

August 29, 2017

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

Ladies and Gentlemen:

This letter confirms the arrangements for Crowe Horwath LLP ("Crowe" or "us" or "we" or "our") to apply agreed-upon procedures, as discussed in Appendix A, solely to assist you with respect to the Investment Policy of the City of Cupertino, California (the "City"). The agreement for auditing services dated February 27, 2017 between the City and Crowe (the "Agreement"), is an integral part of this letter and its terms are incorporated herein.

The agreed-upon procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Honorable Mayor and City Council of the City.

Because these procedures will not constitute an examination or review in accordance with standards established by the American Institute of Certified Public Accountants, we will not express an opinion or conclusion on the Investment Policy. We have no obligation to perform any procedures beyond those listed in Appendix A. If we were to perform additional procedures other matters might come to our attention that would be reported to you. It is understood that we will prepare a report reflecting our findings of the procedures outlined in Appendix A for use by you. We make no representations as to the adequacy of these procedures for your purpose.

If you decide that additional procedures are needed, we will discuss those with you. It is customary for us to document such revisions, either by memo or by an addendum to this letter. If you wish to add specified users of the report, we will require that they acknowledge in writing their responsibility for the sufficiency of these procedures.

The agreed-upon procedures do not contemplate obtaining the understanding of internal control or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an examination. Thus, this engagement does not provide assurance that we will become aware of significant matters that would be disclosed in an examination. Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform you of any significant errors that may come to our attention. Our engagement will not enable us to address legal or regulatory matters or abuses of management discretion, which matters should be discussed by you with your legal counsel. You are also responsible for the accuracy and completeness of the information provided to Crowe for purposes of this engagement and for timely updating such information. Because of the importance of such information to our engagement, you agree to release Crowe and its personnel from any liability and costs relating to our services under this engagement attributable to the inaccuracy or incompleteness of information provided to us for purposes of this engagement.

Our procedures and work product are intended for the benefit and use of the Honorable Mayor and City Council of the City. This engagement will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe and constitute confidential information.

Although the actual language of our report may change as a result of our procedures, we presently expect our report on the agreed-upon procedures to read as follows:

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.

If, for any reason, we are unable to complete the agreed-upon procedures, we will not issue a report as a result of this engagement.

## FEES

Fees for this engagement and related terms are included in the Agreement.

\* \* \* \* \*

This engagement letter and the Agreement reflect the entire agreement between us relating to the services covered by this letter. The headings included in this letter are to assist in ease of reading only. The letter and the Agreement are to be construed as a single document, with the provisions of each section applicable throughout. This agreement may not be amended or varied except by a written document signed by both parties. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter. The agreements of the City and Crowe contained in this engagement letter shall survive the completion or termination of this engagement. If any term hereof is found unenforceable or invalid, this shall not affect the other terms hereof, all of which shall continue in effect as if the stricken term had not been included.

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We thank you for selecting Crowe for this engagement. If the terms of this letter are acceptable to you, please sign and date below and return a copy of this letter at your earliest convenience. If you have any questions, please contact Kathy Lai at 714.668.5376.

Thank you for the opportunity to serve your organization.

Very truly yours,

Crowe Horwath LLP

By: Katherine V. Lai  
Kathy V. Lai, Partner

I have reviewed the arrangements outlined above and in the Agreement, and I accept on behalf of the City the terms and conditions as stated.

Authorized Representative of the City's Management:

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Representative of the City Council:

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## APPENDIX A

The procedures to be performed are as follows:

1. We will obtain the Investment Policy (policy), dated May 1, 2017, approved by the Honorable Mayor and the City Council. We will also obtain the policy, dated May 17, 2016, approved by Honorable Mayor and the City Council. We will compare 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.
2. We will compare 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.
3. We will compare 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.
4. We will inquire of the Finance Manager whether investment performance statistics and activity reports are 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.
5. We will inquire of the Finance Manager and document our understanding of the wire transfer procedures.
6. We will randomly select three investment sales/maturities from various quarters of Treasurer's Reports and perform the following:
  - Trace investment type to the supporting broker's confirmation.
  - Trace the maturity date to the supporting broker's confirmation.
  - Trace the amount of the investment sold to the supporting broker's confirmation.
7. We will randomly select two investments purchased (one as of October 2016 and one as of March 2017) for fiscal 2017 from the City's investment files and perform the following:
  - Trace the purchased investments to the corresponding Treasurer's Investment Report for the month in which the investments were acquired.
  - Agree the amount, terms and interest rate to the Treasurer's Investment Report.
  - Verify that the investment type is authorized by the Investment Policy by comparing the type of investment to the allowable types per the Investment Policy.
8. We will obtain the Wells Fargo Bank Market/Cost Value Comparison Report, the City's third party investment safekeeping custodian, for March 2017 and trace 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
9. We will trace three randomly selected Federal Agency investments that were purchased in fiscal 2017 and traced the reported ratings to Moody's rating online.

10. For the March 2017 Treasurer's Investment Report, we will re-compute or obtain third-party corroborating evidence of the correct listing of

- Average Yield
- Market value
- Purchase date