

January 5, 2017

Mr. Keith Robicheau, County Manager
50 Colborne Street S.
Simcoe Ontario
N3Y 4H3

Dear Mr. Robicheau:

We have been engaged to audit the financial statements of The Corporation of Norfolk County for the year ending December 31, 2015. Canadian generally accepted auditing standards for audit engagements require that we communicate the following information with you in relation to our audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, we did not encounter any specific internal control matters that we wish to bring to your attention other than items disclosed below under Issues Identified.

Significant Accounting Principles

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by The Corporation of Norfolk County are described in Note 2, Significant Accounting Policies, in the financial statements.

As described in Note 3 to the financial statements, the County has adopted Section PS 3260, Liability for Contaminated Sites as required by the Public Sector Accounting Standards as of January 1, 2015. This standard was adopted on a prospective basis from the date of adoption. As at December 31, 2015 there is no liability recorded in the consolidated financial statements as all the criteria for recognition have not been met. We recommend the County conduct a formal study to identify existing contaminated sites and assess valuation and recognition of these sites.

Significant Unusual Transactions

We are not aware of any significant or unusual transactions entered into by The Corporation of Norfolk County that you should be informed about.

Accounting Estimates

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

We have no disagreements with respect to any estimates reported. Please see section below, Issues Identified, for recommendations on estimates not currently reported.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the County's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

Issues Identified

There are certain accounting estimates that are complex and sensitive because they involve a significant degree of judgement and may have a range of possible outcomes. Significant accounting estimates exist for the County in the determination of the employment benefits liability. Four areas of employment benefits where estimates are involved are worker's compensation (WSIB), post employment benefits (i.e. health, dental and life insurance), vested sick leave and accumulated non-vested sick leave. Currently the County is reporting an estimated liability for WSIB, post employment benefits, and vested sick leave, but is not reporting an estimated liability for accumulated non-vested sick leave. Public sector accounting standards requires disclosure of an estimated liability for accumulated unvested sick leave. Due to the complexity and sensitivity involved in these estimates, we recommend that the County have an actuary conduct an actuarial review for all four areas. The last comprehensive actuarial evaluation for the future liability of WSIB benefits was conducted as at December 31, 2008.

Due to the transition from the former Region of Haldimand-Norfolk, there are still outstanding issues that need to be addressed to reconcile Norfolk County and Haldimand County due to/from accounts. We understand that Haldimand County and Norfolk County have come to an agreement on how these accounts are to be calculated and that any differences will be reconciled for the December 31, 2016 year end audit.

For the last few years we have reported that the drainage construction and maintenance general ledger accounts were not reconciling to the WorkTech subledger accounts, that is no longer an issue as the two systems now reconcile. We further recommend that a detailed review of the WorkTech subledger is completed and that each drain account is assessed for its collectibility. If amounts are determined to be at risk for collectibility, these amounts should be set up in the allowance for doubtful accounts. If amounts are determined to be uncollectible, these amounts should be written off and removed from the WorkTech subledger.

Due to a new ministry system software implementation, health and social services has not been able to complete certain bank and report reconciliations since November 2014 to present. We recommend this issue be resolved as soon as possible as bank and report reconciliations are key performance indicators as well as important controls.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of Council.

We would be pleased to discuss with you further any matters mentioned above, at your convenience.

Yours truly,

Millard, Rouse and Rosebrugh LLP
Chartered Professional Accountants

A handwritten signature in black ink, appearing to read "Jeff O'Donnell". The signature is stylized with a large initial "J" and a long horizontal stroke.

Jeff O'Donnell, CPA, CA
Licensed Public Accountant
Partner

CC: John Ford, General Manager Financial Services, Treasurer/CFO