

To the Board of Directors of
San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the financial statements of the business-type activities of the San Francisquito Creek Joint Powers Authority as of June 30, for fiscal years 2024, 2023, 2022, 2021 & 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 1, 2023. 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 San Francisquito Creek Joint Powers Authority are described in Note 1 to the financial statements. Updates were made to the SFCJPA accounting policies during fiscal years 2020- 2024. We noted no transactions entered into by San Francisquito Creek Joint Powers Authority 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.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 March 26, 2026.

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 San Francisquito Creek Joint Powers Authority’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 San Francisquito Creek Joint Powers Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

1. Absence of Annual Audit

Finding

According to San Francisquito Creek Joint Powers Authority’s Member’s Agreement an annual audit is to be performed and filed as a public record with each member agency. Currently the Authority is completing five annual audits at one time. The Authority’s failure to complete annual audits increases the risk of undetected errors, misstatements, and potential non-compliance issues.

Response

We agree that a lack of annual audits increases the risk of undetected errors, misstatements, or other potential non-compliance issues and have and are continuing to put in place procedures to ensure the timely completion of the annual audits.

2. Accounting Department Staffing

Finding

During our audit, we noted Authority frequently prioritized other duties over accounting duties. Certain routine accounting tasks play a key role in proving the accuracy of accounting data. We believe that certain administrative duties have been assigned to the accounting department over the years and this increase in workload has had a negative impact on the efficiency of the department. Currently, accounting personnel are performing numerous administrative duties.

Recommendation

We recommend the Authority consider hiring an additional employee to alleviate some of the responsibilities in either the accounting department or the administrative department. This position, if properly conceived and designed, could greatly benefit the Authority.

Response

We agree with this finding and recommendation. Steps have been taking over the past five years to improve the efficiency and effectiveness of the SFCJPA's administrative processes and practices. These have included: moving to professional office space with adequate room for file storage, purchasing office equipment able to make electronic (scanned) documents of accounting records, and establishing IT protocols and support services to ensure document security.

3. Separate Classes Centers For Projects Suggested

Finding

Currently, a single general ledger cost center is used for numerous projects and tracked in an excel spreadsheet. This practice makes it difficult to pull financial statements by project in a timely manner.

Recommendation

In order to more clearly reflect activity on a project basis, we strongly suggest that the Authority maintain separate classes for each project. This practice will also facilitate the reporting requirements for grants and contracts as well.

Response

We agree with this finding. We had already begun the process of implementing separate classes in our updated version of Quickbooks.

4. IT Assistance

Finding

The Authority, switched from a desk top version of an accounting software to the online version. Unfortunately, the conversion from desktop and online did not include all transactions and required the accounting department to manually reconcile the two systems and enter missing transactions into the online version. When providing financials for the audit the Authority provided support from both versions. The integrity of the data provided could not be relied upon without substantial testing.

Also noted during the audit that the Authority's accountant's computer has crashed a few times causing the audit to be postponed and the information to be rekeyed in.

Recommendation

The Authority needs adequate IT services. This would assist with making sure all data is backed up on a regular basis. Any system crashes would be repaired in a timely manner and the data restored.

Response

We agree that the Authority needs adequate IT services. Since October of 2020, the Authority has invested in professional support to assist our operations and continues to regularly review our tools and our IT support to ensure they are meeting the needs of the Authority.

Data lost due to laptop hard drive crashes which occurred prior to the implementation of shared and backed-up file systems and prior to the retention of regular IT support.

In August of 2020, the newly hired executive director implemented a shared file and cloud-based document storage and back-up system (DropBox). Prior to this, most agency records were maintained on individual laptops. In September of 2020, the executive director relocated the agency offices to a location with space for staff to have pandemic-safe individual offices and space for more filing cabinets for document storage. In October of 2020 the agency contracted with an individual IT professional to provide ad hoc IT support to the SFCJPA, including recommendations for security, software, and routine hardware replacement. This ad hoc support was replaced by a contract with an established business for IT support (RelyOnIT) in April 2022. The RelyOnIT support included upgrading our digital file management system to a professionally managed, secure, synchronized, cloud-based system. In August 2022, the agency relocated to new offices and added additional office space for supplies and file storage. Services provided by RelyOnIT include routine updates to employee technology (laptops), access to full-service and full-warranty coverage for systems purchased through RelyOnIT's corporate purchasing channels, and a regular review of software licenses, security needs, internet connectivity, and any other information and office technology matters as they arise.

Other Matters

We applied certain limited procedures to Schedule of Authority's Proportionate Share of Net Pension Liability and Schedule of Employer Contributions, which are (is) 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.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of San Francisquito Creek Joint Powers Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Grant & Smith, LLP

Oakland, California
March 26, 2026