

REPORT OF INDEPENDENT ACCOUNTANTS ON APPLYING AGREED-UPON
PROCEDURES

To the Honorable Mayor and City Council
City of Cupertino, California
10300 Torre Avenue
Cupertino, California 95014-3202

Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by the Honorable Mayor and the City Council of the City of Cupertino, California (the "City"), on the Investment Policy of the City. The City's management is responsible for the Investment Policy. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Refer to Appendix A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Investment Policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Costa Mesa, California
[REDACTED]

APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS

The procedures to be performed were as follows:

1. **Procedure:** We obtained the Investment Policy (policy), dated May 1, 2017, approved by the Honorable Mayor and the City Council. We also obtained the policy, dated May 17, 2016, approved by Honorable Mayor and the City Council. We compared the investments authorized by the policy with the investments listed in the March 2017 Treasurer's Investment Report to determine if all investment types are allowed by the investment policy.

Result: The procedure was performed with no exceptions noted.

2. **Procedure:** We compared the City's Investment Policy with California Government Code Section 53601 to determine whether the City's Investment Policy complied with California Government Code Section 53601.

Result: The procedure was performed with no exceptions noted.

3. **Procedure:** We compared the March 2017 Treasurer's Investment Report with California Government Code Section 53646 to ensure that the March 2017 Treasurer's Investment Report complied with California Government Code Section 53646.

Result: 53646 (b) (1) of the California Government Code requires the quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. The City's investment policy requires submission within 45 days following the end of the quarter covered by the report. Additionally the Treasurer's Report for the quarter ended March 2017 was submitted to the Audit Committee on May 1, this is 1 day beyond the required submission timeline. This is deemed to be an exception.

No further exceptions were noted as a result of procedures performed.

4. **Procedure:** We inquired of the Finance Manager whether investment performance statistics and activity reports were generated on a quarterly basis for presentation to the Oversight (Audit) Committee, City Manager and the Honorable Mayor and the City Council, as required by the Investment Policy.

Result: The procedure was performed with no exceptions noted.

5. **Procedure:** We inquired of the Finance Manager and documented our understanding of the wire transfer procedures.

Result: The procedure was performed with no exceptions noted.

6. **Procedure:** We randomly selected three investment sales/maturities from various quarters of Treasurer's Reports and performed the following:

- Traced investment type to the supporting broker's confirmation.
- Traced the maturity date to the supporting broker's confirmation.
- Traced the amount of the investment sold to the supporting broker's confirmation.

Result: The procedure was performed with no exceptions noted.

7. **Procedure:** We randomly selected two investments purchased (one as of October 2016 and one as of March 2017) for fiscal 2017 from the City's investment files and performed the following:

- Traced the purchased investments to the corresponding Treasurer's Investment Report for the month in which the investments were acquired.

- Agreed the amount, terms and interest rate to the Treasurer's Investment Report.
- Verified that the investment type is authorized by the Investment Policy by comparing the type of investment to the allowable types per the Investment Policy.

Result: The procedure was performed with no exceptions noted.

8. **Procedure:** We obtained the Wells Fargo Bank Market/Cost Value Comparison Report, the City's third party investment safekeeping custodian, for March 2017 and traced the following from each investment listed in the Wells Fargo statement to the City's March 2017 Treasurer's Investment Report:

- Investment description
- Market value
- Purchase date
- Maturity date
- Coupon rate

Result: Per review of the Wells Fargo Bank Market/Cost Value comparison report, purchase dates are not presented and could not be agreed to the City Treasurer's Investment Report. This is not considered an exception. The remainder of the procedure was performed with no exceptions noted.

9. **Procedure:** We traced three randomly selected Federal Agency investments that were purchased in fiscal 2017 and traced the reported ratings to Moody's rating online.

Result: The procedure was performed with no exceptions noted.

10. **Procedure:** For the March 2017 Treasurer's Investment Report, we re-computed or obtained third-party corroborating evidence of the correct listing of

- Average Yield
- Market value
- Purchase date

Result: The procedure was performed with no exceptions noted.