

TOWN OF FARO
Financial Statements
For The Year Ended December 31, 2022

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, 2022, 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, 2022, 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:

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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 6, 2023

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

TOWN OF FARO
Statement of Financial Position
As At December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 3,162,922	\$ 3,497,981
Investments <i>(Note 3)</i>	385,000	-
Receivables <i>(Note 4)</i>	344,673	182,516
Properties held for sale <i>(Note 5)</i>	122,111	122,111
	<u>4,014,706</u>	<u>3,802,608</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	447,046	289,094
Deferred revenue <i>(Note 7)</i>	32,008	141,628
Landfill closure and post-closure liability <i>(Note 8)</i>	125,000	110,000
	<u>604,054</u>	<u>540,722</u>
NET FINANCIAL ASSETS	<u>3,410,652</u>	<u>3,261,886</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	30,553,176	21,000,049
Inventory of supplies	73,931	42,481
Prepaid expenses	5,500	-
	<u>30,632,607</u>	<u>21,042,530</u>
ACCUMULATED SURPLUS <i>(Note 10)</i>	<u>\$ 34,043,259</u>	<u>\$ 24,304,416</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, 2022

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
REVENUE			
Government transfers for operating (Schedule 3)	\$ 2,064,625	\$ 2,025,681	\$ 2,129,452
Taxation, including grants in lieu of taxes (Schedule 2)	806,000	809,552	717,741
Utilities	309,400	339,828	388,792
Sale of goods and services	69,970	77,300	56,540
Investment income	8,000	66,108	4,326
Equipment and property rentals	60,428	49,384	44,283
Other revenue	22,560	25,253	23,248
Penalties on taxes	5,000	9,379	8,939
License, permits and fines	9,150	6,303	6,810
	<u>3,355,133</u>	<u>3,408,788</u>	<u>3,380,131</u>
EXPENSES			
General administration	1,080,373	894,123	901,946
Public works	976,417	875,538	707,339
Recreation and culture	862,867	697,241	656,788
Environmental health	581,826	467,261	447,586
Council and legislative	120,989	116,002	93,991
Fire services	144,683	83,492	87,617
Community development services	69,318	46,847	14,119
Bylaws enforcement	10,000	-	-
Amortization	950,000	876,699	931,016
	<u>4,796,473</u>	<u>4,057,203</u>	<u>3,840,402</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE	<u>(1,441,340)</u>	<u>(648,415)</u>	<u>(460,271)</u>
OTHER REVENUE			
Government transfers for capital (Schedule 3)	23,751,971	10,496,735	168,091
Gain (loss) on disposal of tangible capital assets	300,000	(109,477)	9,524
	<u>24,051,971</u>	<u>10,387,258</u>	<u>177,615</u>
ANNUAL SURPLUS (DEFICIT)	22,610,631	9,738,843	(282,656)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>24,304,416</u>	<u>24,304,416</u>	<u>24,587,072</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	<u>\$ 46,915,047</u>	<u>\$ 34,043,259</u>	<u>\$ 24,304,416</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, 2022

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 22,610,631	\$ 9,738,843	\$ (282,656)
Acquisition of tangible capital assets	(23,840,571)	(10,539,302)	(168,091)
Amortization of tangible capital assets	950,000	876,698	931,016
Proceeds on sale of tangible capital assets	-	-	9,524
Loss (gain) on disposal of tangible capital assets	-	109,477	(9,524)
	(279,940)	185,716	480,269
Use (acquisition) of inventory of supplies	-	(31,450)	(24,998)
Use (acquisition) of prepaid expenses	-	(5,500)	-
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(279,940)	148,766	455,271
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,261,886	3,261,886	2,806,615
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,981,946	\$ 3,410,652	\$ 3,261,886

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

TOWN OF FARO
Statement of Cash Flows
For The Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 9,738,843	\$ (282,656)
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	876,698	931,016
Loss (gain) on disposal of tangible capital assets	109,477	(9,524)
Provision for landfill closure and post-closure liability	15,000	19,000
	<u>10,740,018</u>	<u>657,836</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(162,157)	40,887
Accounts payable and accrued liabilities	157,952	(13,850)
Deferred revenue	(109,620)	129,123
Inventory of supplies	(31,450)	(24,998)
Prepaid expenses	(5,500)	-
	<u>(150,775)</u>	<u>131,162</u>
Cash flow from operating activities	<u>10,589,243</u>	<u>788,998</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(10,539,302)	(168,091)
Proceeds on sale of tangible capital assets	-	9,524
Cash flow used by capital activities	<u>(10,539,302)</u>	<u>(158,567)</u>
INVESTMENT ACTIVITIES		
Purchase of investments	(385,000)	-
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(335,059)	630,431
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,497,981	2,867,550
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,162,922	\$ 3,497,981

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, 2022**

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 21,000,049	\$ 21,762,974
Acquisition of tangible capital assets	10,539,302	168,091
Amortization of tangible capital assets	(876,698)	(931,016)
Net book value of tangible capital assets disposed of	(109,477)	-
BALANCE, END OF YEAR	\$ 30,553,176	\$ 21,000,049
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 30,553,176	\$ 21,000,049

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

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

(Schedule 2)

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property tax	\$ 600,000	\$ 603,907	\$ 533,390
Government grants in lieu of taxes	206,000	205,645	184,351
	<u>\$ 806,000</u>	<u>\$ 809,552</u>	<u>\$ 717,741</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, 2022**

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Government of the Yukon block funding	\$ 1,782,509	\$ 1,782,509	\$ 1,739,553
Government of the Yukon conditional grants	250,956	213,116	342,880
Government of Canada conditional grants	31,160	30,056	47,019
	<u>2,064,625</u>	<u>2,025,681</u>	<u>2,129,452</u>
TRANSFERS FOR CAPITAL			
Government of the Yukon conditional transfers	23,671,105	10,415,868	52,276
Government of Canada conditional grants	80,866	80,867	115,815
	<u>23,751,971</u>	<u>10,496,735</u>	<u>168,091</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 25,816,596</u>	<u>\$ 12,522,416</u>	<u>\$ 2,297,543</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, 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	-	-	-	-	-	243,173
Sales of goods and services	-	-	-	9,230	-	68,070	-	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
Repairs and maintenance	-	30,765	6,272	38,738	53,517	30,481	-	159,773
Equipment and supplies	-	21,633	9,650	42,947	17,177	76,136	-	167,543
Professional fees and consultants	-	41,293	-	-	63,971	-	-	105,264
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	-	6,743	-	-	-	-	-	6,743
	116,002	894,123	83,492	875,538	467,261	697,241	46,847	3,180,504
Amortization	-	61,798	15,850	171,937	443,480	183,634	-	876,699
NET REVENUE (DEFICIT)	(116,002)	1,944,184	(28,364)	(1,027,453)	(570,913)	(810,596)	(39,271)	(648,415)

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

TOWN OF FARO
Schedule of Segmented Information
For the Year Ended December 31, 2021

(Schedule 4)

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
REVENUE								
Government of Yukon - Block funding	-	1,689,553	50,000	-	-	-	-	1,739,553
Taxation and grants in lieu	-	717,741	-	-	-	-	-	717,741
Government transfers for operating	-	389,899	-	-	-	-	-	389,899
Utilities	-	-	-	-	388,792	-	-	388,792
Sales of goods and services	-	-	-	7,967	-	48,573	-	56,540
Equipment and property rental	-	23,388	20,978	(83)	-	-	-	44,283
Other revenue	-	4,797	1,870	3,696	-	3,037	9,848	23,248
Penalties on taxes	-	8,939	-	-	-	-	-	8,939
License, permits and fines	-	6,810	-	-	-	-	-	6,810
Investment income	-	4,326	-	-	-	-	-	4,326
	-	2,845,453	72,848	11,580	388,792	51,610	9,848	3,380,131
EXPENSES								
Salaries and benefits	61,856	602,316	27,227	455,758	99,725	277,454	-	1,524,336
Utilities and fuel	-	32,245	20,613	100,133	140,370	127,465	-	420,826
Other goods and services	32,135	111,589	3,482	15,128	18,639	105,182	11,050	297,205
Professional fees and consultants	-	65,492	-	-	94,854	-	-	160,346
Insurance	-	33,396	9,535	24,250	32,434	55,619	3,069	158,303
Repairs and maintenance	-	24,567	1,121	20,880	43,989	34,303	-	124,860
Equipment and supplies	-	12,013	17,056	24,744	2,459	52,547	-	108,819
Vehicles	-	-	4,368	52,859	5,801	-	-	63,028
Communications	-	12,955	4,020	7,170	8,122	3,628	-	35,895
Training, travel and meetings	-	974	195	6,417	1,193	590	-	9,369
Interest and other	-	6,399	-	-	-	-	-	6,399
	93,991	901,946	87,617	707,339	447,586	656,788	14,119	2,909,386
Amortization	-	48,776	35,495	173,172	450,867	222,706	-	931,016
NET REVENUE (DEFICIT)	(93,991)	1,894,731	(50,264)	(868,931)	(509,661)	(827,884)	(4,271)	(460,271)

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

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

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, 2022

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, 2022

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.

2. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Operating accounts	\$ 455,843	\$ 473,659
Money market fund	1,957,079	3,024,322
Guaranteed investment certificates	<u>750,000</u>	<u>-</u>
	<u>\$ 3,162,922</u>	<u>\$ 3,497,981</u>

The Guaranteed Investment Certificates bear interest at a rate between 2.5% and 3.8% maturing between January and March 2023.

3. INVESTMENTS

Investments consist of Guaranteed Investment Certificates bearing interest at rates between 3.5% and 4.3% maturing between July and September 2023

4. RECEIVABLES

	<u>2022</u>	<u>2021</u>
Other governments	\$ 279,692	\$ 143,677
Taxes, penalties and other	<u>64,981</u>	<u>38,839</u>
	<u>\$ 344,673</u>	<u>\$ 182,516</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

5. PROPERTIES HELD FOR SALE

The Town continues to hold seven properties for sale (2021 - 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 2022, the Town disposed of no properties (2021 - Nil) for a net gain on sale of Nil (2021 - 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>2022</u>	<u>2021</u>
Trade payables and accrued liabilities	\$ 280,338	\$ 161,783
Salaries and benefits	166,708	127,311
	<u>\$ 447,046</u>	<u>\$ 289,094</u>

7. DEFERRED REVENUE

	<u>2021</u>	<u>Funds Received</u>	<u>Funds Expended</u>	<u>2022</u>
New Horizon Seniors grant	\$ 13,523	\$ 25,000	\$ (24,824)	\$ 13,699
Other grants	5,447	27,361	(22,852)	9,956
Youth mental health grant	-	10,000	(3,940)	6,060
Other revenue	1,791	2,293	(1,791)	2,293
Government of the Yukon - COVID-19 Municipal Safe Restart Funding	120,867	-	(120,867)	-
	<u>\$ 141,628</u>	<u>\$ 64,654</u>	<u>\$ (174,274)</u>	<u>\$ 32,008</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

8. 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 a 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 178 years (2021 -179 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 4.25% (2021 - 2.8%) and assuming annual inflation of 3.5% (2021 - 2%).

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

	<u>2022</u>	<u>2021</u>
Estimated closure costs	\$ 671,630	\$ 609,978
Estimated post-closure costs	56,650	51,071
Estimated total liability	728,280	661,049
Estimated capacity remaining	83 %	83 %
Portion of total liability remaining to be recognized	603,280	551,049
Estimated capacity used	17 %	17 %
Accrued liability portion	\$ 125,000	\$ 110,000

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

9. TANGIBLE CAPITAL ASSETS

	2022 Net Book Value	2021 Net Book Value
Engineered structures		
Water and sewer infrastructure	\$ 13,724,618	\$ 14,210,350
Roadways	1,621,066	1,672,820
	15,345,684	15,883,170
Buildings	11,894,644	1,833,622
Land improvements	1,469,131	1,402,005
Land	881,340	881,340
Machinery and equipment	768,000	821,868
Furnishing and electronics	171,136	129,054
Vehicles	23,241	48,990
	\$ 30,553,176	\$ 21,000,049

	Cost Beginning of Year	Purchased Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roadways	\$ 3,329,105	\$ -	\$ (34,141)	\$ -	\$ 3,294,964
Water and sewer infrastructure	21,092,272	-	(781,975)	-	20,310,297
	24,421,377	-	(816,116)	-	25,237,493
Buildings	5,508,866	10,205,347	-	-	15,714,213
Machinery and equipment	2,261,865	58,143	-	-	2,320,008
Land	881,340	-	-	-	881,340
Land improvements	3,166,695	158,983	-	-	3,325,678
Vehicles	417,756	-	-	-	417,756
Furnishing and electronics	491,042	116,829	(7,720)	-	600,151
	\$ 37,148,941	\$ 10,539,302	\$ (823,836)	\$ -	\$ 46,864,407

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 1,656,285	\$ 51,754	\$ (34,141)	\$ -	\$ 1,673,898
Water and wastewater systems	6,881,922	376,255	(672,498)	-	6,585,679
	8,538,207	428,009	(706,639)	-	8,259,577
Buildings	3,675,244	144,325	-	-	3,819,569
Machinery and equipment	1,439,997	112,011	-	-	1,552,008
Land improvements	1,764,690	91,857	-	-	1,856,547
Vehicles	368,766	25,749	-	-	394,515
Furnishing and electronics	361,988	74,747	(7,720)	-	429,015
	\$ 16,148,892	\$ 876,698	\$ (714,359)	\$ -	\$ 16,311,231

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

10. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 2,607,982	\$ 2,453,514
Restricted surplus (<i>Note 11</i>)	882,101	850,853
Investment in tangible capital assets	30,553,176	21,000,049
	<u>\$ 34,043,259</u>	<u>\$ 24,304,416</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>2022</u>	<u>2021</u>
Water and sewer system	\$ 537,089	\$ 527,025
Firefighting and protective services	183,569	180,130
Public works equipment	73,637	72,257
Waste management	45,706	30,130
Parks, trails, and recreation	21,691	21,284
Land development	20,409	20,027
	<u>\$ 882,101</u>	<u>\$ 850,853</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>2022</u>	<u>2021</u>
Faro Youth Group	\$ 5,064	\$ 5,696
Swim Team	1,559	1,446
Faro Curling Club	984	984
Fire Department	280	280
	<u>\$ 7,887</u>	<u>\$ 8,406</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2022

14. 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.

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, 2022

16. BUDGET FIGURES

The 2022 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on March 29, 2022. The table below reconciles the approved financial plan to the figures reported in these financial statements

	<u>2022 Budget</u>	<u>2022 Actual</u>
Annual surplus	\$ 22,610,631	\$ 9,738,843
Amortization expense	950,000	876,698
Acquisition of tangible capital assets	(23,840,571)	(10,539,302)
Net transfers (to) from reserves	279,940	(31,247)
	<u>\$ -</u>	<u>\$ 44,992</u>

17. RELATED PARTY TRANSACTIONS

The 2022 utilities and fuel expenses includes \$88,107 (2021 - \$44,373) from a business that is owned by the Town Mayor. Accounts payable include \$7,051 (2021 -\$2,744).

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
