

June 19, 2020

To the Administrative Committee  
Monterey County Deferred Compensation Plan  
168 West Alisal Street, Third Floor  
Salinas, CA 93901

Attention: Dean Carothers

We are pleased to present this report related to our audit of the financial statements of the Monterey County Deferred Compensation Plan (the Plan) as of and for the year ended December 31, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Monterey County Deferred Compensation Plan's financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities with Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated November 25, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated November 25, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

**Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Plan. The Plan did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

**Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. There are no significant accounting estimates reflected in the Plan's financial statements for the year ended December 31, 2018.

**Audit Adjustments**

Audit adjustments proposed by us and recorded by the Monterey County Deferred Compensation Plan are shown on the attached "Adjusting Journal Entries" and "Reclassification Journal Entries."

**Uncorrected Misstatements**

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Plan's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We are not aware of any documents that contain the audited financial statements.

**Supplemental Schedule**

With respect to the supplemental schedule accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it had not changed from the prior period, and the information is appropriate and complete in relation to the financial statements as a whole.

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

**Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

**Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting**

When significant deficiencies and material weaknesses are identified during our audit of the financial statements, we are required to communicate them to you in writing. For the year ended December 31, 2018 a letter was not required.

**Significant Written Communications Between Management and Our Firm**

We have requested certain representations from management that are included in the management representation letter dated June 19, 2020.

This report is intended solely for the information and use of the Administrative Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Monterey County Deferred Compensation Plan.

Sincerely,

Hayashi Wayland

Attachments: Adjusting Journal Entries  
Reclassification Journal Entries

**Monterey County Deferred Comp Plan**

**AJE**

Year End: December 31, 2018

Adjusting Journal Entries

Date: 1/1/2018 To 12/31/2018

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
		Net Income (Loss) Before Adjustments				(8,123,638.00)	
AJE-01	12/31/2018	PARTICIPANT RECEIVABLES	100	14,363.00			
AJE-01	12/31/2018	PARTICIPANT DEFERRALS	420		14,363.00		
		To record participant deferrals receivable.					
				14,363.00	14,363.00	14,363.00	(8,109,275.00)
				<b>14,363.00</b>	<b>14,363.00</b>	<b>14,363.00</b>	<b>(8,109,275.00)</b>

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**Monterey County Deferred Comp Plan**

**RJE**

Year End: December 31, 2018

Reclassification Journal Entries

Date: 1/1/2018 To 12/31/2018

Number	Date	Name	Account	Debit	Credit	Amount	Chg Net Income (Loss)
		Net Income (Loss) Before Adjustments					(8,109,275.00)
RJE-01	12/31/2018	REVENUE SHARING	430		50,000.00		
RJE-01	12/31/2018	ADMIN EXPENSES	490	50,000.00			
		To reclass revenue sharing income out of expenses for presentation purposes. MN		50,000.00	50,000.00	0.00	(8,109,275.00)
				<b>50,000.00</b>	<b>50,000.00</b>	<b>0.00</b>	<b>(8,109,275.00)</b>

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