

June 30, 2009

Board of Directors-Finance Committee  
 Monterey Regional Waste Management District  
 Monterey Regional Waste Management Authority  
 P.O. Box 609  
 Marina, California 93933

Attention: Mr. Leo Laska

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of Monterey Regional Waste Management District and Monterey Regional Waste Management Authority's financial statements as of and for the year ended June 30, 2009.

### Communication

Effective two-way communication between our Firm and the Board of Directors is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding Monterey Regional Waste Management District and Monterey Regional Waste Management Authority and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

### Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of Hayashi & Wayland Accounting & Consulting, LLP is permitted to own any direct financial interest or a material indirect financial interest in a client or any

affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Hayashi & Wayland Accounting & Consulting, LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

### **The Audit Planning Process**

Our audit approach places a strong emphasis on obtaining an understanding of how your organization functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your organization. The development of a specific audit plan will begin by meeting with you and management to obtain an understanding of business objectives, strategies, risks, and performance.

We will obtain an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we will establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We will use this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the company's internal control).

We will then determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

### **The Concept of Materiality in Planning and Executing the Audit**

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit.

Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

### **Our Approach to Internal Control Relevant to the Audit**

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Company's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

### **Timing of the Audit**

We have scheduled preliminary audit field work for the week of July 13, 2009 with final field work commencing the week of August 17, 2009. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to the timely completion of the audit.


### **Closing**

This communication is intended solely for the information and use of the members of the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Monterey Regional Waste Management District and Monterey Regional Waste Management Authority.

Yours very truly,

HAYASHI & WAYLAND  
ACCOUNTING & CONSULTING, LLP

By   
Michael B. Nolan, C.P.A.