

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Annual Financial Report

**Fiscal Years Ended
August 31, 2006 and 2005**

Mir & Fox
Rodriguez, P.C.
Certified Public Accountants

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Table of Contents

	<u>Page</u>	<u>Exhibit/ Schedule</u>
Organizational Data	1	
Independent Auditors' Report	2	
Management's Discussion and Analysis (Unaudited)	4	
Basic Financial Statements		
Statements of Net Assets	14	Exhibit 1
Statements of Revenues, Expenses, and Changes in Net Assets	15	Exhibit 2
Statements of Cash Flows	16	Exhibit 3
Notes to Basic Financial Statements	17	
Supplemental Schedules		
Schedule of Detailed Operating Revenues	33	Schedule A
Schedule of Operating Expenses by Object	34	Schedule B
Schedule of Nonoperating Revenues and Expenses	35	Schedule C
Schedule of Net Assets by Source and Availability	36	Schedule D
Single Audit Section		
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37	
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 <i>State of Texas Single Audit Circular</i>	38	
Schedule of Expenditures of Federal Awards	40	Schedule E
Schedule of Expenditures of State Awards	42	Schedule F
Notes to Schedules of Expenditures of Federal and State Awards	43	
Schedule of Findings and Questioned Costs	44	

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Table of Contents, Continued

	<u>Page</u>	<u>Exhibit/ Schedule</u>
Statistical Section (Unaudited)		
Net Assets by Component	46	SS - 1
Revenues by Source	47	SS - 2
Program Expenses by Function	48	SS - 3
Tuition and Fees	49	SS - 4
Assessed Value and Taxable Assessed Value of Property	50	SS - 5
State Appropriations per Full Time Student Equivalents and Contact Hours	51	SS - 6
Principal Taxpayers	52	SS - 7
Property Tax Levies and Collections	53	SS - 8
Ratios of Outstanding Debt	54	SS - 9
Legal Debt Margin Information	55	SS - 10
Pledged Revenue Coverage	56	SS - 11
Demographic and Economic Statistics - Taxing District	57	SS - 12
Principal Employers	58	SS - 13
Faculty, Staff, and Administrators Statistics	59	SS - 14
Enrollment Details	60	SS - 15
Student Profile	61	SS - 16
Transfers to Senior Institutions	62	SS - 17
Capital Assets Information	63	SS - 18

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Organizational Data
Year Ended August 31, 2006

Board of Regents

Officers

Dr. Ruede Wheeler, D.D.S.	Chairman
Mrs. Marie Flickinger	Vice Chairman
Mr. J. D. Bruce	Secretary
Mr. Dan Mims	Assistant Secretary

Members

		<u>Term Expires</u> <u>May 31,</u>
Mr. J. D. Bruce	Pasadena, Texas	2011
Mrs. Marie Flickinger	Houston, Texas	2007
Mr. Ben Meador	Pasadena, Texas	2011
Mr. Dan Mims	Channelview, Texas	2009
Mr. C. Wayne Slovacek	Deer Park, Texas	2009
Mr. W. L. "Levi" Smallwood	Pasadena, Texas	2007
Dr. Ruede Wheeler, D.D.S.	La Porte, Texas	2011

Key Officers

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

INDEPENDENT AUDITORS' REPORT

Board of Regents
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, 2006 and 2005, 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.

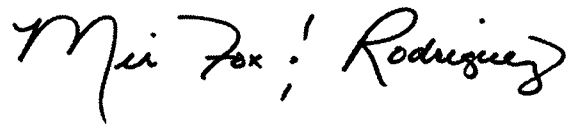
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2006 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 2006 basic financial statements of the College, taken as a whole. The supplemental schedules (schedule A thorough 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 2006 basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the 2006 basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming an opinion on the 2006 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 part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2006 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2006 basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mei Fox ; Rodriguez". The signature is written in a cursive style with a semicolon between "Fox" and "Rodriguez".

November 3, 2006

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 Regents 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 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 with a formal report to the Board of Regents expected during early 2007. 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 of Regents 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.

Financial Highlights for 2005

- The College changed its method of accounting for library books based on a recommendation by the Texas Higher Education Coordinating Board. In the past library books were capitalized but were not depreciated. Under the change, library books are depreciated over 15 years. The College implemented this change with an effective date of September 1, 2004, which resulted in a restatement of the beginning accumulated depreciation by \$5.2 million.
- The College continued its commitment to enhance and upgrade facilities by adding \$8 million of new costs to various construction projects. During the year, \$12.5 million of renovation projects were placed into service.

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>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 29,737	47,426	47,819
Noncurrent assets:			
Capital assets, net of depreciation	149,699	153,510	153,458
Other	<u>65,725</u>	<u>41,905</u>	<u>41,277</u>
Total assets	<u>\$ 245,161</u>	<u>242,841</u>	<u>242,554</u>
Current liabilities	24,349	28,940	25,877
Noncurrent liabilities	<u>81,603</u>	<u>87,026</u>	<u>95,724</u>
Total liabilities	<u>\$ 105,952</u>	<u>115,966</u>	<u>121,601</u>
Net assets:			
Invested in capital assets, net of related debt	64,389	60,990	54,161
Restricted	13,969	9,904	27,648
Unrestricted	<u>60,851</u>	<u>55,981</u>	<u>39,144</u>
Total net assets	<u>\$ 139,209</u>	<u>126,875</u>	<u>120,953</u>

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 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 31st for 2006. In comparison for fiscal year 2005, payroll tax liabilities were paid on September 1st.

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.

Fiscal Year 2005 Compared to 2004

Total assets for the end of 2005 and 2004 remained consistent at \$242.8 million compared to \$242.5 million. Cash and short-term investments account for 70% or \$33.4 million of the current asset total for 2005 which is consistent with the 2004 cash and short-term investments of \$34.5 million or 72% of total current assets. Additionally, current assets exceed current liabilities by a ratio of 1.64 and 1.85 for 2005 and 2004, respectively, indicating a strong ability to pay outstanding current debts. Restricted cash and cash equivalents decreased by \$9.0 million to \$9.9 million due to the expenditure of bond proceeds. Other long-term investments increased \$9.8 million as additional funds were invested in Federal agency securities in order to take advantage of rising long-term interest rates. The weighted average maturity for long-term investments and cash and cash equivalents is 310 days.

Total liabilities of the College decreased \$5.6 million to \$116.0 million. The majority of the decrease is due to \$6.8 million in bond and note principal payments bringing the total outstanding balance on notes and bonds payable to \$92.5 million compared to \$99.3 million for 2004.

Total accrued compensable absences decreased \$.2 million but the current portion increased \$1.1 million. On October 10, 2005, the Board approved an Early Exit Incentive Benefit for employees meeting a combined age and years of service requirement. At August 31, 2005, an estimate was made for those employees eligible and anticipated to elect the benefit during fiscal year 2006 thus generating a current liability for payment of the related compensable absences balance.

Net assets increased by \$5.9 million to \$126.8 million at August 31, 2005. Restricted net assets related to unexpended bond proceeds and debt service decreased by \$17.7 million to \$9.9 million at August 31, 2005, primarily due to the expenditure of bond proceeds for construction activity. Total net assets invested in capital assets, net of related debt increased by \$6.8 million to a total of \$60.9 million. Unrestricted net assets increased \$4.9 million due to the College's continued commitment to cost reduction activities and the development of efficiency measures.

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, 2006, with comparative information for fiscal year 2005. The statement is divided into operating revenues and expenses and nonoperating 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 nonoperating items are defined by generally accepted accounting principles. For community colleges, State appropriations and ad valorem taxes, while budgeted for operations, 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>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of scholarship allowances and discounts	\$ 27,358	24,445	28,867
Federal grants and contracts	27,718	26,380	22,855
State and local grants and contracts	805	449	761
Non-government grants and contracts	638	783	425
Sales and services of educational activities	659	1,121	796
Auxiliary enterprises, net of discounts	9,463	8,155	11,299
General operating revenues	35	26	13
Total operating revenues	<u>66,676</u>	<u>61,359</u>	<u>65,016</u>
Expenses:			
Operating expenses:			
Instruction	46,147	43,506	40,122
Public service	2,638	2,342	2,628
Academic support	6,514	6,143	5,870
Student services	7,724	7,619	7,199
Institutional support	27,287	24,294	25,268
Operation and maintenance of plant	12,251	12,781	10,705
Scholarships and fellowships	16,417	16,595	17,625
Auxiliary enterprises	13,107	10,137	10,181
Depreciation	6,929	6,923	7,103
Total operating expenses	<u>139,014</u>	<u>130,340</u>	<u>126,701</u>
Operating loss	<u>(72,338)</u>	<u>(68,981)</u>	<u>(61,685)</u>
Nonoperating revenues (expenses):			
State appropriations	43,906	41,472	41,457
Maintenance ad valorem taxes	33,439	30,669	29,827
Debt service ad valorem taxes	8,633	8,109	8,157
Investment income (net of investment expenses)	3,213	2,018	1,636
Interest on capital related debt	(3,644)	(3,953)	(3,282)
Other nonoperating revenues (expenses)	(874)	(3,413)	(6,002)
Total nonoperating revenue, net	<u>84,673</u>	<u>74,902</u>	<u>71,793</u>
Increase in net assets	12,335	5,921	10,108
Net assets, beginning of year	<u>126,874</u>	<u>120,953</u>	<u>110,845</u>
Net assets, end of year	<u>\$ 139,209</u>	<u>126,874</u>	<u>120,953</u>

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 nonoperating 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 \$12.3 million versus \$5.9 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.

Fiscal Year 2005 Compared to 2004

Tuition and fee revenue was \$30.9 million before scholarship allowances and discounts compared to \$32.1 million for the prior year. The \$1.2 million decrease is due to stable credit enrollment offset by a decline in non-credit enrollment. Additionally, the College simplified its tuition and fee structure resulting in a loss of revenue generated by the summer term which will be offset by increases in future fall and spring semesters. A restructuring of the non-credit areas is under way and will be complete by March 2006. This restructuring will target portfolio management, performance metrics and will refocus course offerings.

Federal and State grants and contracts increased by \$2.9 million, which is largely attributable to additional student loans (\$1.8 million) processed through the College's electronic funds transfer system and an increase of \$1.1 million in Federal Pell awards which is attributable to continued efforts to recruit and inform students of available funding. Additionally, the College saw increases in grants from the National Science Foundation and the U.S. Department of Housing and Urban Development offset by decreases related to the close-out of Skills Development grants and a Title V grant.

Auxiliary enterprises consist of bookstore operations, childcare facilities, student service fees, cafeterias, and the golf course. Auxiliary revenues prior to discounts were \$10.9 million of which \$8.9 million is attributable to the operations of three bookstores. For the year, bookstore revenues decreased \$2.1 million which is due to the timing of the start of the fall semester (fiscal year 2005 included approximately seven fewer days of operations compared to fiscal year 2004).

Expenses for educational activities increased by \$3.9 million reaching a total of \$113.3 million representing 86.9% of the total 2005 operating expenses for the College compared to \$109.4 million or 86.4% of the total operating expenses in 2004. Of the increase, \$3.4 million is related to instruction with \$1.5 million in salaries and \$1.6 million in other expenses largely related to purchases for instructional equipment and supplies. During the fiscal year 2005, special emphasis was put into prioritizing instructional needs and re-allocating funds accordingly. Similarly, operation and maintenance of plant increased \$2.1 million of which \$.8 million is due to classroom furniture purchases related to instructional priorities and \$.5 million is related to increases in utilities cost.

Net nonoperating revenues and expenses increased by \$3.1 million due to a decrease in other nonoperating expenses. Non-capital purchases decreased from \$6.0 million in 2004 to \$.7 million in 2005. In 2004, non-capital purchases were related to the three Interactive Learning Centers and several large renovation projects compared to 2005 in which the non-capital purchases are related to smaller renovation and roof projects. In 2005, the College wrote-off \$2.7 million representing an estimate of the net book value of facilities that were renovated and remodeled during 2005.

Other nonoperating revenues include State appropriations, which remained consistent with 2004 at \$41.5 million. The State continues to fund at levels that approximate the per hour contact rate of the mid 1990's which is difficult for community colleges considering increased operating costs, changing demographics, and a diverse pool of student needs.

Ad valorem taxes in total were \$38.8 million for 2005 versus \$38.0 million for 2004. The tax rate remained the same for both years at 13.913 cents which is well below the authorized rate of 70.000 cents. The College's tax base increased 3.35% from the prior year to a net assessed valuation of \$27.4 billion.

The increase in net assets for the year was \$5.9 million versus \$10.1 million for the prior year. In 2004, the College was focused on reducing costs and consequently very few discretionary purchases were made. During 2005, focus continued on improving efficiencies and effectiveness, and enhancing instructional programs which included the allocation of \$4.3 million for instructional equipment and technology upgrades. Additionally in 2004, employees did not receive a raise, but in 2005 all full-time employees received a 2% raise.

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>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in):			
Operating activities	\$ (60,025)	(53,959)	(57,403)
Non-capital financing activities	67,524	62,761	58,372
Capital and related financing activities	(3,771)	(11,047)	2,542
Investing activities	<u>(16,905)</u>	<u>(2,464)</u>	<u>(11,699)</u>
Net decrease in cash and cash equivalents	(13,177)	(4,709)	(8,188)
Cash and cash equivalents - beginning of year	<u>43,307</u>	<u>48,016</u>	<u>56,204</u>
Cash and cash equivalents - end of year	\$ <u>30,130</u>	<u>43,307</u>	<u>48,016</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 \$69.8 million in 2006 versus \$64.9 million in 2005. Uses of non-capital financing for 2006 and 2005 are \$2.3 million and \$2.2 million, respectively, and were for scheduled principal and interest payments on notes. In 2004, \$20.8 million in bonds were issued which offset the capital and non-capital purchases. Net cash used by capital and related financing activities is \$3.8 million for 2006 versus \$11.0 million used in 2005. This change is attributable to a \$6.2 million reduction in capital asset purchases, \$.5 million increase in debt service ad valorem taxes, and \$.4 million decrease in principal and interest payments on capital debt. Net cash used by investing activities in 2006 was \$16.9 million which is due to investment purchases exceeding investment maturities.

Capital Assets and Long-Term Debt Activity

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.

Capital Assets - Fiscal Year 2005

In 2005, the College implemented an accounting change related to the depreciation of library books which resulted in a prior period restatement of \$5.2 million. Current year depreciation on all capitalized assets totaled \$6.9 million.

The College continued with its commitment to enhance and upgrade facilities by adding \$8 million of new construction costs to the \$6.7 million of construction projects in progress at the beginning of the year. During the year, \$12.5 million of renovation projects were placed into service including:

- Slocomb Auditorium on the Central Campus - This 48,641 square foot building was built in 1965 and received a complete facelift including redesigning the former music department which was moved to the new Fine Arts Building, enlarging the drama and art areas, adding a ceramics wing, renovating the theater in the round, and upgrading the audio, visual, and electrical. The cost of this project was \$3.7 million.
- The Burleson Wing on the North Campus - This 48,730 square foot facility was built in 1979 and the instructional spaces housed within it had reached their useful lives. The renovation included removing areas that are now housed in the new Fine Arts Building, constructing and equipping a new biology lab, and redesigning new classroom space. The cost of this project was \$2.0 million.
- The Longenecker Wing on the South Campus - This 53,112 square foot facility was built in 1983. Changes in instructional programs and delivery had left this facility obsolete. All instructional areas received a complete renovation and the continuing education and testing center are now housed in the facility. The cost of this project was \$2.1 million.
- Site improvements at the Central Campus - This \$2.3 million project includes 823 new parking spaces, drainage and detention work, and landscaping.

At August 31, 2005, \$1.8 million in projects were still under construction with the majority being roof replacements.

Long-Term Debt

Financing for the above projects and for six buildings constructed over the past six years was achieved through the issuance of long-term bonds. At August 31, 2006, the College has \$2.4 million in unexpended bond proceeds and \$4.0 million in unsold bonds. The use of these proceeds will be determined upon the substantial completion of the master planning process which is currently underway. 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 2007 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 forty-nine new full-time faculty for the fall 2006 semester.

Of the \$12.3 million increase in net assets in 2006, \$8.2 million has been designated for technology upgrades. It is anticipated that a significant portion will be spent in 2007 to fund server and computer replacements, upgrade classroom technology, and replace and upgrade instructional equipment. Management is compiling the data to support these purchases.

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 16,143,392	33,385,231
Deposits held by others	30,952	31,912
Accounts receivable, net	10,124,517	10,119,533
Deferred charges	740,679	363,252
Inventories	<u>2,697,221</u>	<u>3,526,529</u>
Total current assets	<u>29,736,761</u>	<u>47,426,457</u>
Noncurrent assets:		
Restricted cash and cash equivalents	13,969,143	9,904,294
Endowment cash and cash equivalents	17,694	17,247
Other long-term investments	51,119,803	31,260,485
Bond issuance costs	619,140	722,703
Capital assets, net (note 6)	<u>149,698,625</u>	<u>153,509,607</u>
Total noncurrent assets	<u>215,424,405</u>	<u>195,414,336</u>
Total assets	<u>245,161,166</u>	<u>242,840,793</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	3,573,388	4,580,614
Accrued liabilities	842,516	2,253,872
Accrued compensable absences	934,616	1,398,010
Deferred revenues	13,410,439	13,582,311
Funds held for others	315,935	315,935
Notes payable - current portion	952,015	1,919,600
Bonds payable - current portion	<u>4,320,000</u>	<u>4,890,000</u>
Total current liabilities	<u>24,348,909</u>	<u>28,940,342</u>
Noncurrent liabilities:		
Accrued compensable absences	1,565,267	1,315,839
Notes payable	8,943,308	9,895,323
Bonds payable	<u>71,095,000</u>	<u>75,815,000</u>
Total noncurrent liabilities	<u>81,603,575</u>	<u>87,026,162</u>
Total liabilities	<u>105,952,484</u>	<u>115,966,504</u>
Net assets:		
Invested in capital assets, net of related debt	64,388,302	60,989,684
Restricted for - non-expendable - student aid	12,000	12,000
Expendable:		
Student aid	1,496,250	1,752,915
Unexpended bond proceeds	2,397,237	4,952,778
Debt service	10,063,656	3,186,601
Unrestricted	<u>60,851,237</u>	<u>55,980,311</u>
Total net assets	<u>\$ 139,208,682</u>	<u>126,874,289</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Operating revenues:		
Student tuition and fees, net of scholarship allowances and discounts of \$6,975,759 and \$6,429,354, respectively	\$ 27,357,720	24,445,406
Federal grants and contracts	27,718,042	26,380,085
State and local grants and contracts	805,073	449,474
Non-government grants and contracts	637,682	782,857
Sales and services of educational and non-educational activities	659,393	1,120,895
Auxiliary enterprises, net of discounts of \$3,238,877 and \$2,693,010, respectively	9,463,221	8,154,371
General operating revenues	<u>35,000</u>	<u>26,060</u>
Total operating revenues (Schedule A)	<u>66,676,131</u>	<u>61,359,148</u>
Expenses:		
Operating expenses:		
Instruction	46,147,392	43,506,084
Public service	2,637,941	2,341,926
Academic support	6,513,692	6,142,614
Student services	7,723,536	7,618,506
Institutional support	27,286,543	24,294,285
Operation and maintenance of plant	12,251,486	12,781,444
Scholarships and fellowships	16,417,362	16,595,163
Auxiliary enterprises	13,106,564	10,137,245
Depreciation	<u>6,929,289</u>	<u>6,922,896</u>
Total operating expenses (Schedule B)	<u>139,013,805</u>	<u>130,340,163</u>
Operating loss	<u>(72,337,674)</u>	<u>(68,981,015)</u>
Nonoperating revenues (expenses):		
State appropriations	43,905,833	41,472,390
Maintenance ad valorem taxes	33,439,538	30,668,749
Debt service ad valorem taxes	8,633,213	8,108,508
Investment income (net of investment expenses)	3,212,666	2,018,567
Interest on capital related debt	(3,645,229)	(3,953,180)
Other nonoperating revenues (expenses)	<u>(873,954)</u>	<u>(3,412,708)</u>
Total nonoperating revenue, net (Schedule C)	<u>84,672,067</u>	<u>74,902,326</u>
Increase in net assets	12,334,393	5,921,311
Net assets, beginning of year	<u>126,874,289</u>	<u>120,952,978</u>
Net assets, end of year	<u>\$ 139,208,682</u>	<u>126,874,289</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows
Years Ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from students and other customers	\$ 36,624,569	35,048,065
Receipts of grants and contracts	29,673,277	27,410,332
Payments to suppliers for goods or services	(35,228,397)	(31,405,064)
Payments to or on behalf of employees and fellowships	(74,670,000)	(68,205,497)
Payments of scholarships	<u>(16,424,394)</u>	<u>(16,806,530)</u>
Net cash used by operating activities	<u>(60,024,945)</u>	<u>(53,958,694)</u>
Cash flows from non-capital financing activities:		
Receipts from State appropriations	36,440,914	34,230,707
Receipts from ad valorem taxes	33,434,594	30,746,398
Payments to student organizations and other agency transactions		(1,682)
Payments on notes - principal	(1,919,600)	(1,697,870)
Payments on notes - interest	<u>(431,312)</u>	<u>(516,958)</u>
Net cash provided by non-capital financial activities	<u>67,524,596</u>	<u>62,760,595</u>
Cash flows from capital and related financing activities:		
Receipts from ad valorem taxes - debt service	8,631,899	8,135,117
Purchases of capital assets	(3,466,792)	(9,720,894)
Purchases of non-capital items from bond proceeds	(525,469)	(665,956)
Payment on capital debt - principal	(5,290,000)	(5,080,000)
Payment on capital debt - interest	<u>(3,120,414)</u>	<u>(3,715,676)</u>
Net cash used by capital and related financing activities	<u>(3,770,776)</u>	<u>(11,047,409)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	6,000,000	11,465,600
Investment income	3,149,832	2,066,767
Purchase of investments	<u>(26,055,250)</u>	<u>(15,996,400)</u>
Net cash used by investing activities	<u>(16,905,418)</u>	<u>(2,464,033)</u>
Decrease in cash and cash equivalents	(13,176,543)	(4,709,541)
Cash and cash equivalents, beginning of year	<u>43,306,772</u>	<u>48,016,313</u>
Cash and cash equivalents, end of year	<u>\$ 30,130,229</u>	<u>43,306,772</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (72,337,674)	(68,981,015)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	6,929,289	6,922,896
Tax collection fee	467,414	444,408
State retirement match	1,644,382	1,524,641
State group insurance	5,820,537	5,717,042
Changes in assets and liabilities:		
Receivables, net	(207,373)	(396,202)
Deferred changes	(377,427)	(109,207)
Inventories	829,308	(610,459)
Deposits held by others	960	
Funds held by others		1,164
Accounts payable	(1,007,226)	358,759
Accrued liabilities	(1,401,297)	(126,184)
Compensated absences	(213,966)	(192,276)
Deferred revenues	<u>(171,872)</u>	<u>1,487,739</u>
Net cash used by operating activities	<u>\$ (60,024,945)</u>	<u>(53,958,694)</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements August 31, 2006 and 2005

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 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.

Title IV Higher Education ACT (HEA) 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.

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 Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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.

Investments

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

Inventories

Inventories consist of consumable office supplies, physical plant supplies and bookstore stock. 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

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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 nonoperating revenues, as defined by GASB Statement No. 35, including State appropriations, property tax, and investment income.

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, 2006 and 2005.

Reclassifications

Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

3. Authorized Investments

The Board of Regents 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 Regents' 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.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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.

At August 31, 2006 and 2005, the carrying amount of the College's deposits was \$23,540,179 and \$36,885,240, respectively, and bank balances equaled \$28,774,274 and \$38,958,294, respectively. Bank balances totaling \$100,000 were covered by Federal depository insurance and the remaining balance is collateralized with securities. The following table presents the cash and cash equivalents included in Exhibit 1 statement of net assets as of August 31:

	<u>2006</u>	<u>2005</u>
Petty cash	\$ 59,901	37,910
Demand deposits	5,945,522	10,202,625
Money market	17,594,657	26,682,615
Investment pools:		
Lone Star	5,757,371	5,519,314
Tex Pool	<u>772,778</u>	<u>864,308</u>
Cash and cash equivalents	<u>\$ 30,130,229</u>	<u>43,306,772</u>

Investments

The following table presents the investments in debt securities as of August 31, 2006 and 2005 by type of investment.

August 31, 2006:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
Federal Home Loan Bank Bonds	\$ 18,365,863	February 2007 - July 2009
Fannie Mae Notes	16,923,790	October 2006 - May 2009
Federal Home Loan Mortgage Notes	10,362,280	March 2007 - May 2008
Federal Farm Credit Bank Bonds	3,477,970	October 2008 - August 2009
Freddie Mac Medium Term Notes	<u>1,989,900</u>	January 2008
	<u>\$ 51,119,803</u>	

August 31, 2005:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
Federal Home Loan Bank Bonds	\$ 16,362,270	December 2005 - March 2008
Federal National Mortgage Notes	11,405,640	October 2006 - May 2008
Federal Farm Credit Bonds	2,003,120	October 2008
Federal Home Loan Mortgage Notes	<u>1,489,455</u>	May 2008
	<u>\$ 31,260,485</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, 2006, the College had greater than 5% of its overall portfolio in Federal Home Loan Bank Bonds, Fannie Mae Notes, Federal Home Loan Mortgage Notes, and Federal Farm Credit Bonds debt securities. At August 31, 2005, the College had greater than 5% of its overall portfolio in, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Notes, and Federal Farm Credit Bonds. This is in accordance with the College's investment policy, which does not contain any specific guidelines on diversification.

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>2006</u>	<u>2005</u>
Tuition and fees receivables	\$ 10,898,505	8,688,032
Federal receivables	1,131,355	1,483,331
Accounts receivable	156,806	317,310
Interest receivable	559,536	300,770
Other receivables	123,726	107,469
Less allowance for doubtful accounts	<u>(4,005,121)</u>	<u>(2,498,244)</u>
Total	<u>8,864,807</u>	<u>8,398,668</u>
Property tax receivable	3,095,698	3,513,080
Less allowance for doubtful accounts	<u>(1,835,988)</u>	<u>(1,792,215)</u>
Total	<u>1,259,710</u>	<u>1,720,865</u>
Total receivables, net	<u>\$ 10,124,517</u>	<u>10,119,533</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>2006</u>	<u>2005</u>
Vendors payable	\$ 2,975,508	4,187,050
Benefits payable	708,618	2,109,915
Students payable	189,959	196,992
Accrued interest payable	133,898	143,957
Other payables	<u>407,921</u>	<u>196,572</u>
Total payables and accrued liabilities	<u>\$ 4,415,904</u>	<u>6,834,486</u>

6. Capital Assets

Capital assets activities for the years ended 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>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

	2005			Balance August 31, 2005
	Balance September 1, 2004	Increase	Decrease	
	<u>Restated</u>			
Not depreciated:				
Land	\$ 6,415,654	11,775	25	6,427,404
Construction in progress	<u>6,663,228</u>	<u>8,008,596</u>	<u>12,886,668</u>	<u>1,785,156</u>
Total not depreciated	<u>13,078,882</u>	<u>8,020,371</u>	<u>12,886,693</u>	<u>8,212,560</u>
Other capital assets:				
Buildings	151,228,376	10,109,846	5,779,351	155,558,871
Land improvements	21,340,404	2,473,191	-	23,813,595
Furniture, equipment and vehicles	11,523,410	1,025,250	272,164	12,276,496
Telecommunications and computer peripheral equipment	9,931,379	715,554	301,004	10,345,929
Library books	<u>6,402,207</u>	<u>263,375</u>	<u>100,835</u>	<u>6,564,747</u>
Total depreciated	<u>200,425,776</u>	<u>14,587,216</u>	<u>6,453,354</u>	<u>208,559,638</u>
Less accumulated depreciation:				
Buildings	37,857,189	3,232,875	3,032,645	38,057,419
Land improvements	4,306,333	1,150,899	-	5,457,232
Furniture, equipment and vehicles	7,562,808	1,020,896	272,164	8,311,540
Telecommunications and computer peripheral equipment	5,136,039	1,428,234	301,004	6,263,269
Library books	<u>5,183,974</u>	<u>89,992</u>	<u>100,835</u>	<u>5,173,131</u>
Total accumulated depreciation	<u>60,046,343</u>	<u>6,922,896</u>	<u>3,706,648</u>	<u>63,262,591</u>
Net capital assets	<u>\$ 153,458,315</u>	<u>15,684,691</u>	<u>15,633,399</u>	<u>153,509,607</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

7. Noncurrent Liabilities

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

	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>
	2005				
	Balance September 1, 2004	Increase	Decrease	Balance August 31, 2005	Current Portion
Bonds:					
General obligation bonds	\$ 77,845,000	-	2,465,000	75,380,000	2,180,000
Revenue bonds	<u>7,940,000</u>	<u>-</u>	<u>2,615,000</u>	<u>5,325,000</u>	<u>2,710,000</u>
Subtotal	<u>85,785,000</u>	<u>-</u>	<u>5,080,000</u>	<u>80,705,000</u>	<u>4,890,000</u>
Notes:					
General obligation notes	12,125,000	-	1,290,000	10,835,000	1,495,000
Revenue notes	<u>1,387,793</u>	<u>-</u>	<u>407,870</u>	<u>979,923</u>	<u>424,600</u>
Subtotal	<u>13,512,793</u>	<u>-</u>	<u>1,697,870</u>	<u>11,814,923</u>	<u>1,919,600</u>
Accrued compensable absences	<u>2,906,125</u>	<u>106,771</u>	<u>299,047</u>	<u>2,713,849</u>	<u>1,398,010</u>
Total	<u>\$ 102,203,918</u>	<u>106,771</u>	<u>7,076,917</u>	<u>95,233,772</u>	<u>8,207,610</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

8. Debt Obligations

Debt service requirements as of August 31, 2006, were as follows:

Year Ended August 31	General Obligation Bonds/Notes		Revenue Bonds/Notes		Total Bonds/Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 3,540,000	3,821,939	1,732,015	66,405	5,272,015	3,888,344
2008	3,610,000	3,693,018	1,438,308	19,032	5,048,308	3,712,050
2009	3,740,000	3,560,241			3,740,000	3,560,241
2010	3,875,000	3,423,931			3,875,000	3,423,931
2011	4,020,000	3,281,395			4,020,000	3,281,395
2012-2016	16,080,000	14,445,475			16,080,000	14,445,475
2017-2021	18,490,000	10,499,817			18,490,000	10,499,817
2022-2026	19,455,000	4,944,525			19,455,000	4,944,525
2027-2031	8,075,000	1,170,192			8,075,000	1,170,192
2032-2033	<u>1,255,000</u>	<u>53,172</u>			<u>1,255,000</u>	<u>53,172</u>
Total	\$ <u>82,140,000</u>	<u>48,893,705</u>	<u>3,170,323</u>	<u>85,437</u>	<u>85,310,323</u>	<u>48,979,142</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

9. Bonds and Notes Payable

Bonds and notes payable at August 31, are as follows:	<u>2006</u>	<u>2005</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%. Due November 2007.	\$ 555,323	979,923
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.	13,000,000	13,400,000
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 2029.	35,495,000	36,715,000
Revenue Financing System Bonds, Series 2001, to provide for construction of buildings and renovations of existing facilities. Issued November 5, 2001, in the amount of \$7,010,000. Supported by the College's general revenues. Interest rate 4.0%. Due February 2006.	-	1,450,000
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.	2,450,000	3,150,000
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.	4,105,000	4,535,000
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.	6,890,000	7,685,000
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.	2,615,000	3,875,000
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.	<u>20,200,000</u>	<u>20,730,000</u>
Total bonds and notes payable	<u>\$ 85,310,323</u>	<u>92,519,923</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

10. 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, 2006, the College has designated \$22,002,756 of unrestricted net assets for deferred maintenance and repairs, and enhancements to technology and education.

11. 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 \$2,882,104 and \$2,756,712 for the fiscal years ended August 31, 2006 and 2005, 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 \$65,469,914 and \$61,426,744 for fiscal years 2006 and 2005, respectively. The total payroll of employees covered by the State for TRS was \$27,404,803 and \$25,427,805 and the total payroll of employees covered by the State for ORP was \$20,628,700 and \$20,534,500 for fiscal years 2006 and 2005, respectively.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

12. 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 \$313 and \$324 per month for the year ended August 31, 2006 and 2005, respectively. 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. The State's cost of providing those benefits for 1,097 active employees was \$4,267,298 and 325 retirees was \$1,449,744 for a total State funded amount of \$5,717,042 for the year ended August 31, 2005.

13. 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 \$569,061 and \$553,062 for August 31, 2006, and 2005, 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 \$1,930,822 and \$2,160,787 for August 31, 2006 and 2005, 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.

14. Self-Insured Plans

The College provides workers' compensation insurance through a partially self-funded risk pool. An accrued liability in the amount of \$592,075 and \$696,276 as of August 31, 2006 and 2005, 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

15. 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>2006</u>	<u>2005</u>
Assessed valuation of the College's tax district	\$ 34,824,331,506	31,370,540,481
Less: Exemptions	(6,030,925,018)	(3,928,407,620)
Less: Abatements	<u>-</u>	<u>-</u>
Net assessed valuation of the College's tax district	\$ <u>28,793,406,488</u>	<u>27,442,132,861</u>

	<u>2006</u>			<u>2005</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	0.029438	0.145365	0.10970	0.02943	0.13913

Taxes levied for the year ended August 31, 2006, and 2005 amounted to \$41,855,536 and \$38,180,240, 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>2006</u>			<u>2005</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	\$ 32,367,902	8,361,027	40,728,929	29,254,046	7,875,720	37,129,766
Delinquent taxes	668,898	169,857	838,755	1,164,505	170,067	1,334,572
Penalties and interest	<u>397,794</u>	<u>101,015</u>	<u>498,809</u>	<u>327,847</u>	<u>89,330</u>	<u>417,177</u>
Total collections	\$ <u>33,434,594</u>	<u>8,631,899</u>	<u>42,066,493</u>	<u>30,746,398</u>	<u>8,135,117</u>	<u>38,881,515</u>

Tax collections for the years ended August 31, 2006, and 2005 were 97.31 percent and 98.42 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/or general obligation debt service.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

16. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized on Exhibit 2 and Schedule A. For Federal contract and grant awards, funds expended, but not collected, are reported as 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 already committed for funds awarded during fiscal years 2006 and 2005 for which monies have not been received nor funds expended totaled \$14,791,849 and \$14,607,903, respectively. Of these amounts, \$13,661,114 and \$13,918,821 were from Federal contract and grant awards and \$1,130,735 and \$689,082 were from State contract and grant awards for the fiscal years ended August 31, 2006 and 2005, respectively.

17. Contingent Liabilities

Pending lawsuits and claims

As of August 31, 2006, 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.

18. 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 \$668,872 and \$463,662 to the College's students and programs during the years ended August 31, 2006 and 2005, 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 \$184,571 and \$157,144 for the fiscal years ended August 31, 2006 and 2005, respectively. The financial position of the Foundation is not significant to the College, therefore, it is appropriately not included in the College's basic financial statements.

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

19. Recent Accounting Pronouncements

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting; The Statistical Section - an Amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The statistical section is a required part of a comprehensive annual financial report (CAFR), although governments are not required to prepare a statistical section if they do not present their basic financial statements in a CAFR. These circumstances are not altered by the Statement. However, this Statement does apply to any statistical information that accompanies a government's basic financial statements. This statement was implemented by the College during fiscal year ended August 31, 2006. See the statistical section of the report.

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, 2006. Management has not yet determined the impact that implementation of GASB statement No. 45 will have on the College's basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Detailed Operating Revenues
 Year Ended August 31, 2006
 (With Memorandum Totals for the Year Ended August 31, 2005)

	2006					2005 Total
	Educational Activity		Total Educational Activity	Auxiliary Enterprises	Total	
	Unrestricted	Restricted				
Tuition:						
State funded courses:						
In-district resident tuition	\$ 7,087,405		7,087,405		7,087,405	6,769,680
Out-of-district resident tuition	10,349,659		10,349,659		10,349,659	8,288,397
Non-resident tuition	1,537,456		1,537,456		1,537,456	1,352,471
TPEG - credit (set aside) *	782,944		782,944		782,944	1,048,803
State funded non credit continuing education courses	1,950,389		1,950,389		1,950,389	1,132,635
TPEG (set aside) *	25,516		25,516		25,516	110,259
Non - State funded educational programs	440,765		440,765		440,765	590,590
Total tuition	22,174,134	-	22,174,134	-	22,174,134	19,292,835
Fees:						
General service	7,401,066		7,401,066		7,401,066	4,184,096
Incidental	1,205,356		1,205,356		1,205,356	1,426,974
Instructional	2,333,098		2,333,098		2,333,098	1,272,766
Laboratory	723,967		723,967		723,967	719,101
Student services			-	495,858	495,858	980,025
Technology			-		-	2,998,963
Total fees	11,663,487	-	11,663,487	495,858	12,159,345	11,581,925
Scholarship allowances and discounts:						
Remissions and exemptions - State	(475,100)		(475,100)		(475,100)	(353,731)
Remissions and exemptions - local	(501,338)		(501,338)		(501,338)	(380,472)
Scholarship allowances	(325,372)		(325,372)		(325,372)	(379,476)
TPEG awards	(274,049)		(274,049)		(274,049)	(301,963)
Federal grants to students	(5,333,983)		(5,333,983)		(5,333,983)	(5,013,712)
State grants to students	(64,616)		(64,616)		(64,616)	-
Non-governmental grants and contracts	(1,301)		(1,301)		(1,301)	-
Total scholarship allowances and discounts	(6,975,759)	-	(6,975,759)	-	(6,975,759)	(6,429,354)
Total net tuition and fees	26,861,862	-	26,861,862	495,858	27,357,720	24,445,406
Other operating revenues:						
Federal grants and contracts	336,950	27,381,092	27,718,042		27,718,042	26,380,085
State grants and contracts	250	804,823	805,073		805,073	449,474
Non-governmental grants and contracts		637,682	637,682		637,682	782,857
Sales and services of educational activities	347,012		347,012		347,012	345,415
Sales and services of non-educational activities	312,381		312,381		312,381	775,480
Investment income (program restricted)			-	35,000	35,000	26,060
Total other operating revenues	996,593	28,823,597	29,820,190	35,000	29,855,190	28,759,371
Auxiliary enterprises:						
Bookstores			-	10,372,791	10,372,791	8,917,257
Child care centers			-	833,342	833,342	749,524
Food services			-	361,803	361,803	300,499
Less discounts			-	(3,238,877)	(3,238,877)	(2,693,010)
Student services/other services			-	1,134,162	1,134,162	880,101
Total auxiliary enterprises	-	-	-	9,463,221	9,463,221	8,154,371
Total operating revenues	\$ 27,858,455	28,823,597	56,682,052	9,994,079	66,676,131	61,359,148
				(Exhibit 2)		(Exhibit 2)

* In accordance with Education Code 56.033, \$808,460 and \$1,159,062 for years ended August 31, 2006 and 2005, 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, 2006
 (With Memorandum Totals for the Year Ended August 31, 2005)

	2006				2005 Total
	Salaries and Wages	Benefits		Other Expenses	
		State	Local		
Unrestricted - educational activities:					
Instruction	\$ 34,941,689		2,136,984	4,723,091	41,801,764
Public service	1,273,306		186,347	944,292	2,403,945
Academic support	4,570,799		320,888	836,572	5,728,259
Student services	5,220,938		434,345	977,842	6,633,125
Institutional support	9,854,857		1,191,102	10,103,433	21,149,392
Operation and maintenance of plant	4,476,323		1,338,372	6,436,791	12,251,486
Total unrestricted educational activities	60,337,912	-	5,608,038	24,022,021	89,967,971
Restricted - educational activities:					
Instruction	124,878	4,220,750			4,345,628
Public service	12,761	221,235			233,996
Academic support	38,098	747,335			785,433
Student services	165,795	924,616			1,090,411
Institutional support	1,810,008	2,588,705	316,844	1,421,594	6,137,151
Scholarships and fellowships				16,417,362	16,417,362
Total restricted educational activities	2,151,540	8,702,641	316,844	17,838,956	29,009,981
Total educational activities	62,489,452	8,702,641	5,924,882	41,860,977	118,977,952
Auxiliary enterprises	2,980,462		422,219	9,703,883	13,106,564
Depreciation expense - buildings and improvements				4,835,586	4,835,586
Depreciation expense - equipment, furniture and library books				2,093,703	2,093,703
Total operating expenses	\$ 65,469,914	8,702,641	6,347,101	58,494,149	139,013,805

Exhibit 2

Exhibit 2

SAN JACINTO COLLEGE DISTRICT

Schedule of Nonoperating Revenues and Expenses
Year Ended August 31, 2006
(With Memorandum Totals for the Year Ended August 31, 2005)

	2006			2005 Total	
	Unrestricted	Restricted	Auxiliary Enterprises		Total
Nonoperating revenues:					
State appropriations:					
Education and general State support	\$ 35,203,192			35,203,192	32,998,636
State group insurance		5,820,537		5,820,537	5,717,042
State retirement matching		2,882,104		2,882,104	2,756,712
Total State appropriations	<u>35,203,192</u>	<u>8,702,641</u>	<u>-</u>	<u>43,905,833</u>	<u>41,472,390</u>
Ad valorem taxes:					
Taxes for maintenance and operations	33,439,538			33,439,538	30,668,749
Taxes for general obligation bonds	8,633,213			8,633,213	8,108,508
Investment income, net	3,142,683		69,983	3,212,666	2,018,567
Total nonoperating revenues	<u>45,215,434</u>	<u>-</u>	<u>69,983</u>	<u>45,285,417</u>	<u>40,795,824</u>
Non-operating expenses:					
Interest on capital related debt	3,645,229			3,645,229	3,953,180
Loss on disposal of capital assets	348,485			348,485	2,746,752
Other nonoperating expenses	525,469			525,469	665,956
Total nonoperating expenses	<u>4,519,183</u>	<u>-</u>	<u>-</u>	<u>4,519,183</u>	<u>7,365,888</u>
Net nonoperating revenues, net	<u>\$ 75,899,443</u>	<u>8,702,641</u>	<u>69,983</u>	<u>84,672,067</u>	<u>74,902,326</u>
				(Exhibit 2)	(Exhibit 2)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Net Assets by Source and Availability
 Year Ended August 31, 2006
 (with Memorandum Totals for the Year Ended August 31, 2005)

	Detail by Source					Capital Assets Net of Depreciation and Related Debt	Total	Available for Current Operations	
	Unrestricted	Restricted		Non-Expendable	Total			Yes	No
		Expendable	Non-Expendable						
Current:									
Unrestricted	\$ 23,826,714					23,826,714	23,826,714		22,002,756
Board designated	22,002,756					22,002,756			
Restricted		1,234,190				1,234,190	1,234,190		3,004,354
Auxiliary	15,021,767					15,021,767	12,017,413		12,000
Scholarships		262,060		12,000		274,060	262,060		
Plant:									
Unexpended bond proceeds		2,397,237				2,397,237			2,397,237
Debt service		10,063,656				10,063,656			10,063,656
Investment in plant					64,388,302	64,388,302			64,388,302
Total net assets, August 31, 2006	60,851,237	13,957,143		12,000		139,208,682	37,340,377		101,868,305
Total net assets, August 31, 2005	55,980,311	9,892,294		12,000		126,874,289	40,840,805		86,033,484
Net increase (decrease) in net assets	\$ 4,870,926	4,064,849		-		12,334,393	(3,500,428)		15,834,821

Exhibit 2

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

Board of Regents
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, 2006, and have issued our report thereon dated November 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

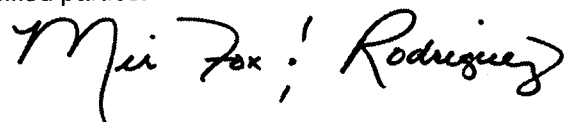
As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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). 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 Regents, the College's management, 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.

November 3, 2006



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 Regents
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 programs for the year ended August 31, 2006. The College's major Federal and State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal 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, 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 or 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 on the College's compliance with those requirements.

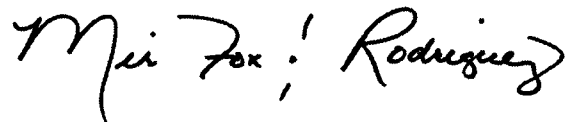
In our opinion, San Jacinto Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal and State programs for the year ended August 31, 2006.

Internal Control over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal and State programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major Federal or State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State of Texas Single Audit Circular*.

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

This report is intended solely for the information and use of the Board of Regents, the College's management, 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, flowing style.

November 3, 2006

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2006

Federal Grantor/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 Educational Opportunity Grant	84.007	P007A024114	\$ 864,203
Title V - Strengthening the Institution	84-031S	P0031S990018	6,566
Title V - Strengthening the Institution No. 2	84-031S	P031A05003	<u>483,513</u>
			<u>490,079</u>
Federal Family Education Loans	84.032*		7,682,951
Federal College Work-Study Program	84.033	P033A024114	414,414
Upward Bound Grant - Student Support Services	84.042	P042A050182	177,249
Talent Search	84.044	P044A020538	194,552
TRIO Upward Bound Grant II	84.047	P047A030121	308,075
Pell Grant	84.063	P063P032303	13,667,297
Gear-Up	84.334	P334A020014	382,506
CCAMPIS (S.C.)	84.335	P335A020132	15,775
Hurricane Education Recovery Grant	84.938	P938E060083	31,168
Pass-Through From:			
Harris County Juvenile Board:			
Title I Grants to Local Educational Agencies			
Harris County JJAEP	84.010	P093939	117,294
Texas Higher Education Coordinating Board:			
Carl Perkins Basic	84.048	44239/54239	895,199
Leveraging Educational Assistance Partnerships (LEAP)	84.069A		19,418
Special Leveraging Educational Assistance Partnership (SLEAP)	84.069B		32,308
Teacher Quality Enhancement Grant Program	84.281**	196	260,242
North Harris Montgomery Community College District -			
Carl Perkins Tech Prep	84.243	51713	<u>1,523</u>
Total U.S. Department of Education			<u>25,554,252</u>
<u>U.S. Department of Agriculture</u>			
Pass-Through From:			
Texas Department of Human Services			
Child and Adult Care Food Program	10.558	TX101-038	<u>9,509</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Adelante Pasadena Project	14.514	HSIAC03TX19	127,779
Pass-Through From:			
The City of Pasadena -			
Community Development Block Grant	14.218	B-02-MC-48-0019	34,503
Harris County -			
Community Development Block Grant	14.218	04/0359	<u>138,459</u>
			<u>172,962</u>
Total U.S. Department of Housing and Urban Development			<u>300,741</u>
<u>U.S. Department of Labor</u>			
Pass-Through From:			
Houston-Galveston Area Council -			
WIA Pilots, Demonstrations, and Research Projects	17.261	226-06/503-05	639,846
The University of Texas Medical Branch -			
WIA Pilots, Demonstrations, and Research Projects	17.261	DOL H-1B	<u>12,655</u>
Total U.S. Department of Labor			<u>652,501</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards, (Continued)

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures And Pass-Through Disbursements
<u>National Aeronautics and Space Administration</u>			
Direct Programs :			
NASA Education Service Program	43.001	NNJ05JB02A	355,153
NASA Education Service Program	43.001	NCC 9-172	127,031
NASA Education Service Program	43.001	NNJ05JL47G	9,600
Pass-Through from -			
The University of Texas at Austin -			
NASA Education Service Program	43.001	NAG 9-1060	<u>3,505</u>
Total National Aeronautics and Space Administration			<u>495,289</u>
<u>National Science Foundation</u>			
Direct Programs:			
Computer Science, Engineering & Mathematics Scholarship Program	47.076	DUE-0324196	29,919
National Middle School Aerospace Scholars	47.076	ESI-0422698	375,705
Pass-Through From:			
University of Houston - Education and Human Resources:			
Houston Alliance for Minority Participation Project (AMP)	47.076	HRD-0402623	23,954
Expanding Pathways to Success in Science (EPSS)	47.076	DUE-00336612	115,075
Brevard Community College, FL -			
SpaceTEC	40.076	DUE-0202398	<u>27,797</u>
Total National Science Foundation			<u>572,450</u>
<u>U. S. Small Business Administration</u>			
Pass-Through from -			
The University of Houston-Central			
Small Business Development Center	59.037	9-7620-0047-15	<u>110,856</u>
<u>U. S. Department of Veterans Affairs</u>			
Direct Programs:			
Veteran's Administration Admin Allowance	64.124	362/242D	<u>13,811</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-Through from -			
Texas Workforce Commission -			
Child Care and Development Block Grant	93.575	06260C26Y06	<u>8,633</u>
Total Federal Financial Assistance			<u>\$ 27,718,042</u>
See accompanying notes to schedule of expenditure of federal and State awards.			
* US Department of Education			
84.032 Subsidized Loans	\$ 3,424,084		
Unsubsidized Loans	4,020,056		
Plus Loans	<u>238,811</u>		
	<u>\$ 7,682,951</u>		

**Pass-Through grantor numbers for Teacher Quality Enhancement Grant Program
196 168 134 133 183 197 299 311

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of State Awards
Year Ended August 31, 2006

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission -		
Skills Development - Petrochemical Industries	2803SDF000	\$ 43,824
APEX IV - Current Worker Skills Enhancement	APEX IV	2,605
University of Texas - Health Science Center at Houston		
Nursing Innovation Grant Program - Category D (WINNER)	NIPG D-06/0004652C	4,198
Texas Higher Education Coordinating Board:		
Teach for TX Alternative Certification Conditional Program	101707	5,376
State Military Tuition Assistance		6,165
Texas Grant I - Initial		304,800
Texas Grant I - Renewal		138,430
Texas Grant II - Initial		81,915
Texas Grant II - Renewal		32,715
Professional Nursing		13,550
Licensed Vocational Nursing Scholarship		1,084
Be on Time Loan Program		28,950
Texas College Work Study		56,374
Early High School - HB1479		226,867
Certified Educational Aide Program		22,090
Robert V. Byrd Scholarship		2,250
Health Educational Loan Program		2,688
College Access Loan		66,026
Harris County Juvenile Board -		
Harris County JJAEP 04-05	P093939	15,032
Texas Education Agency -		
Texas A&M University -		
TECH Days for TAKS	SAS #A285-05	5,257
Total State Financial Assistance		<u>\$ 1,060,196</u>

See accompanying notes to schedules of expenditures of Federal and State awards.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Awards Year Ended August 31, 2006

1. Federal Assistance Reconciliation

Total Federal grants and contracts per Schedule A	
Federal grants and contracts including Family Federal Loans totaling \$7,682,951	\$ 27,381,092
Plus indirect costs	<u>336,950</u>
Total expenditure of federal awards	\$ <u>27,718,042</u>

2. State Assistance Reconciliation

State grants and contracts per Schedule A	\$ 805,073
Plus tuition fees	<u>255,123</u>
Total expenditures of State awards	\$ <u>1,060,196</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, 2006. 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, 2006

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. Reportable conditions 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. Reportable conditions 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, 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
84.048	Carl Perkins Basic
43.001	NASA Education Service Program
17.261	President's High Growth
<u>State - Contract Number</u>	<u>Name of State Program</u>
N/A	Texas Grant I - Initial
N/A	Texas Grant I - Renewal
5. Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$831,500
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, 2006

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, 2005.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Net Assets by Component
 Fiscal years 2002 to 2006
 (Unaudited)

	For the Year Ended August 31, (Amounts expressed in thousands)				
	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 64,389	60,990	54,161	40,752	44,699
Restricted - expendable	13,957	9,892	27,636	10,996	1,087
Restricted - nonexpendable	12	12	12	12	12
Unrestricted	<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>\$ 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 2002-2006 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Revenues by Source
Fiscal years 2002 to 2006
(Unaudited)

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

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2006 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Program Expenses by Function
Fiscal years 2002 to 2006
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)				
	2006	2005	2004	2003	2002
Instruction	\$ 46,147	43,506	40,122	44,550	40,201
Public service	2,638	2,342	2,629	3,073	4,053
Academic support	6,514	6,143	5,870	6,667	7,026
Student services	7,724	7,619	7,199	7,660	7,284
Institutional support	27,287	24,294	25,268	23,240	21,689
Operation and maintenance of plant	12,251	12,781	10,705	9,920	10,972
Scholarships and fellowships	16,417	16,595	17,624	5,953	6,867
Auxiliary enterprises	13,107	10,137	10,181	9,608	9,048
Depreciation	6,929	6,923	7,084	2,999	3,361
Total operating expenses	<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	3,645	3,953	3,282	3,062	1,746
Loss on disposal of fixed assets	348	2,747		241	
Other non-operating revenues	526	666	6,002	5,497	3,707
Total non-operating expenses	<u>4,519</u>	<u>7,366</u>	<u>9,284</u>	<u>8,800</u>	<u>5,453</u>
Total expenses	<u>\$ 143,533</u>	<u>137,706</u>	<u>135,966</u>	<u>122,470</u>	<u>115,954</u>
Instruction	32.15%	31.59%	29.51%	36.38%	34.67%
Public service	1.84%	1.70%	1.93%	2.51%	3.50%
Academic support	4.54%	4.46%	4.32%	5.44%	6.06%
Student services	5.38%	5.53%	5.29%	6.25%	6.28%
Institutional support	19.01%	17.64%	18.58%	18.98%	18.70%
Operation and maintenance of plant	8.54%	9.28%	7.87%	8.10%	9.46%
Scholarships and fellowships	11.44%	12.05%	12.96%	4.86%	5.92%
Auxiliary enterprises	9.13%	7.36%	7.49%	7.85%	7.80%
Depreciation	4.82%	5.04%	5.22%	2.44%	2.91%
Total operating expenses	<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	2.54%	2.87%	2.41%	2.50%	1.56%
Loss on disposal of fixed assets	0.24%	1.99%	0.00%	0.20%	0.00%
Other non-operating	0.37%	0.49%	4.42%	4.49%	3.14%
Total non-operating expenses	<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>

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2006 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Tuition and fees
Last Ten Academic Years
(Unaudited)

Academic Year (Fall)	Resident										Increase from Prior Year In-District	Increase from Prior Year Out-of-District
	Fees per Semester Credit Hour (SCH)					Cost for 12 SCH						
	Matriculation Fee	General Service Fee	In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	In-District	Out-of-District	In-District	Out-of-District		
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%		
1997	15	7	16	30	3	10	262	430	9.16%	11.16%		
1996	15	7	14	26	3	10	238	382	21.01%	19.37%		

Academic Year (Fall)	Non-Resident										Increase from Prior Year International	Increase from Prior Year Out-of-State
	Fees per Semester Credit Hour (SCH)					Cost for 12 SCH						
	Matriculation Fee	General Service Fee	Non-Resident Tuition Out-of-State	Non-Resident Tuition International	Technology Fees	Student Activity Fees	Out-of-State	International	Out-of-State	International		
2005	\$ -	130	75	68	6	14	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%		
1997	15	7	60	60	3	10	790	790	7.59%	7.59%		
1996	15	7	55	55	3	10	730	730	20.00%	20.00%		

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)			Ratio of TAV to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
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
1996-97	23,643,735	2,826,903	20,816,832	88.04%	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			State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc-Tech Contact Hours (b)	Total Contact Hours	
2005-06	35,203	42	838	6,979	3,316	10,295	3.42
2004-05	32,999	41	805	6,591	3,470	10,061	3.28
2003-04	32,999	42	786	6,596	3,381	9,977	3.31
2002-03	34,316	40	858	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
1996-97	24,804	32	775	4,654	2,917	7,571	3.28

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 Four Tax Years
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)			
		2005	2004	2003	2002
Shell Oil Co.	Refinery	\$ 1,535,652	1,357,730	1,583,169	1,221,691
Lyondell Chemical Co.	Chemicals	1,125,395	649,833	1,056,866	739,259
Equistar Chemicals LP	Chemicals	998,731	887,592	1,035,598	1,071,895
Rohm & Haas Co.	Petrochemical	565,260	536,652	560,545	330,957
Centerpoint Energy, Inc.	Energy	426,292	475,685	494,653	
Calpine Central LP	Energy	412,795	308,600		
Oxy Vinyls LP	Petrochemical	399,150	373,580	410,675	529,838
H L & P Co.	Electric Utility				368,605
Conoco Phillips	Refinery	376,933		480,763	
Reliant Energy Channelview	Energy	205,189	277,296	228,000	250,000
Chevron Chemical Co.	Refinery	197,235			
Phillips 66 Company	Refinery		364,037		287,977
Lyondell Citgo Ref Co LTD	Refinery		275,072		254,916
Celanese LTD	Chemicals			288,933	326,449
GE Aero Energy Products	Petrochemical			200,424	
Totals		\$ 6,242,632	5,506,077	6,339,626	5,381,587
Total Taxable Assessed Value		\$ 28,793,407	27,442,133	26,552,044	25,600,490

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2005	2004	2003	2002
Shell Oil Co.	Refinery	5.33%	4.95%	5.96%	4.77%
Lyondell Chemical Co.	Chemicals	3.91%	2.37%	3.98%	2.89%
Equistar Chemicals LP	Chemicals	3.47%	3.23%	3.90%	4.19%
Rohm & Haas Co.	Petrochemical	1.96%	1.96%	2.11%	1.29%
Centerpoint Energy, Inc.	Energy	1.48%	1.73%	1.86%	0.00%
Calpine Central LP	Energy	1.43%	1.12%	0.00%	0.00%
Oxy Vinyls LP	Petrochemical	1.39%	1.36%	1.55%	2.07%
H L & P Co.	Electric Utility	0.00%	0.00%	0.00%	1.44%
Conoco Phillips	Refinery	1.31%	0.00%	1.81%	0.00%
Reliant Energy Channelview	Energy	0.71%	1.01%	0.86%	0.98%
Chevron Chemical Co.	Refinery	0.69%	0.00%	0.00%	0.00%
Phillips 66 Company	Refinery	0.00%	1.33%	0.00%	1.12%
Lyondell Citgo Ref Co LTD	Refinery	0.00%	1.00%	0.00%	1.00%
Celanese LTD	Chemicals	0.00%	0.00%	1.09%	1.28%
GE Aero Energy Products	Petrochemical	0.00%	0.00%	0.75%	0.00%
Totals		21.68%	20.06%	23.87%	21.03%

Source: Harris County Appraisal District

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

Property Tax Levies and Collections
Last Eight 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
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 eight years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Ratios of Outstanding Debt
Last Nine Fiscal Years
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)								
	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Bonded Debt:									
General obligation bonds	\$ 72,800	75,380	77,845	59,095	56,900	20,800	26,000	8,000	10,500
Notes	9,340	10,835	12,125	14,585	4,645				
Less: funds restricted for debt service	(8,541)	(6,250)	(3,940)	(710)	(4)				
Net general bonded debt	\$ 73,599	79,965	86,030	72,970	61,541	20,800	26,000	8,000	10,500
Revenue bonds	\$ 2,615	5,325	7,940	10,475	5,590	190	945	1,705	65
Notes	555	980	1,388	1,780	2,156				
Total outstanding debt	\$ 76,769	86,270	95,358	85,225	69,287	20,990	26,945	9,705	10,565
General Bonded Debt Ratios:									
Per Capita	\$ 184	194	204	169	145	49	62	20	26
Per FTSE	1,974	2,115	2,158	1,824	1,545	556	740	239	333
As a percentage of taxable assessed value	0.26%	0.30%	0.32%	0.29%	0.25%	0.09%	0.11%	0.04%	0.05%
Total Outstanding Debt Ratios:									
Per Capita	\$ 191	209	225	197	163	50	64	24	26
Per FTSE	2,050	2,270	2,382	2,127	1,739	561	767	290	335
As a percentage of taxable assessed value	0.27%	0.33%	0.36%	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.

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

Legal Debt Margin Information
Last Eight Fiscal Years
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)							
	2006	2005	2004	2003	2002	2001	2000	1999
Taxable Assessed Value	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	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	(8,305)	(5,399)	(2,952)	(1,000) *	(1,000)	(1,000)	(1,000)	(1,000)
Total net general obligation debt	135,662	131,812	129,808	127,002	124,169	118,696	113,780	113,019
Current year debt service requirements	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	129,174	126,081	124,316	121,458	117,623	113,268	107,637	110,656
Net current requirements as a % of statutory limit	4.51%	4.18%	4.14%	4.33%	5.23%	4.53%	5.35%	2.07%

Notes: 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 eight 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
2006	4,744	-	11,435	724	2,391	3,289	362	10,373	33,318	3,135	147	3,282	10.15
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
1997	649	1,089	1,514	343	2,406	1,484	190	5,955	13,630	60	4	64	212.97

Debt service requirements include revenue and contractual obligation bonds.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Demographic and Economic Statistics - Taxing District
(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>
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
Current Fiscal Year
(Unaudited)

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment *</u>
Nasa Johnson Space Center	3,200	1.91%
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	0.60%
Wyle Life Sciences	1,000	0.60%
	<u>17,500</u>	<u>10.43%</u>

Source: 2005 Claritas

Notes: *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.

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

	Fiscal Year		
	2006	2005	2004
Faculty			
Full-Time	439	428	426
Part-Time	680	720	696
Total	<u>1,119</u>	<u>1,148</u>	<u>1,122</u>
Percent			
Full-Time	39.2%	37.3%	38.0%
Part-Time	60.8%	62.7%	62.0%
Staff and Administrators			
Full-Time	694	687	667
Part-Time	571	502	553
Total	<u>1,265</u>	<u>1,189</u>	<u>1,220</u>
Percent			
Full-Time	54.9%	57.8%	54.7%
Part-Time	45.1%	42.2%	45.3%
FTSE per Full-Time Faculty	95	95	98
FTSE per Full-Time Staff Member	60	59	63
Average over 9 months Faculty Salary	\$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 three years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Enrollment Details
Last Five Fiscal Years
(Unaudited)

Student Classification	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00 - 30 hours	14,551	60.34%	14,630	61.68%	13,742	60.66%	14,776	66.41%	13,852	64.11%
31 - 60 hours	6,721	27.87%	6,537	27.56%	5,793	25.57%	4,791	21.53%	4,801	22.22%
> 60 hours	2,844	11.79%	2,553	10.76%	3,120	13.77%	2,683	12.06%	2,953	13.67%
Total	24,116	100.00%	23,720	100.00%	22,655	100.00%	22,250	100.00%	21,606	100.00%

Semester Hour Load	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	2,905	12.05%	2,647	11.16%	2,524	11.14%	3,273	14.71%	3,539	16.38%
3 - 5 semester hours	1,623	6.73%	1,570	6.62%	1,614	7.12%	1,903	8.55%	1,436	6.65%
6 - 8 semester hours	5,865	24.32%	5,766	24.31%	5,699	25.16%	5,597	25.16%	5,161	23.89%
9 - 11 semester hours	4,445	18.43%	4,541	19.14%	4,272	18.86%	3,780	16.99%	3,565	16.50%
12 - 14 semester hours	7,290	30.23%	7,112	29.98%	6,600	29.13%	5,839	26.24%	5,892	27.27%
15 - 17 semester hours	1,809	7.50%	1,910	8.05%	1,789	7.90%	1,722	7.74%	1,869	8.65%
18 & over	179	0.74%	174	0.74%	157	0.69%	136	0.61%	144	0.66%
Total	24,116	100.00%	23,720	100.00%	22,655	100.00%	22,250	100.00%	21,606	100.00%

Average course load 9.4 9.5 9.4 8.8 8.8

Tuition Status	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	13,935	57.78%	13,980	58.94%	13,144	58.02%	12,429	55.86%	12,329	57.06%
Texas Resident (out-of-District)	9,121	37.82%	8,853	37.32%	8,672	38.28%	8,720	39.19%	8,329	38.55%
Non-Resident Tuition	1,060	4.40%	887	3.74%	839	3.71%	1,101	4.95%	948	4.39%
Total	24,116	100.00%	23,720	100.00%	22,655	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 five years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Student Profile
Last Five Fiscal Years
(Unaudited)

	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	14,010	58.09%	13,633	57.47%	13,001	57.39%	12,595	56.61%	12,162	56.29%
Male	10,106	41.91%	10,087	42.53%	9,654	42.61%	9,655	43.39%	9,444	43.71%
Total	24,116	100.00%	23,720	100.00%	22,655	100.00%	22,250	100.00%	21,606	100.00%
Ethnic Origin										
White	11,125	46.13%	11,386	48.00%	11,175	49.33%	11,237	50.50%	11,597	53.67%
Hispanic	8,017	33.24%	7,351	30.99%	6,597	29.12%	6,089	27.37%	5,718	26.46%
African American	2,506	10.39%	2,539	10.70%	2,332	10.29%	2,333	10.49%	2,232	10.33%
Asian	1,221	5.06%	1,178	4.97%	1,177	5.20%	1,006	4.52%	1,005	4.65%
Foreign	855	3.55%	884	3.73%	820	3.62%	921	4.14%	542	2.51%
Native American	69	0.29%	113	0.48%	85	0.38%	92	0.41%	87	0.40%
Other	323	1.34%	269	1.13%	469	2.06%	572	2.57%	425	1.98%
Total	24,116	100.00%	23,720	100.00%	22,655	100.00%	22,250	100.00%	21,606	100.01%
Age										
Under 18	4,326	17.94%	4,189	17.66%	3,366	14.86%	2,683	12.06%	2,623	12.14%
18 - 21	7,886	32.70%	7,668	32.33%	7,340	32.40%	7,415	33.33%	7,311	33.84%
22 - 24	3,975	16.48%	3,781	15.94%	3,762	16.61%	3,704	16.65%	3,505	16.22%
25 - 35	5,304	21.99%	5,310	22.39%	5,229	23.08%	5,223	23.47%	4,928	22.81%
36 - 50	2,255	9.35%	2,368	9.98%	2,531	11.17%	2,730	12.27%	2,814	13.02%
51 & over	370	1.54%	404	1.70%	427	1.88%	495	2.22%	425	1.97%
Total	24,116	100.00%	23,720	100.00%	22,655	100.00%	22,250	100.00%	21,606	100.00%
Average age	25		25		25		26		26	

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 five years, and the College will continue to implement prospectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Transfers to Senior Institutions Institutions Attended Fall 2004 (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 - University Park	947	35	45	1,027	25.76%
2 University of Houston - Clear Lake	910	27	66	1,003	25.16%
3 Texas A&M University	310	1	8	319	8.00%
4 University of Texas - Austin	258	3	5	266	6.67%
5 University of Houston - Downtown	197	12	32	241	6.04%
6 Sam Houston State University	164	4	9	177	4.44%
7 Texas State University	129	6	5	140	3.51%
8 Texas Tech University	90	4	3	97	2.43%
9 Stephen F. Austin State University	85	5	1	91	2.28%
10 Texas Southern University	77	5	8	90	2.26%
11 University of Texas Medical Branch Galveston	52	12	1	65	1.63%
12 University of Texas - San Antonio	55	6	2	63	1.58%
13 Lamar University Institute of Technology	48	4	3	55	1.38%
14 Prairie View A&M University	50	1	3	54	1.35%
15 Texas Women's University	38	8	0	46	1.15%
16 University of North Texas	42	1	1	44	1.10%
17 Texas A&M University - Galveston	39	2	2	43	1.08%
18 University of Texas Health Science Center - Houston	27	2	0	29	0.73%
19 Texas A&M University - Corpus Christi	20	0	2	22	0.55%
20 University of Texas - Arlington	22	0	0	22	0.55%
21 University of Texas - Dallas	19	2	0	21	0.53%
22 Texas Tech University Health Science Center	12	3	0	15	0.38%
23 University of Texas - Tyler	9	1	2	12	0.30%
24 University of Texas M.D. Anderson Cancer Center	5	5	0	10	0.25%
25 West Texas A&M University	3	4	0	7	0.18%
26 University of Texas - Pan American	5	0	1	6	0.15%
27 Texas A&M University - Kingsville	3	2	0	5	0.13%
28 University of Texas Health Science Center - San Antonio	5	0	0	5	0.13%
29 Sul Ross State University	3	0	0	3	0.08%
30 Texas A&M University - Commerce	3	0	0	3	0.08%
31 Midwestern State University	2	0	0	2	0.05%
32 University of Texas - El Paso	2	0	0	2	0.05%
33 Tarleton State University	1	0	0	1	0.03%
34 University of North Texas Health Science Center - Fort Worth	1	0	0	1	0.03%
Totals	3,633	155	199	3,987	100.00%

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 Year 2006
(Unaudited)

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

Source: Master property schedule.

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