2022
	Net Book	Net Book
	Value	Value
Engineered structures		
Water and sewer infrastructure	\$ 13,467,631	\$ 13,739,576
Roadways	1,567,462	1,621,066
	15,035,093	15,360,642
Buildings	12,144,845	12,076,063
Land improvements	1,436,781	1,507,701
Machinery and equipment	1,084,364	768,000
Land	864,290	881,340
Vehicles	154,067	23,241
Furnishing and electronics	122,269	171,136
	\$ 30,841,709	\$ 30,788,123

	Cost				Cost
	Beginning of	Purchased	Disposals	Write-downs	End of
	Year	Additions			Year
Engineered structures					
Roadways	\$ 3,294,964	\$ -	\$ -	\$ -	\$ 3,294,964
Water and sewer infrastructure	20,328,315	104,670	-	-	20,432,985
	23,623,279	104,670	-	-	23,727,949
Buildings	16,025,176	492,274	(41,100)	-	16,476,350
Machinery and equipment	2,320,008	459,123	-	-	2,779,131
Land	881,340	-	(17,050)	-	864,290
Land improvements	3,369,015	25,965	-	-	3,394,980
Vehicles	417,756	169,546	-	-	587,302
Furnishing and electronics	600,151	42,123	-	-	642,274
	\$ 47,236,725	\$ 1,293,701	\$ (58,150)	\$ -	\$ 48,472,276

	Accumulated				Accumulated
	Amortization	Current	Disposals	Write-downs	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered structures					
Roadways	\$ 1,673,898	\$ 53,604	\$ -	\$ -	\$ 1,727,502
Water and wastewater systems	6,588,739	376,615	-	-	6,965,354
	8,262,637	430,219	-	-	8,692,856
Buildings	3,949,113	423,492	(41,100)	-	4,331,505
Machinery and equipment	1,552,008	142,759	-	-	1,694,767
Land improvements	1,861,314	96,885	-	-	1,958,199
Vehicles	394,515	38,720	-	-	433,235
Furnishing and electronics	429,015	90,990	-	-	520,005
	\$ 16,448,602	\$ 1,223,065	\$ (41,100)	\$ -	\$ 17,630,567

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

10. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 2,024,152	\$ 2,268,001
Restricted surplus (Note 11)	939,657	882,101
Equity in tangible capital assets	<u>29,881,678</u>	<u>29,873,808</u>
	<u>\$ 32,845,487</u>	<u>\$ 33,023,910</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.

11. RESTRICTED SURPLUS

Town Council has established the following reserves.

	<u>2023</u>	<u>2022</u>
Water and sewer system	\$ 563,000	\$ 537,089
Firefighting and protective services	192,425	183,569
Public works equipment	77,190	73,637
Waste management	62,911	45,706
Parks, trails, and recreation	22,737	21,691
Land development	<u>21,394</u>	<u>20,409</u>
	<u>\$ 939,657</u>	<u>\$ 882,101</u>

12. ECONOMIC DEPENDENCE

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

13. 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>2023</u>	<u>2022</u>
Faro Youth Group	\$ 4,435	\$ 5,064
Swim Team	1,559	1,559
Faro Curling Club	984	984
Fire Department	<u>280</u>	<u>280</u>
	<u>\$ 7,258</u>	<u>\$ 7,887</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

14. FINANCIAL INSTRUMENT RISKS

The Town is exposed to the following risks in respect of its financial instruments at December 31, 2023.

Credit risk

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.

Liquidity risk

Liquidity risk is the risk that the Town will encounter difficulty in meeting obligations associated with its financial liabilities. The Town maintains cash balances to ensure that funds are available to meet current and forecasted financial requirements. Management continues to monitor the Town's liquidity position on a regular basis.

Interest rate risk

Interest rate risk is the risk that the Town's annual surplus will be affected by the fluctuation and degree of volatility in interest rates.

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

15. 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.

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2023

16. BUDGET FIGURES

The 2023 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on April 11, 2023. The table below reconciles the approved financial plan to the figures reported in these financial statements

	2023 Budget	2023 Actual
Annual surplus (deficit)	\$ 497,074	\$ (178,423)
Amortization expense	1,100,000	1,223,065
Acquisition of tangible capital assets	(2,376,000)	(1,293,701)
Net transfers (to) from reserves	778,926	(57,556)
	<u>\$ -</u>	<u>\$ (306,615)</u>

17. RELATED PARTY TRANSACTIONS

The 2023 utilities and fuel expenses includes \$129,245 (2022 - \$88,107) from a business that is owned by the Town Mayor. Accounts payable include \$2,191 (2022 -\$7,051).

18. RESTATEMENT

Effective January 1, 2023, the Town adopted *PS 3280 Asset Retirement Obligations* proactively and comparative figures have been restated.

The effect of these changes on the comparative figures is as follows:

- Decrease in landfill closure and post-closure liability of \$125,000
- Increase in asset retirement obligations of \$1,379,296
- Increase in tangible capital assets of \$234,947
- Increase in expenses and decrease in annual surplus of \$58,883
- Decrease in opening accumulated surplus of \$960,466

Effective January 1, 2023, the Town also adopted *PS 3450 Financial Instruments*. There was no impact on the Town's financial reporting regarding this.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
