



HAYASHI | WAYLAND

December 15, 2020

Dean Carothers, Chairman
Monterey County Deferred Compensation Plan
Administrative Committee
752 LaGuardia
Salinas, CA 93905

Attention: Mr. Carothers, Chairman

The Objective and Scope of the Audit

You have requested that we audit the financial statements of the Monterey County Deferred Compensation Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2020; the related statement of changes in net assets available for benefits for the year then ended; and the related notes to the financial statements.

You have also requested that we report on whether the supplemental schedule of assets held for investment purposes is fairly stated, in all material respects, in relation to the financial statements as a whole. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements and reporting on whether the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We will not separately audit the supplemental information. The supplemental schedule will be subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures. Accordingly, our report will state whether the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Plan's preparation and fair presentation of the financial statements and supplemental schedule in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal controls relevant to the audit of the financial statements and supplemental schedules that we have identified during the audit, as well as any significant deficiencies and material weaknesses communicated in previous audits that have not yet been remediated or that are remediated during the audit.

We will also communicate to the Administrative Committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit unless they are clearly inconsequential.

The Responsibilities of the Plan Administrator and Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that the Plan Administrator, management and Administrative Committee acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not conclude on subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
4. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.



As part of our audit process, we will request from the Plan Administrator, Management and Administrative Committee written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management and the Plan Administrator are responsible for identifying and ensuring that the Plan complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management and the Plan Administrator are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Plan involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management and the Plan Administrator are also responsible for informing us of their knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators or others.

Management and the Plan Administrator are responsible for informing us about related-party transactions, including transactions with parties in interest, as defined in Section 3(14) of ERISA and the regulations thereunder.

Management and the Plan Administrator are responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management and the Plan Administrator are responsible for the preparation of the supplemental schedule. Management and the Plan Administrator agree to include the auditor's report on the supplemental schedule in any document that contains the supplemental schedule and indicates that the auditor has reported on such supplemental schedule. Management and the Plan Administrator also agree to only present the supplemental schedule together with the audited financial statements and the auditor's report thereon.

The Administrative Committee is responsible for informing us of its views about the risks of fraud within the Plan, and its knowledge of any fraud or suspected fraud affecting the Plan.

Because Hayashi Wayland will rely on the Plan Administrator, Plan Sponsor, and its management and Administrative Committee to discharge the foregoing responsibilities, the Plan Sponsor and its management holds harmless and releases Hayashi Wayland, its partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Plan Sponsor's management which has caused, in any respect, Hayashi Wayland's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.



Records and Assistance

If circumstances arise relating to the condition of the Plan's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Plan's books and records. The Plan Sponsor will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Plan Sponsor personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Paulette J. Clark, HR Program Manager, and Patsy Girard, Payroll Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as drafting the financial statements), you agree to assume all management responsibilities, designate an appropriate individual to oversee the services, evaluate the adequacy and results of the services performed, accept responsibility for the services performed, establish and maintain internal controls, including monitoring ongoing activities, make an informed judgement on the results of the services, and accept responsibility for making the significant judgments and decisions that are the proper responsibility of management.

Other Terms of Our Engagement

We will not render an opinion on the Plan's qualification for tax-exempt status or compliance with the provisions of ERISA. However, as a part of our audit, we will perform certain procedures, as required by GAAS, directed at considering the Plan's compliance with applicable Internal Revenue Code (IRC) requirements for tax-exempt status. As we conduct our audit, we will be aware of the possibility that events affecting the Plan's tax status may have occurred. Similarly, we will be aware of the possibility that events affecting the Plan's compliance with the requirements of ERISA may have occurred. We will inform you of any instances of potential tax or ERISA noncompliance that come to our attention during the course of our audit. You should recognize, however, that our audit is not designed to nor is it intended to determine the Plan's overall compliance with applicable provisions of the IRC or ERISA.

In the event that an inquiry is received from the DOL or Internal Revenue Service regarding the financial statements, you agree to provide a copy of such inquiry to us as soon as possible following its receipt. Further, you agree to provide us with a draft of your response to any such correspondence prior to mailing.

Fees, Costs, and Access to Workpapers

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus directly billed expenses. Our fee estimate and completion of our work is based upon the following criteria:



1. Anticipated cooperation from your personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

Our fees for this engagement will be \$21,000, including out-of-pocket expenses. If any of the aforementioned criteria are not met, (including discovery of significant record keeping problems, or operational errors, Service Organization Control (SOC 1) reports that are qualified or otherwise cannot be relied upon, suspected violations of ERISA or DOL regulations, or issues that cause the Plan's qualified tax status to be questioned), then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Accounts not paid within 30 days from the date of the invoice are subject to a .833% monthly finance charge. Accounts remaining unpaid will also be liable for reasonable collection costs.

You may terminate the arrangement at any time by written notice to us. In the event you terminate this engagement, you will pay Hayashi Wayland for all services rendered (including deliverables and products delivered), expenses incurred and commitments made by us through the effective date of termination. All provisions of this arrangement will survive termination or cancellation, except that (a) we will not have any obligation to provide services after termination and (b) you will not have any obligation to pay us for any services that we perform after termination, except for costs incurred to cooperate with a successor auditor or regulatory agency subpoena or inquiry.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, Hayashi Wayland may, at its sole discretion, terminate this arrangement letter without further obligation to the Monterey County Deferred Compensation Plan. Resumption of audit work following termination may be subject to our client acceptance procedures and, if resumed, will necessitate additional procedures not contemplated in this arrangement letter. Accordingly, the scope, timing and fee arrangement discussed in this arrangement letter will no longer apply. In order for Hayashi Wayland to recommence work, a new arrangement letter would need to be mutually agreed upon and executed.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves Hayashi Wayland and is subsequently employed by or associated with a client in a key position. Accordingly, the Plan Sponsor agrees it will compensate Hayashi Wayland for any additional costs incurred as a result of the employment of a partner or professional employee of Hayashi Wayland.

Your Company agrees not to make any offers of employment to Hayashi Wayland employees. If for any reason our employees should obtain employment with your company during the period of this engagement, you agree to pay our firm an Employment Firm Placement Fee of 35% of the first year's annual compensation of the respective Hayashi Wayland employee.



The audit documentation for this engagement is the property of Hayashi Wayland and constitutes confidential information. However, we are required by ERISA to make certain audit documentation available to the DOL upon request for its regulatory oversight purposes. Access to the requested audit documentation will be provided to the DOL under the supervision of Hayashi Wayland audit personnel and at a location designated by us. The fees associated with providing access to this audit documentation will be billed at our standard rates.

Review of audit documentation by a successor auditor or as part of due diligence will be agreed to, accounted for and billed separately.

In the event we are requested or authorized by the Plan or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Plan, the Plan to the extent permitted by law, or the Plan Sponsor, as applicable, will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Indemnification and Claim Resolution

Because Hayashi Wayland will rely on the Plan Administrator, the Plan Sponsor and its management and the Administrative Committee to discharge the foregoing responsibilities, the Plan Sponsor and its management hold harmless and releases Hayashi Wayland and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Plan Sponsor's management that has caused, in any respect, Hayashi Wayland's breach of contract or negligence.

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of California. It is agreed by Monterey County Deferred Compensation Plan and Hayashi Wayland or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of Monterey County Deferred Compensation Plan shall be asserted more than the earlier of two years after the date of the last audit report issued by Hayashi Wayland or the date of this arrangement letter if no report has been issued. In no event shall either party be liable to the other for claims of punitive, consequential, special, or indirect damages. Hayashi Wayland's liability for all claims, damages and costs of the Plan arising from this engagement is limited to the amount of fees paid by the Plan to Hayashi Wayland for the services rendered under this arrangement letter.

These provisions shall survive the termination of this arrangement for services.

Information Security - Miscellaneous Terms

Hayashi Wayland is committed to the safe and confidential treatment of the Plan's proprietary information. Hayashi Wayland is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Plan agrees that it will not provide Hayashi Wayland with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the Plan's information, including the use of collaborate sites to ensure the safe transfer of data between the parties.



Hayashi Wayland may terminate this relationship immediately in its sole discretion if Hayashi Wayland determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Hayashi Wayland's client acceptance or retention standards, or if the Plan is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Plan or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the Plan's financial statements and supplemental schedule. Our report will be addressed to participants and the Administrative Committee of the Plan Sponsor. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of the agreement between Hayashi Wayland and the Plan, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.



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Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit including our respective responsibilities. We appreciate your business.

Sincerely,



Michael B. Nolan, CPA, CFE, CGMA
Partner
Hayashi Wayland

Confirmed on behalf of the Monterey County Deferred Compensation Plan:

Signed: _____ Date: _____
Dean Carothers, Chairman

