

TOWN OF FARO
Financial Statements
For The Year Ended December 31, 2021

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, 2021, 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, 2021, 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

(continues)



Independent Auditors' Report to the Mayor and Council of 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

May 17, 2022

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, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 3,497,981	\$ 2,867,550
Receivables <i>(Note 3)</i>	182,516	223,403
Properties held for sale <i>(Note 4)</i>	122,111	122,111
	<u>3,802,608</u>	<u>3,213,064</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 5)</i>	289,094	302,944
Deferred revenue <i>(Note 6.)</i>	141,628	12,505
Landfill closure and post-closure liability <i>(Note 7)</i>	110,000	91,000
	<u>540,722</u>	<u>406,449</u>
NET FINANCIAL ASSETS	<u>3,261,886</u>	<u>2,806,615</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 8)</i>	21,000,049	21,762,974
Inventory of supplies	42,481	17,483
	-	-
	<u>21,042,530</u>	<u>21,780,457</u>
ACCUMULATED SURPLUS <i>(Note 9)</i>	<u>\$ 24,304,416</u>	<u>\$ 24,587,072</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, 2021

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
REVENUE			
Government transfers for operating (Schedule 3)	\$ 2,163,886	\$ 2,129,452	\$ 1,987,304
Taxation, including grants in lieu of taxes (Schedule 2)	709,500	717,741	709,587
Utilities	301,500	388,792	344,452
Sale of goods and services	48,500	56,540	43,245
Equipment and property rentals	52,365	44,283	49,128
Other revenue	37,023	23,248	19,569
Penalties on taxes	4,000	8,939	4,027
License, permits and fines	4,325	6,810	4,823
Investment income	15,000	4,326	18,810
	<u>3,336,099</u>	<u>3,380,131</u>	<u>3,180,945</u>
EXPENSES			
General administration	1,051,416	901,946	856,227
Public works	889,731	707,339	771,978
Recreation and culture	672,946	656,788	577,191
Environmental health	589,782	447,586	456,762
Council and legislative	124,020	93,991	89,778
Fire services	142,383	87,617	84,114
Community development services	21,244	14,119	18,940
Amortization	920,000	931,016	908,799
	<u>4,411,522</u>	<u>3,840,402</u>	<u>3,763,789</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE	<u>(1,075,423)</u>	<u>(460,271)</u>	<u>(582,844)</u>
OTHER REVENUE			
Government transfers for capital (Schedule 3)	1,387,360	168,091	1,201,036
Gain on disposal of tangible capital assets	9,523	9,524	-
	<u>1,396,883</u>	<u>177,615</u>	<u>1,201,036</u>
ANNUAL SURPLUS (DEFICIT)	321,460	(282,656)	618,192
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>24,587,072</u>	<u>24,587,072</u>	<u>23,968,880</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 9)	<u>\$ 24,908,532</u>	<u>\$ 24,304,416</u>	<u>\$ 24,587,072</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, 2021

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 321,460	\$ (282,656)	\$ 618,192
Acquisition of tangible capital assets	(1,455,360)	(168,091)	(1,217,496)
Amortization of tangible capital assets	920,000	931,016	908,799
Proceeds on sale of tangible capital assets	-	9,524	-
Gain on disposal of tangible capital assets	-	(9,524)	-
	(213,900)	480,269	309,495
Use (acquisition) of inventory of supplies	-	(24,998)	-
Use (acquisition) of prepaid expenses	-	-	19,192
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(213,900)	455,271	328,687
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,806,615	2,806,615	2,477,928
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,592,715	\$ 3,261,886	\$ 2,806,615

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

TOWN OF FARO
Statement of Cash Flows
For The Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (282,656)	\$ 618,192
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	931,016	908,799
Gain on disposal of tangible capital assets	(9,524)	-
Provision for landfill closure and post-closure liability	19,000	43,000
	<u>657,836</u>	<u>1,569,991</u>
Changes in non-cash working capital balances related to operations:		
Receivables	40,887	(94,809)
Accounts payable and accrued liabilities	(13,850)	32,605
Deferred revenue	129,123	(2,342)
Inventory of supplies	(24,998)	-
Prepaid expenses	-	19,192
	<u>131,162</u>	<u>(45,354)</u>
Cash flow from operating activities	<u>788,998</u>	<u>1,524,637</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(168,091)	(1,217,496)
Proceeds on sale of tangible capital assets	9,524	-
Cash flow used by capital activities	<u>(158,567)</u>	<u>(1,217,496)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	630,431	307,141
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,867,550	2,560,409
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,497,981	\$ 2,867,550

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, 2021**

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 21,762,974	\$ 21,454,277
Acquisition of tangible capital assets	168,091	1,217,496
Amortization of tangible capital assets	(931,016)	(908,799)
BALANCE, END OF YEAR	\$ 21,000,049	\$ 21,762,974
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 21,000,049	\$ 21,762,974

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

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

(Schedule 2)

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
TAXATION			
Real property tax	\$ 528,000	\$ 533,390	\$ 528,118
Government grants in lieu of taxes	181,500	184,351	181,469
	<u>\$ 709,500</u>	<u>\$ 717,741</u>	<u>\$ 709,587</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, 2021

	2021 (Budget) (Note 14)	2021 (Actual)	2020 (Actual)
TRANSFERS FOR OPERATING			
Government of the Yukon block funding	\$ 1,739,553	\$ 1,739,553	\$ 1,734,765
Government of the Yukon conditional grants	424,333	342,880	118,260
Government of Canada conditional grants	-	47,019	134,279
	<u>2,163,886</u>	<u>2,129,452</u>	<u>1,987,304</u>
TRANSFERS FOR CAPITAL			
Government of Canada conditional grants	224,360	115,815	-
Government of the Yukon conditional transfers	50,000	52,276	1,201,036
Government of the Yukon conditional grants	1,113,000	-	-
	<u>1,387,360</u>	<u>168,091</u>	<u>1,201,036</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,551,246</u>	<u>\$ 2,297,543</u>	<u>\$ 3,188,340</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, 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	18,640	105,182	11,050	297,206
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	43,988	34,303	-	124,859
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

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
REVENUE								
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	-	3,679	250	19,569
Sales of goods and services	-	-	-	9,864	-	33,381	-	43,245
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
EXPENSES								
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
NET REVENUE (DEFICIT)	(89,778)	1,806,656	(53,179)	(918,079)	(914,762)	(739,464)	(18,690)	(582,844)

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

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, 2021

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, 2021

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>2021</u>	<u>2020</u>
Operating accounts	\$ 473,659	\$ 547,174
Money market fund	<u>3,024,322</u>	<u>2,320,376</u>
	<u>\$ 3,497,981</u>	<u>\$ 2,867,550</u>

3. RECEIVABLES

	<u>2021</u>	<u>2020</u>
Other governments	\$ 143,677	\$ 183,790
Taxes, penalties and other	<u>38,839</u>	<u>39,613</u>
	<u>\$ 182,516</u>	<u>\$ 223,403</u>

4. 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 2021, the Town disposed of no properties (2020 - Nil) for a net gain on sale of Nil (2020 - 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.

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Trade payables and accrued liabilities	\$ 161,783	\$ 143,661
Salaries and benefits	127,311	159,283
	<u>\$ 289,094</u>	<u>\$ 302,944</u>

6. DEFERRED REVENUE

	<u>2020</u>	<u>Funds Received</u>	<u>Funds Expended</u>	<u>2021</u>
Government of the Yukon - COVID-19 Municipal Safe Restart Funding	\$ -	\$ 333,673	\$ (212,806)	\$ 120,867
New Horizon Seniors grant	-	25,000	(11,477)	13,523
Other grants	6,857	28,814	(30,224)	5,447
Other revenue	5,648	1,791	(5,648)	1,791
	<u>\$ 12,505</u>	<u>\$ 389,278</u>	<u>\$ (260,155)</u>	<u>\$ 141,628</u>

7. 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 179 years (2020 -180 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% (2020 - 2.8%) and assuming annual inflation of 2.0% (2020 - 2%).

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

	<u>2021</u>	<u>2020</u>
Estimated closure costs	\$ 609,978	\$ 605,137
Estimated post-closure costs	51,071	50,665
Estimated total liability	<u>661,049</u>	<u>655,802</u>
Estimated capacity remaining	83 %	86 %
Portion of total liability remaining to be recognized	<u>551,049</u>	<u>564,802</u>
Estimated capacity used	17 %	14 %
Accrued liability portion	<u>\$ 110,000</u>	<u>\$ 91,000</u>

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2021

8. TANGIBLE CAPITAL ASSETS

	2021 Net Book Value	2020 Net Book Value
Engineered structures		
Water and sewer infrastructure	\$ 14,210,350	\$ 14,601,420
Roadways	1,672,820	1,675,997
	15,883,170	16,277,417
Buildings	1,833,622	1,977,947
Land improvements	1,402,004	1,536,978
Land	881,340	881,340
Machinery and equipment	821,869	947,138
Furnishing and electronics	129,054	67,391
Vehicles	48,990	74,763
	\$ 21,000,049	\$ 21,762,974

	Cost Beginning of Year	Purchased Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roadways	\$ 3,276,829	\$ 52,276	-	-	\$ 3,329,105
Water and sewer infrastructure	21,092,272	-	-	-	21,092,272
	24,369,101	52,276	-	-	24,421,377
Buildings	5,524,984	-	(16,118)	-	5,508,866
Machinery and equipment	2,267,527	-	(5,662)	-	2,261,865
Land	881,340	-	-	-	881,340
Land improvements	3,166,695	-	-	-	3,166,695
Vehicles	417,756	-	-	-	417,756
Furnishing and electronics	376,988	115,815	(1,761)	-	491,042
	\$ 37,004,391	\$ 168,091	\$(23,541)	-	\$ 37,148,941

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 1,600,832	\$ 55,453	-	-	\$ 1,656,285
Water and wastewater systems	6,490,852	391,070	-	-	6,881,922
	8,091,684	446,523	-	-	8,538,207
Buildings	3,547,037	144,325	(16,118)	-	3,675,244
Machinery and equipment	1,320,389	125,269	(5,662)	-	1,439,996
Land Improvements	1,629,717	134,974	-	-	1,764,691
Vehicles	342,993	25,773	-	-	368,766
Furnishing and electronics	309,597	54,152	(1,761)	-	361,988
	\$ 15,241,417	\$ 931,016	\$(23,541)	-	\$ 16,148,892

TOWN OF FARO
Notes to Financial Statements
Year Ended December 31, 2021

9. ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 2,453,514	\$ 1,984,529
Restricted surplus (Note 10)	850,853	839,569
Investment in tangible capital assets	21,000,049	21,762,974
	<u>\$ 24,304,416</u>	<u>\$ 24,587,072</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.

10. RESTRICTED SURPLUS

Town Council has established the following reserves.

	<u>2021</u>	<u>2020</u>
Water and sewer system	\$ 527,025	\$ 526,230
Firefighting and protective services	180,130	179,858
Public works equipment	72,257	72,148
Waste management	30,130	20,084
Parks, trails, and recreation	21,284	21,252
Land development	20,027	19,997
	<u>\$ 850,853</u>	<u>\$ 839,569</u>

11. ECONOMIC DEPENDENCE

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

12. 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>2021</u>	<u>2020</u>
Faro Youth Group	\$ 5,696	\$ 5,298
Swim Team	1,446	2,073
Faro Curling Club	984	984
Fire Department	280	280
	<u>\$ 8,406</u>	<u>\$ 8,635</u>

13. 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.

14. 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, 2021

15. BUDGET FIGURES

The 2021 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on April 6, 2021. The table below reconciles the approved financial plan to the figures reported in these financial statements

	<u>2021 Budget</u>	<u>2021 Actual</u>
Annual surplus	\$ 321,460	\$ (282,656)
Amortization expense	920,000	931,016
Acquisition of tangible capital assets	(1,455,360)	(168,091)
Net transfers (to) from reserves	213,900	(11,285)
	<u>\$ -</u>	<u>\$ 468,984</u>

16. RELATED PARTY TRANSACTIONS

The 2021 utilities and fuel expenses includes \$44,373 in charges from a business that is owned by the Town Mayor. Current accounts payable included \$2,744 owed to the business.

17. COMPARATIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
