PRELIMINARY OFFICIAL STATEMENT DATED APRIL 6, 2010

NEW ISSUE-BOOK ENTRY ONLY

Ratings
Moody's: Aa3
S&P: AA
(See "RATINGS" herein.)

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, and is not included in the calculation of federal corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See "TAX MATTERS" herein for further information.

$30,660,000*
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
2010 General Obligation Bonds
(Election of 2005, Series D)

Dated: Date of Delivery **Due: June 15, as shown on the inside cover**

The San Francisco Community College District (the "District") is issuing its $30,660,000* 2010 General Obligation Bonds (Election of 2005, Series D) (the "Bonds") in order to finance the construction and acquisition of certain real property and improvements for the District and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE."

Interest due on the Bonds is payable on June 15 and December 15 of each year, commencing June 15, 2010. Principal of the Bonds will be paid on June 15 in the years set forth on the inside cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples thereof and are payable as to principal amount or redemption price at the office of the Treasurer and Tax Collector of the City and County of San Francisco, California, as Paying Agent for the Bonds (the "Paying Agent").

The Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS—Book-Entry Only System."

Certain of the Bonds are subject to redemption prior to their respective maturity dates, as described herein. See "THE BONDS—Redemption."

THE BONDS ARE OBLIGATIONS OF THE DISTRICT ONLY AND ARE NOT OBLIGATIONS OF THE CITY AND COUNTY OF SAN FRANCISCO, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS. THE BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO HAS THE POWER AND IS OBLIGATED TO LEVY AND COLLECT *AD VALOREM* PROPERTY TAXES FOR EACH FISCAL YEAR UPON THE TAXABLE PROPERTY OF THE DISTRICT IN AN AMOUNT AT LEAST SUFFICIENT, TOGETHER WITH OTHER MONEYS AVAILABLE FOR SUCH PURPOSE, TO PAY THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON EACH BOND AS THE SAME BECOMES DUE AND PAYABLE.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS BOND ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Original Purchaser (as herein defined) subject to the approval of legality by Sidley Austin LLP, San Francisco, California, Bond Counsel. Sidley Austin LLP has also acted as Disclosure Counsel to the District. Certain legal matters are being passed upon for the District by Ronald Lee, Esq., General Counsel to the District. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about April 27, 2010.

Dated: ____________, 2010

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* Preliminary, subject to change.

MATURITY SCHEDULE

$30,660,000*
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
2010 General Obligation Bonds
(Election of 2005, Series D)

Maturity (June 15)	Principal Amount	Interest Rate	Yield	CUSIP†
	$		%	

$__________ _____% Term Bonds due June 15, 20__ - Yield ____%; CUSIP†: ___________
$__________ _____% Term Bonds due June 15, 20__ - Yield ____%; CUSIP†: ___________

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* Preliminary, subject to change.

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The District and the Original Purchaser take no responsibility for the accuracy of such data.

No dealer, broker, salesperson or other person has been or is authorized by the District to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

All financial and other information presented or incorporated by reference in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Any statements made in this Official Statement involving matters of opinion, projections, forecasts or estimates, whether expressly stated or not, are set forth as such and not as representations of fact.

The information in APPENDIX C - "BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC and no representation is made by the District, the Co-Financial Advisors or the Original Purchaser as to the accuracy or completeness of such information.

References to and summaries of provisions of the Constitution and laws of the State of California or of any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by references to the complete provisions. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings assigned in the District Resolution, as defined herein.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE ORIGINAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE ORIGINAL PURCHASER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE ORIGINAL PURCHASER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
(City and County of San Francisco, California)

District Administrators

Dr. Don Q. Griffin, Chancellor
Dr. Alice Murillo, Chancellor of Academic Affairs
Dr. Mark Robinson, Vice Chancellor of Student Development
Peter Allyn Goldstein, Vice Chancellor of Administration and Finance
John C. Bilmont, Chief Financial Officer
Ronald T. Lee, General Counsel

BOND COUNSEL & DISCLOSURE COUNSEL

Sidley Austin LLP
San Francisco, California

CO-FINANCIAL ADVISORS

Public Financial Management, Inc.
San Francisco, California

Backstrom McCarley Berry & Co., LLC
San Francisco, California

Kitahata & Company
San Francisco, California

PAYING AGENT

Office of the Treasurer and Tax Collector
of the City and County of San Francisco

DISCLOSURE DISSEMINATION AGENT

Digital Assurance Certification, L.L.C.

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$30,660,000[*]
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
2010 General Obligation Bonds
(Election of 2005, Series D)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of the $30,660,000[*] San Francisco Community College District 2010 General Obligation Bonds (Election of 2005, Series D) (the "Bonds").

The District

The San Francisco Community College District (the "District"), a community college district of the State of California (the "State"), was formed in 1970; however, the City College of San Francisco first opened in 1935 as the largest multi-campus single community college in the United States. The District currently educates more than 90,000 students annually and maintains campuses Downtown and in the Haight, Mission District, Chinatown/North Beach, Bayview-Hunter's Point, Tenderloin and Castro areas of San Francisco. In addition, the District offers instruction at more than 100 sites throughout the City and County of San Francisco (the "City and County"). The boundaries of the District are co-terminus with those of the City and County.

Authority for Issuance of the Bonds

The Bonds are general obligation bonds of the District. The Bonds are being issued by the District under the provisions of Article XIIIA of the Constitution of the State ("Article XIIIA") and Title 1, Division 1, Part 10, Chapter 1.5 of the Education Code of the State (commencing at Section 15100) (the "Education Code").

The Bonds are being issued under and pursuant to a bond authorization (the "2005 Authorization") for the issuance and sale of not more than $246,300,000 of general obligation bonds approved by more than 55% of the voters of the District voting at an election held on November 8, 2005 and pursuant to a resolution of the Board of Trustees of the District adopted on February 25, 2010 (the "District Resolution"), and the Board of Supervisors of the City and County adopted on April 4, 2006 (the "City and County Resolution" and, together with the District Resolution, the "Resolutions"). Pursuant to Section 15140(b) of the Education Code, the City and County elected in the City and County Resolution to permit the District to issue and sell the 2005 Authorization bonds without further action by the City and County. The District issued the first series of the 2005 Authorization designated as the San Francisco Community College District 2006 General Obligation Bonds, (Election of 2005, Series A) on June 20, 2006 in the aggregate principal amount of $90,000,000, issued the second series of the 2005 Authorization designated as the San Francisco Community College District 2007 General Obligation Bonds (Election of 2005, Series B) on December 18, 2007 in the aggregate principal amount of $110,000,000 and issued the third series of the 2005 Authorization designated as the San Francisco Community College District 2010 General Obligation Bonds (Election of 2005, Series C) on April 7, 2010 in the aggregate principal amount of $15,640,000 (the "Series C Bonds"). The Bonds will be the fourth and final issue under the 2005 Authorization.

[*] Preliminary, subject to change.

The Bonds are being issued pursuant to provisions of the Constitution of the State affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55% vote. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 39" herein. As required under Proposition 39, the District has established a citizen's oversight committee (the "Committee") to review the expenditure of general obligation bond proceeds issued under the 2005 Authorization. Pursuant to Proposition 39, the Committee is required to report to the public at least annually regarding financial matters and performance of the District's general obligation bond program. No District officials, employees or consultants may sit on the Committee, and no Bond funds may be expended to support the activities of the Committee.

Purpose of Issue

Proceeds from the sale of the bonds issued under the 2005 Authorization, including the Bonds, have been and will be used for the acquisition and construction of certain real property and improvements for the District, as specified in the District bond proposition submitted at the 2005 election, which includes 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. Proceeds from the sale of the Bonds are expected to be used to (i) finance construction of new building and associated infrastructure on the Ocean Avenue Campus for a performing arts center, (ii) finance completing the construction and equipping of the Chinatown Campus (collectively, the "Project"), and (iii) pay the costs of issuing the Bonds.

Security for the Bonds

The Bonds are general obligation bonds of the District. The Board of Supervisors of the City and County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" herein.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and will be issued in denominations of $5,000 or any integral multiple thereof, and will mature on the dates and in the principal amounts and bear interest at the rates per annum, all as set forth on the cover page of this Official Statement. Interest due on the Bonds is payable on June 15 and December 15 of each year (each, an "Interest Payment Date"), commencing June 15, 2010. Principal of the Bonds will be paid on June 15, as set forth on the cover page of this Official Statement.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal, and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent at its principal office. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption*

The Bonds maturing on or before June 15, 2020 are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after June 15, 2021 are subject to redemption at the option of the District, from any source of funds, as a whole or in part, on any date on or after June 15, 2020, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption*

The Term Bonds maturing on June 15, 20__ and June 15, 20__, respectively, are also subject to mandatory sinking fund redemption prior to their respective stated maturity dates, in part (by lot), at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium, in the principal amounts and at the times, as follows:

$_________ Term Bond Maturing on June 15, 20__

Mandatory Redemption Date	Mandatory Sinking Fund Payment
20__	$
20__	
20__	
20__†	

$_________ Term Bond Maturing on June 15, 20__

Mandatory Redemption Date	Mandatory Sinking Fund Payment
20__	$
20__	
20__	
20__†	

† Maturity

* Preliminary, subject to change.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of the Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select such Bonds for redemption from such maturity dates as are selected by the District (or if the District fails to designate such maturities, in inverse order of maturity). Within a maturity, the Paying Agent shall select Bonds for redemption by lot in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part will be redeemed in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction, will give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice will specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) that are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part, and (h) in the case of conditional redemption, that such redemption is conditioned upon certain circumstances. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond, or portion thereof being redeemed, the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto will cease to accrue.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 30 but not more than 60 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) at least 30 but not more than 60 days prior to the redemption date, such Redemption Notice will be given by first class mail, postage prepaid, to the Securities Depository; (iii) at least 30 but not more than 60 days prior to the redemption date, such Redemption Notice will be given by first class mail, postage prepaid to at least two Information Services (as defined in the District Resolution); and (iv) as may be further required in accordance with the Disclosure Dissemination Agreement (defined below).

Failure to receive or failure to publish any Redemption Notice or any defect in any such Redemption Notice so given shall not affect the sufficiency of the proceedings for the redemption of the Bonds.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal to the unredeemed portion of the Bond surrendered. Such partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolutions, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, is held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof has been given, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable.

Conditional Redemption

In the event that moneys sufficient to redeem the principal of, plus the applicable premium, if any, and interest on all of the Bonds proposed to be optionally redeemed are not on deposit in the Debt Service Fund on such date fixed for redemption of such Bonds, the redemption will be cancelled and in each and every such case, the District and the Holders of the Bonds so called for redemption, as the case may be, will be restored to their former positions and rights.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor and maturity upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and maturity of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. The Paying Agent may require the payment by any Owner of the Bonds requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Debt Service Schedule

The following table sets forth, for each year ending June 15, the amounts required to be made available for the payment of principal due on the Bonds and for the payment of interest on the Bonds. The following table also includes the debt service due on the District's Series A, Series B and Series C Bonds issued pursuant to the bond authorization received by the District at an election held on November 6, 2001 (the "2001 Authorization"), and the District's 2005 Authorization Series A Bonds, 2005 Authorization Series B Bonds and 2005 Authorization Series C Bonds.

Bond Year Ending June 15	Election of 2001 Series A	Election of 2001 Series B	Election of 2001 Series C	Election of 2005 Series A	Election of 2005 Series B	Election of 2005 Series C	The Bonds	Annual Total
2010	$2,730,756	$8,795,825	$3,246,388	$6,166,446	$7,932,306	$3,682,205	$	$
2011	2,730,756	8,727,825	3,250,188	6,178,046	7,932,556	1,568,823		
2012	2,733,956	8,656,306	3,256,988	6,185,646	7,930,806	1,568,963		
2013	2,733,631	8,570,356	3,271,588	6,214,246	7,962,606	1,569,813		
2014	2,730,369	8,498,106	3,270,338	6,234,678	7,960,856	1,570,613		
2015	2,733,613	8,447,106	3,270,838	6,263,278	7,961,106	1,567,213		
2016	2,732,825	8,390,856	3,267,838	6,258,528	7,962,856	1,569,613		
2017	2,733,006	8,339,106	3,286,638	6,262,028	7,960,606	1,569,813		
2018	2,728,888	8,281,106	3,302,238	6,278,428	7,959,106	1,567,063		
2019	2,730,469	8,221,606	3,297,738	6,276,678	7,962,856	1,568,463		
2020	2,732,213	8,155,106	3,314,725	6,304,088	7,961,106	–		
2021	2,733,850	8,091,356	3,333,000	6,327,575	8,009,106	–		
2022	2,730,113	8,059,606	3,330,250	6,330,575	8,005,106	–		
2023	3,336,000	8,022,606	3,332,750	6,329,075	8,053,238	–		
2024	3,333,750	8,030,825	3,330,000	6,327,825	8,082,675	–		
2025	3,329,750	–	3,327,000	6,316,325	8,113,825	–		
2026	3,333,750	–	3,318,500	6,304,575	8,142,375	–		
2027	–	–	3,314,500	6,292,075	8,165,250	–		
2028	–	–	3,304,500	6,303,200	8,145,000	–		
2029	–	–	3,298,500	6,318,750	8,129,750	–		
2030	–	–	3,296,000	6,305,750	8,113,500	–		
2031	–	–	3,286,500	6,294,750	8,095,500	–		
2032	–	–	–	–	–	–		
2033	–	–	–	–	–	–		
2034	–	–	–	–	–	–		

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) by irrevocably depositing with the Paying Agent or an escrow holder acceptable to the District and the Paying Agent an amount of cash that, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all of the Bonds outstanding and designated for defeasance, including all principal, interest and redemption premium, if any; or

(b) by irrevocably depositing with the Paying Agent or an escrow holder acceptable to the District and the Paying Agent noncallable United States Obligations, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and monies then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all of the Bonds outstanding and designated for defeasance (including all principal thereof and interest and redemption premiums, if any, thereon) at or before their maturity date;

then, notwithstanding that any such designated Outstanding Bonds shall not have been surrendered for payment, all obligations of the District with respect to all of such designated Bonds shall cease and terminate, except only the obligation of the Paying Agent or the District to pay or cause to be paid from funds deposited for the defeasance of Bonds to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

"United States Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at the highest possible rating category by either Moody's (as defined herein) or S&P (as defined herein).

Book-Entry Only System

The Bonds will be issued under a book entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and its book-entry system, see APPENDIX C – "BOOK-ENTRY ONLY SYSTEM" hereto.

Continuing Disclosure Undertaking

In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the District has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the Owners of the Bonds with Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent (the "Disclosure Dissemination Agent"). A copy of the form of Disclosure Dissemination Agent Agreement is attached hereto as Appendix D. The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the District has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report, or any other information, disclosures or notices provided to it by the District and shall not be deemed to be acting in any fiduciary capacity for the District, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for the District's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the District has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the District at all times. The District has not failed to comply in any material respect with Rule 15c2-12.

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the District, and the Board of Supervisors of the City and County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the City and County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. Such *ad valorem* property taxes are deposited with the City and County and applied only to pay the principal of and interest on the Bonds. Such taxes are in addition to other taxes levied upon property within the District. Such taxes, when collected, will be placed by the City and County in the Debt Service Fund for the respective series of Bonds, which is required to be maintained by the City and County, and such taxes will be used solely for the payment of principal of and interest on such Bonds.

For a discussion of certain procedures related to the collection of *ad valorem* property taxes and historical assessed valuation information for the District, see "DISTRICT FINANCES—Local Tax Collection," "—Teeter Plan," "—Assessed Valuations," and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

ESTIMATED SOURCES AND USES

The following table sets forth the estimated sources and uses of the proceeds of the Bonds.

Sources of Funds	
Principal Amount	$
Plus Original Issue Premium	
Total Sources	$
Uses of Funds	
Deposit to 2010 Building Fund	$
Costs of Issuance(1)	
Deposit to Debt Service Fund(2)	
Total Uses	$

(1) Includes the Original Purchaser's compensation, printing and other costs of issuance.
(2) Represents original issue premium, less Original Purchaser's compensation.

PLAN OF FINANCE

The proceeds from the sale of the Bonds will be used to (i) finance the Project and (ii) pay the costs of issuing the Bonds.

THE DISTRICT

There follows in this Official Statement a brief description of the District, together with current information concerning its economy and governmental organization, its major revenue sources, funds and indebtedness.

General Information

The District was formed in 1970; however, the City College of San Francisco first opened in 1935 as the largest multi-campus single community college in the United States. The District currently educates more than 90,000 students annually and maintains campuses Downtown and in the Haight, Mission District, Chinatown/North Beach, Bayview-Hunter's Point, Tenderloin and Castro areas of San Francisco. In addition, the District offers instruction at more than 100 sites throughout the City and County. The boundaries of the District are co-terminus with those of the City and County.

Organization

The District is governed by a Board of Trustees, consisting of seven members who are elected to four-year terms, the Chancellor of the District who serves as an *ex-officio* member of the Board of Trustees and as its Secretary, and one member who is a student of the District. The seven elected members of the Board of Trustees elect a president and vice-president each year. The day-to-day affairs of the District are the responsibility of its Chancellor.

Board of Trustees

Name	Office	Term Expires
Milton Marks, III	President	2013
John Rizzo	Vice President	2011
Dr. Natalie Berg	Member	2013
Dr. Anita Grier	Member	2011
Chris Jackson	Member	2013
Steve Ngo	Member	2013
Lawrence Wong, Esq.	Member	2011
Dr. Don Q. Griffin	Secretary	*Ex-Officio*
Joshua Nielsen	Student Trustee	2010(1)

(1) Term expires August 30, 2010.

District Administration

Name	Office
Dr. Don Q. Griffin	Chancellor
Dr. Alice Murillo	Chancellor of Academic Affairs
Dr. Mark Robinson	Vice Chancellor of Student Development
Peter Allyn Goldstein	Vice Chancellor of Finance and Administration
John C. Bilmont	Chief Financial Officer
Ronald T. Lee	General Counsel

Employees

The District has approximately 3,271 full- and part-time employees (headcount), excluding student workers, falling into the following employee groups: 819 full-time faculty; 1,397 part-time faculty; 942 classified; 60 classified supervisors; and 52 administrators. For Fiscal Year 2008-09, the District General Fund (as defined herein) payroll was $205,966,954 including fringe benefits.

All faculty are represented by the American Federation of Teachers, Local 2121 ("AFT"). The majority of classified employees are represented by Service Employees International Union, Local 1021 ("SEIU"). Academic Supervisors are represented by the Department Chairperson Council ("DCC"). Skilled craft workers are represented by the San Francisco Building and Construction Trade Council Unions ("SFBCTCU"). Administrators and classified managers, supervisors and confidential employees are unrepresented in accord with State Law (Educational Employment Relations Act, California Government Code Section 3540 *et seq.*).

Collective bargaining agreements regarding wages, benefits and other terms and conditions of employment exist between the Board of Trustees (as employer) and the exclusive representatives of specified employee groups/bargaining units (AFT, SEIU, DCC and SFBCTCU). The contract with AFT expires on June 30, 2012. The contracts with SFBCTCU and Stationary Engineers expire on June 30, 2010. The contract with the DCC expires on December 31, 2012. The contract with SEIU expires on December 31, 2010. Successor negotiation processes are anticipated between the District and SFBCTCU, Stationary Engineers, and SEIU prior to the expiration of those contracts in 2010. Wages, benefits and terms and conditions of employment for unrepresented employees are set annually by resolutions of the Board of Trustees at public meetings.

Retirement Programs

The District participates in the California State Teachers' Retirement System ("STRS"). This plan basically covers all full-time and certain part-time academic (certificated) employees. The District contributed $8,316,993 to STRS in Fiscal Year 2007-08, $8,434,400 in Fiscal Year 2008-09 and has budgeted $7,166,891 for Fiscal Year 2009-10. The civil service staff of the District is covered by and participates in the City and County of San Francisco Retirement System, to which the District contributed $5,702,293 in Fiscal Year 2007-08, $5,449,463 in Fiscal Year 2008-09 and for which the District has budgeted $6,248,076 for Fiscal Year 2009-10. The District also participates in the California Public Employees' Retirement System ("PERS"). The District has contributed $567,869 to PERS in Fiscal Year 2007-08, $560,113 in Fiscal Year 2008-09 and has budgeted $542,078 for Fiscal Year 2009-10. Both the STRS and PERS systems are operated on a Statewide basis.

Other Post-Employment Benefits

In addition to employee health care costs, the District provides post-employment health care benefits in accordance with collective bargaining agreements. As of June 30, 2009, there were an estimated 908 retirees and beneficiaries receiving benefits under the District's post-employment health care benefit plan. The District currently funds these benefits on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year, with an additional prefunded amount that is determined annually through agreements between the District and the bargaining units.

On June 21, 2004, the Governmental Accounting Standards Board released its Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("Statement No. 45"). Statement No. 45 establishes standards for the measurement, recognition and display of post-employment health care as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments. Under Statement No. 45, governments are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The District's post-employment health care benefits fall under Statement No. 45.

The firm of Total Compensation Systems, Inc., prepared a report for the District in accordance with Statement No. 45 (the "Post-Employment Valuation"). The Post-Employment Valuation sets forth the District's actuarial valuation of post-employment benefits as of June 30, 2009. The Post-Employment Valuation sets forth the liabilities of the post-employment benefit plan based upon GASB Statement Nos. 43 and 45. The actuarial value of plan assets as of June 30, 2009 is estimated to be $0. The Post-Employment Valuation reports that, as of June 30, 2009, the unfunded actuarial accrued liability of the District's post-retirement benefits program was approximately $156.9 million.

The District has been and is expected to continue to review the Post-Employment Valuation, in conjunction with the District's obligations under its post-employment benefit plan to determine, among other things, its course of action with respect to post-employment benefit contributions.

For additional information regarding the District's post-employment benefits see APPENDIX B – "SAN FRANCISCO COMMUNITY COLLEGE DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009 AND 2008" attached hereto.

Insurance

The District maintains insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, as are adequate, customary and comparable with such insurance maintained by similarly situated community college districts.

The District is self-insured for the first $50,000 on any public liability claim and for the first $25,000 on any property damage claim. The District carries liability insurance in excess of the amounts self-insured, up to a maximum of $21,000,000 per public liability claim and $250,000,000 per claim for property.

The District is fully self-insured for workers' compensation claims and has established restricted accounts for such claims. An actuarial report received by the District has noted the liability both for current claims and for those claims incurred, but not reported, and has posted a liability within the restricted fund for workers compensation claims in the amount of $4.5 million. The self-insurance fund does not have sufficient assets at this time to cover this liability. The District charges all payroll funds that have payroll expenses with a workers' compensation charge. The rate charged to each such payroll fund is reviewed annually in February and March during the planning process for the annual budget for the succeeding Fiscal Year. The District believes that, when funding improves, modifications to the rate will be made in order to reduce the unfunded liability. The District determined that there would not be sufficient additional resources during Fiscal Year 2008-09 to support an increase in the workers' compensation rate charged to each fund with payroll expenses and determined to leave the rate unchanged. The District expects to increase the rate for Fiscal Year 2010-11.

Enrollment History

Full-Time Equivalent attendance and headcount figures for the District for Fiscal Year 2005-06 through Fiscal Year 2009-10 are shown below:

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
Attendance and Headcount
Fiscal Years 2005-06 through 2009-10

Fiscal Year	Full-Time Equivalent	Headcount
2005-06	34,257	93,320
2006-07	36,266	97,080
2007-08	36,916	98,536
2008-09	37,780	102,801
2009-10(1)	36,434	99,000

(1) Figures for Fiscal Year 2009-10 are estimates.

Source: The District.

The District's increase in enrollment from Fiscal Year 2006-07 to Fiscal Year 2008-09 was largely due to the increase in the State of California's unemployment rate. The enrollment in Fiscal Year 2009-10 is projected to decrease as a result of the reduction of classes available to the student population.

Cherry Settlement Agreement

In November 2004, disabled students in the District filed a class action lawsuit, *Cherry vs. San Francisco Community College District* ("*Cherry*"). The plaintiffs alleged that the District failed to provide persons with disabilities equal access to District facilities. The *Cherry* case was settled in February 2006, with the District agreeing to make structural access improvements to existing District facilities designated to be made accessible pursuant to an Amended Stipulated Judgment and Order dated April 17, 2006 (the "Order").

Since the Order was entered, the District has been (i) making access-related improvements to existing District facilities, (ii) ensuring that new facilities are in compliance with both the Americans with Disabilities Act ("ADA") and Title 24 of the California Code of Regulations ("Title 24"), as well as (iii) ensuring programmatic access to District programs and services. The District has engaged a number of access experts to ensure full compliance with both the ADA and Title 24. To date, the District has worked cooperatively with the Court to meet the major requirements of the Amended Stipulated Judgment and Order and anticipates meeting all requirements before the current deadline dates. The District has also made (and continues to make) periodic reports to the Court detailing the status of its efforts to provide equal access to District facilities and programs to persons with disabilities.

Population

The population of the City and County reached approximately 808,876 as of July 1, 2008, by estimate of the State Department of Finance. The City and County comprises the primary service area for the District.

The following table shows the recent population figures and per capita income for the City and County and the State for calendar years 2004 through 2008.

CITY AND COUNTY OF SAN FRANCISCO
AND STATE OF CALIFORNIA
Population and Income
2004 through 2008[(1)]

Year	City and County	State	City and County Per Capita Income	State Per Capita Income
2004	793,403	36,271,091	$58,244	$35,380
2005	799,263	36,810,358	62,614	36,936
2006	786,367	36,121,296	57,848	41,404
2007	799,185	36,377,534	60,983	43,221
2008	808,976	36,756,666	61,747	43,641

(1) Data for calendar year 2009 is not yet available. City and County data is compiled from numerous sources by the U.S. Department of Commerce, Bureau of Economic Analysis and is typically released with significant lag time.

Source: State Department of Finance, Economic Research Unit; U.S. Department of Commerce, Bureau of Economic Analysis.

DISTRICT FINANCES

The following describes the District's general fund (the "District General Fund") balances for the four most recently completed Fiscal Years, the budget process, the District's major revenues and expenditures, and certain other financial information.

District General Fund Balances

The District General Fund is the fund used to account for the ordinary operations of the District. The following table sets forth the District's Audited Statement of Revenues, Expenditures and Changes in District General Fund Balance for Fiscal Years 2005-06 through 2008-09.

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenditures and Changes in
District General Fund Balance
Fiscal Years 2005-06 through 2008-09

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
REVENUES:				
Federal	$ 8,249,249	$ 8,396,233	$ 7,634,097	$ 8,697,259
State	113,978,783	132,612,626	144,342,276	144,558,909
County and Local	73,180,559	71,875,862	77,041,875	80,949,042
Total Revenues	$195,408,591	$212,884,721	$229,018,248	$234,205,210
EXPENDITURES:				
Salaries and Benefits	$174,175,711	$184,198,261	$200,696,443	$206,036,954
Other Operating Expenses	13,781,118	19,353,613	21,099,033	22,963,158
Capital Outlay	3,929,150	2,014,251	2,889,496	2,441,467
Transfers and Other Sources/Uses	1,892,730	2,978,075	3,884,818	3,446,398
Total Expenditures, Transfers and Other Sources/Uses:	$193,778,709	$208,544,200	$228,569,790	$234,887,977
Net Increase (Decrease) in Fund Balance	1,629,882	4,340,521	448,458	(682,767)
Beginning Fund Balance	16,204,608	17,834,490	24,175,011	24,205,284
Fund Balance Adjustments	–	2,000,000	(418,185)	1,992,085
Ending Fund Balance	$ 17,834,490	$ 24,175,011	$ 24,205,284	$ 25,214,602

Source: The District.

The District General Fund balance has fluctuated over the past four Fiscal Years. From Fiscal Year 2005-06 to 2008-09, the District General Fund balance increased by $7,380,112, primarily due to an increase in restricted grants. See Appendix B in this Official Statement for a copy of the financial statements of the District for the Fiscal Years ended June 30, 2009 and 2008.

Budget Procedures

The District is required by State law to adopt a preliminary budget on or before June 30 immediately prior to each Fiscal Year and a final budget on or before September 15th each year. However, due to the late passage of the State Budget, community college districts were granted extensions to adopt a final budget for Fiscal Year 2009-10. The District 2009-10 Preliminary Budget was adopted by the District on June 25, 2009. The 2009-10 Final Budget was adopted on October 22, 2009. Throughout the Fiscal Year, all revenues and appropriations are subject to review, and, since the budget must remain in balance, any shortfall in revenues could require a reduction in appropriations. State law requires local governments to maintain a balanced budget, and the District anticipates it will have no difficulty in complying with this State requirement.

Any reduction in State aid would be offset by decreasing the reserves of the District, by reducing its expenditures or by a combination of the two. Reductions in income, if any, will not have any impact on the District's ability to pay the Bonds described in this Official Statement. The Bonds are general obligation bonds of the District, and the Board of Supervisors of the City and County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the City and County. See "SECURITY FOR THE BONDS" herein.

The following table shows the District's Final Adopted Budget for the District General Fund (Unrestricted) for Fiscal Years 2007-08, 2008-09 and 2009-10 and audited results for Fiscal Years 2007-08 and 2008-09.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
District General Fund (Unrestricted)
Adopted Budgets and Audited Results
Fiscal Year 2007-08 through 2009-10

	Final Adopted 2007-08 Budget	Audited 2007-08 Results	Final Adopted 2008-09 Budget	Audited 2008-09 Results	Final Adopted 2009-10 Budget
REVENUES:					
Federal	—	$ 118,225	—	—	—
State	$170,337,856	124,145,395	$126,938,852	$125,531,407	$111,735,518
County and Local	20,700,000	68,937,630	69,007,844	72,844,701	80,888,838
Other Revenue	—	91,802	—	132,080	900,000
TOTAL REVENUES	$191,037,856	$193,293,052	$195,946,696	$198,508,188	$193,524,356
EXPENDITURES:					
Academic Salaries	100,178,370	99,693,615	102,054,020	100,081,054	94,853,441
Classified Salaries	40,735,669	40,087,611	41,342,304	41,829,826	38,452,411
Employee Benefits	38,664,521	36,321,807	38,145,939	38,301,284	42,409,447
Supplies and Materials	2,217,337	2,348,887	2,385,673	2,139,779	2,022,243
Services, Other Operating Expenses	13,050,570	13,826,544	13,454,694	14,899,734	13,298,218
Capital Outlay, Transfers and Other	(1,700,000)	1,488,256	1,377,816	2,163,020	2,758,596
TOTAL EXPENDITURES	$193,146,467	$193,766,720	$198,760,446	$199,414,697	$193,524,356
NET CHANGE IN FUND BALANCE	$ (2,108,611)	$ (473,668)	$ (2,813,750)	$ (906,509)	$ —

Source: The District.

The District's principal revenues consist of property taxes and State general apportionments.

Revenue Limits

Each community college district receives a portion of the local property taxes that are collected within its boundaries. The sum of the property taxes and State aid equal the community college district's revenue limit. Community college districts that receive the minimum amount of State aid are known as "Basic Aid" districts. The District is not considered a Basic Aid district for Fiscal Year 2009-10.

California community college districts (other than Basic Aid districts) receive approximately 61.5% of their funds from the State, 34.5% from local sources, and 3% from federal sources. State funds include general apportionment, categorical funds, capital construction, the State lottery (which accounts for slightly less than 3%), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources. The State calculates the allocation for each community college district based on both State and local resources. Funds are allocated to the colleges using a program-based model. The model was instituted in 1991 and replaces an older model based on enrollments. *All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District.* See "CONSTITUTIONAL AND

STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—State Budget" for further discussion on the State Budget.

Community college districts have historically received most of their income under a formula known as the "State revenue limit." (Basic Aid districts receive a lesser percentage of their income under the State revenue limit formula.) This apportionment, which is funded by moneys from the State general fund (the "State General Fund"), local property taxes, and certain other local revenues, is allocated to the community college districts based on annual State apportionments of basic and equalization aid to community college districts and is computed up to a revenue limit per unit of full time equivalent students. Such apportionments will, generally speaking, amount to the difference between a district's revenue limit and its local property tax allocation and student enrollment fees. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

A small part of a community college district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a community college district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs for community college districts. Every community college district receives the same amount of State lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the State lottery requires the funds to be used for instructional purposes and prohibits their use for capital purposes.

State law also provides for State support of specific school-related programs, including summer school, deferred maintenance of facilities, certain capital outlays, and various categorical programs.

On or before September 15, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title 5, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges (the "State Chancellor"), submits to the State Department of Finance proposals for changes in the State budget. These proposals are submitted in the form of "Budget Change Proposals," involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the State Department of Finance makes recommendations to the Governor of the State (the "Governor"), and by January 10 a proposed State budget is presented by the Governor to the State Legislature (the "Governor's Budget"). The Governor's Budget is then analyzed and discussed in committees, and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a budget revised with changes he or she can support. The law requires the State Legislature to submit its approved budget by June 15, and by June 30 the Governor must sign the adopted budget. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—State Budget" for further discussion on the State budget process.

In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the State Chancellor's staff have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to promote the financial health of the State's community college districts. In accordance with statutory and regulatory provisions, the State Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the State Chancellor may, as a last resort, seek an appropriation for an emergency apportionment. Since the enactment of such enabling legislation, the District has not sought an appropriation for an emergency apportionment.

The monitoring and evaluation process of the Board of Governors and the State Chancellor's staff is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (i) assessing the financial condition of districts through the use of various information sources, and (ii) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the State Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the State Chancellor's staff where financial solutions to problems will be addressed and implemented.

Local Tax Collection

Taxes are levied for each Fiscal Year on taxable real and personal property that is situated in each county as of the preceding July 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from *ad valorem* property taxes and the assessed value of taxable property in a given year.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property (real or personal) the taxes on which are a lien sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is listed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the Treasurer and Tax Collector of the City and County.

Property taxes on the unsecured roll are due in one payment on the January 1 lien date and become delinquent after August 31. A 10% penalty attaches to delinquent taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing a certificate in the office of the Clerk of the Board of Supervisors specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the City Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Proposition 13 (as defined herein) and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13, however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, like the Bonds, approved by the voters.

The City and County levies a 1% property tax on behalf of all taxing agencies in the City and County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the City and County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the City and County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

The Government Code of the State (the "Government Code") Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* and unitary taxes assessed on a City and County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the total secured tax levy includes special assessments, improvement bonds, supplemental taxes or other charges which have been assessed on property within the District. Since State law allows homeowners' exemptions (described above) and certain businesses exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy.

Further, Education Code Section 15251 provides that all taxes levied with respect to general obligation bonds when collected will be paid into the county treasury of the county whose superintendent of schools has jurisdiction over the school or community college district on behalf of which the tax was levied, to the credit of the debt service fund (or interest and sinking fund) of the school or community college district, and will be used for the payment of the principal of and interest on the general obligations bonds of the school or community college district and for no other purpose. Accordingly, the City and County may not borrow or spend such amounts nor can the District receive such funds and use them for operating purposes.

Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds, including the Bonds.

Teeter Plan

The Board of Supervisors of the City and County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax-levying and tax apportioning process and an increased flexibility in the use of available cash resources." This alternative method is used for distribution of the *ad valorem* property tax revenues.

Pursuant to the Teeter Plan, each entity levying property taxes in the City and County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected. Under the Teeter Plan, the City and County establishes a tax losses reserve fund and a tax resources account.

The City and County will be responsible for determining the amount of the *ad valorem* tax levy on each parcel in the District, which levy will be entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the City and County Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included and apportions 100% of the tax and assessment levies to that fund's credit. Moneys against such credit may thereafter be drawn by the taxing agency in the same manner as if the amount credited had been collected. Pursuant to a City and County determination, moneys in the City and County Treasury (including those credited to the tax losses reserve fund) are available to be drawn to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources accounts.

The tax losses reserve fund is used exclusively to cover losses occurring in the amount of tax liens as a result of sales of tax-defaulted property. Moneys in this fund are derived from several sources. While amounts collected as costs are distributed to the City and County's general fund, delinquent penalty collections are distributed to the tax losses reserve fund.

When tax-defaulted property is sold, the taxes and assessments that constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. When the tax-defaulted property is sold, the taxes and assessments that constitute the amounts required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is prorated between tax levies and assessment levies and then distributed to the applicable funds.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the City and County orders its discontinuance or unless, prior to the commencement of any Fiscal Year of the City and County (which commences July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City and County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent Fiscal Year.

The Board of Supervisors of the City and County may, by resolution adopted not later than July 15 of the Fiscal Year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the City and County if the rate of secure tax delinquency in that agency in any year exceeds 2% of the total of all taxes and assessments levied on the secured rolls for that agency.

In the event that the Teeter Plan were terminated, the amount of the *ad valorem* property tax levy in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the City and County. However, under the statute creating the Teeter Plan, the Board of Supervisors of the City and County under certain circumstances could terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan as to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 2%.

State Assistance

Based on information provided by the State to the District, the District believes that its aggregate revenue estimates of moneys to be received from the State are reasonable. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—State Budget" herein. Payment of State assistance in the amounts anticipated depends on the adoption by the District of its budget, including the appropriations therein provided for local assistance. The timeliness of payments to the District by the State may depend on the ability of the State to access the credit markets with respect to its own cash flow borrowings.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
State Aid as Percentage of Aggregate Revenues
Fiscal Years 2004-05 through 2008-09

Fiscal Year	Total Receipts	State Aid	State Aid as a Percentage of Total Receipts
2004-05	$185,709,501	$106,376,484	57.28%
2005-06	195,408,591	113,978,783	58.33
2006-07	212,884,721	132,612,626	62.23
2007-08	229,018,248	144,342,276	63.30
2008-09	234,205,210	144,558,909	61.17

Source: The District.

Federal Revenues

The federal government provides funding for several District programs, including job training, financial aid, child care and citizenship programs. The federal revenues, most of which are restricted, comprised approximately $8.70 million of District General Fund revenues in Fiscal Year 2008-09 and are budgeted to equal approximately $7.87 million of such revenues in Fiscal Year 2009-10.

District Investments

The City and County Treasurer manages, in accordance with Government Code Section 53600 et seq., funds deposited with the City and County Treasurer, including those of City and County school and community college districts, various special districts, and, to the extent that any of such districts are entitled to tax revenues collected by cities other than the City and County, other cities within the State. As of June 30, 2009, the District had approximately $110.485 million invested in the City and County's Treasury Pool (the "Treasury Pool"), all of which was held in restricted bond accounts and approximately $19.930 million is held in other clearing accounts for payroll and accounts payable.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the City and County and public agencies invested in the Treasury Pool, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates generally.

All money held in any of the funds or accounts established pursuant to the Resolutions shall be held in the Treasury Pool and disbursed in accordance with the Resolutions.

For a further discussion of the Treasury Pool, see "THE SAN FRANCISCO POOLED INVESTMENT FUND" herein.

Expenditures

Since 1973-74, California school and community college districts have operated under general purpose revenue limits established by the State legislature. Funding of the revenue limits is accomplished by a mix of local property taxes and State aid. Prior to the passage of Article XIIIA of the California Constitution in 1978, local property taxes constituted approximately 63% of revenue limit income. Since then, property taxes received by the District are limited to its share of the 1% of full cash value collected by the City and County.

As noted in the financial statements included herein, the District's major expenditures each year are employee salaries and benefits.

Largest Taxpayers

The following table sets forth the ten largest secured property taxpayers for the City and County for Fiscal Year 2008-09. The boundaries of the District are co-terminus with those of the City and County.

CITY AND COUNTY OF SAN FRANCISCO
Largest Principal Property Taxpayers
Fiscal Year 2008-09

Fiscal Year 2008-09 Net Assessed Valuation (Net of non-reimbursable exemptions) ($000s): $151,310,446

Property Owner	Type of Business	Assessed Valuation ($000)[1]	% Total Assessed Valuation
HWA 555 Owners LLC	Office, Commercial	$ 899,842	0.57%
PDF Office – One Market Plaza Owner LLC	Office, Commercial	451,012	0.29
Mission Street Development LLC	Office, Commercial	444,253	0.28
Marriott Hotel	Hotel	421,926	0.27
SHC Embarcadero LLC	Office, Commercial	380,721	0.24
Post-Montgomery Associates	Office, Commercial	370,325	0.24
SHR St. Francis LLC	Hotel	368,964	0.23
One Embarcadero Center Venture	Office, Commercial	328,539	0.21
Broadway Partners	Office, Commercial	312,120	0.20
Three Embarcadero Center Venture	Office, Commercial	308,931	0.20
Ten Largest Taxpayers[2]		$ 4,286,633	2.73%
All Other Taxpayers[2]		147,023,813	97.27%
Total Taxable Assessed Valuation- All Taxpayers		$151,310,446	100.00%

(1) Represents the assessed valuation as of the basis of levy, which excludes assessments processed during the Fiscal Year.
(2) Totals may not add due to rounding.

Source: Assessor, City and County of San Francisco.

The District's Bonding Capacity

Pursuant to Sections 15106 of the Education Code, the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property value in the District as shown by the last equalized assessment of the County. The District's bonding capacity for general obligation bonds for Fiscal Year 2009-10 is estimated to be approximately $3.94 billion.

Assessed Valuations

The following table sets forth assessed valuation information for the District for Fiscal Years 2005-06 through 2009-10.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
Assessed Valuations
Fiscal Years 2005-06 through 2009-10
(Dollars in Thousands)

Fiscal Year	Real Property	Personal Property	Total Assessed Valuation	% Change From Prior Year	Exemptions[1]	Local Tax Rate per $100	Total Tax Levy[2]	Total Tax Collected	Delinquency Rate Jun 30
2005-06	$114,767,252	$3,465,752	$118,233,004	7.0%	$11,357,245	1.140	$1,291,491	$1,469,621	2.18%
2006-07	126,074,101	3,524,897	129,598,998	9.6	12,608,911	1.135	1,411,316	1,596,086	2.77
2007-08	136,887,654	3,807,362	140,695,016	8.6	16,473,923	1.141	1,530,484	1,707,737	2.79
2008-09	152,150,004	3,943,357	156,093,361	10.9	15,711,190	1.163	1,731,668	1,938,176	3.16
2009-10[3]	153,315,549	4,268,376	157,583,925	1.0	15,811,979	1.159	1,754,104	n/a	n/a

(1) Exemptions include non-reimbursable and homeowner exemptions and redevelopment tax increments. Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.
(2) The local tax levy through Fiscal Year 2008-09 is based on year-end actual assessed values as reported in the City and County of San Francisco Comprehensive Annual Financial Report.
(3) Based on Certificate of Assessed Valuation. Fiscal Year 2009-10 budget not available for non-governmental funds (i.e. taxing entities external to the City and County, including the District).

Source: Office of the Controller, City and County of San Francisco.

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Outstanding Debt

On July 1, 2008, the District issued $18 million Tax Revenue Anticipation Notes ("2008 TRANs") through the California Community Colleges Financing Authority program. The 2008 TRANs matured on June 30, 2009 and were paid on June 25, 2009. On June 3, 2009, the District issued $9.660 million Mid-Year Tax Revenue Anticipation Notes ("Mid-Year TRANs") through the California Community Colleges Financing Authority program. The Mid-Year TRANs matured and were paid on December 1, 2009. On July 29, 2009, the District issued $36 million Tax Revenue Anticipation Notes ("2009 TRANs") through the California Community Colleges Financing Authority program. The 2009 TRANs will mature on June 30, 2010. These notes are sold to meet the cash needs of the District in anticipation of January and April property tax receipts.

As of June 30, 2009, the District had outstanding debt comprised of (i) short-term equipment and capital leases in the amount of $55,224 and the long-term portion of equipment and capital leases was $44,461, (ii) the short-term portion of the District's 2001 Authorization Series A, Series B and Series C Bonds in the amount of $6,740,000 and the long-term portion of the 2001 Authorization Series A, Series B and Series C Bonds in the amount of $156,695,000 and (iii) the short-term portion of the 2005 Authorization Series A and Series B Bonds in the amount of $5,005,000 and the long-term portion of the 2005 Authorization Series A and Series B Bonds in the amount of $186,290,000. The District has a 75-year lease agreement that will end in June 2077. As of June 30, 2009, the District had a prepaid rent balance of $10,577,778.

Overlapping Debt

The following table is a statement of the District's direct and estimated overlapping bonded debt as of April 7, 2010.

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Debt and Long-term Obligations
(as of April 7, 2010)

2009-2010 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$151,310,445,889
DIRECT GENERAL OBLIGATION BOND DEBT	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	$370,370,000
GROSS DIRECT DEBT	$370,370,000
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	
City and County of San Francisco General Obligation Bonds	$1,512,635,588
San Francisco COPs, Series 1997 (2789 25th Street Property)	5,400,000
San Francisco COPs, Series 1999 (555-7th Street Property)	6,210,000
San Francisco Parking Authority Lease Revenue Bonds, Series 2000A (North Beach Garage)	6,165,000
San Francisco COPs, Series 2000 (San Bruno Jail Replacement Project)	123,315,000
San Francisco Refunding COPs, Series 2001-1 (25 Van Ness Avenue Property)	9,295,000
San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1	13,890,000
San Francisco COPs, Series 2001A & Taxable Series 2001B (30 Van Ness Ave. Property)	31,580,000
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	38,675,000
San Francisco Finance Corporation, Equipment LRBs Series 2003A, 2004A, 2005A, 2006A, 2007A, 2008A	16,795,000
San Francisco Finance Corporation Emergency Communication Series, 1997, 1998, 1998-1, 1999-1	29,730,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	141,600,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	65,195,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	33,860,000
San Francisco Redevelopment Agency Moscone Convention Center 1992	18,349,818 [1]
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2002	65,850,000
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2004	31,140,000
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	31,065,000
San Francisco COPs, Series 2007A and Taxable Series 2007B (City Office Buildings - Multiple Properties)	149,870,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	163,335,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Gas Tax)	37,885,000
San Francisco Public Utilities Commission COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	38,120,000
San Francisco Public Utilities Commission COPs, Series 2009D Office Project (525 Golden Gate Avenue)	129,550,000
Bayshore Hester Assessment District	765,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	111,585,000
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	108,774,650
San Francisco Parking Authority Meter Revenue Refunding Bonds - 1999-1	15,880,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds – 1994	4,840,000
San Francisco Redevelopment Agency Hotel Tax Revenue Refunding Bonds – 1998	49,510,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	855,412,839
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	243,525,227
Association of Bay Area Governments Obligations (Special Tax Bonds)	47,832,090
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006	626,045,000
San Francisco Unified School District COPs - 1996 Refunding, 1998 & 1999	12,720,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$4,776,400,212
GROSS COMBINED TOTAL OBLIGATIONS	$5,146,770,212 [2]
Ratios to Assessed Valuation:	Actual Ratio
Gross Direct Debt (General Obligation Bonds)	0.24%
Gross Combined Total Obligations	3.40%

(1) The accreted value as of July 1, 2009 was $62,521,597.
(2) Excludes revenue and mortgage revenue bonds and non-bonded party financing lease obligations.

Source: Office of the Controller, City and County of San Francisco.

Financial Statements

The District's financial statements are prepared on a full accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting. Selected information from the District's audited financial statements for the Fiscal Years ended June 30, 2009 and 2008 are attached hereto as Appendix B. The District's audited financial statements for subsequent Fiscal Years, may be obtained upon request from the District's Business Office at 33 Gough Street, San Francisco, California 94103-1214.

THE SAN FRANCISCO POOLED INVESTMENT FUND

Investment Policy

The management of the City and County's surplus cash is governed by an investment policy administered by the City and County Treasurer (the "Investment Policy"). The objectives of the Investment Policy, in order of priority, are the preservation of capital, liquidity and yield. The preservation of capital is the foremost goal of any investment decision, and investments generally are made so that securities can be held to maturity. Once safety and liquidity objectives have been achieved, the City and County Treasurer then attempts to generate a favorable return by maximizing interest earnings without compromising the first two objectives. A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors of the City and County monthly.

The investment portfolio is sufficiently liquid to enable the City and County to meet all disbursement requirements that are anticipated from any fund. As of January 31, 2010, the City and County's pooled investment fund consisted of the investments classified below.

CITY AND COUNTY OF SAN FRANCISCO
Investment Portfolio
As of January 31, 2010[1]

Type of Investment	Par Value	Book Value	Market Value
Agency	$ 1,863,786,000	$ 1,876,239,425	$ 1,875,559,117
Treasury Liquidity Guarantee Program	756,000,000	764,277,982	770,252,449
Treasury	570,000,000	573,607,118	573,512,505
Collateralized CDs	125,000,000	125,000,000	125,000,000
Public Time Deposit	65,100,000	65,100,000	65,100,000
Cash	189,309,613	189,309,613	189,309,613
TOTAL[2]	$3,569,195,613	$3,593,534,138	$3,598,733,684

(1) January 2010 Earnings Yield: 1.38%.
(2) Totals may not add due to rounding.

Source: Office of the Treasurer & Tax Collector, City and County of San Francisco.

CITY AND COUNTY OF SAN FRANCISCO
Investment Maturity Distribution
As of January 31, 2010

Maturity[1]	Cost[2]	Percentage
0 to 1 Month	$ 189,309,613	5.26%
1 to 2 Months	49,991,289	1.39
2 to 3 Months	100,000,000	2.78
3 to 4 Months	100,000	–
4 to 5 Months	–	–
5 to 6 Months	5,000,000	–
6 to 12 Months	236,120,444	6.57
12 to 18 Months	769,960,149	21.42
18 to 24 Months	535,401,378	14.89
24 to 36 Months	1,577,651,265	43.90
36 to 48 Months	–	–
48 to 60 Months	130,000,000	3.61
TOTAL[3]	$ 3,593,534,138	100.00%

(1) Weighted Average Maturity: 722 Days.
(2) Cost is defined as current book value.
(3) Totals may not add due to rounding.

Source: Office of the Treasurer & Tax Collector, City and County of San Francisco.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the California Constitution. The provisions of Article XIIIA were subsequently modified pursuant to Proposition 39 (defined below), which was approved by California voters on November 7, 2000. Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) bonded indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. Subsequent amendments further limit the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on bonded indebtedness approved by the requisite percentage of voters voting on the proposition.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax. Amounts to pay voter-approved indebtedness, such as the Bonds, are levied by the City and County on behalf of the local agencies. The 1% property tax is automatically levied by the City and County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

The full cash value of taxable property under Article XIIIA represents the maximum taxable value for property. Accordingly, the fair market value for a given property may not be the equivalent of the full cash value under Article XIIIA. During periods in which the real estate market within the District evidences an upward trend, the fair market value for a given property, which has not been reappraised due to a change in ownership, may exceed the full cash value of such property. During periods in which the real estate market demonstrates a downward trend, the fair market value of a given property may be less than the full cash value of such property and the property owner may apply for a "decline in value" reassessment pursuant to Proposition 8. Reassessments pursuant to Proposition 8, if approved by the Office of the County Assessor, lower valuations of properties (where no change in ownership has occurred) if the current value of such property is lower than the full cash value of record of the property. The value of a property reassessed as a result of a decline in value may change, but in no case may its full cash value exceed its fair market value. When and if the fair market value of a property which has received a downward reassessment pursuant to Proposition 8 increases above its Proposition 13 factored base year value, the Office of the County Assessor will enroll such property at its Proposition 13 factored base year value.

All taxable property is shown at full market value on the tax rolls. The tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of full market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Under Article XIIIB, the State and each local governmental entity have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in costs of living and changes in population, and adjusted where applicable for transfer of financial responsibility of providing services to or from another unit of government. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school or community college district's revenues exceed its spending limit, the district may, in any Fiscal Year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year. See "State Budget" below.

State Budget

General. As is true for all community college districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State General Fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. Community college districts may be eligible for other special categorical funding, including funding for State and federal programs. The District receives over 50% of its revenues from State funds, which were approximately $144.3 million in Fiscal Year 2007-08 and approximately $144.6 million in Fiscal Year 2008-09. As a result, decreases in State revenues or in State legislative appropriations made to fund education may significantly affect District operations.

The following discussion of the State's budget has been obtained from publicly available information which the District believes to be reliable; however none of the District, its counsel (including Disclosure Counsel) or the Co-Financial Advisors guarantee the accuracy or completeness of this information and none of such entities has independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel) or the Co-Financial Advisors (as defined herein) make any representation as to the accuracy of the information provided therein.

The State Budget Process. The State's Fiscal Year begins on July 1 and ends on June 30. According to the State Constitution, the Governor is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year, a final budget must be adopted by a two-thirds vote of each house of the State Legislature no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor. In recent years, the State's final budget has not been timely adopted. The Revised 2009-10 State Budget Act, which set forth the State's Budget for Fiscal Year 2009-10, was signed into law by the Governor on July 28, 2009, subsequent to the deadline therefor.

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior Fiscal Years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the State Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the State Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K–14 education) must be approved by a two-thirds majority vote in each House of the State Legislature and be signed by the Governor. Bills containing K–14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See "State Funding of Schools Without a State Budget" below for a description of payments and appropriations during a budget impasse.

State Budget for Fiscal Year 2009-10. On February 20, 2009, the Governor signed the 2009 State Budget Act (the "Original 2009-10 State Budget Act") to address a then-projected $42 billion shortfall in revenues. The Original 2009-10 State Budget Act projected Fiscal Year 2009-10 revenues and transfers of $97.73 billion, actual expenditures of $92.21 billion and a year-end surplus of $3.18 billion (net of the $2.34 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $2.10 billion would be deposited in a reserve for economic uncertainties.

On May 14, 2009, the Governor released the May Revision to the Original 2009-10 State Budget Act (together with the contingency proposals referenced therein, the "May Revision"). The May Revision projected a budget gap of $21.3 billion through the remainder of Fiscal Year 2008-09 and Fiscal Year 2009-10 due to continued shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in a special election, which the May Revision proposed to address through program reductions and additional borrowings. On May 26, 2009 and on May 29, 2009, the Governor released updates to the May Revision (collectively, the "May Revision Update"). The May Revision and the May Revision Update, collectively, included proposals to reduce General Fund spending in the amount of $3.12 billion during Fiscal Year 2008-09 and $20.85 billion during Fiscal Year 2009-10 in order to eliminate the State's then-projected $24.0 billion deficit through such period.

On July 28, 2009, the Governor signed certain amendments to the Original 2009-10 State Budget Act (as amended, the "Revised 2009-10 State Budget Act") to address a then-projected $24.16 billion shortfall in revenues. The Revised 2009-10 State Budget Act estimated Fiscal Year 2008-09 revenues and transfers of $84.1 billion, total expenditures of $91.5 billion and a year-end deficit of $3.38 billion, which included a $4.07 billion prior-year State General Fund balance, a $4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 State Budget Act projected Fiscal Year 2009-10 revenues and transfers of $89.54 billion, actual expenditures of $84.58 billion and a year-end surplus of $1.58 billion (net of the $3.38 billion deficit from Fiscal Year 2008-09), of which $1.08 billion was expected to be reserved for the liquidation of encumbrances and $500 million was expected to be deposited in a reserve for economic uncertainties.

November 2009 LAO Report on the State's Budget. On November 18, 2009, the Legislative Analyst's Office (the "LAO") issued a report entitled "The 2010-11 Budget: California's Fiscal Outlook" (the "2010-11 Fiscal Outlook") The 2010-11 Fiscal Outlook includes a forecast of the State's General Fund revenues and expenditures that indicates General Fund budget deficit of $20.7 billion through Fiscal Year 2010-11. Such amount is comprised of a $6.3 billion projected deficit for Fiscal Year 2009-10 and a $14.4 billion gap between projected revenues and spending in Fiscal Year 2010-11. The 2010-11 Fiscal Outlook attributes the majority of the State's budget problems during Fiscal Year 2009-10 to the State's inability to implement several major solutions set forth in the Revised 2009-10 State Budget Act. The 2010-11 Fiscal Outlook states that issues such as (i) the expected inability of several programs - in particular, the prison system and Medi-Cal - to collectively achieve billions of dollars of spending reductions assumed in the Revised 2009-10 State Budget Act; (ii) the expected inability of the State to sell the State Compensation Insurance Fund, a quasi-public workers' compensation insurer, for the budgeted amount of $1 billion in Fiscal Year 2009-10; and (iii) the State's loss of a court case that prevents the General Fund from receiving more than approximately $800 million in transportation funds in Fiscal Year 2009-10 have contributed to the increase in the projected deficit.

In addition, the 2010-11 Fiscal Outlook forecasts that the State will face a nearly $1 billion increase in the Proposition 98 funding guarantee for K-14 education in Fiscal Year 2009-10. Furthermore, 2010-11 Fiscal Outlook projections will be affected by the loss of any temporary federal stimulus funding during Fiscal Year 2010-11 and Fiscal Year 2011-12 if the State does not backfill funds received in connection with the Recovery Act. In order to address the increase in the Proposition 98 funding guarantee during Fiscal Year 2009-10, the LAO states that the State Legislature could (i) could provide the additional $1 billion at the end of Fiscal Year 2009-10 in a lump sum, (ii) recognize a "settle-up" obligation and create an out-year payment plan or (iii) suspend the Proposition 98 minimum guarantee and maintain the existing funding level.

State Budget for Fiscal Year 2010-11. On January 8, 2010, the Governor released his proposed budget for Fiscal Year 2010-11 (the "2010-11 Governor's Budget"). The Governor projected an $18.9 billion gap between revenues and projected State expenditures by the end of Fiscal Year 2010-11, absent corrective budget actions by the State Legislature and the Governor. This figure includes a projected General Fund deficit of $6.6 billion by the end of Fiscal Year 2009-10 and an additional $12.3 billion operating deficit by the end of Fiscal Year 2010-2011. The 2010-11 Governor's Budget addresses this gap through a combination of $8.5 billion in spending reductions, $4.5 billion in alternative funding and fund shifts and by seeking $6.9 billion in federal funds. In case the federal government fails to provide the funds requested to offset State costs, the Governor proposes that the State Legislature approve the "triggering" of alternative program reductions and revenue increases, including the elimination of significant health and social service programs.

The Governor also declared a fiscal emergency on January 8, 2010, calling the State Legislature into a special session to begin taking action on the Governor's proposed solutions to address the budget gap and create a $1 billion reserve. In March 2010, the State Legislature passed legislation intended to reduce the State budget gap by approximately $3.2 billion. The Governor shortly thereafter vetoed a portion of the legislation and the remaining portion is currently under consideration by the Governor. The special session ended on March 11, 2010. The Governor has stated that he intends to work with the State Legislature on additional measures to address the projected State budget shortfall for the current and next Fiscal Years.

The economic forecasts embedded in the 2010-11 Governor's Budget assume that gross domestic product will grow nationally 2.2% in 2010 and 2.9% in 2011, and that State personal income will grow 2.4% in 2010 and 3.6% in 2011. These State personal income growth rates are well below the State's average rate of 5.5% between 1990 and 2007. The forecast also projects State employment to shrink 0.7% in 2010, but to grow 1.3% in 2011.

LAO Analysis of the 2010-11 Governor's Budget. On January 12, 2010, the LAO released an analysis of the 2010-11 Governor's Budget entitled "The 2010-11 Budget: Overview of the Governor's Budget" (the "2010 LAO Budget Overview"). The 2010 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The 2010 LAO Budget Overview states that the economic and revenue forecasts and assessments of the State's budgetary problems set forth in the 2010-11 Governor's Budget are generally reasonable, but it notes that the Governor's estimates of revenues and expenditures are more optimistic than its own.

According to the LAO, the Legislature faces significant challenges in balancing the State's budget for Fiscal Year 2010-11. The LAO notes that many of the major expenditure reductions in the 2010-11 Governor's Budget will require significant lead-time for departments to implement. The LAO acknowledges that it is reasonable to assume that the State will secure some additional federal funding and flexibility, but it recommends that the State Legislature operate on the assumption that federal government relief will total billions of dollars less than the Governor has requested. The LAO further recommends that the Governor and State Legislature consider adopting some of the Governor's proposed cuts and revenue increases that are presented as options only in the event of insufficient federal relief. The LAO cautions that the State's Proposition 98 obligation could be higher than assumed in the 2010-11 Governor's State Budget due to constitutional interpretation and the interaction between Proposition 98 spending and State General Fund revenues. Further, the LAO notes that a portion of the State's proposed spending is dependent upon receipt of a waiver from the U.S. Department of Education regarding maintenance-of-effort requirements under the Recovery Act.

The 2010 LAO Budget Overview reiterated that the State Legislature should take action no later than March 2010 on many of the proposed budgetary measures, explore options beyond those proposed by the Governor, consider the Governor's "trigger options" notwithstanding any assumed federal relief, and consider adoption of multi-year solutions. Further, the LAO recommends that the State Legislature should avoid proposed solutions that do not prioritize program reductions.

Additional Information; Future State Budgets. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts and community college districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the District, the District will be required to make adjustments to its budget. In the event current or future State budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs and services, or use its reserve funds to ensure a balanced budget.

State Funding of Schools Without a State Budget

Although the State Constitution requires that the State Legislature adopt a State Budget by June 15 of the prior fiscal year and that the Governor sign a State Budget by June 30, this deadline has been missed from time to time. Delays in the adoption of a final State budget in any fiscal year could impact the receipt of State funding by the District. On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California), et al. (also referred to as *White v. Davis*) ("Connell"). The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of State funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the State Legislature, (ii) authorized by a self-executing provision of the State Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the State Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the Education Code establishing K-12 and county office of education revenue limit funding do constitute continuing appropriations enacted by the State Legislature and, therefore, has indicated that State payments of such amounts would continue during a budget impasse. The State Controller, however, has concluded that K-12 categorical programs are not authorized pursuant to a continuing appropriation enacted by the State Legislature and, therefore, cannot be paid during a budget impasse. To the extent the Connell decision applies to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate.

The State Supreme Court granted the State Controller's petition for review of the Connell case on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court. On May 1, 2003, with respect to the substantive question, the State Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K–12 school districts and community college districts (collectively, "K–14 districts"). Under Proposition 98 (as modified by Proposition 111), K–14 districts are guaranteed the greater of (i) in general, a fixed percent of the State General Fund revenues ("Test 1"), (ii) the amount appropriated to K–14 districts in the prior year, adjusted for changes in the cost of living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (iii) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one half of 1% is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of Fiscal Year 1988-89, implementing Proposition 98, determined the K–14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 34.559% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses of the State Legislature, with the Governor's concurrence, to suspend the K–14 districts' minimum funding formula for a one-year period. In the fall of 1989, the State Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K–14 districts. In the fall of 2004, the State Legislature and the Governor agreed to suspend the K–14 districts' minimum funding formula set forth pursuant to Proposition 98 in order to address a projected shortfall during Fiscal Year 2004-05. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K–14 districts.

Proposition 39

Proposition 39, which was approved by California voters in November 2000, provides an alternative method for passage of school facilities bond measures which lowers the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed the current 1% limit in order to repay such bonds. The lower 55% vote requirement would apply only to bond issues to be used for construction, rehabilitation, or equipping of school facilities or the acquisition of real property for school facilities. The State Legislature enacted additional legislation which placed certain limitations on this lowered threshold, requiring that (i) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, (ii) the bond proposal be included on the ballot of a statewide or primary election, a regularly scheduled local election, or a statewide special election (rather than a school district election held at any time during the year), (iii) the tax rate levied as a result of any single election not exceed $25 for a community college district, $60 for a unified school district, or $30 for an elementary school or high school district per $100,000 of taxable property value, and (iv) the governing board of the school district appoint a citizen's oversight committee to inform the public concerning the spending of the bond proceeds. In addition, the school board of the applicable district is required to perform an annual, independent financial and performance audit until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure.

Proposition 1A

Proposition 1A (SCA 4) ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 State Budget and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate from 0.65% of a vehicle's market value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The Revised 2009-10 State Budget Act enacted a shift of approximately $1.9 billion of city, county, and special district property taxes and uses such funds to offset State General Fund spending for education and other programs.

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 98 and Proposition 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted that further affect District revenues or the District's ability to expend revenues.

LEGAL OPINION

The legal opinion of Sidley Austin LLP, Bond Counsel to the District, attesting to the validity of the Bonds, will be supplied to the Original Purchaser of the Bonds without charge. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix A.

TAX MATTERS

General

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under existing law and assuming compliance by the District with certain covenants in the District Resolution and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, and is not included in the calculation of federal corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the District Resolution or in other documents pertaining to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Original Issue Discount

The initial public offering price of certain of the Bonds (collectively, the "Discount Bonds") is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. Further, the amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations, and is not included in the calculation of federal corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Such accrued original issue discount, however, is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner's adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Premium Bonds

The excess, if any, of the tax adjusted basis of the Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of Bonds with bond premium are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix A.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P"), have assigned ratings of "Aa3" and "AA," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, 38th Floor, New York, New York 10041. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

_________________ (the "Original Purchaser") has agreed to purchase the Bonds from the District at the purchase price of $_________ (which represents the par amount of the Bonds, plus original issue premium in the amount of $__________, less the Original Purchaser's compensation of $_________). The Original Purchaser has agreed to pay certain costs of issuance from the purchase price. The Original Purchaser has represented to the District that the Bonds were reoffered to the public at the prices or yields set forth on the inside cover page of this Official Statement. The Original Purchaser will be obligated to take and pay for all of the Bonds, if any Bond is purchased.

CO-FINANCIAL ADVISORS

The District has retained Public Financial Management, Inc., Backstrom McCarley Berry & Co., LLC and Kitahata & Company, all of San Francisco, California, as co-financial advisors (the "Co-Financial Advisors") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained herein.

LEGAL MATTERS

No Litigation

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to the Original Purchaser at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, attached hereto as Appendix A, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in "DISTRICT FINANCES" herein.

Legality for Investment in the State

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of said bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

FINANCIAL STATEMENTS

The financial statements of the District for the Fiscal Years ended June 30, 2008 and 2009, which are included as Appendix B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP, independent certified public accountants. Vavrinek, Trine, Day & Co., LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to its report dated January 15, 2010.

OTHER INFORMATION

References are made herein to certain documents and reports, which are brief summaries thereof and which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the District Resolution are available from the Vice Chancellor, Finance & Administration of the District, upon request. Copies of the City and County Resolution are available and from the Clerk of the Board of Supervisors of the City and County.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations off fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

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The execution and delivery of this Official Statement has been duly authorized by the District.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

By: ____________________________________
Dr. Don Q. Griffin
Chancellor

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APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

___________, 2010

Board of Trustees
San Francisco Community College District
San Francisco, California

$____________
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
2010 GENERAL OBLIGATION BONDS
(ELECTION OF 2005, SERIES D)

Members of the Board of Trustees:

We have acted as bond counsel to the San Francisco Community College District (the "District") and in such capacity have examined a record of proceedings related to the issuance of the District's 2010 General Obligation Bonds (Election of 2005, Series D) (the "Bonds"). The Bonds are issued under and pursuant to Title 1, Division 1, Part 10, Chapter 1.5, of the California Education Code, a vote of at least 55% of the qualified electors of the District voting at an election held on November 8, 2005, a resolution adopted by the Board of Supervisors of the City and County of San Francisco (the "City") on April 4, 2006, and signed by the Mayor of the City on April 6, 2006, and a resolution adopted by the Board of Trustees of the District on February 25, 2010 (the "District Resolution").

In our capacity as bond counsel, we have reviewed originals or copies certified or otherwise identified to our satisfaction of such documents, certificates, opinions and other matters as we deemed necessary or appropriate to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation, and we have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we reviewed are genuine.

We have assumed the genuineness of all documents and signatures proposed to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents we reviewed. We have also assumed the accuracy of all representations and compliance with all covenants and agreements contained in the District Resolution and a tax certificate of the District dated the date hereof, relating to the Bonds (the "Tax Certificate"), including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions or omissions will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Based on the foregoing, and subject to the limitations and qualifications herein specified, as of the date hereof, under existing law, we are of the opinion that:

1. The Bonds constitute valid and binding obligations of the District, payable solely from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. Assuming continuing compliance by the District with certain covenants in the District Resolution, the Tax Certificate and other relevant documents relating to the District's Bonds and the requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Bond proceeds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure of the District to comply with such covenants and requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, and is not included in the calculation of federal corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

4. Interest on the Bonds is exempt from personal income taxes imposed by the State of California.

In rendering the opinions set forth above, we have relied upon certifications and representations of the District with respect to certain material facts solely within the knowledge of the District, without undertaking to verify the same by independent investigation.

The Code contains other provisions that could result in tax consequences, as to which we express no opinion, as a result of ownership of the Bonds. Further, certain requirements and procedures contained or referred to in the District Resolution and the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken under the circumstances and subject to the terms and conditions set forth in such documents with the approval of counsel nationally recognized in the area of state and local obligations. No opinion is expressed herein as to the effect on the exclusion of gross income of interest on the Bonds of any change to the aforementioned requirements and procedures or of any action taken or not taken after the date of this opinion without our approval. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any person of the investment in, or receipt of interest on, the Bonds.

With respect to the opinions expressed herein, the enforceability of the rights of the owners of the Bonds is subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against community college districts in the State of California.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

APPENDIX B

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009 AND 2008

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2009 AND 2008

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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DISTRICT BUSINESS OFFICE

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The San Francisco Community College District presents its financial statements for fiscal year 2009, with fiscal year 2008 presented for comparative purposes.

As we carry out the mission of the District, it is critically important that we maintain the public's trust and confidence, particularly in areas related to management of our fiscal resources. This report verifies that in this regard, the District is managing its financial resources appropriately and effectively. We call your attention to the fact that this audit report is unqualified and does not cite any material weaknesses.

USING THIS ANNUAL REPORT

The annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The focus of the **Statement of Net Assets** is on the District's assets and liabilities and as the difference between these two measurement groups, Net Assets. This statement combines and consolidates current financial resources (net short-term expendable resources) with capital assets and long-term obligations. The **Statement of Revenues, Expenses and Changes in Net Assets** focuses on the costs of the District's operating activities, which are supported mainly by property taxes, state appropriations, and other revenues. This approach is intended to summarize and simplify the user's analysis of the District's revenues and resources and the cost of various District services to students and the public. The **Statement of Cash Flows** provides an analysis of the sources and uses of cash within the operations of the District.

We express our appreciation to the entire staff that contributed to this report. Their professionalism, dedication and efficiency were indispensable in the preparation of this report. We also recognize the contribution of leadership and direction provided to the District by our Chancellor, Dr. Don Q. Griffin, our Board of Trustees and the Bond Oversight Committee. Finally, we would like to thank Vavrinek, Trine, Day & Co., our auditors, for the constructive recommendations they have offered.

The District has achieved improvements over last year's audit results, primarily in the areas of Contracting and Year-end close procedures. We acknowledge that there is still work to be accomplished to fully address the recommendations from last year as well as new recommendations identified in this report. It is our intent that each recommendation be fully addressed.

Effective in fiscal year 2008-2009, the District established the office of Internal Auditor and established a formal standing Audit Committee (Government Code Section 13886(a)). These changes underscore the District's ongoing commitment to the highest standards for financial systems management and for financial reporting.

Respectfully submitted,

Peter Goldstein, Vice Chancellor of Finance and Administration

John Bilmont, Chief Financial Officer

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited the accompanying basic financial statements of the business-type activities of San Francisco Community College District (the District) as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of San Francisco Community College District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocation of San Francisco Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 the 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 is important for assessing the results of our audit.

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 102 through 109 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 15, 2010

The following section, Management's Discussion and Analysis (MD&A) of the San Francisco Community College District's (the District) Annual Financial Report, is management's narrative overview and analysis of the financial condition and activities of the District for the fiscal year ended June 30, 2009. The Foundation of City College of San Francisco (the Foundation), a component unit of the District, is not part of this MD&A discussion. The MD&A for the fiscal year ended June 30, 2008, begins at page 11 and is provided for comparative purposes. The District's financial statements are presented based on the business-type activities model.

DISTRICT OVERVIEW - *Fiscal Year 2009*

The San Francisco Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations focusing on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the historic presentation by fund type. The focus of the Statement of Net Assets is on assets, liabilities, and the difference between these two measurement groups, Net Assets. The valuation date is June 30, 2009. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses reported by natural classification for the fiscal period July 1, 2008 through June 30, 2009. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District for the fiscal period July 1, 2008 through June 30, 2009.

The District's enrollment increased by 1.19 percent and, consequently, the District earned $2.0 million in growth funding. Sales tax revenue decreased by $0.5 million or 3.4 percent. Non-resident tuition increased $0.8 million or 12.6 percent over the prior year. Lottery income decreased $0.5 million or 9.95 percent over the prior year. Non-capital State revenues and local property taxes showed a net increase of $3.0 million or 2.22 percent over the prior year.

Salaries and fringe benefit expenses increased $4.1 million or 1.8 percent. The increase represents a combination of an accrued and unfunded expenditure for the District's Other Postemployment Benefits (OPEB) plus wage increases, automatic step increases, and the District's need to fill vacant positions. Total District salaries increased $0.7 million or less than half of a percent.

The District's Unrestricted Net Assets decreased by $9.9 million or 115.2 percent, from $1.3 million at the end of fiscal year 2008 to a negative $8.6 million at the end of fiscal year 2009. Virtually all of the decrease in Unrestricted Net Assets is attributable to the $8.7 million increase in accrued OPEB benefits expense. The Board's Designated Reserve remained unchanged. On a fully consolidated basis, (restricted and unrestricted categories), the District experienced a net increase in Total Net Assets of $11.4 million over the prior year. This Total Net Asset increase is the result of an increase in revenue recoveries for State Grants and Contracts (specifically, State Capital Project funds for John Adams and the Joint-Use facilities).

ANALYSIS OF NET ASSETS - *Fiscal Year 2009*

The Statement of Net Assets can serve as a useful indicator of a government agency's financial position. The District's total assets exceeded liabilities by $151.2 million at the end of fiscal year 2009. Of this amount, a negative $8.6 million is unrestricted. The following comparative Statement of Net Assets schedule compares the past two years and is based on the business-type activities model.

STATEMENT OF NET ASSETS

(Amounts in thousands)

	2009	2008	Dollar Increase (Decrease)	Percentage Change
ASSETS				
Current Assets				
Cash and short-term receivables	$ 184,012	$ 212,124	$ (28,112)	(13.3)
Inventory and prepaid expenses	3,620	2,197	1,423	64.8
Deferred cost on issuance	127	129	(2)	(1.6)
Total Current Assets	187,759	214,450	(26,691)	(12.4)
Non-Current Assets				
Other non-current assets	15,050	17,093	(2,043)	(12.0)
Capital assets, net of depreciation	405,099	351,103	53,996	15.4
Total Non-Current Assets	420,149	368,196	51,953	14.1
Total Assets	$ 607,908	$ 582,646	$ 25,262	4.3
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 31,514	$ 20,777	$ 10,737	51.7
Deferred revenue	11,474	14,100	(2,626)	(18.6)
Amounts held in trust on behalf of others	1,163	1,137	26	2.3
Long-term obligations - current portion	26,745	15,508	11,237	72.5
Total Current Liabilities	70,896	51,522	19,374	37.6
Non-Current Liabilities				
Long-term obligations	385,812	391,394	(5,582)	(1.4)
Total Liabilities	456,708	442,916	13,792	3.1
NET ASSETS				
Invested in capital assets	145,913	125,183	20,730	16.6
Restricted	13,910	13,239	671	5.1
Unrestricted	(8,623)	1,308	(9,931)	(759.3)
Total Net Assets	151,200	139,730	11,470	8.2
Total Liabilities and Net Assets	$ 607,908	$ 582,646	$ 25,262	4.3

For the year ended June 30, 2009, total current assets decreased by $26.7 million. Cash, cash equivalents, and investments decreased by $47.1 million. This decrease is mainly comprised of short-term liability increases from TRANS offset mainly by construction outflows for construction payments for the 2001 and 2005 Bond Projects in the amount of $69.2 million. Net cash flows from operating activities were a negative $260.9 million. Net cash flows from non-capital financing activities were a positive $251.9 million. Net cash flows from capital financing activities were a negative $41.3 million. Cash flows from investing activities (bond interest income) were $3.3 million. Combined, these cash inflows and outflows account for a decrease in cash and cash equivalents in the amount of $47.1 million.

Total current liabilities increased by $19.3 million or 27.3 percent. Accounts payable increased $10.5 million with the majority decrease composed of construction payables. The current portion of bonds payable increased $1.2 million due to the 2005 Series B bond coupon payment payable on June 15, 2009. Deferred revenue (cash received but not yet earned) experienced a net decrease in the amount of $2.6 million or 18.6 percent. The decrease is mainly attributable to a $3.4 million increase in deferred revenue relating to Unrestricted State apportionments and a $6.0 million reduction via deferred revenue recognition in the Restricted fund categories.

Non-current liabilities decreased $5.6 million or 1.4 percent. Compensated absences (the long-term portion of accrued time off plus vested sick leave) increased $0.8 million. Claims payables (the actuarial liability of long-term claims in the workers' compensation fund) were virtually unchanged. Non-current bond maturities, principal and interest, and unamortized premium decreased $13.4 million. Total liabilities of the District at the end of fiscal year 2009 increased $13.8 million or 3.0 percent over prior year.

ANALYSIS OF STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - *Fiscal Year 2009*

The following comparative Statement of Revenues, Expenses, and Changes in Net Assets (page 7) present the operating results of the District, as well as the nonoperating revenues and expenses. Annual State appropriations (apportionments), while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Tuition and fees net of scholarships and allowances increased $1.14 million or 6.4 percent over 2008. Grants and contracts revenues increased $3.5 million or 6.0 percent compared to prior year 2008. Changes occurred in the mix of Federal, State, and local grants. Federal grants increased $5.4 million or 13.3 percent. State grants (categorical allocations) decreased by $1.9 million or 9.3 percent across numerous categories due to the statewide budget deficit reductions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Amounts in thousands)

	2009	2008	Dollar Increase (Decrease)	Percentage Change
OPERATING REVENUES				
Tuition and fees	$ 17,883	$ 16,743	$ 1,140	6.8
Auxiliary services and others	9,475	9,914	(439)	(4.4)
Total Operating Revenues	27,358	26,657	701	2.6
OPERATING EXPENSES				
Salaries and benefits	226,588	222,454	4,134	1.9
Supplies and maintenance	64,738	66,853	(2,115)	(3.2)
Depreciation	25,602	24,933	669	2.7
Total Operating Expenses	316,928	314,240	2,688	0.9
OPERATING LOSS	(289,570)	(287,583)	(1,987)	0.7
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	120,819	120,225	594	0.5
Federal grants	40,526	35,123	5,403	15.4
Grants and contracts	20,788	22,728	(1,940)	(8.5)
Local property taxes	42,541	39,537	3,004	7.6
Taxes levied for other specific purposes	31,496	21,052	10,444	49.6
Local sales tax	14,815	15,333	(518)	(3.4)
Other State revenue	11,219	10,623	596	5.6
Investment income (net)	3,250	3,586	(336)	(9.4)
Interest expense on capital asset - related debt	(19,530)	(12,998)	(6,532)	50.3
Transfer from agency fund	487	18	469	2,605.6
Transfer to agency fund	(634)	(235)	(399)	169.8
Other non-operating revenues and transfers	6,456	7,280	(824)	(11.3)
Total Non-Operating Revenues	272,233	262,272	9,961	3.8
Loss Before Capital Revenues	(17,337)	(25,311)	7,974	(31.5)
CAPITAL REVENUES				
State grant and contracts	28,388	10,051	18,337	182.4
Local property taxes and revenues	420	4,297	(3,877)	(90.2)
Total Other Revenues	28,808	14,348	14,460	100.8
Change in Net Assets	11,471	(10,963)	22,434	(204.6)
Net Assets - Beginning of Year	139,729	150,692	(10,963)	(7.3)
Net Assets - End of Year	$ 151,200	$ 139,729	$ 11,471	8.2

Auxiliary revenue is comprised of the bookstore and cafeteria net revenues. A bookstore is located within each of the seven main college campus locations. Bookstore revenue decreased in 2009 versus 2008 by $0.425 million or 5.0 percent.

Cafeterias, which provide services to the students and faculty of the college and operate as working labs, are located at two campus locations. Vending services are located at all campus sites. Cafeteria revenue decreased $0.068 million or 6.56 percent over prior year.

Consolidated operating expenses increased by $2.7 million or 0.8 percent. Salaries and benefits increased $4.1 million or 1.8 percent. The increase is mainly due to automatic wages and step increases. Supplies, maintenance, utilities, and other operating expenses and services decreased $2.1 million or 12.6 percent. Depreciation, a non-cash expenditure, increased $0.7 million or 2.6 percent. Asset retirements and the relayed adjustment of depreciation are included in this category.

Total non-operating revenues increased by $10.0 million or 3.7 percent over 2008. General non-capital State apportionment revenues increased $0.6 million while local property tax revenues increased $3.0 million. Taxes levied for other specific purposes include amounts due for principal and interest due on general obligation bonds. Other State revenues, like lottery revenues, decreased $0.5 million, and local revenues representing sales taxes decreased $0.5 million. Other non-operating revenues increased $0.5 million.

Capital revenues increased $14.5 million or 50.2 percent over the prior year. Capital revenues from State grants and contracts increased $18.3 million or 64.6 percent. Under the Community College Construction Act, the District completed various requirements to receive these claims such as preliminary plans, working drawings, and construction phases. The increase reflects more activity for these State mandated claims. The District did not engage in any transaction that would generate a gain or loss on sale of capital assets. All capital revenues are restricted in nature for specific capital programs and projects.

CAPITAL ASSETS - *Fiscal Year 2009*

The capital assets of the District as of June 30, 2009, amounted to a gross total of $525.4 million. (See Note 7 - Capital Assets in the financial statements at page 33 for a listing by asset class.) Of this amount, the non-depreciable portion, composed of land and construction in progress, was $143.9 million or 27.39 percent. Depreciable capital assets totaled $381.5 million or 72.61 percent. Total accumulated depreciation was $120.3 million, resulting in net capital assets of $405.1 million.

The District calculates depreciation using the straight-line method and with the mid-year convention. The District participates in a physical asset count every three years. Non-depreciable assets experienced a net increase of $69.2 million. The increase represents changes in Construction in Progress from the Chinatown/North Beach campus, $8.4 million; the Joint Use Facility, $19.7 million; the John Adams Campus, $27.0 million; the Performing Arts Center, $12.9 million; and various ADA projects and ITS upgrade, $1.1 million. Depreciable assets placed in service (additions less disposals) increased $10.4 million. Depreciation expense amounted to $25.6 million for the year. Outstanding construction commitments as of June 30, 2009, were $67.5 million.

The District has many projects underway as a result of the San Francisco taxpayers' approval in November 2001 of $195.0 million in Proposition A Education Facilities Improvement Bonds. In November 2005, the District received voter approval for an additional $246.0 million authorization in Proposition A Bonds. As of June 30, 2009, the entire $195.0 million of the 2001 authorization and $200.0 million of the 2005 authorization had been sold.

A Citizens' Oversight Committee consisting of 15 members from key constituencies of the community serves as an advisory committee to the District's Board of Trustees. These constituencies include the San Francisco Taxpayers Association, the San Francisco Chamber of Commerce, senior citizens groups, City College students, and the Foundation. The Citizens' Oversight Committee is responsible for monitoring the spending of the 2001 and 2005 Proposition A Bond funds thus providing assurances to the taxpayers of San Francisco that these funds are spent in accordance with the provisions of the Proposition A ballot. The District successfully qualified for matching funds available from Statewide School Facilities Bonds for several Proposition A projects.

The following are fiscal year 2009 highlights:

OCEAN AVENUE CAMPUS

Construction for the new Joint-Use facility continued throughout fiscal year 2009 and is scheduled for completion in July 2010.

CHINATOWN/NORTH BEACH CAMPUS

The existing Chinatown/North Beach Campus occupies 10 different locations. Construction of a new facility that will consolidate many of the current locations has commenced. The new campus will consist of two buildings located near the intersection of Kearney and Washington Streets with an estimated completion date of January 2012.

JOHN ADAMS CAMPUS

A seismic upgrade of the main building, as well as other improvements, began in 2007 and will be completed by January 2010.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN FRANCISCO COMMUNITY COLLEGE DISTRICT - *Fiscal Year 2009*

The economic position of San Francisco Community College District is closely tied to that of the State of California as State apportionments and property taxes allocated to the District's Unrestricted General Fund represent approximately 84.38 percent of the total revenues received by the District. Accordingly, the State economy plays a major factor in State appropriations for both higher education in general and to the District in particular. The balance of District revenues comes from local sales taxes, 7.97 percent; lottery, 2.53 percent; non-resident tuition, 3.08 percent; and other revenues and resources, 2.04 percent.

The District reduced planned spending and made conservative revenue assumptions for fiscal year 2009-2010 to protect itself from the possibility of reduced State and local revenue during the current economic downturn. The District's finance team is actively monitoring both revenues and expenditures to ensure that prompt action can be taken if needed.

DEBT FINANCING - *Fiscal Year 2009*

The District participates in external financing activities to cover both long-term and short-term cash flow needs. As a governmental unit, the District's financing activities and choices are bounded by Federal and State restrictions.

Short-term instruments issued by the District every year since 1998 are Tax and Revenue Anticipation Notes (TRAN). These funds are used to bridge cash flows until property taxes are remitted from the County and City of San Francisco. On July 1, 2008, the District issued $18.0 million of Tax Revenue Anticipation Notes bearing interest at 3.50 percent. Interest and principal in the amount of $18.6 million were repaid on June 25, 2009.

Subsequent to the end of the fiscal year 2009 on August 11, 2009, the District issued $36.0 million of Tax and Revenue Anticipation Notes. The notes mature on June 30, 2010, and bear interest at 2.25 percent. (See Note 18 on page 48.)

In November 2005, San Francisco voters gave the District an additional $246.0 million authorization to issue Proposition A General Obligation Bonds for Educational Facilities improvements. This award, combined with the November 2001 approval, brings the District's Proposition A authorization up to $441.0 million. The first sale of Proposition A Bonds (Series A) occurred on March 13, 2002, and netted proceeds of $38.0 million. For this first sale, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Fitch assigned an AA- rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Fitch are Aaa and AAA, respectively.

On September 14, 2004, the District sold an additional $110.0 million. For the second sale that occurred on September 14, 2004, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Standard & Poor's assigned an AA rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The underlying rating is an improvement over the previous rating.

On June 20, 2006, the District sold $137.0 million of General Obligation Bonds; the remaining authorization of 2001 (Series C) in the amount of $47.0 million and the first part of its 2005 authorization (Series A) in the amount of $90.0 million. Ratings assigned by Moody's Investor Services and Standard & Poor's remain the same as those assigned to the September 14, 2004, sale referred to in the previous paragraph.

On December 5, 2007, the District sold $110.0 million of General Obligation Bonds. This was the second sale of the November 2005 authorization (2005 authorization, Series B). The insured ratings assigned for this bond by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The District's remaining authorization is $46.0 million. The District plans to seek voter approval in the future for an additional bond measure.

DISTRICT OVERVIEW - *Fiscal Year 2008*

The San Francisco Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the historic presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The District's enrollment increased by 1.89 percent and, consequently, the District earned $3.3 million in growth funding. (The October recalculated apportionment indicated a higher growth number in the amount of $3.8 million, which is part of the fiscal year 2009 prior year correction to State apportionment.) Sales tax revenue increased by $1.0 million or 7.3 percent. Non-resident tuition increased $0.9 million or 18.1 percent over the prior year. Lottery income increased $0.4 million or 8.13 percent over the prior year. Non-capital State revenues and local property taxes showed a net increase of $11.4 million or 5.83 percent over the prior year.

Salaries and fringe benefit expenses increased $25.7 million or 13.1 percent. The increase represents a combination of an accrued and unfunded expenditure for the District's Other Postemployment Benefits plus wage increases, automatic step increases, and the District's need to fill vacant positions. Total District salaries increased $14.0 million or 9.1 percent. Of this amount, approximately $9.3 million or 6.08 percent are wages and step increases and $4.7 million or 3.04 percent represent new hires at the District.

Total fringe benefits increased $11.7 million or 27.1 percent. Rising health care and retiree benefit costs continue to put pressure on the District's budget. Effective June 30, 2008, the District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The increase in District benefit expense directly attributable to this change in accounting principal is $7.9 million or 18.34 percent. The increase of all other categories of District benefit expense is $3.8 million or 8.77 percent. Supplies, maintenance, utilities, and other operating expenses and services increased $7.5 million or 12.6 percent.

The District's Unrestricted Net Assets decreased by $6.1 million or 48.8 percent, from $12.6 million at the end of fiscal year 2007 to $6.4 million at the end of fiscal year 2008. Approximately $3.4 million of the decrease in Unrestricted Net Assets results from ongoing operations, an increase of $10.1 million in unrestricted revenues less the increase in expenditures of $13.5 million. The Board's Designation remained unchanged. On a fully consolidated basis, the District experienced a decrease in total net assets of $11.0 million over the prior year.

ANALYSIS OF NET ASSETS - *Fiscal Year 2008*

The Statement of Net Assets can serve as a useful indicator of a government agency's financial position. For the District, total assets exceeded liabilities by $139.7 million at the end of fiscal year 2008. Of this amount, $6.4 million was unrestricted. The following comparative Statement of Net Assets schedule compares the past two years and is based on the business-type activities model.

STATEMENT OF NET ASSETS

(Amounts in thousands)

	2008	2007	Dollar Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and short-term receivables	$ 212,124	$ 169,229	$ 42,895	20.2
Inventory and prepaid expenses	2,197	1,535	662	30.1
Deferred cost on issuance	129	90	39	30.2
Total Current Assets	214,450	170,854	43,596	20.3
Non-Current Assets				
Other non-current assets	17,093	15,686	1,407	8.2
Capital assets, net of depreciation	351,103	305,763	45,340	12.9
Total Non-Current Assets	368,196	321,449	46,747	12.7
Total Assets	$ 582,646	$ 492,303	$ 90,343	15.5
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 20,777	$ 31,498	$ (10,721)	(51.6)
Deferred revenue	14,100	17,327	(3,227)	(22.9)
Amounts held in trust on behalf of others	1,137	1,011	126	11.1
Long-term obligations - current portion	15,508	11,995	3,513	22.7
Total Current Liabilities	51,522	61,831	(10,309)	(20.0)
Non-Current Liabilities				
Long-term obligations	391,394	279,779	111,615	28.5
Total Non-Current Liabilities	391,394	279,779	111,615	28.5
Total Liabilities	442,916	341,610	101,306	22.9
NET ASSETS				
Invested in capital assets	125,183	132,203	(7,020)	(5.6)
Restricted	13,239	7,983	5,256	39.7
Unrestricted	1,308	10,507	(9,199)	(703.3)
Total Net Assets	139,730	150,693	(10,963)	(7.8)
Total Liabilities and Net Assets	$ 582,646	$ 492,303	$ 90,343	15.5

For the year ended June 30, 2008, total current assets increased by $43.6 million. Cash, cash equivalents, and investments increased by $35.5 million. This increase is comprised by a $110.0 million bond sale offset mainly by construction outflows for construction payments for the 2001 and 2005 Bond Projects in the amount of $70.2 million. Net cash flows from operating activities were a negative $195.5 million. Net cash flows from non-capital financing activities were a positive $182.5 million. Net cash flows from capital financing activities were a positive $44.9 million. Cash flows from investing activities (bond interest income) were $3.6 million. Combined, these cash flows account for a positive increase in cash and cash equivalents in the amount of $35.5 million.

Total current liabilities decreased by $10.3 million or 16.7 percent. Accounts payable decreased $10.7 million with the majority decrease composed of construction payables. Current portion bonds payable increased $2.9 million due to the 2005 Series B bond coupon payment payable on June 15, 2008. Deferred revenue (cash received but not yet earned) decreased by $3.2 million or 18.6 percent. The decrease is mainly attributable to a $5.0 million increase in deferred revenue relating to unrestricted State apportionments and an $8.2 million reduction via deferred revenue recognition in the restricted fund categories.

Non-current liabilities increased $111.6 million or 39.9 percent. Compensated absences (the long-term portion of accrued time off plus vested sick leave) increased $1.7 million. Claims payable (the actuarial liability of long-term claims in the workers' compensation fund) decreased $0.4 million. Non-current bond maturities, principal and interest, and unamortized premium increased $105.0 million. Total liabilities of the District at the end of fiscal year 2008 increased $101.3 million or 29.7 percent over prior year.

ANALYSIS OF STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - *Fiscal Year 2008*

The following comparative Statement of Revenues, Expenses, and Changes in Net Assets (page 14) present the operating results of the District, as well as the nonoperating revenues and expenses. Annual State appropriations (apportionments), while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Tuition and fees net of scholarships and allowances increased $1.1 million or 7.2 percent over 2007. Grants and contracts revenues increased $5.3 million or 10.2 percent compared to prior year 2007. Changes occurred in the mix of Federal, State, and local grants. Federal grants were basically flat, increasing $0.7 million or 2.1 percent. State grants increased by $4.6 million mainly due to the multi-year recognition of basic skills awards.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Amounts in thousands)

	2008	2007	Dollar Increase (Decrease)	Percentage Change
OPERATING REVENUES				
Tuition and fees	$ 16,743	$ 15,616	$ 1,127	7.2
Auxiliary services and others	9,914	9,416	498	5.3
Total Operating Revenues	26,657	25,032	1,625	6.5
OPERATING EXPENSES				
Salaries and benefits	222,454	196,720	25,734	13.1
Supplies and maintenance	66,853	59,391	7,462	12.6
Depreciation	24,933	18,242	6,691	36.7
Total Operating Expenses	314,240	274,353	39,887	14.5
OPERATING LOSS	(287,583)	(249,321)	(38,262)	15.3
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	120,225	114,611	5,614	4.9
Grants and contracts	57,851	52,512	5,339	10.2
Local property taxes	39,537	36,273	3,264	9.0
Taxes levied for other specific purposes	21,052	20,969	83	0.4
Other State revenue	10,623	9,231	1,392	15.1
Other local revenue	15,333	14,284	1,049	7.3
Investment income (net)	3,586	8,749	(5,163)	(59.0)
Interest expense on capital asset - related debt	(12,998)	(12,290)	(708)	5.8
Transfer from agency fund	18	26	(8)	(30.8)
Transfer to agency fund	(235)	(86)	(149)	173.3
Other non-operating revenues and transfers	7,280	8,316	(1,036)	(12.5)
Total Non-Operating Revenues	262,272	252,595	9,677	3.8
Loss Before Capital Revenues	(25,311)	3,274	(28,585)	(873.1)
CAPITAL REVENUES				
State grant and contracts	10,051	17,944	(7,893)	(44.0)
Local property taxes and revenues	4,297	1,264	3,033	240.0
Gain (Loss) on sale of capital assets	-	1,754	(1,754)	(100.0)
Total Other Revenues	14,348	20,962	(6,614)	(31.6)
Change in Net Assets	(10,963)	24,236	(35,199)	(145.2)
Net Assets - Beginning of Year	150,692	126,456	24,236	19.2
Net Assets - End of Year	$139,729	$150,692	$ (10,963)	(7.3)

Auxiliary revenue is comprised of the bookstore and cafeteria net revenues. A bookstore is located within each of the seven main college campus locations. Bookstore revenue increased in 2008 versus 2007 by $0.5 million or 6.3 percent.

Cafeterias, which provide services to the students and faculty of the college and operate as working labs, are located at two campus locations. Vending services are located at all campus sites. Cafeteria revenue decreased slightly over prior year.

Operating expenses increased by $39.9 million or 14.5 percent. Salaries increased $14.0 million and constitute 35.1 percent of the increase. Of this amount, approximately $9.3 million or 6.08 percent are wages and step increases and $4.7 million or 3.04 percent represent new hires at the District. Fringe benefit increases account for $11.7 million of the increase which is a 27.1 percent increase over the prior year. In addition to the salary driven fringe benefit expense increase caused by wage and step increases, rising health care and retiree benefit costs contributed to this variance. Supplies, maintenance, utilities, and other operating expenses and services increased $7.5 million or 12.6 percent. Depreciation, a non-cash expenditure, increased $6.7 million or 36.7 percent. Asset retirements and the recalculation of depreciation are included in this category.

Total non-operating revenues increased by $4.3 million or 2.2 percent over 2007. General non-capital State apportionment revenues increased $5.6 million while local property tax revenues increased $3.3 million. Taxes levied for other specific purposes include amounts due for principal and interest due on general obligation bonds. Other State revenues, like lottery revenues, increased $1.4 million and local revenues representing sales taxes increased $1.0 million. Other non-operating revenues increased $0.3 million.

Capital revenues decreased $6.6 million or 31.6 percent over the prior year. Capital revenues from State grants and contracts decreased $7.9 million or 44.0 percent. Under the Community College Construction Act, the District completed various requirements to receive these claims such as preliminary plans, working drawings, and construction phases. The decrease reflects less activity for these State mandated claims. The District did not engage in any transaction that would generate a gain or loss on sale of capital assets. All capital revenues are restricted in nature for specific capital programs and projects.

CAPITAL ASSETS - *Fiscal Year 2008*

The capital assets of the District as of June 30, 2008, amounted to a gross total of $445.8 million. (See Note 7 - Capital Assets in the financial statements at page 34 for a listing by asset class.) Of this amount, the non-depreciable portion, composed of land and construction in progress, was $74.8 million or 16.77 percent. Depreciable capital assets totaled $371.0 million or 83.23 percent. Total accumulated depreciation was $94.7 million, resulting in net capital assets of $351.1 million.

The District calculates depreciation using the straight-line method and with the mid-year convention. The District participates in a physical asset count every three years. Non-depreciable assets experienced a net decrease of $99.7 million. Land increased by a net change of $5.0 million. This resulted from the reclassification of a land parcel valued at $8.8 million from Construction in Progress to Land, and a second transaction was the sale of another parcel valued at $3.8 million. Both transactions relate to the Chinatown campus project. The remaining decrease of $104.7 million represents changes in Construction in Progress. Depreciable assets placed in service (additions less disposals) increased $169.9 million. There were very few asset retirements (represented as disposals or sales of assets). Depreciation expense amounted to $24.9 million for the year. Depreciation reductions, associated with asset retirements, were diminimus. Outstanding construction commitments as of June 30, 2008, were $38.6 million.

The District has many projects underway as a result of the San Francisco taxpayers' approval in November 2001 of $195.0 million in Proposition A Education Facilities Improvement Bonds. In November 2005, the District received voter approval for an additional $246.0 million authorization in Proposition A Bonds. As of June 30, 2008, the entire $195.0 million of the 2001 authorization and $200.0 million of the 2005 authorization had been sold.

A Citizens' Oversight Committee consisting of 15 members from key constituencies of the community serves as an advisory committee to the District's Board of Trustees. These constituencies include the San Francisco Taxpayers Association, the San Francisco Chamber of Commerce, senior citizens groups, City College students, and the Foundation. The Citizens' Oversight Committee is responsible for monitoring the spending of the 2001 and 2005 Proposition A Bond funds thus providing assurances to the taxpayers of San Francisco that these funds are spent in accordance with the provisions of the Proposition A ballot. The District successfully qualified for matching funds available from Statewide School Facilities Bonds for several Proposition A projects.

The following are fiscal year 2008 highlights:

OCEAN AVENUE CAMPUS

Construction for the new Joint-Use facility began during fiscal year 2008 and is still in process.

CHINATOWN/NORTH BEACH CAMPUS

The existing Chinatown/North Beach Campus occupies 10 different locations. A new facility on the corner of Kearny and Washington Streets is being designed. The estimated completion date is 2011.

JOHN ADAMS CAMPUS

A seismic upgrade of the main building began in 2007 and was still in process as of June 30, 2008.

DEBT FINANCING - *Fiscal Year 2008*

The District participates in external financing activities to cover both long-term and short-term cash flow needs. As a governmental unit, the District's financing activities and choices are bounded by Federal and State restrictions.

Short-term instruments issued by the District every year since 1998 are Tax and Revenue Anticipation Notes (TRAN). These funds are used to bridge cash flows until property taxes are remitted from the County and City of San Francisco. On July 1, 2007, the District issued $15.95 million Tax Revenue Anticipation Notes bearing interest at 4.50 percent. Interest and principal in the amount of $16.5 million were repaid on June 29, 2007. Subsequent to the end of the fiscal year 2008, on July 1, 2008, the District issued $18.0 million of Tax and Revenue Anticipation Notes. The notes mature on June 29, 2009, and bear interest at 3.5 percent.

In November 2005, San Francisco voters gave the District an additional $246.0 million authorization to issue Proposition A General Obligation Bonds for Educational Facilities improvements. This award, combined with the November 2001 approval, brings the District's Proposition A authorization up to $441.0 million. The first sale of Proposition A Bonds (Series A) occurred on March 13, 2002, and netted proceeds of $38.0 million. For this first sale, Moody's Investor Services assigned an underlying rating for these Bonds of Aa3 and Fitch assigned an AA- rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Fitch are Aaa and AAA, respectively.

On September 14, 2004, the District sold an additional $110.0 million. For the second sale that occurred on September 14, 2004, Moody's Investor Services assigned an underlying rating for these Bonds of Aa3 and Standard & Poor's assigned an AA rating. The insured ratings assigned for these same Bonds by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The underlying rating is an improvement over the previous rating.

On June 20, 2006, the District sold $137.0 million of General Obligation Bonds; the remaining authorization of 2001 (Series C) in the amount of $47.0 million and the first part of its 2005 authorization (Series A) in the amount of $90.0 million. Ratings assigned by Moody's Investor Services and Standard & Poor's remain the same as those assigned to the September 14, 2004, sale referred to in the previous paragraph.

On December 5, 2007, the District sold $110.0 million of General Obligation Bonds. This was the second sale of the November 2005 authorization (2005 authorization, Series B). The insured ratings assigned for this bond by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The District's remaining authorization is $46.0 million. The District plans to seek voter approval in the future for an additional bond measure.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN FRANCISCO COMMUNITY COLLEGE DISTRICT - *Fiscal Year 2008*

The economic position of San Francisco Community College District is closely tied to that of the State of California as State apportionments and property taxes allocated to the District's Unrestricted General Fund represent approximately 84.38 percent of the total revenues received by the District. Accordingly, the State economy plays a major factor in State appropriations for both higher education in general and to the District in particular. The balance of District revenues comes from local sales taxes, 7.97 percent; lottery, 2.53 percent; non-resident tuition, 3.08 percent; and other revenues and resources, 2.04 percent.

The District has made conservative revenue assumptions for fiscal year 2008-2009 to protect itself from the possibility of reduced State and local revenue during the current economic downturn. The District's Finance team is actively monitoring this situation to ensure that prompt action can be taken if needed.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 33 Gough Street, San Francisco, CA 94103. An online copy of this report may be obtained using this URL address: http://www.ccsf.edu/Offices/VCFA/annual_financial_reports.htm.

BASIC FINANCIAL STATEMENTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$ 5,886,902	$ 5,525,145
Cash and cash equivalents - restricted	12,352,678	11,608,745
Investments	112,175,919	160,349,944
Accounts receivable, net	50,186,736	29,887,152
Student tuition receivable	1,634,202	4,627,798
Note receivable - current portion	1,775,000	125,000
Prepaid expenses - current portion	2,304,853	568,662
Inventories	1,315,318	1,628,770
Deferred cost on issuance - current portion	127,095	128,719
Total Current Assets	187,758,703	214,449,935
Noncurrent Assets		
Note receivable - noncurrent portion	2,250,000	3,900,000
Prepaid expenses - noncurrent portion	10,422,222	10,681,408
Deferred cost on issuance - noncurrent portion	2,378,092	2,511,292
Nondepreciable capital assets	143,925,185	74,772,650
Depreciable capital assets, net of depreciation	261,174,183	276,330,669
Total Noncurrent Assets	420,149,682	368,196,019
TOTAL ASSETS	607,908,385	582,645,954
LIABILITIES		
Current Liabilities		
Accounts payable	30,800,626	20,261,506
Accrued interest payable	713,613	515,801
Deferred revenue	11,473,835	14,100,506
Current loans	9,672,859	-
Amounts held in trust on behalf of others	1,163,411	1,136,779
Compensated absences payable - current portion	2,846,677	2,571,307
Claims liability - current portion	1,554,209	1,479,108
Bonds and notes payable - current portion	12,481,157	11,260,000
Lease obligations - current portion	55,224	47,540
Other long-term obligations - current portion	135,000	150,000
Total Current Liabilities	70,896,611	51,522,547
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	10,355,848	11,194,500
Claims liability - noncurrent portion	2,979,325	2,919,766
Bonds and notes payable - noncurrent portion	355,742,250	369,127,037
Lease obligations - noncurrent portion	44,461	79,622
Other long-term obligations - noncurrent portion	16,690,004	8,072,943
Total Noncurrent Liabilities	385,811,888	391,393,868
TOTAL LIABILITIES	456,708,499	442,916,415
NET ASSETS		
Invested in capital assets, net of related debt	145,913,211	125,183,099
Restricted for:		
Educational programs	5,216,372	4,992,627
Student financial aid	3,830,312	3,847,392
Capital projects	4,863,238	4,398,775
Unrestricted	(8,623,247)	1,307,646
TOTAL NET ASSETS	$ 151,199,886	$ 139,729,539

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Student Tuition and Fees	$ 22,667,523	$ 21,097,427
Less: Scholarship discount and allowance	(4,784,260)	(4,354,425)
Net tuition and fees	17,883,263	16,743,002
Auxiliary Enterprise Sales		
Bookstore	8,543,687	8,927,700
Food services	931,311	985,755
TOTAL OPERATING REVENUES	27,358,261	26,656,457
OPERATING EXPENSES		
Salaries	168,137,615	167,432,764
Employee benefits	58,450,614	55,021,521
Supplies, materials, and other operating expenses and services	34,826,127	41,684,601
Student Financial Aid	29,912,071	25,167,850
Depreciation	25,602,144	24,932,925
TOTAL OPERATING EXPENSES	316,928,571	314,239,661
OPERATING LOSS	(289,570,310)	(287,583,204)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	120,818,912	120,224,640
Federal grants	40,525,648	35,123,076
State grants	20,788,403	22,728,423
Local property taxes, levied for general purposes	42,540,618	39,537,091
Taxes levied for debt repayment	31,496,280	21,052,065
Local sales tax	14,815,434	15,333,162
State taxes and other revenues	11,218,904	10,623,138
Investment income	3,250,009	3,585,707
Interest expense on capital related debt	(19,530,462)	(12,997,944)
Transfer from agency fund	486,765	17,981
Transfer to agency fund	(633,722)	(234,876)
Other nonoperating revenue	6,456,180	7,280,139
TOTAL NONOPERATING REVENUES (EXPENSES)	272,232,969	262,272,602
LOSS BEFORE OTHER REVENUES (EXPENSES)	(17,337,341)	(25,310,602)
State revenues, capital	28,388,306	10,050,969
Local revenues, capital	419,382	4,297,101
TOTAL OTHER REVENUES (EXPENSES)	28,807,688	14,348,070
CHANGE IN NET ASSETS	11,470,347	(10,962,532)
NET ASSETS, BEGINNING OF YEAR	139,729,539	150,692,071
NET ASSETS, END OF YEAR	$ 151,199,886	$ 139,729,539

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 14,678,268	$ 18,490,191
Auxiliary sales	9,407,920	9,366,068
Payments to vendors for supplies and services	(36,951,770)	(38,321,656)
Payments to or on behalf of employees	(218,151,044)	(212,330,189)
Payments to students for scholarships and grants	(29,912,071)	(25,042,253)
Net Cash Flows From Operating Activities	(260,928,697)	(247,837,839)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	108,886,541	120,224,640
Noncapital grants and contracts	72,732,577	52,458,607
Property taxes - nondebt related	42,540,618	39,537,091
State taxes and other apportionments	21,128,198	10,272,088
Sales taxes	14,815,434	15,333,162
Other nonoperating activities	(8,227,504)	(2,983,112)
Net Cash Flows From Noncapital Financing Activities	251,875,864	234,842,476
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(70,030,546)	(81,971,089)
Proceeds from capital debt	25,343	114,405,187
State revenue, capital projects	28,388,306	10,050,969
Local revenue, capital projects	419,382	4,297,101
Property taxes - related to capital debt	31,496,280	21,052,065
Principal paid on capital debt	(12,366,450)	(9,085,607)
Interest paid on capital debt	(19,332,650)	(13,010,146)
Deferred cost on issuance	134,824	(807,244)
Net Cash Flows From Capital Financing Activities	(41,265,511)	44,931,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	3,250,009	3,585,707
Net Cash Flows From Investing Activities	3,250,009	3,585,707
NET CHANGE IN CASH AND CASH EQUIVALENTS	(47,068,335)	35,521,580
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	177,483,834	141,962,254
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 130,415,499	$ 177,483,834

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (289,570,310)	$ (287,583,204)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation	25,602,144	24,932,925
Changes in Operating Assets and Liabilities:		
Receivables, net	(260,757)	679,351
Inventories	313,452	(249,064)
Prepaid expenses	(1,477,005)	1,198,587
Accounts payable and accrued liabilities	1,046,574	1,446,309
Deferred revenue	(3,511,801)	1,891,212
Funds held for others	26,632	125,597
Compensated absences	(563,282)	1,782,505
OPEB obligation	8,752,061	7,937,943
Total Adjustments	29,928,018	39,745,365
Net Cash Flows From Operating Activities	$ (259,642,292)	$ (247,837,839)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 18,239,580	$ 17,133,890
Investments with fiscal agent	1,690,478	3,279,089
Investments in county treasury	110,485,441	157,070,855
Total Cash and Cash Equivalents	$ 130,415,499	$ 177,483,834
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 4,958,338	$ 4,916,747

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

The San Francisco Community College District (the District) was established in 1935 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates nine campuses located within the City of San Francisco. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with The Foundation of City College of San Francisco in conjunction with the GASB Statement No. 39 criteria. While the Foundation is a separate not for profit organization, the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 39 have not been met to require inclusion of the Foundation financial statements in the District's annual report. Separate audited financial statements have been prepared and are available through the Foundation Office.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges System's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $2,192,684 and $2,582,754 for the years ended June 30, 2009 and 2008, respectively.

Prepaid Expenses

Prepaid expenses represent payments made to vendors for and others services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 25 years; equipment, 5 to 10 years; vehicles, 3 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits, compensatory time, and accumulated sick leave benefits are recognized as liabilities of the District.

The District's policy is to provide any full-time employee leaving the employment of the District upon retirement a portion of accrued sick leave credits at the time of separation. The amount owed is equal to 2.5 percent of accrued sick leave credits at the time of separation times the number of years of continuous employment times an employee's salary rate. The number of hours for which an employee may receive cash payments shall not exceed 520 hours. Compensatory time off may be granted to a classified employee consistent with the Fair Labor Standards Act, which shall be earned at the rate of time and one-half.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Current Loans

Current loans consist of amounts outstanding at June 30, 2009, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for specific purposes by action of the Board of Trustees.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $8,693,550 and $8,106,757 of restricted net assets at June 30, 2009 and 2008, respectively.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement Systems (CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were $4,958,338 and $0 for CalSTRS and CalPERS, respectively, for the June 30, 2009, fiscal year.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Francisco bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed general obligation bonds in November 2001 and November 2005 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009 and 2008, was $31,496,280 and $21,052,065, respectively.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Academic Competitiveness Grant, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.* During the year ended June 30, 2009 and 2008, the District distributed $7,850,429 and $5,891,666, respectively, in direct lending through the U.S. Department of Education. These amounts have been included as revenues and expenses within the accompanying financial statements.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments 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. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	$ 18,239,580
Investment with fiscal agent	1,690,478
Investment with county treasury	110,485,441
Total Deposits and Investments	$ 130,415,499

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. The District manages its exposure to interest rate risk by primarily investing in the County investment pool.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
County Pool - San Francisco County	$ 110,485,441	576*
Fidelity Institutional Money Market Funds	1,690,478	7/1/2009
Total	$ 112,175,919	

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2009. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2009
County Pool - San Francisco County	$ 110,485,441	Not Required	Not Rated
Fidelity Institutional Money Market Funds	1,690,478	Not Required	Aaa
Total	$ 112,175,919		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, the District's bank balance of $17,508,610 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	2009	2008
Federal categorical	$ 5,123,577	$ 3,624,240
State categorical	17,288,791	3,558,399
Apportionment	19,137,691	7,205,320
State lottery funds	1,949,912	2,410,272
Sales tax receivable	1,816,149	2,361,330
Local categorical	1,999,529	2,407,610
Student loans	3,417,796	3,640,819
Other	1,645,975	7,261,916
Total Receivables	52,379,420	32,469,906
Less: Allowance for doubtful accounts	(2,192,684)	(2,582,754)
Receivables, net	$ 50,186,736	$ 29,887,152
Student tuition receivable	$ 1,634,202	$ 4,627,798

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - PREPAID RENTAL EXPENSES

The District entered into a 75 year operating contract with San Francisco Unified School District on August 1, 2003 to lease all real property located at 106 Bartlett Street, San Francisco, California with a lump sum payment of $7,500,000 on August 1, 2003. This amount was recorded as prepaid expenses and is being amortized as annual operating lease expenses of $100,000 over the 75 year period. On June 9, 2006, the District entered into a second lease agreement with San Francisco Unified School District for additional property at 106 Bartlett Street with a lump sum payment of $4,000,000. This amount was recorded as prepaid expenses and is being amortized as annual operating lease expenses of $55,556 over the remaining life of the original lease. As of June 30, 2009 and 2008, the remaining prepaid rent balances were $10,577,778 and $10,736,868, respectively.

	2009	2008
Prepaid rent	$ 10,577,778	$ 10,736,868
Prepaid health benefits	1,906,327	413,106
Prepaid insurance	100,913	99,746
Other	142,057	350
Total Prepaid Expenses	$ 12,727,075	$ 11,250,070

NOTE 6 - NOTE RECEIVABLE

The District has sold several parcels of property with balances due from the sales. The total sales have been recognized as they have occurred with the balances due through June 1, 2010. The remaining note receivable balances were $4,025,000 and $4,025,000 for the years ended June 30, 2009 and 2008, respectively.

	2009	2008
Note receivable - current portion	$ 1,775,000	$ 125,000
Note receivable - noncurrent portion	2,250,000	3,900,000
Total Prepaid Expenses and Other Assets	$ 4,025,000	$ 4,025,000

Amounts Due Within	Total
1 Year	$ 1,775,000
5 Years	2,250,000
Total	$ 4,025,000

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 27,765,206	$ -	$ -	$ 27,765,206
Construction in progress	47,007,444	69,152,535	-	116,159,979
Total Capital Assets Not Being Depreciated	74,772,650	69,152,535	-	143,925,185
Capital Assets Being Depreciated				
Building	228,768,353	2,117,632	-	230,885,985
Site improvements	121,110,754	6,187,003	-	127,297,757
Equipment and furniture	20,210,995	2,119,587	-	22,330,582
Vehicles	947,064	21,436	-	968,500
Total Capital Assets Being Depreciated	371,037,166	10,445,658	-	381,482,824
Total Capital Assets	445,809,816	79,598,193	-	525,408,009
Less Accumulated Depreciation				
Building	47,822,367	10,180,557	-	58,002,924
Site improvements	26,938,322	14,484,618	-	41,422,940
Equipment and furniture	19,187,752	877,948	-	20,065,700
Vehicles	758,056	59,021	-	817,077
Total Accumulated Depreciation	94,706,497	25,602,144	-	120,308,641
Net Capital Assets	$ 351,103,319	$ 53,996,049	$ -	$ 405,099,368

Depreciation expense for the year was $25,602,144.

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 22,728,220	$ 5,036,986	$ -	$ 27,765,206
Construction in progress	151,723,771	24,043,428	128,759,755	47,007,444
Total Capital Assets Not Being Depreciated	174,451,991	29,080,414	128,759,755	74,772,650
Capital Assets Being Depreciated				
Building	85,448,866	143,319,487	-	228,768,353
Site improvements	99,233,546	21,877,208	-	121,110,754
Equipment and furniture	15,489,763	4,734,906	13,674	20,210,995
Vehicles	925,645	21,419	-	947,064
Total Capital Assets Being Depreciated	201,097,820	169,953,020	13,674	371,037,166
Total Capital Assets	375,549,811	199,033,434	128,773,429	445,809,816
Less Accumulated Depreciation				
Building	40,134,717	7,687,650	-	47,822,367
Site improvements	13,856,915	13,081,407	-	26,938,322
Equipment and furniture	15,096,529	4,104,897	13,674	19,187,752
Vehicles	699,085	58,971	-	758,056
Total Accumulated Depreciation	69,787,246	24,932,925	13,674	94,706,497
Net Capital Assets	$ 305,762,565	$ 174,100,509	$ 128,759,755	$ 351,103,319

Depreciation expense for the year was $24,932,925.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2009	2008
Vendor payables	$ 5,317,691	$ 4,594,624
Construction	16,480,574	6,875,134
Construction retention	4,311,205	4,348,998
Salaries and benefits payable	4,691,156	4,442,750
Total	$ 30,800,626	$ 20,261,506

NOTE 9 - CURRENT LOANS

At June 30, 2009, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $9,672,859, which matured in July 2009. In July 2008, the District issued $18,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.5 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable in January 2009. By June 30, 2009, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Interest	Deletions	Outstanding End of Year
2008 3.5% TRANS	$ -	$ 18,000,000	$ 12,859	$ 8,340,000	$ 9,672,859

NOTE 10 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	2009	2008
Federal financial assistance	$ 68,082	$ 197,674
State categorical aid	4,827,591	6,960,902
Other State	-	1,870,923
Enrollment fees	889,304	3,927,252
Deferred property taxes	3,308,476	-
Other local	2,380,382	1,143,755
Total	$ 11,473,835	$ 14,100,506

NOTE 11 - INTERFUND TRANSACTIONS

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

NOTE 12 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2001					
Series A	$ 32,655,000	$ -	$ 1,085,000	$ 31,570,000	$ 1,125,000
Series B	92,390,000	-	4,340,000	88,050,000	4,460,000
Series C	44,925,000	-	1,110,000	43,815,000	1,155,000
General obligation bonds, Series 2005					
Series A	86,020,000	-	2,125,000	83,895,000	2,210,000
Series B	110,000,000	-	2,600,000	107,400,000	2,795,000
Unamortized bond premium	14,397,037	-	903,630	13,493,407	736,157
Total Bonds and Notes Payable	380,387,037	-	12,163,630	368,223,407	12,481,157
Other Liabilities					
Compensated absences	13,765,807	2,283,395	2,846,677	13,202,525	2,846,677
Capital leases	127,162	25,343	52,820	99,685	55,224
Filbert Street rent	285,000	-	150,000	135,000	135,000
Claims liability	4,398,874	1,127,939	993,279	4,533,534	1,554,209
Net OPEB obligation	7,937,943	8,752,061	-	16,690,004	-
Total Other Liabilities	26,514,786	12,188,738	4,042,776	34,660,748	4,591,110
Total Long-Term Obligations	$ 406,901,823	$ 12,188,738	$ 16,206,406	$ 402,884,155	$ 17,072,267

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2001					
Series A	$ 33,695,000	$ -	$ 1,040,000	$ 32,655,000	$ 1,085,000
Series B	96,625,000	-	4,235,000	92,390,000	4,340,000
Series C	45,990,000	-	1,065,000	44,925,000	1,110,000
General obligation bonds, Series 2005					
Series A	88,060,000	-	2,040,000	86,020,000	2,125,000
Series B	-	110,000,000	-	110,000,000	2,600,000
Unamortized bond premium	10,946,372	4,019,349	568,684	14,397,037	-
Total Bonds and Notes Payable	275,316,372	114,019,349	8,948,684	380,387,037	11,260,000
Other Liabilities					
Compensated absences	11,983,302	4,353,812	2,571,307	13,765,807	2,571,307
Capital leases	163,247	100,838	136,923	127,162	47,540
Filbert Street rent	-	285,000	-	285,000	150,000
Claims liability	4,311,610	1,184,679	1,097,415	4,398,874	1,479,108
Net OPEB obligation	-	7,937,943	-	7,937,943	-
Total Other Liabilities	16,458,159	13,862,272	3,805,645	26,514,786	4,247,955
Total Long-Term Obligations	$ 291,774,531	$127,881,621	$12,754,329	$ 406,901,823	$ 15,507,955

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The accrued vacation will be paid by the fund for which the employee worked. Capital lease payments are made out of the general unrestricted fund. Payment of the OPEB obligation is made from the general unrestricted fund and the claims liability from the funds from which employee changes are accounted for.

Election of 2001, Series A, B, and C Bonds

On November 6, 2001, the voters of the District approved the issuance of $195,000,000 general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities. On March 15, 2002, $38,000,000 of San Francisco Community College District, Election of 2001, Series A Bonds were issued with a final maturity date of June 15, 2026, and interest rates of 2.5 percent to 5.375 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2002. On September 14, 2004, $110,000,000 of San Francisco Community College District, Election of 2001, Series B Bonds were issued with a final maturity date of June 15, 2024, and interest rates of 3.0 percent to 5.5 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2004. On June 20, 2006, $47,000,000 of San Francisco Community College District, Election of 2001, Series C Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2006. The outstanding principal balances of the Series A, B, and C Bonds at June 30, 2009, were $31,570,000, $88,050,000, and $43,815,000, respectively.

Election of 2005, Series A Bonds

To increase educational opportunities, raise student achievement, and improve conditions in its neighborhood campuses throughout San Francisco, the voters of the City and County of San Francisco approved a $246,300,000 General Obligation Bonds issued for the San Francisco Community College District (District) on November 8, 2005, under the provisions of Article XIIIA of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15100). The bonds were authorized pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55 percent vote. The total net proceeds of $90,000,000 from the Bonds Series A issuance received by the District (net of premium and bond issuance costs) on June 20, 2006, are to be spent on construction, renovation, and land acquisition for various approved projects. These bonds have a final maturity date of June 15, 2031, and interest rates of 4.0 percent to 5.0 percent. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2006. On December 5, 2007, $110,000,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series B Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 4.125 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2008. The outstanding principal balances of the Series A and B bonds at June 30, 2009, were $83,895,000 and $107,400,000, respectively.

Debt Maturity

General Obligation Bonds

Year of Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Redeemed	Bonds Outstanding June 30, 2009
2002	06/15/26	2.5%-5.375%	$ 38,000,000	$ 32,655,000	$ -	$ 1,085,000	$ 31,570,000
2004	06/15/24	3.0%-5.5%	110,000,000	92,390,000	-	4,340,000	88,050,000
2006	06/15/31	4.0%-5.0%	47,000,000	44,925,000	-	1,110,000	43,815,000
2006	06/15/31	4.0%-5.0%	90,000,000	86,020,000	-	2,125,000	83,895,000
2007	06/15/31	4.125%-5.0%	110,000,000	110,000,000	-	2,600,000	107,400,000
				$ 365,990,000	$ -	$ 11,260,000	$ 354,730,000

The 2001 General Obligation Bonds, Series A mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 1,125,000	$ 1,605,756	$ 2,730,756
2011	1,170,000	1,560,756	2,730,756
2012	1,220,000	1,513,956	2,733,956
2013	1,270,000	1,463,632	2,733,632
2014	1,335,000	1,395,369	2,730,369
2015-2019	7,840,000	5,818,801	13,658,801
2020-2024	11,415,000	3,450,924	14,865,924
2025-2026	6,195,000	468,500	6,663,500
Total	$ 31,570,000	$ 17,277,694	$ 48,847,694

The 2001 General Obligation Bonds, Series B mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 4,460,000	$ 4,335,826	$ 8,795,826
2011	4,615,000	4,112,826	8,727,826
2012	4,780,000	3,876,306	8,656,306
2013	4,945,000	3,625,356	8,570,356
2014	5,120,000	3,378,106	8,498,106
2015-2019	28,840,000	12,839,780	41,679,780
2020-2024	35,290,000	5,065,500	40,355,500
Total	$ 88,050,000	$ 37,233,700	$ 125,283,700

The 2001 General Obligation Bonds, Series C mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 1,155,000	$ 2,091,388	$ 3,246,388
2011	1,205,000	2,045,188	3,250,188
2012	1,260,000	1,996,988	3,256,988
2013	1,325,000	1,946,588	3,271,588
2014	1,390,000	1,880,338	3,270,338
2015-2019	8,060,000	8,365,285	16,425,285
2020-2024	10,280,000	6,360,724	16,640,724
2025-2029	13,020,000	3,543,000	16,563,000
2030-2031	6,120,000	462,500	6,582,500
Total	$ 43,815,000	$ 28,691,999	$ 72,506,999

The 2005 General Obligation Bonds, Series A mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 2,210,000	$ 3,956,446	$ 6,166,446
2011	2,310,000	3,868,046	6,178,046
2012	2,410,000	3,775,646	6,185,646
2013	2,535,000	3,679,246	6,214,246
2014	2,660,000	3,574,676	6,234,676
2015-2019	15,435,000	15,903,933	31,338,933
2020-2024	19,690,000	11,929,142	31,619,142
2025-2029	24,930,000	6,604,928	31,534,928
2030-2031	11,715,000	885,500	12,600,500
Total	$ 83,895,000	$ 54,177,563	$ 138,072,563

The 2005 General Obligation Bonds, Series B mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	$ 2,795,000	$ 5,137,306	$ 7,932,306
2011	2,935,000	4,997,556	7,932,556
2012	3,080,000	4,850,807	7,930,807
2013	3,235,000	4,727,606	7,962,606
2014	3,395,000	4,565,856	7,960,856
2015-2019	19,700,000	20,106,532	39,806,532
2020-2024	25,145,000	14,966,231	40,111,231
2025-2029	32,045,000	8,651,200	40,696,200
2030-2031	15,070,000	1,139,000	16,209,000
Total	$ 107,400,000	$ 69,142,094	$ 176,542,094

Capital Leases

The District has utilized capital leases purchase agreements to purchase equipment. The current lease purchase agreements will be paid through 2013.

The District has entered into various capital lease arrangements for equipment.

Equipment	$ 536,207
Less: Accumulated Depreciation	(436,522)
Total	$ 99,685

Amortization of the leased equipment under capital lease is included with depreciation expense.

The District's liability on lease agreements with option to purchase is summarized below:

Balance, July 1, 2008	$ 142,580
Additions	25,343
Payments	(56,043)
Balance, June 30, 2009	$ 111,880

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	$ 61,724
2011	30,679
2012	17,783
2013	1,694
Total	111,880
Less: Amount Representing Interest	(12,195)
Present Value of Minimum Lease Payments	$ 99,685

Other Postemployment Benefit Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was $13,858,484, and contributions made by the District during the year were $5,106,423, which resulted in a change in net OPEB obligation of $8,752,061. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefit plan.

Claims Liability

As more fully described in Note 14, the liability for workers' compensation claims was $4,533,534.

Compensated Absences

At June 30, 2009, the liability for compensated absences was $13,202,525.

Filbert Street Rent

On October 24, 2007, the District agreed to pay underpaid rent for property the District has been occupying. The underpaid rent has accumulated since 2001. The total unpaid rent was $435,000. As of June 30, 2009, the outstanding unpaid rent was $135,000. Final payment is due in June 2010.

NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The San Francisco Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Francisco Community College District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 908 retirees and beneficiaries currently receiving benefits and 1,685 active plan members.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2008-2009, the District contributed $5,106,423 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Normal costs	$ 13,698,154
Residual amortization	160,330
Total ARC	13,858,484
Contributions made	(5,106,423)
Increase in net OPEB obligation	8,752,061
Net OPEB obligation, beginning of year	7,937,943
Net OPEB obligation, end of year	$ 16,690,004

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	$ 13,858,484	37%	$ 16,690,004

Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return based on the assumed long-term return of Plan assets or employer assets. The cost trend rate used for the medical programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period is 30 years. The actuarial value of assets was not determined in this actuarial valuation as the District is not currently funding the liability.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance, and self-insurance. The District is fully self-insured for workers' compensation.

The District is a member of the State Wide Association of Community Colleges (SWACC) and Schools Excess Liability Fund (SELF). The District is subject to various deductible amounts in addition to payment of premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount and provide high-level umbrella type coverage above certain limits.

The risk pools are operated separately and are independently accountable for their fiscal matters. The risk pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements for the pools can be obtained from the District.

During the fiscal year, the District finances its risk of loss for the following deductible portion of the general liability, automotive liability, property claims, and student professional liability as follows:

General Liability	$50,000
Automobile Liability	$50,000
Property	$25,000
Student Professional Liability	$ 5,000

Estimates of liabilities for open claims, both reported and unreported, are established by the District's external administrator for known claims and by periodic actuarial valuations.

A number of claims and suits are pending against the District. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of February 1, 2005, the District became a charter member of the Community College Insurance Group (CCIG). The District's membership is limited to dental insurance. As a result, the District transitioned from a self-insured system to a premium system. Premiums are adjusted annually based upon the previous year's experience.

As of June 30, 2009 and 2008, liability for claims amounted to $4,533,328 and $4,398,874, respectively.

Changes in the claims liability amount in the fiscal year 2008-2009 and 2007-2008 were:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability	Amount Available to Fund Liability
As of June 30, 2009					
Workers' Compensation	$ 4,398,874	$ 1,127,939	$ 993,279	$ 4,533,534	$ 1,554,415
As of June 30, 2008					
Workers' Compensation	$ 4,311,610	$ 1,184,679	$ 1,097,415	$ 4,398,874	$ 1,955,814

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were $8,434,400, $8,316,993, and $7,639,171, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to CalSTRS on behalf of all community colleges in the State.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (seven percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate on behalf of both the employer and employees to CalPERS for fiscal year 2008-2009 was 18.065 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were $560,113, $567,869, and $561,905, respectively, and equaled 100 percent of the required contributions for each year.

San Francisco Employees Retirement System (SFERS)

Plan Description

SFERS is a separate County department, deriving its powers, functions, and responsibilities from the County charter and ordinances of the Board of Supervisors. SFERS is reported as a single-employer defined benefit pension plan even though it includes a limited number of employees from the District and the Unified School Districts. Certain classified permanent full-time employees and certain certified employees are eligible members for SFERS. SFERS provides retirement, disability, and survivor benefits based on the employee's years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. SFERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to San Francisco City and County Employees' Retirement System, 30 Van Ness, Suite 3000, San Francisco, CA 94102, or by calling 415-487-7020.

Funding Policy

Contributions are made to the basic plan by the District employees. Employee contributions are mandatory. The employee contribution rate for the fiscal years 2009 and 2008 was 7.5 percent (8.0 percent for members prior to November 1976) as a percentage of gross salary. The District makes the contributions required of District employees on their behalf for their account. The funding policy SFERS provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to SFERS to pay benefits when due. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. Based on the actuarial report, and due to benefit increases authorized by City Voters and investment performance below projected levels from 2000 through 2003, the Retirement Board required employer contributions of 6.58 percent and 6.58 percent for fiscal years 2009 and 2008. For the fiscal years ended June 30, 2009, 2008, and 2007, the District contributed $5,449,463, $5,702,293, and $5,440,510, respectively.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system must be covered by Social Security or an alternative plan. Full-time CalPERS and CalSTRS employees do not participate in Social Security. Part-time eligible CalSTRS employees may elect to participate in Social Security instead of participating in CalSTRS. Contributions made by the District and employees vest immediately. The District contributes 6.2 percent of an employee's applicable earnings up to a maximum amount that varies from year to year. An employee is required to contribute 6.2 percent of their applicable earnings to this plan up to a maximum amount that varies from year to year. The contributions made for the years ended June 30, 2009, 2008, and 2007, were $3,063,178, $3,014,394, and $2,745,970, respectively.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007 which amounted to $4,958,338, $4,916,747, and $4,483,947, respectively, (4.517 percent) of salaries subject to CalSTRS. No contributions were made to CalPERS for the years ended June 30, 2009, 2008, and 2007. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was $19,472,263. As of July 20, 2009, $0 remains outstanding. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2010	$ 1,858,707
2011	359,411
2012	285,358
2013	244,875
2014	244,875
Thereafter	16,800
Total	$ 3,010,026

Construction Commitments

The District is involved with various long-term construction and renovation projects throughout the District. The projects are in various stages of completion and are funded through the voter approved general obligation bonds. The outstanding commitments at June 30, 2009, were approximately $67 million.

As of the date of this audit report, the District is attempting to renegotiate the term of a long-term receivable with a current balance of $1.65 million. The District is attempting to collect this amount in future periods. The District has determined this amount to be fully collectable. While the collectability of the receivable has not been questioned, the terms may be substantially altered in the negotiation process.

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges (SWACC), the School Excess Liability Fund (SELF), and Community College Insurance Group (CCIG) Joint Powers Authority (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 18 - SUBSEQUENT EVENTS

The District issued $36,000,000 of Tax and Revenue Anticipation Notes dated August 1, 2009. The notes mature on June 30, 2010, and yield 2.25 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2010 until 100 percent of principal and interest due is on account in April 2010.

On July 29, 2009, under the authority of the City and County of San Francisco Charter Section 9.113(b), the District was authorized to transfer up to $33 million from City and County pooled funds through June 30, 2010, in order to meet authorized expenditures. Funds advanced to the District will be charged interest at the Treasurer's pooled funds interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Actual Payroll (c)	UAAL as a Percentage of Actual Payroll ([b - a] / c)
June 30, 2009	$ -	$156,918,436	$ 156,918,436	$ -	$ 119,914,051	130.9%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2009

The San Francisco Community College District was established in 1935. The District currently operates nine college campuses located throughout the City of San Francisco. The District includes one college accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Milton Marks III	President	2013
Dr. Natalie Berg	Vice President	2013
Dr. Anita Grier	Member	2011
Mr. Chris Jackson	Member	2013
Mr. Steve Ngo	Member	2013
Mr. John Rizzo	Member	2011
Mr. Lawrence Wong	Member	2011
Mr. Joshua Nielsen	Student Trustee	2010
Dr. Don Q. Griffin	Secretary	

ADMINISTRATION

Dr. Don Q. Griffin	Chancellor
Mr. Peter Goldstein	Vice Chancellor of Finance and Administration
Mr. John Bilmont	Chief Financial Officer

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Program Name	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Assistance Cluster		
Federal Pell Grant	84.063	$ 19,777,994
Federal Pell Grant Administrative	84.063	34,535
Federal Academic Competitiveness Grant 1 and 2	84.375	119,850
Federal Perkins Loan	84.038	16,510
Federal Family Educational Loans	84.032	7,850,429
Federal Work-Study Program	84.033	678,674
Federal Supplemental Educational Opportunity Grants	84.007	755,209
Subtotal Financial Assistance Cluster		29,233,201
TRIO Student Support Service	84.042	374,688
Strengthening Minority-Serving Institutions	84.382B	261,110
Passed through San Francisco State University		
Fund for the Improvement of Postsecondary Education	84.116B	76,673
Passed through San Francisco Unified School District		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	107,300
Passed through California Department of Education (CDE)		
Vocational English as a Second Language	84.002A	915,391
Adult Secondary Education	84.002A	9,856
Civics Education	84.002A	76,572
Passed through California Post-Secondary Education Commission		
Improving Teacher Quality	84.367	126,328
Passed through California Community Colleges System's Office		
Career and Technical Education Act - Title I, Part C - Basic Grants to States	84.048	1,726,486
Passed through Peralta Community College		
Career and Technical Education Act - Title I, Part C - Basic Grants to States	84.048	12,000
Passed through Los Rios Community College		
Career and Technical Education Act - Title I, Part C - Basic Grants to States	84.048	5,000
Passed through California Community Colleges System's Office		
Career and Technical Education Title IB - State Leadership	84.051	100,000
Career and Technical Education Title IE - Tech Prep	84.243	81,405
Passed through Peralta Community College		
Career and Technical Education Title IE - Tech Prep	84.243	12,000
TOTAL U.S. DEPARTMENT OF EDUCATION		33,118,010

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Program Name	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)		
Passed through California Community Colleges System's Office		
Temporary Assistance for Needy Families	93.558	$ 147,909
Passed through California Department of Education (CDE)		
Child Care Development Block Grant - Others	93.575	207,961
Child Care Development Block Grant - Early Childhood Mentoring Program	93.575	2,868,958
Subtotal Child Development Fund Cluster		3,076,919
Passed through California Department of Health Services		
Medical Administrative Activities - Reimbursements	93.778	346,734
Passed through San Francisco Department of Health and Human Services		
Title IV-E Foster Care Training	93.658	880,000
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		4,451,562
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grant -Technical Assistance - Small Business	14.227	101,842
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		101,842
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act Cluster		
Passed through the State of California Employment Development Department		
Workforce Investment - Bay Area Biotech	17.258	140,240
Passed through the California Community College System's Office		
Workforce Investment - Nurse Expansion Program	17.258	593,911
Passed through the Private Industry Council of San Francisco Inc		
Workforce Investment - 25% Veterans Training Fund	17.258	35,003
Workforce Investment - 15% Veterans Training Fund	17.258	37,583
Subtotal Workforce Investment Act Cluster		806,737
Passed through the Private Industry Council of San Francisco Inc		
Trade Adjustment Act - Private Industry Council - Wrap Around	17.245	59,811
TOTAL U.S. DEPARTMENT OF LABOR		866,548
U.S. ENVIRONMENTAL PROTECTION AGENCY - DIRECT		
Bridging the Biodiesel Gap	66.034	110,216
U.S. DEPARTMENT OF AGRICULTURE		
Passed through California Department of Education		
Child and Adult Food Program	10.558	92,402
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES		
Passed through the Foundation for California Community Colleges		
Americorps	94.006	200

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Program Name	CFDA Number	Program Expenditures
NATIONAL SCIENCE FOUNDATION		
Education and Human Resource - National Tech Center for Biolink	47.076	$ 584,037
Education and Human Resource - Institute for Convergence of Optical and Network Systems	47.076	95,344
Education and Human Resource - Calibrated Peer Review	47.076	2,314
Education and Human Resource - Scholarships in Science, Tech, Engineering, and Math	47.076	99,648
Education and Human Resource - Institute for Women in Trade, Tech, and Science	47.076	6,978
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center	47.076	377,673
TOTAL NATIONAL SCIENCE FOUNDATION		1,165,994
SMALL BUSINESS ADMINISTRATION		
Small Business Development Center	59.037	241,215
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 40,147,989

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

	Program Entitlements		
Program Name	Current Year	Prior Year Carryover	Total
AB 1725 - Staff Development and Diversity Programs	$ 32,088	$ 103,257	$ 135,345
Alameda County Children Families Community	-	127,942	127,942
Basic Skills - One-Time and Ongoing	2,015,034	2,777,787	4,792,821
Board of Financial Aid Program	1,001,406	-	1,001,406
CA High School Exit Exam Preparation Program Fund	-	88,211	88,211
Cal Grant	1,419,998	1,914	1,421,912
CALWORKS/Temporary Assistance for Needy Families	847,403	-	847,403
California Nursing Support	295,249	339,392	634,641
Career Technical Education - Workforce Hub	1,332,200	269,644	1,601,844
Center Based Child Development	612,826	-	612,826
Child Care Food Program - State Share	-	7,350	7,350
Child Care Tax Bailout	157,435	-	157,435
Disabled Students Programs and Services (DSPS)	3,208,895	-	3,208,895
Economic Development	1,473,703	484,621	1,958,324
Extended Opportunity Programs and Services (EOPS)	1,847,675	-	1,847,675
Family Pact Medicaid	102,317	-	102,317
Foster Parenting	90,793	-	90,793
Foundation Ca Community College/Temporary Assistance for Needy Families	59,850	-	59,850
Instructional Equipment and Replacement Block Grant	697,533	970,885	1,668,418
John Adams Campus - Modernizations	-	17,123,891	17,123,891
Matriculation Credit and Non-Credit	4,578,940	-	4,578,940
Prop 20 GC Section 888.4 - Cardenas Textbook	549,514	426,100	975,614
San Francisco Chinatown Campus Building, Preliminary Plan	177,000	167,000	344,000
San Francisco First Five	410,905	-	410,905
San Francisco Mission Campus Equipment	-	4,192	4,192
San Francisco - Joint Use Facility	37,163,000	-	37,163,000
Scheduled Deferred Maintenance and Repairs (SMSR) - One-Time	198,257	2,331,581	2,529,838
Scheduled Deferred Maintenance and Repairs (SMSR) - Ongoing	197,439	-	197,439
State Preschool	1,019,654	-	1,019,654
Telecommunications and Tech Infrastructure Program	36,036	65,712	101,748
Transfer and Articulation	4,000	14,793	18,793
TOTAL STATE AWARDS			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 135,345	$ -	$ 101,755	$ 33,590	$ 33,590
20,825	12,338	-	33,163	33,163
4,804,759	-	230,383	4,574,376	4,574,376
1,001,381	-	2,824	998,557	998,557
-	-	-	-	-
1,379,574	42,338	-	1,421,912	1,421,912
847,403	-	-	847,403	847,403
587,401	47,240	219,291	415,350	415,350
1,365,891	105,448	865,440	605,899	605,899
349,568	65,841	-	415,409	415,409
4,157	898	-	5,055	5,055
157,435	-	-	157,435	157,435
3,215,600	-	379,506	2,836,094	2,726,851
1,685,941	261,959	439,329	1,508,571	1,508,571
1,847,675	-	135,082	1,712,593	1,712,593
102,317	-	-	102,317	-
33,854	56,939	-	90,793	90,793
21,569	13,218	-	34,787	34,787
1,668,418	-	1,174,292	494,126	494,126
10,339,968	6,783,923	-	17,123,891	17,123,891
4,578,940	-	268,586	4,310,354	4,310,354
19,399	530,115	-	549,514	975,614
344,000	-	-	344,000	344,000
192,890	162,033	-	354,923	354,923
-	4,192	-	4,192	4,192
-	9,103,077	-	9,103,077	9,103,077
2,454,233	-	952,287	1,501,946	1,467,322
197,439	-	-	197,439	197,439
787,056	99,232	-	886,288	886,288
101,747	-	42,834	58,913	58,913
18,793	-	15,982	2,811	2,812
$ 38,263,578	$ 17,288,791	$ 4,827,591	$ 50,724,778	$ 50,904,695

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE
AS OF JUNE 30, 2009

CATEGORIES	*(Revised) Reported Data	Audit Adjustments	Audited Data
Credit Full-Time Equivalent Student (FTES)			
A. Summer Intersession (Summer 2008 only)			
1. Credit	-	-	-
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Credit	2,069	-	2,069
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure			
(a) Weekly Census Contact Hours	19,644	-	19,644
(b) Daily Census Contact Hours	2,272	-	2,272
2. Actual Hours of Attendance			
(a) Credit	255	-	255
3. Independent Study/Work Experience			
(a) Weekly Census Procedures Courses	1,527	-	1,527
Subtotal	25,767	-	25,767
Noncredit FTES			
A. Summer Intersession (Summer 2008 only)			
1. Noncredit	225	-	225
			493
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit	493	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Actual Hours of Attendance			
(a) Noncredit	11,252	-	11,252
2. Independent Study/Work Experience			
(a) Noncredit Independent Study	43	-	43
Subtotal	12,013	-	12,013
Total FTES	37,780		37,780
Basic Skills Courses			
1. Noncredit			8,956
2. Credit			3,362
Total Basic Skills FTES			12,318

* Annual report revised as of October 1, 2009.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Fund	Child Development
June 30, 2009, Annual Financial and Budget Report (CCFS-311)		
Reported Fund Balance	$ 26,050,891	$ 131,050
Adjustments to Decrease Fund Balance		
Accounts Receivable	197,427	(501,791)
Accounts Payable	(733,716)	-
Audited Fund Balance	$ 25,514,602	$ (370,741)

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE UNRESTRICTED GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2009

	(Budget)* 2010	2009	2008	2007
UNRESTRICTED GENERAL FUND				
Revenues				
Federal	$ -	$ -	$ 118,225	$ 84
State	111,735,518	125,531,407	124,145,395	118,380,568
Local	80,888,838	72,844,701	68,937,630	68,082,481
Other sources and transfers in	900,000	132,080	91,802	290,875
Total Revenues and Other Sources	193,524,356	198,508,188	193,293,052	186,754,008
Expenditures				
Academic salaries	94,583,441	100,081,054	99,693,615	93,672,123
Classified salaries	38,452,411	41,829,826	40,087,611	35,846,246
Employee benefits	42,409,447	38,301,284	36,321,807	33,553,968
Supplies and materials	2,022,243	2,139,779	2,348,887	2,429,405
Other operating expenses	13,298,218	14,899,734	13,826,544	12,865,942
Capital outlay	130,780	148,602	267,506	121,262
Other uses and transfers out	2,627,816	2,014,418	1,220,750	1,287,105
Total Expenditures and Other Uses	193,524,356	199,414,697	193,766,720	179,776,051
INCREASE (DECREASE) IN FUND BALANCE	-	(906,509)	(473,668)	6,977,957
Adjustment to Fund Balance	-	-	-	(2,023,797)
ENDING FUND BALANCE	$ 20,298,230	$ 20,298,230	$ 21,204,739	$ 21,678,407
AVAILABLE RESERVES **		$ 9,304,516	$ 8,944,399	$ 8,853,156
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO		4.7%	4.6%	4.9%

The Unrestricted General Fund balance includes the Departmental Funds and has remained consistent the past three years. From fiscal year 2007 to 2008, the fund balance decreased by $473,668. From fiscal year 2008 to 2009, the fund balance decreased by $906,509. The fiscal year 2010 budget projects no change. The District will continue efforts to keep available reserves within the guidelines for community college districts. For a district the size of the San Francisco Community College District, recommended reserves should be approximately five percent of total Unrestricted General Fund total outgo (expenditures, transfers, and other uses).

* The year 2010 Unrestricted General Fund Budget was taken from the Annual Budget 2009-2010 Final Recommendation to the Board dated October 22, 2009.

** Available reserves consist of all funds designated for general reserves and undesignated balances in the unrestricted General Fund and Departmental Funds.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
General Funds	$ 25,514,602	
Special Revenue Funds	(370,741)	
Capital Project Funds	114,000,173	
Enterprise Funds	1,770,868	
Internal Service Funds	(2,443,060)	
Fiduciary Funds	4,993,723	
Total Fund Balance - All District Funds		**$ 143,465,565**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	525,408,009	
Accumulated depreciation is	(120,308,641)	
Less fixed assets already recorded in the enterprise and fiduciary funds	(48,595)	405,050,773
Amounts held in trust on behalf of others (Trust and Agency Funds)		(1,163,411)
Expenditures relating to the issuance of debt were recognized on modified accrual basis, are amortized over the life of the debt on the accrual basis.		2,505,187
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(713,613)
Long-term obligations at year-end consist of:		
Bonds payable	368,223,407	
Capital leases payable	99,685	
Net OPEB obligation	16,690,004	
Other long-term obligations	135,000	
Compensated absences	13,202,525	
Less compensated absences already recorded in funds	(406,006)	(397,944,615)
Total Net Assets		**$ 151,199,886**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

Federal Expenditures per SEFA	$ 40,147,989
Medical Administrative Activities Entitlement Revenues Over Expenditures	377,659
Total Federal Revenue per Statement of Revenues, Expenses, and Change in Net Assets	$ 40,525,648

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Program Name	CFDA Number	Subrecipient Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)		
Child Development Block Grant	93.575	$ 40,901
U.S. DEPARTMENT OF LABOR		
Workforce Investment - Bay Area Biotech	17.258	15,130
Trade Adjustment Act - Private Industry Council - Wrap Around	17.245	69,806
TOTAL DEPARTMENT OF LABOR		84,936
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Bridging the Biodiesel Gap	66.034	76,793
NATIONAL SCIENCE FOUNDATION		
Education and Human Resource - National Tech Center for Biolink	47.076	65,923
Education and Human Resource - Institute for Convergence of Optical and Network Systems	47.076	37,113
Education and Human Resource - Tech Voc Institute/Biolink	47.076	145,000
Education and Human Resource - Calibrated Peer Review	47.076	12,689
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center	47.076	4,564
TOTAL NATIONAL SCIENCE FOUNDATION		265,289
TOTAL FEDERAL AWARDS		$ 467,919

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

Schedule of Workload Measures for State General Apportionment - Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Schedule of Financial Trends and Analysis of the Unrestricted General Fund

This schedule provides the financial trends of the Unrestricted General Fund on a modified accrual basis over the past three fiscal years, as well as the budget for the fiscal year ending June 30, 2010. This schedule is intended to identify if the District has potential fiscal problems and if they have met the recommended available reserve percentages.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

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*

Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited the financial statements of the business-type activities of San Francisco Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated January 15, 2010. We conducted our audits 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

In planning and performing our audits, 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 opinions 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 financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Francisco Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-12.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Francisco Community College District's financial statements are free of material misstatement, we performed tests of its 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

We noted certain matters that we reported to management of San Francisco Community College District in a separate letter dated January 15, 2010.

San Francisco Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Francisco Community College District's responses and, accordingly, express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 15, 2010

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
San Francisco Community College District
San Francisco, California

Compliance

We have audited the compliance of San Francisco Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. San Francisco Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Francisco Community College District's management. Our responsibility is to express an opinion on San Francisco Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Francisco Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Francisco Community College District's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs as items 2009-13 through 2009-15, the District did not comply with requirements regarding physical inventory of equipment purchased with Federal dollars and suspension and debarment policy or procedure that are applicable to Career and Technical Education Act - Title I, Part C. Also, the District did not comply with requirements regarding Allowable Costs Time and Effort Reporting that are applicable to Career and Technical Education Act - Title I, Part C, Vocational English as a Second Language, Adult Secondary Education, and Civics Education. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, San Francisco Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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Internal Control Over Compliance

The management of San Francisco Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Francisco Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Francisco Community College District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-13 through 2009-15 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

San Francisco Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Francisco Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
January 15, 2010

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

REPORT ON STATE COMPLIANCE

Board of Trustees
San Francisco Community College District
San Francisco, California

We have audited the compliance of San Francisco Community College District (the District) with the types of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about San Francisco Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Francisco Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment
Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts
Section 425: Residency Determination for Credit Courses
Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 432: Enrollment Fee
Section 426: Students Actively Enrolled

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Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, San Francisco Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2009-16 and 2009-17.

San Francisco Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Francisco Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 15, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified

Unqualified for all major programs except for the following program which was qualified:

84.048	Career and Technical Education Act - Title I, Part C - Basic Grants to States
84.002A	Vocational English as a Second Language
84.002A	Adult Secondary Education
84.002A	Civics Education

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.375, 84.038, 84.032, 84.033, and 84.007	Student Financial Assistance Cluster
84.048	Career and Technical Education Act - Title I, Part C - Basic Grants to States
84.002A	Vocational English as a Second Language
84.002A	Adult Secondary Education
84.002A	Civics Education

Dollar threshold used to distinguish between Type A and Type B programs:	$1,204,440
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2009-1 CAPITAL ASSET REPORTING

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America and best accounting practices require a system of internal control over capital assets that will provide for both the safekeeping of District-owned assets and the proper recordkeeping of the assets' net book values.

Condition

Significant Deficiency - The accounting for capital assets and the related valuations has primarily been completed only at year-end. The review and analysis of purchases, disposals, and other changes in the capital asset accounts has a significant impact on the financial statements as a whole and has not been reconciled during the year. The District has a valuation of over $400 million in a range of assets including land, construction in progress, buildings and improvements, and equipment. The capital asset valuation represents approximately 65 percent of the District's total assets.

A physical inventory of the equipment actually owned by the District has not been conducted on a timely basis in the past four fiscal years to determine whether all items purchased and capitalized are still in use as intended in the operations of the District.

The District has established a capitalization threshold for equipment and construction at $5,000. This threshold was established over eight years ago with the implementation of GASB Statement No. 35 and does not appear to meet the current needs and reporting requirements of the District.

Recommendation

The District Business Office should establish a procedure to identify asset expenditures through the year as they occur and update the capital asset listing at least quarterly. This update should include a reconciliation of all construction accounts and equipment expense accounts to ensure all items meeting the threshold for capitalization are met.

The District should review and evaluate the capitalization policy and procedure to ensure that construction related expenditures are captured at a level that reflects true new construction and does not require the District to continue to account for expenditures that are more repairs and modifications in nature.

District Response

The District concurs with this finding and recognizes the increased workload associated with the District's capital project expansion. The District will fold these duties into the bond accountant position covering Facilities and Construction. These duties will be part of the quarterly closeout process.

2009-2 DEFICIT ENDING BALANCE – WORKERS' COMPENSATION FUND

Criteria or Specific Requirement

Best accounting practices require the District to maintain adequate financial resources, both at an entity-wide level and at the specific fund level.

Condition

Significant Deficiency - As noted in the prior year's report, the District maintains a Self-Insurance Fund for employee workers' compensation benefits. The District has received an actuarial report noting the liability both for current claims and for those claims incurred, but not reported and has posted a liability within this fund in the amount of $4.5 million. The self-insurance fund does not have sufficient assets to cover this liability which has resulted in a negative retained earnings balance of $(2.4) million. This liability would ultimately become the responsibility of the various funds within the District which record payroll expense - specifically the District's Unrestricted General Fund. This has the possibility of negatively impacting the financial stability of the operations of the District.

Recommendation

The District should review the actuarial report obtained for works' compensation benefits and determine a funding rate through payroll which will provide adequate resources to offset the liability in the Workers' Compensation Fund. The established rate for payroll should be applied across all funds and programs and accounted for in the Workers' Compensation Fund.

District Response

The unfunded liability identified by the auditors represents a future cost spread over 29 years as calculated by an actuary for current workers' compensation claims. When funding improves, the District will be in a better position to modify payroll expense charges for this item and reduce the unfunded liability.

The District charges all funds with recorded payroll expense a workers' compensation charge. This rate is reviewed annually in February and March during the planning process for the annual budget each fiscal year. The District determined during this budget process that there would not be sufficient additional resources during the 2008-2009 year to support an increase in the workers' compensation rate applied to payroll. The decision was to leave the rate unchanged until overall funding improves.

2009-3 FORM 700 STATEMENT OF ECONOMIC INTERESTS

Criteria or Specific Requirement

The Political Reform Act and The California Fair Political Practices Commission require that Form 700 Statement of Economic Interests be filed by State and Locally Elected Officials and Employees designated in a Conflict-of-Interest Code no later than April 1.

Condition

Significant Deficiency - It was noted that Form 700 was not completed and maintained for all of the required individuals, and many of those collected were not collected within the required time frame. Current policy requires certain management level employees to complete and sign the Statement of Economic Interest annually. This policy has not been updated to include others within the District that may have the ability to contract with vendors on behalf of the District, or may be in a position to influence contracts with vendors. It was noted 13 of the 18 individuals required to complete Form 700 had either not turned in the form, or had turned it in late.

Recommendation

It is recommended that the District implement procedures and assign a responsible individual to ensure that Form 700 Statement of Economic Interests is turned in by all necessary personnel within the required time frame.

District Response

The District concurs with the auditor's finding. The District will implement procedures and will assign the General Counsel and the Internal Auditor the responsibility to ensure that Form 700 Statement of Economic Interest is submitted by all necessary personnel within the required time frame.

2009-4 RESTRICTED GENERAL FUND ACTIVITY

Criteria or Specific Requirement

As defined in the State System's Office's *Budget and Accounting Manual*, the Restricted General Fund is used to account for resources available for the operation and support of the educational programs that are specifically restricted by laws, regulations, donor, or other outside agencies. Such externally imposed restrictions are to be contrasted with internally created designations.

Condition

Significant Deficiency - Included within the Restricted General Fund are fees and services and internal service operations that do not meet the definition of restricted activities within the State System's Office's *Budget and Accounting Manual*. These revenues and expense activities should be properly accounted for within the Unrestricted General Fund. By not including this activity within the Unrestricted General Fund, the District is at risk of incorrectly calculating such required reports as the 50% Law Calculation included within the CCFS-311.

Recommendation

The District should revise its chart of accounts and procedures related to accounting for unrestricted activities to ensure that all unrestricted activity is accounted for in the unrestricted General Fund.

District Response

The District concurs with this recommended accounting change. The reclassification of these restricted special revenue funds and designated funds categories to unrestricted and/or designated unrestricted will be readily accomplished. The District recalculated the 2008-2009 CCFS-311 50% Law Calculation and is still in compliance with said law after their inclusion.

2009-5 ACCRUED VACATION

Criteria or Specific Requirement

The District is required to account for, monitor, and record all vacation related liabilities. Records that support the basis of the calculation must be maintained.

Condition

Significant Deficiency - The current procedure related to the vacation accrual is unclear as to the amount of vacation that can accrue and the proper calculation for determining the actual amount that will be allowed for the time off and/or paid out upon resignation or termination. A cap of 60 days of vacation that can be carried over from one year to the next and paid out upon retirement or resignation from the District has been put in place; however, there are instances of balances over the cap being accrued during the year-end closing process. The District's current accrual for the current and long-term portions of the vacation liability is over $13.2 million. It was noted that this amount includes the accrual of balances in excess of the 60 day cap.

Recommendation

It is recommended that the District review its procedures relative to the vacation accrual calculation to provide for clear determinations of the amount of vacation that can vest and accrue and the proper calculation for determining the amount that will be paid out upon retirement, resignation, or termination.

District Response

The District partially concurs with this finding; there is a difference between calculating potential future liability for financial statement purposes and calculating the actual payout when a District employee separates from service. While Administrative Regulation (AR) 3.11.02 provides clear and unambiguous direction regarding the District's policy scope and implementation of vacation policy, the District agrees that the procedures should be expanded to include illustrating calculation methods, as well as examples for Payroll and Human Resources staff as to the calculation of the payout of unused vacation pay benefits.

The District does perform payout computations at the point of separation from service correctly and consistently; however, we will provide in-service training for the District personnel handling year-end accruals so the policy and its impact on accrued vacation is clearly communicated.

2009-6 INSTRUCTOR OVERLOAD

Criteria or Specific Requirement

The District is required to account for and monitor all known liabilities as of year end. Records that support the basis of the calculation must be maintained.

Condition

Significant Deficiency - It was noted that information relating to the load banking liability provided to instructors has not been provided to the District Business Office for recording on the year end financial statements of the District. Currently, all information related to instructors teaching over their contracted load and the subsequent usage of the "over load" is maintained in the instructional offices and is not provided to the payroll business office for monitoring or recognition as a liability in the annual financial statements. There are no procedures currently in place to monitor and accrue the financial liability owed to faculty.

Recommendation

It is recommended that the District review and revise its procedures for granting over load to involve the business services department and ensure that the amounts are properly accrued and reported in the District's financial statements.

District Response

Information related to the instructor over load liability will be provided to the District Business Office every October for recording on the year-end financial statements of the District.

2009-7 ADMISSIONS AND RECORDS CASHIERING CONTROLS

Criteria or Specific Requirement

The District is required to adopt and implement an internal control structure that ensures all information is captured and included in the financial records.

Condition

It was noted that the employees in the admissions and records office were able to circumvent the point of sale system and process transactions without entering them into the system. This was accomplished by modifying or not implementing the controls that were provided with the District's automated software system. The cashiering function at the campuses will receive and record the payment of student enrollment fees, transcript fees, and instructional material fees, as well as other payments owed from students to the District. The Admissions and Records Office is charged with providing information to the student, such as transcripts, based upon the payment received. The District's reconciliation process after year end noted student fees for transcripts had been collected in the admissions and records office and not deposited with the cashier. This deposit was made and recorded in the District's final financial activity reports.

Recommendation

It is recommended that the automated procedures be revised to limit access override of internal controls within the accounting system to those employees in management positions. Any changes in automated controls should generate a report which is provided independently to the internal auditor for review and approval.

District Response

The District concurs with the auditor's finding. The District's senior management has implemented corrective actions to ensure adequate internal controls are in place and operating effectively to prevent similar incidents in the future.

2009-8 ACCESS TO CONFIDENTIAL DATA

Criteria or Specific Requirement

It is the District's responsibility to ensure all confidential information is properly secured.

Condition

Significant Deficiency - There is not a clearly documented procedure that is used when an employee resigns or is terminated to ensure that access to confidential electronic District records has been removed.

Recommendation

It is recommended that the District review and revise its procedures where appropriate for termination of employees to include steps to ensure that the former employee's access to confidential data is removed.

District Response

When an employee leaves employment with San Francisco Community College District, they must return all supplies, keys, identification cards, access cards, and other District property. The Human Resources Department is working on implementing an exit interview process to include communication (via regular separation report) with respective District Personnel/Departments so they can follow up with the employee prior to separation to retrieve District property. This will include: Library (books and learning resources), IT (e-mail, Banner software access, laptop computers), Public Safety Department (parking permits), and Buildings and Grounds (building keys, voice mail). This communication will ensure the access noted above is removed for all separated employees.

2009-9 PAYROLL

Criteria or Specific Requirement

The Board of Trustees is responsible for approving salary schedules for which the employees of the District are being paid from. These schedules are to be utilized by the District Office to determine the correct amount to pay each employee.

Condition

During testing of internal controls over payroll, it was noted that the salary schedules for certain classes of employees were moved to a "Step 0" as a cost reduction procedure and that these schedules have not been formally approved by the Board of Trustees. This "Step 0" is approximately half way between the two approved salary schedules to limit the amount of the salary increase. These variations from the approved salary schedules were approved by a prior administration, and while the salary placements were approved by the Board, the placement of specific classes of employees to the "Step 0" placements has not been specifically approved.

Recommendation

The "Step 0" salary schedule and all subsequent modifications and movements on the schedule should be brought to the Board for approval.

District Response

The District will bring an alternative solution to the Board for approval to amend the salary table by adding a footnote clearly stating that the salaries that are between steps as of January 1, 2010, will receive step increases of 4.5 percent when they are eligible for such steps until they reach Step 9. Afterwards, they will receive half-step increases of 2.25 percent when they are eligible, except for their final half step where their salary increase will be reduced to less than 2.25 percent to ensure their salary does not exceed the maximum approved by the Board of Trustees for their position.

2009-10 NOTES RECEIVABLE ALLOWANCE

Criteria or Specific Requirement

Best accounting practices require that long-term receivables be evaluated for collectability on a regular basis and that an allowance account be used to account for the estimated uncollectable amount.

Condition

The District has not implemented a control that consistently monitors the collectability of the long-term receivables recorded on the financial statements. The District is currently carrying $4,025,000 in long-term receivables from the sale of District property.

Recommendation

A procedure to evaluate the collectability for all long-term receivables and review the allowance account to properly value their receivables as needed should be established. This allowance account should be accounted for on the District's general ledger as a contra asset account.

District Response

The District has assessed and evaluated the long-term receivables associated with the sale of District property. The District has determined that the receivable is fully recoverable. The District will perform in-service training for District personnel and will make modifications to the year-end close out procedures to ensure proper documentation of any allowance that is necessary.

2009-11 INSTRUCTIONAL SERVICE AGREEMENT ACCRUALS

Criteria or Specific Requirement

Governmental accounting policies and the California Community College Budget and Accounting Manual require the use of the modified accrual basis of accounting within the fund financial statements. Modified accrual requires expenditures to be recognized in the period the associated liability is incurred.

Condition

Significant Deficiency - Invoices received by the instructional offices and program administrators for payment of services rendered in accordance with approved instructional service agreement contracts were not forwarded to the District Business Office for proper accounting and accrual within the financial activity of the District. Invoices in the amount of approximately $773,000 were approved for payment in November, although the invoices were received between February and June 2009 for services rendered. An audit adjustment in this amount was proposed and approved for posting to be included in the final financial activity for the District as of June 30, 2009. It appears these contracts were not approved on a timely basis by the program administrator resulting in the late notification of the invoices.

Recommendation

An effective control needs to be implemented to ensure all invoices throughout the District are submitted timely to the Business Office and properly recorded in the District's financial statements. A procedure to separate the instructional component of the Instructional Service Agreements from the receipt of payments for such services should be implemented with notification of completed contracts forwarded immediately to the District Business Office in anticipation of the invoices that will be presented for the services rendered.

District Response

The District's year-end close process includes a search for all invoices that were received outside the District Business Office. This process specifically included a search for unrecorded Instructional Services Agreements (ISA) invoices.

The following modifications of internal procedures have been effected to correct deficiencies in the identification and recordation of ISA transactions to assist program administrators to identify liabilities incurred during an annual fiscal measurement period.

The modifications are first, the District will always include terms and provisions in its contracts that specify the time frame and deadlines for invoice submission(s) and billings back to the District consistent with the *Education Code*. This becomes especially important in multi-year contracts like ISAs. Second, the District has revised the procedures for ISA origination billings so that any invoices the District generates related to ISAs will have a corresponding ISA liability recorded in the balance sheet at an amount and that matches as closely as possible the ISA contract formulae. These two changes – one Contract and one Billing procedure – will identify the liabilities from ISAs incurred during an annual fiscal measurement period.

2009-12 RELATED PARTY TRANSACTIONS

Criteria or Specific Requirement

Best accounting practices require a system of internal control which captures all financial activity within the organization and all related parties.

Condition

Significant Deficiency - Transactions between the District and The Foundation of City College of San Francisco (the Foundation) have not been reconciled on a timely basis. The Foundation provides support to the District for student scholarships and educational program funding. The District provides support to the Foundation for staffing and facilities. The financial activity between the two entities was not reconciled at year end.

The District's control over the review of all inter-related transactions did not operate effectively.

Recommendation

A reconciliation of all transactions between the District and the Foundation should be performed during the year and at year end. The final reconciliation should be reviewed and approved by the Foundation Executive Director and the District Chief Financial Officer prior to final posting.

District Response

The District concurs with this finding.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2009-13 EQUIPMENT PURCHASE AND SAFEKEEPING

Federal Program Affected

U.S. Department of Education (DOE), Career and Technical Education Act (CTEA) - Title I, Part C - Basic Grants to States (CFDA #84.048).

Criteria or Specific Requirement

OMB Circular A-110, Subpart C, Section 34 (3) and (4):

(3) *A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.*

(4) *A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.*

Condition

Significant Deficiency - As noted in the prior year audit report, the District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with CTEA funds have not been identified as being used within the program and tracked as CTEA funded equipment. A physical inventory has not been taken within the past two years to determine the equipment remains in use within the program.

Questioned Costs

Unknown.

Context

During the current fiscal year, the District spent $1,127,417 on capital equipment.

Effect

Equipment purchased through the CTEA program may not be properly safeguarded and maintained for use within the program.

Cause

The District has not conducted a physical inventory of equipment or implemented policies and procedures to ensure the compliance with Federal requirements.

Recommendation

A process to ensure the complete inventory listing of equipment purchased with Federal program funds should be implemented immediately. A process to ensure all equipment purchased through the program remains in use within the program should be implemented through a bi-annual physical inventory count.

District Response

The District concurs with this finding and recognizes the increased workload associated with the District's capital project expansion. The District will fold these duties into the bond accountant position covering Facilities and Contracts. These duties will be part of the quarterly closeout process. Equipment purchased with Federal funds will be identified, tagged, and inventoried as required by Federal regulators.

2009-14 TIME AND EFFORT REPORTING

Federal Program Affected

U.S. Department of Education (DOE), Career and Technical Education Act (CTEA) - Title I, Part C - Basic Grants to States (CFDA #84.048), Vocational English as a Second Language (CFDA #84.002A), Adult Secondary Education (CFDA #84.002A), and Civics Education (CFDA #84.002A).

Criteria or Specific Requirement

Office of Management and Budget Circular Number A 87, Attachment B Section 11(h). California School Accounting Manual; Procedure 905.

Condition

Individuals working within the program have not certified the actual time spent working within the Federal programs. Time studies have not been completed for individuals who work either full-time or part-time on the program as required by the Office of Management and Budget.

Questioned Costs

$360,275 is at risk as an undocumented expense for salary and benefit costs for the CTEA program, $748,396 for the Vocational English as a Second Language program, $4,745 for the Adult Secondary Education program, and $62,908 for the Civics Education program.

Context

A total of 51 employees are currently working under the CTEA program, 117 employees are working under the Vocational English as a Second Language program, 6 employees are working under the Adult Secondary Education program, and 15 employees are working under the Civics Education program.

Effect

Without the time studies and certifications, the program managers are not able to effectively monitor that individuals are appropriately charged to the Federal grant.

Cause

Procedures and controls over compliance do not clearly specify how the time certification process should be completed.

Recommendation

The District should have all individuals working on any Federal program certify their time as required by the Office of Management and Budget.

District Response

The District will develop and implement administrative regulations/procedures to ensure that time and effort reporting is accomplished where required by grantors, including Federal and multi source grants.

2009-15 SUSPENSION AND DEBARMENT

Federal Program Affected

U.S. Department of Education (DOE), Career and Technical Education Act (CTEA) - Title I, Part C - Basic Grants to States (CFDA #84.048).

Criteria or Specific Requirement

Title 34 - Education, Part 80 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - Subpart C - Pre-Award Requirements, Section 80.35. Subawards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

During testing of the CTEA program, it was noted that the District does not have a policy or procedure to ensure that vendors providing services under the CTEA program have not been determined to be suspended or debarred by the Federal government. The District does not include within their contracts a clause requiring vendors to certify that they are not debarred, nor are they checking the Excluded Parties List (EPL) System for all vendors over $25,000 as required by the Office of Management and Budget.

Questioned Costs

None.

Context

During the 2008-2009 year, the District contracted with six vendors that were subject to suspension and debarment regulations. Subsequent analysis of the contractors noted they were not listed on the EPL System and had not been suspended or debarred.

Effect

The District is at risk for contracting with vendors who have been suspended or debarred from providing services under Federal program grants.

Cause

Proper internal controls, including approved procedures, have not been implemented to ensure required language in contracts is present, and the vendors providing services in excess of $25,000 are verified against the EPL System.

Recommendation

The District should review and modify its policies and procedures to verify all vendors who are providing services to federally funded programs in excess of $25,000 have not been suspended or debarred or otherwise excluded. The District should also update contract templates for all contract types that exceed $25,000 to avoid any non-compliance and possible return of Federal monies.

District Response

Contract templates have already been updated to request that contractors will certify that they have not been debarred or suspended. Administrative regulations/procedures will be developed and sent out to appropriate offices.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2009-16 SALARIES OF CLASSROOM INSTRUCTORS (50% LAW)

Criteria

The Salaries of Classroom Instructors or "50% Law" as defined in *Education Code* Section 84362 and *California Code of Regulation*s Section 59200 requires California community college districts to spend a minimum of 50 percent of the current expense of education for payment of salaries and benefits of classroom instructors.

Condition

As noted in finding 2009-4, the District's current chart of accounts has classified departmental activity within the Restricted General Fund. In accordance with the Community College System's Office's *Budget and Accounting Manual* these activities are not restricted and should be included within the Unrestricted General Fund. Additionally, certain other expenditures within the unrestricted fund have been netted against the off setting revenues and have understated the Unrestricted General Fund expenditures.

Effect

The expenditures - both for academic and non-academic criteria - on the submitted 50% Law calculation are understated for the departmental expenses and the activities netted against revenue. The District is at risk of noncompliance with the *Education Code* Section 84362 requirements.

Cause

As the chart of accounts has been expanded over the years, certain unrestricted activities have migrated into restricted fund activities.

Question Costs

Upon recalculation of the 50% Law, the District remains in compliance with the requirement to expend at least 50 percent of the current expense of education on the salaries and benefits of classroom instructors as defined by *Education Code* Section 84362. The recalculated percentage was 53.19 percent.

Recommendation

The chart of accounts should be revised to ensure that all activities and subfunds that are required to be included within the unrestricted fund and subject to the 50% Law calculation are properly accounted for.

District Response

The District concurs with this recommended accounting change. The inclusion of these funds in the CCFS-311 50% Law Calculation will be readily accomplished. The District recalculated the 2008-2009 calculations and remains in compliance with said law after the recalculation.

2009-17 ATTENDANCE REPORTING

Criteria or Specific Requirement

Each district must ensure that all students are properly classified and only California residents are claimed for State support.

Condition

During performance of tests of the District's procedures for reporting attendance of resident and nonresidents, it was noted that the District accepts waivers for Assembly Bill 540 which waives the students' out of state tuition fees. However, the District was claiming these students as nonresidents on the CCFS-320 Attendance Report. The District is permitted to claim these students as residents on the CCFS-320 Attendance Report and receive apportionment funding based on their attendance.

Questioned Costs

None. The District revised the CCFS-320 Attendance Report to properly include these students.

Context

We noted that all of the exempt students were incorrectly claimed as nonresidents on the originally reported CCFS-320 Attendance Report.

Effect

The District was under-claiming the amount of FTES and, therefore, may be receiving less apportionment funding.

Cause

The coding of the attendance software system did not properly note nonresident students receiving waivers under AB 540 as permitted.

Recommendation

It is recommended that the District revise their procedures and properly code students who file this waiver to claim apportionment for these students as California residents. This will ensure proper reporting of attendance information.

District Response

The coding of the attendance software program was modified to report AB 540 student waivers as California residents.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

FINANCIAL STATEMENT FINDINGS

2008-1 CAPITAL ASSET REPORTING

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America and best accounting practices require a system of internal control over capital assets that will provide for both the safekeeping of District-owned assets and the proper recordkeeping of the assets' net book values.

Condition

Significant Deficiency - The accounting for capital assets and the related valuations has primarily been completed only at year-end. The review and analysis of purchases, disposals, and other changes in the capital asset accounts has a significant impact on the financial statements as a whole and has not been reconciled during the year or in a timely manner at year-end.

A physical inventory of the equipment actually owned by the District has not been conducted on a timely basis in the past three fiscal years to determine whether all items purchased and capitalized are still in use as intended in the operations of the District.

The District has established a capitalization threshold for equipment and construction at $5,000. This threshold was established over eight years ago with the implementation of GASB Statement No. 35 and does not appear to meet the current needs and reporting requirements of the District.

Context

The valuation of capital assets including land, buildings, and equipment, as well as projects in progress, is over $350 million. This represents an increase of over $25 million from the 2006-2007 fiscal year.

Effect

By not monitoring the capital asset accounts throughout the year, the year-end closing process is delayed and requires cumbersome reconciliations and adjustments. There is a risk that construction projects are not accounted for properly or that equipment purchased during the year is not added to the depreciable capital asset listing.

The lack of a physical inventory creates the risk that equipment and movable assets are no longer in use as operational assets as intended through the purchase.

Recommendation

The District Business Office should establish a procedure to identify asset expenditures through the year as they occur and update the capital asset listing at least quarterly. This update should include a reconciliation of all construction accounts and equipment expense accounts to ensure all items meeting the threshold for capitalization are met.

The District should review and evaluate the capitalization policy and procedure to ensure that construction related expenditures are captured at a level that reflects true new construction and does not require the District to continue to account for expenditures that are more repairs and modifications in nature.

Current Status

Partially implemented. See current year finding 2009-1.

2008-2 DEFICIT ENDING BALANCE – WORKERS' COMPENSATION FUND

Criteria or Specific Requirement

Best accounting practices require the District to maintain adequate financial resources, both at an entity-wide level and at the specific fund level.

Condition

Significant Deficiency - As noted in the prior year's report, the District maintains a Self-Insurance Fund for employee workers' compensation benefits. The District has received an actuarial report noting the liability both for current claims and for those claims incurred, but not reported and has posted a liability within this fund in the amount of $4.4 million. The self-insurance fund does not have sufficient assets to cover this liability which has resulted in a negative retained earnings balance of $(2.4) million. This liability would ultimately become the responsibility of the various funds within the District and has the possibility of negatively impacting the financial stability of the operations of the District.

Additionally, we were unable to determine if the District had re-set the workers' compensation rate applied to all payroll transactions to cover this liability.

Context

This liability represents approximately 10 percent of the Unrestricted Fund ending fund balance and approximately 2.4 percent of District payroll.

Effect

The financial health and stability of the District may be impacted if funding for the workers' compensation claims, both current and not reported, is not brought current.

Recommendation

The District should review the actuarial report obtained for works' compensation benefits and determine a funding rate through payroll which will provide adequate resources to offset the liability in the Workers' Compensation Fund. The established rate for payroll should be applied across all funds and programs and accounted for in the Workers' Compensation Fund.

Current Status

Not implemented. See current year finding 2009-2.

2008-3 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria or Specific Requirement

Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

1. List individual Federal programs by Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
3. Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

Significant Deficiency - A complete SEFA was prepared by the District; however, we noted the following errors and omissions in the initial SEFA:

1. Incorrect program names were presented on the District's SEFA for the following programs:
   a. Trade Adjustment Act - Private Industry Council - Wrap Around (CFDA 17.245)
   b. Trade Adjustment Act - Employment Development Department - Dislocated Workers (CFDA 17.245)
2. The Medical Administrative Activities Reimbursement (MAA) Program (CFDA 93.778) was not presented on the District's SEFA as a Federal award. The program was incorrectly shown as local revenue. The expenditures have been reclassified to properly reflect the activity within the financial statements.
3. Program Clusters were not properly separated on the District prepared SEFA:
   a. Workforce Investment Act Cluster (WIA) (CFDA 17.258/17.260)
   b. Child Development Center Fund Cluster (CFDA 93.575)

Effect

Without proper control in place over the preparation and reporting of SEFA, the District is at risk of improperly identifying and reporting losing future funding for those programs and/or may have to repay funds back to the grantor for funds that were already received.

Cause

The programs are monitored by several accountants at the District. The current closing and reporting process has not included a review of the final SEFA for completion.

Context

The SEFA is a reporting requirement of all entities receiving Federal funds.

Questioned Costs

None.

Recommendation

An appropriate level of supervisor within the District Business Office should analyze and review all data to be reported within the Schedule of Expenditures of Federal Awards to ensure that all required information is presented with the above noted required elements.

Current Status

Implemented.

2008-4 PAYROLL AND PERSONNEL POLICIES AND PROCEDURES

Criteria or Specific Requirement

Best practices require internal controls that are designed to operate effectively and efficiently to ensure proper reporting of all financial information.

Condition

There is not a clear line of communication between the Payroll and Personnel Departments. Additionally, there appears to be no clear procedures or process for updating the payroll system in regards to salary and pay rate changes. It was noted that both the updating of salary schedules and mass changes to salary information are performed by the Payroll Department which presents a segregation of duties issue.

Effect

Segregation of duties between the recording of employee data and the paying of the employees could lead to inappropriate changes to the payroll information that are not reviewed for accuracy within the Personnel Department.

Cause

The District does not have clear written procedures in place regarding the roles and responsibilities and communication between the Payroll and Personnel Departments. The District does not have clear written policies for updating the payroll system.

Questioned Costs

There were no questioned costs as a result of our audit procedures.

Recommendation

It is recommended the District clearly document the responsibilities of each department. In addition, there should be adequate segregation of duties between the functions being performed.

Current Status

Implemented.

2008-5 ACCRUAL ACCOUNTS

Criteria or Specific Requirement

Governmental accounting policies and the California Community College Budget and Accounting Manual require the use of the modified accrual basis of accounting within the fund financial statements. Modified accrual requires revenues to be recognized in the period they become available and measurable and expenditures to be recognized in the period the associated liability is incurred. In practice this is generally within 90 days of year-end.

Condition

Significant Deficiency - The District's closing process for the year ended June 30, 2008, did not include adequate oversight and monitoring of cut-off procedures associated with the accrual accounts. Retention balances owed to contractors for services rendered were not properly accrued as liabilities within the construction fund. We also noted entries had been made to defer income received in the fiscal year that was to be spent in the subsequent year. The revenues had been earned and should not have been subject to being deferred.

Effect

As a result of the audit procedures applied to the District cut-off process, adjustments increasing overall net assets in the amount of $1.4 million were proposed by management and accepted for adjustment to the fund financial statements.

Cause

The review of the year-end closing process did not completely analyze the cut-off procedures applied to revenue and expense accounts.

Questioned Costs

There were no questioned costs as a result of our audit procedures.

Recommendation

The District should develop a year-end closing process that includes the review of income and expense accounts for proper cut-off. Individuals performing the closing entries should provide appropriate documentation for supervisor review prior to finalizing the year-end financial statements.

Current Status

Implemented.

FEDERAL AWARD FINDINGS

2008-6 EQUIPMENT PURCHASE AND SAFEKEEPING

Federal Program Affected - U.S. Department of Education (DOE), Career and Technical Education (formally VTEA) - Title I-C (CFDA 84.048)

Criteria or Specific Requirement

OMB Circular A-110, Subpart C, Section 34 (3) and (4) requires a physical inventory of equipment purchased with Federal dollars to be taken at least once every two years.

Condition

Significant Deficiency - The District has not maintained an inventory control system that satisfies the compliance criteria noted above. Equipment purchased with VTEA funds have not been identified as being used within the program and tracked as VTEA funded equipment. A physical inventory has not been taken within the past two years to determine the equipment remains in use within the program.

Effect

Equipment purchased through the VTEA program may not be properly safeguarded and maintained for use within the program.

Cause

The District has not conducted a physical inventory of equipment or implemented policies and procedures to ensure the compliance with Federal requirements.

Context

During the current fiscal year, the District's VTEA program spent $662,339 on capital equipment.

Questioned Costs

Unknown.

Recommendation

A process to ensure the complete inventory listing of equipment purchased with Federal program funds should be implemented immediately. A process to ensure all equipment purchased through the program remains in use within the program should be implemented through a bi-annual physical inventory count.

Current Status

Not implemented. See current year finding 2009-13.

2008-7 SUSPENSION AND DEBARMENT

Federal Program Affected - U.S. Department of Education (DOE), Career and Technology Educational Act (VTEA) - Title I-C (CFDA 84.048)

Criteria

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Sub-Part C – Pre-Award Requirements, Section 80.35 Subawards to debarred and suspended parties:

- Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party, which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension:

- Federal awarding agencies and recipients shall comply with the non-procurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition

During testing of the VTEA program, it was noted that the District does not have a policy or procedure to ensure that vendors providing services under the VTEA program have not been determined to be suspended or debarred by the Federal government. The District does not include within their contracts a clause requiring vendors to certify that they are not debarred, nor are they checking the Excluded Parties List (EPL) System for all vendors over $25,000 as required by the Office of Management and Budget.

Effect

The District is at risk for contracting with vendors who have been suspended or debarred from providing services under Federal program grants.

Cause

Proper internal controls, including approved procedures, have not been implemented to ensure required language in contracts is present and the vendors providing services in excess of $25,000 are verified against the EPL System.

Context

During the 2007-2008 year, the District did not contract with any vendors that were subject to suspension and debarment regulations; however, the controls would not have brought this to the attention of the program manager.

Questioned Costs

None.

Recommendation

The District should review and modify its policies and procedures to verify all vendors who are providing services to federally funded programs in excess of $25,000 have not been suspended, debarred, or otherwise excluded. The District should also update contract templates for all contract types that exceed $25,000 to avoid any non-compliance and possible return of Federal monies.

Current Status

Partially implemented. See current year finding 2009-15.

2008-8 ALLOWABLE COSTS/COST PRINCIPLES (DS-2 Reporting)

Federal Program Affected - U.S. Department of Education (DOE), Career and Technology Educational Act (VTEA) - Title I-C (CFDA 84.048)

Criteria

Office of Management and Budget Circular A-21, "Cost Principles for Educational Institutions", Section C.14 requires educational institutions that receive more than $25 million in Federal funding in a fiscal year to prepare and submit a Disclosure Statement (DS-2) that describes the institution's cost accounting practices. These institutions are required to submit a DS-2 within six months after the end of the institution's fiscal year that begins after May 8, 1996.

Condition

The District has not submitted the required Disclosure Statement within the allowed period.

Effect

The District has not met the compliance requirement for Allowable Costs/Cost Principle as outlined in the OMB Circular A-21.

Cause

The District has not assigned an individual with the responsibility of overseeing the District's compliance with Federal requirements.

Context

The District has received over $35 million in Federal funds.

Questioned Costs

None.

Recommendation

The District should prepare and submit the required disclosure statement as soon as possible. The District needs to assign a knowledgeable individual to oversee the District compliance with all State and Federal requirements.

Current Status

It was determined the District is not required to file the DS-2.

STATE AWARD FINDINGS

2008-9 STUDENTS ACTIVELY ENROLLED

Criteria

CCR, Title 5, Sections 58003.1, 58004, 58005, and 58051
California Community Colleges *Student Attendance Accounting Manual* (SAAM)

Condition

The District was unable to provide, on a timely basis, certified census rosters for two of the 19 classes selected for testing. Further, a log of all instructor rosters is not maintained to allow the registrar to determine whether all class rosters have been received and certified for proper reporting.

Effect

Attendance for the two classes reported on the CCFS-320 Attendance Report could not be verified. The District subsequently provided the rosters; however, due to the timing of the information, we were unable to verify the reported attendance.

Cause

The District is not following their internally stated procedures for ensuring that all census rosters are collected.

Context

Two of the 19 rosters requested for testing were not available for verification within a timely manner. Expanded testing noted no additional discrepancies; however, a control system is not available to ensure compliance by all instructors.

Questioned Costs

None.

Recommendation

The District should review the internal reporting requirements for instructor certification of student rosters in order to ensure compliance with State requirements and FTES are being accurately reported. Written communication to all instructors with the requirements for certification of rosters by census day should be sent out annually. Certified rosters of students actively enrolled as of census date should be maintained and accessible to support the reported attendance.

Current Status

Implemented.

2008-10 SALARIES OF CLASSROOM INSTRUCTORS (50% LAW)

Criteria

The Salaries of Classroom Instructors or "50% Law" as defined in Education Code Section 84362 and *California Code of Regulation*s Section 59200 requires California community college districts to spend a minimum of 50 percent of the current expense of education for payment of salaries and benefits of classroom instructors.

Condition

During our testing of the District's preparation of the 50% Law calculation, we noted the District has not established a separate program/sub-fund to account for the receipt and expenditures of lottery funds in accordance with Government Code Section 880.5(k).

Effect

The effect of the conditions detailed above is that the 50% Law calculation is not properly supported. The District is also not following Government Code as it pertains to lottery funds. We were unable to conclude as to whether or not the District is in compliance with the requirements related to the Salaries of Classroom Instructors criteria.

Cause

The District does not have proper procedures in place to ensure review of the 50% Law calculation performed by personnel other than the preparer.

Question Costs

Unknown at this time.

Recommendation

The District should prepare a recalculation of the 50% Law in compliance with the Education Code requirements and provide sufficient supporting documentation to allow a knowledgeable person to recalculate the components and come to a conclusion as to the District's compliance. The District should assign a supervisor the responsibility of review the calculation prior to submitting the CCFS-311 Annual Financial Report. A sub-fund within the unrestricted General Fund should be established to account for the receipt and expenditure of all lottery funds as required by Government Code.

Current Status

Implemented.

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and premium dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Paying Agent and the District. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Resolutions.

The District may decide to discontinue use of the system of book-entry-only transfers through (DTC) (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The District cannot and does not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of

principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the District nor the Paying Agent will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders pursuant to the District Resolution; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

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APPENDIX D

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated _____, 2010, is executed and delivered by San Francisco Community College District (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the most recently completed fiscal year prior to the reporting date, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed in the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice then required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"CUSIP Numbers" means the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Disclosure Representative" means the Vice Chancellor of Administration and Finance, Chancellor, President of the Board of Trustees or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

"Notice Event" means an event listed in Sections 4(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means that Official Statement prepared by or on behalf of the Issuer in connection with the Bonds.

"Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Trustee" means the institution, if any, identified as such in the document under which the Bonds were issued.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

SECTION 2. Provisions of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 270 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report must be submitted in electronic format accompanied by such identifying information as is prescribed by the MSRB, may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) determine the then-current procedures for submitting Annual Reports to the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);

2. "Non-payment related defaults," pursuant to Sections 4(c) and 4(a)(2);

3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);

4. "Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);

6. "Adverse tax opinions or events affecting the tax-exempt status of the Bonds," pursuant to Sections 4(c) and 4(a)(6);

7. “Modifications to rights of Bond holders,” pursuant to Sections 4(c) and 4(a)(7);

8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);

9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);

10. “Release, substitution, or sale of property securing repayment of the Bonds,” pursuant to Sections 4(c) and 4(a)(10);

11. “Ratings changes on the Bonds,” pursuant to Sections 4(c) and 4(a)(11);

12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;

13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative; and

(v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings and/or tables: “THE DISTRICT—Enrollment History,” “DISTRICT FINANCES—Largest Taxpayers—CITY AND COUNTY OF SAN FRANCISCO—Largest Principal Property Taxpayers,” and “DISTRICT FINANCES—Assessed Valuations.”

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting will be included in the Annual Report. See Appendix B in the Official Statement.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which are available to the public on the MSRB’s website or have been previously filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of Bond holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds;

11. Rating changes on the Bonds; and

12. Failure to provide annual financial information as required.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon 30 days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing 30 days prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the Original Purchaser, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: ______________________________
Name:
Title:

SAN FRANCISCO COMMUNITY COLLEGE
DISTRICT, as Issuer

By: ______________________________
Peter Allyn Goldstein
Vice Chancellor of Administration and Finance

EXHIBIT A
TO APPENDIX D

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	San Francisco Community College District
Obligated Person(s)	San Francisco Community College District
Name of Bond Issue:	2010 General Obligation Bonds (Election of 2005, Series D)
Date of Issuance:	April ___, 2010
Date of Official Statement:	April ___, 2010
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
CUSIP Number:	
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CUSIP Number:	

EXHIBIT B
TO APPENDIX D

FORM OF NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Issuer	San Francisco Community College District
Obligated Person:	San Francisco Community College District
Name of Bond Issue:	2010 General Obligation Bonds (Election of 2005, Series D)
Date of Issuance:	April __, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of _____, 20__, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by [________________]

Dated: _______________________

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent, on behalf of the Issuer

By: ____
Disclosure Dissemination Agent

cc: Issuer
Obligated Person

EXHIBIT C
TO APPENDIX D

PROPOSED FORM OF MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

San Francisco Community College District

Issuer's Six-Digit CUSIP Number:

[__________________]I

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

[__________________]I

Number of pages of attached material event notice: ______

Description of Material Events Notice (Check One):

1. ______ Principal and interest payment delinquencies
2. ______ Non-Payment related defaults
3. ______ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ______ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ______ Substitution of credit or liquidity providers, or their failure to perform
6. ______ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ______ Modifications to rights of securities holders.
8. ______ Bond calls.
9. ______ Defeasances
10. ______ Release, substitution, or sale of property securing repayment of the securities
11. ______ Rating changes
12. ______ Failure to provide annual financial information as required
13. ______ Other material event notice (specify)

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

____

Name:_______________________________________ Title:_____________________________________

Employer: Digital Assurance Certification, L.L.C.

Address____

City, State, Zip Code:____

Voice Telephone Number:____

Please print the material event notice attached to this cover sheet in 10-point type or larger. Beginning January 1, 2010, all documents submitted to EMMA must be word-searchable PDF files, which allow users to search for specific terms used within the submitted document. Diagrams, images and other non-textual elements are not required to be word-searchable due to current technical hurdles to uniformly producing such elements in word-searchable form without incurring undue costs. Questions about making continuing disclosure submissions to EMMA should be directed to the MSRB Market Information Department at 703-797-6668.

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APPENDIX E

(Notice Inviting Proposals)

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

$30,660,000*
2010 General Obligation Bonds
(Election of 2005, Series D)

NOTICE IS HEREBY GIVEN that electronic bids only will be received through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") by the San Francisco Community College District (the "District") on

April 13, 2010, at 9:00 a.m. (Pacific time)

for the purchase of $30,660,000* principal amount of San Francisco Community College District 2010 General Obligation Bonds (Election of 2005, Series D) (the "Bonds"). No bid will be received after the time for receiving bids specified above. The par amount of Bonds to be sold and the amount of principal scheduled per maturity may change as described herein. The receipt of bids on April 13, 2010 may be postponed or canceled at or prior to the time bids are to be received. Notice of such postponement or cancellation and the new date and time for receipt of bids will be given through Parity, as soon as practicable. This Notice Inviting Proposals will be submitted to i-Deal LLC for posting at its website (www.i-dealprospectus.com) and in the Parity bid delivery system. To the extent any instructions or directions posted by i-Deal LLC or set forth in Parity conflict with this Notice Inviting Proposals, the terms of this Notice Inviting Proposals shall control. For further information about the Bonds, potential bidders may contact the co-financial advisors to the District: Sarah Hollenbeck at Public Financial Management, Inc., (415) 982-5544, e-mail: hollenbecks@pfm.com; Vincent McCarley at Backstrom McCarley Berry & Co., LLC, (415) 433-0270, e-mail: vmccarley@bmcbco.com; or Gary Kitahata at Kitahata & Company, (415) 710-1251, e-mail: gkitahata@aol.com (collectively, the "Financial Advisors").

The District reserves the right, in its sole discretion, to modify or amend this Notice Inviting Proposals in any respect, including, without limitation, the right to adjust and change the principal amount of any maturity of the Bonds being offered; provided, that any such modification or amendment will be communicated to potential bidders through Parity not later than 1:00 p.m. (Pacific time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE—Right to Modify or Amend."

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* Preliminary, subject to change.

TERMS OF THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY, AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED APRIL 6, 2010 (THE "PRELIMINARY OFFICIAL STATEMENT") WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS NOTICE INVITING PROPOSALS GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS NOTICE OF INVITING PROPOSALS IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

DATE; FORM; DENOMINATION: The Bonds will be dated as of the delivery date and will be executed and delivered in non-negotiable, fully registered form, without coupons, in the denomination of $5,000 each or any whole multiple thereof and will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC").

PRINCIPAL PAYMENTS: The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on June 15 of each year, commencing on June 15, 2020 as shown below. See "Option to Elect Term Bonds" below. The final maturity of the Bonds shall be June 15, 2034. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. No serial Bonds may mature following the commencement of the first mandatory sinking fund payment. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. Subject to adjustment as provided herein, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Maturity Date (June 15)	Principal Amount*	Maturity Date (June 15)	Principal Amount*
2020	$1,490,000	2028	$2,075,000
2021	1,545,000	2029	2,180,000
2022	1,610,000	2030	2,290,000
2023	1,675,000	2031	2,400,000
2024	1,740,000	2032	2,520,000
2025	1,820,000	2033	2,650,000
2026	1,900,000	2034	2,780,000
2027	1,985,000		

OPTION TO ELECT TERM BONDS: The bidder awarded the Bonds by the District (the "Purchaser") may elect to combine any number of consecutive maturities of Bonds for which an identical interest rate has been specified to comprise Term Bonds by indicating such an election on the bid. The election to create Term Bonds in such manner will require the creation of a mandatory sinking fund so that the sinking fund redemption payments shall equal the corresponding serial bond maturity amounts.

Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments, on each June 15 on or after June 15, 2021, designated by

* Preliminary, subject to change.

the Purchaser as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

REDEMPTION: *Optional Redemption.** The Bonds maturing on or before June 15, 2020 are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after June 15, 2021 are subject to redemption at the option of the District, from any source of funds, as a whole or in part, on any date on or after June 15, 2020, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, plus interest accrued thereon to the date fixed for redemption, without premium.

*Mandatory Sinking Account Redemption.** Term Bonds, if any, are further subject to mandatory redemption prior to their stated maturity dates, on June 15 of each year for which a mandatory sinking account redemption is specified by the winning bidder, by lot within any maturity if less than all of such maturity is to be redeemed, upon payment of the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, but only in amounts equal to, and in accordance with, the schedule of the principal amounts of the Bonds to be redeemed in each such year from mandatory sinking account redemption.

TAX-EXEMPT STATUS: Sidley Austin LLP, as Bond Counsel, will render an opinion, upon the issuance and delivery of the Bonds, that, under current law and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes, that interest on the Bonds is not treated as an item of tax preference in the calculation of federal alternative minimum taxable income of individuals and corporations and is not included in the calculation of federal corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and that interest on the Bonds is exempt from personal income taxes imposed by the State of California. Sidley Austin LLP will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See “TAX MATTERS” in the Official Statement (defined below) for further information.

In the event that prior to the delivery of the Bonds (a) income received by any private holder from bonds of the same type and character as the Bonds shall be declared not to be excluded from gross income (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is accepted by the Internal Revenue Service or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse tax effect upon the registered owners of the Bonds, as such, the Purchaser for the Bonds may at its option, prior to the tender of the Bonds by the District, be relieved of its obligation to purchase the Bonds, and in such case the Deposit (defined below) accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or otherwise includable for purposes of calculating certain other tax liabilities.

LEGAL OPINION: The legal opinion of Sidley Austin LLP, San Francisco, California, approving the legality of the Bonds, will be furnished to the Purchaser without charge.

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* Preliminary, subject to change.

TERMS OF SALE

FORM OF BID; NO ALLOWABLE DISCOUNT: All bids for the Bonds must be for par or better; no net discount bids will be accepted. Individual maturities of the Bonds may be reoffered at a premium or a discount. Each bid must be in accordance with the terms and conditions set forth herein. All bids shall be deemed to incorporate all of the terms set forth in this Notice Inviting Proposals.

INTEREST RATES: Interest with respect to the Bonds will be payable from the date of issuance, at such rate or rates to be fixed upon the sale thereof, commencing June 15, 2010, and semiannually thereafter on June 15 and December 15 in each year. Bidders will be permitted to bid different rates of interest, and the same rate or rates may be repeated as often as desired, provided:

(a) Each interest rate specified in any bid must be in a multiple of one-twentieth (1/20) or one-eighth (1/8) of one percent per annum;

(b) No Bond shall bear more than one rate of interest, nor may any Bond bear a zero rate of interest;

(c) Interest with respect to each Bond shall be computed from the expected delivery date of April 27, 2010 (or such later date as specified by the District if the sale is postponed), to its stated maturity date at the interest rate specified in the bid, payable semiannually as set forth above;

(d) Any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price;

(e) The maximum interest rate (coupon) bid for any maturity may not exceed twelve percent (12%) per annum; and

(f) No bid will be accepted where the true interest cost ("TIC") of the Bonds to the District, calculated as provided in "Best Bid" below, exceeds seven percent (7%).

WARNINGS REGARDING ELECTRONIC BIDS: BIDS FOR THE BONDS SHALL BE SUBMITTED ELECTRONICALLY VIA PARITY. NONE OF THE DISTRICT, THE FINANCIAL ADVISORS OR BOND COUNSEL ASSUMES ANY RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED BY THE TIME FOR RECEIVING BIDS, AND EACH BIDDER EXPRESSLY ASSUMES THE RISK OF, ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR NONCONFORMING BID SUBMITTED BY ELECTRONIC TRANSMISSION BY SUCH BIDDER, INCLUDING WITHOUT LIMITATION, BY REASON OF GARBLED TRANSMISSIONS, MECHANICAL FAILURE, ENGAGED TELECOMMUNICATIONS LINES, OR ANY OTHER CAUSE ARISING FROM SUBMISSION BY ELECTRONIC TRANSMISSION. THE TIME FOR RECEIVING BIDS WILL BE DETERMINED BY THE DISTRICT AT THE PLACE OF BID OPENING, AND THE DISTRICT WILL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY.

IF A BIDDER SUBMITS AN ELECTRONIC BID FOR THE BONDS THROUGH PARITY, SUCH BIDDER THEREBY AGREES TO THE FOLLOWING TERMS AND CONDITIONS: (1) IF ANY PROVISION IN THIS NOTICE INVITING PROPOSALS WITH RESPECT TO THE BONDS CONFLICTS WITH INFORMATION OR TERMS PROVIDED OR REQUIRED BY PARITY, THIS NOTICE INVITING PROPOSALS, INCLUDING ANY AMENDMENTS OR MODIFICATIONS ISSUED THROUGH PARITY, WILL CONTROL; (2) EACH BIDDER WILL BE SOLELY

RESPONSIBLE FOR MAKING NECESSARY ARRANGEMENTS TO ACCESS PARITY FOR PURPOSES OF SUBMITTING ITS BID IN A TIMELY MANNER AND IN COMPLIANCE WITH THE REQUIREMENTS OF THIS NOTICE INVITING PROPOSALS; (3) THE DISTRICT WILL NOT HAVE ANY DUTY OR OBLIGATION TO PROVIDE OR ASSURE ACCESS TO PARITY TO ANY BIDDER, AND THE DISTRICT WILL NOT BE RESPONSIBLE FOR PROPER OPERATION OF, OR HAVE ANY LIABILITY FOR, ANY DELAYS, INTERRUPTIONS OR DAMAGES CAUSED BY USE OF PARITY OR ANY INCOMPLETE, INACCURATE OR UNTIMELY BID SUBMITTED BY ANY BIDDER THROUGH PARITY; (4) THE DISTRICT IS PERMITTING USE OF PARITY AS A COMMUNICATION MECHANISM, AND NOT AS AN AGENT OF THE DISTRICT, TO FACILITATE THE SUBMISSION OF ELECTRONIC BIDS FOR THE BONDS; PARITY IS ACTING AS AN INDEPENDENT CONTRACTOR, AND IS NOT ACTING FOR OR ON BEHALF OF THE DISTRICT; (5) THE DISTRICT IS NOT RESPONSIBLE FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH ANY PROCEDURES ESTABLISHED BY PARITY AND (6) INFORMATION PROVIDED BY PARITY TO BIDDERS WILL FORM NO PART OF ANY BID OR OF ANY CONTRACT BETWEEN THE PURCHASER AND THE DISTRICT UNLESS THAT INFORMATION IS INCLUDED IN THIS NOTICE INVITING PROPOSALS.

BEST BID: The Bonds will be awarded to the best responsible bidder, considering the interest rate or rates specified and the premium offered, and the best bid will be determined on the basis of the lowest TIC. The TIC will be that nominal annual discount rate which, when compounded semiannually and when used to discount the sum of all payments of principal and interest at the rate or rates specified in the bid to the date of the Bonds (using the expected delivery date of April 27, 2010), results in the amount equal to the purchase price, which is the principal amount plus the amount of the premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. In the event two or more bids with the same lowest TIC are received, the Vice Chancellor of Finance and Administration, pursuant to authority delegated by the District, reserves the right to exercise his own discretion and judgment in making the award. There will be no accrued interest as the Bonds will be dated the date of delivery. Bid evaluations or rankings made by Parity are not binding on the District.

ESTIMATE OF TIC: Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the District.

MULTIPLE BIDS: In the event multiple bids are received from a single bidder, the District shall accept the bid representing the lowest TIC to the District, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the District.

RIGHT TO MODIFY OR AMEND: The District reserves the right, in its sole discretion, to modify or amend this Notice Inviting Proposals including, but not limited to, the right to adjust and change the principal amount of any maturity of the Bonds being offered; provided, that any such modification or amendment will be communicated to potential bidders through Parity not later than 1:00 p.m. (Pacific Time) on the business day preceding the date for receiving bids.

ADJUSTMENT OF PRINCIPAL PAYMENTS: After bids are received and the winning bid awarded, the District reserves the right to increase or decrease the total par amount of the Bonds and to restructure the Bonds per maturity following the opening of the bids, provided that the par amount of the Bonds does not exceed $30,660,000. Each principal payment is subject to increase or decrease in $5,000 increments. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn. THE PURCHASER WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING

PRICES IN ITS REOFFERING PRICE CERTIFICATE (DEFINED BELOW) AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS NOTICE INVITING PROPOSALS; PROVIDED, HOWEVER, THAT THE DOLLAR AMOUNT OF THE PRICE BID WILL BE CHANGED SO THAT THE PERCENTAGE OF NET COMPENSATION PAID TO THE PURCHASER DOES NOT INCREASE OR DECREASE FROM WHAT IT WOULD HAVE BEEN IF NO ADJUSTMENTS HAD BEEN MADE TO THE PRINCIPAL AMOUNTS SHOWN IN THE MATURITY SCHEDULE BID UPON BY THE PURCHASER.

RIGHT OF POSTPONEMENT BY DISTRICT: The District reserves the right, in its sole discretion, to postpone, from time to time, the date or time established for the receipt of bids for the Bonds. Any such postponement will be communicated through Parity at or prior to any announced date and time for receipt of bids. If any sale is postponed, any alternative sale date and time will be announced via Parity prior to such alternative sale date and time. On any such alternative sale date, any bidder may submit an electronic bid for the purchase of the postponed Bonds in conformity in all respects with the provisions of this Notice Inviting Proposals, except for the date and time of sale, the date of closing and changes announced by Parity at the time the sale date and time are announced. Failure of any bidder to receive such notice shall not affect the sufficiency of any required notice or the legality of the sale.

RIGHT OF REJECTION AND WAIVER OF IRREGULARITY: The District reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the rankings of the bids, as determined by the District in its sole discretion.

PROMPT AWARD: The Vice Chancellor of Finance and Administration, pursuant to authority delegated by the District, will take action awarding the sale of the Bonds or reject all bids not later than twenty-six (26) hours after the expiration of time herein prescribed for the receipt of bids and until such expiration of time all bids received shall be irrevocable. Unless such time of award is waived by the Purchaser, the award may be made after the expiration of the specified time if the Purchaser shall not have given to the District notice in writing of the withdrawal of such proposal. Notice of the award will be given promptly to the Purchaser.

CONFLICT WAIVER: Sidley Austin LLP is serving as Bond Counsel and as Disclosure Counsel in connection with the issuance and sale of the Bonds. By placing a bid, each bidder represents that it understands that Sidley Austin LLP, in its capacity as Bond Counsel and as Disclosure Counsel, represents the District, and the Purchaser agrees to waive any conflict of interest that Sidley Austin LLP's involvement in connection with the issuance and sale of the Bonds to such Purchaser presents.

DELIVERY AND PAYMENT: Delivery of the Bonds will be made to the Purchaser on or about April 27, 2010 (or such later date as may be announced in connection with a postponement of the Bond sale). The Bonds will be delivered in full book-entry form through the facilities of DTC. Payment for the Bonds must be made in immediately available funds to the District. Any expense in providing immediately available funds shall be borne by the Purchaser.

RIGHT OF CANCELLATION: The Purchaser shall have the right, at its option, to cancel its purchase of the Bonds if the District shall fail to cause the execution and delivery of the Bonds and tender of the same for delivery within 60 days from the date of sale thereof, and in such event the Purchaser shall be entitled to the return of the Deposit (defined below), without interest thereon.

GOOD FAITH DEPOSIT: The Purchaser is required to submit its good faith deposit in the amount of $306,600 (the "Deposit") to the District by wire transfer not later than two hours following the award.

The wire transfer is to be made to: Bank of America, ABA no. 026009593, credit acct. no. 0066180050, for the credit of City and County of San Francisco/San Francisco Community College District.

The Deposit of the Purchaser for the Bonds will, immediately upon the District's acceptance of the Purchaser's bid, become the property of the District and will be credited upon the purchase price of the Bonds purchased by such Purchaser at the time of delivery thereof. If the Purchaser fails to comply with any of its obligations under this Notice Inviting Proposals, including but not limited to a failure to pay the purchase price in full on the delivery date of the Bonds, the Purchaser shall have no right to the Bonds or to the recovery of its Deposit, and, upon the occurrence of such failure to comply, its Deposit shall be retained by the District as full liquidated damages for such default and shall constitute a full release and discharge of all claims and rights of the District against the defaulting Purchaser and a waiver of any right the District may have to additional damages for any such default. By submitting a bid, each bidder waives any right to claim that actual damages resulting from any such default are less than such sum.

If the Purchaser completes its purchase of the Bonds on the terms stated in its proposal, its Deposit will be applied to the purchase of the Bonds on the date of delivery of the Bonds. No interest will be paid upon the Deposit made by any bidder.

CERTIFICATE OF REOFFERING PRICE: The Purchaser must reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

Not later than the close of business on the third business day following the date on which the sale of the Bonds is awarded, the Purchaser must submit to the District and to Bond Counsel a certificate specifying for each maturity the reoffering price at which at least 10% of the Bonds of such maturity was first sold to the public (the "Reoffering Price Certificate"). The Reoffering Price Certificate shall be in the form attached hereto as Schedule I, subject to appropriate completion of the bracketed items.

Among the representations contained in the Reoffering Price Certificate is the following:

With respect to each maturity of the Bonds, the Purchaser first sold at least 10% of the aggregate principal amount of the Bonds to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at a single price, set forth in Exhibit A to the Reoffering Price Certificate, that is not in excess of the Initial Public Offering Price for such maturity.

The Purchaser will also be required to provide to the District and Bond Counsel such additional information as may be requested by Bond Counsel. For this purpose, sales of Bonds to other securities brokers or dealers will not be considered sales to the general public. If the Reoffering Price Certificate is sent by fax transmission, a hard copy must also be sent by mail or courier service.

Failure to comply with this requirement will constitute a default by the Purchaser, entitling the District to retain the Purchaser's Deposit.

The District and the Financial Advisors will rely on the indication of the reoffering prices in determining the arbitrage yield on the Bonds.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION: The District has duly notified the California Debt and Investment Advisory Commission of the proposed sale of the Bonds. Payment of all fees to the California Debt and Investment Advisory Commission in connection with the execution, sale and delivery of the Bonds shall be the sole responsibility of the Purchaser, and not of the District.

NO LITIGATION: The District will deliver a certificate at closing stating that no litigation is pending with service of process having been accomplished, or, to the knowledge of the officer of the District executing such certificate, threatened, concerning the validity of the Bonds, the authority of the District to have levied the *ad valorem* tax required to pay debt service on the Bonds, the existence of the District or the entitlement of the officers thereof to their respective offices.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms hereof. The CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the Purchaser. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The District will take no responsibility for the accuracy of such numbers.

OFFICIAL STATEMENT: A copy of the Preliminary Official Statement and any other information concerning the proposed financing will be furnished or electronically transmitted upon request to the Financial Advisors to the District: Sarah Hollenbeck at Public Financial Management, Inc., (415) 982-5544, e-mail: hollenbecks@pfm.com; Vincent McCarley at Backstrom McCarley Berry & Co., LLC, (415) 433-0270, e-mail: vmccarley@bmcbco.com; or Gary Kitahata at Kitahata & Company, (415) 710-1251, e-mail: gkitahata@aol.com. The Preliminary Official Statement is in a form "deemed final" by the District for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12") but is subject to revision, amendment and completion. The District will provide the Purchaser for the Bonds up to 100 copies of the final Official Statement for the Bonds (the "Official Statement"), without charge, within seven business days after the award of the bid. The Purchaser must notify the District through the Financial Advisors in writing within three business days of the award if the Purchaser requires additional copies of the Official Statement, which will be provided at the Purchaser's cost.

By making a bid for the Bonds, the Purchaser agrees (1) to disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by the District, (2) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and the Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

DISCLOSURE CERTIFICATE: The District will deliver to the Purchaser a certificate of an official of the District, dated the date of the Official Statement, stating that as of the date thereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the Purchaser to rely upon the Official Statement in connection with the resale of the Bonds.

CONTINUING DISCLOSURE: In order to assist bidders in complying with Rule 15c2-12, the District will undertake, pursuant to a Disclosure Dissemination Agent Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. This agreement is set forth in the Official Statement. The District has not failed to comply in any material respect with Rule 15c2-12.

Dated: April 6, 2010

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

By: /s/ Peter Allyn Goldstein
Vice Chancellor of Finance and Administration

SCHEDULE I
TO APPENDIX E

$__________
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
2010 General Obligation Bonds
(Election of 2005, Series D)

FORM OF CERTIFICATE AS TO ISSUE PRICE OF PORTION OF BONDS

This Certificate is furnished by ______________, as Original Purchaser (the "Original Purchaser") of $__________ aggregate principal amount of "San Francisco Community College District 2010 General Obligation Bonds (Election of 2005, Series D) (the "Bonds"), to establish the initial offering price of said portion of the Bonds for purposes of determining the "issue price" of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

THE ORIGINAL PURCHASER DOES HEREBY CERTIFY as follows:

1. The Original Purchaser reasonably expected on April 13, 2010, which is the date on which the Original Purchaser agreed to purchase the Bonds (the "Sale Date"), that all of the Bonds of each maturity would be sold for cash to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering prices for each maturity, as set forth in Exhibit A hereto (each, an "Initial Public Offering Price").

2. The Original Purchaser has made a bona fide offering of each maturity of the Bonds to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at its respective Initial Public Offering Price. The aggregate Initial Public Offering Price is equal to $_____________ (representing $____________ aggregate principal amount of the Bonds, [plus] [minus] [net] original issue [premium] [discount] of $_________________).

3. [Except for Bonds maturing on _______, 20__, _______, 20__ and ______, 20__ (the "Less than 10% Bonds"), with] [With] respect to each maturity of the Bonds, the Original Purchaser first sold at least 10% of the aggregate principal amount of the Bonds to the general public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at a single price, set forth in Exhibit A hereto, that is not in excess of the Initial Public Offering Price for such maturity.

[4.] With respect to [each maturity of] the Less Than 10% Bonds, [the Original Purchaser did not sell at least 10% of the Bonds of the maturity] [although the Original Purchaser did sell at least 10% of the Bonds of the maturity to the general public, there was no single price at which 10% or more of the Bonds of the maturity was sold to the general public]. Based upon the Original Purchaser's knowledge of the municipal bond market and its participation in the marketing of the Bonds, (a) the fair market value of [each maturity of] the Less Than 10% Bonds as of the Sale Date was less than their Initial Offering Price, and (b) no Bonds of [any maturity of] the Less Than 10% Bonds were sold as of the Sale Date at a price in excess of their Initial Public Offering Price.

[5.] The Initial Public Offering Price with respect to each maturity of the Bonds does not exceed the fair market value of such maturity as of the Sale Date.

Dated: _______, 2010

_________________, as Original Purchaser

By: ____
Name:

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