

June 15, 2018

Mr. David Cribbs, Chief Administrative Officer
50 Colborne Street S.
Simcoe Ontario
N3Y 4H3

Dear Mr. Cribbs:

We have been engaged to audit the financial statements of The Corporation of Norfolk County for the year ending December 31, 2017. 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.

A portion of the TCA subledger and general ledger are not being reconciled (the "9099" general ledger accounts) which caused a year end adjustment of approximately \$1,900,000 (2016 \$2,800,000). This adjustment is required to record non-capital costs from the TCA subledger into operating costs. Once a capital project is complete, all costs related to the project are reviewed and it is determined at that time what costs are allowable capital assets to be classified as additions to the TCA subledger and what costs are not capital and should be included in operating expenses. We recommend that the TCA subledger and general ledger in its entirety become interfaced, this would eliminate the need for any reconciling adjustment. Management is currently implementing a solution to reconcile the two ledgers and this issue will be resolved for the 2018 year end.

For the last few years we have reported that the drains construction and maintenance general ledger accounts were not reconciling to the drains WorkTech subledger accounts, that is no longer an issue as the two systems now reconcile. We had further recommended that a detailed review of the drains WorkTech subledger is completed and that each drain account is assessed for its collectibility. If amounts are determined to be uncollectible, these amounts should be written off and removed from each ledger. This has been completed for the drain maintenance accounts and is expected to be completed for the drain construction accounts within the 2018 year end.

Millard, Rouse & Rosebrugh LLP

85 Robinson Street, Simcoe, ON N3Y 1W7 T: 519.426.1606 Toll Free: 1.800.505.5551

SIMCOE TILLSONBURG NORWICH DELHI PORT DOVER BRANTFORD HAGERSVILLE

www.millards.com

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.

There were no new accounting policies adopted or changes to the application of accounting policies of The Corporation of Norfolk County during the year.

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.

Liabilities for Contaminated Sites (PS 3260) was adopted as required in 2015. As at December 31, 2017 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

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.

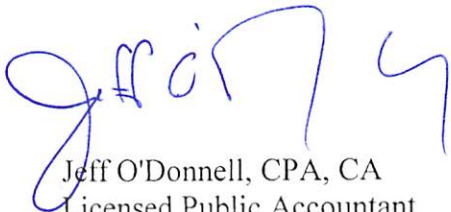
Difficulties Encountered During the Audit

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



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

CC: James Johnson, General Manager and Treasurer