

CITY OF SAN JOSÉ

Deferred Compensation Plans

Report to Those Charged
with Governance

For the Year Ended
June 30, 2017

CITY OF SAN JOSÉ
For the Year Ended June 30, 2017

Table of Contents

	<i>Page</i>
Required Communications	3

Deferred Compensation Advisory Committee
City of San José, California

Grant Thornton LLP
10 Almaden Blvd, Suite 800
San José, CA 95113
T 408.275.9000
F 408.275.0582
www.GrantThornton.com

Ladies and Gentlemen:

In connection with our audits of the financial statements the City of San José Deferred Compensation Plans (which include the Deferred Compensation Plan (the “457 Plan”) and the Deferred Compensation PTC Plan (the “PTC”) Plan (collectively, the “Plans”), as of June 30, 2017 and 2016, and for the years then ended, auditing standards generally accepted in the United States of America (“US GAAS”) require that we communicate the following information related to our audits to management and Deferred Compensation Advisory Committee (hereinafter referred to as “those charged with governance”).

Responsibilities

Our responsibilities

We are responsible for:

- Performing audits under US GAAS of the financial statements prepared by management, with your oversight
- Forming and expressing opinions about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Communicating specific matters to you

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letters including communications required by US GAAS. We have also communicated information about our audit plan to the City in our communication from May 2017.

Those charged with governance and management responsibilities

Those Charged with Governance (Deferred Compensation Advisory Committee):

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Plans’ activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks

- Informing us about other matters that are relevant to our audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Audit scope

Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark. We believe that total assets is the appropriate benchmark for the Plans. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).

Quality of accounting practices

Accounting policies

Accounting policies are consistently and appropriately applied. The significant accounting policies are disclosed in the financial statements.

Accounting estimates

We believe that the fair value of investments represents a particularly sensitive accounting estimates. We are satisfied as to the reasonableness of such estimates in the context of the financial statements taken as a whole, based on our knowledge of management's process for making such judgment, inquiry of management and others regarding such matters, and other audit procedures applied during the engagement.

Management consultation with other independent accountants

In some cases, management may decide to consult with other accountant about auditing and accounting matters to obtain a second opinion. If a consultation involves application of an accounting principle to the Plans' financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to communicate with us to determine

that the consultant has all the relevant facts. To our knowledge, there were no such consultation with other accountants.

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 no such disagreements arose during the course of our audit.

* * *

This communication is intended solely for the information and use of management and the Deferred Compensation Advisory Committee and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank management and staff for the cooperation extended to us during the course of our engagement.

Very truly yours,

GRANT THORNTON LLP



September 29, 2017
San José, California



© Grant Thornton LLP
All rights reserved
U.S. member firm of Grant Thornton International Ltd

This report is confidential. Unauthorized use of this report in whole or in part is strictly prohibited.