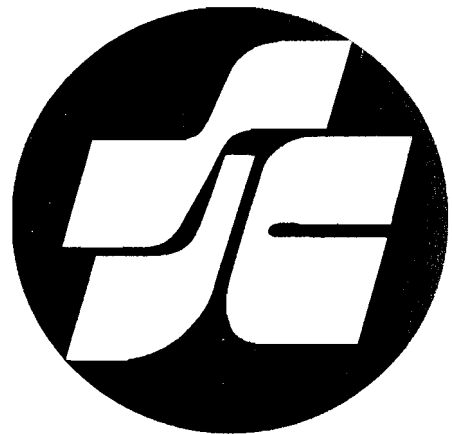


Audit Report
August 31, 2003



San Jacinto College

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Introduction

San Jacinto College District

Organization Data For Fiscal Year 2002-2003

Board of Regents

Officers

Dr. Ruede Wheeler	Chair
Mrs. Marie Flickinger	Vice Chair
J. D. Bruce	Secretary
Dr. Parker Williams	Assistant Secretary

Members

Term Expires

J. D. Bruce	Pasadena, Texas	2005
Marie Flickinger	Houston, Texas	2007
Dan Mims	Channelview, Texas	2009
C. Wayne Slovacek	Deer Park, Texas	2009
W. L. "Levi" Smallwood	Pasadena, Texas	2007
Ruede Wheeler, D.D.S.	La Porte, Texas	2005
Dr. Parker Williams	Houston, Texas	2009

District Administrators

Key Officers

Dr. William Lindemann, Jr.	Chancellor
Dr. Ron Rucker	Vice Chancellor for Administration
Dr. Gwen Tilley	Vice Chancellor of Instructional Programs and Services
Mrs. Brenda Hellyer	Vice Chancellor of Fiscal Affairs
Mr. James Fowler	Vice Chancellor of Human Resources
Mrs. Tuesday Stanley	Associate Vice Chancellor of Marketing and Enrollment
Dr. Monte Blue	President, Central Campus
Dr. Charles Grant	President, North Campus
Dr. Linda Watkins	President, South Campus

EUGENE HOVEY
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1375
LA PORTE, TEXAS 77572

PHONE 281-471-2700

NOVEMBER 26, 2003

TO THE BOARD OF REGENTS
SAN JACINTO COLLEGE DISTRICT

Re: Independent Auditor's Report

I have audited the accompanying statement of net assets of the San Jacinto College District as of August 31, 2003 and 2002, the related statement of revenues, expenses, and changes in net assets, and the statement of cash flows for the years then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I 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 and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Jacinto College District as of August 31, 2003 and 2002, and the revenues, expenses and changes in net assets and its cash flows for the fiscal years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 26, 2003 on my consideration of the District's internal control over financial reporting and my test of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

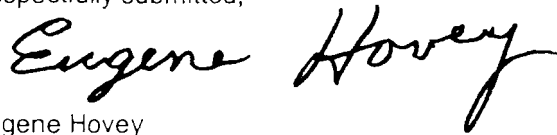
To The Board of Regents
November 26, 2003
Page Two

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Government Accounting Standards Board requires. I applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion thereon.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules, including the Schedule C schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the Schedule D schedule of expenditures of state awards required by the State of Texas Uniform Grants Management Standards, and Schedules A, B, E, F, G and statistical data are presented for purposes of additional analysis. Schedules A, B, C and D have been subjected to the auditing procedures applied in the audit of the financial statements, and, in my opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

I have not audited the information in Schedules E, F and G marked "unaudited" and statistical data marked "unaudited" and I express no opinion thereon.

Respectfully submitted,

A handwritten signature in black ink that reads "Eugene Hovey". The signature is written in a cursive, flowing style.

Eugene Hovey
Certified Public Accountant

Management Discussion and Analysis

San Jacinto Community College District Management's Discussion and Analysis

Fiscal Year Ended August 31, 2003

Overview

The annual financial report provides readers with detailed information concerning the financial condition, performance and activities of the San Jacinto College District (the College) for the fiscal year ended August 31, 2003. Additionally, this report includes an unqualified opinion letter from the College's independent auditors.

This report consists of three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. While each statement presents a unique set of information, they should be used together and in conjunction with the notes to the financial statements. The following summary and management discussion is intended to provide the readers of this report with an overview of the College's financial activities for the current year with a comparison to the prior year.

Accounting Standards

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard's Board (GASB). During the prior fiscal year, the College implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and GASB No. 35 "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities", which established new reporting standards and formats for the annual financial statements. The statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide service to the College, regardless of when cash is exchanged.

Highlights

- Net assets increased by \$516 thousand to a total of \$116 million.
- Capital assets net of accumulated depreciation increased \$38.7 million to a total of \$152.7 million.
- A new music building opened for classes during the Spring 2003 semester.
- Construction continued on the three Interactive Learning Centers and two Fine Arts Buildings with all scheduled to open during the Spring and Summer of 2004.
- A combination of general obligation, maintenance tax, and revenue bonds totaling \$23.2 million were issued in January 2003 with proceeds used to supplement construction projects and technology initiatives.

- The College continues to be one of the largest community colleges in the State with fundable contact hours in excess of 9.9 million.
- Community partnerships continued such as the Aerospace Academy, Harris County Precinct 2 Economic Summit, and Pasadena Town Square Mall training branch.
- Student registration went online for the summer semesters.
- Dr. Bill Lindemann was named as the new chancellor for the College.

The Statement of Net Assets

The Statement of Net Assets is a snapshot in time (August 31, 2003) of all assets owned by the College, all liabilities owed by the College to others, and the resulting net assets – the difference between assets and liabilities. Assets and liabilities are presented in the order of their liquidity with non-current defined as greater than one year. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted with restricted net assets distinguished between major categories of restrictions. The following provides a summary of The Statement of Net Assets:

	August 31	
	<u>2003</u>	<u>2002</u>
Assets		
Current Assets	<u>\$ 55,057,432</u>	<u>\$ 46,319,449</u>
Non-Current Assets		
Other Non-Current	\$ 27,139,209	\$ 48,572,880
Capital Assets (Net)	<u>152,676,789</u>	<u>113,990,203</u>
Total Non-Current Assets	<u>\$ 179,815,998</u>	<u>\$ 162,563,083</u>
Total Assets	<u>\$ 234,873,430</u>	<u>\$ 208,882,532</u>
Liabilities		
Current Liabilities	<u>\$ 37,155,263</u>	<u>\$ 27,872,392</u>
Non-Current Liabilities		
Total Non-Current Liabilities	<u>\$ 81,708,893</u>	<u>\$ 65,516,518</u>
Total Liabilities	<u>\$ 118,864,156</u>	<u>\$ 93,388,910</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 65,014,168	\$ 44,699,247
Restricted	11,008,408	33,846,228
Unrestricted	<u>39,986,698</u>	<u>36,948,147</u>
Total Net Assets	<u>\$ 116,009,274</u>	<u>\$ 115,493,622</u>

The increase in total current assets can be attributed to an \$8.8 million increase in cash and short-term investments, which is offset by a reduction in non-current restricted cash and investments of \$21.4 million. This was primarily due to large outlays throughout the year for ongoing construction and technology projects resulting in a \$38.7 million increase in net capital assets. Total net assets increased \$26 million and closed the year at \$234.9 million.

Current liabilities increased by \$9.3 million due to increases in deferred revenues (tuition and fees collected for the ensuing year). Approximately \$1.5 million is due to a rate increase in tuition and fees and contact hour increases for Fall 2003 versus Fall 2002. The remainder is due to additional deferments for increased financial aid distributed to students for Fall 2003.

Notes and bonds payable increased \$16.6 million due to \$23.2 million in additional bonds issued during the year offset by \$6.6 million in principle reduction for the year. The College is committed to progressing with its construction, facilities management and technology programs while still maintaining an aggressive debt payment schedule.

The increase in net assets of \$516 thousand is one indication that the College as a whole is better off as a result of the 2003 activities. Restricted net assets decreased by \$22.8 million, which is largely offset by a \$20.3 million increase in net assets invested in capital assets, net of related debt. Unrestricted net assets increased \$3 million due to the College's commitment to minimize spending, evaluate programs, and implement tuition increases for the summer semesters in efforts to mitigate the negative effects of a mid-year reduction in State funding (see additional details below).

The Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets presents the flow of revenues earned and expenses incurred during the fiscal year. The statement presents both operating and non-operating revenue and expenses. Ad-valorem taxes, while budgeted for operations, are treated as non-operating revenues in accordance with generally accepted accounting principles. The following provides a summary of The Statement of Revenues, Expenses and Changes in Net Assets:

	August 31	
	<u>2003</u>	<u>2002</u>
Operating Revenues		
State Appropriations	\$ 42,976,148	\$ 44,949,969
Tuition and Fees (Net of Discounts)	19,669,647	18,619,142
Grants and Contracts	17,411,367	15,259,657
Auxiliary Enterprises (Net of Discounts)	6,931,346	8,658,087
Other Revenues	679,167	377,016
Total Operating Revenues	<u>\$ 87,667,675</u>	<u>\$ 87,863,871</u>
Operating Expenses		
Educational Activities	\$ 101,062,876	\$ 98,091,322
Auxiliary Enterprises	9,608,288	9,047,508
Depreciation	2,999,437	3,360,862
Total Operating Expenses	<u>\$ 113,670,601</u>	<u>110,499,692</u>
Operating Income (Loss)	\$ (26,002,926)	\$ (22,635,821)
Non-Operating Revenues (Expenses)		
Ad Valorem Taxes	33,848,113	32,896,271
Investment Income (Net of Investment Expenses)	1,470,675	2,261,292
Interest on Capital Related Debt	(3,061,917)	(1,745,579)
Other Non-Operating Revenues (Expenses)	(5,738,293)	(3,706,633)
Net Non-Operating Revenues (Expenses)	<u>\$ 26,518,578</u>	<u>\$ 29,705,351</u>
Increase in Net Assets	\$ 515,652	\$ 7,069,530
Net Assets - Beginning of Year	\$ 115,493,622	\$ 108,424,092
Net Assets - End of Year	<u>\$ 116,009,274</u>	<u>\$ 115,493,622</u>

State funding for education and general state support decreased by \$2.6 million as a result of unprecedented legislative action enacted in January 2003 to reduce funding for State-assisted entities including higher education institutions. This was offset by \$550 thousand in additional funding for group insurance and retirement matching.

Tuition and fees revenue was \$23.6 million before discounts compared to \$23 million for the prior year. The \$600 thousand increase in tuition and fees prior to discounts is due to an increase in enrollment throughout the year and a tuition and fee rate increase for the summer semesters. As required by generally accepted accounting principles, either tuition and fees or bookstore revenues are discounted (reduced) for contracts, grants and scholarships. The use of these funds by students determine the impact on the bookstore expenses or scholarships and fellowship expenses. Total discounts increased \$286 thousand and grants and contracts revenues increased by \$2.1 million. Both are due to additional Federal Title IV – Pell Grants awarded to students. Bookstore operations are included in auxiliary enterprises of the College as are the childcare facilities, student service fees, cafeteria, and golf course.

Expenses for educational activities represent 88.9% of the total operating expenses for the College. This category increased \$3 million of which \$1.3 million is due to a 3% salary increase approved in August 2002. Personnel expenses were also higher due to additional staff in areas where enrollments continued to increase and support was needed to adequately serve the students. Increases of \$1.8 million in insurance costs for health, workers' compensation and property coverage were offset by cost cutting measures described below.

Net Non-Operating Revenues and Expenses decreased by \$3.2 million, which is due to several changes within this category. While the tax rate for fiscal year ended August 31, 2003, remained at 13.071 cents per \$100 of assessed valuation, tax revenue increased \$951 thousand due to new property additions and increases in the property valuations. Investment income net of expenses decreased by \$791 thousand due to lower interest rates throughout the year. Interest on capital related debt increased by \$1.3 million due to three extra months of interest on the bonds issued in November 2001 and seven months of interest on the bond issued in January 2003. Other non-operating expenses increased by \$2.0 million to \$5.7 million. Of this amount \$4.2 million was due to non-capital furniture and equipment to furnish the new buildings. The additional \$1.5 million is related to repairs and rehabs on various facilities.

For the year, the College increased net assets by \$516 thousand versus an increase of \$7.1 million in the prior year. The difference is due to a net reduction in revenues and increased expenses. When the State reduction was announced in January 2003, every budget area was reduced in order to compensate for lost revenue while not jeopardizing the educational mission of the College. These cuts were especially difficult due to growing enrollment and strategic plans for technology and facility maintenance that were temporarily suspended. The budget reductions resulted in significant cuts in travel, development, hiring, technology, and capital outlay.

The Statement of Cash Flows

The Statement of Cash Flows presents the cash inflows and outflows categorized by operating, capital, financing and investing activities. At August 31, 2003, cash and cash equivalents exceeded \$56.2 million. The College experienced a net cash and cash equivalents outflow for the year of \$7.5 million due largely to continued construction and rehab projects.

Capital Assets and Long-Term Debt Activity

Capital Assets before depreciation increased from \$158.2 million to \$199.6 million during fiscal year ended 2003. The following projects and additions comprise the majority of the \$41.4 million increase:

- Completed Projects – The music building on the Central Campus was completed and opened for the start of Spring 2003 classes. Significant enhancements and rehab were completed on roof replacements, parking lots, and the infrastructure systems including water, wastewater, and natural gas lines. Completed projects transferred from construction in process during fiscal year 2003 totaled \$15.9 million.

- Continued Projects – Construction continued on the three Interactive Learning Centers (one located at each campus) and two fine arts buildings (one at both the North and South campuses). All of the new facilities are scheduled to open during the Spring and Summer of 2004. Additionally, infrastructure upgrades and site improvements were in progress at the North and South campuses. The balance of construction in process at August 31, 2003 was \$51.1 million of which \$34 million was invested during the current fiscal year.
- Other – The College purchased \$1.2 million in land during the year to be used for future expansion of the South campus. Expenditures of \$1.9 million in telecommunications and peripheral equipment related to the College’s technology plan were also capitalized during the year.

Financing for the above projects has been achieved through the issuance of long-term bonds. During fiscal year ended 2003, the College issued \$6.6 million in general obligation bonds, \$10.4 million in maintenance tax notes, and \$6.2 million in revenue bonds for a total of \$23.2 million. Together, these issues and proceeds from prior issues were used to purchase, construct, furnish and equip the projects listed above.

In January 2003, Standard & Poor’s and Moody’s Investors Service affirmed the College’s credit ratings as follows:

	<u>Moody’s Investor’s Service</u>	<u>Standard & Poor’s</u>
Revenue Bonds	A1	AA-
General Obligation Bonds	Aa3	AA
Maintenance and Tax Notes	Aa3	AA

Standard and Poor’s based the affirmation on various factors including: “stable environment and demand for services”, “comprehensive capital improvement plan, outlining future debt requirements”, and “sound financial position with a history of strong reserve levels”.

Economic Factors and Subsequent Events

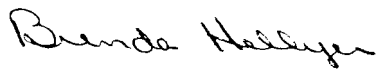
Several current economic factors and events subsequent to the close of the fiscal year ended 2003 are highlighted below:

- Enrollment for the Fall 2003 semester was 3.5% greater than the Fall 2002 semester.
- State funding for community colleges was significantly reduced, beginning with the 2004 fiscal year. The College developed a balanced budget for the fiscal year through increasing tuition rates, increasing the property tax rate to 13.913 cents per \$100 of assessed valuation, freezing salary levels, and mandating expense reductions in each budget area.

- The College developed several new initiatives designed to evaluate revenue generation, cost controls and reductions, and process evaluation. Plans are being developed which will include in-depth analysis of several areas including the entire enrollment process for recruitment, admittance, registration and student success.
- The College anticipates issuing approximately \$21 million in general obligation and maintenance tax bonds during the first quarter of calendar year 2004 in order to continue with the construction and facilities maintenance plans of the College.

The excitements and challenges of fiscal year 2003 are continuing into 2004, and the College is strategically positioning itself for future successes and growth.

Respectfully submitted,



Brenda Hellyer
Vice Chancellor of Fiscal Affairs
San Jacinto College District

Financial Exhibits

San Jacinto College District
Statement of Net Assets
For the Year Ended August 31, 2003
Exhibit 1

	August 31	
	2003	2002
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,520,890	\$ 25,617,469
Short-term investments	3,261,799	8,321,702
Accounts receivable (net)	6,313,316	9,404,514
Inventories	3,158,647	2,975,764
Deferred Charge	2,802,780	-
Total Current Assets	\$ 55,057,432	\$ 46,319,449
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 16,699,296	\$ 38,124,775
Endowment investments	16,638	16,260
Other noncurrent investments	10,423,275	10,431,845
Capital assets (net) (see note)	152,676,789	113,990,203
Total noncurrent assets	\$ 179,815,998	\$ 162,563,083
Total Assets	\$ 234,873,430	\$ 208,882,532
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 11,455,652	\$ 11,808,572
Accrued Liabilities	1,399,043	558,029
Funds held for others	317,815	308,368
Deferred Revenues	16,739,032	8,703,778
Accrued Compensable Absences Payable	271,921	242,282
Notes Payable-current portion	2,851,800	876,363
Bonds Payable-current portion	4,120,000	5,375,000
Total Current Liabilities	\$ 37,155,263	\$ 27,872,392
Noncurrent Liabilities		
Notes Payable	\$ 13,512,793	\$ 5,924,594
Bonds Payable	65,450,000	57,114,999
Accrued Compensable Absences Payable	2,746,100	2,476,925
Total Noncurrent Liabilities	\$ 81,708,893	\$ 65,516,518
Total Liabilities	\$ 118,864,156	\$ 93,388,910
NET ASSETS		
Invested in capital assets, net of related debt	\$ 65,014,168	\$ 44,699,247
Restricted for		
Nonexpendable-Student Aid	12,000	12,000
Expendable-Student Aid	1,201,010	1,087,277
Expendable-Unexpended Bond Proceeds	8,930,258	31,129,609
Expendable-Debt Service	865,140	1,617,342
Unrestricted	39,986,698	36,948,147
Total net assets	\$ 116,009,274	\$ 115,493,622

The Notes to the Financial Statements are an integral part of this statement.

San Jacinto College District
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2003
Exhibit 2

	Year Ended August 31	
	2003	2002
Revenues		
Operating Revenues		
State Appropriations	\$ 42,976,148	\$ 44,949,969
Tuition and Fees (Net of Discounts of \$3,957,994 for 2003 and \$4,415,876 for 2002)	19,669,647	18,619,142
Federal Grants and Contracts	15,205,840	13,411,687
State Grants and Contracts	1,244,015	1,596,901
Non-Governmental Grants and Contracts	961,512	251,069
Sales and Services of Educational Activities	397,786	336,423
Auxiliary Enterprises (Net of Discounts of \$1,855,857 for 2003 and \$1,111,215 for 2002)	6,931,346	8,658,087
Other Operating Revenues	281,381	40,593
Total Operating Revenues (Schedule A)	\$ 87,667,675	\$ 87,863,871
Expenses		
Operating Expenses		
Instruction	\$ 44,550,108	\$ 40,201,059
Public Service	3,072,979	4,052,810
Academic Support	6,666,761	7,026,226
Student Services	7,659,892	7,283,789
Institutional Support	23,240,463	21,688,799
Operation and Maintenance of Plant	9,920,104	10,972,056
Scholarships and Fellowships	5,952,569	6,866,583
Auxiliary Enterprises	9,608,288	9,047,508
Depreciation	2,999,437	3,360,862
Total Operating Expenses (Schedule B)	\$ 113,670,601	\$ 110,499,692
Operating Income (Loss)	\$ (26,002,926)	\$ (22,635,821)
Non-Operating Revenues (Expenses)		
Ad Valorem Taxes		
Taxes for Maintenance & Operations	\$ 26,355,326	\$ 25,717,675
Taxes for General Obligation Bonds	7,492,787	7,178,596
Investment Income (Net of Investment Expenses)	1,470,675	2,261,292
Interest on Capital Related Debt	(3,061,917)	(1,745,579)
Other Non-Operating Revenues (Expenses)	(5,738,293)	(3,706,633)
Net Non-Operating Revenues (Expenses)	\$ 26,518,578	\$ 29,705,351
Increase in Net Assets	\$ 515,652	\$ 7,069,530
Net Assets		
Net Assets - Beginning of Year	115,493,622	108,424,092
Net Assets - End of Year	\$ 116,009,274	\$ 115,493,622

The Notes to the Financial Statements are an integral part of this statement.

San Jacinto College District
Statement of Cash Flows
For the Year Ended August 31, 2003
Exhibit 3

	Year Ended August 31	
	2003	2002
Cash Flows from Operating Activities		
Receipts from students and other customers	\$ 35,632,119	\$ 27,807,917
Receipts from state allocations	34,315,738	36,839,533
Receipts from grants and contracts	19,655,711	16,290,212
Payments to suppliers for goods or services	(33,500,834)	(38,463,768)
Payments to or on behalf of employees	(66,615,933)	(62,645,900)
Payments for scholarships and fellowships	(12,867,883)	(11,901,935)
Receipts from collections of loans to students	7,402,220	7,029,124
	\$ (15,978,862)	\$ (25,044,817)
Cash Flows from Noncapital Financing Activities		
Receipts from ad valorem tax revenues	\$ 26,142,367	\$ 25,030,629
Receipts of student organization and other agency transactions	158,563	303,234
Payments of student organization and other agency transactions	(149,116)	(542,646)
	\$ 26,151,814	\$ 24,791,217
Cash Flows from Capital and Related Financing Activities		
Receipts from the issuance of capital debt	\$ 23,161,865	\$ 51,440,990
Receipts from ad valorem taxes-debt service	7,492,787	7,178,596
Receipts from capital grants and gifts	189,590	422,356
Purchases of capital assets	(45,593,554)	(23,899,434)
Payments on capital debt and leases-principal	(6,651,363)	(5,871,534)
Payments on capital debt and leases-interest and fees	(2,883,752)	(1,820,476)
	\$ (24,284,427)	\$ 27,450,498
Cash Flows From Investing Activities		
Receipts from sale and maturity of investments	\$ 40,044,763	\$ 22,265,906
Receipts from interest on investments	1,642,232	2,388,586
Purchases of investments	(35,080,940)	(23,957,101)
	\$ 6,606,055	\$ 697,391
Increase (decrease) in cash and cash equivalents	\$ (7,505,420)	\$ 27,894,289
Cash and cash equivalents - September 1	63,742,244	35,847,955
Cash and cash equivalents - August 31	\$ 56,236,824	\$ 63,742,244
	=====	=====
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (26,002,726)	\$ (22,635,821)
Adjustments to reconcile operating income (loss) to net cash used		
by operating activities:		
Depreciation expense	2,999,437	3,360,862
Unrealized gain and loss on fair value of investments	42,197	22,802
Changes in assets and liabilities		
Receivables, net	2,968,284	2,842,998
Deferred Charges	(2,806,780)	-
Inventories	(182,883)	704,898
Accounts payable	(2,665,919)	(7,220,917)
Accrued liabilities	841,014	(498,638)
Deferred revenue	8,035,689	(1,556,662)
Funds held for others	9,447	232,051
Compensated absences	783,378	(296,390)
	\$ (15,978,862)	\$ (25,044,817)
	=====	=====

The Notes to the Financial Statements are an integral part of this statement.

SAN JACINTO COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2003 AND 2002

1. Reporting Entity

San Jacinto College District (the District) was established in 1962, in accordance with the laws of the state of Texas, to serve the educational needs of the Public and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Government Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity. While the District receives funding from local, State and Federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The District is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other tuition discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by November 1.

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 three months or less from the date of acquisition. The District considers funds held in public funds investment pools as cash equivalents for purposes of these financial statements, except for Texpool funds held as Endowment investment assets.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase and are considered as noncurrent assets.

Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies and bookstore stock. Inventories are valued at cost on a first in, first out basis and are charged to expense as consumed.

Capital Assets, Depreciation and Amortization

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful life of the assets applying the half-year convention. The following lives are used:

Buildings	50 yrs
Facilities and Land Improvements	20 yrs
Furniture, Machinery, Vehicles and Other Equipment	10 yrs
Telecommunications and Peripheral Equipment	5 yrs

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

Interest costs are capitalized when incurred on debt where proceeds were used to finance construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Net interest costs of \$259,574 and \$82,547 are included in construction in progress as of August 31, 2003 and 2002.

Bond issuance costs are recorded at historical cost and amortized over the term of the bonds on a straight-line basis. The unamortized bond issuance costs of \$765,761 and \$619,932 at August 31, 2003 and 2002 are included in capital assets (net) on Exhibit 1.

Collections

In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections are capitalized but not depreciated.

Deferred revenues and charges

Tuition, fees and other revenues received and related to the period after August 31, 2003 have been deferred. Financial aid awarded and related to the period after August 31, 2003 has been deferred.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The District also recognizes as operating revenue allocations from the state. The major non-operating revenue is property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

3. Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec.2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

In accordance with Sec. 2256.005 (n) of the Public Funds Investment Act, the community college shall arrange for a compliance audit of management controls on investments and adherence to the college's established investment policies. The compliance audit shall be performed by the college's internal auditor or by a private auditor. Not later than January 1 of each even-numbered year, the community college shall report the results of the most recent audit performed to the state auditor.

The State Auditor has determined that the District and its independent auditor would indicate compliance with the Act by completing the following:

- The categorization of investments by risk which is required by GASB Statement No.3, footnote "Deposits and Investments" and
- Placing a statement in the scope paragraph of the Report on Compliance and Internal Controls over Financial Reporting which indicates the audit work covered in the Act.

or

Writing a separate letter to the State Auditor's Office stating that the District is in compliance with all aspects of the Act.

4. Deposits and Investments

At August 31, 2003 and 2002, the District's bank balances of deposits are entirely insured or collateralized with securities held by the District or by its agent in its name. Cash and deposits included on Exhibit 1, Statement of Net Assets, consist of the items reported below:

	2003	2002
Cash and Deposits		
Bank Demand Deposits	35,297,394	(\$2,035,008)
Bank Overnight Investment (1)	74,909	2,864,895
Petty Cash on Hand	80,677	52,677
Total Cash and Deposits	35,452,980	\$882,564

(1) The bank overnight investment (a mutual fund) of \$74,909 and \$2,864,895 for 2003 and 2002 respectively is an uncategorized investment.

To comply with the reporting requirements of FASB Statement No. 3, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, the District's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by the District at year end. Credit risk is the risk that another party to a deposit or investment will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the institution's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

Categorized Investments: Type of Security	August 31, 2003		August 31, 2002	
	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Government Securities	\$13,685,074	\$13,685,074	\$18,753,547	\$18,753,547
Repurchase Agreement	-	-	58,047	58,047
TOTAL Category 1	\$13,685,074	\$13,685,074	\$18,811,594	\$18,811,594
Uncategorized Investments:				
TexPool	\$1,453,357	\$1,453,357	\$7,353,206	\$7,353,206
Lone Star-Liquidity Corporate Fund	7,463,792	7,463,792	7,364,555	7,364,555
Lone Star-Liquidity Plus Fund	11,850,095	11,850,095	48,083,735	48,083,735
Lone Star-Government Fund	16,600	16,600	16,397	16,397
Total Uncategorized	\$20,783,844	\$20,783,844	\$62,817,893	\$62,817,893
Total Cash and Deposits	35,452,980		\$882,564	
Total Investments	34,468,918		81,629,487	
Total Deposits and Investments	69,921,898		\$82,512,051	
Per Exhibit 1:				
Cash and cash equivalents	39,520,890		\$25,617,469	
Short-term investments (U S Gov't Sec)	3,261,799		8,321,702	
Restricted cash and cash equivalent	16,699,296		38,124,775	
Endowment investments	16,638		16,260	
Other noncurrent investments (U S Gov't Sec.)	10,423,275		10,431,845	
Total Deposits and Investments	69,921,898		\$82,512,051	

5. Capital Assets

Capital assets activity for the year ended August 31, 2003 and 2002 are as follows:

	Balance September 1, 2002	Increase	Decrease	Balance August 31, 2003
Not Depreciated				
Land	\$5,226,567	\$1,190,652	-	\$6,417,219
Library Books	6,194,300	122,740	-	6,317,040
Construction in Process	33,049,479	33,930,951	\$15,866,102	51,114,328
Subtotal-not depreciated	\$44,470,346	\$35,244,343	\$15,866,102	\$63,848,587
Other Capital Assets:				
Buildings	\$89,794,439	\$6,618,812	\$378,674	\$96,034,577
Land Improvements	5,565,984	13,682,916	-	19,248,900
Furniture, Machinery, Vehicles, and Other Equipment	13,652,883	240,803	-	13,893,686
Telecommunications and Peripheral Equipment	4,803,694	1,860,445	-	6,664,139
Subtotal-other capital assets	\$113,817,000	\$22,402,976	\$378,674	\$135,841,302
Accumulated Depreciation:				
Buildings	(\$33,223,688)	(\$1,903,822)	\$137,651	(\$34,989,859)
Land Improvements	(2,592,162)	(215,358)	-	(2,807,520)
Furniture, Machinery, Vehicles, and Other Equipment	(6,040,778)	(658,301)	-	(6,699,079)
Telecommunications and Peripheral Equipment	(3,060,447)	(221,956)	-	(3,282,403)
Subtotal-Accumulated Depreciation	(\$44,917,075)	(\$2,999,437)	\$137,651	(\$47,778,861)
Net Other Capital Assets	\$68,899,925	\$19,403,539	\$241,023	\$88,062,441
Net Capital Assets	\$113,370,271	\$54,647,882	\$16,107,125	\$151,911,028
	Balance September 1, 2001	Increase	Decrease	Balance August 31, 2002
Not Depreciated				
Land	\$5,189,067	\$37,500	-	\$5,226,567
Library Books	6,070,460	131,440	\$7,600	6,194,300
Construction in Process	8,020,867	25,028,612	-	33,049,479
Subtotal-not depreciated	\$19,280,394	\$25,197,552	\$7,600	\$44,470,346
Other Capital Assets:				
Buildings	\$89,466,272	\$328,167	-	\$89,794,439
Land Improvements	4,307,154	1,258,830	-	5,565,984
Furniture, Machinery, Vehicles, and Other Equipment	12,416,960	1,235,923	-	13,652,883
Telecommunications and Peripheral Equipment	2,470,139	2,333,555	-	4,803,694
Subtotal-other capital assets	\$108,660,525	\$5,156,475	-	\$113,817,000
Accumulated Depreciation:				
Buildings	(\$31,412,749)	(\$1,810,939)	-	(\$33,223,688)
Land Improvements	(2,376,804)	(215,358)	-	(2,592,162)
Furniture, Machinery, Vehicles, and Other Equipment	(5,282,413)	(758,365)	-	(6,040,778)
Telecommunications and Peripheral Equipment	(2,484,247)	(576,200)	-	(3,060,447)
Subtotal-Accumulated Depreciation	(\$41,556,213)	(\$3,360,862)	-	(\$44,917,075)
Net Other Capital Assets	\$67,104,312	\$1,795,613	-	\$68,899,925
Net Capital Assets	\$86,384,706	\$26,993,165	\$7,600	\$113,370,271

6. Long-term Liabilities

Long-term liability activity for the years ended August 31, 2003 and 2002 are as follows:

	Balance 9-01-02	Additions	Reductions	Balance 8-31-03	Current Portion
Leases, bonds and notes					
General obligation bonds and notes	\$61,545,000	\$17,000,000	\$4,865,000	\$73,680,000	\$4,045,000
Revenue bonds and notes	7,745,956	6,295,000	1,786,363	12,254,593	2,926,800
Total bonds and notes	\$69,290,956	\$23,295,000	\$6,651,363	\$85,934,593	\$6,971,800
Other liabilities					
Compensated absences	\$2,719,207	\$356,369	\$57,555	\$3,018,021	\$271,921
Total other liabilities	\$2,719,207	\$356,369	\$57,555	\$3,018,021	\$271,921
Total long-term liabilities	\$72,010,163	\$23,651,369	\$6,708,918	\$88,952,614	\$7,243,721

Non current liabilities are deemed to be liabilities due beyond one year of these financial statements.

	Balance 9-01-01	Additions	Reductions	Balance 8-31-02	Current Portion
Leases, bonds and notes					
General obligation bonds and notes	\$20,990,000	\$44,645,000	\$4,090,000	\$61,545,000	\$4,465,000
Revenue bonds and notes	2,517,490	7,010,000	1,781,534	7,745,956	1,786,363
Total bonds and notes	\$23,507,490	\$51,655,000	\$5,871,534	\$69,290,956	\$6,251,363
Other liabilities					
Compensated absences	\$2,422,818	\$410,194	\$113,805	\$2,719,207	\$242,282
Total other liabilities	\$2,422,818	\$410,194	\$113,805	\$2,719,207	\$242,282
Total long-term liabilities	\$25,930,308	\$52,065,194	\$5,985,339	\$72,010,163	\$6,493,645

7. Debt and Lease Obligations

Debt service requirements at August 31, 2003 were as follows:

Year Ended August 31	General Obligation Bonds/Notes		Revenue Bonds/Notes		
	Principal	Interest	Principal	Interest	
2004	4,045,000	3,393,387	2,926,800	355,217	10,720,404
2005	3,050,000	3,274,903	3,022,870	254,297	9,602,070
2006	3,145,000	3,159,521	3,134,600	146,555	9,585,676
2007	1,885,000	3,063,613	1,732,015	66,405	6,747,033
2008	2,625,000	2,975,941	1,438,308	19,032	7,058,281
2009-2012	10,105,000	10,899,961	-	-	21,004,961
2013-2017	14,235,000	11,297,503	-	-	25,532,503
2018-2022	16,130,000	7,716,874	-	-	23,846,874
2023-2027	15,885,000	2,399,075	-	-	18,284,075
2028-2031	2,575,000	155,725	-	-	2,730,725
Total	\$73,680,000	\$48,336,503	\$12,254,593	\$841,506	135,112,602

8. Bonds and Notes Payable

Bonds and Notes Payable at August 31, 2003 are as follows:

General Obligation Bonds, Series 2000, \$20,000,000 Sold, August 15, 2000 and Issued September 20, 2000; To provide for construction of new buildings and renovating existing District facilities; Tax Supported Bonds	14,500,000
Limited Tax General Obligation Building Bonds, Series 2001, To construct, improve, renovate and equip District facilities, Tax Supported Bonds	38,035,000
Revenue Financing System Bonds, Series 2001, Issued November 5, 2001, To provide for construction of buildings and renovating existing facilities, Obligations are supported by District's general revenues	4,180,000
Maintenance Tax Notes, Series 2001, Issued November, 5, 2001, To provide for repair and renovation of certain major building system components and purchase and installation of equipment. Tax Supported Notes	4,145,000
Lone Star Note Payable, issued on November 8, 1999, for \$3,166,239, To provide for energy conservation program; Note is payable from District's general revenues in equal quarterly installments of \$114,452 over an eight year period at 4.04% interest.	1,779,593
Limited Tax General Obligation Bonds, Series 2003, issued January 31, 2003. To construct, improve, renovate and equip District facilities, Tax Supported Bonds.	6,560,000
Maintenance Tax Notes, Series 2003, Issued January 2003. To provide for repair and renovation of certain major building system components and purchase and installation of equipment. Tax Supported Notes.	10,440,000
Revenue Financing System Bonds, Series 2003, Issued January 31, 2003. To provide for construction of buildings and renovating existing facilities. Obligations are supported by District's general revenues.	6,295,000

Total Bonds and Notes Payable	\$85,934,593
	=====

Bonds and notes payable are due in annual installments varying from \$125,000 to \$6,971,800 with interest rates from 2.30% to 6.00% with the final installment due 2031.

9. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. One of the the primary plans in which the District participates is administered by the Teacher Retirement System of Texas. The percentage of participant salaries currently contributed by the State and by each participant are 6.00% and 6.4% respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the State and each participant are 6.00% and 6.65% respectively. The District contributes 2.50 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program.

10. Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

11. Retirement Incentive Pay and Compensated Absences

The District provides retirement incentive pay for employees hired before August 1, 1988 based on unused sick days accumulation prior to August 1, 1988. To receive the incentive pay, the employee must not terminate for reasons other than leave authorized by Board policy, must retire under the terms of the Teacher Retirement System of Texas, or be paid by reason of death. The District recognized, for those hired before August 1, 1988 and who qualify, an accrued liability for sick pay of \$297,576 and \$264,122 for August 31, 2003 and 2002 respectively. Effective, August 1, 1988 the District allows sick leave to accumulate at a rate of 8 hours per month to a maximum of 1,280 hours. However, there is no additional accumulation for retirement incentive pay purposes for any sick days that an employee earned after August 1, 1988. An employee who is on sick leave will be paid only to the extent of accumulated sick hours. The District's policy is to recognize this sick leave cost when paid. No liability is shown in the financial statement since experience indicates the expenditure for sick leave to be minimal. Full-time employees earn annual leave from 6.66 to 12.66 hours per month depending on the number of years employed with the District. The District's policy is that an employee may carry accrued leave forward to a maximum of 80 hours. Employees who terminate their employment are entitled to payment for accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave of \$27,882 and \$264,122 for August 31, 2003 and 2002 respectively. Total compensated absences and deferred compensation are \$3,018,021 and \$2,719,207 at August 31, 2003 and 2002 respectively.

12. Pending Lawsuits and Claims

On August 31, 2003, certain lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

13. Disaggregation of Receivables and Payables Balances

	2003	2002
Receivables were as follows:		
Student Receivables	\$2,885,162	\$3,991,145
Taxes Receivable	1,031,070	818,113
Federal Receivable	754,496	1,866,831
Accounts Receivable	1,255,071	1,854,834
Interest Receivable	33,112	123,155
Other Receivable	354,405	750,436
	-----	-----
Total Receivables	\$6,313,316	\$9,404,514
	=====	=====
Payables were as follows:		
Vendor Payable	\$11,455,652	\$11,808,572
Salaries & Benefits Payable	1,056,992	429,763
Accrued Interest Payable	342,051	128,266
	-----	-----
Total Payables	\$12,854,695	\$12,366,601
	=====	=====

14. Contract and Grant Awards

Grant funds are considered to be earned when all eligibility requirements have been met and to the extent of expenditures made under then provisions of the grant. Accordingly, when such funds are received in advance, they are recorded as deferred revenue until earned.

15. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through a state sponsored program with premiums based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State contribution per full-time employees was \$349 and \$326 per month for the year ended August 31, 2003 and 2002 respectively. The State's cost of providing those benefits for 1,119 active employees was \$4,692,042 and for 296 retirees was \$1,155,906 for a total state funded amount of \$5,847,948 for the year ended August 31, 2003. The State's cost of providing those benefits of 1,122 active employees was \$4,392,013 and for 283 retirees was \$1,024,306 for a total state funded amount of \$5,416,319 for the year ended August 31, 2002.

16. Property Tax

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

At August 31, 2003:

Assessed Valuation of the District	\$28,882,123,450
Less: Exemptions	(3,240,693,300)
Less: Abatements	(40,939,990)

Net Assessed Valuation of the District	\$25,600,490,160
	=====

	Current Operations	Debt Service	Total

Tax Rate per \$100 valuation for authorized	0.20000	0.50000	0.70000
Tax Rate per \$100 valuation for assessed	0.10128	0.02943	0.13071

Taxes levied for the year ended August 31, 2003 is \$33,462,401. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Taxes Collected	Current Operations	Debt Service	Total

Current Taxes Collected	\$25,354,237	\$7,263,713	\$32,617,950
Delinquent Taxes Collected	544,002	158,117	702,119
Penalties & Interest Collected	244,129	70,957	315,086

Total Collections	\$26,142,368	\$7,492,787	\$33,635,155
	=====		

Current tax collections for the year ended August 31, 2003 were 97.48% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

17. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, etc., although unrelated business income may be subject to income taxes under Income Revenue Code Section 511 (a)(2)(B). Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the year ended August 31, 2003.

18. Uncollectible Accounts

Taxes receivable are reserved based upon historical experience and evaluation of collectibility. The allowance for uncollectible taxes as of August 31, 2003 is \$3,932,473. The District believes, based on past history and experience, that the student receivables, federal receivable, accounts receivable, interest and other receivable are collectible and only insignificant amounts may be uncollectible; accordingly no allowance for uncollectible accounts is recorded. The District expects to collect all substantial receivable balances within one year of the period.

19. Self-funded Insurance Risk Pool

The College provides workers' compensation insurance through a partially self-funded risk pool. An accrued liability in the amount of \$509,111 as of August 31, 2003 has been established as an estimate for unpaid claims and incurred but not reported claims. The District is not responsible for claims beyond its annual maximum loss fund.

20. Related Parties

The San Jacinto College Foundation, incorporated in 1996, is a nonprofit organization with the purpose of supporting the educational and other activities of the District. The District does not appoint a voting majority nor does it fund or is it obligated to pay debt related to the Foundation. The Foundation solicits donations and acts as a coordinator of gifts made by other parties. During the fiscal year ended August 31, 2003, the Foundation provided grants of \$712,445 to District students and programs. During the fiscal year, the District provided certain services, such as office space, utilities and staff to the Foundation. The cost of these unreimbursed services for the year were \$279,605.

21. Bond Election and Issuance of Bonds Status

On December 14, 1999, the District passed a bond election in the amount of \$91,395,000 of general obligation bonds for the purpose of constructing new buildings and renovating existing District facilities. The District has sold \$66,560,000 of these bonds and at August 31, 2003 has \$24,835,000 unissued from this election. The District has also issued revenue financing system bonds of \$6,295,000 in 2003, not related to the 1999 bonds. Also in 2003, the District sold \$10,440,000 of maintenance tax notes for the maintenance, repair or replacement of buildings, property and equipment.

22. Fund Balance

Ending fund balances at August 31, were as follows:

	2003	2002
Current funds:		
Fund balance, unrestricted	\$28,324,895	\$24,967,671
Fund balance, auxiliary enterprises	12,057,911	11,803,192
Fund balance, restricted	559,447	825,234
Total, current fund balance	\$40,942,253	\$37,596,097
Fund balance, endowment and similar funds	257,455	251,327
Fund balance, plant funds	74,809,566	77,646,198
Total fund balance	\$116,009,274	\$115,493,622

23. Reclassification

Certain reclassifications have been made to conform prior year data with the current presentation.

Financial Schedules

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San Jacinto College District
Schedule A
Schedule of Detailed Operating Revenues
For the Year Ended August 31, 2003

	Educational Activities	Auxiliary Enterprises	Total
	-----	-----	-----
State Allocations			
Education and general state support	\$ 34,187,615	\$ -	\$ 34,187,615
State group insurance	5,847,748	-	5,847,748
State retirement matching	2,812,662	-	2,812,662
Developmental education	128,123	-	128,123
Total State Allocations	\$ 42,976,148	\$ -	\$ 42,976,148
Tuition			
State funded courses			
In-district resident tuition	\$ 5,265,766	\$ -	\$ 5,265,766
Out-of-district resident tuition	5,716,713	-	5,716,713
TPEG (set aside) *	613,376	-	613,376
Non-resident tuition	623,010	-	623,010
Non state funded continuing education	2,015,287	-	2,015,287
Total Tuition	\$ 14,234,152	\$ -	\$ 14,234,152
Fees			
General fee	\$ 7,917,343	\$ -	\$ 7,917,343
Student service fee	-	932,242	932,242
Laboratory fee	543,904	-	543,904
Total fees	\$ 8,461,247	\$ 932,242	\$ 9,393,489
Scholarship allowances and discounts			
Scholarship allowances	\$ (442,314)	\$ -	\$ (442,314)
Remissions and exemptions	(538,586)	-	(538,586)
TPEG allowances	(56,881)	-	(56,881)
Federal grants to students	(2,920,213)	-	(2,920,213)
Total scholarship allowances	\$ (3,957,994)	\$ -	\$ (3,957,994)
Total net tuition and fees	\$ 18,737,405	\$ 932,242	\$ 19,669,647
Additional operating revenues			
Federal grants and contracts	\$ 15,205,840	\$ -	\$ 15,205,840
State grants and contracts	1,244,015	-	1,244,015
Nongovernmental grants and contracts	961,512	-	961,512
Sales and services of educational activities	397,786	-	397,786
Investment income (program restricted)	8,576	-	8,576
Sales and Services-non educational activities	272,805	-	272,805
Total additional operating revenues	\$ 18,090,534	\$ -	\$ 18,090,534
Auxiliary enterprises			
Bookstore & other enterprises (net)	\$ -	\$ 8,787,203	\$ 8,787,203
Scholarship allowances and discounts	-	(1,855,857)	(1,855,857)
Total net auxiliary enterprises	\$ -	\$ 6,931,346	\$ 6,931,346
Total Operating Revenues (Exhibit 2)	\$ 79,804,087	\$ 7,863,588	\$ 87,667,675
	=====	=====	=====

* In accordance with Education Code 56.033, \$613,376 of tuition was set aside for Texas Public Education Grants (TPEG).

San Jacinto College District
Schedule A
Schedule of Detailed Operating Revenues
For the Year Ended August 31, 2002

COMPARATIVE

	Educational Activities	Auxiliary Enterprises	Total
State Appropriations			
Educational and general state support	\$ 36,760,877	\$ -	\$ 36,760,877
State group insurance	5,418,319	-	5,418,319
State retirement matching	2,694,117	-	2,694,117
Developmental Education Program	78,656	-	78,656
Total State Appropriations	\$ 44,949,969	\$ -	\$ 44,949,969
Tuition			
State funded courses			
In-district resident tuition	\$ 5,081,071	\$ -	\$ 5,081,071
Out-of-district resident tuition	6,257,745	-	6,257,745
TPEG (set aside) *	493,475	-	493,475
Non-resident tuition	1,227,328	-	1,227,328
Non state funded courses	1,369,922	-	1,369,922
Total Tuition	\$ 14,429,541	\$ -	\$ 14,429,541
Fees			
General fee	\$ 7,574,848	\$ -	\$ 7,574,848
Student service fee	-	419,057	419,057
Laboratory fee	611,572	-	611,572
Total fees	\$ 8,186,420	\$ 419,057	\$ 8,605,477
Scholarship allowances and discounts			
Scholarship allowances	\$ (316,730)	\$ -	\$ (316,730)
Remissions and exemptions	(366,297)	-	(366,297)
Federal grants to students	(3,052,454)	-	(3,052,454)
State Aid-Schedule 2-C	(680,395)	-	(680,395)
Total scholarship allowances	\$ (4,415,876)	\$ -	\$ (4,415,876)
Total net tuition and fees	\$ 18,200,085	\$ 419,057	\$ 18,619,142
Other operating revenues			
Federal grants and contracts	\$ 13,411,687	\$ -	\$ 13,411,687
State grants and contracts	1,596,901	-	1,596,901
Nongovernmental grants and contracts	251,069	-	251,069
Sales and services of educational activities	336,423	-	336,423
Investment income (program restricted)	13,437	-	13,437
Sales and Services-non educational activities	27,156	-	27,156
Total other operating revenues	\$ 15,636,673	\$ -	\$ 15,636,673
Auxiliary enterprises			
Bookstore & other enterprises (net)	\$ -	\$ 9,769,302	\$ 9,769,302
Scholarship allowances and discounts	-	(1,111,215)	(1,111,215)
Total net auxiliary enterprises	\$ -	\$ 8,658,087	\$ 8,658,087
Total Operating Revenues (Exhibit 2)	\$ 78,786,727	\$ 9,077,144	\$ 87,863,871

* In accordance with Education Code 56.033, \$493,475 of tuition was set aside for Texas Public Education Grants (TPEG).

San Jacinto College District
 Schedule B
 Schedule of Operating Expenses
 By Functional and Natural Classifications
 For the Year Ended August 31, 2003

	Operating Expenses						Total (Exhibit 2)
	Faculty Salaries	Staff Salaries/ Wages	Benefits		Other Expenses		
			State	Local			
Educational Activities							
Instruction	\$ 31,337,954	\$ 1,830,034	\$ 4,890,535	\$ 2,885,591	\$ 3,605,994		\$ 44,550,108
Public Services	366,355	1,477,084	253,750	150,222	825,568		3,072,979
Academic Support	45,087	4,753,068	700,627	413,395	754,584		6,666,761
Student Services	51,236	5,441,373	788,097	465,006	914,180		7,659,892
Institutional Support	135,800	10,609,140	1,345,827	1,123,868	10,025,828		23,240,463
Operation and Maintenance of Plant	-	4,602,508	681,574	402,153	4,233,869		9,920,104
Scholarship and Fellowships	-	-	-	-	5,952,569		5,952,569
Total Educational Activities	\$ 31,936,432	\$ 28,713,207	\$ 8,660,410	\$ 5,440,235	\$ 26,312,592		\$ 101,062,876
Auxiliary Enterprises	-	1,551,890	-	509,190	7,547,208		9,608,288
Depreciation Expense	-	-	-	-	2,999,437		2,999,437
Total	\$ 31,936,432	\$ 30,265,097	\$ 8,660,410	\$ 5,949,425	\$ 36,859,237		\$ 113,670,601

San Jacinto College District
 Schedule B
 Schedule of Operating Expenses and Capital Outlay by Functional and Natural Classifications
 For the Year Ended August 31, 2002

COMPARATIVE

	Operating Expenses						Total (Exhibit 2)
	Faculty Salaries	Staff Salaries/ Wages	Benefits		Other Expenses		
			State Benefits	Local Benefits			
Educational Activities							
Instruction	\$ 28,772,502	\$ 1,330,732	\$ 4,291,059	\$ 2,385,852	\$ 3,420,914	\$ 40,201,059	
Public Services	1,268,942	1,407,899	381,589	207,257	787,123	4,052,810	
Academic Support	27,064	4,865,106	697,388	383,970	1,052,698	7,026,226	
Student Services	43,635	5,098,599	732,542	397,060	1,011,953	7,283,789	
Institutional Support	290,053	9,463,272	1,389,360	895,699	9,650,415	21,688,799	
Operation and Maintenance of Plant	-	4,334,585	618,498	345,573	5,673,400	10,972,056	
Scholarship and Fellowships	-	-	-	-	6,866,583	6,866,583	
Educational Activities	\$ 30,402,196	\$ 26,500,193	\$ 8,110,436	\$ 4,615,411	\$ 28,463,086	\$ 98,091,322	
Auxiliary Enterprises	-	1,508,350	-	69,150	7,470,008	9,047,508	
Depreciation Expense	-	-	-	-	3,360,862	3,360,862	
Total	\$ 30,402,196	\$ 28,008,543	\$ 8,110,436	\$ 4,684,561	\$ 39,293,956	\$ 110,499,692	

SAN JACINTO COLLEGE DISTRICT
SCHEDULE C
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS AND EXPENDITURES
U S DEPARTMENT OF AGRICULTURE			
Pass-Through From:			
Texas Department of Human Services			
Child Care Food Program	10.558	TX101-038	<u>4,851</u>
U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
HIS Assisting the Community	14.514		45,254
Pass-Through From:			
The City of Pasadena			
Community Development Block Grant	14.218		43,953
TOTAL U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>89,207</u>
U S DEPARTMENT OF LABOR			
Pass-Through From:			
Houston-Galveston Area Council			
High Tech Grant	17.255		924,546
APEX	17.258		469,640
TOTAL U S DEPARTMENT OF LABOR			<u>1,394,186</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Direct Programs:			
KC-135	43.001		108,445
Texas Aerospace Scholars	43.001		95,426
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>203,871</u>
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
EAR 02-05	47.050		17,494
Pass-Through From:			
University of Houston			
Houston Alliance for Minority Participation Project (AMP)	47.076		28,000
Brevard Community College, FL			
SpaceTEC			76,777
TOTAL NATIONAL SCIENCE FOUNDATION			<u>122,271</u>
U S SMALL BUSINESS ADMINISTRATION			
Pass-Through From:			
The University of Houston-Central			
Small Business Development Center	59.037		<u>114,098</u>
U S DEPARTMENT OF VETERANS AFFAIRS			
Direct Programs:			
Veteran's Administration Admin. Allowance	64.124		<u>6,039</u>
U S DEPARTMENT OF EDUCATION			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		770,204
Title V - Strengthening the Institution	84.031S		464,322
Federal College Workstudy Program	84.033		527,896
Upward Bound Grant - Student Support Services	84.042A		210,476
Talent Search	84.044A		162,029
Upward Bound Grant	84.047A		366,312

Federal Pell Grant	84.063		9,467,920
Gear Up 02-07	84.334A		197,162
CCAMPIS	84.335A		26,213
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Voc Ed	84.048		862,388
Eisenhower	84.281		78,936
Eisenhower / Teacher Quality Grant Program	84.367		39,298
Ferris State University - Michigan			
F.I.P.S.E. 01-04	84.116B		29,262
North Harris Community College District			
Carl Perkins - Tech Prep	84.243		4,099
TOTAL U S DEPARTMENT OF EDUCATION			<u>13,206,517</u>
U S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through From:			
The Texas Workforce Commission			
SSF - Network Cabling	93.558	2802SSF001	51,005
SSF - TANF 23A-Job Retention & Mentoring Prgm	93.558	2803TJR000	11,575
TWC - Pass Through From:			
GREATER HOUSTON COLLABORATIVE FOR CHILDREN			
FC-4 Family Centered	93.596	301-04	2,220
TOTAL U S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>64,800</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 15,205,840</u>

SAN JACINTO COLLEGE DISTRICT
 SCHEDULE C (CONTINUED)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2003

Note 1: Federal Assistance Reconciliation

Restricted Federal Grants and Contracts Revenue - per Schedule E	
Federal Grants and Contracts	\$ 14,715,400
Add: Indirect /Administrative Costs Recoveries	490,440

Total Federal Revenues per Schedule of Expenditures of Federal Awards - Schedule C	\$ 15,205,840
	=====

Note 2: Significant accounting policies used in preparing the schedule

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the fund agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Student Loans Processed-not Included in Schedule

Federal Grantor CFDA Number/Program Name	New Loans Processed
-----	-----
Department of Education 84.032 Federal Family Education Loan Program	\$ 2,723,727
	=====

Note 4: Nonmonetary federal assistance received-not Included in Schedule

Federal Grantor CFDA Number/Program Name	

39.003 U S General Services Administration	
Pass-through from:	
Texas State General Services Commission	
Donation of Federal Surplus Personal Property	\$ 638
	=====

SAN JACINTO COLLEGE DISTRICT
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2003

1. SUMMARY OF AUDIT RESULTS:

Financial Statements

The type of report issued on the financial statements of the District was an unqualified opinion.

Internal control over financial reporting:

Material weakness(es) identified? yes no
 Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported
 Noncompliance material to financial statements. yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? yes no

The type of report issued on compliance for major programs was unqualified.

Identification of major programs:

CFDA Number	Name of Federal Program
17.255	High Tech Grant
17.258	Apex
43.001	KC-135/Texas Aerospace Scholars
Student Financial Aid-Cluster:	
84.007	Federal SEOG Program
84.032	Federal Family Education Loan Program
84.033	Federal College-Workstudy Program
84.063	Federal Pell Grant Program
84.031S	Title V-Strengthening the Institution
84.048	Carl Perkins Voc Ed Program

The dollar threshold used to distinguish between Type A and Type B programs was \$456,175.
 The District was determined to be a low-risk auditee.

FINDINGS--FINANCIAL STATEMENTS AUDIT None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

	Federal CFDA Number	Findings	Questioned Costs
High Tech Grant	17.255	None	None
Apex	17.258	None	None
KC-135/Texas Aerospace Scholars	43.001	None	None
Student Financial Aid--Cluster:			
Federal SEOG Program	84.007	None	None
Federal Family Education Loan	84.032	None	None
Federal College Workstudy	84.033	None	None
Federal Pell Grant Program	84.063	None	None
Title V-Strengthening the Institution	84.031S	None	None
Carl Perkins Voc Ed Program	84.048	None	None

SAN JACINTO COLLEGE DISTRICT
 SCHEDULE D
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2003

<u>GRANTOR AGENCY/PROGRAM TITLE</u>	<u>GRANT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
TEXAS WORKFORCE COMMISSION		
Skills Development	2802SDF001	616,676
Skills Development	2803SDF000	63,935
Skills Development	2803SDF000	23,722
Skills Development	2803SDF000	37,280
TOTAL SKILL DEVELOPMENT		<u>741,613</u>
A CURRENT WORKER SKILLS ENHANCEMENT/ TRAINING INITIATIVE/UTMB/HGAC		4,271
TOTAL TEXAS WORKFORCE COMMISSION		<u><u>745,884</u></u>
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		
TIFB - HE3	QE-2001-HTA2S-5419	121,039
TIFB - HE4C	QE-2002-HE4C-7214	153,660
TOTAL TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		<u>274,700</u>
TEXAS HIGHER EDUCATION COORDINATING BOARD		
Texas Grant I - Initial		266,455
Texas Grant I - Renewal		72,699
Texas Grant II - Initial		44,286
Texas Grant II - Renewal		14,605
Texas College Work Study		13,939
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD		<u>411,984</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>1,432,567</u></u>

SAN JACINTO COLLEGE DISTRICT
 SCHEDULE D
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2003

Note 1: State Assistance Reconciliation

State Revenues - Per Schedule A		
State Financial Assistance		
Per Schedule of expenditures of state awards	\$	1,432,567
State Financial Assistance		
Tuition and fees included in Schedule A		
captioned "Tuition and Fees"		(188,552)

Total State Revenues per Schedule A	\$	1,244,015
		=====

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the District's significant accounting policies. These expenditures are reported on the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

SAN JACINTO COLLEGE DISTRICT
 STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2003

1. SUMMARY OF AUDIT RESULTS:

Financial Statements

The type of report issued on the financial statements of the District was an unqualified opinion.

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements. yes no

State Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of the State of Texas Single Audit Circular? yes no

The type of report issued on compliance for major programs was unqualified.

Identification of major state programs:

Grant Contract Number	Name of State Program
2802SDF001	Skills Development Texas Grant I-Initial

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The District was determined to be a low-risk auditee.

FINDINGS--FINANCIAL STATEMENTS AUDIT None

STATE AWARD FINDINGS AND QUESTIONED COSTS

	Grant Contract Number	Findings	Questioned Costs
Skills Development	2802SDF001	None	None
Texas Grant I-Initial		None	None

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Schedule E
Statement of Current Funds Revenues, Expenditures, and Other Changes
For the Year Ended August 31, 2003
With Memorandum Totals for the Year Ended August 31, 2002
Unaudited

Revenues	Totals Memorandum Only				
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations - General Revenue	\$ 34,315,738	\$ -	\$ 8,660,410	\$ 42,976,148	\$ 44,949,969
Tuition and Fees also remissions	22,156,813	932,242	-	23,089,055	22,064,403
Taxes for Current Operations	26,355,326	-	-	26,355,326	25,717,675
Federal Grants and Contracts	490,440	-	14,715,400	15,205,840	13,411,687
State Grants and Contracts	-	-	1,432,567	1,432,567	1,596,901
Local Grants and Contracts	-	-	961,512	961,512	478,623
Sales & Services of Educational Activities	1,306,556	-	-	1,306,556	336,423
Auxiliary Enterprises Sales and Services	-	9,878,740	-	9,878,740	10,470,742
Investment Income	717,811	110,452	8,576	836,839	1,197,227
Total Current Funds Revenues	\$ 85,342,684	\$ 10,921,434	\$ 25,778,465	\$ 122,042,583	\$ 120,223,650
Expenditures and Mandatory Transfers					
Educational and General					
Instruction	\$ 38,675,675	\$ -	\$ 5,887,271	\$ 44,562,946	\$ 40,214,488
Public Service	2,507,064	-	571,941	3,079,005	4,052,810
Academic Support	5,890,914	-	775,847	6,666,761	7,026,226
Student Services	6,691,223	-	968,669	7,659,892	7,283,789
Institutional Support	18,422,248	-	6,180,369	24,602,617	24,697,148
Operation and Maintenance of Plant	9,311,461	-	692,134	10,003,595	11,003,055
Scholarships and Fellowships	15,280	-	11,401,106	11,416,386	10,233,766
Total Educational & General Expenditures	\$ 81,513,865	\$ -	\$ 26,477,337	\$ 107,991,202	\$ 104,511,282
Auxiliary Expenditures	\$ -	\$ 10,666,715	\$ 38,510	\$ 10,705,225	\$ 10,894,940
Mandatory Transfers for: TPEG to Restricted Funds	(613,376)	-	783,615	170,239	(132,145)
Total Expenditures and Mandatory Transfers	\$ 82,127,241	\$ 10,666,715	\$ 25,732,232	\$ 118,866,666	\$ 115,274,077
Other Transfers and Additions/(Deductions)					
Non-Mandatory Transfers					
Excess of restricted receipts over expended	\$ -	\$ -	\$ 46,233	\$ 442,342	\$ 377,034
Excess(Deficit) of TPEG Transfer over Grant Award	-	-	(170,239)	(170,239)	132,145
Net Increase (Decrease) in Fund Balances	\$ 3,215,443	\$ 254,719	\$ (124,006)	\$ 3,346,156	\$ 5,458,752
Reconciliation of Schedule E to Exhibit 2:					
		2003			2003
Total Current Funds Revenues - Schedule E	122,042,583		Total Expenditures and Mandatory Transfers		118,666,666
Less: Taxes for Current Operations	(26,355,326)		Less: Institutional Support Elimination		(85,431)
Tuition and Fees Discounting	(3,957,994)		Scholarships and Fellowship Discounts		(3,957,994)
Sales and Services Elimination	(1,119,616)		Auxiliary Enterprise Discounts		(1,855,857)
Auxiliary Enterprises Discounting	(1,855,857)		Auxiliary Enterprises Elimination		(1,091,537)
Auxiliary Enterprises Elimination	(1,091,537)		Mandatory Transfers-TPEG (net)		(170,239)
Plus: Investment and Other Income (net)	5,422		Capital Outlay - Current Funds		(833,444)
			Plus: Depreciation		2,999,437
Total Operating Revenues - Exhibit 2	87,667,675		Total Operating Expenses - Exhibit 2		113,671,601

San Jacinto College District
Schedule F
Detail of State Allocations and Tuition and Fees
For the Year Ended August 31, 2003
Unaudited

	Unrestricted	Auxiliary Enterprises	Restricted	Totals	
				Memorandum Only 2003	2002
State Allocations:					
Education and General State Support	\$ 34,187,615	\$ -	\$ -	\$ 34,187,615	36,760,877
State Group Insurance	-	-	5,847,748	5,847,748	5,416,319
State Retirement Matching	-	-	2,812,662	2,812,662	2,694,117
Other	128,123	-	-	128,123	78,656
Total Unrestricted	\$ 34,315,738	\$ -	\$ 8,660,410	\$ 42,976,148	44,949,969
				(Sch. E)	
Tuition and Fees					
State Funded Courses					
In-District Resident Tuition	\$ 5,765,685	\$ -	\$ -	\$ 5,765,685	5,547,216
Out-of-District Resident Tuition	5,830,170	-	-	5,830,170	6,285,075
Non-Resident Tuition	623,010	-	-	623,010	623,010
Non-State Funded Continuing Education	2,015,287	-	-	2,015,287	1,369,922
Subtotal Tuition	\$ 14,234,152	\$ -	\$ -	\$ 14,234,152	13,825,223
Building Use Fees	\$ -	\$ -	\$ -	\$ -	
General Fees	7,917,343	-	-	7,917,343	7,574,848
Student Service Fee	-	932,242	-	932,242	419,057
Laboratory Fee	543,904	-	-	543,904	611,572
Out of District Fees	-	-	-	-	-
Other Fees (as needed)	-	-	-	-	-
Subtotal Fees	\$ 8,461,247	\$ 932,242	\$ -	\$ 9,393,489	8,605,477
Remissions and Exemptions - State	\$ (538,586)	\$ -	\$ -	\$ (538,586)	(366,297)
Remissions and Exemptions - Local	-	-	-	-	-
Total Tuition and Fees	\$ 22,156,813	\$ 932,242	\$ -	\$ 23,089,055	22,064,403
				(Sch. E)	(Sch. E)

(a) In accordance with Education Code 56.033, \$613,376 of tuition was set aside for Texas Public Education grants (TPEG).

San Jacinto College District
Schedule G
Statement of Current Funds Expenditures by Object
For the Year Ended August 31, 2003
Unaudited

	Salaries And Wages	Staff Benefits	Other Expenses	Capital Outlay	Totals	
					Memorandum Only Total 2003	Total 2002
Unrestricted-Educational and General						
Instruction	\$ 32,986,809	\$ 2,885,591	\$ 2,790,437	\$ 12,838	\$ 38,675,675	35,740,508
Public Service	1,710,035	150,222	641,281	6,026	2,507,564	3,593,778
Academic Support	4,722,935	413,395	754,584	-	5,890,914	6,252,699
Student Services	5,313,216	465,006	913,001	-	6,691,223	6,385,971
Institutional Support	9,077,743	1,123,868	8,070,941	479,477	18,752,029	18,055,288
Operation and Maintenance of Plant	4,599,504	402,153	4,226,313	83,491	9,311,461	10,384,557
Scholarships and Fellowships	-	-	15,280	-	15,280	-
Total Unrestricted	\$ 58,410,242	\$ 5,440,235	\$ 17,411,837	\$ 581,832	\$ 81,844,146	80,412,801
Restricted-Educational and General						
Instruction	\$ 181,179	\$ 4,890,535	\$ 815,557	\$ -	\$ 5,887,271	4,473,980
Public Service	133,404	253,750	184,287	-	571,441	459,032
Academic Support	75,220	700,627	-	-	775,847	773,527
Student Services	179,394	788,097	1,178	-	968,669	897,818
Institutional Support	1,667,197	1,345,827	2,590,852	246,712	5,850,588	6,641,860
Operation and Maintenance of Plant	3,004	681,574	7,556	-	692,134	618,498
Scholarships and Fellowships	-	-	11,401,106	-	11,401,106	10,233,766
Total Restricted	\$ 2,239,398	\$ 8,660,410	\$ 15,000,536	\$ 246,712	\$ 26,147,056	24,098,481
Restricted-Auxiliary Expenditures	\$ 38,510	\$ -	\$ -	\$ -	\$ 38,510	26,163
Total Restricted	\$ 2,277,908	\$ 8,660,410	\$ 15,000,536	\$ 246,712	\$ 26,185,566	24,124,644
Total Educational and General	\$ 60,688,150	\$ 14,100,645	\$ 32,412,373	\$ 828,544	\$ 108,029,712	104,537,445
Auxiliary Enterprises	\$ 1,513,380	\$ 509,190	\$ 8,638,745	\$ 5,400	\$ 10,666,715	10,868,777
Total Current Fund Expenditures	\$ 62,201,530	\$ 14,609,835	\$ 41,051,118	\$ 833,944	\$ 118,696,427	115,406,222

Single Audit

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EUGENE HOVEY
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1375
LA PORTE, TEXAS 77572

PHONE 281-471-2700

November 26, 2003

To The Board of Regents
San Jacinto College District

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

I have audited the financial statements of the San Jacinto College District for the year ended August 31, 2003, and have issued my report thereon dated November 26, 2003. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the San Jacinto College District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. In accordance with the Public Funds Investment Act, I performed a compliance audit of management controls over its investments and adherence to its established investment policies. The results of my tests indicated that the District is in compliance with all aspects of the Act.

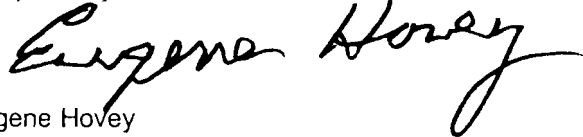
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the San Jacinto College District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

To The Board of Regents
November 26, 2003
Page Two

This report is intended for the information of the Board of Regents, the District's management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink that reads "Eugene Hovey". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

Eugene Hovey
Certified Public Accountant

EUGENE HOVEY
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1375
LA PORTE, TEXAS 77572

PHONE 281-471-2700
November 26, 2003

To The Board of Regents
San Jacinto College District

Re: Report on Compliance and Internal Control Related to Federal and State
Programs

Compliance

I have audited the compliance of the San Jacinto College 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 and state programs for the year ended August 31, 2003. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying federal and state schedules of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on our audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards; 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 and State of Texas Uniform Grant Management Standards (UGMS). These standards, OMB Circular A-133 and UGMS require that I 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 or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, the San Jacinto College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2003.

Internal Control Over Compliance

The management of the San Jacinto College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In plan-

To The Board of Regents
November 26, 2003
Page 2

ning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Regents, the District's management, federal and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink that reads "Eugene Hovey". The signature is written in a cursive, flowing style.

Eugene Hovey
Certified Public Accountant

Supplementary Schedules

SAN JACINTO COLLEGE DISTRICT

Supplementary Schedules

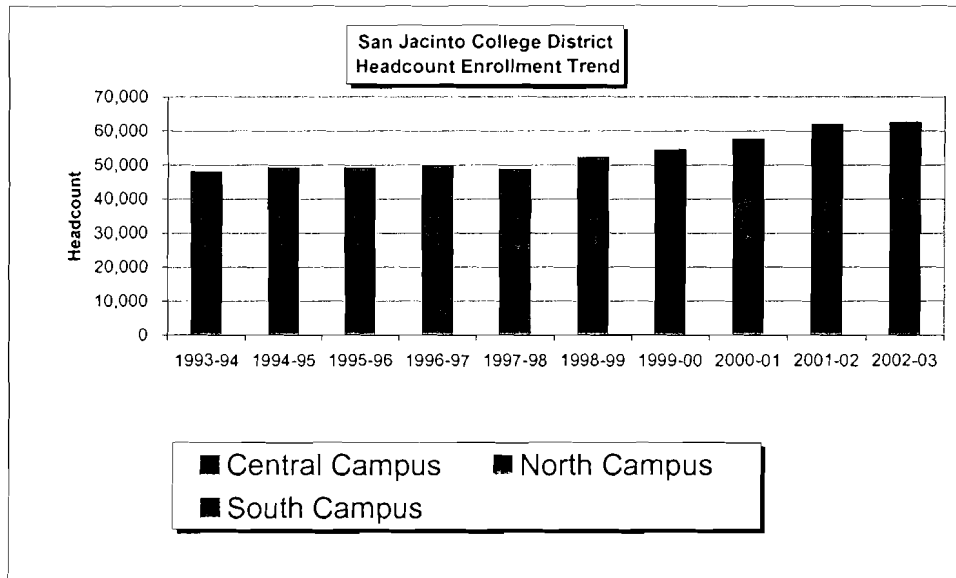
The Supplementary Schedules provide selected financial data and are for informational purposes only and are not audited.

San Jacinto College District
 Headcount Enrollment*
 Last 10 Fiscal Years
 (UNAUDITED)

Fiscal Year	State Funded			Total**
	Central Campus	North Campus	South Campus	
1993-94	25,330	9,299	13,217	47,846
1994-95	25,357	9,868	13,742	48,967
1995-96	25,290	9,865	13,742	48,897
1996-97	25,510	9,813	14,264	49,587
1997-98	24,845	9,861	13,893	48,599
1998-99	26,354	10,587	15,083	52,024
1999-00	27,148	11,390	15,838	54,376
2000-01	27,916	12,157	17,371	57,444
2001-02	29,478	13,045	19,345	61,868
2002-03	30,267	12,295	19,808	62,370

*Duplicated Headcount

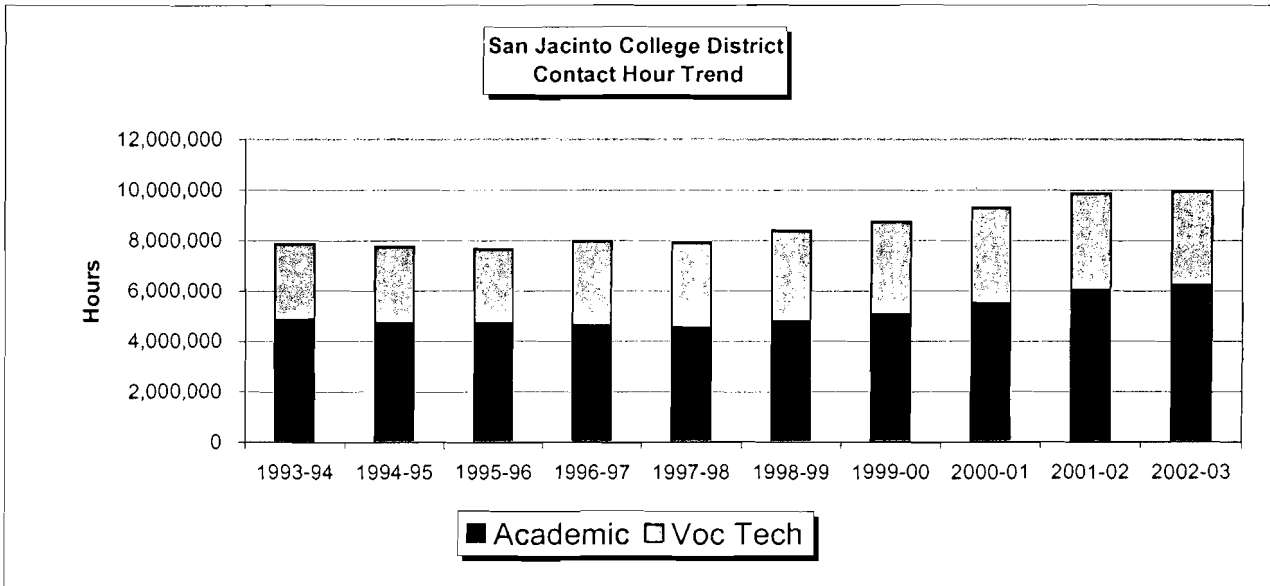
**Includes Semester Length Courses - Does Not Include Continuing Education



San Jacinto College District
 Contact Hour Information
 Last 10 Fiscal Years
 (UNAUDITED)

Contact Hours

Fiscal Year	Academic	Voc Tech	Total
1993-94	4,822,288	3,009,031	7,831,319
1994-95	4,703,512	3,024,431	7,727,943
1995-96	4,663,832	2,968,188	7,632,020
1996-97	4,585,952	3,356,341	7,942,293
1997-98	4,507,640	3,385,799	7,893,439
1998-99	4,756,008	3,609,549	8,365,557
1999-00	5,039,080	3,677,619	8,716,699
2000-01	5,463,816	3,818,841	9,282,657
2001-02	5,995,176	3,863,939	9,859,115
2002-03	6,206,592	3,737,691	9,944,283



**San Jacinto College District
State Appropriations Per FTSE
Last 10 Fiscal Years
(UNAUDITED)**

Fiscal Year	Appropriations Per FTSE
1993-94	\$ 925.22
1994-95	\$ 906.08
1995-96	\$ 870.04
1996-97	\$ 847.77
1997-98	\$ 996.70
1998-99	\$ 976.31
1999-00	\$ 1,020.18
2000-01	\$ 993.91
2001-02	\$ 1,020.73
2002-03	\$ 945.15

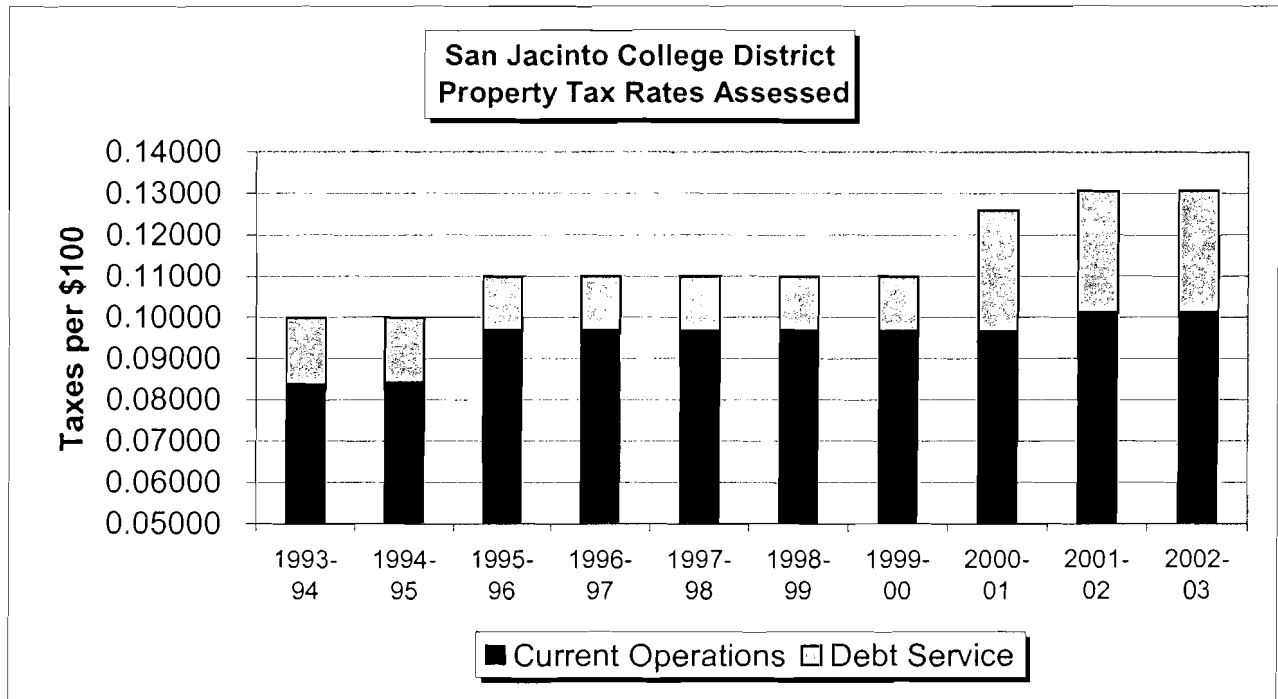
*Credit Courses Only

San Jacinto College District
 Net Assessed Valuation
 Last 10 Fiscal Years
 (UNAUDITED)

Fiscal Year	Assessed Valuation	Less: Exemptions	Net Assessed Valuation
1993-94	18,444,560,180	xx	18,444,560,180
1994-95	18,880,811,130	xx	18,880,811,130
1995-96	19,473,628,855	xx	19,473,628,855
1996-97	23,660,535,694	(2,818,066,774)	20,842,468,920
1997-98	24,091,167,482	(2,309,988,900)	21,781,178,582
1998-99	25,156,108,236	(2,352,397,800)	22,803,710,436
1999-00	25,469,382,330	(2,513,382,140)	22,956,000,190
2000-01	26,783,885,330	(2,803,006,470)	23,980,878,860
2001-02	28,294,370,480	(3,260,583,170)	25,033,787,310
2002-03	28,882,123,450	(3,281,633,290)	25,600,490,160

San Jacinto College District
 Property Tax Rates Assessed
 Last 10 Fiscal Years
 (UNAUDITED)

Fiscal Year	Current Operations	Debt Service	Total
1993-94	0.08360	0.01640	0.10000
1994-95	0.08406	0.01594	0.10000
1995-96	0.09680	0.01320	0.11000
1996-97	0.09678	0.01322	0.11000
1997-98	0.09678	0.01322	0.11000
1998-99	0.09673	0.01327	0.11000
1999-00	0.09657	0.01343	0.11000
2000-01	0.09657	0.02943	0.12600
2001-02	0.10128	0.02943	0.13071
2002-03	0.10128	0.02943	0.13071



San Jacinto College District
Property Tax Rates Authorized
Last 10 Fiscal Years
(UNAUDITED)

Fiscal Year	Current Operations	Debt Service	Total
1993-94	0.20000	0.50000	0.70000
1994-95	0.20000	0.50000	0.70000
1995-96	0.20000	0.50000	0.70000
1996-97	0.20000	0.50000	0.70000
1997-98	0.20000	0.50000	0.70000
1998-99	0.20000	0.50000	0.70000
1999-00	0.20000	0.50000	0.70000
2000-01	0.20000	0.50000	0.70000
2001-02	0.20000	0.50000	0.70000
2002-03	0.20000	0.50000	0.70000

San Jacinto College District
Property Tax Collected
Last 10 Fiscal Years
(UNAUDITED)

Fiscal Year	Current Tax Collections	Delinquent Collections	Total Tax Collections
1993-94	18,011,432	363,662	18,375,094
1994-95	18,411,512	387,109	18,798,621
1995-96	21,048,944	455,348	21,504,292
1996-97	22,450,943	384,991	22,835,934
1997-98	23,547,044	369,402	23,916,446
1998-99	24,625,891	476,143	25,102,034
1999-00	24,701,689	258,433	24,960,122
2000-01	29,301,820	677,929	29,979,749
2001-02	31,699,548	860,436	32,559,984
2002-03	32,617,950	1,017,205	33,635,155

