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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
San José/Evergreen Community College District and
   Retirement Board of Authority
Retirement Futuris Public Entity Investment Trust
San Jose, California

We have audited the accompanying statement of trust net assets of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, a fiduciary fund of San José/Evergreen Community College District (the "Trust") as of June 30, 2012, and the related statement of changes in trust net assets for the year ended June 30, 2012. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these 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 Audit 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Trust 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 net assets of the San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust as of June 30, 2012, and the changes in trust net assets 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 November 29, 2012 on our consideration of the Trust's internal control over financial reporting and on tests of its 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.
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on page 3 and the Required Supplementary Information, such as the Schedule of Funding Progress and Schedule of Employer Contributions on page 11, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe Horwath LLP

Sacramento, California
November 29, 2012
This section provides an overview and analysis of the financial activities of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust") for the fiscal year ended June 30, 2012. The Trust was established in February 2008 by the District's Board of Trustees and assets held for Other Post Employment Benefits were transferred to an irrevocable trust in May 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net assets of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust at the close of fiscal year 2012 are $44,915,596 (net assets held in trust for retiree medical benefits). All of the net assets are available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust was initially funded by the District by a one-time transfer in 2009 of $39,957,416 from its issuance of OPEB taxable bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Assets
2. Statement of Changes in Trust Net Assets
3. Notes to the Basic Financial Statements

The Statement of Trust Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Assets, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Assets and the Statement of Changes in Trust Net Assets report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

These two statements report the Trust's net assets held in an irrevocable trust account for retirees' medical benefits. Net assets, the difference between assets and liabilities, is one way to measure the plan's financial position. Over time, increase and decrease in net assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

(Continued)
Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of fiscal year ended June 30, 2012.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$45,523,546</td>
<td>$49,984,745</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(607,950)</td>
<td>(281,020)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>$44,915,596</strong></td>
<td><strong>$49,703,725</strong></td>
</tr>
</tbody>
</table>

The $4.7 Million decrease in investments mainly reflects market fluctuations that negatively impacted the fair value of investments ($1.4 million) and payments for retiree benefits ($3.4 million). The increase in accounts payable ($327 thousand) is due to an additional one month of costs accrued at June 30, 2012 then at June 30, 2011.

The changes to Trust net assets during the fiscal year ended June 30, 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>$4,788,129</td>
<td>$8,903,627</td>
</tr>
<tr>
<td>Deductions</td>
<td>(3,200,363)</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning balance</strong></td>
<td><strong>49,703,725</strong></td>
<td><strong>44,000,461</strong></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>$44,915,596</strong></td>
<td><strong>$49,703,725</strong></td>
</tr>
</tbody>
</table>

Additions in the prior fiscal year were the result of market fluctuations in favor of the Trust's investments. For the year ended June 30, 2012, there were no additions and net investment losses of $1.4 million were recorded. Payments for retiree benefits increased approximately $200 thousand (6%) due to increasing benefit rates.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: San José/Evergreen Community College District, 4750 San Felipe Road, San Jose, California 95135.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments (Note 3)</td>
<td>$ 45,523,546</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable (Note 4)</td>
<td>$ 607,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets held in trust for other postemployment benefits</td>
<td>44,915,596</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$ 45,523,546</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET ASSETS

For the Year Ended June 30, 2012

Deductions:

Net investment loss (Note 3):
  Net realized and unrealized losses $ 2,607,286
  Dividends and other income (1,406,989)
  Investment fees 216,145
  Net investment loss 1,416,442

Retiree benefits (Note 5)
  Administrative expenses 18,460
  Total deductions 4,788,129

Change in net assets (4,788,129)

Net assets held in trust for other postemployment benefits:

  Net assets, July 1, 2011 49,703,725
  Net assets, June 30, 2012 $ 44,915,596

See accompanying notes to financial statements.
NOTE 1 – DESCRIPTION OF PLAN

The following information of the San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of the San José/Evergreen Community College District (the "District"), provides only general information of the Trust's provisions. Readers should refer to the Trust agreement for a more complete description. These financial statements include only the reserves of the Trust and 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.

General: The District administers the Trust, a contributory single-employer defined benefit healthcare plan through a third-party. The Trust provides postemployment medical, prescription drug and employee assistance program benefits to eligible retirees and their spouses by paying member premiums. Membership consists of 297 retirees and 142 beneficiaries currently eligible to receive benefits, and 29 active plan members.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District and the Faculty Association (AFT), the local California Service Employees Association (CSEA) and unrepresented groups. In 2009, the District issued an OPEB Taxable Bond of $46,775,000 for the purpose of financing the District’s obligation to pay certain healthcare retiree costs related to the defined benefit plan (the "Plan"). The District transferred $39,957,416 to the Trust to fund the Plan. There were no contributions to the Plan during the fiscal year ended June 30, 2012. Retiree benefits and administrative expenses are funded from the prior contribution and investment earnings.

Funded Status and Funding Progress: Actuarial valuations of an ongoing plan involve 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, investment returns, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contributions of the District 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 following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of trust 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 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 value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.88 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from 4.5 to 8.5 percent. The unfunded actuarial accrued liability (or funding excess) (UAAL) is being amortized at a level dollar method on a closed basis. The remaining amortization period at June 30, 2012 was 27 years.

(Continued)
NOTE 1 – DESCRIPTION OF PLAN (Continued)

Investment Options: As appointed by the Retirement Board of Authority, Benefit Trust Company, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board of Authority in a combination of equity and fixed income investments.

Plan Termination: In the event of Plan termination, the net assets of the Trust would be allocated as prescribed in the Trust documents, generally to pay in the order indicated below:

- District's remaining retiree medical benefit liabilities.
- Reasonable expenses of administering the Trust.

Any assets remaining in the Trust after paying off the above liabilities shall revert back to the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying basic financial statements are presented on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due, pursuant to formal commitments as well as statutory or contractual commitments. Retiree benefits are recognized when due and payable.

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. In the U.S. the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The financial statements have been prepared consistent with GASB Statement No. 34, Statement No. 43, and other related standards. Private sector accounting standards are established by the Financial Accounting Standards Board (FASB). FASB standards are generally followed for standards issued on or before November 30, 1989 to the extent those standards do not conflict with or contradict GASB pronouncements. The District has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Trust has elected not to apply FASB standards issued after November 30, 1989.

Investment Valuation: Investments are reported at fair value based upon quoted market prices, when available, or estimates of fair value, and unrealized and realized gains and losses are included in the Statement of Changes in Trust Net Assets.

Administrative Expenses: Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2012 were $18,460.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.
NOTE 3 – INVESTMENTS

The Trust has adopted an internally developed investment policy that authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust Fund are for the primary purpose of meeting present and future OPEB liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that, subject to applicable legal requirements, may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

The Trust Fund’s policy is to maintain two separate investment portfolios. The first portfolio is for the purpose of providing for the projected short-term liquidity needs of the Trust and is invested with the objective of achieving a target net annual rate of return of 5%. The second portfolio holds the remaining balance of the Trust and is invested with the objective of achieving a target net annual rate of return of 8%. Both portfolios are invested with the objective of achieving an additional 0.5% return above targets for the purpose of covering the costs of trust administration. At June 30, 2012, 13% of the Trust's investment value is held in the short-term portfolio.

As stated in the Investment Policy, the Trust will invest predominantly in open and closed-end mutual funds. The fair value of the Trust's individual investments at June 30, 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds:</td>
<td></td>
</tr>
<tr>
<td>Common stocks</td>
<td>$ 27,804,072</td>
</tr>
<tr>
<td>Fixed income</td>
<td>$ 17,719,474</td>
</tr>
</tbody>
</table>

Total investments $45,523,546

During the fiscal year ended June 30, 2012, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized losses, net</td>
<td>$(4,601,042)</td>
</tr>
<tr>
<td>Realized gains, net</td>
<td>$1,993,756</td>
</tr>
<tr>
<td>Dividends and other income</td>
<td>$1,406,989</td>
</tr>
<tr>
<td>Investment fees</td>
<td>$(216,145)</td>
</tr>
</tbody>
</table>

Total investment expense $1,416,442

(Continued)
NOTE 3 – INVESTMENTS (Continued)

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the Trust'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 Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk

Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Trust Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2012, approximately 89% of the Trust's investment holdings had a credit rating of BBB or higher.

Concentration of Credit Risk

The Trust's investment policy places a 5% limit on the amount it may invest in any one issuer. At June 30, 2012, no investments with a single investor exceeded 5%.

Interest Rate Risk

The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the Trust had no significant interest rate risk related to investments held.

NOTE 4 – ACCOUNTS PAYABLE

The accounts payable at June 30, 2012 consisted of $607,950 in retiree benefit costs for the month of May and June 2012.

NOTE 5 – RELATED PARTY TRANSACTIONS

Retiree benefit costs of the Trust are paid by San José/Evergreen Community College District. The District recorded $3,353,227 as a transfer from the Trust fund to pay retiree benefits.
REQUIRED SUPPLEMENTARY INFORMATION
I. – SCHEDULE OF FUNDING PROGRESS

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a / b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll (b - a) / (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2009</td>
<td>June 30, 2007</td>
<td>$ -</td>
<td>$ 47,719,500</td>
<td>$ 47,719,500</td>
<td>0%</td>
<td>$ 63,192,700</td>
<td>76%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>July 1, 2009</td>
<td>$ 41,000,300</td>
<td>$ 38,044,800</td>
<td>$ (2,955,500)</td>
<td>108%</td>
<td>$ 64,732,200</td>
<td>(5)%</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>July 1, 2009</td>
<td>$ 41,000,300</td>
<td>$ 38,044,800</td>
<td>$ (2,955,500)</td>
<td>108%</td>
<td>$ 31,962,400</td>
<td>(9)%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>June 30, 2011</td>
<td>$ 49,703,700</td>
<td>$ 40,376,400</td>
<td>$ (9,327,300)</td>
<td>123%</td>
<td>$ 31,493,949</td>
<td>(30)%</td>
</tr>
</tbody>
</table>

II. – SCHEDULE OF EMPLOYER CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2009</td>
<td>$ 2,524,693</td>
<td>1583%</td>
<td>$ 39,352,900</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$ 81,400</td>
<td>0%</td>
<td>$ 39,271,500</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$ 87,797</td>
<td>0%</td>
<td>$ 39,183,703</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$(413,985)</td>
<td>0%</td>
<td>$ 39,597,688</td>
</tr>
</tbody>
</table>

III. – NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50. 108-.109. 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 liabilities (or funding excess) over a period not to exceed thirty years.

2. Actuarial value of assets for the year ended June 30, 2010 reflects a special, one-time contribution to the Trust through the issuance of OPEB bonds. There have been no additional contributions to the Trust as of June 30, 2012.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
San José/Evergreen Community College District and
       Retirement Board of Authority
Retirement Futuris Public Entity Investment Trust
San Jose, California

We have audited the accompanying statement of trust net assets of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, a fiduciary fund of San José/Evergreen Community College District (the "Trust") as of June 30, 2012, and the related statement of changes in trust net assets for the year ended June 30, 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 the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust'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 the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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

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

As part of obtaining reasonable assurance about whether the Trust's statements of net assets and the related statement of changes in trust net assets are free of material misstatement, we performed tests of the Trust'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 Board of Trustees, the Retirement Board of Authority and Trust management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Sacramento, California
November 29, 2012