

# Village of St. Louis

## 2025 Audit Findings

Report to Council

December 31, 2025

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March 11, 2026

Members of Council of the 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, 2025 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

encls

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, 2025. 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 11, 2026.

Our Independent Auditor's Report provides a qualified opinion to the Council of the Village, and has been attached 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.<br><br>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. |
| **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.<br><br>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. |

| Area | Comments |
|---|---|
| | 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.<br><br>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.<br><br>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.<br><br>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, 2025 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.<br><br>Final materiality used for our audit was $36,500 for December 31, 2025 and $34,000 for December 31, 2024. |

# 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** | The accounting policies used by the Village are appropriate and have been consistently applied. |
| **Accounting Estimates** | Allowance for Doubtful Accounts<br><br>Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.<br><br>Amortization Period of Tangible Capital Assets<br><br>Amortization is based on estimated useful lives of the respective assets.<br><br>Measurement of Asset Retirement Obligations<br><br>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** | During our review of the Tangible Capital Assets Policy for the Village, it was noted that the amortization policy states a full year's amortization should be recorded in the year of acquisition with the exception of roads/streets, etc in which amortization should begin in the year following the year in which the costs were incurred.<br><br>The current tangible capital asset register utilized by the Village only supports amortization in the year following acquisition, thus current practice is not aligned with the policy in place.<br><br>We recommend the policy be amended to ensure the amortization policy noted follows the current practice of the Village. |

# 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.<br><br>There were no issues identified as a result of our audit testing. |
| Tax revenues<br><br>Risk that tax revenues are not accurate. | Performed detailed substantive testing, obtained SAMA confirmation and recalculated tax levy.<br><br>There were no issues identified as a result of our audit testing. |
| Taxes receivable<br><br>Risk of overstatement of taxes receivable. | Sent a sample of negative confirmations, performed other substantive procedures and performed an analysis of uncollectible accounts.<br><br>There were no issues identified as a result of our audit testing. |
| Tangible capital assets<br><br>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.<br><br>During our audit, it was identified that the tangible capital asset register included assets with useful lives contradicting the adopted policy. Amendments were made to the register to bring amortization rates in line with the adopted policy. |

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

| Significant Risk Area | Response and Conclusion |
|---|---|
| **Asset retirement obligations**<br><br>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.<br><br>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. |
| **Expenditures**<br><br>Risk that expenditures are not accurate, or are incorrectly classified to the appropriate segment. | Performed detailed substantive testing to ensure expenses exist, are accurate, complete, classified appropriately, and have been approved by Council.<br><br>There were no issues identified as a result of our audit testing. |
| **Grant revenues and deferred revenue**<br><br>Revenue could be recognized before conditional grant requirements are met (eligibility criteria and stipulations). | 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.<br><br>As a result of our audit testing, it was determined that the criteria has been met to recognize the Canada Community-Building Fund (CCBF) and Affinity Credit Union Community Development conditional grant funding previously deferred. An adjustment in the amount of $67,432 was required to decrease deferred revenue and increase grant revenue accordingly. |

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

| Significant Risk Area | Response and Conclusion |
|---|---|
| **Payroll**<br><br>Incentive for employees to inflate payroll hours for work not performed, and risk that inappropriate wage rates are paid to employees. | Performed detailed substantive testing to ensure payroll paid to employees was based on wage rates as approved by Council, and that amounts paid agreed to approved timesheets.<br><br>There were no issues identified as a result of our audit testing. |
| **Accounts Payable and accruals**<br><br>Risk that accounts payable is 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.<br><br>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**<br><br>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. We substantiated these conversations to the review of subsequent Council meeting minutes.<br><br>As a result of our audit testing, it was identified that the Village entered into a few commitments during the year requiring disclosure in the notes 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 | $ (10,292) | $ 10,292 |
| Understatement of current year amortization expense due to reconciliation of negative net book values in the Village's Tangible Capital Asset register | $ (5,285) | $ 5,285 |
| Net understatement of accounts receivable related to the Fire Department from R.M. of St. Louis | $ (300) | $ 300 |
| Understatement of unpaid taxes and understatement of accounts payable due to credit balances on municipal tax roll and utility accounts receivable.<br>- Understatement of municipal unpaid taxes of $1,768<br>- Understatement of utility accounts receivable of $1,550<br>- Nil impact on operations | $ - | $ - |
| Overstatement of revenue and expenses as a result of reimbursements for expenses of Fire Department from R.M. of St. Louis:<br>- Overstatement of revenue of $9,151<br>- Overstatement of expenses of $9,151<br>- Nil impact on operations | $ - | $ - |
| Uncorrected opening differences | $ - | $ (8,087) |
| **Total Unadjusted Differences (Income Effect)** | | **$ 7,790** |

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

# Appendix C - Summary of Significant Differences (continued from previous page)

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.

# Draft Independent Auditor's Report

(See Attached)

# Management Representations

(See Attached)

# Independence Communication

(See Attached)