

Financial Statements of

**DRUMMOND/NORTH
ELMSLEY TAY VALLEY
FIRE RESCUE**

Year ended December 31, 2023

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DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

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Management's Responsibility for the Financial Statements

The accompanying financial statements of Drummond/North Elmsley Tay Valley Fire Rescue (the "Board") are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Board's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board of Director's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Greg Saunders
Fire Chief

Megan Moore
Administrative Assistant/Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Drummond/North Elmsley Tay Valley Fire Rescue

Opinion

We have audited the financial statements of Drummond/North Elmsley Tay Valley Fire Rescue (the Entity), which comprise:

- the statement of financial position as at end of December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our Auditor’s report.

We are independent of the Entity 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 these 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 Auditor's 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's 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 Auditor's report. However, future events or conditions may cause the Entity 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 2,186,651	\$ 2,134,024
HST receivable	61,281	41,933
Accounts receivable	72,286	28,815
	<u>2,320,218</u>	<u>2,204,772</u>
Financial liabilities:		
Accounts payable and accrued liabilities	138,514	82,555
Net financial assets	<u>2,181,704</u>	<u>2,122,217</u>
Non-financial assets:		
Tangible capital assets (note 4)	1,867,386	1,657,085
Prepaid expenses	6,952	–
	<u>1,874,338</u>	<u>1,657,085</u>
Contingent liabilities (note 7)		
Commitments (note 8)		
Accumulated surplus (note 3)	<u>\$ 4,056,042</u>	<u>\$ 3,779,302</u>

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

On behalf of the Board:

Board Chair

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Statement of Operations and Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Revenue:			
Municipal contributions:			
Tay Valley Township	\$ 755,180	\$ 755,180	\$ 723,734
Township of Drummond/North Elmsley	515,915	565,415	490,975
Other income:			
Investment income	–	118,869	53,138
Fire fees, inspection, transfers	–	37,630	34,817
Donations	8,400	500	200
	1,279,495	1,477,594	1,302,864
Expenses:			
Administration (schedule 2)	400,291	464,503	426,251
BBDE Fire Station (schedule 3)	389,916	491,918	480,930
South Sherbrooke Fire Station (schedule 4)	208,823	232,339	203,153
Smiths Falls Fire Agreement (schedule 5)	11,465	12,094	11,787
	1,010,495	1,200,854	1,122,121
Annual surplus	269,000	276,740	180,743
Accumulated surplus, beginning of year	3,779,302	3,779,302	3,598,559
Accumulated surplus, end of year	\$ 4,048,302	\$ 4,056,042	\$ 3,779,302

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

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Annual surplus	\$ 269,000	\$ 276,740	\$ 180,743
Amortization of tangible capital assets	–	135,258	113,158
Acquisition of tangible capital assets	(1,193,500)	(345,559)	(93,094)
Change in prepaid expenses	–	(6,952)	–
Change in net financial assets	(924,500)	59,487	200,807
Net financial assets, beginning of year	2,122,217	2,122,217	1,921,410
Net financial assets, end of year	\$ 1,197,717	\$ 2,181,704	\$ 2,122,217

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

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Annual surplus	\$ 276,740	\$ 180,743
Item not involving cash:		
Amortization of tangible capital assets	135,258	113,158
Change in non-cash operating working capital:		
HST receivable	(19,348)	2,920
Accounts receivable	(43,471)	6,086
Prepaid expenses	(6,952)	-
Accounts payable and accrued liabilities	55,959	(13,191)
	398,186	289,716
Capital activities:		
Acquisition of tangible capital assets	(345,559)	(93,094)
Increase in cash	52,627	196,622
Cash, beginning of year	2,134,024	1,937,402
Cash, end of year	\$ 2,186,651	\$ 2,134,024

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

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements

Year ended December 31, 2023

1. Status of the Board:

Drummond/North Elmsley Tay Valley Fire Rescue (the 'Board') was formed January 1, 2006 pursuant to an agreement between the Township of Drummond/North Elmsley and Tay Valley Township.

2. Significant accounting policies:

The financial statements of Drummond/North Elmsley Tay Valley Fire Rescue are the representations of management and have been prepared in all material respects in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies by the Board are as follows:

(a) Reporting entity:

The financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost, which include 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 are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Estimated useful life
Buildings	40 years
Vehicles	8 to 20 years
Equipment	5 to 30 years
Linear assets	40 years

Amortization is charged from the date of acquisition. Assets under construction and work in progress are not amortized until the asset is available for productive use, at which time they are capitalized.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other assets as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Statement of Operations and Accumulated Surplus in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Accumulated Surplus.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(e) Government transfers:

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

(e) Deferred revenue:

The Board receives restricted contributions under the authority of Federal and Provincial legislation and Board by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Board has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(f) Pension and benefits

The Board accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Board's policy.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, and reported on the Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the Statement of Operations.

(h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no unrealized gains or losses at December 31, 2023 or 2022.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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. Actual results could differ from these estimates.

3. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2023	2022
Surplus:		
Unallocated surplus	\$ 145,358	\$ -
BBDE Fire Station - Invested in tangible capital assets	1,324,495	1,249,813
South Sherbrooke Fire Station - Invested in tangible capital assets	542,891	407,272
	<u>2,012,744</u>	<u>1,657,085</u>
Reserves (Schedule 1)	2,043,298	2,122,217
	<u>\$ 4,056,042</u>	<u>\$ 3,779,302</u>

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Tangible capital assets:

BBDE Fire Station

Asset Class	Cost January 1, 2023	Additions	Disposals	Cost December 31, 2023
Land	\$ 30,000	\$ –	\$ –	\$ 30,000
Buildings	413,140	–	–	413,140
Vehicles	1,473,996	–	–	1,473,996
Equipment	363,952	29,094	–	393,046
Linear assets	32,275	–	–	32,275
Work in progress	–	149,435	–	149,435
	\$ 2,313,363	\$ 178,529	\$ –	\$ 2,491,892

South Sherbrooke

Asset Class	Cost January 1, 2023	Additions	Disposals	Cost December 31, 2023
Vehicles	\$ 345,754	\$ –	\$ –	\$ 345,754
Equipment	218,712	17,595	–	236,307
Linear assets	11,509	–	–	11,509
Work in progress	–	149,435	–	149,435
Total	\$ 575,975	\$ 167,030	\$ –	\$ 743,005

BBDE Fire Station

Asset Class	Accumulated amortization January 1, 2023	Amortization	Disposals	Accumulated amortization December 31, 2023
Buildings	\$ 212,143	\$ 10,329	\$ –	\$ 222,472
Vehicles	752,359	66,507	–	818,866
Equipment	94,840	26,203	–	121,043
Linear assets	4,208	808	–	5,016
	\$ 1,063,550	\$ 103,847	\$ –	\$ 1,167,397

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Tangible capital assets (continued):

South Sherbrooke

Asset Class	Accumulated amortization January 1, 2023	Amortization	Disposals	Accumulated amortization December 31, 2023
Vehicles	\$ 120,305	\$ 15,369	\$ –	\$ 135,674
Equipment	47,246	15,754	–	63,000
Linear assets	1,152	288	–	1,440
Total	\$ 168,703	\$ 31,411	\$ –	\$ 200,114

	Net Book Value December 31, 2022	Net Book Value December 31, 2023
Land	\$ 30,000	\$ 30,000
Buildings	200,997	190,668
Vehicles	947,086	865,210
Equipment	440,578	445,310
Linear assets	38,424	37,328
Work in progress	–	298,870
	\$ 1,657,085	\$ 1,867,386

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Budget figures:

The Board reviews its operating and capital budgets each year. The approved operating budget for 2023 is included in the budget figures presented in the Statement of Operations and Accumulated Surplus. Amortization was not contemplated in the development of the budget, and as such, has not been included.

	2023
Reporting on the statement of operations and accumulated surplus	
Operating revenue	\$ 1,279,495
Operating expenses	1,010,495
Total budget surplus	269,000
Budget not reported on the statement of operations	
Tangible capital asset acquisitions	(1,193,500)
Transfers to/from reserves	924,500
	(269,000)
Total budgeted surplus not reported on financial statements	\$ —

6. Pension contributions:

The Board makes contributions to the Ontario Municipal Employees Retirement System Pension Fund ("OMERS"), which is a multi-employer plan, on behalf of its employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2023 at that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.2 billion actuarial deficit).

The Plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan.

The amount contributed to OMERS was \$26,552 (2022 - \$25,020) for current services and is included as an expenditure on the Statement of Operations and Accumulated Surplus classified under the appropriate functional expense.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2023, management believes that the Board has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the financial statements.

8. Commitments:

In April 2022, the Board entered into an agreement to purchase two fire service pumpers in the amount of \$586,000 plus applicable taxes, each for a combined total of \$1,172,000. An initial deposit of \$298,870 has been paid on these trucks as at December 31, 2023. The estimated arrival date of the trucks is in fiscal 2024.

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

The Entity assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Entity as at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts is \$Nil (2022 - \$Nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no changes to the risk exposures from 2022.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Change in accounting policies – adoption of new accounting standards:

- (a) On January 1, 2023, the Entity adopted Public Accounting Standard PS 3280 – *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by public sector entities.

The adoption of this standard did not result in an accounting policy change for the Entity, and did not result in any adjustments to the financial statements as at January 1, 2023.

- (b) The Entity adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.
- (i) PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.
- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Schedule 1 – Continuity of Reserves

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Net transfers from (to) other funds			
Transfers from operations	\$ 248,000	\$ 248,000	\$ 276,245
Transfers to capital acquisitions	(1,172,500)	(326,919)	(75,438)
Total net transfers	(924,500)	(78,919)	200,807
Reserves, beginning of year	2,122,217	2,122,217	1,921,410
Reserves, end of year	\$ 1,197,717	\$ 2,043,298	\$ 2,122,217
Composition of Reserves			
		2023	2022
Reserves – Administration			
Contingency		\$ 89,343	\$ 117,391
Reserves – BBDE Fire Station			
Working funds		55,000	55,000
Contingency		159,521	159,521
Equipment		116,209	101,209
Apparatus		480,900	545,335
Bunker gear		29,583	21,583
Buildings		267,053	237,053
		1,108,266	1,119,701
Reserves – South Sherbrooke			
Contingency		50,000	239,607
Equipment		104,803	–
Apparatus		616,214	595,846
Bunker gear		29,276	24,276
Building		20,000	–
		820,293	859,729
Reserves – Smiths Falls Fire Agreement			
Fire calls		25,396	25,396
Total reserves		\$ 2,043,298	\$ 2,122,217

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Schedule 2 – Administration Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Revenue:			
Municipal contributions:			
Township of Drummond/North Elmsley	\$ 211,621	\$ 211,621	\$ 199,769
Tay Valley Township	180,270	180,270	170,173
Other government grants	–	–	4,860
Other income:			
Investment income	8,400	118,869	53,138
Fire fees, inspection, transfers	–	8,212	200
Donations	–	500	200
	400,291	519,472	428,340
Expenses:			
Administration wages and benefits	315,778	359,922	318,085
Training and seminars	4,000	3,049	10,250
Employer health tax	6,000	–	9,060
Administration, other	4,000	12,285	6,729
Advertising, subscription and memberships	2,500	2,109	1,799
Computer and fire response software	8,500	9,427	19,902
Fire service agreements	10,000	10,000	10,000
Insurance	24,928	24,798	20,773
Inspection and prevention	2,000	1,211	772
Office supplies	3,800	3,894	3,886
Professional fees	6,000	8,955	10,779
Telephone	6,785	5,541	7,015
Vehicle fuel and maintenance	6,000	–	7,201
Minor equipment	–	23,312	–
	400,291	464,503	426,251
Annual surplus	\$ –	\$ 54,969	\$ 2,089

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Schedule 3 – BBDE Fire Station Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Revenue:			
Municipal contributions:			
Township of Drummond/North Elmsley	\$ 292,829	\$ 292,829	\$ 278,766
Tay Valley Township	239,587	239,587	228,081
Township of Drummond North Elmsley - development charges	–	49,500	1,200
Other income:			
Fire fees, inspection, transfers	–	16,521	21,516
	<u>532,416</u>	<u>598,437</u>	<u>529,563</u>
Expenses:			
Amortization	–	103,847	85,544
Operations:			
Firefighter honorariums	215,200	228,677	219,634
Training and seminars	25,000	18,352	24,550
Bunker gear and gear cleaning	10,700	5,430	6,000
Communications maintenance	4,000	2,902	3,758
Clothing	–	390	4,483
Licenses	2,300	400	2,013
BBDE Fire Hall:			
Building maintenance and other	30,000	28,025	25,355
Heat, hydro, water	14,600	16,637	14,636
Insurance	8,836	9,123	7,363
Vehicle and equipment:			
Vehicle and equipment maintenance	25,000	33,536	35,015
Insurance	13,780	14,239	11,481
Minor equipment purchases	16,000	–	11,100
Fuel, oil, lubricants, etc.	9,000	13,791	16,303
Minor equipment	15,500	16,569	13,695
	<u>389,916</u>	<u>491,918</u>	<u>480,930</u>
Annual surplus	\$ 142,500	\$ 106,519	\$ 48,633

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Schedule 4 – South Sherbrooke Fire Station Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Revenue:			
Municipal contributions:			
Tay Valley Township	\$ 335,323	\$ 335,323	\$ 298,480
Tay Valley Township - development charges	–	–	27,000
Other income:			
Fire fees, inspection, transfers	–	12,897	8,241
	<u>335,323</u>	<u>348,220</u>	<u>333,721</u>
Expenses:			
Amortization	–	31,411	27,614
Operations:			
Firefighter honorariums	98,308	84,864	79,672
Training and seminars	15,000	26,260	17,760
Bunker gear and gear cleaning	2,000	3,175	1,752
Communications maintenance	3,000	2,738	2,546
Clothing	4,000	4,435	4,069
Licenses	2,600	238	1,228
Telephone	1,300	1,003	1,413
Emergency first response:			
Medical supplies	2,000	662	576
South Sherbrooke Fire Hall:			
Building maintenance and other	7,500	8,097	5,177
Heat, hydro, water	13,000	11,446	13,140
Insurance	8,835	9,123	7,363
Vehicle and equipment:			
Vehicle and equipment maintenance	19,000	14,899	15,754
Insurance	13,780	14,239	11,481
Minor equipment purchases	15,000	–	10,408
Fuel, oil, lubricants, etc.	3,500	5,526	3,200
Minor equipment	–	14,223	–
	<u>208,823</u>	<u>232,339</u>	<u>203,153</u>
Annual surplus	\$ 126,500	\$ 115,881	\$ 130,568

DRUMMOND/NORTH ELMSLEY TAY VALLEY FIRE RESCUE

Schedule 5 – Smith Falls Fire Agreement

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 5)	2023 Actual	2022 Actual
Revenue:			
Municipal contributions:			
Township of Drummond/North Elmsley	\$ 11,465	\$ 11,465	\$ 11,240
Expenses:			
Fire services agreement	11,465	12,094	11,787
Annual deficit	\$ –	\$ (629)	\$ (547)

DRAFT



KPMG LLP
Suite 400
863 Princess Street
Kingston Ontario K7L 5N4
Canada

Telephone (613) 549-1550
Telefax (613) 549-6349
www.kpmg.ca

Drummond North Elmsley Tay Valley Fire Rescue
BBD&E Station
14 Sherbrooke St. E
Perth, On

July 31, 2024

Dear Ms. Moore:

In planning and performing our audit of the financial statements of the Drummond North Elmsley Tay Valley Fire Rescue ("the Fire Board ") for the period ended December 31, 2023, we obtained an understanding of internal control over financial reporting (ICFR) relevant to the Fire Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Fire Board's ICFR.

Our consideration of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

IDENTIFICATION

Refer to the Appendix A for the definitions of various control deficiencies.

OTHER CONTROL DEFICIENCIES

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

We identified certain control deficiencies that we determined to be other control deficiencies in ICFR that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention, refer to Appendix B for our observations identified in the prior year with current year recommendations.

Refer to Appendix C for current year observations.

USE OF LETTER

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or anyone other than management and those charged with governance. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Chartered Public Accountants, Licensed Public Accountants

Appendix A

Terminology	Definition
DEFICIENCY IN INTERNAL CONTROL	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Appendix B – Prior Year Observations with Current year updates

Observation	Previous Recommendation	2023 Update
<p>Cheque Handling</p> <p>During the year end audit, KPMG noted that blank cheques were stored in an unsecure location.</p> <p>There is risk that cheques could go missing and be used in a fraudulent manner. reflect current year or prior year transactions.</p>	<p>KPMG recommends that blank cheques be secured in a locked location to which access is limited to those staff members who have authority to prepare the cheque runs.</p>	<p>KPMG notes that cheques are locked in a secured cabinet.</p> <p>KPMG considers this matter closed.</p>
<p>Evidence of Review</p> <p>KPMG notes that bank reconciliations are not being prepared in a timely manner.</p> <p>Potential errors made at the bank end may not be recognized by Fire Board staff until it is too late to have the error rectified.</p> <p>Additionally, fraudulent transactions through the bank account may not be seen until months have passed.</p>	<p>KPMG recommends bank reconciliations be prepared on a monthly basis, and be reviewed by the Fire Chief or Board member, at a minimum of a quarterly basis.</p>	<p>Bank reconciliations are being prepared on a timely basis in the current year. However, there is still no review of the bank reconciliations.</p> <p>KPMG continues to recommend that the Fire Chief or a Board member review the bank reconciliations.</p>

Appendix C – Current Year Observations

Observation	Recommendation
<p>Procurement policy</p> <p>During the year end audit, KPMG noted that the procurement policy adopted by the Fire Board is from the township.</p> <p>There is risk that specific types of services applicable to Fire Rescue may not be covered at the Township procurement policy.</p>	<p>KPMG recommends that a procurement policy should be established/adapted to the Fire Board's business.</p>
<p>Firefighters honorarium</p> <p>During the year end audit, KPMG noted the period of which the firefighter is paid runs from November 1 to October 31.</p> <p>The period of payment does not follow the fiscal year of the Fire Board and therefore there may be a risk of accruals and cut-off not being recorded/assessed properly.</p>	<p>KPMG recommends that the Board reviews this type of payment and/or prepare monthly analysis over amounts paid to the firefighters in order to make sure that no adjustment is necessary on the books.</p>
<p>Accruals</p> <p>During the year end audit, KPMG noted that the accruals are not being assessed properly.</p> <p>There is risk that misstatement to the financial statements if accruals are not adjusted at year end.</p>	<p>KPMG recommends that accruals should be reviewed by management on timely basis.</p>