

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEARS ENDED
AUGUST 31, 2007 AND 2006

Prepared By
The Department of Fiscal Affairs

4624 Fairmont Parkway
Pasadena, Texas 77504

SAN JACINTO COMMUNITY COLLEGE DISTRICT
 Comprehensive Annual Financial Report
 For the Fiscal Years Ended August 31, 2007 and 2006

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SAN JACINTO COMMUNITY COLLEGE DISTRICT

Organizational Data
Year Ended August 31, 2007

Board of Trustees

Officers

Mrs. Marie Flickinger	Chair
Mr. Dan Mims	Vice Chair
Mr. Ben Meador	Secretary
Mr. Larry Wilson	Assistant Secretary

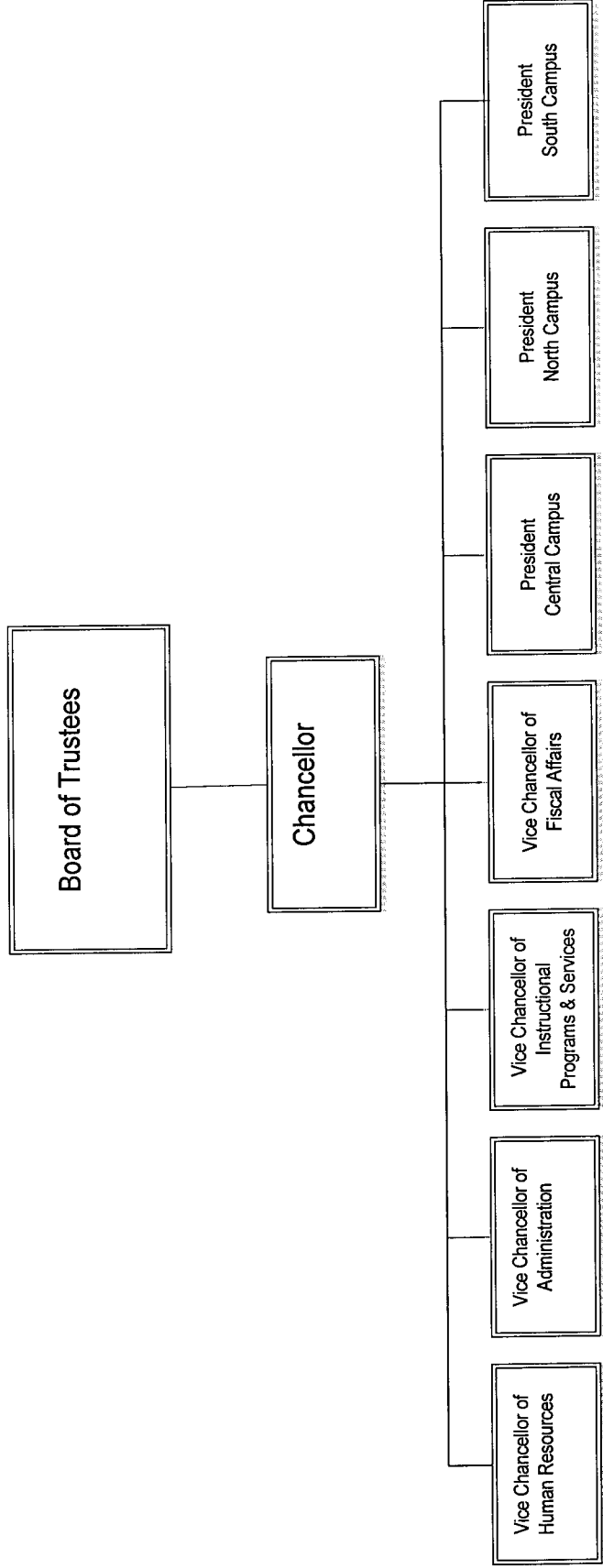
Members

		Term Expires <u>May 31,</u>
Mr. Dan Mims	Channelview, Texas	2009
Mr. C. Wayne Slovacek	Deer Park, Texas	2009
Mr. J. D. Bruce	Pasadena, Texas	2011
Mr. Ben Meador	Pasadena, Texas	2011
Dr. Ruede Wheeler, D.D.S.	La Porte, Texas	2011
Mrs. Marie Flickinger	Houston, Texas	2013
Mr. Larry Wilson	Pasadena, Texas	2013
Mr. W. L. Smallwood, Trustee Emeritus		

Key Officers

Dr. William Lindemann, Jr.	Chancellor
Mr. James Fowler	Vice Chancellor of Human Resources
Dr. Ron Rucker	Vice Chancellor of Administration
Dr. Laurel V. Williamson	Vice Chancellor of Instructional Programs & Services
Mr. Kenneth D. Lynn, CPA	Vice Chancellor of Fiscal Affairs
Dr. Monte Blue	President, Central Campus
Dr. Charles Grant	President, North Campus
Dr. Maureen Murphy	President, South Campus

San Jacinto Community College District





San Jacinto College *District*

4624 Fairmont Parkway, Suite 209
Pasadena, Texas 77504

Vice Chancellor of Fiscal Affairs

December 12, 2007

To the members of the Board of Trustees, Taxpayers of Harris and Chambers Counties, and to the citizens of the San Jacinto College District service area:

Texas statutes require the Comptroller of Public Accounts and the Texas Higher Education Coordinating Board to jointly prescribe a system for financial accounting and reporting for institutions of higher education. Pursuant to that requirement, we have prepared the comprehensive annual financial report of the San Jacinto College District ("the College") for the fiscal years ended August 31, 2007 and 2006.

The report consists of management's representations concerning the finances of the College. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the College has established a comprehensive internal control framework that is designed to protect the College's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the College's financial statements in conformity with generally accepted accounting principles (GAAP).

The College's system of internal control is supported by written policies and procedures and is continually reviewed, evaluated, and modified to meet current needs. Because the cost of internal controls should not outweigh their benefits, the College's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The College's financial statements have been audited by Mir, Fox, Rodriguez, P.C., a firm of licensed certified public accountants. The goal of the independent audit is to provide a reasonable assurance that the financial statements of the College for the year ended August 31, 2007 and 2006 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the College's financial statements for the years ended August 31, 2007 and 2006 are fairly presented in conformity with

GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The College's MD&A can be found immediately following the report of the independent auditors.

College Profile

San Jacinto College opened its doors in September 1961 with one campus, the Central campus in Pasadena, with over 850 students enrolled. The initial enrollment set a record for new enrollment for community colleges in Texas.

By 1974 the College opened its North campus off Uvalde Road near the Channelview area which is north of the Ship Channel off Beltway 8. In 1979 the College opened its South campus off Beamer Road just north of Dixie Farm Road.

From the initial enrollment of 850 students, the College has grown to three campuses, five outreach centers, approximately 24,000 credit students and approximately 20,000 continuing and professional development students. The College offers over 140 academic programs and provides students the opportunity to get involved in inter-collegiate sports, intramural sports, and the fine arts.

From the early administration to the current administration, community service has been embraced. Administrators, faculty, and staff of the College serve on countless boards in the community and local school districts. They are also members of Rotary, Chambers of Commerce, Kiwanis, YMCA, and other community organizations. Serving the community and constituents of the community remains at the core of the mission of San Jacinto College.

In addition to the quality and rounded education experience offered to our students, San Jacinto College also partners with businesses in the community to provide continuing development for the employees and future employees of the companies. We have partnered with such organizations as Shell, Aramco, General Motors, Ford, Toyota, Honda, BMW, Chrysler, NASA, the Port of Houston Authority, Union Pacific Railroad and Delta Airlines.

San Jacinto College has also partnered with local independent school districts to provide dual credit for high school students. This program allows students to graduate from high school with college credit and in some cases, a full associate degree. Our automotive, criminal justice, nursing assistant, and cosmetology programs are also offering skills courses for high school students so they can find employment after high school.

Recently, San Jacinto College has also increased its partnership with other institutions of higher education. The College has a long standing partnership with the University of Houston Clear Lake providing the freshman and sophomore year classes to nearly 70 percent of their undergraduate students. In the last month, San Jacinto College has also entered into dual enrollment agreements

with Sam Houston State University and Texas A&M University including its Galveston marine and maritime branch campus.

San Jacinto College, established 45 years ago, has been serving the Bay Area Houston community by educating the workforce. We are proud to be a part of this community and look forward to at least 45 more years of serving the people of our community through quality and well-rounded education.

Economic and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the College operates.

Local Economy

Harris County is located in southeast Texas within the Houston-Sugar Land-Baytown metropolitan area. Harris County is named for John Richardson Harris, an early settler of the area. As of the census of 2000, there were 3,400,578 people; 1,205,516 households; and 834,217 families residing in the county, making it the largest county by population in Texas. The population density was 1,967 people per square mile. There were 1,298,130 housing units at an average density of 751 per square mile. The racial makeup of the county was 58.73% White, 18.49% Black or African American, 0.45% Native American, 5.14% Asian, 0.06% Pacific Islander, 14.18% from other races, and 2.96% from two or more races. The population for Hispanic or Latino, any race, was 32.93%. In 2006 Harris County had 3,886,207 residents - a 14.3% growth since 2000.

The median income for a household in the county was \$42,598, and the median income for a family was \$49,004. Males had a median income of \$37,361 versus \$28,941 for females. The per capita income for the county was \$21,435. About 12.10% of families and 14.97% of the population were below the poverty line, including 19.60% of those under age 18 and 12.20% of those age 65 or over.

San Jacinto College is located in the city of Pasadena, Texas. The city's economy is closely linked to the nearby Houston Ship Channel and its related industrial districts, as well as the National Aeronautics and Space Administration's Lyndon B. Johnson Space Center in the bordering Clear Lake area.

Cash Management Practices

Cash was invested in obligations of U.S. agencies, and local government money market pools. The maturities of investments range from 1 month to 33 months. Coupon rates range from 3.0% to 5.5%. The recent rise in interest rates is reflected in the larger balances invested in local government money market pools and a money market fund with the College's depository institution. Investment income includes the increase or decrease in the fair value of investments. The fair value of securities will increase or decrease due to changes in market interest rates during the year. As individual securities come closer to their maturity date, the fair value of the security moves toward its par value. As the price moves toward its par value, the unrealized gain or loss is reduced proportionally and is eliminated by the time the security matures. The College generally holds securities to maturity.

Debt Management

The College has \$1,325,000 of limited tax levy debt and \$73,280,000 in general obligation debt outstanding at August 31, 2007. Limited tax levy debt are special obligations of the College payable as to principal and interest solely from and secured by a first lien on and a pledge of certain revenues including tuition, fees, investment income and commissions. For the 2007 fiscal year, the pledged revenues provided approximately 16.5 times coverage of the debt service on limited tax levy debt. The College's limited tax levy debt is currently rated AA- by Standard and Poor's and A1 by Moody's.

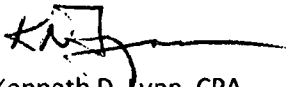
The College is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. At August 31, 2007, the College had \$73,280,000 in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$0.50 tax per hundred dollars of taxable assessed valuation. Proceeds from general obligation debt may be used to purchase land for sites, construct, improve, renovate, and equip College facilities; to refund certain bonds of the College; and to pay the issuance costs of bonds. The College's general obligation debt is currently rated AAA by Standard and Poor's and Aaa by Moody's.

Facilities Master Plan

During the 2006-2007 fiscal year, the College conducted a comprehensive facilities review and evaluation focused on providing facilities and infrastructure for the College's three campuses. The planning process included a college leadership group, faculty and staff, architects and the College's financial advisors. The master planning process is nearing completion and is expected to culminate with a recommendation for a bond referendum in May 2008.

The preparation of this report could not have been accomplished without the services of the entire Fiscal Affairs staff. I would like to express my appreciation for their efforts toward advancing the quality and effectiveness of the College's financial reporting processes. Credit should also be given to the Chancellor and the Board of Trustees for their support in maintaining the highest standards of professionalism with regard to the College's financial operations.

Respectfully submitted,



Kenneth D. Lynn, CPA
Vice Chancellor of Fiscal Affairs

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Jacinto Community College District:

We have audited the accompanying basic financial statements of San Jacinto Community College District (the College) as of and for the years ended August 31, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

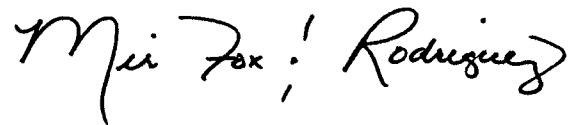
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2007 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the 2007 and 2006 basic financial statements of the College, taken as a whole. The supplemental schedules (schedule A through D) and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental schedules A through D have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the 2007 and 2006 basic financial statements and, accordingly, we express no opinion on it.

Our 2007 audit was conducted for the purpose of forming an opinion on the 2007 basic financial statements. The accompanying schedule of expenditures of federal awards (Schedule E) and schedule of expenditures of state awards (Schedule F) as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the *State of Texas Single Audit Circular*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2007 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2007 basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mui Fox Rodriguez". The signature is written in a cursive style with a large initial "M" and a stylized "R".

December 12, 2007

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Unaudited)

About San Jacinto Community College District

The San Jacinto Community College District (the College) has served east Harris County in Texas since the early 1960s, demonstrating a partnership between a growing community college and a sprawling area rich in history. The diverse college district has now grown to include three campuses, a network of off-campus learning centers, and an online college. Total credit enrollment exceeds 24,000 students with an equal number of adult learners enrolled in continuing education classes for personal enrichment or professional development. In order to serve these students, the College employs over 2,300 full-time and part-time personnel. Most faculty have earned master's and doctoral degrees and have been nationally recognized for their teaching, research or authorship.

The College benefits from a solid tax base and proximity to Houston, the largest city in the State of Texas and the nation's fourth largest. The area is also home to the nation's second largest port and NASA's Johnson Space Center. In true community college fashion, the College partners with many of the area's import and export companies, major oil and gas refineries, manufacturing firms, and a consortium of aerospace interests. To help meet the specialized workforce needs of the surrounding community, the College has fashioned innovative instructional partnerships with port industries, business, healthcare providers, various foundations and nonprofit organizations and other colleges and universities.

Working closely with area school districts, the College has built educational ladders that take students from kindergarten to college thanks to state-approved tech prep initiatives, articulation agreements, and dual credit programs. Students are attracted to the College's specialized instructional programs and the transferability of all credits to four-year universities. Students can choose from various certificate programs, workshops, and the following degrees: Associate of Arts, Associate of Science, Associate of Applied Science, and Associate of Arts in teaching. In total, the College offers more than 140 degree and certificate programs.

The College is governed by a seven member Board of Trustees (the Board) elected for six-year terms by the taxpayers within its taxing district, which encompasses more than 446,000 citizens and 320 square miles. The Board is responsible for oversight of academic programs, budgets, general administration, and employment of staff and faculty.

Overview of the Annual Financial Report

The College presents its annual financial report in a "business type activity" format, in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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 services are provided to the College, regardless of when cash is exchanged.

The annual financial 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 basic financial statements. This section of the annual financial report is entitled "Management's Discussion and Analysis". It provides an overview of the College's financial activities for the current year along with a comparison to the prior year. In addition, the annual financial report includes an unqualified opinion letter from the College's independent auditors.

Financial Highlights for 2007

- In April 2007 the Board increased tuition for in-district students by \$3 per semester credit hour (to \$33); for out-of-district students by \$3 per semester credit hour (to \$58); and, for international students by \$33 per semester credit hour (to \$108). The increase in tuition was the first increase in tuition since August 2004 and is designed to offset rising costs of instruction.
- The College maintained the ad valorem tax rate at 14.5365 cents per \$100 of valuation as net appraised values increased approximately \$3.4 billion. A residential homeowner claiming a homestead exemption on an average value home of \$102,740 would pay \$142 in taxes – an increase of \$4 per year based on the average appraisal increase. Because of higher appraised values the College realized approximately \$4.2 million additional tax revenue for maintenance and operations.
- In May 2007 the College issued \$4 million of general obligation bonds from the 1999 authorization of \$91.3 million. The 1999 authorization is now fully issued.
- On June 15, 2007, Rick Perry, the Governor of the State of Texas, vetoed legislation to provide funding for state-paid health insurance premiums for Texas' community colleges for the 2008-2009 year of the 2007-2009 biennium. The vetoed amount was approximately \$154 million for 50 Texas community colleges and specifically approximately \$6.6 million for San Jacinto Community College District. The Governor's veto was based on his position that the state was funding health insurance benefits for community colleges above what would be required if the expense were divided proportionally according to sources of revenue that fund salaries of the affected employees. After a summer-long outcry from elected officials and the citizens of the State of Texas, Lt. Governor David Dewhurst announced on October 23, 2007 that an agreement had been reached to restore the vetoed health insurance appropriation for 2008-2009. However, issue of adequacy of state appropriations for health insurance and proportionality will be a major topic of debate for legislators of the 81st Texas Legislature which will be called into session in January 2008. It is unclear at this time what impact, if any, future legislation regarding health insurance will have on the financial outlook for San Jacinto Community College District.
- The College continued its master planning project with a core team of college leaders, architects and financial advisors. The College expects that the facilities needs identified during the planning process will result in a May 2008 bond referendum.
- The College's early exit program, announced in 2006, was implemented with an employee acceptance deadline of September 21, 2007. Fifty one employees (24 faculty, 12 administrators, 3 professional staff and 12 support staff) accepted the offer. Exit dates range from January 31, 2008 to August 31, 2009. The financial impact of the early exit plan will be determined as decisions are made as to replacement and hiring.
- During the fiscal year 2006-2007, the College continued to be awarded significant grants by Federal and State Agencies. NASA funded \$5.6 million for the Strategic Education Alliance Program (SEA) with the Aerospace Academy to promote students in STEM careers. The Department of Education awarded the College \$3.4 million in the form of three prestigious TRIO grants; Upward Bound Program, Upward Bound Math and Science Program, and a second Talent Search Program. In addition, the Texas Workforce Commission awarded the College \$5.4 million in workforce initiatives that promoted skills training and pipeline growth in the aerospace, petrochemical and refining industries in the surrounding area.

Financial Highlights for 2006

- The College's ad valorem tax rate was increased .6235 cents to 14.5365 cents per \$100 of valuation. With the new rate, a homeowner with a residence appraised at \$100,000 pays approximately \$138 in taxes to the College after the homestead exemption. Additionally, the College increased the exemption for disabled and age 65 and older taxpayers to \$95,000 from \$78,120. These two actions resulted in approximately \$1.7 million of additional tax revenue which was allocated for instructional and technology initiatives.
- The College kicked off a master planning project. The master plan involves a broad-based representation of faculty, students, community members, administrators, and staff designed to analyze all aspects of the College's facility needs based on educational programs and technology. The completed plan will provide a prioritized construction program for facility renewal and campus expansion. During 2006, the College focused on maintaining and repairing aging facilities including the completion of four roofing projects and one renovation project. The total capitalized cost was \$2.2 million.
- On October 10, 2005, the Board approved an Early Exit Incentive Benefit program for employees meeting a combined age and years of service requirement. The intent of this program was to reduce salaries, redirect funds to other instructional priorities, and hire employees for targeted positions and areas. Forty-six employees of which 17 were faculty elected to participate in the early exit program. Participants received six additional months of compensation for a total cost of \$1.2 million.
- The College continued to focus on quality, efficiency, effectiveness, and unifying processes throughout the campuses. During 2006, several areas began and/or completed restructuring initiatives designed to increase revenues, better serve the student and business population, and re-allocate resources for strategic goals.
- On October 1, 2005, the College was awarded a \$3.2 million Department of Education Title V Cooperative grant. The funds will be spent over five years with the 2006 award in the amount of \$605,000. The grant will be used to develop programs to increase student success in the first year by strengthening career counseling, enhancing development programs and providing extensive support services in the gateway classes which should result in significant increases in persistence and completion.

The Statement of Net Assets

The Statement of Net Assets is a point in time financial statement and presents a fiscal snapshot 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. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of their liquidity with noncurrent defined as greater than one year. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Increases or decreases to net assets is one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention, and other non-financial information. The Statement of Net Assets is useful in determining the assets available to continue operations as well as how much the College owes to vendors, bondholders, and other entities at the end of the year.

The following is prepared from the College's Statement of Net Assets and provides a summary of its assets, liabilities and net assets for the years ended August 31:

Summary of Statements of Net Assets
(In Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 59,386	\$ 29,737	\$ 47,426
Noncurrent assets:			
Capital assets, net of depreciation	146,568	149,698	153,510
Other	<u>42,382</u>	<u>65,726</u>	<u>41,905</u>
Total assets	<u>\$ 248,336</u>	<u>\$ 245,161</u>	<u>\$ 242,841</u>
Current liabilities	30,380	24,349	28,940
Noncurrent liabilities	<u>68,085</u>	<u>81,603</u>	<u>87,026</u>
Total liabilities	<u>98,465</u>	<u>105,952</u>	<u>115,966</u>
Net assets:			
Invested in capital assets, net of related debt	71,963	64,389	60,990
Restricted	10,067	13,969	9,904
Unrestricted	<u>67,841</u>	<u>60,851</u>	<u>55,981</u>
Total net assets	<u>\$ 149,871</u>	<u>139,209</u>	<u>126,875</u>

Fiscal Year 2007 Compared to 2006

Total assets increased \$3.2 million during the fiscal year ended August 31, 2007, a 1.3% increase. Cash, cash equivalents and investments increased \$6.7 million (8.2%) from \$81.3 million to \$88.0 million. Responding to interest rate increases over the past year, the College has shortened the maturities of its investments with \$19.4 million classified as short-term in 2007 compared to \$0- in 2006. Reflecting the outsourcing of bookstore operations in July 2007 to Barnes & Noble, inventories decreased \$2.3 million from the prior year.

The College's current ratio increased from 1.22 in 2006 to 1.95 in 2007 indicative of the shorter maturities of investments. Acting in tandem, the movement of investments to a short-term classification decreased noncurrent assets. Noncurrent assets also declined due to the use of \$9.1 million of cash in the debt service fund for prepayment of debt. Total noncurrent assets declined \$26.5 million from \$215.4 in 2006 to \$188.9 in 2007. Capital assets decreased \$3.1 million as net additions to capital assets of \$2.4 million were more than offset by \$5.5 million in net additions to depreciation.

Total liabilities decreased \$7.5 million, or 7%, from the previous year. Current liabilities increased \$6.0 million due to an increase of \$2.6 million in accounts payable and a \$3.4 million increase in the current portion of notes and bonds payable. The increase in current liabilities relates to a management decision in June, 2007 to release \$6.2 million for late year acquisitions of needed supplies and equipment. The increase in the current portion of notes and bonds payable is due to the issuance of the 2007 General Obligation bonds and normal fluctuations in debt repayment schedules. Noncurrent liabilities decreased from \$81.6 million in 2006 to \$68.1 million in 2007 primarily due to the \$9.1 million of early debt repayment and reductions caused by traditional repayments of principal.

Invested in capital assets, net of related debt increased 11.8% (\$7.6 million, from \$64.4 million to \$72.0 million) primarily due to the early repayment of debt. Mirroring that increase was a decrease in debt service net assets of \$7.2 million. Issuance of the 2007 General Obligation bonds caused an increase in unexpended bond proceeds of \$3.6 million and unrestricted net assets increased \$7.0 million.

Fiscal Year 2006 Compared to 2005

Total assets at the end of 2006 were \$245.2 million which represented a \$2.4 million increase from fiscal year 2005. Cash and short-term investments account for 54% or \$16.1 million of the current asset total versus \$33.4 million in the prior year. This decrease of \$17.3 million in cash and short-term investments is offset by an increase of \$19.8 million in long-term investments consisting of direct obligations of agencies of the United States such as Federal Home Loan Bank Bonds, Fannie Mae Notes, and Federal Home Loan Mortgages. The move towards longer term investments during 2006 occurred in order to maximize interest earnings while complying with the requirements of the College's investment policy and maintaining liquidity flexibility. The weighted average maturity for long-term investments and cash and cash equivalents is 342 days.

The ratio of current assets to current liabilities is 1.22 for 2006 versus 1.64 for 2005. While the ratio declined due to the increase in long-term investments, it still indicates the College's strong ability to pay outstanding current debts.

Other changes in noncurrent assets include a \$4.1 million increase in restricted cash and cash equivalents offset by a \$3.8 million decrease in net capital assets. The increase in restricted cash and cash equivalents is due to debt service ad valorem taxes collected in excess of required debt service payments. The College anticipates that a portion of these funds will be used in 2007 to pay-off additional bonds. The decrease in capital assets is due to \$3.1 million in additions offset by \$6.9 million in depreciation expense. Additionally, capital assets are discussed in a separate heading in this management's discussion and analysis.

Total liabilities of the College decreased \$10.0 million to a total of \$105.9 million at August 31, 2006. The majority of the decrease is due to \$7.2 million in bond and note principal payments bringing the total outstanding balance on notes and bonds payable to \$85.3 million for 2006 compared to \$92.5 million for 2005. The outstanding debt bears interest at fixed and variable rates with maturities varying through 2032. Accounts payable decreased by \$1.0 million attributable to a concerted effort to process payments for bookstore inventory purchases by year-end. Current accrued liabilities decreased by \$1.4 million due to the payment of payroll tax liabilities by August 31, 2006. In comparison for fiscal year 2005, payroll tax liabilities were paid on September 1, 2006.

Net assets increased by \$12.3 million to \$139.2 million at August 31, 2006. Restricted net assets related to unexpended bond proceeds decreased by \$2.6 million as proceeds were spent on capital projects. Restricted net assets related to debt service increased \$6.9 million which is due to debt service ad valorem taxes collected in excess of the current year's debt service requirements. Total net assets invested in capital assets, net of related debt increased by \$3.4 million to a total of \$64.4 million. Unrestricted net assets increased \$4.9 million due to the College's continued commitment to improving efficiencies and effectiveness in operations and by increases in enrollment and tax revenue.

The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the "bottom line results" of the College's operations. This approach summarizes and simplifies the user's analysis of the revenues earned and the cost of services. It details how net assets have increased during the year ended August 31, 2007, with comparative information for fiscal year 2006. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. Generally speaking, operating revenues are received for providing goods and services to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College.

Tuition and auxiliary revenues are shown net of scholarship allowances and discounts, depreciation is provided for capital assets, and there is a required subtotal for net operating income or loss. This required subtotal will generally reflect a "loss" for community colleges in Texas. This is primarily due to the way operating and non-operating items are defined by generally accepted accounting principles. For community colleges, State appropriations and ad valorem taxes, while budgeted for operations, are non-exchange transactions and, as such, are treated as nonoperating revenues for financial statement purposes.

The following is a summary prepared from the College's Statement of Revenues, Expenses and Changes in Net Assets for the years ended August 31:

**Summary of Revenues, Expenses, and Changes Net Assets
(In Thousands)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of scholarship allowances and discounts	\$ 28,361	\$ 27,358	\$ 24,445
Federal grants and contracts	24,950	27,718	26,380
State and local grants and contracts	2,354	805	449
Non-government grants and contracts	831	638	783
Sales and services of educational activities	562	659	1,121
Auxiliary enterprises, net of discounts	5,748	9,463	8,155
General operating revenues	43	35	26
Total operating revenues	<u>62,849</u>	<u>66,676</u>	<u>61,359</u>
Expenses:			
Operating expenses:			
Instruction	48,927	46,147	43,506
Public service	2,376	2,638	2,342
Academic support	8,978	6,514	6,143
Student services	8,108	7,724	7,619
Institutional support	29,608	27,287	24,294
Operation and maintenance of plant	14,218	12,251	12,781
Scholarships and fellowships	18,335	16,417	16,595
Auxiliary enterprises	5,833	13,107	10,137
Depreciation	6,811	6,929	6,923
Total operating expenses	<u>143,194</u>	<u>139,014</u>	<u>130,340</u>
Operating loss	<u>(80,345)</u>	<u>(72,338)</u>	<u>(68,981)</u>
Non-operating revenues (expenses):			
State appropriations	44,310	43,906	41,472
Maintenance ad valorem taxes	37,666	33,439	30,669
Debt service ad valorem taxes	9,565	8,633	8,109
Investment income (net of investment expenses)	4,908	3,213	2,018
Interest on capital related debt	(3,872)	(3,644)	(3,953)
Other non-operating revenues (expenses)	<u>(1,570)</u>	<u>(874)</u>	<u>(3,413)</u>
Total non-operating revenue, net	<u>91,007</u>	<u>84,673</u>	<u>74,902</u>
Increase in net assets	10,662	12,335	5,921
Net assets, beginning of year	<u>139,209</u>	<u>126,874</u>	<u>120,953</u>
Net assets, end of year	<u>\$ 149,871</u>	<u>\$ 139,209</u>	<u>\$ 126,874</u>

Fiscal Year 2007 Compared to 2006

Tuition and fee revenue (before the allowance for scholarships and discounts) increased to \$36.4 from \$34.3 million in 2006. This 6.1% increase (\$2.1 million) includes tuition and fees for both state-funded academic and non-state funded contract training and workforce development instructional activities. Increases in academic tuition (\$1.1 million) are the result of an increase in tuition of \$3 per semester credit hour for in-district and out-of-district students and a \$33 per semester credit hour increase for international students. The tuition increase was approved by the Board of Trustees in April, 2007. In terms of contact hours, the fall 2006 semester was essentially unchanged from fall of 2005. Non-state funded contract training and workforce development instruction revenues increased \$1.0 million from 2006 levels as the 2006 restructuring continued to meet the needs of business and industry.

Federal grants and contracts revenue experienced a decrease in 2007 from 2006 levels of \$2.7 million – a 10% decrease. Federal financial aid programs through the Department of Education were \$2.5 million less than the prior year. Decreases were experienced in the Federal Family Education Loans (\$1.3 million) and the Pell Grant program (\$1.7 million) which were partially offset by increases in other Department of Education programs.

The College, after a comprehensive request for proposals process, signed a contract with Barnes & Noble to manage the College's bookstore operations effective July 1, 2007. Because of the conversion to contracted operations, auxiliary revenue from bookstore operations was reduced by \$3.9 million.

Expenses for educational activities increased 3%, or \$4.2 million with the major increases in the areas of instruction (\$2.8 million), academic support (\$2.5 million), institutional support (\$2.3 million), and scholarships (\$1.9 million), offset by a reduction in auxiliary expenses of \$7.2 million related to outsourcing the bookstore operations.

Increases from 2006 to 2007 in net non-operating revenue and expenses totaled \$6.3 million. Ad valorem tax revenue increased a total of \$5.1 million, with maintenance and operating taxes increasing \$4.2 million (12.6%) and debt service tax revenues increasing \$0.9 million (10.7%) solely on increases in taxable values. The College's tax rate for the 2007 fiscal year was the same as the 2006 rate. Net investment income continued to rise based on larger investable balances and higher rates. The portfolio yielded \$1.7 million more for 2007 than for 2006.

Fiscal Year 2006 Compared to 2005

Tuition and fee revenue was \$34.3 million before scholarship allowances and discounts compared to \$30.9 million for the prior year. This \$3.4 million increase is related to both credit and non-credit enrollment. The increase in credit revenue included an enrollment increase of approximately 2% in contact hours and also included the impact of the College's simplified tuition and fee structure which was implemented in the summer of 2005. This new structure created a general service fee of \$130 per student per semester which resulted in a negative impact on summer 2005 but was offset with increased revenue for the fall and spring semesters. Additionally, the non-credit area was restructured in spring 2006 in an effort to refocus course offerings and to target the needs of business and industry. These changes were in place for only six months of the year but generated \$1.2 million of additional revenue.

Grants and contracts increased by \$1.5 million, which is largely attributable to the following grant programs: a new Title V grant awarded in October 2005 which focuses on developmental education (\$5 million), an increase in the Department of Labor pass-through grants (\$4 million) and an increase in the National Aeronautics and Space Administration grants (\$4 million).

Auxiliary enterprises consist of bookstore operations, childcare facilities, cafeterias, the golf course, and various student services. Auxiliary revenues prior to discounts were \$12.7 million of which \$10.4 million is due to the operations of the three bookstores. This is in comparison to 2005 where total auxiliary revenues prior to discounts were \$10.9 million and bookstores were \$8.9 million of this total. For the year, bookstore revenues increased \$1.5 million which is due to the timing of the start of the fall semester.

Expenses for educational activities increased \$5.7 million reaching a total of \$119.0 million representing 85.5% of the total 2006 operating expenses for the College compared to \$113.3 million or 86.9% in 2005. Of the increase, \$2.6 million is related to instruction with \$1.4 million in salaries, \$.6 million in benefits, and \$.6 million in other expenses. The increase in salaries represents increases in rates for both full-time and adjunct faculty. Institutional support for 2006 totaled \$27.3 million versus \$24.3 million for 2005. The \$3 million increase is due to the following components: \$.8 million in restricted grant related expenditures, \$.3 million in raises for full-time personnel, \$.7 million increase in the allowance for doubtful accounts, \$.3 million increase in advertising, and \$.5 million increase in property insurance.

The expenses for auxiliary enterprises increased \$2 million to \$13.1 million. Of this increase, \$1.2 million is attributable to the Early Exit Incentive Benefit program approved by the Board on October 10, 2005. This program provided for employees meeting a combined age and years of service requirement to elect to retire on May 31, 2006, or August 31, 2006, with an incentive of six months of additional pay. Forty-six employees, of which 17 were faculty, elected to participate in the early exit program.

Net non-operating revenues and expenses increased by \$9.8 million to a total of \$84.7 million. State appropriations increased by \$2.4 million which is due to increases in both educational and general support and in State benefits. The State of Texas funds on a biennium basis so the current level will continue through fiscal year end 2007. For community colleges in Texas, the appropriations per contact hour for the 2006-2007 biennium increased to \$6.60 versus \$6.42 for the 2004-2005 biennium, but are still significantly below the 2002-2003 funding level of \$7.71 per contact hour¹.

Ad valorem tax revenue increased from \$38.8 million in 2005 to \$42.0 million in 2006. Of the \$3.2 million increase, \$1.7 million is due to an increase in the tax rate from 13.913 cents per \$100 to 14.5365 cents per \$100 of valuation. The remaining increase is due to a 4.9% increase in net assessed valuations which resulted in a total taxing value for the College of \$28.8 billion. With an adopted rate of 14.5365 cents per \$100, the College is significantly below its authorized tax rate of 70.000 cents per \$100 of valuation which allows for future flexibility. Investment income increased \$1.2 million due to higher interest rates and an increase in funds to be invested. The loss on disposal of capital assets decreased by \$2.4 million which is due to less construction projects undertaken in 2006 versus 2005.

¹ From Texas Association of Community Colleges Legislative Priority Report 2007.

The increase in net assets for the year was \$10.7 million versus \$12.3 million for the prior year. The College continues to concentrate on improving efficiencies and effectiveness and is focused on program reviews, evaluations, and organizational design of both instructional and administrative areas.

The Statement of Cash Flows

The Statement of Cash Flows reports the cash receipts and cash payments that occurred during the fiscal year with comparative data for the prior year. The statement helps users assess: 1) the College's ability to generate future cash flows; 2) its ability to meet its obligations as they come due; and 3) its needs for external financing. The sources and uses of cash are categorized by operating, non-capital financing, capital financing and investing activities.

The following chart summarizes the statements of cash flows (rounded to the nearest thousand) for the fiscal years ended August 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in):			
Operating activities	\$ (61,311)	\$ (60,025)	\$ (53,959)
Non-capital financing activities	71,885	67,524	62,761
Capital and related financing activities	(8,669)	(3,771)	(11,047)
Investing activities	<u>989</u>	<u>(16,905)</u>	<u>(2,464)</u>
Net increase (decrease) in cash and cash equivalents	2,894	(13,177)	(4,709)
Cash and cash equivalents - beginning of year	<u>30,130</u>	<u>43,307</u>	<u>48,016</u>
Cash and cash equivalents - end of year	\$ <u>33,024</u>	\$ <u>30,130</u>	\$ <u>43,307</u>

The College's cash from operations will always show a decrease as the College relies heavily on State appropriations and maintenance ad valorem taxes to fund operations. But in accordance with generally accepted accounting principles, these sources are reported as non-capital financing for a total of \$73.3 million in 2007 versus \$69.8 million in 2006. Uses of non-capital financing for 2007 and 2006 are \$1.4 million and \$2.3 million, respectively, and were for scheduled principal and interest payments on notes. Net cash used by capital and related financing activities is \$8.7 million for 2007 versus \$3.8 million used in 2006. This change is attributable to \$0.2 million increase in capital asset purchases, \$0.7 million increase in debt service ad valorem taxes, and \$4.3 million increase in principal and interest payments on capital debt. Net cash provided by investing activities in 2007 was \$1.0 million which reflects shorter investment maturities.

Capital Assets and Long-Term Debt Activity

Capital Assets - Fiscal Year 2007

In 2007, the College completed five roofing projects, outdoor lighting modifications, infrastructure upgrades, and an air handling unit replacement for a total cost of \$1.6 million. At August 31, 2007, \$1.7 million in projects were still under construction with the majority being roof replacements and covered walkway replacements. Several projects undertaken during the year were related to repairs and maintenance and did not qualify for capitalization. For the short term, management is focusing on maintaining and repairing aging facilities. For the long term, management is completing a master planning study for all three campuses. With its completion, decisions will be made as to immediate projects and those long-term building projects which will require a financing combination of pay-as-you-go and requesting the taxpayers to approve additional bonds. It is anticipated that such decisions will be made during fiscal year 2008.

Capital Assets - Fiscal Year 2006

In 2006, the College completed four roofing projects and one renovation project for a total cost of \$2.2 million. At August 31, 2006, \$1.9 million in projects were still under construction with the majority being roof replacements. Several projects undertaken during the year were related to repairs and maintenance and did not qualify for capitalization. For the short term, management is focusing on maintaining and repairing aging facilities. For the long term, management is completing a master planning study for all three campuses. With its completion, decisions will be made as to immediate projects and those long-term building projects which will require a financing combination of pay-as-you-go and requesting the taxpayers to approve additional bonds. It is anticipated that such decisions will be made during fiscal year 2007.

Long-Term Debt

On May 7, 2007, the College issued the remaining \$4.0 million in unissued bonds from the 1999 bond authorization. At August 31, 2007, the College has \$6.0 million in unexpended bond proceeds. The unexpended proceeds will be used to construct child care facilities at the North and Central campuses as well as to provide ongoing support for the College’s major repair and renovation projects. The College is committed to progressing with its construction, facilities management and technology programs while still maintaining an aggressive debt payment schedule.

The College’s credit ratings have been affirmed 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

Currently Known Facts, Decisions and Conditions

Looking ahead to fiscal year 2008 and beyond, College management sees continuing challenges regarding the levels of State support, increased resistance to property tax increases, and increased pressure to keep tuition and fees affordable for students. Consequently, the College is committed to building upon current efforts to diversify revenue bases, reduce operating costs, develop and expand community partnerships, and manage financial risks while maintaining a clear focus on quality instructional programs. A clear indication of its focus on quality is the College’s emphasis in 2007 on professional development for all faculty, staff and administrators, reviews of “best practice” institutions throughout the country, and the hiring of 41 new full-time faculty for the fall 2006 semester.

The College will continue to focus on strengthening the teaching and learning process while maintaining its sound financial position. San Jacinto Community College District is a dynamic institution that is an integral part of the success of East Harris County and the surrounding communities.

Contacting the College’s Financial Management

This financial report is designed to provide the College’s citizens, taxpayers, students, investors, and creditors with a general overview of the College’s finances and to demonstrate the College’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice Chancellor of Fiscal Affairs.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Net Assets
August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 27,043,703	\$ 16,143,392
Deposits held by others	30,921	30,952
Other short-term investments	19,437,412	-
Accounts receivable, net	12,273,346	10,124,517
Deferred charges	237,135	740,679
Inventories	363,621	2,697,221
Total current assets	<u>59,386,138</u>	<u>29,736,761</u>
Noncurrent assets:		
Restricted cash and cash equivalents	5,980,776	13,969,143
Endowment cash and cash equivalents	-	17,694
Other long-term investments	35,534,437	51,119,803
Bond issuance costs	866,822	619,141
Capital assets, net (note 6)	146,568,264	149,698,625
Total noncurrent assets	<u>188,950,299</u>	<u>215,424,406</u>
Total assets	<u>248,336,437</u>	<u>245,161,167</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	6,158,840	3,573,388
Accrued liabilities	529,158	842,516
Accrued compensable absences	1,063,777	934,616
Deferred compensation	32,000	-
Deferred revenues	13,941,440	13,410,439
Funds held for others	-	315,935
Notes payable - current portion	1,310,000	952,015
Bonds payable - current portion	7,345,000	4,320,000
Total current liabilities	<u>30,380,215</u>	<u>24,348,909</u>
Noncurrent liabilities:		
Accrued compensable absences	1,525,166	1,565,267
Deferred compensation	18,000	-
Bond premium payable	592,296	-
Notes payable	7,520,000	8,943,308
Bonds payable	58,430,000	71,095,000
Total noncurrent liabilities	<u>68,085,462</u>	<u>81,603,575</u>
Total liabilities	<u>98,465,677</u>	<u>105,952,484</u>
Net assets:		
Invested in capital assets, net of related debt	71,963,263	64,388,302
Restricted:		
Non-expendable - student aid	-	12,000
Expendable:		
Student aid	1,209,603	1,496,250
Unexpended bond proceeds	5,986,359	2,397,237
Debt service	2,870,617	10,063,656
Unrestricted	67,840,918	60,851,237
Total net assets	<u>\$ 149,870,760</u>	<u>\$ 139,208,682</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Operating revenues:		
Student tuition and fees, (net of scholarship allowances and discounts of \$8,083,604 and \$6,975,759 respectively)	\$ 28,361,060	\$ 27,357,720
Federal grants and contracts	24,949,539	27,718,042
State and local grants and contracts	2,354,149	805,073
Non-government grants and contracts	830,555	637,682
Sales and services of educational activities	562,045	659,393
Auxiliary enterprises, (net of discounts)	5,748,105	9,463,221
General operating revenues	43,573	35,000
Total operating revenues (Schedule A)	<u>62,849,026</u>	<u>66,676,131</u>
Expenses:		
Operating expenses:		
Instruction	48,926,799	46,147,392
Public service	2,376,146	2,637,941
Academic support	8,978,239	6,513,692
Student services	8,107,698	7,723,536
Institutional support	29,607,972	27,286,543
Operation and maintenance of plant	14,218,438	12,251,486
Scholarships and fellowships	18,335,239	16,417,362
Auxiliary enterprises	5,832,451	13,106,564
Depreciation	6,810,792	6,929,289
Total operating expenses (Schedule B)	<u>143,193,774</u>	<u>139,013,805</u>
Operating loss	<u>(80,344,748)</u>	<u>(72,337,674)</u>
Non-operating revenues (expenses):		
State appropriations	44,309,565	43,905,833
Maintenance ad valorem taxes	37,666,186	33,439,538
Debt service ad valorem taxes	9,564,793	8,633,213
Investment income (net of investment expenses)	4,907,664	3,212,666
Interest on capital related debt	(3,871,800)	(3,645,229)
Other non-operating revenues (expenses)	(1,569,582)	(873,954)
Total non-operating revenue, net (Schedule C)	<u>91,006,826</u>	<u>84,672,067</u>
Increase in net assets	10,662,078	12,334,393
Net assets, beginning of year	139,208,682	126,874,289
Net assets, end of year	<u>\$ 149,870,760</u>	<u>\$ 139,208,682</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows
Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from students and other customers	\$ 33,064,871	\$ 36,624,569
Receipts of grants and contracts	28,188,846	29,673,277
Payments to suppliers for goods or services	(30,514,638)	(35,228,397)
Payments to or on behalf of employees and fellowships	(74,638,981)	(74,670,000)
Payments of scholarships	<u>(18,365,532)</u>	<u>(16,424,394)</u>
Net cash used by operating activities	<u>(62,265,434)</u>	<u>(60,024,945)</u>
Cash flows from non-capital financing activities:		
Receipts from state appropriations	36,415,696	36,440,914
Receipts from ad valorem taxes	37,666,186	33,434,594
Payments on notes - principal	(1,065,323)	(1,919,600)
Payments on notes - interest	<u>(377,756)</u>	<u>(431,312)</u>
Net cash provided by non-capital financial activities	<u>72,638,803</u>	<u>67,524,596</u>
Cash flows from capital and related financing activities:		
Receipts from ad valorem taxes - debt service	9,564,793	8,631,899
Purchases of capital assets	(3,739,943)	(3,466,792)
Purchases of non-capital items from bond proceeds	(1,510,071)	(525,469)
Payment on capital debt - principal	(9,640,000)	(5,290,000)
Payment on capital debt - interest	<u>(3,143,455)</u>	<u>(3,120,414)</u>
Net cash used by capital and related financing activities	<u>(8,468,676)</u>	<u>(3,770,776)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	27,463,550	6,000,000
Investment income	4,533,221	3,149,832
Purchase of investments	<u>(31,007,214)</u>	<u>(26,055,250)</u>
Net cash provided (used) by investing activities	<u>989,557</u>	<u>(16,905,418)</u>
Increase (Decrease) in cash and cash equivalents	2,894,250	(13,176,543)
Cash and cash equivalents, beginning of year	<u>30,130,229</u>	<u>43,306,772</u>
Cash and cash equivalents, end of year	<u>\$ 33,024,479</u>	<u>\$ 30,130,229</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (80,344,748)	\$ (72,337,674)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	6,810,792	6,929,289
State retirement match	1,738,606	1,644,382
State group insurance	6,155,263	5,820,537
Changes in assets and liabilities:		
Receivables, net	(2,082,768)	260,041
Deferred changes	503,544	(377,427)
Inventories	2,333,600	829,308
Deposits	31	960
Funds held by others	(315,935)	-
Accounts payable	2,585,452	(1,007,226)
Accrued liabilities	(319,332)	(1,401,297)
Compensated absences	139,060	(213,966)
Deferred revenues	<u>531,001</u>	<u>(171,872)</u>
Net cash used by operating activities	<u>\$ (62,265,434)</u>	<u>\$ (60,024,945)</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements August 31, 2007 and 2006

1. Reporting Entity

San Jacinto Community College District (the College) was established in 1960, in accordance with the laws of the State of Texas, to serve the educational needs of the Taxing Entity and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College 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 basic financial statements of the College are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and local Governments: Omnibus*. The College is reported as a special government engaged in business-type activities. The basic financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The significant accounting policies followed by the College in preparing these basic 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 College applies all applicable GASB pronouncements and all applicable Financial Accounting Standards 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.

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 for tuition is used by the student, the amount is recorded as tuition and corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV Higher Education Authority Program Funds - Certain Title IV funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Other tuition discounts - The College awards tuition and fee scholarships from institutional funds to qualifying students. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Basis of accounting

The basic financial statements of the College 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.

Net assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted - nonexpendable: Net assets subject to externally imposed stipulations that they be maintained in perpetuity by the College. See Note 23.

Restricted net assets - expendable: Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

Budgetary data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The College's Board of Trustees 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 December 1.

Cash and cash equivalents

The College'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 governing board has designated public funds investment pools to be cash equivalents, as the investments are redeemable on demand.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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 consisted of physical plant supplies and consumable office supplies and bookstore stock was included in inventory in the prior year. Inventories are valued at cost on a first in, first out basis and are charged to expense as consumed.

Capital assets

Capital assets are long-lived assets in the service of the College and include land, buildings, improvements, equipment and library books. Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovation in excess of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	50 years
Land improvements	20 years
Library books	15 years
Furniture, equipment and vehicles	10 years
Telecommunications and peripheral equipment	5 years

Deferred revenues

Deferred revenues, primarily consisting of tuition and fees, relate to academic terms in the next fiscal year and as such, have been deferred.

Classification of revenues and expenses

The College defines operating activities, for purposes of reporting on the statement of revenues, expenses, and changes in net assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all College expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, property tax, and investment income.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Management estimates

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

Income taxes

San Jacinto Community College District is exempt from Federal income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to Federal income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2007 and 2006.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

3. Authorized Investments

The Board of Trustees of the College has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). The investments of the College are in compliance with the Board of Trustees' investment policy and the Public Funds Investment Act. Such investments include (1) obligations of the United States and its agencies, (2) directed 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.

4. Deposits and Investments

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the College's deposits may not be returned to it. The College's investment policy requires all funds to be fully collateralized or insured consistent with Federal and State law and the current bank depository contract by Federal depository insurance or obligations of the United States Government or its agencies or instrumentalities.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

At August 31, 2007 and 2006, the carrying amount of the College's deposits was \$31,960,108 and \$23,540,179 respectively and bank balances equaled \$37,454,592 and \$28,774,274, respectively. Bank balances totaling \$100,000 were covered by Federal depository insurance and the remaining balance is collateralized with securities. The following table represents the cash and cash equivalents included in Exhibit 1 statement of net assets as of August 31:

	<u>2007</u>	<u>2006</u>
Petty cash	\$ 14,220	\$ 59,901
Demand deposits	5,542,044	5,945,522
Money market	26,418,064	17,594,657
Investment pools:		
Lone Star	324,602	5,757,371
Tex Pool	<u>725,549</u>	<u>772,778</u>
Cash and cash equivalents	<u>\$ 33,024,479</u>	<u>\$ 30,130,229</u>

Investments

The following table presents the investments in debt securities as of August 31, 2007 and 2006 by type of investment.

August 31, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Moody's Rating</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>	
Federal Home Loan Bank Global Bonds	\$ 1,502,344	\$ -	\$ 1,502,344	\$ -	Aaa
Federal Home Loan Mortgage	1,998,802	1,998,802	-	-	Aaa
Freddie Mac Global Notes	2,002,738	-	-	2,002,738	Aaa
Freddie Mac Notes	3,006,746	-	-	3,006,746	Aaa
Federal Home Loan Bank Global	3,510,156	-	-	3,510,156	Aaa
Fannie Mae Global Notes	4,004,688	-	2,502,813	1,501,875	Aaa
Federal Farm Credit Bank Bonds	4,493,125	1,993,125	1,500,000	1,000,000	Aaa
Federal Home Loan Bank	6,476,251	6,476,251	-	-	Aaa
Fannie Mae Notes	7,984,532	3,981,407	4,003,125	-	Aaa
Freddie Mac Medium Term Notes	9,486,531	4,981,578	-	4,504,953	Aaa
Federal Home Loan Bank Bonds	<u>10,505,936</u>	<u>1,999,374</u>	<u>8,006,250</u>	<u>500,312</u>	Aaa
Totals	<u>\$ 54,971,849</u>	<u>\$ 21,430,537</u>	<u>\$17,514,532</u>	<u>\$ 16,026,780</u>	

August 31, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Moody's Rating</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>	
Freddie Mac Medium Term Notes	\$ 1,989,900	-	1,989,900	-	Aaa
Federal Farm Credit Bank Bonds	3,477,970	-	1,979,380	1,498,590	Aaa
Federal Home Loan Bank Bonds	8,978,668	-	1,992,500	6,986,168	Aaa
Federal Home Loan Bank	9,387,195	3,964,060	5,423,135	-	Aaa
Federal Home Loan Mortgage	10,362,280	3,943,390	6,418,890	-	Aaa
Fannie Mae Notes	<u>16,923,790</u>	<u>1,991,260</u>	<u>10,941,270</u>	<u>3,991,260</u>	Aaa
Totals	<u>\$ 51,119,803</u>	<u>\$ 9,898,710</u>	<u>\$28,745,075</u>	<u>\$ 12,476,018</u>	

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Interest risk is the risk that changes in the interest rates, will adversely affect the fair value of an investment. Investments held for longer periods can be subjected to increase risk of adverse interest rate changes. In accordance with its investment policy, the College limits its exposure to interest risk by structuring its portfolio to provide for liquidity for operating funds and maximizing yields for funds not immediately needed. The investment policy limits the maximum maturity length of investments to three years unless matched to a specific requirement.

The College limits its exposure to credit risk, the risk that the issuer of the debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are guaranteed by the United States Government.

Concentration risk is the risk of loss attributed to the magnitude of investment in a single issuer. At August 31, 2007, the College had greater than 5% of its overall portfolio in Freddie Mac Notes, Federal Home Loan Bank Global, Fannie Mae Global Notes, Federal Farm Credit Bank Bonds, Federal Home Loan Bank, Fannie Mae Notes, Freddie Mac Medium Term Notes, and Federal Home Loan Bank Bonds. At August 31, 2006 the College had greater than 5% of its overall portfolio in Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage, Fannie Mae Notes, and Federal Home Loan Bank Bonds debt securities. The College's investment policy requires diversification in terms of instrument type, issuer and maturity. Obligations of the United States government and its agencies are excluded from diversification requirements.

The College's investment policy specifically prohibits the investing in any type of derivatives.

5. Disaggregation of Receivables and Payables Balances

Receivables consist of the following at August 31:

	<u>2007</u>	<u>2006</u>
Tuition and fees receivables	\$ 10,634,295	\$ 10,898,505
Federal receivables	489,307	1,131,355
State and Local receivables	744,251	156,806
Interest receivable	625,597	559,536
Other receivables	2,637,120	123,726
Less allowance for doubtful accounts	<u>(4,554,988)</u>	<u>(4,005,121)</u>
Total	<u>10,575,582</u>	<u>8,864,807</u>
Property tax receivable	3,133,752	3,095,698
Less allowance for doubtful accounts	<u>(1,435,988)</u>	<u>(1,835,988)</u>
Total	<u>1,697,764</u>	<u>1,259,710</u>
Total receivables	\$ <u>12,273,346</u>	\$ <u>10,124,517</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Payables and accrued liabilities consist of the following at August 31:

	<u>2007</u>	<u>2006</u>
Vendors payable	\$ 5,655,343	\$ 2,975,508
Benefits payable	389,286	708,618
Students payable	159,666	189,959
Accrued interest payable	139,872	133,898
Other payables	<u>343,831</u>	<u>407,921</u>
Total payables and accrued liabilities	\$ <u>6,687,998</u>	\$ <u>4,415,904</u>

6. Capital Assets

Capital assets activities for the years ended August 31:

	<u>2007</u>			<u>Balance August 31, 2007</u>
	<u>Balance September 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	
Not depreciated:				
Land	\$ 6,427,404	\$ -	\$ -	\$ 6,427,404
Construction in progress	<u>1,919,789</u>	<u>1,935,830</u>	<u>2,165,888</u>	<u>1,689,731</u>
Total not depreciated	<u>8,347,193</u>	<u>1,935,830</u>	<u>2,165,888</u>	<u>8,117,135</u>
Other capital assets:				
Buildings	157,100,471	750,206	132,226	157,718,451
Land improvements	23,813,595	895,454	283,873	24,425,176
Furniture, equipment and vehicles	12,933,430	709,413	-	13,642,843
Telecommunications and computer peripheral equipment	10,548,903	1,242,974	-	11,791,877
Library books	<u>6,791,927</u>	<u>361,340</u>	<u>900,602</u>	<u>6,252,665</u>
Total depreciated	<u>211,188,326</u>	<u>3,959,387</u>	<u>1,316,701</u>	<u>213,831,012</u>
Less accumulated depreciation:				
Buildings	41,416,575	3,708,778	72,716	45,052,637
Land improvements	6,618,036	1,141,629	294,485	7,465,180
Furniture, equipment and vehicles	9,208,300	884,773	-	10,093,073
Telecommunications and computer peripheral equipment	7,363,801	1,012,311	-	8,376,112
Library books	<u>5,230,182</u>	<u>63,301</u>	<u>900,602</u>	<u>4,392,881</u>
Total accumulated depreciation	<u>69,836,894</u>	<u>6,810,792</u>	<u>1,267,803</u>	<u>75,379,883</u>
Net capital assets	\$ <u>149,698,625</u>	\$ <u>(915,575)</u>	\$ <u>2,214,786</u>	\$ <u>146,568,264</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

	2006			Balance August 31, 2006
	Balance September 1, 2005	Increase	Decrease	
Not depreciated:				
Land	\$ 6,427,404	\$ -	\$ -	\$ 6,427,404
Construction in progress	<u>1,785,156</u>	<u>2,322,682</u>	<u>2,188,049</u>	<u>1,919,789</u>
Total not depreciated	<u>8,212,560</u>	<u>2,322,682</u>	<u>2,188,049</u>	<u>8,347,193</u>
Other capital assets:				
Buildings	155,558,871	2,205,712	664,112	157,100,471
Land improvements	23,813,595	-	-	23,813,595
Furniture, equipment and vehicles	12,276,496	656,934	-	12,933,430
Telecommunications and computer peripheral equipment	10,345,929	202,974	-	10,548,903
Library books	<u>6,564,747</u>	<u>266,540</u>	<u>39,360</u>	<u>6,791,927</u>
Total depreciated	<u>208,559,638</u>	<u>3,332,160</u>	<u>703,472</u>	<u>211,188,326</u>
Less accumulated depreciation:				
Buildings	38,057,419	3,674,782	315,626	41,416,575
Land improvements	5,457,232	1,160,804	-	6,618,036
Furniture, equipment and vehicles	8,311,540	896,760	-	9,208,300
Telecommunications and computer peripheral equipment	6,263,269	1,100,532	-	7,363,801
Library books	<u>5,173,131</u>	<u>96,411</u>	<u>39,360</u>	<u>5,230,182</u>
Total accumulated depreciation	<u>63,262,591</u>	<u>6,929,289</u>	<u>354,986</u>	<u>69,836,894</u>
Net capital assets	<u>\$ 153,509,607</u>	<u>\$ (1,274,447)</u>	<u>\$ 2,536,535</u>	<u>\$ 149,698,625</u>

7. Construction Commitment

The College has entered into construction commitments for various projects including the renovation of facilities and the construction of buildings. At August 31, 2007 and 2006, the outstanding commitment under construction contracts for facilities and other projects is approximately \$1,150,400 and \$394,400, respectively.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

8. **Noncurrent Liabilities**

Long-term liability activity for the years ended August 31:

	2007				
	Balance September 1, 2006	Increase	Decrease	Balance August 31, 2007	Current Portion
Bonds:					
General obligation bonds	\$ 72,800,000	\$ 24,620,000	\$ 32,970,000	\$ 64,450,000	\$ 6,020,000
Revenue bonds	<u>2,615,000</u>	<u>-</u>	<u>1,290,000</u>	<u>1,325,000</u>	<u>1,325,000</u>
Subtotal	<u>75,415,000</u>	<u>24,620,000</u>	<u>34,260,000</u>	<u>65,775,000</u>	<u>7,345,000</u>
Notes:					
General obligation notes	9,340,000	-	510,000	8,830,000	1,310,000
Revenue notes	<u>555,323</u>	<u>-</u>	<u>555,323</u>	<u>-</u>	<u>-</u>
Subtotal	<u>9,895,323</u>	<u>-</u>	<u>1,065,323</u>	<u>8,830,000</u>	<u>1,310,000</u>
Accrued compensable absences	<u>2,499,883</u>	<u>218,966</u>	<u>79,906</u>	<u>2,638,943</u>	<u>1,095,777</u>
Total	<u>\$ 87,810,206</u>	<u>\$ 24,838,966</u>	<u>\$ 35,405,229</u>	<u>\$ 77,243,943</u>	<u>\$ 9,750,777</u>
	2006				
	Balance September 1, 2005	Increase	Decrease	Balance August 31, 2006	Current Portion
Bonds:					
General obligation bonds	\$ 75,380,000	\$ -	\$ 2,580,000	\$ 72,800,000	\$ 3,030,000
Revenue bonds	<u>5,325,000</u>	<u>-</u>	<u>2,710,000</u>	<u>2,615,000</u>	<u>1,290,000</u>
Subtotal	<u>80,705,000</u>	<u>-</u>	<u>5,290,000</u>	<u>75,415,000</u>	<u>4,320,000</u>
Notes:					
General obligation notes	10,835,000	-	1,495,000	9,340,000	510,000
Revenue notes	<u>979,923</u>	<u>-</u>	<u>424,600</u>	<u>555,323</u>	<u>442,015</u>
Subtotal	<u>11,814,923</u>	<u>-</u>	<u>1,919,600</u>	<u>9,895,323</u>	<u>952,015</u>
Accrued compensable absences	<u>2,713,849</u>	<u>214,771</u>	<u>428,737</u>	<u>2,499,883</u>	<u>934,616</u>
Total	<u>\$ 95,233,772</u>	<u>\$ 214,771</u>	<u>\$ 7,638,337</u>	<u>\$ 87,810,206</u>	<u>\$ 6,206,631</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

9. Debt Obligations

Debt service requirements as of August 31, 2007 were as follows:

Year Ended August 31	General Obligation Bonds/Notes		Revenue Bonds/Notes		Total Bonds/Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 7,330,000	\$ 3,042,659	\$ 1,325,000	\$ 17,887	\$ 8,655,000	\$ 3,060,546
2009	4,890,000	2,978,408	-	-	4,890,000	2,978,408
2010	4,655,000	2,796,098	-	-	4,655,000	2,796,098
2011	4,830,000	2,622,361	-	-	4,830,000	2,622,361
2012	2,765,000	2,483,193	-	-	2,765,000	2,483,193
2013-2017	9,970,000	11,126,244	-	-	9,970,000	11,126,244
2018-2022	17,630,000	8,368,287	-	-	17,630,000	8,368,287
2023-2027	14,380,000	3,091,890	-	-	14,380,000	3,091,890
2028-2032	6,175,000	962,106	-	-	6,175,000	962,106
2033	655,000	21,224	-	-	655,000	21,224
Total	\$ 73,280,000	\$ 37,492,470	\$ 1,325,000	\$ 17,887	\$ 74,605,000	\$ 37,510,357

During the year ended August 31, 2007, the College issued Limited Tax General Obligation Building and Refunding Bonds, Series 2007, to advance refund a portion of Series 2001 bonds.

10. Variable Rate Bonds

At August 31, 2007 and 2006, the College had Variable Rate Limited Tax General Obligation Bonds, Series 2000 outstanding in the amount of \$12,700,000 and \$13,000,000, respectively. The Bonds are convertible, at the option of the College and pursuant to an order by the Board of Trustees, between Variable Rate Periods, Fixed Rate Periods, or Flexible Rate Periods in accordance with the Order Authorizing issuance of such Bonds. The interest rate mode selected by the College will remain in effect until changed by the College by notice to the Paying Agent/Registrar, the Tender Agent and the Remarketing Agent in accordance with the Order. Any conversion will be conditioned on delivery of an opinion of nationally recognized bond counsel not less than 30 days prior to the effective date of Rate Mode Change.

11. Advance Refunding Bonds

On May 01, 2007, the College issued \$24,620,000 of Limited Tax General Obligation Building and Refunding Bonds, Series 2007. The issue consisted of \$3,960,000 General Obligation Bonds and \$20,660,000 Refunding Bonds with reoffering premiums of \$42,281 and \$555,711, respectively. The General Obligation Bonds mature serially through August 2033. The interest rates range from 4.000% to 5.000%. The bonds are to construct, improve, renovate and equip facilities. The Refunding Bonds mature serially through August 2033. The interest rates range from 4.000% to 5.000%. The par value of the Refunding Bonds was \$20,660,000. The net refunding proceeds were applied to advance refund \$28,950,000 of outstanding Limited Tax General Obligation Bonds, Series 2001 with the College contributing an additional \$9,183,466. The Series 2001 Bonds interest rates range from 4.000% to 5.000%.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$29,843,466. The refunding proceeds were deposited into an irrevocable trust with an escrow agent to provide all the debt service payments. The aggregate debt service payments of the refunded bonds of \$39,875,505 is \$1,893,629 more than the aggregate debt service payments of the refunding bonds of \$28,798,410 after the College contribution of \$9,183,466. The net present value of the refunding transaction is \$917,098 or 3.168%. The refunded bonds are considered defeased and the liability for those bonds was removed from the Non Current Liabilities in fiscal year 2007.

12. Defeased Bonds Outstanding

For the fiscal year ended August 31, 2007 the College had the following defeased bonds outstanding:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>	
		<u>2007</u>	<u>2006</u>
Limited Tax General Obligation Bonds, Series 2001	2007	\$ <u>28,950,000</u>	\$ <u>-----</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

13. Bonds and Notes Payable

Bonds and notes payable at August 31, are as follows:

	<u>2007</u>	<u>2006</u>
Lone Star Note Payable, to provide for an energy conservation program. Issued November 8, 1999, in the amount of \$3,166,239. Supported by the College's general revenues. Interest rate 4.04%. Paid in full August 2007.	\$ -	\$ 555,323
Variable Rate Limited Tax General Obligation Bonds, Series 2000, to provide for construction of new buildings and renovations of existing facilities. Issued September 20, 2000, in the amount of \$20,000,000. Tax supported bonds. Interest rate variable. Due August 2025.	12,700,000	13,000,000
Limited Tax General Obligation Bonds, Series 2001, to construct, improve, renovate, and equip facilities. Issued November 5, 2001, in the amount of \$40,000,000. Tax supported bonds. Interest rates range from 4.00% to 5.00%. Due February 2011.	5,395,000	35,495,000
Maintenance Tax Notes, Series 2001, to repair and renovate major building system components and to purchase and install equipment. Issued November 5, 2001, in the amount of \$4,645,000. Tax supported notes. Interest rates range from 3.50% to 3.875%. Due February 2010.	1,950,000	2,450,000
Limited Tax General Obligation Bonds, Series 2003, to construct, improve, renovate, and equip facilities. Issued January 31, 2003, in the amount of \$6,560,000. Tax supported bonds. Interest rates range from 3.50% to 5.00%. Due February 2031.	3,880,000	4,105,000
Maintenance Tax Notes, Series 2003, to repair and renovate major building system components and to purchase and install equipment. Issued January 31, 2003, in the amount of \$10,440,000. Tax supported notes. Interest rates range from 2.80% to 4.80%. Due February 2022.	6,880,000	6,890,000
Revenue Financing System Bonds, Series 2003, to provide for construction of new buildings and renovations of existing facilities. Issued January 31, 2003, in the amount of \$6,295,000. Supported by the College's general revenues. Interest rates range from 2.30% to 3.00%. Due February 2008.	1,325,000	2,615,000
Limited Tax General Obligation Bonds, Series 2004, to construct, improve, renovate, and equip facilities. Issued February 2, 2004, in the amount of \$20,835,000. Tax supported bonds. Interest rates range from 3.125% to 5.125%. Due February 2033.	18,545,000	20,200,000
Limited Tax General Obligation Building and Refunding Bonds, Series 2007, to refund 2001 General Obligation Bonds, to construct, improve, renovate, and equip facilities. Issued May 1, 2007, in the amount of \$24,620,000. Tax supported bonds. Interest rates range from 4.00% to 5.00%. Due February 2033.	<u>23,930,000</u>	<u>-</u>
Total bonds and notes payable	<u>\$74,605,000</u>	<u>\$85,310,323</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

14. Unrestricted Net Assets

The College designates a portion of unrestricted net assets to indicate management's tentative plans for future use of financial resources. At August 31, 2007 and 2006, the College has designated \$22,002,756 of unrestricted net assets for deferred maintenance and repairs, and enhancements to technology and education.

15. Employee Retirement Plans

The State of Texas (State) has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas (TRS). The percentages of participant salaries currently contributed by the State and by each participant are 6.00% and 6.40%, respectively, of annual compensation.

TRS does not separately account for each of its component government agencies because it bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions together with audited financial statements, are included in the TRS annual financial report.

The State has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in TRS. ORP 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 College contributes 2.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$2,951,109 and \$2,882,104 for the fiscal years ended August 31, 2007 and 2006, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$66,520,291 and \$65,469,914 for fiscal years 2007 and 2006, respectively. The total payroll of employees covered by the State for TRS was \$28,976,772 and \$27,404,803 and the total payroll of employees covered by the State for ORP was \$20,208,378 and \$20,628,700 for fiscal years 2007 and 2006, respectively.

16. 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 \$281 and \$313 per month for the year ended August 31, 2007, and 2006, respectively. The State's cost of providing those benefits for 1,232 active employees was \$4,150,114 and 369 retirees was \$2,005,149 for a total State funded amount of \$6,155,263 for the year ended August 31, 2007. The State's cost of providing those benefits for 1,096 active employees was \$4,116,532 and 335 retirees was \$1,704,005 for a total State funded amount of \$5,820,537 for the year ended August 31, 2006.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

17. Compensable Absences

Full-time employees earn annual leave from 6.66 to 16.66 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry a maximum of 80 hours of his accrued leave forward from one fiscal year to another fiscal year. Employees who terminate their employment are entitled for payment of all annual leave earned in the current year. The College recognized the accrued liability for the unpaid annual leave in the amounts of \$580,911 and \$569,061 for August 31, 2007, and 2006, respectively.

The College provides retirement incentive pay for unused sick days accumulated prior to August 1, 1998. To receive the incentive pay, the employees 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. There is no additional accumulation for retirement incentive pay purposes for any sick days that an employee earned after August 1, 1998. The College recognized for those employees who qualify for retirement incentive pay an accrued liability of \$2,008,032 and \$1,930,822 for August 31, 2007 and 2006, respectively.

Effective August 1, 1998, the College allows sick leave to accumulate at a rate of eight hours per month to a maximum of 1,280 hours. An employee who is on sick leave will be paid only to the extent of accumulated hours. The College's policy is to recognize the sick leave cost when paid. Upon termination of employment, the employees do not receive payment for unused accumulated sick leave hours.

18. Deferred Compensation

The College has established a deferred compensation plan under which selected executives may elect to defer a portion of their earnings for tax and investment purposes pursuant to authority granted in Government Code 609.001. As of August 31, 2007, the College had one employee participating in the program.

A total of \$50,000 in contributions was deferred during the fiscal year creating a payable to the vested employee of \$50,000 at August 31, 2007. No deferred compensation existed at August 31, 2006.

The College believes that it is unlikely that it will use the assets to satisfy the claims on general creditors in the future.

19. Self-Insured Plans

The College provides workers' compensation insurance through a partially self-funded risk pool. An accrued liability in the amount of \$372,714 and \$592,075 as of August 31, 2007 and 2006, respectively, has been established as an estimate for unpaid claims and incurred but not reported claims. Accrued liabilities are based on an actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. The College is not responsible for claims beyond its annual maximum loss fund.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

20. Ad Valorem Tax

The College's ad valorem 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 within the taxing district.

At August 31:

	<u>2007</u>	<u>2006</u>
Assessed valuation of the College:	\$ 39,245,802,910	\$ 34,824,331,506
Less: Exemptions	(7,035,224,772)	(6,030,925,018)
Less: Abatements	<u>-</u>	<u>-</u>
Net assessed valuation of the College	\$ <u>32,210,578,138</u>	\$ <u>28,793,406,488</u>

	<u>2007</u>			<u>2006</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ 0.20000	\$0.50000	\$0.70000	\$0.20000	\$0.50000	\$0.70000
Assessed tax rate per \$100 valuation	\$ 0.115927	\$0.02943	\$0.145365	\$0.115927	\$0.02943	\$0.145365

Taxes levied for the year ended August 31, 2007 and 2006 amounted to \$46,822,907 and \$41,855,536, respectively. 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. Harris County and Chamber County Tax collectors are the collecting agencies for the levy and remit the collections to the College, net of collection fees.

Under GASB Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*, ad valorem taxes are imposed non-exchange revenue. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the assets or when the entity receives resources, whichever comes first. The enforceable legal claim date for ad valorem taxes is the assessment date. The College has recognized all assessed taxes in the current year and recorded a receivable for uncollected taxes.

<u>Taxes collected for the year</u>	<u>2007</u>			<u>2006</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes	\$ 36,343,430	\$9,210,099	\$45,553,529	\$32,367,902	\$8,361,027	\$40,728,929
Delinquent taxes	905,304	244,861	1,150,165	668,898	169,857	838,755
Penalties and interest	<u>417,452</u>	<u>109,833</u>	<u>527,285</u>	<u>397,794</u>	<u>101,015</u>	<u>498,809</u>
Total Collections	\$ <u>37,666,186</u>	<u>\$9,564,793</u>	<u>\$47,230,979</u>	<u>\$33,434,594</u>	<u>\$8,631,899</u>	<u>\$42,066,493</u>

Tax collections for the years ended August 31, 2007, and 2006 were 97.21 percent and 97.31 percent, respectively, 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 for the use of maintenance and operations and/or general obligation debt service.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

21. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audit of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For Federal contract and grant awards, funds expended, but not collected, are reported as Federal receivables on Exhibit 1. Non-Federal contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2007 and 2006 for which monies have not been received nor funds expended totaled \$15,264,237 and \$14,791,849. Of these amounts, \$11,568,226 and \$13,661,114 were from Federal Contract and Grant Awards and \$3,696,011 and \$1,130,735 were from State Contract and Grant Awards for the fiscal years ended August 31, 2007 and 2006, respectively.

22. Contingent Liabilities

Pending lawsuits and claims

As of August 31, 2007, the College is involved in various lawsuits. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, College management believes that this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

State and Federally assisted programs

The College participates in a number of State and Federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the College's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

23. Related Parties

The San Jacinto Community College Foundation (Foundation) incorporated in 1996, is a nonprofit organization with the purpose of supporting the educational and general activities of the College. The College 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. The Foundation provided grants of \$1,080,680 and \$668,872 to the College's students and programs during the years ended August 31, 2007 and 2006, respectively. The College furnished certain services, such as office space, utilities, and staff assistance to the Foundation. The cost of these un-reimbursed services was \$434,853 and \$184,571 for the fiscal years ended August 31, 2007 and 2006, respectively. The financial position of the Foundation is not significant to the College, therefore, it is not included in the College's basic financial statements. Additionally, the College transferred to the Foundation the balances of the endowment and similar funds in the amount of \$287,618 and the balances of the funds held for others in the amount of \$315,935 for a combined total of \$603,553. The funds were originally received by the College as restricted funds for the intended use as scholarships with only \$12,000 pertaining to endowments. The Foundation will adhere to the same restrictions on these funds that were imposed on the College.

24. Recent Accounting Pronouncements

In April 2004, GASB issued Statements No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of other post employment benefit (OPEB) plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2006. GASB 43 applies only to plan reporting and not to employer reporting. Management assumes that TRS and Employees Retirement System (ERS) will assume the burden for compliance with this statement.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2007.

Management has not yet determined the impact that implementation of GASB statements No. 43 and 45 will have on the College's basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Operating Revenues
 Year Ended August 31, 2007
 (With Memorandum Totals for the Year Ended August 31, 2006)

	2007					2006 Total
	Educational Activity		Total Educational Activity	Auxiliary Enterprises		
	Unrestricted	Restricted				
Tuition:						
State funded courses:						
In-district resident tuition	\$ 7,082,531	\$ -	\$ 7,082,531	\$ -	\$ 7,082,531	\$ 7,087,405
Out-of-district resident tuition	10,513,176	-	10,513,176	-	10,513,176	10,349,659
Non-resident tuition	1,669,866	-	1,669,866	-	1,669,866	1,537,456
TPEG - credit (set aside) *	788,548	-	788,548	-	788,548	782,944
State funded non credit continuing education courses	3,631,211	-	3,631,211	-	3,631,211	1,950,389
TPEG (set aside) *	162,395	-	162,395	-	162,395	25,516
Non - state funded educational programs	1,444,245	-	1,444,245	-	1,444,245	440,765
Total tuition	25,291,972	-	25,291,972	-	25,291,972	22,174,134
Fees:						
General service	7,448,682	-	7,448,682	-	7,448,682	7,401,066
Incidental	162,935	-	162,935	-	162,935	1,205,356
Instructional	2,426,321	-	2,426,321	-	2,426,321	2,333,098
Laboratory	620,224	-	620,224	-	620,224	723,967
Student services	-	-	-	494,530	494,530	495,858
Total fees	10,658,162	-	10,658,162	494,530	11,152,692	12,159,345
Scholarship allowances and discounts:						
Remissions and exemption - state	(989,530)	-	(989,530)	-	(989,530)	(475,100)
Remissions and exemption - local	(614,110)	-	(614,110)	-	(614,110)	(501,338)
Scholarship allowances	(358,286)	-	(358,286)	-	(358,286)	(325,372)
TPEG awards	(396,828)	-	(396,828)	-	(396,828)	(274,049)
Federal grants to students	(4,406,453)	-	(4,406,453)	-	(4,406,453)	(5,333,983)
State grants to students	(1,318,397)	-	(1,318,397)	-	(1,318,397)	(64,616)
Non-governmental grants and contracts	-	-	-	-	-	(1,301)
Total scholarship allowances and discounts	(8,083,604)	-	(8,083,604)	-	(8,083,604)	(6,975,759)
Total net tuition and fees	27,866,530	-	27,866,530	494,530	28,361,060	27,357,720
Other operating revenues:						
Federal grants and contracts	370,731	24,578,808	24,949,539	-	24,949,539	27,718,042
State grants and contracts	757	2,353,392	2,354,149	-	2,354,149	805,073
Non-governmental grants and contracts	-	830,555	830,555	-	830,555	637,682
Sales and services of educational activities	291,188	-	291,188	-	291,188	347,012
Sales and services of non-educational activities	270,857	-	270,857	-	270,857	312,381
Investment income (program restricted)	-	43,573	43,573	-	43,573	35,000
Total other operating revenues	933,533	27,806,328	28,739,861	-	28,739,861	29,855,190
Auxiliary enterprises:						
Bookstores	-	-	-	5,527,354	5,527,354	10,372,791
Less bookstore discounts	-	-	-	(2,181,128)	(2,181,128)	(3,096,474)
Child care centers	-	-	-	872,578	872,578	833,342
Less child care center discounts	-	-	-	(123,710)	(123,710)	(124,973)
Food services	-	-	-	412,910	412,910	361,803
Less food service discounts	-	-	-	(17,050)	(17,050)	(17,430)
Student services/other services	-	-	-	1,257,151	1,257,151	1,134,162
Total auxiliary enterprises	-	-	-	5,748,105	5,748,105	9,463,221
Total operating revenues	\$ 28,800,063	\$ 27,806,328	\$ 56,606,391	\$ 6,242,635	\$ 62,849,026	\$ 66,676,131
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$950,943 and \$808,460 for years ended August 31, 2007 and 2006, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Operating Expenses by Object
 Year Ended August 31, 2007
 (With Memorandum Totals for the Year Ended August 31, 2006)

	2007					2006 Total
	Salaries and Wages	Benefits		Other Expenses	Total	
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 36,413,638	\$ -	\$ 1,808,412	\$ 6,066,068	\$ 44,288,118	\$ 41,801,764
Public service	1,362,610	-	128,115	628,598	2,119,323	2,403,945
Academic support	5,616,684	-	321,138	2,028,051	7,965,873	5,728,259
Student services	5,457,806	-	317,137	1,149,606	6,924,549	6,633,125
Institutional support	9,112,298	-	2,082,584	11,928,672	23,123,554	21,149,392
Operation and maintenance of plant	4,288,714	-	1,269,111	8,660,613	14,218,438	12,251,486
Total unrestricted educational activities	<u>62,251,750</u>	<u>-</u>	<u>5,926,497</u>	<u>30,461,608</u>	<u>98,639,855</u>	<u>89,967,971</u>
Restricted - educational activities:						
Instruction	120,416	4,518,265	-	-	4,638,681	4,345,628
Public service	24,978	231,845	-	-	256,823	233,996
Academic support	95,444	916,922	-	-	1,012,366	785,433
Student services	204,142	979,007	-	-	1,183,149	1,090,411
Institutional support	2,070,772	2,460,333	409,112	1,544,201	6,484,418	6,137,151
Scholarships and fellowships	-	-	-	18,335,239	18,335,239	16,417,362
Total restricted educational activities	<u>2,515,752</u>	<u>9,106,372</u>	<u>409,112</u>	<u>19,879,440</u>	<u>31,910,676</u>	<u>29,009,981</u>
Total educational activities	<u>64,767,502</u>	<u>9,106,372</u>	<u>6,335,609</u>	<u>50,341,048</u>	<u>130,550,531</u>	<u>118,977,952</u>
Auxiliary enterprises	1,752,789	-	390,306	3,689,356	5,832,451	13,106,564
Depreciation expense - buildings and improvements	-	-	-	4,850,407	4,850,407	4,835,586
Depreciation expense - equipment, furniture and library books	-	-	-	1,960,385	1,960,385	2,093,703
Total operating expenses	<u>\$ 66,520,291</u>	<u>\$ 9,106,372</u>	<u>\$ 6,725,915</u>	<u>\$ 60,841,196</u>	<u>\$ 143,193,774</u>	<u>\$ 139,013,805</u>
				Exhibit 2	Exhibit 2	

SAN JACINTO COLLEGE DISTRICT

Schedule of Non-operating Revenues and Expenses
 Year Ended August 31, 2007
 (With Memorandum Totals for the Year Ended August 31, 2006)

	2007				2006 Total
	Unrestricted	Restricted	Auxiliary Enterprises	Total	
Non-operating revenues:					
State appropriations:					
Education and general state support	\$ 35,203,193	\$ -	\$ -	\$ 35,203,193	\$ 35,203,192
State group insurance	-	6,155,263	-	6,155,263	5,820,537
State retirement matching	-	2,951,109	-	2,951,109	2,882,104
Total state appropriations	<u>35,203,193</u>	<u>9,106,372</u>	<u>-</u>	<u>44,309,565</u>	<u>43,905,833</u>
Ad valorem taxes					
Taxes for maintenance and operations	37,666,186	-	-	37,666,186	33,439,538
Taxes for general obligation bonds	-	9,564,793	-	9,564,793	8,633,213
Investment income	<u>4,653,423</u>	<u>164,526</u>	<u>89,715</u>	<u>4,907,664</u>	<u>3,212,666</u>
Total non-operating revenues	<u>42,319,609</u>	<u>9,729,319</u>	<u>89,715</u>	<u>52,138,643</u>	<u>45,285,417</u>
Non-operating expenses:					
Interest on capital related debt	-	3,871,800	-	3,871,800	3,645,229
Loss on disposal of capital assets	59,511	-	-	59,511	348,485
Other non-operating expenses	<u>1,510,071</u>	<u>-</u>	<u>-</u>	<u>1,510,071</u>	<u>525,469</u>
Total non-operating expenses	<u>1,569,582</u>	<u>3,871,800</u>	<u>-</u>	<u>5,441,382</u>	<u>4,519,183</u>
Net non-operating revenues, net	<u>\$ 75,953,220</u>	<u>\$ 14,963,891</u>	<u>\$ 89,715</u>	<u>\$ 91,006,826</u>	<u>\$ 84,672,067</u>
			(Exhibit 2)	(Exhibit 2)	

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Net Assets by Source and Availability
 Year Ended August 31, 2007
 (with Memorandum Totals for the Year Ended August 31, 2006)

	Detail by Source					Total	Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total		Yes	No
		Expendable	Non-Expendable					
Current:								
Unrestricted	\$ 31,096,722	\$ -	\$ -	\$ -	\$ 31,096,722	\$ 31,096,722	\$ -	
Board designated	22,002,756	-	-	-	22,002,756	-	22,002,756	
Restricted	-	1,209,603	-	-	1,209,603	-	1,209,603	
Auxiliary	14,741,440	-	-	-	14,741,440	14,741,440	-	
Scholarships	-	-	-	-	-	-	-	
Plant:								
Unexpended	-	5,986,359	-	-	5,986,359	-	5,986,359	
Debt service	-	2,870,617	-	-	2,870,617	-	2,870,617	
Investment in plant	-	-	-	71,963,263	71,963,263	-	71,963,263	
Total net assets, August 31, 2007	67,840,918	10,066,579	-	71,963,263	149,870,760	45,838,162	104,032,598	
Total net assets, August 31, 2006	60,851,237	13,957,143	12,000	64,388,302	139,208,682	37,340,377	101,868,305	
Net increase (decrease) in net assets	\$ 6,989,681	\$ (3,890,564)	\$ (12,000)	\$ 7,574,961	\$ 10,662,078	\$ 8,497,785	\$ 2,164,293	

Exhibit 2

Statistical Schedules

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Net Assets by Component
Fiscal years 2002 to 2007
(Unaudited)

	For the Year Ended August 31, (Amounts expressed in thousands)					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	\$ 71,963	\$ 64,389	\$ 60,990	\$ 54,161	\$ 40,752	\$ 44,699
Restricted - expendable	10,067	13,957	9,892	27,636	10,996	1,087
Restricted - nonexpendable	-	12	12	12	12	12
Unrestricted	<u>67,841</u>	<u>60,851</u>	<u>55,981</u>	<u>39,144</u>	<u>64,248</u>	<u>69,695</u>
Total primary government net assets	<u>\$ 149,871</u>	<u>\$ 139,209</u>	<u>\$ 126,875</u>	<u>\$ 120,953</u>	<u>\$ 116,008</u>	<u>\$ 115,493</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2007 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Revenues by Source
Fiscal years 2002 to 2007
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)					
	2007	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	\$ 28,361	\$ 27,358	\$ 24,446	\$ 28,868	\$ 19,667	\$ 18,619
Governmental grants and contracts:						
Federal grants and contracts	24,950	27,718	26,380	22,856	15,206	13,412
State and local grants and contracts	2,354	805	449	761	1,244	1,597
Non-Governmental grants and contracts	831	638	783	425	962	251
Sales and services of educational activities	562	659	1,121	796	398	336
Auxiliary enterprises	5,748	9,463	8,154	11,299	6,931	8,658
Other operating revenues	43	35	26	13	281	41
Total operating revenues	<u>62,849</u>	<u>66,676</u>	<u>61,359</u>	<u>65,018</u>	<u>44,689</u>	<u>42,914</u>
State appropriations	44,310	43,906	41,472	41,457	42,976	44,950
Ad valorem taxes	47,231	42,073	38,777	37,984	33,848	32,896
Investment income	4,908	3,213	2,019	1,636	1,471	2,261
Total nonoperating revenues	<u>96,449</u>	<u>89,192</u>	<u>82,268</u>	<u>81,077</u>	<u>78,295</u>	<u>80,107</u>
Total revenues	<u>\$ 159,298</u>	<u>\$ 155,868</u>	<u>\$ 143,627</u>	<u>\$ 146,095</u>	<u>\$ 122,984</u>	<u>\$ 123,021</u>
Tuition and fees (net of discounts)	17.80%	17.55%	17.02%	19.76%	15.99%	15.13%
Governmental grants and contracts:						
Federal grants and contracts	15.66%	17.78%	18.37%	15.64%	12.36%	10.90%
State and local grants and contracts	1.48%	0.52%	0.31%	0.52%	1.01%	1.30%
Non-Governmental grants and contracts	0.52%	0.41%	0.55%	0.29%	0.78%	0.20%
Sales and services of educational activities	0.35%	0.42%	0.78%	0.54%	0.32%	0.27%
Auxiliary enterprises	3.61%	6.07%	5.68%	7.73%	5.64%	7.04%
Other operating revenues	0.03%	0.02%	0.02%	0.01%	0.23%	0.03%
Total operating revenues	<u>39.45%</u>	<u>42.78%</u>	<u>42.72%</u>	<u>44.50%</u>	<u>36.34%</u>	<u>34.88%</u>
State appropriations	27.82%	28.17%	28.87%	28.38%	34.94%	36.55%
Ad valorem taxes	29.65%	26.99%	27.00%	26.00%	27.52%	26.74%
Investment income	3.08%	2.06%	1.41%	1.12%	1.20%	1.83%
Total nonoperating revenues	<u>60.55%</u>	<u>57.22%</u>	<u>57.28%</u>	<u>55.50%</u>	<u>63.66%</u>	<u>65.12%</u>
Total revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2007 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Program Expenses by Function
Fiscal years 2002 to 2007
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)					
	2007	2006	2005	2004	2003	2002
Instruction	\$ 48,927	\$ 46,147	\$ 43,506	\$ 40,122	\$ 44,550	\$ 40,201
Public service	2,376	2,638	2,342	2,629	3,073	4,053
Academic support	8,978	6,514	6,143	5,870	6,667	7,026
Student services	8,108	7,724	7,619	7,199	7,660	7,284
Institutional support	29,608	27,287	24,294	25,268	23,240	21,689
Operation and maintenance of plant	14,218	12,251	12,781	10,705	9,920	10,972
Scholarships and fellowships	18,335	16,417	16,595	17,624	5,953	6,867
Auxiliary enterprises	5,832	13,107	10,137	10,181	9,608	9,048
Depreciation	6,811	6,929	6,923	7,084	2,999	3,361
Total operating expenses	<u>143,193</u>	<u>139,014</u>	<u>130,340</u>	<u>126,682</u>	<u>113,670</u>	<u>110,501</u>
Interest on capital related debt	3,872	3,645	3,953	3,282	3,062	1,746
Loss on disposal of fixed assets	59	348	2,747		241	
Other non-operating expenses	1,510	526	666	6,002	5,497	3,707
Total non-operating expenses	<u>5,441</u>	<u>4,519</u>	<u>7,366</u>	<u>9,284</u>	<u>8,800</u>	<u>5,453</u>
Total expenses	<u>\$ 148,634</u>	<u>\$ 143,533</u>	<u>\$ 137,706</u>	<u>\$ 135,966</u>	<u>\$ 122,470</u>	<u>\$ 115,954</u>
Instruction	32.92%	32.15%	31.59%	29.51%	36.38%	34.67%
Public service	1.60%	1.84%	1.70%	1.93%	2.51%	3.50%
Academic support	6.04%	4.54%	4.46%	4.32%	5.44%	6.06%
Student services	5.46%	5.38%	5.53%	5.29%	6.25%	6.28%
Institutional support	19.92%	19.01%	17.64%	18.58%	18.98%	18.70%
Operation and maintenance of plant	9.57%	8.54%	9.28%	7.87%	8.10%	9.46%
Scholarships and fellowships	12.34%	11.44%	12.05%	12.96%	4.86%	5.92%
Auxiliary enterprises	3.92%	9.13%	7.36%	7.49%	7.85%	7.80%
Depreciation	4.57%	4.82%	5.04%	5.22%	2.44%	2.91%
Total operating expenses	<u>96.34%</u>	<u>96.85%</u>	<u>94.65%</u>	<u>93.17%</u>	<u>92.81%</u>	<u>95.30%</u>
Interest on capital related debt	2.61%	2.54%	2.87%	2.41%	2.50%	1.56%
Loss on disposal of fixed assets	0.04%	0.24%	1.99%	0.00%	0.20%	0.00%
Other non-operating expenses	1.01%	0.37%	0.49%	4.42%	4.49%	3.14%
Total non-operating expenses	<u>3.66%</u>	<u>3.15%</u>	<u>5.35%</u>	<u>6.83%</u>	<u>7.19%</u>	<u>4.70%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2007 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Academic Year (Fall)	Resident										Increase from Prior Year Out-of-District
	Fees per Semester Credit Hour (SCH)					Fees per Semester Credit Hour (SCH)					
	Matriculation Fee	General Service Fee	In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District	
2007	\$ -	130	33	\$ 58	\$ -	* \$	526	\$	826	7.35%	4.56%
2006	-	130	30	55	-	*	490		790	0.00%	0.00%
2005	-	130	30	55	-	*	490		790	13.16%	11.42%
2004	15	60	22	45	6	14	433		709	0.00%	0.00%
2003	15	60	22	45	6	14	433		709	13.86%	16.93%
2002	32	7	20	38	6	14	373		589	12.33%	11.88%
2001	32	7	18	34	5	10	327		519	19.88%	17.15%
2000	15	7	16	30	3	10	262		430	0.00%	0.00%
1999	15	7	16	30	3	10	262		430	0.00%	0.00%
1998	15	7	16	30	3	10	262		430	0.00%	0.00%

Academic Year (Fall)	Non-Resident										Increase from Prior Year International
	Fees per Semester Credit Hour (SCH)					Fees per Semester Credit Hour (SCH)					
	Matriculation Fee	General Service Fee	Non-Resident Tuition Out-of-State	Non-Resident Tuition International	Technology Fees	Student Activity Fees	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year Out-of-State	Increase from Prior Year International	
2007	\$ -	130	108	\$ 108	\$ -	* \$	1426	\$	1426	38.45%	38.45%
2006	-	130	75	75	-	*	1030		1030	0.00%	0.00%
2005	-	130	75	75	-	*	1030		1030	4.57%	4.57%
2004	15	60	68	68	6	14	985		985	0.00%	0.00%
2003	15	60	68	68	6	14	985		985	13.40%	13.40%
2002	32	7	60	60	6	14	853		853	2.58%	2.58%
2001	32	7	60	60	5	10	831		831	4.93%	4.93%
2000	15	7	60	60	3	10	790		790	0.00%	0.00%
1999	15	7	60	60	3	10	790		790	0.00%	0.00%
1998	15	7	60	60	3	10	790		790	0.00%	0.00%

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees, and certification fees.

* For fiscal year 2005/2006 \$1 of tuition is designated for student services.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(Amounts expressed in thousands)				Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of TAV to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2006-07	\$ 39,245,803	\$ 7,035,225	\$ 32,210,578	82.07%	0.115927	0.029438	0.145365
2005-06	34,824,332	6,030,925	28,793,407	82.68%	0.115927	0.029438	0.145365
2004-05	31,370,541	3,928,408	27,442,133	87.48%	0.109700	0.029430	0.139130
2003-04	30,129,024	3,576,980	26,552,044	88.13%	0.109700	0.029430	0.139130
2002-03	28,882,123	3,281,633	25,600,490	88.64%	0.101280	0.029430	0.130710
2001-02	28,294,370	3,260,583	25,033,787	88.48%	0.101280	0.029430	0.130710
2000-01	26,750,533	2,811,274	23,939,259	89.49%	0.096570	0.029430	0.126000
1999-00	25,469,382	2,513,382	22,956,000	90.13%	0.096570	0.013430	0.110000
1998-99	25,156,108	2,352,398	22,803,710	90.65%	0.096730	0.013270	0.110000
1997-98	24,056,742	2,315,250	21,741,492	90.38%	0.096730	0.013270	0.110000

Source: Harris County Appraisal District

Notes: Property is assessed at full market value.
(a) Per \$100 Taxable Assessed Valuation

SAN JACINTO COMMUNITY COLLEGE DISTRICT

State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years

(Unaudited)

(Amounts expressed in thousands)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc-Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2006-07	35,203	35	1,006	6,913	3,248	10,161	3.46
2005-06	35,203	35	1,006	6,979	3,316	10,295	3.42
2004-05	32,999	38	868	6,591	3,470	10,061	3.28
2003-04	32,999	37	892	6,596	3,381	9,977	3.31
2002-03	34,316	35	980	6,207	3,256	9,463	3.63
2001-02	36,826	40	921	5,995	3,248	9,243	3.98
2000-01	33,352	37	901	5,464	3,231	8,695	3.84
1999-00	32,593	35	931	5,051	3,212	8,263	3.94
1998-99	29,633	33	898	4,761	3,058	7,819	3.79
1997-98	28,530	32	892	4,510	2,896	7,406	3.85

Notes: FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

(a) Source CBM001

(b) Source CBM00A

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Principal Taxpayers
Last Five Tax Years
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)				
		2006	2005	2004	2003	2002
Shell Oil Co.	Refinery	\$ 2,023,449	\$ 1,535,652	\$ 1,357,730	\$ 1,583,169	\$ 1,221,691
Lyondell Chemical Co.	Chemicals	1,548,825	1,125,395	649,833	1,056,866	739,259
Rohm & Haas Co.	Petrochemical	558,543	565,260	536,652	560,545	330,957
Centerpoint Energy, Inc.	Energy	424,297	426,292	475,685	494,653	-
Oxy Vinyls LP	Petrochemical	394,494	399,150	373,580	410,675	529,838
Chevron Chemical Co.	Refinery	238,414	197,235	-	-	-
Phillips 66 Company	Refinery	233,513	-	364,037	-	287,977
Calpine Central LP	Energy	225,987	412,795	308,600	-	-
GE Packaged Power	Energy	211,958	-	-	288,933	326,449
Reliant Energy Channelview	Energy	208,486	205,189	277,296	228,000	250,000
Celanese LTD	Chemicals	-	-	-	288,933	326,449
Conoco Phillips	Refinery	-	376,933	-	480,763	-
Equistar Chemicals LP	Chemicals	-	998,731	887,592	1,035,598	1,071,895
GE Aero Energy Products	Petrochemical	-	-	-	200,424	-
H L & P Co.	Electric Utility	-	-	-	-	368,605
Lyondell Citgo Ref Co LTD	Refinery	-	-	275,072	-	254,916
Totals		<u>6,067,966</u>	<u>6,242,632</u>	<u>5,506,077</u>	<u>6,628,559</u>	<u>5,708,036</u>
Total Taxable Assessed Value		<u>\$ 31,590,597</u>	<u>\$ 28,793,407</u>	<u>\$ 27,442,133</u>	<u>\$ 26,552,044</u>	<u>\$ 25,600,490</u>

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year				
		2006	2005	2004	2003	2002
Shell Oil Co.	Refinery	6.41%	5.33%	4.95%	5.96%	4.77%
Lyondell Chemical Co.	Chemicals	4.90%	3.91%	2.37%	3.98%	2.89%
Rohm & Haas Co.	Petrochemical	1.77%	1.96%	1.96%	2.11%	1.29%
Centerpoint Energy, Inc.	Energy	1.34%	1.48%	1.73%	1.86%	0.00%
Oxy Vinyls LP	Petrochemical	1.25%	1.39%	1.36%	1.55%	2.07%
Chevron Chemical Co.	Refinery	0.75%	0.69%	0.00%	0.00%	0.00%
Phillips 66 Company	Refinery	0.74%	0.00%	1.33%	0.00%	1.12%
Calpine Central LP	Energy	0.72%	1.43%	1.12%	0.00%	0.00%
GE Packaged Power	Energy	0.67%	0.00%	0.00%	1.09%	1.28%
Reliant Energy Channelview	Energy	0.66%	0.71%	1.01%	0.86%	0.98%
Celanese LTD	Chemicals	0.00%	0.00%	0.00%	1.09%	1.28%
Conoco Phillips	Refinery	0.00%	1.31%	0.00%	1.81%	0.00%
Equistar Chemicals LP	Chemicals	0.00%	3.47%	3.23%	3.90%	4.19%
GE Aero Energy Products	Petrochemical	0.00%	0.00%	0.00%	0.75%	0.00%
H L & P Co.	Electric Utility	0.00%	0.00%	0.00%	0.00%	1.44%
Lyondell Citgo Ref Co LTD	Refinery	0.00%	0.00%	1.00%	0.00%	1.00%
Totals		<u>19.21%</u>	<u>21.68%</u>	<u>20.06%</u>	<u>24.95%</u>	<u>22.31%</u>

Source: Harris County Appraisal District

Note: The College previously did not present this schedule. Information is being presented for the past five years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Property Tax Levies and Collections
 Last Nine Tax Years
 (Unaudited)
 (Amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - year of Levy (c)	Percentage	Current Collections of Prior Levies (d)	Total Collections (c+d)	Percentage Cumulative Collections of Adjusted Levy
2007	46,823	-	46,823	45,515	97.21%	1,150	46,665	99.66%
2006	41,856	-	41,856	40,729	97.31%	839	41,568	99.31%
2005	38,182	1,881	40,063	37,574	98.41%	1,335	38,187	95.32%
2004	36,945	1,168	38,113	35,487	96.05%	975	36,462	95.67%
2003	33,462	1,243	34,705	32,618	97.48%	702	33,320	96.01%
2002	32,722	700	33,422	31,700	96.88%	597	32,297	96.63%
2001	30,163	1,335	31,498	29,302	97.15%	678	29,980	95.18%
2000	25,252	1,071	26,323	24,702	97.82%	258	24,960	94.82%
1999	25,084	158	25,242	24,626	98.17%	476	25,102	99.45%

Source: Harris County Tax Assessor Collector

(a) As reported in notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

Note: The College previously did not present this schedule. Information is being presented for the past nine years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
For the Year Ended August 31 (amounts expressed in thousands)										
General Bonded Debt:										
General obligation bonds	\$ 64,450	\$ 72,800	\$ 75,380	\$ 77,845	\$ 59,095	\$ 56,900	\$ 20,800	\$ 26,000	\$ 8,000	\$ 10,500
Notes	8,830	9,340	10,835	12,125	14,585	4,645	-	-	-	-
Less: funds restricted for debt service	(1,527)	(8,541)	(6,250)	(3,940)	(710)	(4)	-	-	-	-
Net general bonded debt	\$ 71,753	\$ 73,599	\$ 79,965	\$ 86,030	\$ 72,970	\$ 61,541	\$ 20,800	\$ 26,000	\$ 8,000	\$ 10,500
Revenue bonds	\$ 1,325	\$ 2,615	\$ 5,325	\$ 7,940	\$ 10,475	\$ 5,590	\$ 190	\$ 945	\$ 1,705	\$ 65
Notes	-	555	980	1,388	1,780	2,156	-	-	-	-
Less: funds restricted for debt service	(1,344)	(1,342)	(2,595)	(2,755)	-	-	-	-	-	-
Total outstanding debt	\$ 71,734	\$ 75,427	\$ 83,675	\$ 92,603	\$ 85,225	\$ 69,287	\$ 20,990	\$ 26,945	\$ 9,705	\$ 10,565
General Bonded Debt Ratios:										
Per Capita	\$ 163	\$ 184	\$ 194	\$ 204	\$ 169	\$ 145	\$ 49	\$ 62	\$ 20	\$ 26
Per FTSE	2,067	2,321	2,284	2,435	2,076	1,545	556	740	239	333
As a percentage of taxable assessed value	0.25%	0.26%	0.29%	0.32%	0.29%	0.25%	0.09%	0.11%	0.04%	0.05%
Total Outstanding Debt Ratios:										
Per Capita	\$ 160	\$ 169	\$ 189	\$ 184	\$ 196	\$ 163	\$ 50	\$ 64	\$ 24	\$ 26
Per FTSE	2,024	2,131	2,216	2,506	2,401	1,739	561	767	290	335
As a percentage of taxable assessed value	0.25%	0.26%	0.30%	0.35%	0.33%	0.28%	0.09%	0.12%	0.04%	0.05%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time equivalent enrollment. General Bonded Debt includes general obligation bonds and maintenance tax notes. Revenue Bonds and Notes include revenue bonds and contractual obligation notes.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Legal Debt Margin Information
Last Nine Fiscal Years
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxable Assessed Value	\$ 32,210,578	\$ 28,793,407	\$ 27,442,133	\$ 26,552,044	\$ 25,600,490	\$ 25,033,787	\$ 23,939,259	\$ 22,956,000	\$ 22,803,710
General Obligation Bonds									
Statutory Tax Levy Limit for Debt Service	161,053	143,967	137,211	132,760	128,002	125,169	119,696	114,780	114,019
Less: funds restricted for repayment of general obligation bonds	(1,527)	(8,305)	(5,399)	(2,952)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total net general obligation debt	159,526	135,662	131,812	129,808	127,002	124,169	118,696	113,780	113,019
Current year debt service requirements	6,822	6,488	5,731	5,492	5,544 *	6,546	5,428	6,143	2,363
Excess of statutory limit for debt service over current requirement	\$ 152,704	\$ 129,174	\$ 126,081	\$ 124,316	\$ 121,458	\$ 117,623	\$ 113,268	\$ 107,637	\$ 110,656
Net current requirements as a % of statutory limit	4.24%	4.51%	4.18%	4.14%	4.33%	5.23%	4.53%	5.35%	2.07%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation. The College previously did not present this schedule. Information is being presented for the past nine years, and the College will continue to implement prospectively.

* For fiscal year ended 1999 thru 2003 the amount of funds restricted for repayment have been estimated.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Revenue Bonds		Pledged Revenues (\$000 omitted)										Debt Service Requirements (\$000 omitted)		
Fiscal Year Ended August 31	Tuition	Technology Fee	General Service/Other Fees	Laboratory Fees	Continuing or Non-Credit Education Tuition/Fees	General Fund Interest Income	Food Service Revenue	Bookstore Revenue	Total	Principal	Interest	Total	Coverage Ratio	
2007	4,816	-	10,532	620	5,075	4,908	396	3,346	29,693	1,845	64	1,909	15.55	
2006	4,744	-	11,435	724	2,391	3,213	344	7,276	30,127	3,135	147	3,282	9.18	
2005	4,392	2,999	6,770	719	2,928	1,707	300	8,917	28,732	3,023	254	3,277	8.77	
2004	4,409	4,159	5,369	600	3,315	1,220	313	10,808	30,193	2,927	355	3,282	9.20	
2003	2,783	3,140	4,060	477	3,955	718	200	8,506	23,839	1,410	195	1,605	14.85	
2002	809	2,223	3,288	399	3,322	2,372	333	9,228	21,974	1,610	14	1,624	13.53	
2001	754	1,891	3,224	391	3,257	2,325	330	9,047	21,219	755	20	775	27.38	
2000	714	1,854	3,160	383	3,193	2,126	326	8,699	20,455	760	50	810	25.25	
1999	682	1,125	1,658	352	3,749	1,599	202	8,030	17,397	60	49	109	159.61	
1998	635	1,121	1,555	334	4,507	1,724	181	5,270	15,327	65	4	69	222.13	

Debt service requirements include revenue and contractual obligation bonds

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Demographic and Economic Statistics - Taxing District
Last Two Calendar Years
(Unaudited)

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income (a) (thousands of dollars)</u>	<u>District Personal Income Per Capita</u>	<u>Harris County Unemployment Rate</u>
2006	449,000	\$8,784,685	\$19,565	5.50%
2005	443,684	\$7,803,958	\$17,589	5.70%

Sources: Population from Harris County Precinct 2.
Personal income from Economic Alliance - Houston Port Region.
Unemployment rate from Texas Workforce Commission.

Note: The College previously did not present this schedule and chooses to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Principal Employers for the Service Area
Fiscal Year (Estimated)
(Unaudited)

Employer	Number of Employees **	Percentage of Total Employment *
Nasa Johnson Space Center	3,200	1.90%
United Space Alliance	3,000	1.79%
Kellogg Brown & Root	1,700	1.01%
Equistar Petrochemicals	1,500	0.89%
Clear Lake Regional Medical Center	1,300	0.78%
Bayshore Medical Center	1,200	0.72%
Memorial Healthcare System	1,200	0.72%
San Jacinto College	1,200	0.72%
University of Houston - Clear Lake	1,200	0.72%
Rohm & Haas Texas, Inc.	1,000	0.59%
Wyle Life Sciences	1,000	0.59%
	<u>17,500</u>	<u>10.43%</u>

Source:
2005 Claritas

Note: *Based on businesses with 11 or more full time employees for a total of 167,707 local employees
The College previously did not present this schedule and chooses to implement prospectively.
Updated information not available as of the report date

**Based on most current information available from fiscal year 2005.

SAN JACINTO COMMUNITY COLLEGE DISTRICT
Faculty, Staff, and Administrators Statistics
Last Four Fiscal Years
(Unaudited)

	Fiscal Year			
	2007	2006	2005	2004
Faculty				
Full-Time	440	439	428	426
Part-Time	685	680	720	696
Total	<u>1,125</u>	<u>1,119</u>	<u>1,148</u>	<u>1,122</u>
Percent				
Full-Time	39.1%	39.2%	37.3%	38.0%
Part-Time	60.9%	60.8%	62.7%	62.0%
Staff and Administrators				
Full-Time	739	694	687	667
Part-Time	518	571	502	553
Total	<u>1,257</u>	<u>1,265</u>	<u>1,189</u>	<u>1,220</u>
Percent				
Full-Time	58.8%	54.9%	57.8%	54.7%
Part-Time	41.2%	45.1%	42.2%	45.3%
FTSE per Full-Time Faculty	81	81	88	87
FTSE per Full-Time Staff Member	48	51	55	55
Average over 9 months Faculty Salary	\$49,000	\$46,166	\$47,686	\$46,821

Source: Texas Community College Teacher's Association Salary Survey.

Note: The College previously did not present this schedule. Information is being presented for the past four years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Enrollment Details
Last Six Fiscal Years
(Unaudited)

Student Classification	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00 - 30 hours	14,848	58.20%	15,505	60.09%	14,343	61.24%	13,731	60.77%	14,776	66.41%	13,852	64.11%
31 - 60 hours	7,051	27.64%	7,267	28.16%	6,528	27.87%	5,793	25.64%	4,791	21.53%	4,801	22.22%
> 60 hours	3,612	14.16%	3,031	11.75%	2,551	10.89%	3,072	13.59%	2,683	12.06%	2,953	13.67%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.00%	22,250	100.00%	21,606	100.00%
Semester Hour Load	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Less than 3	6,927	27.15%	6,634	25.71%	3,317	14.16%	3,196	14.14%	3,273	14.71%	3,539	16.38%
3 - 5 semester hours	2,535	9.94%	2,546	9.87%	1,847	7.89%	1,781	7.88%	1,903	8.55%	1,436	6.65%
6 - 8 semester hours	5,820	22.81%	6,060	23.49%	5,712	24.39%	5,673	25.11%	5,597	25.16%	5,161	23.89%
9 - 11 semester hours	3,726	14.61%	3,651	14.15%	4,324	18.46%	4,047	17.91%	3,780	16.99%	3,565	16.50%
12 - 14 semester hours	5,227	20.49%	5,454	21.14%	6,439	27.49%	6,113	27.05%	5,839	26.24%	5,892	27.27%
15 - 17 semester hours	1,189	4.66%	1,342	5.20%	1,631	6.96%	1,654	7.32%	1,722	7.74%	1,869	8.65%
18 & over	87	0.34%	116	0.44%	152	0.65%	132	0.59%	136	0.61%	144	0.66%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.01%	22,250	100.00%	21,606	100.00%
Average course load	7.4		9.4		8.8		8.8		8.5		8.8	
Tuition Status	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Texas Resident (in-District)	12,787	50.12%	13,365	51.80%	12,736	54.38%	12,929	57.22%	12,429	55.86%	12,329	57.06%
Texas Resident (out-of-District)	9,173	35.96%	9,324	36.14%	8,226	35.12%	8,561	37.88%	8,720	39.19%	8,329	38.55%
Non-Resident Tuition	3,551	13.92%	3,114	12.06%	2,460	10.50%	1,106	4.90%	1,101	4.95%	948	4.39%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.00%	22,250	100.00%	21,606	100.00%

This schedule does not include non-credit Continuing and Professional Development enrollment.

Source: Data from the CBM001 and CBM01A reports.

Note: The College previously did not present this schedule. Information is being presented for the past six years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Student Profile
Last Six Fiscal Years
(Unaudited)

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender												
Female	14,714	57.68%	15,060	58.37%	13,474	57.53%	12,963	57.37%	12,595	56.61%	12,162	56.29%
Male	10,797	42.32%	10,743	41.63%	9,948	42.47%	9,633	42.63%	9,655	43.39%	9,444	43.71%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.00%	22,250	100.00%	21,606	100.00%

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin												
White	11,621	45.55%	12,165	47.15%	11,525	49.21%	11,478	50.80%	11,237	50.50%	11,597	53.67%
Hispanic	8,456	33.15%	8,306	32.19%	7,259	30.99%	6,575	29.10%	6,089	27.37%	5,718	26.46%
African American	2,672	10.47%	2,774	10.75%	2,524	10.78%	2,343	10.37%	2,333	10.49%	2,232	10.33%
Asian	1,515	5.94%	1,450	5.62%	1,155	4.93%	1,186	5.25%	1,006	4.52%	1,005	4.65%
Foreign	917	3.59%	828	3.21%	752	3.21%	810	3.58%	921	4.14%	542	2.51%
Native American	101	0.40%	72	0.28%	113	0.48%	86	0.38%	92	0.41%	87	0.40%
Other	229	0.90%	208	0.81%	94	0.40%	118	0.52%	572	2.57%	425	1.98%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.00%	22,250	100.00%	21,606	100.00%

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age												
Under 18	4,082	16.00%	3,801	14.73%	3,167	13.52%	2,861	12.66%	2,683	12.06%	2,623	12.14%
18 - 21	9,064	35.53%	8,899	34.49%	7,877	33.63%	7,513	33.25%	7,415	33.33%	7,311	33.84%
22 - 24	4,298	16.85%	4,496	17.42%	4,068	17.37%	3,889	17.21%	3,704	16.65%	3,505	16.22%
25 - 35	5,442	21.33%	5,802	22.49%	5,459	23.30%	5,345	23.65%	5,223	23.47%	4,928	22.81%
36 - 50	2,239	8.78%	2,403	9.31%	2,428	10.37%	2,547	11.27%	2,730	12.27%	2,814	13.02%
51 & over	386	1.51%	402	1.56%	423	1.81%	441	1.95%	495	2.22%	425	1.97%
Total	25,511	100.00%	25,803	100.00%	23,422	100.00%	22,596	100.00%	22,250	100.00%	21,606	100.00%

Average age	24	25	25	25	26	26
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This schedule does not include non-credit Continuing and Professional Development enrollment.

Source: Data from the CBM001 and CBM01A reports.

Note: The College previously did not present this schedule. Information is being presented for the past six years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Transfers to Senior Institutions
 Institutions Attended Fall 2005
 (Unaudited)
 (Includes only public senior colleges in Texas)

	Total Transfer Student Count Academic	Total Transfer Student Count Technical	Total Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Student
1 University of Houston - Clear Lake	993	33	53	1,079	26.89%
1 University of Houston - University Park	947	33	44	1,024	25.61%
2 Texas A&M University	292	0	4	296	7.40%
3 University of Texas - Austin	256	3	2	261	6.53%
4 Sam Houston State University	172	9	14	195	4.88%
5 University of Houston - Downtown	164	8	23	195	4.88%
6 Texas State University	125	8	6	139	3.48%
7 Texas Southern University	94	8	10	112	2.80%
8 Texas Tech University	70	2	2	74	1.85%
9 Stephen F. Austin State University	65	3	1	69	1.73%
10 University of Texas - San Antonio	62	2	4	68	1.70%
11 University of Texas Medical Branch Galveston	61	5	2	68	1.70%
12 Lamar University Institute of Technology	53	3	5	61	1.53%
13 Texas Women's University	53	7	2	62	1.55%
14 Texas A&M University - Galveston	43	1	1	45	1.13%
15 University of North Texas	40	0	2	42	1.05%
16 University of Texas Health Science Center - Houston	35	4	1	40	1.00%
17 Prairie View A&M University	29	1	2	32	0.80%
18 Texas A&M University - Corpus Christi	29	0	1	30	0.75%
19 University of Texas - Dallas	17	0	0	17	0.43%
20 University of Texas - Arlington	14	1	1	16	0.40%
21 University of Texas - Tyler	11	0	0	11	0.28%
22 West Texas A&M University	11	0	0	11	0.28%
23 Texas Tech University Health Science Center	6	2	2	10	0.25%
24 Texas A&M University - Kingsville	4	0	0	4	0.10%
25 University of Houston - Victoria	4	1	0	5	0.13%
26 University of Texas Health Science Center - San Antonio	4	0	0	4	0.10%
27 University of Texas M.D. Anderson Cancer Center	4	2	0	6	0.15%
28 Midwestern State University	3	0	0	3	0.08%
29 Texas A&M University - Commerce	3	0	0	3	0.08%
30 University of Texas - Pan American	3	0	0	3	0.08%
31 Baylor College of Medicine	2	0	0	2	0.05%
32 Tarleton State University	2	0	1	3	0.08%
33 University of Texas - El Paso	2	0	0	2	0.05%
34 Angelo State University	1	0	0	1	0.03%
35 Texas A&M University Health Science Center	1	0	0	1	0.03%
36 University of North Texas Health Science Center - Fort Worth	1	2	0	3	0.08%
37 University of Texas - Brownsville	1	0	0	1	0.03%
39 University of Texas Health Science Center - Dallas	1	0	0	1	0.03%
Totals	<u>3,678</u>	<u>138</u>	<u>183</u>	<u>3,999</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board Automated Student and Adult Learner Followup System.

Note: The College previously did not present this schedule and chooses to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Capital Asset Information
 Fiscal Years 2006 and 2007
 (Unaudited)

	Fiscal Year	
	2007	2006
Academic Buildings	32	32
Square footage (in thousands)	1,457,408	1,457,408
Libraries	3	3
Square footage (in thousands)	163,615	163,615
Number of Volumes (in thousands)	238,489	275,713
Administrative and Support Buildings	4	4
Square footage (in thousands)	265,906	265,906
Dormitories	1	1
Square footage (in thousands)	6,050	6,050
Athletic Facilities	10	10
Square footage (in thousands)	165,527	165,527
Stadiums	3	3
Fitness Centers/Gymnasiums	4	4
Tennis Courts	1	1
Other	2	2
Plant Facilities	14	14
Square footage (in thousands)	49,137	46,137
Transportation:		
Cars	12	12
Light Trucks/Vans	47	40

Source: Master property schedule.

Note: The College previously did not present this schedule and chooses to implement prospectively.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
San Jacinto Community College District:

We have audited the basic financial statements of San Jacinto Community College District (the College) as of and for the year ended August 31, 2007, and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's basic financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the College's internal control.

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

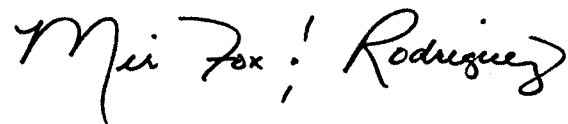
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Texas Public Funds Investment Act

We have performed tests designed to verify the College's compliance with the requirements of the Texas Public Funds Investment Act (the Act). During the year ended August 31, 2007, the results of our tests disclosed no instances of noncompliance with the Act. However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion.

This report is intended solely for the information and use of the Board of Trustees, the College's management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mui Fox Rodriguez". The signature is written in a cursive style with a colon and a comma after "Fox".

December 12, 2007

INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
San Jacinto Community College District:

Compliance

We have audited the compliance of San Jacinto Community College District (the College) 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 of Texas (State) programs for the year ended August 31, 2007. The College's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal and State programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College 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, 2007.

Internal Control over Compliance

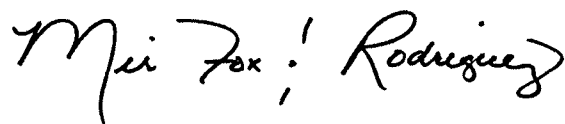
The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal and State programs. In planning and performing our audit, we considered the College's internal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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal and State program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal and State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal and State program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal or State program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Trustees, the College's management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mei Fox Rodriguez". The signature is written in a cursive style with a large initial "M" and a stylized "R".

December 12, 2007

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedules of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-through Disbursements
<u>U. S. Department of Education</u>			
Direct Programs:			
Federal Supplemental Education Opportunity Grant	84.007A	P007A024114	\$ 812,613
Higher Education Institutional Aid/Title V - Strengthening Institutions Program	84.031S	P031S05003	668,625
Federal Family Education Loans	84.032	* FFSL/FFUL/FFPL	6,367,502
Federal College Workstudy Program	84.033	P033A024114	465,348
TRIO - Student Support Services	84.042A	P042A050182	217,597
TRIO - Talent Search	84.044A	P044A020538	299,795
TRIO - Upward Bound	84.047A	P047A030121	342,809
Federal Pell Grant Program	84.063P	P063P032303	11,939,325
Gaining Early Awareness And Readiness For Undergraduate Programs	84.334A	P334A020014	388,351
Academic Competitiveness Grant	84.375	FFAI & FFAC	177,590
Pass-Through From:			
Harris County Juvenile Board -			
Title I Grants to Local Educational Agencies	84.010	P123526	166,275
Harris County JJAEP			
Texas Higher Education Coordinating Board:			
Vocational Education - Basic Grants to States/Carl Perkins State Leadership Grants	84.048	71004	60,271
Vocational Education - Basic Grants to States/Carl Perkins	84.048	6423974239	878,648
Leveraging Educational Assistance Partnerships (LEAP)	84.069A	FFLP	21,655
Special Leveraging Educational Assistance Partnership (SLEAP)	84.069B	FFSP	37,399
Improving Teacher Quality State Grants	84.367B	** 196	161,831
North Harris Montgomery Community College District -			
Tech-Prep Education	84.243	71713	1,105
Total U.S. Department of Education			<u>23,006,739</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-through Disbursements
<u>U.S. Department of Agriculture</u> Pass-Through From - Texas Department of Human Services Child and Adult Care Food Program	10.558	TX101-0038	4,734
<u>U.S. Department of Housing and Urban Development</u> Direct Programs: Hispanic-Serving Institutions Assisting Communities/Adelante Pasadena Project Hispanic Serving Institution Assisting Communities program	14.514 14.514	HSIAC-03-TX-19 HSIAC-06-TX-28	39,032 52,963
Pass-Through From: The City of Pasadena Community Development Block Grants/Entitlement Grants	14.218	068-8539-CD118	39,932
Harris County Community Development Block Grants/Entitlement Grants Total U.S. Department of Housing and Urban Development	14.218	2006-0024	23,376
<u>U. S. Department of Labor</u> Pass-Through From: Houston-Galveston Area Council: WIA Pilots, Demonstrations, and Research Projects/Employment and Training Administration Short Term Skills Training President's High Growth	17.261 17.261	226-06 503-05	40,824 216,711
Pass-Through From: Texas Workforce Commission: WIA Adult Program/Meeting Industries' Critical Workforce Needs - Biotech (YR1) WIA Adult Program/Meeting Industries' Critical Workforce Needs - Biotech (YR2) TWC Pass Through From: Bay Area Houston Economic Partnership WIA Adult Program/Meeting Industries' Critical Workforce Needs - Aerospace	17.258/17.2 17.258/17.2 17.258/17.2	2806WSW003 2807WSW001 2807WSW002	81,294 63,556 41,935 Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-through Disbursements
<u>Texas Higher Education Coordinating Board Pass Through From:</u>			
University of Houston-Clear Lake:			
WIA Adult Program/Computer Science Scholars - Recruiting, Retention and Mentoring (Phase 1)	17.258/17.2	07-02	41,351
WIA Adult Program/Computer Science Scholars - Recruiting, Retention and Mentoring (Phase 2)	17.258/17.2	07-05	1,063
Total U.S. Department of Labor			<u>486,734</u>
<u>National Aeronautics and Space Administration</u>			
Direct Programs:			
Aerospace Education Services Program/KC-135 Student Program	43.001	NNJ05JB02A	369,555
Aerospace Education Services Program/NCC9-172 TX Aerospace Scholars	43.001	NCC 9-172	175,325
Aerospace Education Services Program/STEM Grant	43.001	NNJ05JL47G	31,605
Total National Aeronautics and Space Administration			<u>576,485</u>
<u>National Science Foundation</u>			
Direct Programs:			
Education and Human Resources/Computer Science, Engineering & Mathematics Scholarship Program	47.076	DUE-0324196	78,117
Education and Human Resources/National Middle School Aerospace Scholars	47.076	ESI-0422698	306,405
Engineering Grants/Partnership for Innovation in Biotechnology and Life Sciences (PIBLS)	47.041	IIP-0649713	58,598
Pass-Through From:			
University of Houston:			
Education and Human Resources/Houston Alliance for Minority Participation (AMP)	47.076	HRD-0402623	24,636
Education and Human Resources/Expanding Pathways to Success in Science (EPSS)	47.076	DUE-00336612	89,778
Total National Science Foundation			<u>557,534</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2007

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-through Disbursements
<u>U.S. Small Business Administration</u>			
Pass-Through From:			
The University of Houston-Central:			
Small Business Development Center	59.037	6-603001-Z-0047-22	13,002
Small Business Development Center	59.037	7-603001-Z-0047-23	109,537
			<u>122,539</u>
<u>U. S. Department of Veterans Affairs</u>			
Direct Programs:			
All Volunteer Force Educational Assistance			
Veteran's Administration Admin Allowance	64.124	362/242D	6,496
<u>U.S. Department of Health and Human Services</u>			
Pass-Through From:			
Texas Workforce Commission - TWC			
Child Care and Development Block Grant	93.575	06260C26Y07	32,975
Total Department of Health and Human Services			<u>32,975</u>
Total Federal Financial Assistance			<u>\$ 24,949,539</u>

See accompanying notes to Schedule Expenditure of Federal and State Awards.

* US Department of Education - Federal Family Education Loans
84.032 Subsidized Loans
Unsubsidized Loans
Plus Loans

\$ 2,890,666
3,303,823
173,013
\$ 6,367,502

** Pass Through grantor numbers for Teacher Quality Enhancement Grant Program

196,311,299,197

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Awards
Year Ended August 31, 2007

1. Federal Assistance Reconciliation

Total Federal grants and contracts per Schedule A	
Federal grants and contracts including Family	
Federal Loans totaling \$6,367,502	\$ 24,578,808
Plus indirect costs	<u>370,731</u>
Total expenditure of Federal awards	\$ <u>24,949,539</u>

2. State Assistance Reconciliation

State grants and contracts per Schedule A	\$ 2,353,392
Plus tuition fees	<u>757</u>
Total expenditures of State awards	\$ <u>2,354,149</u>

3. Significant Accounting Policies Used in Preparing the Schedules

The schedules of expenditures of Federal and State awards present the activity of Federal and State programs of the College for the year ended August 31, 2007. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award and may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

4. Relationship to Federal and State Financial Reports

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedules of expenditures of Federal and State awards are due to different program year ends and accruals that will be reflected in the next report filed with the agencies.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
Year Ended August 31, 2007

Section 1	Summary of Auditors' Results
<u>Financial Statements</u>	
1. Type of auditors' report issued:	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No
<u>Federal and State Awards</u>	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditors' report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133 and the <i>State of Trustees Single Audit Circular</i> , Section 510(a)?	No
4. Identification of major programs:	
<u>Federal CFDA Number</u>	<u>Name of Federal Program</u>
84.007	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant
84.367	Improving Teacher Quality State Grants
<u>State - Contract Number</u>	<u>Name of State Program</u>
2807SDF000	Texas Workforce Commission – West Gulf Maritime Worker Training
2806SDF00	Texas Workforce Commission – Skills Development Petrochemical Industries
5. Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$748,400
State	\$300,000
6. Auditee qualified as a low-risk auditee?	
Federal	Yes
State	Yes

SAN JACINTO COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs, Continued
Year Ended August 31, 2007

Section 2

Financial Statement Findings

None reported

Section 3

Federal and State Award Findings and Questioned Costs

None reported

Section 4

Schedule of Prior Year Findings

The audit of Federal and State of Texas awards disclosed no findings that were required to be reported for the year ended August 31, 2006.

SAN JACINTO COLLEGE DISTRICT

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2007

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission		
Skills Development - Petrochemical Industries	2806SDF000	\$ 96,270
West Gulf Maritime Worker Training	2807SDF000	559,130
Skills Development Fund/Association for Plant Inspection Professionals	2807SDF002	429,335
University of Texas - Health Science Center at Houston		
Workforce Increases in Nurses and Nursing Faculty: Excellence in Resource Collaboration (WINNER)	NIPG D-06/0004652C	14,835
Texas Higher Education Coordinating Board		
Stipend for Services of Faculty on Vertical Teams		841
State Military Tuition Assistance		3,074
Texas Grant I - Initial		203,595
Texas Grant I - Renewal		140,387
Texas Grant II - Initial		198,650
Texas Grant II - Renewal		44,100
Professional Nursing		21,720
Licensed Vocational Nursing Scholarship		2,304
Be on time loan program		14,903
Texas college Work Study		66,340
Early High School - HB 1479		269,636
Certified Educational Aide Program		23,266
Health Educational Loan Program		24,364
College Access Loan		161,545
Professional Nursing Shortage Reduction Program		69,628
Texas Education Agency		
Texas A&M University		
TECH Days for TAKS	SAS #A286-05	10,226
Total state financial assistance		\$ <u>2,354,149</u>