SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
San Francisco, California

GENERAL OBLIGATION BONDS
(ELECTION OF 2001, SERIES A, B AND C AND
ELECTION OF 2005, SERIES A, B, C AND D)
FINANCIAL STATEMENTS
June 30, 2012
The Board of Trustees of the San Francisco Community College District established the Citizens' Bond Oversight Committee. The Committee shall perform only the following duties: (1) inform the public concerning the District's expenditure of bond proceeds, (2) review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Election of 2001 and 2005; and (b) no bond proceeds were used for any teacher or administrative salaries or other operating expenses and (3) present to the Board, in public session, an annual written report which shall include the following: a statement indicating whether the District is in compliance with the requirements of Article XIII-A, Section 1(b)(3) of the California Constitution; and a summary of the Committee's proceedings and activities for the preceding year.

The Citizens' Bond Oversight Committee for Election of 2001 and 2005 members for the fiscal year ended June 30, 2012 were composed of the following members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Representing</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyacinth Ahuruonye</td>
<td>Business Community Within the District</td>
<td>June 2012</td>
</tr>
<tr>
<td>Anni Chung</td>
<td>Senior Citizen's Organization</td>
<td>June 2012</td>
</tr>
<tr>
<td>Gia Daniller</td>
<td>Community at Large</td>
<td>June 2012</td>
</tr>
<tr>
<td>William Walker</td>
<td>Student Active in a Community College</td>
<td>June 2012</td>
</tr>
<tr>
<td>Amos Lim</td>
<td>Community at Large</td>
<td>June 2012</td>
</tr>
<tr>
<td>George Wooding</td>
<td>Taxpayer's Association</td>
<td>June 2012</td>
</tr>
<tr>
<td>Rafael Mandelman</td>
<td>Community at Large</td>
<td>*</td>
</tr>
</tbody>
</table>

* Mr. Mandelman resigned in November 2012 due to election to the District's Board of Trustees.
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REPORT OF INDEPENDENT AUDITORS

To the Citizens' Bond Oversight Committee
and the Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited the accompanying basic financial statements of San Francisco Community College District (the "District") General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) activity included in the Capital Projects Fund of the District (the "Bond Fund"), as of and for the year ended June 30, 2012, as listed in the Table of Contents. These basic financial statements are the responsibility of San Francisco Community College District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements of the Bonds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not, present fairly the financial position and results of operations of the San Francisco Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) of the District as of June 30, 2012, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2013 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the San Francisco Community College District General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D). The accompanying supplementary information such as the Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements and the Purpose of Bond Issuance on pages 10 through 12 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements and the Purpose of Bond Issuance have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements and the Purpose of Bond Issuance are fairly stated in relation to the financial statements as a whole.

Sacramento, California
May 7, 2013
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Election of 2001</th>
<th>Election of 2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$3,132,814</td>
<td>$65,011,627</td>
<td>$68,144,441</td>
</tr>
<tr>
<td>Receivables</td>
<td>15,883</td>
<td>3,061,966</td>
<td>3,077,849</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$3,148,697</strong></td>
<td><strong>$68,073,593</strong></td>
<td><strong>$71,222,290</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND FUND BALANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>Election of 2001</th>
<th>Election of 2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$424,931</td>
<td>$9,484,139</td>
<td>$9,909,070</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for Capital Projects Fund</td>
<td>2,723,766</td>
<td>58,589,454</td>
<td>61,313,220</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$3,148,697</strong></td>
<td><strong>$68,073,593</strong></td>
<td><strong>$71,222,290</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BONDS  
(ELECTION OF 2001, SERIES A, B AND C AND  
ELECTION OF 2005, SERIES A, B, C AND D)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
For the Year Ended June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Election of 2001</th>
<th>Election of 2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State awards</td>
<td>$ 8,294,403</td>
<td>$ 2,981,828</td>
<td>$ 2,981,828</td>
</tr>
<tr>
<td>Tax levied for specified purpose</td>
<td>88,660</td>
<td>904,703</td>
<td>993,363</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>8,383,063</td>
<td>22,689,158</td>
<td>31,072,221</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>1,457</td>
<td>478,828</td>
<td>480,285</td>
</tr>
<tr>
<td>Contract services</td>
<td>(1,020,713)</td>
<td>1,145,262</td>
<td>124,549</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>1,232,906</td>
<td>50,070,625</td>
<td>51,303,231</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>213,350</td>
<td>51,694,715</td>
<td>51,908,065</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>8,169,713</td>
<td>(29,005,557)</td>
<td>(20,835,844)</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers in from other Funds</td>
<td>66,086</td>
<td>(66,086)</td>
<td>-</td>
</tr>
<tr>
<td>Operating transfers out to Debt Service Fund</td>
<td>(14,647,250)</td>
<td>(17,182,715)</td>
<td>(31,829,965)</td>
</tr>
<tr>
<td>Allocation of Property Tax Revenues</td>
<td>(16,189,654)</td>
<td>16,189,654</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(30,770,818)</td>
<td>(1,059,147)</td>
<td>(31,829,965)</td>
</tr>
<tr>
<td>Deficiency of revenues under expenditures and other uses</td>
<td>(22,601,105)</td>
<td>(30,064,704)</td>
<td>(52,665,809)</td>
</tr>
<tr>
<td>Restricted fund balance, July 1, 2011</td>
<td>25,324,871</td>
<td>88,654,158</td>
<td>113,979,029</td>
</tr>
<tr>
<td>Restricted fund balance, June 30, 2012</td>
<td>$ 2,723,766</td>
<td>$ 58,589,454</td>
<td>$ 61,313,220</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Community College District (the "District") accounts for its Bond Capital Projects Fund's ("Bond Funds") financial transactions in accordance with policies and procedures of the State Chancellor's Office's California Community Colleges Budget and Accounting Manual. The accounting policies of the Bond Fund conform to generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

The financial statements include only the Bond Funds' General Obligation Bond Program of the District. These funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A and B). The authorized issuance amount of the Election of 2001 bonds is $195,000,000. Series A, B and C of the bonds were sold in March 2002 for $38,000,000, in September 2004 for $110,000,000, and in March 2006 for $47,000,000, respectively. The authorized issuance amount of the Election of 2005 bonds is $246,300,000. Series A, B, C and D of the bonds were sold in June 2006 for $90,000,000, in December 2007 for $110,000,000, in April 2010 for $15,840,000, and in April 2010 for $30,660,030, respectively. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The basic financial statements represent a Debt Service Fund and a Capital Projects Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the San Francisco County Treasury are considered cash equivalents.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Capital Projects and Debt Service Funds in accordance with the Bond Project List for General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A and B). Fund balance is also restricted for excess property taxes lured for specific purpose available for debt service.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in the San Francisco County Treasury</td>
<td></td>
</tr>
<tr>
<td>investment pool</td>
<td>$ 63,341,994</td>
</tr>
<tr>
<td>Investment with Fiscal Agent</td>
<td>4,802,447</td>
</tr>
<tr>
<td>Total</td>
<td>$ 68,144,441</td>
</tr>
</tbody>
</table>

The California Government Code requires California banks and savings and loan associations to secure the Bond Funds' deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency’s deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Bond Funds. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of its cash in the San Francisco County Treasury. The County Treasurer of San Francisco acts as the General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the Bond Fund's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Bond Fund's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the San Francisco County Treasurer may invest in derivative securities. However, at June 30, 2012, the San Francisco County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.
NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage Allowed</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Pooled Investment Fund</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

The Bond Fund limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the Bond Fund account was $4,802,447 and the bank balances were $4,662,822. $500,000 of the bank balances were FDIC insured and $4,162,822 remained uninsured, but collateralized with securities held by the pledging financial institution.

Disclosures Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, no maximum average maturity of the investments contained in the County investment pool.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Weighted Average Maturity (in Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco County Investment Pool</td>
<td>1.24</td>
</tr>
</tbody>
</table>

NOTE 3 – GENERAL OBLIGATION BOND ISSUANCES

The Election of 2001 General Obligation Bonds were authorized at an election of the registered voters of the San Francisco Community College District held on November 6, 2001 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $195,000,000 principal amount of general obligation bonds of the District. The bonds are included in the audited financial statements of the District. As of June 30, 2012, the District has issued all of the Election of 2001 bonds.
NOTE 3 – GENERAL OBLIGATION BOND ISSUANCES (Continued)

The Election of 2005 General Obligation Bonds, were authorized at an election of the registered voters of the San Francisco Community College District held on November 8, 2005 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $246,300,000 principal amount of general obligation bonds of the District. The bonds are included in the audited financial statements of the District. As of June 30, 2012, the District has issued all of the Election of 2005 bonds.

In March 2002, the District issued 2002 General Obligation Bonds, Election of 2001, Series A in the amount of $38,000,000. The bonds mature beginning on June 15, 2005 through June 15, 2024, with interest yields ranging from 3.0% to 5.5%.

In September 2004, the District issued 2004 General Obligation Bonds, Election of 2001, Series B in the amount of $110,000,000. The bonds mature beginning on June 15, 2005 through June 15, 2024, with interest yields ranging from 3.0% to 5.5%.

In March 2006, the District issued 2006 General Obligation Bonds, Election of 2001, Series C in the amount of $47,000,000. The bonds mature beginning on June 15, 2007 through June 15, 2031, with interest yields ranging from 4.0% to 5.0%.

In June 2006, the District issued 2006 General Obligation Bonds, Election of 2005, Series A in the amount of $90,000,000. The bonds mature beginning on June 15, 2007 through June 15, 2031, with interest yields ranging from 4.0% to 5.0%.

In December 2007, the District issued 2007 General Obligation Bonds, Election of 2005, Series B in the amount of $110,000,000. The bonds mature beginning on June 15, 2007 through June 15, 2031, with interest yields ranging from 4.0% to 5.0%.

In April 2010, the District issued 2010 General Obligation Bonds, Election of 2005, Series C in the amount of $15,640,000. The bonds mature beginning on June 15, 2007 through June 15, 2031, with interest yields ranging from 4.0% to 5.0%.

In April 2010, the District issued 2010 General Obligation Bonds, Election of 2005, Series D in the amount of $30,660,000. The bonds mature beginning on June 15, 2020 through June 15, 2034, with interest yields ranging from 4.0% to 5.0%.

The Bonds represent an obligation of the District payable solely from ad valorem property taxes levied and collected by the County of San Francisco on properties within the District. The Board of Supervisors of San Francisco County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District without limitation of rate or amount, except as to certain personal property which is taxable at limited rates.
NOTE 4 – COMMITMENTS AND CONTINGENCIES


Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management’s opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.
There were no adjustments affecting fund balances of any funds of the District.
LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts or county offices of education "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.


The San Francisco Community College District, San Francisco County, California Election of 2001 General Obligation Bonds, were authorized at an election of the registered voters of the San Francisco Community College District held on November 6, 2001 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $195,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition and construction of certain property improvements.

The San Francisco Community College District, San Francisco County, California Election of 2005 General Obligation Bonds, were authorized at an election of the registered voters of the San Francisco Community College District held on November 8, 2005 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $246,300,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition and construction of certain property improvements.

"To prepare students for jobs and transfer to four year universities by:

- Building art, science and math classrooms and labs;
- Expanding healthcare job training facilities; and by
- Upgrading, acquiring, constructing and equipping facilities sites and classrooms;

shall San Francisco Community College District issue $441,300,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits, and no money for administrators' salaries and without increasing existing tax rates?"
The District's Board of Trustees developed the following Bond Project List for the Bonds:

**Election of 2001 Projects:**

- The seismic retrofitting of the campus facility at 1400 Evans
- Construction of new classroom/laboratory facilities to replace outdated, unhealthy, and unsafe bungalows at the Phelan Campus
- Completion of the district-wide computer technology network
- Construction of a new academic facility to provide for expanded childcare services and training opportunities in the areas of Child Development, Community Health Care, and Teacher Training at the Phelan Campus
- Renovation and remodeling of all District-owned facilities including safety issues, building systems, building surfaces, and configurations, and improved access for the disabled at all District-owned facilities
- Acquisition of a parcel for inclusion within the Phelan Campus
- Construction of new campus facilities for the Mission and Chinatown/North Beach neighborhoods to replace outdated and leased facilities
- Construction of a Community Health and Wellness Center and Community Cultural Performing and Media Arts facility at the Phelan Campus
- Improvements in the infrastructure of the Balboa Reservoir to prepare it for District use and thereby relieve crowded and outdated facilities at the Phelan Campus
- Pay all necessary legal, financial, engineering and contingent costs in connection therewith

**Election of 2005 Projects:**

- Expanding intercampus communications systems
- Increasing student access to advanced computer technology and bio/STEM cell technology by constructing a new facility and associated infrastructure on the Ocean Avenue Campus
- Construction of new building and associated infrastructure on the Ocean Avenue Campus for a performing arts center
- Completing the construction and equipping of the Mission Avenue Campus and the Chinatown Campus
- Renovating classrooms, improving disability access at District facilities, seismic work, building new facilities for upper division classes, neighborhood classes and the performing arts

**FURTHER SPECIFICATIONS**

*No Administrator Salaries:* Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
NOTE 1 – PURPOSE OF SCHEDULES

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements: This schedule provides the information necessary to reconcile the fund balance of the Bond Funds reported on the Form CCFS-311 to the audited financial statements.

Purpose of Bond Issuance: This schedule provides information regarding the issuances of Bonds under the provisions of Proposition 39 by the District.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Citizens' Bond Oversight Committee and the Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited the basic financial statements of the San Francisco Community College District (the "District") General Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) (the "Bond Fund"), as of June 30, 2012, and have issued our report thereon dated May 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of San Francisco Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Francisco Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Francisco Community College District's internal control over Bond Fund financial reporting. Accordingly, we do not express an opinion of the effectiveness of San Francisco Community College District's internal control over financial reporting for the Bond Fund.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Fund basic financial statements are free of material misstatement, we performed tests of the Bond Fund's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts shown on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Citizens' Bond Oversight Committee, the Board of Trustees and District management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Sacramento, California
May 7, 2013
FINDINGS AND RECOMMENDATIONS
No matters affecting the Bond Funds were reported.
2011-01 FINANCIAL CLOSE AND REPORTING

The Annual Financial and Budget Report (CCFS-311) financial statements presented to the auditors to begin the audit omitted several significant transactions, and contained errors. Specifically related to the bond funds, the District recorded a receivable totaling $2,715,714 for a construction project that was completed under budget. The balance did not represent a valid receivable as the District was not entitled to any reimbursements or balances due as a result of the project's performance. The District overstated the fund balance in the 2005 Bond Fund at June 30, 2011.

The District should recognize revenue and related receivable balances only when the funds have been earned.

2011-02 DEBT SERVICE FUND

The District has not maintained in a separate debt service fund the transactions related to the receipt and expenditure of local revenues derived from the property tax levied for the payment of principal and interest on the outstanding bonds. The taxes levied for the specified purpose of paying the principal and interest payments on the bonds have been recorded in the Capital Projects Fund of the District. The California Community Colleges Budget and Accounting Manual identifies Fund 21 Bond Interest and Redemption Fund for this purpose. As a result, funds collected from property taxes in excess of the payments made for principal and interest of the bonds have been shown as cash and fund balance restricted for capital projects and not debt service.

The District should establish the proper debt service fund in the general ledger and transfer the funds through an interfund transfer. Activity related to the collection of the property taxes levied for these special purposes, the related payment of the debt service payments and the related cash with fiscal agent balance should be maintained in the debt service fund.

Implemented.

Implemented.