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ACCOUNTANTS AND CONSULTANTS

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May XX, 2022

City Council of
City of Salinas
200 Lincoln Ave.
Salinas, California 93901

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salinas (City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the fair value of financial instruments is based on fair value of investments where market quotations are readily available. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Management's estimate of the depreciable lives of property and equipment is based on historical experience with similar capital asset types. Amortization of assets acquired under capital leases are based on the shorter of the lease term or the estimated useful life of the asset.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

Daniel McGilloway Jr, CPA | Sarita Shannon, CPA | Sukhdev Singh, CPA | Whitney Ernest, CPA |
Laura Armbruster, CPA | Rose Maxwell, CPA | Eleonora Garra, CPA

Management's estimate of the allowance for loans receivables is based on the contingent nature of the repayment schedules for each loan.

Management's estimate of the Net Pension Liability and related deferred outflows and inflows is based on actuarial valuations determined in accordance with the parameters of GASB Statement Nos. 68 and 71.

Management's estimate of the Net OPEB Liability and related deferred outflows and inflows is based on actuarial valuations determined in accordance with the parameters of GASB Statement No. 75.

Management's estimate of the accrued compensation is based on the agreement between the City and the respective employees' collective bargaining group.

Management's estimate of the self-insurance is based on the claim manager's estimate of probable losses plus an amount estimated for incurred but not reported claims that is based upon historical experience.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Stewardship Compliance and Accountability/Deficit Fund Equity in Note 2 to the financial statements. This note describes the City's budgeting method and funds with deficit net positions.

The disclosure of Retirement Programs in Note 14 to the financial statements. This note was developed with the GASB 68 Accounting Valuation Reports as of the applicable measurement date.

The disclosure of Retirement Programs in Note 15 to the financial statements. This note was developed with the GASB 75 Accounting Valuation Reports as of the applicable measurement date.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management. Expanded time commitment was required in performing and completing our audit due to unanticipated delays in obtaining management prepared schedules.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May XX, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Policy and Control, Budgetary Comparison Schedules, Claims Development for Internal Service Funds, Agent Multiple-Employer Defined Benefit Plan Schedules, Cost Sharing Multiple-Employer Defined Benefit Plan Schedules, Single Employer Defined Benefit Plan Schedules, and OPEB Plan Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards which is included in the City's single audit report. We were also engaged to report on the Combining Statements for Non-Major Governmental Funds, Combining Statements for Internal Service Funds, Combining Statements for Fiduciary Funds, and Combining Statement for General, Measure E, and Measure G, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and

reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Salinas and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "McGilloway, Ray, Brown & Kaufman" followed by a long horizontal flourish.

McGilloway, Ray, Brown & Kaufman
Salinas, California

City of Salinas
Audit Journal Entries
Fiscal Year Ended June 30, 2021

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To remove July receivable for UUT accrued at 06/30/2021			
1000.00.0000-70.2060	Taxes YE Accruals Utility Users	718,795.00	
1000-12.1100	Receivables Taxes		718,795.00
Total		718,795.00	718,795.00
Adjusting Journal Entries JE # 2			
To record receivable for 2021 solar lease collected after availability period			
5203-12.1110	Accounts Receivable Totals	279,490.00	
5203-29.1050	Deferred Inflows Unavailable Revenue		279,490.00
Total		279,490.00	279,490.00
Adjusting Journal Entries JE # 3			
To reclass lease revenue recorded under intergovernmental revenue			
5203.00.0000-55.5063	Intergovernmental Construction Assistance Others	270,091.00	
5203.00.0000-54.8050	Use of money and property Rental Income		270,091.00
Total		270,091.00	270,091.00
Adjusting Journal Entries JE # 4			
To correct loan receivable balances for HOME at 06/30/2021			
2930-12.2010	Receivables Loans & Notes	884,128.00	
2951-12.2010	Receivables Loans & Notes	605,204.00	
2930-12.2020	Receivables Allowance for Uncollectible		884,128.00
2951-12.2020	Receivables Allowance for Uncollectible		605,204.00
Total		1,489,332.00	1,489,332.00
Adjusting Journal Entries JE # 5			
To correct intergovernmental revenues that did not meet eligibility requirements and were not adjusted during the financial statement close			
3911.00.0000-75.4530	Intergovernmental American Rescue Plan Act	25,783,657.00	
3911-28.6000	Deferred Revenue		25,783,657.00
Total		25,783,657.00	25,783,657.00
Adjusting Journal Entries JE # 6			
To correct accrual for funding of deficit fund balance in Workers Comp balance that was not recorded during the financial statement close			
7103-13.2000	Other Funds Totals	16,831,462.00	
7103.14.1247-77.1010	Other Revenue YE Accruals Workers Comp Premiums		16,831,462.00
Total		16,831,462.00	16,831,462.00

City of Salinas
Audit Journal Entries
Fiscal Year Ended June 30, 2021

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
To reclass non-debt service expenditures to funding source recorded at debt service funds			
1100.60.6009-66.5810	Computer Equipment Totals	16,668.00	
1100.60.6013-63.6010	Outside Services Other Outside Services	259,830.00	
1200.40.4130-63.4100	Outside Services Maint & Repairs - Bldg & Grounds	743,361.00	
1200.45.4505-66.5800	Capital Outlays Computer Software	69,996.00	
4106.00.0000-90.1200	Transfers In Measure G	813,357.00	
4110.00.0000-90.1100	Transfers In Measure E	276,498.00	
1100.00.0000-95.4110	Transfers Out 2018 Lease-El Gabilan Library		276,498.00
1200.00.0000-95.4106	Transfers Out 2018 Lease - Public Safety Bldg		813,357.00
4106.80.8004-63.4100	Outside Services Maint & Repairs - Bldg & Grounds		743,361.00
4106.80.8004-66.3000	Capital Outlays Building Improvements		69,996.00
4110.80.8004-63.4100	Outside Services Maint & Repairs - Bldg & Grounds		259,830.00
4110.80.8004-66.3000	Capital Outlays Building Improvements		16,668.00
Total		2,179,710.00	2,179,710.00
Adjusting Journal Entries JE # 8			
To record federal grant revenue that was not accrued			
3186-13.1100	Due from Federal Govt	203,485.00	
3186.30.7417-75.5511	Intergovernmental Other Federal Grant YE Accrual		203,485.00
Total		203,485.00	203,485.00
Adjusting Journal Entries JE # 9			
To record reclass entry for due from other agencies provided after audit start			
2942-13.1200	Due from State	468,475.00	
3157-13.1200	Due from State	14,257.00	
2942-13.1000	Due from Other Agencies		468,475.00
3157-13.1000	Due from Other Agencies		14,257.00
Total		482,732.00	482,732.00

City of Salinas
Audit Journal Entries
Fiscal Year Ended June 30, 2021

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
To correct deferred outflows & Inflows for (Gain)/Loss on debt refundings			
6301-12.3015	Receivables Deferred Charges	14,469.00	
6301-19.0000	Deferred Outflows	8,770.00	
6301.80.8007-65.3000	Debt Service Paying Agent Fees	804.00	
6301.80.8007-85.2000	Debt Service YE Accruals Bond-Interest	73,634.00	
6301.80.8007-85.2000	Debt Service YE Accruals Bond-Interest	516.00	
6302-12.3015	Receivables Deferred Charges	6,206.00	
6302-19.0000	Deferred Outflows	2,830.00	
6302.80.8006-65.3000	Debt Service Paying Agent Fees	742.00	
6302.80.8006-85.1000	Debt Service YE Accruals Bond-Principal	354,623.00	
6302.80.8006-85.2000	Debt Service YE Accruals Bond-Interest	74,500.00	
6302.80.8006-85.2000	Debt Service YE Accruals Bond-Interest	354.00	
6400-19.0000	Deferred Outflows Deferred Outflows	812,890.00	
6400.50.5442-76.8040	Charges for Services YE Accruals Bond Premium/Monitoring Fees	95,646.00	
6400.50.5442-80.2000	Depreciation and Amortization YE Accruals Amortization	173,474.00	
6400.50.5442-85.2000	Debt Service YE Accruals Bond-Interest	275,499.00	
6400.50.5442-85.2000	Debt Service YE Accruals Bond-Interest	101,611.00	
6301-12.3015	Receivables Deferred Charges		71,316.00
6301-19.0000	Deferred Outflows		516.00
6301.80.8007-65.3010	Debt Service Cost of Issuance		15,273.00
6301.80.8007-65.3040	Debt Service Refunding Debt - Future Interest		8,770.00
6301.80.8007-80.2000	Depreciation and Amortization YE Accruals Amortization		2,318.00
6302-12.3015	Receivables Deferred Charges		46,888.00
6302-19.0000	Deferred Outflows		354.00
6302.80.8006-65.3010	Debt Service Cost of Issuance		6,948.00
6302.80.8006-65.3040	Debt Service Refunding Debt - Future Interest		37,191.00
6302.80.8006-76.8040	Charges for Services YE Accruals Bond Premium/Monitoring Fees		272,085.00
6302.80.8006-80.2000	Depreciation and Amortization YE Accruals Amortization		75,789.00
6400-12.3015	Receivables Deferred Charges		215,021.00
6400-19.0000	Deferred Outflows Deferred Outflows		101,611.00
6400.50.5442-65.3040	Debt Service Refunding Debt - Future Interest		1,142,488.00
Total		1,996,568.00	1,996,568.00
Adjusting Journal Entries JE # 11			
To correct SVSWA refunding recorded twice in debt service funds			
4109.80.8004-58.8013	Other Financing Sources Bond Proceeds	4,906,289.00	
4109.80.8004-65.1000	Debt Service Bond-Principal		4,845,000.00
4109.80.8004-65.2000	Debt Service Bond-Interest		61,289.00
Total		4,906,289.00	4,906,289.00
Adjusting Journal Entries JE # 12			
To include NYL not included with Pension Trust Funds			
Cash Pooled Cash and Investment Fund		10,223,087.00	
Fund Balance Fund Balance			2,408,002.00
Other Revenues			590,568.00
Intergovernmental Inter Agency Transfers			10,248,521.00
Use of money and property Investment Earnings			353,524.00
Outside Services		86,660.00	
Salaries & Benefits Pension Trust - Withdrawals		3,290,868.00	
Total		13,600,615.00	13,600,615.00
Total Adjusting Journal Entries		68,742,226.00	68,742,226.00

ALG-CX-12.2: Audit Difference Evaluation FormGovernmental Unit: Financial Statement Date: Completed by: Date: Opinion Unit: A Listing of Known Audit Differences Over:

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should *not* include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:						
				Total Assets/Deferred Outflow of Resources	Total Liabilities/Deferred Inflow of Resources	Working Cap.	Fund Balance/Net Position	Revenues/Other Financing Sources	Expens. / Other Financing Uses	Change in Fund Balance/Net Position
CIP expenses understated in current year	F	Management did not capitalize expenses incurred in prior fiscal year and reduced expenses in the current year to catch up with prior year error.	G-03						-214,772	214,772
Investments with LAIF were overstated at year end	F	Incorrect FV factor was used to value LAIF at Year End	A-9.03	720,322				720,322		
Business-type				-	-	-	-	-	(40,273)	-
Total				720,322	0	0	0	720,322	-255,045	214,772
Less audit adjustments subsequently booked							-205,474			
Net unadjusted AD—current year (iron curtain method)				720,322	0	0	205,474	720,322	-255,045	214,772
Effect of unadjusted AD—prior years								0	0	0
Combined current year and prior year AD (rollover method)				720,322	0	0	205,474	720,322	-255,045	214,772
Financial statement caption totals				710,255,770	509,133,001		201,122,769	207,668,446	192,346,972	15,321,474
Current year AD as % of F/S captions (iron curtain method)				0.10%	0.00%	0.00%	0.10%	0.35%	-0.13%	1.40%
Current and prior year AD as % of F/S captions (rollover method)				0.10%	0.00%	0.00%	0.10%	0.35%	-0.13%	1.40%

ALG-CX-12.2: Audit Difference Evaluation FormGovernmental Unit: Financial Statement Date: Completed by: Date: Opinion Unit: A Listing of Known Audit Differences Over:

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Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:						
				Total Assets/Deferred Outflow of Resources	Total Liabilities/Deferred Inflow of Resources	Working Cap.	Fund Balance/Net Position	Revenues/Other Financing Sources	Expend. / Other Financing Uses	Change in Fund Balance/Net Position
Airport CIP expenses understated in current year	F	Management did not capitalize expenses incurred in prior fiscal year and reduced expenses in the current year to catch up with prior year error.							-11,076	
Industrial Waste CIP expenses understated in current year	F	Management did not capitalize expenses incurred in prior fiscal year and reduced expenses in the current year to catch up with prior year error.							-29,197	
Total				0	0	0	0	0	-40,273	0
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				0	0	0	0	0	-40,273	0
Effect of unadjusted AD—prior years							-103,487			
Combined current year and prior year AD (rollover method)				0	0	0	-103,487	0	-40,273	0
Financial statement caption totals				19,553,020	1,007,768		18,486,940	2,475,261	2,270,492	204,769
Current year AD as % of F/S captions (iron curtain method)				0.00%	0.00%	0.00%	0.00%	0.00%	-1.77%	0.00%
Current and prior year AD as % of F/S captions (rollover method)				0.00%	0.00%	0.00%	-0.56%	0.00%	-1.77%	0.00%