SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
San Francisco, California

GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2012
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)
PERFORMANCE AUDIT
June 30, 2012

CONTENTS

REPORT OF INDEPENDENT AUDITORS ................................................................. 1

BACKGROUND

LEGISLATIVE HISTORY ....................................................................................... 2

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) ................................................................. 2

PERFORMANCE AUDIT

OBJECTIVES ......................................................................................................... 5

SCOPE .................................................................................................................. 5

METHODOLOGY ................................................................................................. 5

CONCLUSIONS .................................................................................................... 6
REPORT OF INDEPENDENT AUDITORS

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

We have conducted a performance audit of the San Francisco Community College District (the "District") General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) funds for the year ended June 30, 2012.

We conducted our performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 5 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Obligation Bonds (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for San Francisco Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of San Francisco Community College District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

The results of our tests indicate that, in all significant respects, San Francisco Community College District expended General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) funds for the year ended June 30, 2012 only for specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

Sacramento, California May 7, 2013
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 million in bonds, at legal rates, with citizen oversight, guaranteed annual audits, and no money for administrators' salaries and without increasing existing tax rates?"
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)
BACKGROUND INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BONDS (ELECTION

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

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%.

(Continued)
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%.
OBJECTIVES

The objective of our performance audit was to determine that the District expended General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) funds for the year ended June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) project expenditures for the year ended June 30, 2012 (the "List"). An approximate total of 183 and 867 transactions were identified, representing $4,804,876 and $50,603,188, respectively, in Proposition 39 bond expenditures from July 1, 2011 through June 30, 2012.

METHODOLOGY

We performed the following procedures to the List of General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) project expenditures for the year ended June 30, 2012:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting to assess that controls have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Selected a sample of 2 new contracts entered into during the 2011-12 year, and verified that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.

<table>
<thead>
<tr>
<th>Project</th>
<th>Contractor</th>
<th>In Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinatown/North Beach Campus</td>
<td>Unisource Solutions / JH Drum &amp; Associates</td>
<td>Yes</td>
</tr>
<tr>
<td>Lee Avenue Bicycle Lane</td>
<td>BKF Civil Engineers</td>
<td>Yes</td>
</tr>
</tbody>
</table>

- Verified the mathematical accuracy of the expenditures list.
- Reconciled the list to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2012, presented as the 2001 and 2005 General Obligation Bond Funds.
- Selected a sample of expenditures for the Election of 2001 totaling $4,489,038 or 93% of total expenditures and expenditures for the Election of 2005 totaling $18,224,754 or 36% of total expenditures. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the expenditures were for the approved projects and were expended for the projects listed, and that funds were not spent for District administrative or instructional salaries or other administrative expenses.
METHODOLOGY (Continued)

- Selected a sample of 5 change orders during the 2011-12 year and verified that the Board of Trustees approved the change orders to previously approved contracts.

<table>
<thead>
<tr>
<th>Project</th>
<th>Contractor</th>
<th>Original Contract Amount</th>
<th>Change Order Amount</th>
<th>Date Approved by Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing Arts Center</td>
<td>Ninyo &amp; Moore</td>
<td>$509,000</td>
<td>$105,000</td>
<td>10/27/2011</td>
</tr>
<tr>
<td>Soccer practice field</td>
<td>Interstate Grading and Paving, Inc.</td>
<td>$3,677,759</td>
<td>$17,130</td>
<td>10/27/2011</td>
</tr>
<tr>
<td>Performing Arts Center</td>
<td>Enovity, Commissioning Agent</td>
<td>$99,790</td>
<td>$24,836</td>
<td>10/27/2011</td>
</tr>
<tr>
<td>Chinatown/North Beach Campus</td>
<td>Chinese for Affirmative Action</td>
<td>$182,050</td>
<td>$89,050</td>
<td>7/28/2011</td>
</tr>
<tr>
<td>City and County of San Francisco Labor Enforcement Standards</td>
<td>City and County of SF Office of Labor Standards Enforcement</td>
<td>$169,433</td>
<td>$58,333</td>
<td>10/27/2011</td>
</tr>
</tbody>
</table>

- Selected a sample of 5 projects during the 2011-12 year and verified compliance with budget monitoring and communication to the Board of Trustees when project costs have exceeded approved budgets.

<table>
<thead>
<tr>
<th>Project</th>
<th>Original Budget</th>
<th>Amended Budget</th>
<th>Date Approved by Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Chinatown Phase II</td>
<td>$61,149,752</td>
<td>$65,949,752</td>
<td>12/15/2011</td>
</tr>
<tr>
<td>Performing Arts Center</td>
<td>$194,893</td>
<td>$372,274</td>
<td>6/21/2012</td>
</tr>
<tr>
<td>Bond Legal and Audit fees</td>
<td>$64,464</td>
<td>$104,464</td>
<td>8/25/2011</td>
</tr>
<tr>
<td>Performing Arts Center Legal fees</td>
<td>$134,893</td>
<td>$194,893</td>
<td>12/15/2011</td>
</tr>
<tr>
<td>Building &amp; Grounds Renovation</td>
<td>$226,060</td>
<td>$416,145</td>
<td>4/26/2012</td>
</tr>
</tbody>
</table>

CONCLUSIONS

The results of our tests indicated that, in all significant respects, San Francisco Community College District expended General Obligation Bond (Election of 2001, Series A, B and C and Election of 2005, Series A, B, C and D) funds for the year ended June 30, 2012 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.