



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Members of the Health Service Board
City and County of San Francisco, California:

Ladies and Gentlemen:

We have audited the financial statements of the Other Employee Benefit Trust Fund (the Trust) (also referred to as the Health Service Trust Fund), managed by Health Service System (the System), a department of the City and County of San Francisco, California as of June 30, 2017 and for the year then ended, and have issued our report thereon under date of October 20, 2017. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Health Service Board, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Health Service Board of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Health Service Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Trust's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in Trust's Management's Discussion and Analysis, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.



Health Service Board, City and County of San Francisco
San Francisco Health Service System
Other Employee Benefit Trust Fund
Page 2 of 3

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Trust are described in Note 2 to the financial statements.

Qualitative Aspects of Accounting Practices

We have discussed with the Health Service Board and management our judgments about the quality, not just the acceptability, of the Trust's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Trust's accounting policies and their application, and the understandability and completeness of the Trust's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Trust to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Management's estimate of the reserve for claims is described in the notes to the financial statements. We evaluated the key factors and assumptions used, including possible management bias in developing the reserve for claims, and determined that it was reasonable in relation to the financial statements as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the Trust's financial statements, we have not identified any significant financial statement misstatements in the Trust's books and records as of and for the year ended June 30, 2017 and have communicated that to management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the Trust's financial statements.

Significant Risks and Financial Statement Level Risks

In connection with our audit of the Trust's financial statements, we identified management override of controls to be a significant risk of fraud that may result in a material misstatement in the financial statements. Management is in a unique position to perpetuate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We did not identify any instances of management override of controls during the performance of our audit.

We also identified the reserve for claims as described in the notes to the financial statements to be a significant risk of error. A significant risk is identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special consideration. We did not identify any instances where the results was inconsistent with our understanding of the significant risk during the performance of our audit.



Health Service Board, City and County of San Francisco
San Francisco Health Service System
Other Employee Benefit Trust Fund
Page 3 of 3

Management’s Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2017.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention by the Health Service Board as the Trust’s auditors. However, these discussions occurred in the normal course of our professional relationship and the result of these discussions was not a condition to our retention.

Material Written Communications

Material written communications between management and us consisted of the attached copy of the management representation letter and engagement letter.

Significant Difficulties Encountered During the Audit

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

Independence

We are not aware of any additional relationships between our firm and the Trust and persons in a financial reporting oversight role at the Trust that may reasonably be thought to bear on independence other than those that previously have been communicated to the Health Service Board and the professional services that have been provided to the Trust during the year ended June 30, 2017.

Confirmation of Audit Independence

We hereby confirm that as of December 5, 2017, we are independent accountants with respect to the Trust under relevant professional and regulatory standards.

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This letter to the Health Service Board is intended solely for the information and use of the Health Service Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

San Francisco, California
December 5, 2017