

**TOWN OF FARO**  
**Financial Statements**  
**For The Year Ended December 31, 2025**

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## INDEPENDENT AUDITORS' REPORT

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To the Mayor and Council of the Town of Faro

### *Opinion*

We have audited the financial statements of the Town of Faro (the Town), which comprise the statement of financial position as at December 31, 2025, 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, 2025, 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 16, 2026

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

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

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Town Council to express an opinion on the Town's financial statements.

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Kimberly Balance  
Chief Administrative Officer

**TOWN OF FARO**  
**Statement of Financial Position**  
**As At December 31, 2025**

	2025	2024
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents <i>(Note 2)</i>	\$ 3,399,550	\$ 2,789,158
Investments <i>(Note 3)</i>	10,000	10,000
Receivables <i>(Note 4)</i>	952,328	1,105,502
Properties held for sale <i>(Note 5)</i>	139,908	122,858
	<u>4,501,786</u>	<u>4,027,518</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	406,688	363,957
Deferred revenue <i>(Note 7)</i>	145,000	20,140
Asset retirement obligations <i>(Note 8)</i>	1,464,420	1,394,602
	<u>2,016,108</u>	<u>1,778,699</u>
<b>NET FINANCIAL ASSETS</b>	<u>2,485,678</u>	<u>2,248,819</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 9)</i>	29,402,413	30,266,791
Inventory of supplies	37,830	39,821
	<u>29,440,243</u>	<u>30,306,612</u>
<b>ACCUMULATED SURPLUS <i>(Schedule 1)</i></b>	<u>\$ 31,925,921</u>	<u>\$ 32,555,431</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, 2025**

	2025 (Budget) (Note 15)	2025 (Actual)	2024 (Actual)
<b>REVENUE</b>			
Government transfers for operating (Schedule 3)	\$ 2,575,102	\$ 2,538,211	\$ 2,293,510
Taxation, including grants in lieu of taxes (Schedule 2)	887,200	892,318	887,232
Utilities	450,300	647,050	430,781
Sale of goods and services	112,950	112,154	104,369
Equipment and property rentals	96,518	105,051	75,519
Investment income	120,000	74,933	131,052
Other revenue	16,686	38,972	27,003
Penalties on taxes	15,000	12,587	16,620
License, permits and fines	7,800	11,456	6,376
	<u>4,281,556</u>	<u>4,432,732</u>	<u>3,972,462</u>
<b>EXPENSES</b>			
Public works	1,303,367	1,311,202	1,128,081
General administration	1,329,016	1,108,453	1,024,737
Recreation and culture	906,731	871,697	884,479
Environmental health	576,370	579,078	602,482
Fire services	159,679	141,647	116,733
Council and legislative	147,141	139,240	143,632
Community development services	22,110	18,640	51,461
Bylaws enforcement	20,128	11,602	8,744
Amortization	1,200,000	1,175,714	1,195,912
	<u>5,664,542</u>	<u>5,357,273</u>	<u>5,156,261</u>
<b>ANNUAL DEFICIT BEFORE OTHER REVENUE</b>	<u>(1,382,986)</u>	<u>(924,541)</u>	<u>(1,183,799)</u>
<b>OTHER REVENUE (EXPENSE)</b>			
Government transfers for capital (Schedule 3)	570,347	262,010	689,508
Gain on disposal of tangible capital assets	100,000	33,021	204,235
	<u>670,347</u>	<u>295,031</u>	<u>893,743</u>
<b>ANNUAL DEFICIT</b>	<u>(712,639)</u>	<u>(629,510)</u>	<u>(290,056)</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>32,555,431</u>	<u>32,555,431</u>	<u>32,845,487</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 31,842,792</u>	<u>\$ 31,925,921</u>	<u>\$ 32,555,431</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, 2025**

	2025 (Budget) (Note 15)	<b>2025 (Actual)</b>	2024 (Actual)
<b>ANNUAL DEFICIT</b>	\$ (712,639)	\$ <b>(629,510)</b>	\$ (290,056)
Acquisition of tangible capital assets	(732,297)	<b>(317,686)</b>	(899,981)
Amortization of tangible capital assets	1,200,000	<b>1,175,714</b>	1,195,912
Asset retirement obligation recoveries	-	-	133,222
Proceeds on sale of tangible capital assets	-	<b>39,371</b>	350,000
Loss (gain) on disposal of tangible capital assets	-	<b>(33,021)</b>	(204,235)
	(244,936)	<b>234,868</b>	284,862
Use (acquisition) of inventory of supplies	-	<b>1,991</b>	14,261
Use (acquisition) of prepaid expenses	-	-	1,420
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(244,936)	<b>236,859</b>	300,543
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,248,819	<b>2,248,819</b>	1,948,276
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 2,003,883	\$ <b>2,485,678</b>	\$ 2,248,819

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

**TOWN OF FARO**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2025**

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (629,510)	\$ (290,056)
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	1,175,714	1,195,912
Gain on disposal of tangible capital assets	(33,021)	(204,235)
Accretion of asset retirement obligations	69,818	65,728
	<u>583,001</u>	<u>767,349</u>
Changes in non-cash working capital balances related to operations:		
Receivables	153,174	(524,986)
Land held for resale	(17,050)	(10,397)
Accounts payable and accrued liabilities	42,731	(46,986)
Deferred revenue	124,860	(258)
Inventory of supplies	1,991	14,261
Prepaid expenses	-	1,420
Asset retirement obligation activities	-	(119,387)
	<u>305,706</u>	<u>(686,333)</u>
Cash flow from operating activities	<u>888,707</u>	<u>81,016</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(317,686)	(899,981)
Proceeds on sale of tangible capital assets	39,371	350,000
Asset retirement obligation recoveries	-	133,222
	<u>(278,315)</u>	<u>(416,759)</u>
Cash flow used by capital activities		
<b>INVESTMENT ACTIVITIES</b>		
Purchase of investments	-	600,000
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>610,392</b>	<b>264,257</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,789,158</b>	<b>2,524,901</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,399,550</b>	<b>\$ 2,789,158</b>

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

**TOWN OF FARO**

**Schedule of Changes in Accumulated Surplus**

**(Schedule 1)**

**For the Year Ended December 31, 2025**

	Unrestricted surplus	Restricted surplus (Note 10)	Equity in tangible capital assets	2025	2024
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	\$ 2,247,106	\$ 923,495	\$ 29,384,830	<b>\$ 32,555,431</b>	\$ 32,845,487
Annual deficit	(629,510)	-	-	<b>(629,510)</b>	(290,056)
Tangible capital asset purchases	(317,686)	-	317,686	-	-
Net book value of tangible capital assets disposed of	6,350	-	(6,350)	-	-
Amortization of tangible capital assets	1,175,714	-	(1,175,714)	-	-
Accretion of asset retirement obligations	44,185	-	(44,185)	-	-
Transfers	(38,511)	38,511	-	-	-
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 2,487,648</b>	<b>\$ 962,006</b>	<b>\$ 28,476,267</b>	<b>\$ 31,925,921</b>	<b>\$ 32,555,431</b>

**TOWN OF FARO**  
**Schedule of Taxation**  
**For the Year Ended December 31, 2025**

*(Schedule 2)*

	2025 (Budget) (Note 15)	<b>2025 (Actual)</b>	2024 (Actual)
<b>TAXATION</b>			
Real property tax	\$ 671,700	\$ <b>676,579</b>	\$ 671,962
Government grants in lieu of taxes	215,500	<b>215,739</b>	215,270
	<u>\$ 887,200</u>	<u>\$ <b>892,318</b></u>	<u>\$ 887,232</u>

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

**TOWN OF FARO**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2025**

**(Schedule 3)**

	2025 (Budget) (Note 15)	<b>2025 (Actual)</b>	2024 (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Government of the Yukon block funding	\$ 2,187,821	\$ <b>2,187,821</b>	\$ 1,998,657
Government of the Yukon conditional grants	183,781	<b>273,989</b>	253,933
Government of Canada conditional grants	203,500	<b>76,401</b>	40,920
	2,575,102	<b>2,538,211</b>	2,293,510
<b>TRANSFERS FOR CAPITAL</b>			
Government of the Yukon conditional transfers	570,347	<b>262,010</b>	689,508
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 3,145,449</b>	<b>\$ 2,800,221</b>	<b>\$ 2,983,018</b>

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

**TOWN OF FARO**  
**Schedule of Segmented Information**  
**For the Year Ended December 31, 2025**

**(Schedule 4)**

	Council & Legislative	General administrative	Protective Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
<b>REVENUE</b>								
Government of Yukon - Block funding	-	2,187,821	-	-	-	-	-	2,187,821
Taxation and grants in lieu	-	892,318	-	-	-	-	-	892,318
Utilities	-	-	-	-	647,050	-	-	647,050
Government transfers for operating	-	350,390	-	-	-	-	-	350,390
Sales of goods and services	-	-	-	36,713	-	75,441	-	112,154
Equipment and property rental	-	22,907	34,256	47,888	-	-	-	105,051
Investment income	-	74,933	-	-	-	-	-	74,933
Other revenue	1,333	22,061	716	-	-	9,462	5,400	38,972
Penalties on taxes	-	12,587	-	-	-	-	-	12,587
License, permits and fines	-	11,456	-	-	-	-	-	11,456
	<b>1,333</b>	<b>3,574,473</b>	<b>34,972</b>	<b>84,601</b>	<b>647,050</b>	<b>84,903</b>	<b>5,400</b>	<b>4,432,732</b>
<b>EXPENSES</b>								
Salaries and benefits	75,619	712,061	37,574	789,703	114,468	390,004	-	2,119,429
Utilities and fuel	-	39,791	14,240	170,905	184,475	134,140	-	543,551
Other goods and services	50,749	135,503	56,957	60,826	20,170	88,104	16,527	428,836
Insurance	-	53,148	16,276	54,909	58,043	93,976	1,910	278,262
Repairs and maintenance	-	50,559	40	52,342	109,578	28,409	-	240,928
Equipment and supplies	-	23,699	7,578	84,960	-	93,204	-	209,441
Professional fees and consultants	-	49,368	-	-	65,066	-	-	114,434
Vehicles	-	-	6,347	59,160	8,209	-	-	73,716
Accretion of asset retirement obligations	-	14,165	-	9,471	9,295	36,684	203	69,818
Communications	-	14,378	13,162	28,791	9,097	3,448	-	68,876
Training, travel and meetings	12,872	5,525	1,075	135	677	3,728	-	24,012
Interest and other	-	10,256	-	-	-	-	-	10,256
	<b>139,240</b>	<b>1,108,453</b>	<b>153,249</b>	<b>1,311,202</b>	<b>579,078</b>	<b>871,697</b>	<b>18,640</b>	<b>4,181,559</b>
Amortization	-	33,077	29,205	507,728	427,894	177,810	-	1,175,714
<b>NET REVENUE (DEFICIT)</b>	<b>(137,907)</b>	<b>2,432,943</b>	<b>(147,482)</b>	<b>(1,734,329)</b>	<b>(359,922)</b>	<b>(964,604)</b>	<b>(13,240)</b>	<b>(924,541)</b>

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

**TOWN OF FARO**

**Schedule of Segmented Information  
For the Year Ended December 31, 2024**

*(Schedule 4)*

	Council & Legislative	General administrative	Fire Services	Public Works	Environmental Health	Recreation & Culture	Community development services	Total
<b>REVENUE</b>								
Government of Yukon - Block funding	-	1,998,657	-	-	-	-	-	1,998,657
Taxation and grants in lieu	-	887,232	-	-	-	-	-	887,232
Utilities	-	-	-	-	430,781	-	-	430,781
Government transfers for operating	-	294,853	-	-	-	-	-	294,853
Investment income	-	131,052	-	-	-	-	-	131,052
Sales of goods and services	-	-	-	21,124	-	83,245	-	104,369
Equipment and property rental	-	23,238	34,256	18,025	-	-	-	75,519
Other revenue	-	11,922	-	2,410	-	6,071	6,600	27,003
Penalties on taxes	-	16,620	-	-	-	-	-	16,620
License, permits and fines	-	6,376	-	-	-	-	-	6,376
	-	3,369,950	34,256	41,559	430,781	89,316	6,600	3,972,462
<b>EXPENSES</b>								
Salaries and benefits	73,613	721,203	36,581	761,369	164,540	379,236	-	2,136,542
Utilities and fuel	-	41,398	19,513	86,111	159,907	146,165	-	453,094
Other goods and services	47,211	53,598	24,724	31,495	22,715	117,160	49,387	346,290
Insurance	-	40,050	11,094	57,471	56,496	91,234	1,880	258,225
Repairs and maintenance	-	44,092	-	52,630	91,267	48,866	-	236,855
Equipment and supplies	-	32,081	12,498	55,757	18,000	62,590	-	180,926
Professional fees and consultants	-	44,825	-	-	49,882	-	-	94,707
Communications	-	14,316	13,099	29,402	9,030	3,400	-	69,247
Vehicles	-	-	6,326	43,519	16,479	-	-	66,324
Accretion of asset retirement obligations	-	13,491	-	9,020	8,088	34,937	194	65,730
Training, travel and meetings	22,808	10,237	1,642	1,307	6,078	891	-	42,963
Interest and other	-	9,446	-	-	-	-	-	9,446
	143,632	1,024,737	125,477	1,128,081	602,482	884,479	51,461	3,960,349
Amortization	-	45,483	29,793	506,551	428,924	185,161	-	1,195,912
<b>NET REVENUE (DEFICIT)</b>	<b>(143,632)</b>	<b>2,299,730</b>	<b>(121,014)</b>	<b>(1,593,073)</b>	<b>(600,625)</b>	<b>(980,324)</b>	<b>(44,861)</b>	<b>(1,183,799)</b>

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

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**1. ACCOUNTING POLICIES**

The financial statements of the Town of Faro (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

*(a) Reporting Entity*

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in financial position of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Mayor and Council for the administration of their financial affairs and resources.

*(b) Basis of Accounting*

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

*(c) Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, the useful lives of tangible capital assets and 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	
Receivables	Lower of cost or net recoverable value	Investments
	Amortized cost	
Properties held for resale	Lower of cost or net recoverable value	
Accounts payable and accrued liabilities	Cost	
Asset retirement obligations	Present value	

*(continues)*

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**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*

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, 2025**

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**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.

*(continues)*

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**1. ACCOUNTING POLICIES *(continued)***

(l) *New Accounting Standards not yet Adopted*

Effective for fiscal years beginning on or after April 1, 2026, *PS 1202 Financial Statement Presentation*, sets out requirements for the presentation of information in general purpose financial statements.

Effective for fiscal years beginning on or after April 1, 2026, The Conceptual Framework for Financial Reporting, replaces the conceptual aspects of *PS 1000 Financial Statement Concepts*, and *PS 1100 Financial Statement Objectives*.

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**2. CASH AND CASH EQUIVALENTS**

	<u>2025</u>	<u>2024</u>
Operating accounts	\$ 1,071,601	\$ 1,260,260
Money market fund	<u>2,327,949</u>	<u>1,528,898</u>
	<u>\$ 3,399,550</u>	<u>\$ 2,789,158</u>

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**3. INVESTMENTS**

Investments consist of a Guaranteed Investment Certificate bearing interest at a rate of 2.40% matures in December 2026.

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**4. RECEIVABLES**

	<u>2025</u>	<u>2024</u>
Other governments	\$ 863,234	\$ 1,010,884
Taxes, penalties and other	<u>89,094</u>	<u>94,618</u>
	<u>\$ 952,328</u>	<u>\$ 1,105,502</u>

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**5. PROPERTIES HELD FOR SALE**

The Town holds ten properties for sale (2024 - 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 2025, the Town did not dispose of any property (2024 - one).

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.

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2025</u>	<u>2024</u>
Salaries and benefits	\$ 232,304	\$ 200,010
Trade payables and accrued liabilities	<u>174,384</u>	<u>163,947</u>
	<u>\$ 406,688</u>	<u>\$ 363,957</u>

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**7. DEFERRED REVENUE**

	2024	Funds Received	Funds Expended	2025
Housing Accelerator fund	\$ -	\$ 170,000	\$ (37,799)	\$ <b>132,201</b>
New Horizon Seniors grant	9,734	25,000	(25,059)	<b>9,675</b>
Other revenue	2,855	3,075	(2,855)	<b>3,075</b>
Other grants	6,301	25,100	(31,352)	<b>49</b>
Canada Post Community Foundation	1,250	-	(1,250)	-
	<u>\$ 20,140</u>	<u>\$ 223,175</u>	<u>\$ (98,315)</u>	<u>\$ <b>145,000</b></u>

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**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 \$732,707 (2024 - \$697,815) 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 \$193,440 (2024 - \$184,146) 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 \$98,041 (2024 - \$80,979) 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 \$538,273 (2024 - \$512,641) 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>2025</u>	<u>2024</u>
Balance, beginning of the year	\$ 1,394,602	\$ 1,448,261
Accretion expense	69,818	65,728
Liability incurred	-	16,052
Liability disposed of	-	(133,696)
Liability settled	-	(1,743)
	<u>\$ 1,464,420</u>	<u>\$ 1,394,602</u>
Balance, end of the year		
Asset retirement obligations are comprised of the following:		
Buildings	\$ 732,707	\$ 697,815
Land leases	538,273	512,641
Landfill	193,440	184,146
	<u>\$ 1,464,420</u>	<u>\$ 1,394,602</u>

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

**9. TANGIBLE CAPITAL ASSETS**

	<b>2025</b>	2024
	<b>Net Book</b>	Net Book
	<b>Value</b>	Value
Engineered structures		
Water and sewer infrastructure	\$ 13,192,994	\$ 13,295,830
Roadways	1,634,666	1,701,563
	<b>14,827,660</b>	14,997,393
Buildings	11,303,380	11,726,902
Land improvements	1,253,579	1,351,836
Machinery and equipment	967,081	1,055,151
Land	846,409	852,759
Vehicles	152,900	188,340
Furnishing and electronics	51,404	94,410
	<b>\$ 29,402,413</b>	<b>\$ 30,266,791</b>

	Cost				Cost
	Beginning of	Purchased	Disposals	Write-downs	End of
	Year	Additions			Year
Engineered structures					
Roadways	\$ 3,495,962	\$ -	\$ -	\$ -	\$ 3,495,962
Water and sewer infrastructure	20,562,301	251,128	-	-	20,813,429
	24,058,263	251,128	-	-	24,309,391
Buildings	16,463,867	-	-	-	16,463,867
Machinery and equipment	2,890,433	66,558	-	-	2,956,991
Land	852,759	-	(6,350)	-	846,409
Land improvements	3,406,920	-	-	-	3,406,920
Vehicles	665,762	-	-	-	665,762
Furnishing and electronics	675,877	-	-	-	675,877
	<b>\$ 49,013,881</b>	<b>\$ 317,686</b>	<b>\$ (6,350)</b>	<b>\$ -</b>	<b>\$ 49,325,217</b>

	Accumulated				Accumulated
	Amortization	Current	Disposals	Write-downs	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered structures					
Roadways	\$ 1,794,399	\$ 66,897	\$ -	\$ -	\$ 1,861,296
Water and wastewater systems	7,266,471	353,964	-	-	7,620,435
	9,060,870	420,861	-	-	9,481,731
Buildings	4,736,965	423,522	-	-	5,160,487
Machinery and equipment	1,835,282	154,628	-	-	1,989,910
Land improvements	2,055,084	98,257	-	-	2,153,341
Vehicles	477,422	35,440	-	-	512,862
Furnishing and electronics	581,467	43,006	-	-	624,473
	<b>\$ 18,747,090</b>	<b>\$ 1,175,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,922,804</b>

**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**10. RESTRICTED SURPLUS**

Town Council has established the following reserves.

	<u>2025</u>	<u>2024</u>
Water and sewer system	\$ 605,496	\$ 590,464
Firefighting and protective services	206,950	201,812
Waste management	98,042	80,980
Parks, trails, and recreation	24,453	23,846
Land development	23,009	22,438
Public works equipment	4,056	3,955
	<u>\$ 962,006</u>	<u>\$ 923,495</u>

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**11. ECONOMIC DEPENDENCE**

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

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**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>2025</u>	<u>2024</u>
Faro Youth Group	\$ 3,437	\$ 3,040
Swim Team	1,490	1,559
Fire Department	280	280
	<u>\$ 5,207</u>	<u>\$ 4,879</u>

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**13. FINANCIAL INSTRUMENT RISKS**

The Town is exposed to the following risks in respect of its financial instruments at December 31, 2025.

*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. The Town is exposed to interest rate risk primarily through its cash and cash equivalents and investments.

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#### **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.

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**TOWN OF FARO**  
**Notes to Financial Statements**  
**Year Ended December 31, 2025**

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**15. BUDGET FIGURES**

The 2025 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on April 1, 2025. The table below reconciles the approved financial plan to the figures reported in these financial statements

	<u>2025 Budget</u>	<u>2025 Actual</u>
Annual surplus (deficit)	\$ (712,639)	\$ <b>(629,510)</b>
Amortization expense	1,200,000	<b>1,175,714</b>
Acquisition of tangible capital assets	(732,297)	<b>(317,686)</b>
Net transfers (to) from reserves	244,936	<b>38,511</b>
	<u>\$ -</u>	<u>\$ <b>267,029</b></u>

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**16. RELATED PARTY TRANSACTIONS**

The 2025 utilities and fuel expenses includes \$86,152 (2024 - \$85,197) from a business that is owned by the Town's Mayor. Accounts payable include \$3,930 (2024 -\$7,625).

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**17. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and management.

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