The Board of Trustees of the San José/Evergreen Community College District established the Citizens' Bond Oversight Committee. The Committee shall perform only the following duties: (1) inform the public concerning the District's expenditure of bond proceeds, (2) review quarterly expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure G; and (b) no bond proceeds were used for any teacher or administrative salaries or other operating expenses and (3) present to the Board, in public session, an annual written report which shall include the following: a statement indicating whether the District is in compliance with the requirements of Article XIII, Section 1(b)(3) of the California Constitution; and a summary of the Committee's proceedings and activities for the preceding year.

The Citizens' Bond Oversight Committee for Measure G members for the fiscal year ended June 30, 2011 were composed of the following members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Representing</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph Becker</td>
<td>Community at-large</td>
<td>February 2013</td>
</tr>
<tr>
<td>Carol Lizak</td>
<td>Community at-large</td>
<td>February 2013</td>
</tr>
<tr>
<td>Spencer Horowitz</td>
<td>Community at-large</td>
<td>February 2013</td>
</tr>
<tr>
<td>Daniel Kojiro</td>
<td>Community at-large</td>
<td>February 2013</td>
</tr>
<tr>
<td>Jimmy Nguyen</td>
<td>Community at-large</td>
<td>February 2013</td>
</tr>
<tr>
<td>Kathleen Kyne</td>
<td>Senior Citizen's Organization</td>
<td>April 2012</td>
</tr>
<tr>
<td>Ann Mancuso-Engdahl</td>
<td>Taxpayer's Association</td>
<td>February 2013</td>
</tr>
<tr>
<td>Bob Nunez</td>
<td>Business Community within the District</td>
<td>March 2013</td>
</tr>
<tr>
<td>Linda Lam</td>
<td>Student active in a Community College</td>
<td>February 2013</td>
</tr>
<tr>
<td>Raymond Porras</td>
<td>Student active in a Community College</td>
<td>February 2013</td>
</tr>
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<td></td>
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</tbody>
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REPORT OF INDEPENDENT AUDITORS

To the Citizens' Bond
Oversight Committee for 2004 Measure G
and the Board of Trustees
San José/Evergreen Community College District

We have audited the accompanying basic financial statements of San José/Evergreen Community College District (the "District") 2004 Measure G General Obligation Bonds activity included in the Capital Projects Fund of the District (the "Bond Fund"), as of and for the year ended June 30, 2011, as listed in the Table of Contents. These basic financial statements are the responsibility of San José/Evergreen Community College District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the 2004 Measure G General Obligation Bonds of the District as of June 30, 2011, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2012 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the San José/Evergreen Community College District 2004 Measure G General Obligation Bonds. The summary on pages 10 and 11 of this report and the Citizen's Bond Oversight Committee Members are presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crowe Horwath LLP

Sacramento, California
January 17, 2012
SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
MEASURE G GENERAL OBLIGATION BONDS

BALANCE SHEET

June 30, 2011

ASSETS

Cash and cash equivalents (Note 2) $ 38,872,190
Accounts Receivable 75,936

Total assets $ 39,948,126

LIABILITIES AND FUND BALANCE

Liabilities:
Accounts payable $ 4,643

Restricted fund balance 39,943,483

Total liabilities and fund balance $ 39,948,126

The accompanying notes are an integral part of these financial statements.
Revenues:
  Interest income (Note 2) $369,868

Expenditures:
  Salaries and benefits 258,174
  Books and supplies 9,800
  Contract services 793,636
  Capital outlay 8,744,497
  Total expenditures 9,806,107

  Deficiency of revenues under expenditures (9,436,239)

Restricted fund balance, July 1, 2010 $49,379,722

Restricted fund balance, June 30, 2011 $39,943,483

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San José/Evergreen Community College District (the "District") accounts for its 2004 Bond Capital Projects Fund's ("Bond Fund") financial transactions in accordance with policies and procedures of the State Chancellor's Office's California Community Colleges Budget and Accounting Manual. The accounting policies of the Bond Fund conform to generally accepted accounting principles in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

The financial statements include only the Bond Fund 2004 General Obligation Bond Resources of the District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2004. The authorized issuance amount of the bonds is $185,000,000. Series A of the bonds was sold on May 12, 2005, for $55,391,474. Series B of the bonds was sold February 21, 2008 for $97,999,946. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

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

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

Cash and Cash Equivalents

For the purpose of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents.

Restricted Fund Balance

Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Capital Projects Fund in accordance with the Bond Project List for 2004 Measure G General Obligation Bonds.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

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

CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of $38,872,190 held in the County Treasury investment pool.

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

Credit Risk

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

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

**Credit Risk** (Continued)

In accordance with applicable State laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2011, the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

**Investments Authorized by Debt Agreements**

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

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

**Disclosures Relating to Interest Rate Risk**

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

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

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

**Concentration of Credit Risk**

The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2011, the District had no concentration of credit risk.
SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

2004 MEASURE G GENERAL OBLIGATION BONDS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. GENERAL OBLIGATION BOND ISSUES

Bonds were authorized at a special election of the registered voters of San José/Evergreen Community College District held on November 2, 2004, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $185,000,000 principal amount of general obligation bonds of the District. The bonds are included in the audited financial statements of the District. As of June 30, 2011, the District has issued $153,391,420 of Measure G bonds.

In May 2005, the District issued the 2004 General Obligation Bonds, Series A in the amount of $55,391,474. The bonds mature beginning on September 1, 2006 through September 1, 2029, with interest yields ranging from three to five percent.

In February 2008, the District issued 2004 General Obligation Bonds, Series B in the amount of $97,999,946. The bonds mature beginning on September 1, 2010 through September 1, 2030, with interest yields ranging from three to seven percent.

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

4. CONSTRUCTION COMMITMENTS

As of June 30, 2011, the District has approximately $24.1 million in outstanding commitments on 2004 General Obligation Bond construction contracts.
SUPPLEMENTARY INFORMATION
SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
2004 MEASURE G GENERAL OBLIGATION BONDS
PURPOSE OF BOND ISSUANCE

LEGISLATIVE HISTORY

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

Education Code Section 15278 provides additional accountability measures:

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

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BONDS, 2004 MEASURE G

The San José/Evergreen Community College District, Santa Clara County, California Election of 2004 General Obligation Bonds, Measure G were authorized at an election of the registered voters of the San José/Evergreen Community College District held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $185,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from ad valorem property taxes. A summary of the text of the ballot language was as follows:

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

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

shall San José/Evergreen Community College District issue 185 million in bonds, at legal rates, with citizen's oversight, guaranteed annual audits, and no money for administrators' salaries and without increasing existing tax rates?"
The District's Board of Trustees developed the following Bond Project List for Measure G:

San José City College

- Expand classroom and facility capacity, upgrade classrooms/labs for emerging medical service programs
- Improve emergency access and access to parking
- Repair, upgrade, equip, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities; meet demands of changing workforce; expand access to English, reading, math and language classes
- Repair, replace and upgrade electrical, mechanical and utility systems to reduce energy consumption and utility bills and accommodate computer technology, internet access and communications systems
- Safety improvements
- Technology upgrades

Evergreen Valley College

- Construct classrooms, expand classroom and facility capacity, upgrade classrooms/labs for science and medical services
- Repair, upgrade, equip, and/or replace obsolete classrooms, science and computer labs, instructional facilities, sites and utilities; meet demands of changing workforce
- Improve emergency access and access to parking
- Safety improvements
- Technology upgrades
- Repair, replace and upgrade electrical, mechanical and utility systems to reduce energy consumption and utility bills and accommodate computer technology, internet access and communications systems

Other Projects

- Refinance existing lease obligations
- Provide greater access to technology, upgrading electrical wiring for computers at all campuses
- Acquire a site and construct a North District multi-disciplinary building

FURTHER SPECIFICATIONS

No Administrator Salaries

Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
To the Citizens' Bond
Oversight Committee for 2004 Measure G
and the Board of Trustees
San José/Evergreen Community College District

We have audited the basic financial statements of the San José/Evergreen Community College District (the "District") 2004 Measure G General Obligation Bonds (the "Bond Fund"), as of June 30, 2011, and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Bond Fund basic financial statements are free of material misstatement, we performed tests of the Bond Fund's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts shown on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
This report is intended solely for the information of the Citizens' Bond Oversight Committee for 2004 Measure G, the Board of Trustees and District management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Sacramento, California
January 17, 2012