

Village of St. Louis

2024 Audit Findings

Report to Council

December 31, 2024

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March 12, 2025

Members of Council of Village of St. Louis

Dear Council:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of the Village of St. Louis (the "Village") as at December 31, 2024 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

We have completed our audit of the consolidated financial statements of the Village which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide a qualified opinion to the Council of the Village. A draft copy of our proposed Independent Auditor's Report is attached at the end of this report.

This report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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cc: Robin Boyer, Administrator
cc: Ministry of Government Relations

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Introduction

As auditors, we report to the Council on the results of our examination of the consolidated financial statements of the Village of St. Louis (the "Village") as at and for the year ended December 31, 2024. The purpose of this Audit Findings Report is to assist you, as members of Council, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures.

We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

Engagement Status

We have substantially completed our audit of the consolidated financial statements of the Village and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with Council; and
- Council's review and approval of the consolidated financial statements.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on March 12, 2025.

Our Independent Auditor's Report will provide a qualified opinion to the Council of the Village. A draft copy of our proposed Independent Auditor's Report has been provided as additional materials to this report.

Significant Audit, Accounting and Reporting Matters

Audit and Reporting Matters

The following significant matters arose during the course of audit that we wish to bring to your attention.

Area	Comments
Changes from Audit Service Plan	There were no deviations from the Audit Service Plan previously presented to you. Please refer to Appendix B for the significant areas and our audit responses.
Difficulties Encountered	No significant limitations were placed on the scope or timing of our audit.
Identified or Suspected Fraud	Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud. While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
Identified or Suspected Non-Compliance with Laws And Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.
Matters Arising in Connection With Related Parties	No significant matters arose during the course of our audit in connection with related parties of the Village.

Area	Comments
Significant Deficiencies in Internal Control	Our audit process focuses on understanding the controls utilized in management's reporting systems, including for estimates, to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing. It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls. We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Council on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist. While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.
Going Concern	We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We are of the opinion that the going concern assumption is appropriate in preparation of the consolidated financial statements.
Matters Arising from Discussions With Management	We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Village. There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.
Significant Differences	A few significant adjustments were proposed to management with respect to the December 31, 2024 consolidated financial statements. A summary of significant differences has been included as Appendix C to this report.
Final Materiality	Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Village, and is affected by our assessment of materiality and audit risk. Final materiality used for our audit was $34,000 for December 31, 2024 and $34,000 for December 31, 2023.

Area	Comments
Significant Audit and Financial Reporting Matters	We would like to bring to your attention the significant audit and financial reporting matters discussed in Appendix D to this report.

Auditor's Views of Significant Accounting Practices

The application of Canadian public sector accounting standards allows and requires the Village to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Village's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Area	Comments
Accounting Policies	We noted the following newly adopted, and changes in, accounting policies: • PS 3400 *Revenue* - this change in accounting policy was applied prospectively. Details regarding the adoption of this accounting policy are outlined in the notes to the consolidated financial statements. • PS 3160 *Public Private Partnerships* - this change in accounting policy was applied prospectively. Details regarding the adoption of this accounting policy are outlined in the notes to the consolidated financial statements. • PSG-8 *Purchased Intangibles* - this change in accounting policy was applied prospectively. Details regarding the adoption of this accounting policy are outlined in the notes to the consolidated financial statements. The impact of these newly adopted accounting policies has resulted in additional audit time and fees due to the assessment required of each and the impact to the Village's notes to the consolidated financial statements.
Accounting Estimates	Allowance for Doubtful Accounts Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization Period of Tangible Capital Assets Amortization is based on estimated useful lives of the respective assets.

Area	Comments
	Measurement of Asset Retirement Obligations The liability associated with asset retirement obligations are measured with reference to the best estimate of the amount required to ultimately remediate the liability at the financial statement date, the discount rate, and inflation.
Financial Statement Disclosures	The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.

Other Matters

Management Representations

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.

Auditor Independence

We confirm to Council that we are independent of the Village. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.

Appendix A - MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Village and its environment, the applicable financial reporting framework and the Village's system of internal control (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

Appendix B - Significant Risk Areas and Responses

Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
Management override of internal controls	We performed journal entry testing and separate payroll testing on the Administrator's payroll expenditures. There were no issues identified as a result of our audit testing.
Tax revenues Risk that tax revenues are not accurate.	Performed detailed substantive testing, obtained SAMA confirmation and recalculated levy. There were no issues identified as a result of our audit testing.
Taxes Receivable Risk of overstatement of taxes receivable.	Sent a sample of negative confirmations, performed other substantive procedures and performed an analysis of uncollectible accounts. There were no issues identified as a result of our audit testing.
Tangible capital assets Risk that expenses are being capitalized that do not meet the criteria within public sector accounting standards, and risk that the tangible capital assets are impaired.	Vouched a sample of additions to supporting documentation and traced these items to the tangible capital asset register. Inquired with Administrator regarding any impairment or major repairs there were completed throughout the year. During our audit, it was identified that tangible capital assets net book value is understated. See Appendix C.

Appendix B - Significant Risk Areas and Responses (continued from previous page)

Significant Risk Area	Response and Conclusion
Asset retirement obligations Asset retirement identification and obligation calculation is complex and includes significant judgments regarding the nature, scope, and estimated cost.	Discussed asset retirement obligations with Administrator to determine the Village's method for identification and estimation to assess reasonability. Obtained third-party assessment for new obligations, if any, recalculated estimate and corroborated inputs to source documentation where appropriate. As a result of our audit testing, it was determined that a change in estimated cash flows was required as a result of the change in discount rate during the year.
Grant revenues and deferred revenue Revenue could be recognized before conditional grant requirements are met.	Obtained grant confirmations, reviewed grant contribution agreements to evaluate reasonableness of grant revenue and related deferred revenue. As applicable, ensured related expenses are eligible based on stipulations of the grant. As a result of our audit testing, it was determined that the Canada Community-Building Fund conditional grant funding received during the year has not yet been expended on an approved project and thus not meeting the criteria to recognize the revenue. An adjustment in the amount of $26,498 was required to increase deferred revenue and decrease grant revenue accordingly.
Payroll Incentive for employees to inflate payroll hours for work not performed.	Performed detailed substantive testing to ensure payroll paid to employees was based on approved wage rates and that amounts paid agreed to approved timesheets. There were no issues identified as a result of our audit testing.

Appendix B - Significant Risk Areas and Responses (continued from previous page)

Significant Risk Area	Response and Conclusion
Accounts payable and accruals Risk that accounts payable are recorded in the incorrect year in order for expenditures to coincide with budget (potential cutoff issues).	Vouched a sample of accounts payable to supporting documents and reviewed paid and unpaid invoices subsequent to year end to ensure payables were reported in the correct period. It was identified during our audit that accrued vacation payable is not recorded by the Village, this accrual has been reported on the Summary of Differences (Appendix C).
Contingencies, Commitments, Subsequent events There is an inherent risk that the Village may not disclose all contingencies, commitments and/or subsequent events.	We discussed contingencies, commitments and subsequent events with the Administrator and Council up to financial statement release. As a result of our audit testing, it was identified that the Village committed to the construction of a new fire services storage building subsequent to year-end, this commitment has been disclosed as a subsequent event to the consolidated financial statements.

Appendix C - Summary of Significant Differences

Significant Unadjusted Differences

Differences Noted and Items Affected	Consolidated Statement of Financial Position	Consolidated Statement of Operations
Understatement of accrued vacation payable	$ (10,153)	$ 10,153
Understatement of accounts receivable	$ 2,066	$ (2,066)
Understatement of Tangible Capital Assets (TCA) and understatement of opening accumulated surplus due to negative net book values in TCA register totaling $3,604 ($nil impact on operations)	$ -	$ -
Understatement of Tangible Capital Assets (TCA) and understatement of opening accumulated surplus due to differences identified in TCA register totaling $1,873 ($nil impact on operations)	$ -	$ -
Uncorrected opening differences	$ -	$ (11,776)
Total Unadjusted Differences (Income Effect)		**$ (3,689)**

The specific significant unadjusted differences noted above are differences that we believe to be significant to Council.

Canadian generally accepted auditing standards require that we request of management and Council that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the consolidated financial statements.

We concur with management's representation that the unadjusted differences are not material to the consolidated financial statements and, accordingly, these unadjusted differences have no effect on our Independent Auditor's Report.

Appendix D - Significant Audit and Financial Reporting Matters

Tangible Capital Assets

We have noted that there are negative Net Book Value ("NBV") amounts within the Tangible Capital Asset Register. This has resulted in an understatement of assets as amortization exceeds the historical cost of the asset. It is recommended that the Village revise the Tangible Capital Asset Register in the upcoming year to clear the negative NBV assets to nil. Please let us know if assistance is required in doing so.

Council meeting attendance

Based on our review of the meetings of Council held throughout the year, we noticed consecutive absences. We recommend that Council meetings are scheduled so all members of Council are able to attend as this provides the strongest governance and ensures all decisions are being made with input from all elected members of Council.

Approval of committee compensation

During our audit it was noted that Council committee compensation rates are not discussed and approved on an annual basis. We recommend that all compensation rates are discussed and approved by Council annually as this ensures all members of Council are in agreeance with rates being paid.

Draft Independent Auditor's Report

(See Attached)

Management Representations

(See Attached)

Independence Communication

(See Attached)