



San Jacinto Community College District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
AUGUST 31, 2010 AND 2009**

Prepared by
The Department of Fiscal Affairs
4624 Fairmont Parkway
Pasadena, Texas 77504

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Comprehensive Annual Financial Report
For the Fiscal Years Ended August 31, 2010 and 2009

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SAN JACINTO COMMUNITY COLLEGE DISTRICT
Organizational Data

Board of Trustees and Key Officers
Year Ended August 31, 2010

Officers

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

Members

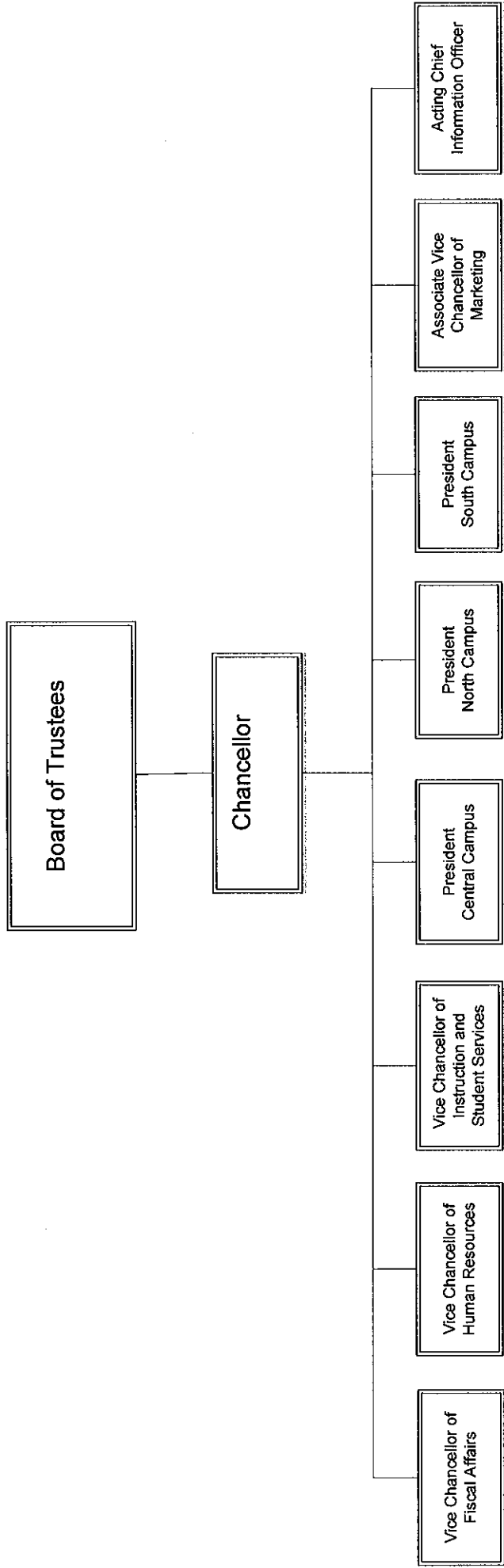
		<u>Term Expires</u> <u>May 31,</u>
Mr. Ben Meador	Pasadena, Texas	2011
Dr. Ruede Wheeler	La Porte, Texas	2011
Mrs. Marie Flickinger	Houston, Texas	2013
Mr. John Moon, Jr.	Pasadena, Texas	2013
Mr. Larry Wilson	Pasadena, Texas	2013
Mr. Dan Mims	Channelview, Texas	2015
Mr. C. Wayne Slovacek	Deer Park, Texas	2015
Mr. W.L. "Levi" Smallwood, Trustee Emeritus		
Mr. J.D. Bruce, Trustee Emeritus		

Key Officers

Dr. Brenda L. Hellyer	Chancellor
Mr. Kenneth D. Lynn, CPA	Vice Chancellor of Fiscal Affairs
Mr. Steve Trncak	Vice Chancellor of Human Resources
Dr. Laurel V. Williamson	Vice Chancellor for Instruction and Student Services
Dr. Neil Matkin	President, Central Campus
Dr. Allatia Harris	President, North Campus
Dr. Maureen Murphy	President, South Campus
Ms. Teri Fowle	Associate Vice Chancellor of Marketing
Mr. Rob Stanicic	Acting Chief Information Officer

San Jacinto Community College District

August 31, 2010



December 13, 2010

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

Texas statutes require the Comptroller of Public Accounts and the Texas Higher Education Coordinating Board to jointly prescribe a system for financial accounting and reporting for institutions of higher education. Pursuant to that requirement, we have prepared the comprehensive annual financial report (CAFR) of the San Jacinto Community College District ("the College") for the fiscal years ended August 31, 2010 and 2009.

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

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

The College's financial statements have been audited by MFR, P.C., a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the College for the years ended August 31, 2010 and 2009 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the College's financial statements for the years ended August 31, 2010 and 2009 are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

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

College Profile

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

By 1974 the College opened its North campus on Uvalde Road near the communities of Galena Park and Channelview which are north of the Houston Ship Channel. In 1979 the College opened its South campus near the intersection of Beamer Road and Dixie Farm Road.

From the initial enrollment of 850 students, the College has grown to three campuses, five outreach centers, approximately 27,000 credit students and approximately 20,000 continuing and professional development students. The College offers over 140 academic programs and provides students the opportunity to get involved in inter-collegiate sports, intramural sports, and fine arts.

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

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

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

Recently, San Jacinto Community College District has also increased its partnership with other institutions of higher education. The College has a long standing partnership with the University of Houston Clear Lake providing freshman and sophomore year classes to nearly 70 percent of their undergraduate students. San Jacinto Community College District has also entered into dual enrollment agreements with Sam Houston State University and Texas A&M University including its Galveston marine and maritime branch campus.

San Jacinto Community College District, established 48 years ago, has been serving the Bay Area Houston community by educating the workforce. We are proud to be a part of this community and look forward to at least 48 more years of serving the people of our community through quality and well-rounded education.

Local Economy

Harris County is located in southeast Texas within the Houston-Sugar Land-Baytown metropolitan area. Harris County is named for John Richardson Harris, an early settler of the area. According to the U.S. Census Bureau's 2009 estimates there were 4,070,989 people and 1,205,516 households in the county, making it the largest county by population in Texas. The population density was 2,354 people per square mile. There were 1,604,122 housing units at an average density of 928 per square mile. The racial makeup of the county was 35.3% White, 39.8% Hispanic, 18.8% Black or African American, 0.7% Native American, 5.8% Asian, 0.2% Pacific Islander, and 1.3% from two or more races. In 2006 Harris County had 3,886,207 residents - a 4.75% growth since 2006.

The 2008 median income for a household in the county was \$52,391 while 15.3% of the population was below the poverty line.

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

Cash Management Practices

Cash was invested in certificates of deposit, obligations of U.S. agencies, and local government money market pools. The maturities of investments range from 1 month to 35 months. Coupon rates range from 0.50% to 1.00%. Investment income includes the increase or decrease in the fair value. The fair value of securities will increase or decrease due to changes in market interest rates during the year. As individual securities come closer to their maturity date, the fair value of the security moves toward its par value. As the price moves toward its par value, the unrealized gain or loss is reduced proportionally and is eliminated by the time the security matures. The College generally holds securities to maturity.

Debt Management

The College is authorized to sell bonds and to levy an ad valorem tax in payment of the debt by the Constitution and the laws of the State of Texas. At August 31, 2010, the College had \$267,657,177 in general obligation debt outstanding. Ad valorem property taxes to support outstanding debt are limited to a maximum rate of \$0.50 tax per hundred dollars of taxable assessed valuation. Proceeds from general obligation debt may be used to purchase land for sites, construct, improve, renovate, and equip College facilities; to refund certain bonds of the College; and to pay the issuance costs of bonds. The College's uninsured general obligation debt is currently rated AA by Standard and Poor's and Aa3 by Moody's.

Bond Referendum

On May 22, 2008, the College conducted a successful bond referendum in which the voters of the College authorized the issuance of \$295 million of general obligation bonds for site improvements, construction, and equipping facilities throughout the College. The successful election was the culmination of a comprehensive facilities review and evaluation focused on providing facilities and infrastructure for the College's three campuses which was conducted during the 2006-2007 year. The planning process included a College leadership group, faculty and staff, architects and the College's financial advisors. During the fiscal year ended August 31, 2008, the College issued \$230 million of the \$295 million authorization.

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Jacinto Community College District for its comprehensive annual financial report for the fiscal year ended August 31, 2009. This was the third consecutive year that the College received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. Lynn', with a long horizontal line extending to the right.

Kenneth D. Lynn, CPA
Vice Chancellor of Fiscal Affairs

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Jacinto Community College
District, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Accountants & Consultants
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Jacinto Community College District:

We have audited the accompanying basic financial statements of San Jacinto Community College District (the College) as of and for the years ended August 31, 2010 and 2009, 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 Auditing 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010 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 audits were conducted for the purpose of forming an opinion on the 2010 and 2009 basic financial statements of the College, taken as a whole. The supplemental schedules (schedule A through D) and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental schedules A through D have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audits of the 2010 and 2009 basic financial statements and, accordingly, we express no opinion on it.

Our 2010 audit was conducted for the purpose of forming an opinion on the 2010 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 Non-profit Organizations* and the *State of Texas Single Audit Circular*, respectively, are presented for purposes of additional analysis and are not a required part of the 2010 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2010 basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "MFR, P.C.", is positioned in the middle-right section of the page.

December 13, 2010

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis
Fiscal Year Ended August 31, 2010
(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 online offerings. Total credit enrollment exceeds 28,500 students with approximately 20,000 adult learners enrolled in continuing education classes for personal enrichment or professional development. In order to serve these students, the College employs over 2,600 full-time and part-time personnel. Most faculty have earned master's and doctoral degrees, and many 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 maintains partnerships 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 which take students from kindergarten to college within a framework that includes state-approved tech prep initiatives, articulation agreements, and dual credit programs. Students are attracted to the College's specialized instructional programs and the transferability of all credits to four-year universities. Students can choose from various certificate programs, workshops, and the following degrees: Associate of Arts, Associate of Science, Associate of Applied Science, and Associate of Arts in Teaching. In total, the College offers more than 140 degree and certificate programs.

The College is governed by a seven-member Board of Trustees (the Board) elected for six-year terms by the taxpayers within its taxing district, which encompasses more than 497,000 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 2010

- The College has three primary sources of revenue - state appropriations, ad valorem taxes, and tuition and fees. Historically, the College has endeavored to maintain a balance between the revenue sources so that responsibility for funding College operations is to some extent equally shared. For Fiscal Year 2009 - 2010, the percentages of the total among the revenue streams were: State Appropriations 34.7% or \$47,399,957, ad valorem taxes 33% or \$45,349,704, and tuition and fees (before discounts) 32.3% or \$43,807,352, for a total of \$136,557,013.
- The College had an increase of \$20.5 million in Federal Title IV funds. The Pell Grant increased by 79.4% (\$15.5 million) in the amount paid and 42.4% (2,434) in the number of recipients. The increases were primarily attributed to an increase in enrolled students who were eligible for the Pell Grant. Federal regulations eased the eligibility criteria and increased the maximum amount of Pell Grant students could receive. The College also had an increase in the number of students who participated in the Federal Family Education Loan Program. The College had 30.4% (479) more borrowers and a 40% (\$5 million) increase in the amount paid. The increase can be attributed to an increase in unemployed students and/or parents.
- The College purchased a 23.8596 acre tract of land located directly across from the San Jacinto College North campus for \$979,160. Options for best use of the land are still being evaluated and will be determined in future facilities master planning activities. The land was acquired for expansion of the North campus footprint and will provide flexibility in planning for future land use.
- At the end of Fiscal Year 2009-2010, the College had approximately \$19.6 million in undesignated unrestricted net assets. On August 2, 2010, the Board approved two designations totaling \$50 million, with one designation of \$25 million for Business Continuity and Emergency Recovery and the other designation of \$25 million for Repair and Renovation of Facilities. The need for the designated net assets arises from the Board's desire to establish, through the financial records of the College, its intention to "set aside" financial resources. Designation of unrestricted net assets will establish the reserves in the accounting records of the College and preserve the expression of the Board's intention to fund these potential future cash flow needs.
- The State of Texas is experiencing budget difficulties because of the current economic conditions. In February 2010, the Governor asked state agencies to prepare and submit written plans to reduce their state revenue budgets by 5% for each year of the biennium. This reduction in state revenue would encompass both years of the biennium (2009 - 2010 and 2010 - 2011). The February 2010 proposal submitted by San Jacinto Community College District indicated that the College would satisfy the requirement to reduce the state revenue appropriation by executing a reclassification of budgeted revenue rather than a reduction. This is possible because during the budget development process for 2009 - 2010, conservative projections were used for property tax revenues due to economic uncertainties. It was anticipated that tax revenue collection issues might arise related to the economic downturn, either through reduced collection rates or possibly by taxpayer bankruptcies. As a result, a reserve of \$3 million was created in the adopted tax revenue budget to ensure conservatism. This reserve remains unused as collection rates have remained at historical averages and no major taxpayers have filed bankruptcy.
- In March 2010 the Board approved a \$5 per semester credit hour increase in tuition for all resident statuses and a \$5 increase in the general service fee effective with the Fall 2010 semester. The last tuition increase for the College occurred in April 2007. The tuition rates of the College are comparable with the eight community colleges in the Gulf Coast area and are below the state averages published by the Texas Association of Community Colleges. The tuition increase will produce approximately \$3.5 million additional revenue for Fiscal Year 2010-2011 which may be offset by potential cuts in state funding. The proposed revenue increase will be included in the budget development process to address instructional staffing, prioritized needs, and annual goals established during the strategic planning process.

Financial Highlights for 2009

- On September 1, 2008, the College issued \$80,000,000 of Limited Tax Obligation Bonds, Series 2008. The Bonds mature serially through February 2038. The interest rates range from 3.250% to 5.000%. The Bonds were issued as part of the May 10, 2008, bond referendum, providing for the issuance of \$295 million in general obligation bonds for College facilities.
- On September 13, 2008, the Texas Gulf Coast was struck by Hurricane Ike, a strong category 2 hurricane. All 60 of the College's buildings sustained some damage. The College was closed for classes from September 11th through the 28th. The College reopened to faculty and students on September 29th with 59 of 60 buildings in operation. The College sustained damage to its facilities of approximately \$9.36 million which has been covered by claims submitted to the College property insurance provider, the State of Texas, and the Federal Emergency Management Agency.
- On October 16, 2008, the College approved the 2008 tax rate of 16.3411 cents per \$100 valuation of taxable property in the San Jacinto Community College District. This is an increase of 1.8046 cents per \$100 valuation from the 2007 rate of 14.5365 cents per \$100 valuation. The College maintained the maintenance and operations rate of 11.5927 cents per \$100 valuation in effect since 2005. The increase of 1.8046 cents per \$100 valuation was added to the interest and sinking portion of the ad valorem tax, changing the rate from \$0.029438 to \$0.47484. A residential homeowner claiming a homestead exemption on a home valued at \$100,000 would pay \$163 for 2008 as compared to \$145 for 2007 or an \$18 annual increase. Because of higher appraised values, the College realized additional tax revenues of \$3.9 million for maintenance and operations and an additional \$8.1 million for debt service due to the increase in the debt service portion of the tax rate.
- On July 15, 2009, the College issued \$150,000,000 of Limited Tax Obligation Bonds, Series 2009. The Bonds mature serially through February 2039. The interest rates range from 3.500% to 5.0000%. The Bonds were issued as part of the May 10, 2008 bond referendum providing for the issuance of \$295 million in general obligation bonds for College facilities. The College has \$65 million remaining authorization not issued.
- The Board of Trustees maintained the tuition and fee rates approved in April of 2007. Through the efforts of the College staff, faculty, and administrators during the aftermath of Hurricane Ike, the College still experienced a 4.5% increase in enrollment to 24,616 for the fall of 2008 compared to 23,551 for the fall of 2007. Overall, the College had an \$800,000 increase in tuition and fee revenues for 2009.
- The College had an increase of \$5.2 million in Federal Title IV funds. The Pell Grant increased by 26.9% (\$3.2 million) in the amount paid and 14.1% (708) in the number of recipients. The increases were primarily attributed to an increase in enrolled students who were eligible for the Pell Grant. Federal regulations eased the eligibility criteria and increased the maximum amount of Pell Grant students could receive. The College also had an increase in the number of students who participated in the Federal Family Education Loan Program. The most significant increase involved the Unsubsidized Loan Program. The College had 31.4% (312) more borrowers and a 63.3% (\$1.7 million) increase in the amount paid. The Subsidized Loan Program increased by 8.6% (102) in borrowers and 7.5% (\$0.2 million) in amount paid. The increase can be attributed to an increase in the amount students could borrow. Regulations allowed students to borrow an extra \$2,000.
- The College continued to focus on quality, efficiency, effectiveness, and underlying processes throughout the campuses. During 2009, 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.

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 are 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 – Exhibit 1 (In Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 74,505	\$ 57,927	\$ 76,184
Noncurrent assets:			
Capital assets, net of depreciation	173,747	144,801	144,404
Other, includes 2009 bond proceeds	<u>258,473</u>	<u>299,329</u>	<u>35,068</u>
Total assets	<u>\$ 506,725</u>	<u>\$ 502,057</u>	<u>\$ 255,656</u>
Current liabilities	\$ 44,578	\$ 40,506	\$ 30,669
Noncurrent liabilities	<u>263,843</u>	<u>276,812</u>	<u>63,408</u>
Total liabilities	<u>\$ 308,421</u>	<u>\$ 317,318</u>	<u>\$ 94,077</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 98,002	\$ 80,816	\$ 78,719
Expendable – restricted	15,948	14,807	5,715
Unrestricted	<u>84,354</u>	<u>89,116</u>	<u>77,145</u>
Total net assets	<u>\$ 198,304</u>	<u>\$ 184,739</u>	<u>\$ 161,579</u>

Fiscal Year 2010 Compared to 2009

Total assets increased \$4.7 million during the fiscal year ended August 31, 2010, a modest 1% increase. Cash, cash equivalents, and investments decreased \$26 million, primarily due to purchase of capital assets and increase in capital debt interest. Responding to declining interest rate fluctuations over the past year, the College maintained a conservative approach and invested a greater portion of the bond proceeds in restricted long term investments, as well maintaining appropriate liquidity through investment pools included in the cash and cash equivalents category by definition.

The College's current ratio increased to 1.67 in 2010 from 1.43 in 2009 due to increases in pooled investments of operating funds and a decrease in the current portion of bonds payable.

Total liabilities decreased by \$8.9 million to \$308.4 million in 2010 or 2.8%, from \$317.3 million in 2009. Current liabilities increased by \$4.1 million to \$44.6 million or 10.12% for 2010, from \$40.5 million in 2009 primarily due to outstanding construction payments. Noncurrent liabilities decreased by \$13.4 million to \$264 million or 4.8% in 2010, from \$277 million in 2009. The decrease was due primarily from the decrease in bonds payable. Net assets increased by \$13.6 million, by \$23.2 million, and by \$11.7 million for 2010, 2009, and 2008, respectively.

Fiscal Year 2009 Compared to 2008

Total assets increased \$246.4 million during the fiscal year ended August 31, 2009, a 96.4% increase. Cash, cash equivalents, and investments increased \$245 million primarily due to the receipt of the Series 2008 and 2009 bond proceeds. Responding to interest rate fluctuations over the past year, the College maintained a conservative approach and invested the bond proceeds in an investment pool included in the cash and cash equivalents category by definition.

The College's current ratio decreased to 1.43 in 2009 from 2.48 in 2008 due to increases in long-term investments of unexpended bond proceeds and with an increase in the current portion of bonds payable.

Total liabilities increased by \$223 million to \$317.3 million in 2009 or 237%, from \$94 million in 2008. Current liabilities increased by \$9.8 million to \$40.5 million or 32.1% for 2009, from \$30.7 million in 2008. Noncurrent liabilities increased by \$213.4 million to \$276.8 million or 336% in 2009, from \$63.4 million in 2008. These increases were due primarily from the increase in bonds payable related to the 2008 and 2009 bond series.

Net assets increased by \$23.2 million, by \$11.7 million, and by \$10.6 million for 2009, 2008, and 2007, respectively.

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, 2010, with comparative information for fiscal year 2009. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. Operating revenues are received for providing goods and services to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College.

Tuition and auxiliary revenues are shown net of scholarship allowances and discounts, depreciation is provided for capital assets, and there is a required subtotal for net operating income or loss. This required subtotal will generally reflect a "loss" for community colleges in Texas. This is primarily due to the way operating and non-operating items are defined by generally accepted accounting principles. For community colleges, state appropriations, ad valorem taxes, and Federal Title IV revenues, while budgeted for operations, are non-exchange transactions and, as such, are treated as non-operating 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 - Exhibit 2
(In Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of scholarship allowances and discounts	\$ 31,298	\$ 30,069	\$ 29,220
Federal grants and contracts	6,722	5,810	6,474
State grants and contracts	3,521	3,090	3,816
Non-government grants and contracts	1,265	1,014	795
Sales and services of educational activities	869	735	734
Auxiliary enterprises, net of discounts	3,755	3,667	3,581
General operating revenues	<u>2</u>	<u>-</u>	<u>22</u>
Total operating revenues	<u>47,432</u>	<u>44,385</u>	<u>44,642</u>
Expenses:			
Operating expenses:			
Instruction	60,430	55,593	57,487
Public service	4,446	3,409	3,882
Academic support	10,088	10,557	12,486
Student services	13,239	12,343	11,830
Institutional support	30,855	26,367	25,643
Operation and maintenance of plant	13,427	14,163	14,820
Scholarships and fellowships	34,194	21,152	16,508
Auxiliary enterprises	4,044	3,929	3,656
Depreciation	<u>6,816</u>	<u>7,626</u>	<u>6,765</u>
Total operating expenses	<u>177,539</u>	<u>155,139</u>	<u>153,077</u>
Operating loss	<u>(130,107)</u>	<u>(110,754)</u>	<u>(108,435)</u>
Non-operating revenues (expenses):			
State appropriations	47,400	47,838	47,658
Maintenance ad valorem taxes	45,350	46,493	42,519
Debt service ad valorem taxes	22,027	18,895	10,798
Federal revenue, non-operating	40,151	24,744	19,511
Investment income (net of investment expenses)	1,649	2,624	3,363
Interest on capital related debt	(12,355)	(6,600)	(3,544)
Hurricane Ike expenses (net of recoveries)	620	169	-
Other non-operating revenues (expenses)	<u>(1,170)</u>	<u>(249)</u>	<u>(162)</u>
Total non-operating revenue, net	<u>143,672</u>	<u>133,914</u>	<u>120,143</u>
Increase in net assets	13,565	23,160	11,708
Net assets, beginning of year	<u>184,739</u>	<u>161,579</u>	<u>149,871</u>
Net assets, end of year	\$ <u>198,304</u>	\$ <u>184,739</u>	\$ <u>161,579</u>

Fiscal Year 2010 Compared to 2009

Tuition and fee revenue (before the allowance for scholarships and discounts) increased to \$43.8 million in 2010 from \$39.7 million in 2009. This 10.33% increase of \$4.1 million is a result of a 9.7% increase in enrollment while maintaining the same tuition rate as 2009. It includes tuition and fees for both state-funded academic and non-state funded contract training and workforce development instructional activities. Contact hours for fiscal year 2010 increased by 0.44 million to 10.7 million from 10.3 million contact hours for 2009. Non-state funded contract training and workforce development instruction revenues remained steady at \$1.3 million for 2010 and \$1.5 million for 2009.

Operating expenses increased by \$22.5 million to \$177.5 million for 2010, from \$155 million for 2009. Operating expenses related to instruction through operation and maintenance of plant increased by \$10 million; this is attributable to reclassification of expenses related to Hurricane Ike in 2009 as non-operating as well as related increase in expenses due to the 9.7% increase in enrollment in 2010. Scholarships and Fellowships increased by \$13 million, attributable primarily to an increase of over 2,900 Federal Title IV recipients. Auxiliary enterprises remained unchanged at \$4 million, and depreciation decreased by \$0.8 million.

Increases in net non-operating revenue and expenses totaled \$9.76 million in 2010 from 2009. Ad valorem tax revenue increased a total of \$2 million. The College's tax rate for maintenance and operations per \$100 valuation decreased to 11.4293 cents for 2010 from 11.5927 cents for 2009, while the debt service increased to 5.6507 cents for 2010 from 4.7484 cents to offset the increase in debt service payment requirements. Net investment income continued to decline due to lower rates. The portfolio yielded \$0.97 million less for 2010 than for 2009. Interest on capital related debt increased by \$5.76 million due to payments due on the 2009 and 2008 bond series included a full year of interest on the \$150 million of bonds issued in July of 2009.

Fiscal Year 2009 Compared to 2008

Tuition and fee revenue (before the allowance for scholarships and discounts) increased to \$39.7 million in 2009 from \$39.0 million in 2008. This 1.75% increase (\$0.7 million) is a result of a 4.5% increase in enrollment while maintaining the same tuition rate as 2008. It includes tuition and fees for both state-funded academic and non-state funded contract training and workforce development instructional activities. Contact hours for fiscal year 2009 increased by 0.4 million to 10.3 million from 9.9 million contact hours for 2008. Non-state funded contract training and workforce development instruction revenues remained steady at \$1.5 million for both 2009 and 2008.

Operating expenses increased by \$2 million to \$155 million for 2009 from \$153 million for 2008. Operating expenses related to instruction through operation and maintenance of plant decreased by \$3.7 million; this is attributable to reclassification of expenses related to Hurricane Ike. Scholarships and Fellowships increased by \$4.6 million attributable primarily to Federal Title IV funds. Auxiliary enterprises increased by \$0.6 million, and depreciation increased by \$0.9 million.

Increases in net non-operating revenue and expenses totaled \$13.8 million in 2009 from 2008. Ad valorem tax revenue increased a total of \$12 million (21.8%), with maintenance and operating taxes increasing \$3.9 million and debt service tax revenues increasing \$8.1 million. The College's tax rate per \$100 valuation for maintenance and operations remained the same at 11.5927 cents while the debt service increased by 1.8046 cents for 2009, to offset the increase in debt service payment requirements. Net investment income declined due to lower rates. The portfolio yielded \$0.74 million less for 2009 than for 2008. Interest on capital related debt increased by \$3.01 million due to payments due on the 2009, and 2008 bond series included a full year of interest on the \$80 million of bonds issued in September of 2008.

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 the following: 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 and related 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>2010</u>	<u>2009</u>	<u>2008</u>
Cash (used by) provided by:			
Operating activities	\$(106,267)	\$(102,416)	\$(90,973)
Non-capital financing activities	120,744	112,982	98,416
Capital and related financing activities	(41,992)	226,818	(4,360)
Investing activities	<u>(95,360)</u>	<u>(29,822)</u>	<u>2,210</u>
Net (decrease) increase in cash and cash equivalents	(122,875)	207,562	5,293
Cash and cash equivalents - beginning of year	<u>245,879</u>	<u>38,317</u>	<u>33,024</u>
Cash and cash equivalents - end of year	<u>\$ 123,004</u>	<u>\$ 245,879</u>	<u>\$ 38,317</u>

In accordance with generally accepted accounting principles, state appropriations, maintenance ad valorem tax revenues, and non-operating Federal revenue (Title IV) are reported as revenues from non-exchange transactions and are, therefore, classified as cash flow from non-capital financing activities.

State appropriations, maintenance ad valorem tax revenues, and non-operating Federal revenue provided cash flows of \$122 million in 2010 and \$114.5 million in 2009. Uses of non-capital financing for 2010 and 2009 are \$1.5 million for scheduled interest payments on notes. Net cash (used)/provided by capital and related financing activities was \$42 million used for 2010 and \$226.8 million provided in 2009. The increase for 2009 is attributable to the issuance of the 2009 and 2008 bond series. Net cash flows used for investing activities was \$95.4 million for 2010 and \$29.8 in 2008. This is attributable to changes between pooled investments and securities.

Net cash provided by operating and non-capital financing activities resulted in an increase of \$14.5 million, while net cash used for capital and related financing activities plus investing activities resulted in a decrease of \$137.4 million, for a net decrease of \$122.9 million for 2010.

Capital Assets and Long-Term Debt Activity

Capital Assets - Fiscal Year 2010

In 2010, the College completed three roofing projects, new Childcare Centers for Central and North Campus, Café remodeling for Central and South Campus, Phase 1 athletic field improvements for North and South Campus, mechanical work on all three campuses, North Campus pavement and drainage improvements, and District Administration building electrical upgrades, for a total cost of \$16.1 million. At August 31, 2010, \$22.8 million remained in Construction in Process for a new Central Transportation Building, Central Welding addition, Central Allied Health addition, a new Central Science Building, a new College Workforce Training Center, North Student Success Center addition, a new North Allied Health Science Building, South Student Success Center addition, a new South Allied Health Science Building, network upgrades on all three campuses, pavement and drainage improvements for Central and South Campus, District Human Resources Office expansion and remodeling, site work related to Phase 2 athletic field improvements, and site work related to the new construction bond program. Several projects undertaken during the year were related to repairs and maintenance and did not qualify for capitalization. The College purchased an additional 23.8596 acres for \$979,160 at the North Campus.

Capital Assets - Fiscal Year 2009

In 2009, the College completed five roofing projects, Central Campus covered walkways, and the North Campus primary feeder tunnel for a total cost of \$3.2 million. At August 31, 2009, \$5.7 million in projects were still under construction consisting of a new Central Childcare Center, a new Central Transportation Building, Central Welding addition, Central Allied Health addition, a new Central Science Building, Central cafeteria remodeling, a new College Workforce Training Center, District Administration building electrical upgrades, a new North Campus Childcare Center, North Student Success Center addition, a new North Allied Health Science Building, South Student Success Center addition, a new South Allied Health Science Building, South cafeteria remodeling, mechanical upgrades on all three campuses, site work related to athletic fields, and site work related to the new construction bond program. Several projects undertaken during the year were related to repairs and maintenance and did not qualify for capitalization. The approved project list related to the \$295 million authorization is as follows:

Central Campus

New Construction/Renovation/Rehabilitation

- Science Building - 98,000 square feet for classrooms and laboratories
- Allied Health Science addition - 35,000 square feet for new Allied Health Programs
- Automotive tech center - 75,000 square feet for new vocational labs for Automotive Technology Programs
- Renovations
- Vocational Technical Building 2, Welding - 10,000 square foot addition to expand Welding Program and Truck Driving School
- Vocational Technical Buildings 1 & 3 - 41,741 square foot renovation for replacement of maintenance offices
- Anders Gymnasium - 7,000 square feet renovation to remove pool; renovate lobby and entrance to competition gym; create a fitness center; and upgrade existing facility
- Lee Davis Library - 62,418 square foot update and renovate library
- Site work
- Replace Abshire Drive, Bader Drive, and Schoeler Drive
- Replace parking lots 1, 2, 3, 4 and 5
- Correct drainage and repair sidewalks in the interior of the quadrangle
- Demolition of stadium, retain jogging track and soccer field, and enlarge detention pond
- Right turn lane at Cunningham Drive
- Develop property east of Luella Drive for site of new Automotive Technical Center
- Infrastructure
- Upgrade campus primary electric service to include new switchgear and replace primary underground feeders
- Provide new primary electrical gear to serve Davis Library, Anders Gymnasium and Ball Technical buildings
- Extend second service to Slocomb Building and replace existing primary electrical gear
- Replace old York chiller in the Central Plant
- Upgrade and expand District Data Center network
- Provide new electrical service to support Automotive Program across Luella Drive

North Campus

New Construction/Renovation/Rehabilitation

- Allied Health Science Building - 128,000 square feet for classrooms and laboratories
- Spencer addition - 40,000 square feet to house student services center
- Renovations
- Nichols Gymnasium - 9,600 square feet for the Physical Education program and Fitness Center
- Lehr Library - 19,000 square feet to update and renovate library
- Site work
- Construct new parking lot adjacent to the tennis courts to serve the new Allied Health Science Building and provide added detention
- Improve parking and entrance drive to Cobb Drive, improve drainage to Cravens Drive
- Repair sidewalks, pave plazas and correct drainage in the courtyard. Install covered walkway between Slovacek and Wheeler Buildings
- Jogging trail
- New sanitary lift station at southwest corner of campus
- Infrastructure
- Replace existing chiller with new 800 ton energy efficient chiller
- Replace two original cooling towers with new stainless steel towers
- Replace two central plant boilers
- Update and expand District Data Center network

South Campus

New Construction/Renovation/Rehabilitation

- Allied Health Science Building - 155,500 square feet for classrooms and laboratories
- Longenecker addition - 40,000 square feet to house student services center
- Renovations
- Smallwood Gymnasium - 13,700 square feet for the PE program, fitness center and upgrade the existing facility
- Williams Library - 24,000 square feet to update and renovate the library
- Site Work
- New water connection and sanitary sewer upgrades
- Construct a detention pond on the south side of Rick Sneider Drive
- Construct a new parking lot, drives and drainage at southwest corner of campus
- Jogging trail
- Infrastructure
- Create a satellite cooling and heating plant for the new portion of campus
- Replace 240 tons of air cooled chillers
- Install new primary electrical service for campus expansion
- Demo obsolete boilers in the courtyard
- Update and expand District Data Center network

District

New Construction/Renovation/Rehabilitation

- Business industry training center - 68,000 square feet

Long-Term Debt

On May 10, 2008, a bond referendum providing for the issuance of \$295 million of general obligation bonds for College facilities was approved by the voters by a margin of 3,335 "Yes" votes to 1,363 "No" votes. Supporting the call for the election is the 2008 Facilities Master Plan which identified the facility needs of the College in priority order. Among the top construction priorities were the Science Building and the Allied Health Science Building addition on the Central campus, the Allied Health/Science Building and the Spencer addition on the North campus, and, the Science/Allied Health Building and the Longenecker addition on the South campus. Construction of these facilities in particular is necessary to meet instructional capacity needs in the science and allied health curriculums. On August 11, 2008, in order to provide funds for architectural design, site work, infrastructure upgrades, facility programming, and other construction activities, the Board of Trustees approved an initial issuance of \$80 million. On July 15, 2009, the College issued an additional \$150 million of the \$295 million bond authorization, leaving a balance of \$65 million authorized but not issued.

The Bonds were issued with a September 1, 2008, effective date and the delivery/settlement date was September 16, 2008. On October 16, 2008, the Board of Trustees approved the adoption of the 2008 tax rate of \$0.163411 cents per \$100 valuation of taxable property in the San Jacinto Community College District. The Maintenance and Operations tax rate remains the same at \$0.115927 cents and the debt service tax rate was increased to \$0.047484 cents. This increase represents an increase of \$18 to a home owner for a home with a taxable assessed value of \$100,000. The tax rate increase was necessary to fund the increase in debt service requirements related to the \$80 million dollars of newly issued 2008 general obligation bonds.

On October 5, 2009, the Board of Trustees approved the adoption of the 2009 tax rate of \$0.170800 cents per \$100 valuation. The Maintenance and Operations tax rate was reduced to \$0.114293 cents and the debt service tax rate increased to \$0.056507, a net increase of \$0.007389 cents, or 4.5%.

On October 4, 2010, the Board of Trustees approved the adoption of the 2010 tax rate of \$17.6277 cents per \$100 valuation. The Maintenance and Operations tax rate remained the same at \$0.114293 cents and the debt service tax rate was increased to \$0.061984 cents. Due to average appraised values on a residence homestead being reduced from \$109,879 in 2009 to \$107,473 in 2010, this will result in a \$7.03 reduction in overall tax to the homeowner. The tax rate increase was necessary to fund the increase in debt service requirements related to the \$150 million dollars of newly issued 2009 general obligation bonds.

The College is committed to progressing with its construction, facilities management, and technology programs, while still maintaining an aggressive debt payment schedule. As of August 31, 2010, the balance of the College Notes and Bonds Payable is \$272,727,177.

At August 31, 2010, the College's credit ratings have been affirmed as follows:

	<u>Moody's Investor's Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aa2	AA
Maintenance and Tax Notes	Aa2	AA

Related information is included in the Notes to Basic Financial Statements:

Note 6 - Capital Assets	Note 7 - Construction Commitments
Note 8 - Noncurrent Liabilities	Note 9 - Bonds and Notes Payable
Note 10 - Debt Obligations	Note 11 - Pledged Revenue Coverage
Note 12 - Refunding Bonds	Note 13 - Defeased Bonds Outstanding

Currently Known Facts, Decisions and Conditions

Looking ahead to fiscal year 2011 and beyond, 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 2011 on redefining expectations, encouraging the exploration of new opportunities, and empowering students to achieve their goals.

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 which 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, please contact the Vice Chancellor of Fiscal Affairs.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Net Assets
August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 38,015,065	\$ 24,538,401
Deposits held by others	21,601	21,601
Other short-term investments	14,102,513	12,842,030
Accounts receivable, net	20,554,264	19,622,797
Deferred charges	1,412,608	539,034
Inventories	<u>399,003</u>	<u>362,714</u>
Total current assets	<u>74,505,054</u>	<u>57,926,577</u>
Noncurrent assets:		
Restricted cash and cash equivalents	84,988,604	221,340,150
Other long-term investments	48,005,130	56,144,791
Restricted long-term investments	123,753,207	20,034,380
Bond issuance costs	1,726,507	1,809,949
Capital assets net of accumulated depreciation	143,563,317	132,167,475
Capital assets not being depreciated	<u>30,183,629</u>	<u>12,633,472</u>
Total noncurrent assets	<u>432,220,394</u>	<u>444,130,217</u>
Total assets	<u>506,725,448</u>	<u>502,056,794</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	12,710,564	8,677,848
Accrued liabilities	1,528,123	1,444,052
Accrued compensable absences	258,766	316,930
Deferred compensation	80,000	63,333
Deferred revenues	18,771,419	16,332,336
Notes payable - current portion	690,000	1,225,000
Bonds payable - current portion	<u>10,539,512</u>	<u>12,446,175</u>
Total current liabilities	<u>44,578,384</u>	<u>40,505,674</u>
Noncurrent liabilities:		
Accrued compensable absences	2,345,281	2,266,951
Notes payable	4,380,000	5,070,000
Bonds payable	<u>257,117,665</u>	<u>269,475,519</u>
Total noncurrent liabilities	<u>263,842,946</u>	<u>276,812,470</u>
Total liabilities	<u>308,421,330</u>	<u>317,318,144</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	98,002,083	80,816,340
Expendable, restricted for:		
Grants	1,533,284	1,192,545
Unexpended bond proceeds	11,323,672	8,257,567
Debt service	3,090,752	5,356,709
Unrestricted	<u>84,354,327</u>	<u>89,115,489</u>
Total net assets (Schedule D)	<u>\$ 198,304,118</u>	<u>\$ 184,738,650</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>		
Student tuition and fees, (net of scholarship allowances and discounts of \$12,509,330 and \$9,647,250, respectively)	\$ 31,298,022	\$ 30,068,715
Federal grants and contracts	6,722,223	5,810,085
State grants and contracts	3,520,431	3,089,817
Non-governmental grants and contracts	1,265,130	1,013,841
Sales and services of educational and non - educational activities	869,143	735,247
Auxiliary enterprises, (net of discounts)	3,755,281	3,667,801
General operating revenues	<u>1,693</u>	<u>-</u>
Total operating revenues (Schedule A)	<u>47,431,923</u>	<u>44,385,506</u>
<u>Operating Expenses</u>		
Instruction	60,430,231	55,592,552
Public service	4,445,946	3,408,698
Academic support	10,087,688	10,556,786
Student services	13,238,676	12,343,454
Institutional support	30,854,583	26,367,228
Operation and maintenance of plant	13,427,527	14,162,743
Scholarships and fellowships	34,194,427	21,152,384
Auxiliary enterprises	4,043,762	3,929,299
Depreciation	<u>6,815,803</u>	<u>7,625,931</u>
Total operating expenses (Schedule B)	<u>177,538,643</u>	<u>155,139,075</u>
Operating loss	<u>(130,106,720)</u>	<u>(110,753,569)</u>
<u>Non-operating revenues (expenses)</u>		
State appropriations	47,399,957	47,838,243
Maintenance ad valorem taxes	45,349,704	46,492,505
Debt service ad valorem taxes	22,027,384	18,895,337
Federal revenue, non-operating	40,150,985	24,743,586
Investment income (net of investment expenses)	1,649,239	2,623,573
Interest on capital related debt	(12,355,349)	(6,599,699)
Hurricane Ike expenses (net of recoveries)	620,355	169,405
Other non-operating revenues (expenses)	<u>(1,170,087)</u>	<u>(249,403)</u>
Total non-operating revenues, net (Schedule C)	<u>143,672,188</u>	<u>133,913,547</u>
Increase in net assets	13,565,468	23,159,978
Net assets, beginning of year	<u>184,738,650</u>	<u>161,578,672</u>
Net assets, end of year	<u>\$ 198,304,118</u>	<u>\$ 184,738,650</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows
Years Ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Receipts from students and other customers	\$ 39,082,491	\$ 33,794,082
Receipts of grants and contracts	10,986,076	10,416,425
Payments to suppliers for goods or services	(30,190,715)	(32,156,611)
Payments to or on behalf of employees and fellowships	(92,533,370)	(90,325,335)
Payments of scholarships	(34,231,517)	(21,052,102)
Hurricane Ike disbursements	(56,665)	(9,363,382)
FEMA proceeds	-	225,000
Insurance proceeds	677,020	3,000,000
State disaster relief appropriations	-	3,045,820
Net cash used by operating activities	<u>(106,266,680)</u>	<u>(102,416,103)</u>
<u>Cash flows from non-capital financing activities</u>		
Receipts from state appropriations	37,694,436	43,848,263
Receipts from ad valorem taxes - maintenance and operating	44,364,499	45,909,830
Receipts from non-operating Federal revenue	40,150,985	24,743,586
Payments on notes - principal	(1,225,000)	(1,225,000)
Payments on notes - interest	(240,596)	(294,970)
Net cash provided by non-capital financial activities	<u>120,744,324</u>	<u>112,981,709</u>
<u>Cash flows from capital and related financing activities</u>		
Receipts from ad valorem taxes - debt service	21,835,505	18,749,668
Purchases of capital assets	(36,931,889)	(8,272,247)
Proceeds from general obligation bonds	-	230,000,000
Payment on capital debt - principal	(14,035,000)	(12,940,000)
Payment on capital debt - interest	(12,861,098)	(719,472)
Net cash (used) provided by capital and related financing activities	<u>(41,992,482)</u>	<u>226,817,949</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale and maturities of investments	245,842,030	75,000,000
Investment income	1,617,854	2,978,806
Purchase of investments	<u>(342,819,928)</u>	<u>(107,800,710)</u>
Net cash used by investing activities	<u>(95,360,044)</u>	<u>(29,821,904)</u>
(Decrease)/Increase in cash and cash equivalents	(122,874,862)	207,561,651
Cash and cash equivalents, beginning of year	245,878,551	38,316,900
Cash and cash equivalents, end of year	<u>\$ 123,003,669</u>	<u>\$ 245,878,551</u>
<u>Reconciliation of operating loss to net cash used by operating activities</u>		
Operating loss	\$ (130,106,720)	\$ (110,753,569)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	8,815,803	7,625,931
Tax collection fee	217,690	158,462
State retirement match	2,792,061	3,989,980
State group insurance	8,913,460	-
Hurricane Ike disbursements	(56,665)	(9,363,382)
FEMA proceeds	-	225,000
Insurance proceeds	677,020	3,000,000
State disaster relief appropriations	-	3,045,820
Changes in assets and liabilities:		
Receivables, net	197,561	(1,214,604)
Deferred charges	(873,574)	16,942
Inventories	(36,289)	(13,266)
Accounts payable	4,761,972	1,055,140
Accrued liabilities	(44,915)	(893,877)
Compensated absences	36,833	(334,285)
Deferred revenues	2,439,083	1,039,605
Net cash used by operating activities	<u>\$ (106,266,680)</u>	<u>\$ (102,416,103)</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements August 31, 2010 and 2009

1. Reporting Entity

San Jacinto Community College District (the College) was established in 1960, in accordance with the laws of the State of Texas, to serve the educational needs of the Taxing Entity and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and Federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting guidelines

The basic financial statements of the College are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. The College is reported as a special government engaged in business-type activities. The basic financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The significant accounting policies followed by the College in preparing these basic financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Tuition discounting

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

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

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.

Budgetary data

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

Cash and cash equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The governing board has designated public funds investment pools to be cash equivalents, as the investments are redeemable on demand.

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 physical plant supplies. Inventories are valued at cost on a first in, first out basis and are charged to expense as consumed.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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. The College annually evaluates impairment of capital assets. The College does not believe any impairment exists as of August 31, 2010 and 2009. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

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

Deferred revenues

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

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.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Classification of revenues and expenses

The College defines operating activities, for purposes of reporting on the statement of revenues, expenses, and changes in net assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all College expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, ad valorem taxes, Federal Title IV financial aid funds, 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, 2010 and 2009.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

3. Authorized Investments

The Board of Trustees of the College has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). The investments of the College are in compliance with the Board of Trustees' investment policy and the Public Funds Investment Act. Such investments include (1) obligations of the United States and its agencies, (2) directed obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit and, (5) other instruments and obligations authorized by statute.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

4. **Deposits and Investments**

Cash and deposits included on Exhibit 1, Statement of Net Assets, consist of the items reported below, as of August 31:

	Cash and Deposits	
	2010	2009
Cash and cash equivalents:		
Petty cash on hand	\$ 44,380	\$ 42,876
Investment pools	84,374,413	225,574,065
Money market	38,114,133	17,584,984
Sub total cash and cash equivalents	\$ 122,532,926	\$ 243,201,925
Bank deposits - demand deposits	470,743	2,676,626
Total cash and deposits, August 31	\$ 123,003,669	\$ 245,878,551

Reconciliation of Cash, Deposits and Investments to Exhibit 1

	Market Value	
	2010	2009
U.S. government securities	\$ 172,775,922	\$ 76,179,171
Certificates of deposit	13,084,928	12,842,030
Total investments	\$ 185,860,850	\$ 89,021,201
Total cash, deposits and investments	\$ 308,864,519	\$ 334,899,752
Exhibit 1 - cash, cash equivalents and investments:		
Cash and cash equivalents - current and noncurrent	\$ 123,003,669	\$ 245,878,551
Investments - short term and long term	185,860,850	89,021,201
Total cash, cash equivalents and investments	\$ 308,864,519	\$ 334,899,752

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

As of August 31, the College had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Weighted Average Moody's (Days)</u>	<u>Rating</u>
	<u>Fair Value</u>	<u>Maturity Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>		
<u>2010</u>						
Fannie Mae:						
US Domestic Multi Step Coupon Bonds Structured Note	\$ 9,990,625	\$ -	\$ -	\$ 9,990,625	35.18	Aaa
Federal Home Loan Bank:						
US Domestic Multi Step Coupon Bonds Structured Note Series 1	58,743,980	-	58,743,980	-	113.97	Aaa
US Domestic Bonds Multi Step CPN Bond Series 5 Structured Note	5,001,562	-	-	5,001,562	12.27	Aaa
US Domestic Bonds Structured Note Multi Step Coupon Bond	28,000,000	-	28,000,000	-	62.74	Aaa
Freddie Mac:						
Domestic MTN Notes	1,017,585	1,017,585	-	-	0.73	Aaa
Global Unsecured Structured Note Multi Step Coupon Bond	15,009,540	-	15,009,540	-	29.48	Aaa
Structured Note MS Coupon Bond	15,003,420	-	15,003,420	-	28.60	Aaa
US Domestic MTN Multi Step Coupon Bond Structured Note	40,009,210	-	40,009,210	-	82.51	Aaa
Certificates of Deposit	<u>13,084,928</u>	<u>13,084,928</u>	<u>-</u>	<u>-</u>	<u>5.76</u>	
Totals	<u>\$ 185,860,850</u>	<u>\$ 14,102,513</u>	<u>\$ 156,766,150</u>	<u>\$ 14,992,187</u>	<u>371.24</u>	
<u>2009</u>						
Fannie Mae US Domestic Multi Step Coupon Bond	\$ 4,996,875	\$ -	\$ -	\$ 4,996,875	14.43	Aaa
Fannie Mae US Domestic Notes Multi Step Coupon Structured Bonds	15,021,875	-	15,021,875	-	34.19	Aaa
Federal Home Loan Bank US Domestic Bonds Multi Step Coupon Structured Bonds	35,090,630	-	25,067,190	10,023,440	72.49	Aaa
Federal Home Loan Bank Structured Note Multi Step Coupon Bonds	5,009,375	-	5,009,375	-	13.22	Aaa
Federal Home Loan Bank US Domestic Structured Note Multi Step Coupon Bond	15,023,445	-	15,023,445	-	34.42	Aaa
Freddie Mac Domestic MTN Notes	1,036,971	-	1,036,971	-	1.76	Aaa
Certificates of Deposit	<u>12,842,030</u>	<u>12,842,030</u>	<u>-</u>	<u>-</u>	<u>8.04</u>	
Totals	<u>\$ 89,021,201</u>	<u>\$ 12,842,030</u>	<u>\$ 61,158,856</u>	<u>\$ 15,020,315</u>	<u>178.55</u>	

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Interest rate risk

In order to limit interest and market rate risk from changes in interest rates, the College's adopted Investment Policy (the Policy) sets a maximum maturity of three (3) years. The operating funds have a dollar weighted average maturity (WAM) limit of 365 days and debt service funds have a maximum WAM of six (6) months.

During 2010 and 2009, the portfolio contained no investment maturing beyond three (3) years and the dollar weighted average maturity of the total portfolio was 372 days and 179 days as of August 31, 2010 and 2009, respectively.

Credit risk

State law and the Policy restrict time and demand deposits to those fully collateralized by obligations of the United States Government or its agencies or instrumentalities or FDIC insured from eligible depositories (banks) doing business in Texas. By the Policy, certificates of deposit are limited to maturities not exceeding one (1) year and are further collateralized to 102% with pledged securities, and all collateral is to be held by an independent custodian. The bank is contractually liable for monitoring and maintaining the collateral margins.

State law and the Policy limit repurchase agreements to primary dealers. The Policy requires an industry standard written master repurchase agreement, independent safekeeping of collateral, and a 102% margin on collateral. Repurchase agreements are limited to a maximum maturity of ninety (90) days except for flex repurchase agreements which are restricted by the Policy to be used only with bond funds and are required to match the expenditure plan of the bond proceeds.

Commercial paper is restricted by state law and the Policy to dual rated A1/P1 paper. The Policy restricts all commercial paper to a maximum maturity of six months to stated maturity.

Constant dollar, local government investment pools, as defined by state law (2256.016) and approved by the Policy are authorized investments. By state law all local government pools are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

Neither state law nor the Policy require SEC registered money market funds to be rated.

Concentration of credit risk

The Policy requires diversification on all authorized investment types which are monitored on at least a monthly basis. The Policy requires the following diversifications:

<u>Type of Investment</u>	<u>Maximum % of Portfolio</u>
Constant Dollar Pools	100 %
US Treasury Obligations	90 %
US Agency Obligations	85 %
Repurchase Agreements	75 %
Commercial Paper	25 %

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

As of August 31, 2010:

U.S. Government securities represented 55.94%; investment pools and money market accounts represented 39.66%; and insured or collateralized certificates of deposit represented 4.24% of the investment portfolio.

As of August 31, 2009:

Investment pools and money market accounts represented 72.61%; U.S. Government securities represented 22.75%; and insured or collateralized certificates of deposit represented 3.8% of the investment portfolio.

Custodial credit risk

To control custody risk, state law and the College's adopted Investment Policy require collateral for all time and demand deposits and repurchase agreements with securities transferred only on a delivery versus payment basis and held by an independent party approved by the College and held in the College's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions and position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% (with 110% on mortgaged-backed securities), and transactions are required to be executed under a written agreement. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of August 31, 2010:

The portfolio contained two fully insured certificates of deposit with a combined book value of \$13,084,928. The Portfolio did not contain any repurchase agreements. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

Portfolio disclosure as of August 31, 2009:

The portfolio contained four fully insured certificates of deposit with a combined book value of \$12,842,030. The Portfolio did not contain any repurchase agreements. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

5. **Disaggregation of Receivables and Payables Balances**

Accounts receivable consist of the following at August 31:

	<u>2010</u>	<u>2009</u>
Tuition and fees receivables	\$ 16,984,276	\$ 15,564,194
Federal receivables	1,486,205	1,351,858
State and local receivables	1,109,234	721,873
Interest receivable	345,061	175,427
Other receivables	1,466,061	4,062,480
Less allowance for doubtful accounts	<u>(4,547,746)</u>	<u>(5,004,814)</u>
Total	<u>16,843,091</u>	<u>16,871,018</u>
Property tax receivable	3,962,553	3,395,767
Less allowance for doubtful accounts	<u>(251,380)</u>	<u>(643,988)</u>
Total	<u>3,711,173</u>	<u>2,751,779</u>
Total accounts receivables, net	<u>\$ 20,554,264</u>	<u>\$ 19,622,797</u>

Accounts payable and accrued liabilities consist of the following at August 31:

	<u>2010</u>	<u>2009</u>
Vendors payable	\$ 11,984,642	\$ 8,093,545
Students payable	198,156	235,246
Other payables	1,257,022	349,057
Benefits payable	269,755	314,670
Accrued interest payable	<u>529,112</u>	<u>1,129,382</u>
Total accounts payable and accrued liabilities	<u>\$ 14,238,687</u>	<u>\$ 10,121,900</u>

6. **Capital Assets**

Capital assets activities for the years ended August 31:

	<u>2010</u>			<u>Balance August 31, 2010</u>
	<u>Balance September 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	
Not depreciated:				
Land	\$ 6,427,404	\$ 979,160	\$ -	\$ 7,406,564
Construction in progress	<u>6,206,068</u>	<u>32,686,570</u>	<u>16,115,573</u>	<u>22,777,065</u>
Total not depreciated	<u>12,633,472</u>	<u>33,665,730</u>	<u>16,115,573</u>	<u>30,183,629</u>
Other capital assets:				
Buildings	160,570,144	12,048,859	3,442,756	169,176,247
Land improvements	25,650,157	5,150,342	50,750	30,749,749
Furniture, equipment and vehicles	15,017,064	1,659,424	2,003,275	14,673,213
Telecommunications and computer peripheral equipment	12,979,954	893,794	515,811	13,357,937
Library books	<u>6,595,503</u>	<u>391,360</u>	<u>271,033</u>	<u>6,715,830</u>
Total depreciated	<u>220,812,822</u>	<u>20,143,779</u>	<u>6,283,625</u>	<u>234,672,976</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Less accumulated depreciation:				
Buildings	52,205,634	3,843,028	1,192,954	54,855,708
Land improvements	9,726,362	1,185,566	543,696	10,368,232
Furniture, equipment and vehicles	11,747,266	710,030	2,343,808	10,113,488
Telecommunications and computer peripheral equipment	10,819,152	757,282		11,576,434
Library books	<u>4,146,933</u>	<u>319,897</u>	<u>271,033</u>	<u>4,195,797</u>
Total accumulated depreciation	<u>88,645,347</u>	<u>6,815,803</u>	<u>4,351,491</u>	<u>91,109,659</u>
Net capital assets	<u>\$ 144,800,947</u>	<u>\$ 46,993,706</u>	<u>\$ 18,047,707</u>	<u>\$ 173,746,946</u>

	2009			
	Balance September 1, 2008	Increase	Decrease	Balance August 31, 2009
Not depreciated:				
Land	\$ 6,427,404	\$ -	\$ -	\$ 6,427,404
Construction in progress	<u>2,933,996</u>	<u>8,596,174</u>	<u>5,324,102</u>	<u>6,206,068</u>
Total not depreciated	<u>9,361,400</u>	<u>8,596,174</u>	<u>5,324,102</u>	<u>12,633,472</u>
Other capital assets:				
Buildings	158,860,805	2,230,380	521,041	160,570,144
Land improvements	24,425,176	1,224,981	-	25,650,157
Furniture, equipment and vehicles	14,155,729	861,335	-	15,017,064
Telecommunications and computer peripheral equipment	12,688,970	290,984	-	12,979,954
Library books	<u>6,856,690</u>	<u>392,494</u>	<u>653,681</u>	<u>6,595,503</u>
Total depreciated	<u>216,987,370</u>	<u>5,000,174</u>	<u>1,174,722</u>	<u>220,812,822</u>
Less accumulated depreciation:				
Buildings	48,662,139	3,815,134	271,639	52,205,634
Land improvements	8,597,496	1,128,866	-	9,726,362
Furniture, equipment and vehicles	10,761,449	985,817	-	11,747,266
Telecommunications and computer peripheral equipment	9,364,512	1,454,640	-	10,819,152
Library books	<u>4,559,140</u>	<u>241,474</u>	<u>653,681</u>	<u>4,146,933</u>
Total accumulated depreciation	<u>81,944,736</u>	<u>7,625,931</u>	<u>925,320</u>	<u>88,645,347</u>
Net capital assets	<u>\$ 144,404,034</u>	<u>\$ 5,970,417</u>	<u>\$ 5,573,504</u>	<u>\$ 144,800,947</u>

7. Construction Commitments

The College has entered into construction commitments for various projects including the renovation of facilities and the construction of buildings. At August 31, 2010 and 2009, the outstanding commitment under construction contracts for facilities and other projects are approximately \$22,470,868 and \$18,082,500, respectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

8. **Noncurrent Liabilities**

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

	2010				
	Balance September 1, <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	Balance August 31, <u>2010</u>	<u>Current Portion</u>
Bonds payable- general obligation bonds	\$281,921,694	\$ -	\$14,264,517	\$ 267,657,177	\$ 10,539,512
Notes payable- general obligation notes	6,295,000	-	1,225,000	5,070,000	690,000
Accrued compensable absences and deferred compensation	<u>2,647,214</u>	<u>94,997</u>	<u>58,164</u>	<u>2,684,047</u>	<u>338,766</u>
Total	<u>\$290,863,908</u>	<u>\$ 94,997</u>	<u>\$15,547,681</u>	<u>\$ 275,411,224</u>	<u>\$ 11,568,278</u>

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

	2009				
	Balance September 1, <u>2008</u>	<u>Increase</u>	<u>Decrease</u>	Balance August 31, <u>2009</u>	<u>Current Portion</u>
Bonds payable - general obligation bonds	\$ 58,470,742	\$ 236,431,694	\$12,980,742	\$ 281,921,694	\$ 12,446,175
Notes payable - general obligation notes	7,520,000	-	1,225,000	6,295,000	1,225,000
Accrued compensable absences and deferred compensation	<u>2,981,499</u>	<u>433,989</u>	<u>768,274</u>	<u>2,647,214</u>	<u>380,263</u>
Total	<u>\$ 68,972,241</u>	<u>\$236,865,683</u>	<u>\$14,974,016</u>	<u>\$ 290,863,908</u>	<u>\$ 14,051,438</u>

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:

General Obligation Bonds	<u>2010</u>	<u>2009</u>
Limited Tax General Obligation Bonds, Series 2001, to construct, improve, renovate, and equip facilities. Issued November 5, 2001, in the amount of \$40,000,000. Tax supported bonds. Interest rates range from 4.00% to 5.00%. Due February 2011.	\$ 1,460,000	\$ 2,870,000
Limited Tax General Obligation Bonds, Series 2003, to construct, improve, renovate, and equip facilities. Issued January 31, 2003, in the amount of \$6,560,000. Tax supported bonds. Interest rates range from 3.50% to 5.00%. Due February 2031.	3,405,000	3,595,000
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.	15,490,000	16,540,000
Limited Tax General Obligation Building and Refunding Bonds, Series 2007, to refund 2001 General Obligation Bonds, to construct, improve, renovate, and equip facilities. Issued May 1, 2007, in the amount of \$24,620,000. Tax supported bonds. Interest rates range from 4.00% to 5.00%. Due February 2033.	18,805,865	19,608,646
Limited Tax Refunding Bonds, Series 2008, to refund 2000 General Obligation Bonds. Issued March 19, 2008, in the amount of \$12,700,000. Tax supported bonds. Interest rates range from 3.00% to 5.00%. Due February 2025.	12,736,932	12,869,893
Limited Tax General Obligation Bonds, Series 2008A, to construct and equip school buildings in the system, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements, technology infrastructure, and for the purchase of necessary sites. Issued September 1, 2008, in the amount of \$80,000,000. Tax supported bonds. Interest rates range from 3.250% to 5.000%. Due February 2038.	60,963,012	71,475,831
Limited Tax General Obligation Bonds, Series 2009, to construct and equip school buildings in the system, including instructional facilities, academic support facilities, administrative support facilities, plant system replacements, technology infrastructure, and for the purchase of necessary sites. Issued July 15, 2009, in the amount of \$150,000,000. Tax supported bonds. Interest rates range from 3.500% to 5.000%. Due February 2039.	154,796,368	154,962,324

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

<u>Maintenance Tax Note</u>	<u>2010</u>	<u>2009</u>
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.	-	650,000
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.	<u>5,070,000</u>	<u>5,645,000</u>
Total bonds and notes payable	<u>\$272,727,177</u>	<u>\$288,216,694</u>

10. Debt Obligations

Debt service requirements as of August 31, 2010 were as follows:

<u>Year Ending August 31</u>	<u>General Obligation Bonds/Notes</u>		<u>Total Bonds</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 11,229,518	\$ 12,162,023	\$ 23,391,541
2012	15,594,518	11,654,876	27,249,394
2013	11,254,518	11,157,399	22,411,917
2014	9,704,518	12,557,027	22,261,545
2015	9,789,518	14,331,385	24,120,903
2016-2020	40,082,590	46,525,619	86,608,209
2021-2025	42,870,108	38,289,578	81,159,686
2026-2030	35,547,785	29,023,106	64,570,891
2031-2035	53,824,125	17,731,822	71,555,947
2036-2039	<u>42,829,979</u>	<u>4,105,628</u>	<u>46,935,607</u>
Total	<u>\$ 272,727,177</u>	<u>\$ 197,538,463</u>	<u>\$ 470,265,640</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

11. Pledged Revenue Coverage

The College has pledged a portion of maintenance and operating tax revenues for repayment of 2001 and 2003 Maintenance Tax Notes as detailed in Note 9. The period covered is from fiscal year 2002 to fiscal year 2022.

Fiscal Year Ended August 31	Total Maintenance and Operating Tax Recognized	Amount of Pledged Revenue			Percent of M&O Taxes Recognized to Total Pledged
		Principal	Interest	Total	
		2002	\$ 25,717,675	\$ -	
2003	26,355,326	500,000	161,131	661,131	2.5085%
2004	29,827,208	2,460,000	510,467	2,970,467	9.9589%
2005	30,668,749	1,290,000	450,370	1,740,370	5.6747%
2006	33,439,538	1,495,000	400,501	1,895,501	5.6684%
2007	37,666,186	510,000	364,018	874,018	2.3204%
2008	42,518,691	1,225,000	330,146	1,555,146	3.6576%
2009	46,492,505	1,225,000	284,065	1,509,065	3.2458%
2010	45,349,704	1,225,000	240,596	1,465,596	3.2318%
2011-2022	-	5,070,000	1,451,604	6,521,604	
Total	\$ 318,035,582	\$ 15,000,000	\$ 4,300,724	\$ 19,300,724	

12. Refunding Bonds

On April 1, 2008, the College issued \$12,700,000 of Limited Tax Refunding Bonds, Series 2008. The bonds mature serially through February 2025. The interest rates range from 3.000% to 5.000%. The Bonds are to refund the variable rate Limited Tax General Obligation Bonds, Series 2000. The par value of the refunding bonds was \$12,700,000 with a reoffering premium of \$304,487.

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$13,080,983. The aggregate debt service payments of the refunded bonds of \$24,065,689 is \$2,495,905 less than the aggregate debt service payments of the refunding bonds of \$21,569,784. The net present value of the refunding transaction is \$1,554,032 or 12.236%.

13. Defeased Bonds Outstanding

For the fiscal years ended August 31, 2010 and 2009, the College had the following defeased bonds outstanding:

Bond Issue	Year Refunded	Par Value Outstanding	
		2010	2009
Limited Tax General Obligation Bonds, Series 2001	2007	\$ 28,950,000	\$ 28,950,000

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

14. Unrestricted Net Assets

The College designates a portion of unrestricted net assets to indicate management's tentative plans for future use of financial resources. At August 31, 2010, the College designated \$50 million of accumulated unrestricted net assets comprised of \$25 million for business continuity and emergency recovery and another \$25 million for repair and renovation of facilities. At August 31, 2009, the College designated \$25 million of unrestricted net assets for deferred maintenance and repairs, and enhancements to technology and education.

15. Operating Lease Commitments and Rental Agreements

The College leases computers, office space, bowling alley facilities, storage space, copiers, and mailing equipment. The following operating lease commitments requiring future minimum annual rental payments for years ending August 31 are as follows:

Year Ending <u>August 31,</u>	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 986,922
2011	2,109,077	1,314,884
2012	1,296,396	1,289,745
2013	600,836	555,535
2014	201,798	133,352
2015	<u>20,539</u>	<u>53,364</u>
Total	\$ <u>4,228,646</u>	\$ <u>4,333,802</u>

Computer leases permit automatic renewal at three-month intervals and must be terminated in writing no less than ninety days prior to the end of the lease term. The leases have term expiration dates ranging from 2011 to 2013. In the event sufficient funds are not appropriated for subsequent fiscal years, the leases may be terminated by providing written notice sixty days prior to the end of the current fiscal year period in effect. Leases include purchase options at the end of the lease term at fair market value.

Office space leases have term expiration dates ranging from 2012 to 2015. Each agreement contains an escalation clause allowing the landlord to allocate additional direct costs related to the operation of the leased sites, with the exception of the Galena Park Resource and Training Center leases. Leases currently in effect contain options to renew and allow for subleasing property with landlord's written consent, with the exception of the Galena Park Resource and Training Center leases.

Bowling alley facilities leases expire in 2011 with renewal options of two one-year time periods. The contracts allow for termination by giving thirty days notice in writing. The agreements contain exhibits detailing specific per student rates for each semester.

The lease for record storage space permits automatic renewal every twelve months unless written notice is given at least ninety days in advance. Additional per box charges and service rates apply in addition to a flat monthly rental fee.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The lease for storage space is based on a monthly term with a requirement of thirty days written notice before the contract can be terminated.

Leases for copiers and mailing equipment have term expiration dates ranging from 2012 to 2014. Monthly rental fees are based on model and number of units leased.

Operating expenses include \$1,752,325 and \$986,922 of lease payments paid during fiscal years 2010 and 2009, respectively.

16. Employees' Retirement Plan

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).

Teacher Retirement System of Texas

Plan Description. The College contributes to TRS, a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from <http://www.ers.state.tx.us/>, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The State funding policy is as follows: (1) The State constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a State contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A State statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.644% for January 2010 through August 2010 and 6.4% September 2009 through December 2009 and for fiscal years 2009 and 2008 the State contribution rate was 6.58% and 6.65%, respectively. In certain instances the College is required to make all or a portion of the State's contribution for fiscal years 2010, 2009, and 2008.

Optional Retirement Plan (ORP)

Plan Description. 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 individual annuity contracts and operates under the provisions of Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The percentage of participant salaries currently contributed by the State and each participant are 6.4%, 6.58% and 6.65%, respectively, for fiscal years 2010, 2009, and 2008. The College contributed 2.1%, 1.92%, or 1.85% for fiscal years 2010, 2009, and 2008, respectively, 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, neither the State nor the College has any additional or unfunded liability for this program.

The retirement expense related to TRS and ORP contributions paid by the State for the College was \$4,108,280, \$3,989,980 and \$3,717,228 for the fiscal years ended August 31, 2010, 2009, and 2008, respectively. This amount represents the portion of expended appropriations made by the State legislature on behalf of the College. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period. The total payroll for all College employees was \$82,796,028, \$76,126,461, and \$75,143,132 for fiscal years 2010, 2009, and 2008, respectively. The total payroll of employees covered by the State for TRS was \$42,548,465, \$39,473,463, and \$34,599,616 and the total payroll of employees covered by the State for ORP was \$21,142,154, \$21,158,879, and \$21,893,206 for fiscal years 2010, 2009, and 2008, respectively. See Schedules B and C.

17. 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 were \$343, \$331, and \$338 per month for the years ended August 31, 2010, 2009, and 2008, respectively. The State's cost of providing those benefits for 1,108 active employees was \$4,558,277 and 436 retirees was \$2,355,183, for a total State funded amount of \$6,913,460 for the year ended August 31, 2010. The State's cost of providing those benefits for 1,171 active employees was \$4,656,475 and 417 retirees was \$2,068,771 for a total State funded amount of \$6,725,246 for the year ended August 31, 2009. The State's cost of providing those benefits for 1,192 active employees was \$4,835,969 and for 398 retirees was \$1,981,819, for a total State funded amount of \$6,817,788 for the year ended August 31, 2008. The amounts represent the portion of expended appropriations made by the State Legislature on behalf of the College. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period. See Schedules B and C.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The following table provides a breakdown of the total premiums paid by fiscal year:

Fiscal Year Ended August 31,	State Paid	%	College Paid	%	Employee Paid	%	Total Annual Premiums
2010	\$ 6,913,460	50.78%	\$ 5,164,773	37.93%	\$ 1,536,978	11.29%	\$ 13,615,211
2009	\$ 6,725,246	52.52%	\$ 4,320,467	33.74%	\$ 1,759,089	13.74%	\$ 12,804,802
2008	\$ 6,817,788	56.09%	\$ 3,718,457	30.59%	\$ 1,617,769	13.31%	\$ 12,154,014

The Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, has been issued and is effective for the fiscal years ended August 31, 2010, 2009, and 2008. The following information is provided to comply with the requirements of the new statement.

Plan Description. The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing multiple-employer, defined benefit post-employment healthcare plan administered by the Employees Retirement System of Texas (ERS). These medical benefits are provided to retired employees of participating universities, community colleges, and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution. The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement No. 45. The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to the plan for the years ended August 31 are detailed in the table above and equal the required contributions each year.

The Board of Trustees approved a provision in a former Chancellor's contract in 2007 to pay an annual premium of \$7,685 for twenty years through July of 2026 to provide for a \$500,000 term life insurance policy. The insured has the discretion to name the beneficiary. The College is current on the premium payments as of August 31, 2010 and 2009.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

18. 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 200 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 \$1,050,317 and \$895,039 as of August 31, 2010, and 2009, respectively.

The College provides retirement incentive pay for unused sick days accumulated prior to August 1, 1988. 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, 1988. The College recognized for those employees who qualify for retirement incentive pay an accrued liability of \$1,553,730 and \$1,688,842 as of August 31, 2010 and 2009, respectively.

Effective August 1, 1988, 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.

As of August 31, 2010, the College recognized an expense of \$548,313 related to the Board approved early exit program for 2010.

19. Deferred Compensation

The College has established a deferred compensation plan under which selected executives may elect to defer a portion of their earnings for tax and investment purposes pursuant to authority granted in Government Code 609.001. As of August 31, 2010, the College had eight employee participants and an accrued liability of \$80,000. As of August 31, 2009, the College had seven employee participants and an accrued liability of \$63,333. Payment to a third-party provider on behalf of the participants is paid in October.

20. Self-Insured Plans

The College provides workers' compensation insurance through a partially self-funded risk pool. An accrued liability in the amount of \$271,983 and \$315,388 as of August 31, 2010 and 2009, 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 limitation.

<u>Liability for Estimated Claims</u>	<u>2010</u>	<u>2009</u>
Beginning Balance, September 1	\$ 315,388	\$ 457,217
Claims incurred and changes in estimates	195,114	(26,993)
Payments on claims	<u>(238,519)</u>	<u>(114,836)</u>
Ending Balance, August 31	\$ <u>271,983</u>	\$ <u>315,388</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

21. 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:

	2010	2009
Assessed valuation of the College:	\$47,500,386,677	\$47,918,939,586
Less: Exemptions	(8,333,504,537)	(8,436,860,386)
Less: Abatements	-	-
Net assessed valuation of the College	\$39,166,882,140	\$39,482,079,200

	2010			2009		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.20000	\$ 0.50000	\$ 0.70000	\$ 0.20000	\$ 0.50000	\$ 0.70000
Assessed tax rate per \$100 valuation (Maximum per Enabling legislation)	\$ 0.114293	\$0.056507	\$ 0.170800	\$ 0.115927	\$0.047484	\$0.163411

Taxes levied for the years ended August 31, 2010 and 2009, amounted to \$66,897,035 and \$64,518,060, 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.

	2010			2009		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Taxes collected for the year						
Current taxes	\$ 43,329,909	\$21,325,932	\$64,655,841	\$44,245,449	\$ 18,093,132	\$62,338,581
Delinquent taxes	640,359	315,400	955,759	1,093,490	427,203	1,520,693
Penalties and interest	394,231	194,173	588,404	570,891	229,333	800,224
Total collections	\$ 44,364,499	\$21,835,505	\$66,200,004	\$45,909,830	\$ 18,749,668	\$64,659,498

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Tax collections for the years ended August 31, 2010 and 2009, were 96.65 percent and 96.62 percent, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and operations and/or general obligation debt service.

22. Federal and State Contract and Grant Awards

Federal and State contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audit of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedules A and C. For Federal and State contract and grant awards, funds expended, but not collected, are included in Accounts Receivables on Exhibit 1. Federal and State 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. Federal and State contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2010 and 2009 for which monies have not been received nor funds expended, totaled \$44,148,626 and \$21,234,177, respectively. Of these amounts, \$37,676,993 and \$18,892,970 were from Federal contract and grant awards; \$6,471,633 and \$2,341,207 were from State contract and grant awards for the fiscal years ended August 31, 2010 and 2009, respectively.

23. Contingent Liabilities

Pending lawsuits and claims

As of August 31, 2010, the College is a defendant in various legal actions. 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.

24. 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 paid grants of \$1,038,317 and \$1,146,297 to the College's students and programs during the years ended August 31, 2010 and 2009, respectively. The College furnished certain services, such as office space, utilities, and staff assistance, to the Foundation. The cost of these un-reimbursed services was \$434,071 and \$368,769 for the fiscal years ended August 31, 2010 and 2009, respectively. The financial position of the Foundation is not significant to the College; therefore, it is not included in the College's basic financial statements.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

25. Recent Accounting Pronouncements - Governmental Accounting Standards Board

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement became effective for fiscal periods beginning after December 15, 2007. The College has not incurred costs or obligations associated with pollution cleanup efforts as of August 31, 2010 and 2009.

The GASB has issued Statement No. 50, *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of the new statement became effective for fiscal periods beginning after June 15, 2007, except for the requirement for plans that use the aggregate actuarial cost method to present a schedule of funding progress using the entry age actuarial cost method which is effective for the actuarial valuations as of June 15, 2007. The College does not have any contractual liabilities related to pension plans as of August 31, 2010 and 2009, respectively, from implementation of this statement.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of the new statement are effective for fiscal periods beginning after June 15, 2009. The College does not have any intangible assets that meet the requirement of this statement.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new statement are effective for financial statements for periods beginning after June 15, 2009. The College does not invest in derivative instruments.

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes the accounting and financial reporting requirements for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. Management of the College is considering the effects of this new standard, application will first be applied in the fiscal year 2011 financial statements, and management does not believe statement will have a material effect to the College.

The GASB has issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The College has not petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The GASB has issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this new statement are effective for financial statements for periods beginning after June 15, 2010. Management of the College is considering the effects of this new standard, which will be applied in the fiscal year 2011 financial statements, and management does not believe this standard will have a material effect to the College.

26. Subsequent Events

Management has evaluated subsequent events through December 13, 2010, the date which the financial statements were available to be issued.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Operating Revenues
Year Ended August 31, 2010
(With Memorandum Totals for the Year Ended August 31, 2009)

	2010				2009	
	Educational Activity		Total Educational Activity	Auxiliary Enterprises	Total	Total
	Unrestricted	Restricted				
Tuition						
State funded courses:						
In-district resident tuition	\$ 10,000,682	\$ -	\$ 10,000,682	\$ -	\$ 10,000,682	\$ 8,553,521
Out-of-district resident tuition	13,560,584	-	13,560,584	-	13,560,584	12,214,344
Non-resident tuition	2,639,193	-	2,639,193	-	2,639,193	2,783,092
TPEG-credit (set aside) *	853,716	-	853,716	-	853,716	768,753
State funded non credit continuing education courses	3,090,834	-	3,090,834	-	3,090,834	3,338,098
TPEG-non-credit (set aside) *	121,953	-	121,953	-	121,953	156,216
Non-state funded educational programs	1,272,843	-	1,272,843	-	1,272,843	1,505,301
Total tuition	<u>31,539,805</u>	<u>-</u>	<u>31,539,805</u>	<u>-</u>	<u>31,539,805</u>	<u>29,319,325</u>
Fees						
General service	8,791,987	-	8,791,987	-	8,791,987	7,912,414
Incidental	727,337	-	727,337	-	727,337	213,679
Instructional	1,962,469	-	1,962,469	-	1,962,469	1,596,136
Laboratory	785,754	-	785,754	-	785,754	674,411
Total fees	<u>12,267,547</u>	<u>-</u>	<u>12,267,547</u>	<u>-</u>	<u>12,267,547</u>	<u>10,396,640</u>
Scholarship allowances and discounts						
Remissions and exemptions - state	(374,048)	-	(374,048)	-	(374,048)	(302,732)
Remissions and exemptions - local	(1,057,954)	-	(1,057,954)	-	(1,057,954)	(837,376)
Scholarship allowances	(452,200)	-	(452,200)	-	(452,200)	(500,914)
TPEG awards	(337,199)	-	(337,199)	-	(337,199)	(480,845)
Federal grants to students	(9,004,112)	-	(9,004,112)	-	(9,004,112)	(6,191,616)
State grants to students	(1,283,817)	-	(1,283,817)	-	(1,283,817)	(1,333,767)
Total scholarship allowances and discounts	<u>(12,509,330)</u>	<u>-</u>	<u>(12,509,330)</u>	<u>-</u>	<u>(12,509,330)</u>	<u>(9,647,250)</u>
Total net tuition and fees	<u>31,298,022</u>	<u>-</u>	<u>31,298,022</u>	<u>-</u>	<u>31,298,022</u>	<u>30,066,715</u>
Other operating revenues						
Federal grants and contracts	206,426	6,515,797	6,722,223	-	6,722,223	5,810,085
State grants and contracts	64,630	3,455,801	3,520,431	-	3,520,431	3,089,817
Non-governmental grants and contracts	-	1,265,130	1,265,130	-	1,265,130	1,013,841
Sales and services of educational activities	529,429	-	529,429	-	529,429	435,578
Sales and services of non-educational activities	339,714	-	339,714	-	339,714	299,669
Investment income (program restricted)	-	1,693	1,693	-	1,693	-
Total other operating revenues	<u>1,140,199</u>	<u>11,238,421</u>	<u>12,378,620</u>	<u>-</u>	<u>12,378,620</u>	<u>10,648,990</u>
Auxiliary enterprises						
Bookstores	-	-	-	1,248,069	1,248,069	1,159,048
Child care centers	-	-	-	358,538	358,538	897,250
Less child care center discounts	-	-	-	(83,783)	(83,783)	(68,835)
Food services	-	-	-	1,013,704	1,013,704	496,201
Less food service discounts	-	-	-	(108,777)	(108,777)	(90,976)
Student services/other services	-	-	-	1,327,530	1,327,530	1,275,113
Total auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,755,281</u>	<u>3,755,281</u>	<u>3,667,801</u>
Total operating revenues	<u>\$ 32,438,221</u>	<u>\$ 11,238,421</u>	<u>\$ 43,676,642</u>	<u>\$ 3,755,281</u>	<u>\$ 47,431,923</u>	<u>\$ 44,385,506</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$975,669 and \$924,969 for years ended August 31, 2010 and 2009, 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, 2010
 (With Memorandum Totals for the Year Ended August 31, 2009)

	2010				2009	
	Salaries and Wages	Benefits		Other Expenses	Total	Total
		State	Local			
<u>Unrestricted - educational activities</u>						
Instruction	\$ 46,067,542	\$ -	\$ 3,001,032	\$ 3,914,361	\$ 52,982,935	\$ 48,696,603
Public service	1,750,124	-	121,550	1,519,387	3,391,061	2,734,394
Academic support	6,162,101	-	414,022	1,440,612	8,016,735	8,302,225
Student services	7,808,663	-	560,741	1,388,738	9,758,142	8,945,929
Institutional support	12,680,183	-	2,065,784	12,731,876	27,477,843	23,616,588
Operation and maintenance of plant	3,983,166	-	1,618,100	7,826,261	13,427,527	14,162,743
Total unrestricted educational activities	<u>78,451,779</u>	<u>-</u>	<u>7,781,229</u>	<u>28,821,235</u>	<u>115,054,243</u>	<u>106,458,482</u>
<u>Restricted - educational activities</u>						
Instruction	727,618	5,981,589	233,150	504,939	7,447,296	6,895,949
Public service	506,673	377,712	45,284	125,216	1,054,885	674,304
Academic support	629,485	1,133,557	65,320	242,591	2,070,953	2,254,561
Student services	1,312,673	1,647,317	56,212	464,332	3,480,534	3,397,525
Institutional support	161,509	1,881,565	11,900	1,321,766	3,376,740	2,750,640
Scholarships and fellowships	-	-	-	34,194,427	34,194,427	21,152,384
Total restricted educational activities	<u>3,337,958</u>	<u>11,021,740</u>	<u>411,866</u>	<u>36,853,271</u>	<u>51,624,835</u>	<u>37,125,363</u>
Total educational activities	<u>81,789,737</u>	<u>11,021,740</u>	<u>8,193,095</u>	<u>65,674,506</u>	<u>166,679,078</u>	<u>143,583,845</u>
Auxiliary enterprises	1,006,291	-	219,946	2,817,525	4,043,762	3,929,299
Depreciation expense - buildings and improvements	-	-	-	5,028,594	5,028,594	4,944,000
Depreciation expense - equipment, furniture and library books	-	-	-	1,787,209	1,787,209	2,681,931
Total operating expenses	<u>\$ 82,796,028</u>	<u>\$ 11,021,740</u>	<u>\$ 8,413,041</u>	<u>\$ 75,307,834</u>	<u>\$ 177,538,643</u>	<u>\$ 155,139,075</u>
				Exhibit 2		Exhibit 2

SAN JACINTO COLLEGE DISTRICT

Schedule of Non-Operating Revenues and Expenses
 Year Ended August 31, 2010
 (With Memorandum Totals for the Year Ended August 31, 2009)

	2010			2009
	Unrestricted	Restricted	Total	Total
<u>Non-operating revenues</u>				
State appropriations:				
Education and general State support	\$ 36,378,217	\$ -	\$ 36,378,217	\$ 37,123,017
State group insurance	-	6,913,460	6,913,460	6,725,246
State retirement matching	-	4,108,280	4,108,280	3,989,980
Total State appropriations	<u>36,378,217</u>	<u>11,021,740</u>	<u>47,399,957</u>	<u>47,838,243</u>
Ad valorem taxes:				
Taxes for maintenance and operations	45,349,704	-	45,349,704	46,492,505
Taxes for general obligation bonds	-	22,027,384	22,027,384	18,895,337
Federal revenue, non-operating	102,125	40,048,860	40,150,985	24,743,586
Investment income	709,727	939,512	1,649,239	2,623,573
Total non-operating revenues	<u>82,539,773</u>	<u>74,037,496</u>	<u>156,577,269</u>	<u>140,593,244</u>
<u>Non -operating expenses</u>				
Interest on capital related debt	-	12,355,349	12,355,349	6,599,699
Hurricane Ike disbursements	56,665	-	56,665	9,363,382
FEMA proceeds	-	-	-	(2,725,000)
Insurance proceeds	(677,020)	-	(677,020)	(3,761,967)
State disaster relief appropriations	-	-	-	(3,045,820)
Loss on disposal of capital assets	1,170,087	-	1,170,087	249,403
Total non-operating expenses	<u>549,732</u>	<u>12,355,349</u>	<u>12,905,081</u>	<u>6,679,697</u>
Net non-operating revenues, net	<u>\$ 81,990,041</u>	<u>\$ 61,682,147</u>	<u>\$ 143,672,188</u>	<u>\$ 133,913,547</u>
			(Exhibit 2)	(Exhibit 2)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Net Assets by Source and Availability
Year Ended August 31, 2010

(With Memorandum Totals for the Year Ended August 31, 2009)

	Detail by Source				Total	Current Operations	
	Unrestricted	Restricted	Expendable	Capital Assets Net of Depreciation and Related Debt		Yes	No
<u>Current</u>							
Unrestricted -							
Non-designated	\$ 19,581,146	\$ -	\$ -	\$ -	\$ 19,581,146	\$ -	\$ -
Board designated:							
Business continuity and emergency recovery	25,000,000	-	-	-	25,000,000	-	25,000,000
Repair and renovation of facilities	25,000,000	-	-	-	25,000,000	-	25,000,000
Restricted	-	1,533,284	-	-	1,533,284	-	1,533,284
Auxiliary	14,773,181	-	-	-	14,773,181	14,773,181	-
<u>Plant</u>							
Unexpended bond proceeds	-	11,323,672	-	-	11,323,672	-	11,323,672
Debt service	-	3,090,752	-	-	3,090,752	-	3,090,752
Investment in plant	-	-	-	98,002,083	98,002,083	-	98,002,083
Total net assets, August 31, 2010	84,354,327	15,947,708	198,304,118	98,002,083	34,354,327	163,949,791	
Total net assets, August 31, 2009	89,115,489	14,806,821	184,738,650	80,816,340	64,115,489	120,623,161	
Net (decrease) increase in net assets	\$ (4,761,162)	\$ 1,140,887	\$ 17,185,743	\$ 13,565,468	\$ (29,761,162)	\$ 43,326,630	

Exhibit 2

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statistical Section

Statistical
Supplements

Financial Trends	1 - 3
These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.	
Revenue Capacity	4 - 8
These schedules contain trend information to help the reader assess the factors affecting the College's ability to generate property taxes, tuition, grants, and other revenue.	
Debt Capacity	9 - 11
The debt capacity information will assist the reader in understanding and assessing the College's debt burden and ability to issue debt.	
Demographic and Economic Information	12 - 13
The demographic and economic information is presented to assist users in understanding certain aspects of the environment in which the College operates.	
Operating Information	14 - 18
These schedules contain contextual information to help the reader assess the delivery and effectiveness of College operations.	

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Net Assets by Component
Fiscal Years 2002 to 2010
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 98,002	\$ 80,816	\$ 78,719	\$ 65,385	\$ 64,389	\$ 60,990	\$ 54,161	\$ 40,752	\$ 44,699
Restricted - expendable	15,948	14,807	5,715	10,067	13,957	9,892	27,636	10,996	1,087
Restricted - nonexpendable	-	-	-	-	12	12	12	12	12
Unrestricted	84,354	89,116	77,145	74,419	60,851	55,981	39,144	64,248	69,695
Total primary government net assets	\$ 198,304	\$ 184,739	\$ 161,579	\$ 149,871	\$ 139,209	\$ 126,875	\$ 120,953	\$ 116,008	\$ 115,493
Prior Year Change	\$ 13,565	\$ 23,160	\$ 11,708	\$ 10,662	\$ 12,334	\$ 5,922	\$ 4,945	\$ 515	

Note: Due to reporting format and definition changes prescribed by GASB Statement No. 34, only fiscal years 2002-2010 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Revenues by Source
Fiscal Years 2002 to 2010
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and fees (net of scholarship allowances and discounts)	\$ 31,298	\$ 30,069	\$ 29,220	\$ 28,361	\$ 27,358	\$ 24,446	\$ 28,868	\$ 19,667	\$ 18,619
Governmental grants and contracts:									
Federal grants and contracts	6,722	5,810	6,474	5,187	5,089	3,734	3,054	4,440	4,848
State and local grants and contracts	3,521	3,090	3,816	2,354	805	449	761	1,244	1,597
Non-governmental grants and contracts	1,285	1,014	795	831	638	783	425	962	251
Sales and services of educational activities	869	735	734	562	659	1,121	796	398	336
Auxiliary enterprises	3,755	3,668	3,581	5,748	9,463	8,154	11,299	6,931	8,658
Other operating revenues	2	-	22	43	35	26	13	281	41
Total operating revenues	<u>47,432</u>	<u>44,386</u>	<u>44,642</u>	<u>43,086</u>	<u>44,047</u>	<u>38,713</u>	<u>45,216</u>	<u>33,923</u>	<u>34,350</u>
State appropriations	47,400	47,838	47,658	44,310	43,906	41,472	41,457	42,976	44,950
Ad valorem taxes	67,377	65,388	53,316	47,231	42,073	38,777	37,984	33,848	32,897
Federal revenue, non-operating	40,151	24,744	19,511	19,763	22,629	22,646	19,802	10,766	8,564
Investment income	1,649	2,623	3,363	4,908	3,213	2,019	1,636	1,471	2,281
Total nonoperating revenues	<u>156,577</u>	<u>140,593</u>	<u>123,848</u>	<u>116,212</u>	<u>111,821</u>	<u>104,914</u>	<u>100,879</u>	<u>89,061</u>	<u>88,672</u>
Total revenues	<u>\$ 204,009</u>	<u>\$ 184,979</u>	<u>\$ 168,490</u>	<u>\$ 159,298</u>	<u>\$ 155,868</u>	<u>\$ 143,627</u>	<u>\$ 146,095</u>	<u>\$ 122,984</u>	<u>\$ 123,022</u>
Prior Year Change	\$ 19,030	\$ 16,489	\$ 9,192	\$ 3,430	\$ 12,241	\$ (2,468)	\$ 23,111	\$ (38)	
Tuition and fees (net of discounts)	15.35%	16.25%	17.38%	17.80%	17.55%	17.02%	19.76%	15.99%	15.14%
Governmental grants and contracts:									
Federal grants and contracts	3.30%	3.14%	3.85%	3.26%	3.27%	2.60%	2.09%	3.61%	3.94%
State and local grants and contracts	1.73%	1.67%	2.27%	1.48%	0.52%	0.31%	0.52%	1.01%	1.30%
Non-governmental grants and contracts	0.62%	0.55%	0.47%	0.52%	0.41%	0.54%	0.29%	0.78%	0.20%
Sales and services of educational activities	0.43%	0.40%	0.44%	0.35%	0.42%	0.78%	0.55%	0.32%	0.27%
Auxiliary enterprises	1.84%	1.98%	1.91%	3.61%	6.07%	5.68%	7.73%	5.64%	7.04%
Other operating revenues	0.00%	0.00%	0.01%	0.03%	0.02%	0.02%	0.01%	0.23%	0.03%
Total operating revenues	<u>23.27%</u>	<u>23.99%</u>	<u>26.33%</u>	<u>27.05%</u>	<u>28.26%</u>	<u>26.95%</u>	<u>30.95%</u>	<u>27.58%</u>	<u>27.92%</u>
State appropriations	23.22%	25.86%	28.35%	27.81%	28.17%	28.87%	28.38%	34.95%	36.54%
Ad valorem taxes	33.03%	35.35%	31.71%	29.65%	26.99%	27.00%	26.00%	27.52%	26.74%
Federal revenue, non-operating	19.68%	13.38%	11.61%	12.41%	14.52%	15.77%	13.55%	8.75%	6.96%
Investment income	0.80%	1.42%	2.00%	3.08%	2.06%	1.41%	1.12%	1.20%	1.84%
Total nonoperating revenues	<u>76.73%</u>	<u>76.01%</u>	<u>73.67%</u>	<u>72.95%</u>	<u>71.74%</u>	<u>73.05%</u>	<u>69.05%</u>	<u>72.42%</u>	<u>72.08%</u>
Total revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<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 2002-2010 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Program Expenses by Function
Fiscal Years 2002 to 2010
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$ 60,430	\$ 55,593	\$ 57,487	\$ 48,927	\$ 46,147	\$ 43,506	\$ 40,122	\$ 44,550	\$ 40,201
Public service	4,446	3,409	3,882	2,376	2,638	2,342	2,829	3,073	4,053
Academic support	10,088	10,557	12,486	8,978	6,514	6,143	5,870	6,667	7,026
Student services	13,239	12,343	11,830	8,108	7,724	7,619	7,199	7,660	7,284
Institutional support	30,855	26,367	25,643	29,608	27,287	24,294	25,268	23,240	21,689
Operation and maintenance of plant	13,427	14,163	14,820	14,218	12,251	12,781	10,705	9,920	10,972
Scholarships and fellowships	34,194	21,152	16,508	18,335	16,417	16,595	17,624	5,953	6,867
Auxiliary enterprises	4,044	3,929	3,656	5,832	13,107	10,137	10,181	9,608	9,048
Depreciation	6,816	7,626	6,765	6,811	6,929	6,923	7,103	2,999	3,361
Total operating expenses	<u>177,539</u>	<u>155,139</u>	<u>153,077</u>	<u>143,193</u>	<u>139,014</u>	<u>130,340</u>	<u>126,701</u>	<u>113,670</u>	<u>110,501</u>
Interest on capital related debt	12,355	6,600	3,544	3,872	3,645	3,953	3,282	3,062	1,746
Loss on disposal of capital assets	1,170	249	162	59	348	2,747	-	241	-
Other non-operating	(620)	(169)	-	1,510	526	666	6,002	5,497	3,707
Total non-operating expenses	<u>12,905</u>	<u>6,680</u>	<u>3,706</u>	<u>5,441</u>	<u>4,519</u>	<u>7,366</u>	<u>9,284</u>	<u>8,800</u>	<u>5,453</u>
Total expenses	<u>\$ 190,444</u>	<u>\$ 161,819</u>	<u>\$ 156,783</u>	<u>\$ 148,634</u>	<u>\$ 143,533</u>	<u>\$ 137,706</u>	<u>\$ 135,985</u>	<u>\$ 122,470</u>	<u>\$ 115,954</u>
Prior Year Change	\$ 28,625	\$ 5,036	\$ 8,149	\$ 5,101	\$ 5,827	\$ 1,721	\$ 13,515	\$ 6,516	
Instruction	31.73%	34.36%	36.75%	32.92%	32.15%	31.59%	29.51%	36.37%	34.67%
Public service	2.33%	2.11%	2.48%	1.60%	1.84%	1.70%	1.93%	2.51%	3.50%
Academic support	5.30%	6.53%	7.98%	6.04%	4.54%	4.46%	4.32%	5.44%	6.06%
Student services	6.95%	7.63%	7.56%	5.46%	5.38%	5.53%	5.30%	6.25%	6.28%
Institutional support	16.20%	16.29%	16.40%	19.92%	19.01%	17.64%	18.58%	18.98%	18.70%
Operation and maintenance of plant	7.06%	8.75%	9.48%	9.56%	8.53%	9.28%	7.87%	8.10%	9.46%
Scholarships and fellowships	17.96%	13.07%	11.12%	12.33%	11.44%	12.05%	12.96%	4.86%	5.92%
Auxiliary enterprises	2.12%	2.43%	1.53%	3.92%	9.13%	7.36%	7.49%	7.85%	7.80%
Depreciation	3.58%	4.71%	4.33%	4.58%	4.83%	5.03%	5.22%	2.45%	2.90%
Total operating expenses	<u>93.22%</u>	<u>95.88%</u>	<u>97.63%</u>	<u>96.33%</u>	<u>96.85%</u>	<u>94.64%</u>	<u>93.18%</u>	<u>92.81%</u>	<u>95.29%</u>
Interest on capital related debt	6.49%	4.07%	2.27%	2.61%	2.54%	2.87%	2.41%	2.50%	1.51%
Loss on disposal of capital assets	0.61%	0.15%	0.10%	0.04%	0.24%	2.00%	0.00%	0.20%	0.00%
Other non-operating	-0.32%	-0.10%	0.00%	1.02%	0.37%	0.49%	4.41%	4.49%	3.20%
Total non-operating expenses	<u>6.78%</u>	<u>4.12%</u>	<u>2.37%</u>	<u>3.67%</u>	<u>3.15%</u>	<u>5.36%</u>	<u>6.82%</u>	<u>7.19%</u>	<u>4.71%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<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 2002-2010 are available.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Academic Year (Fall)	Resident										Increase from Prior Year Out-of-District
	Fees per Semester Credit Hour (SCH)										
	Matriculation Fee	General Service Fee	In-District Tuition	Out-of-District Tuition	Technology Fees	Student Activity Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District	
2010	\$ -	135	38	63	-	-	591	891	12.36%	7.87%	
2009	-	130	33	58	-	-	526	826	-	-	
2008	-	130	33	58	-	-	526	826	-	-	
2007	-	130	33	58	-	-	526	826	7.35%	4.56%	
2006	-	130	30	55	-	-	490	790	-	-	
2005	-	130	30	55	-	-	490	790	13.16%	11.42%	
2004	15	60	22	45	6	14	433	709	-	-	
2003	15	60	22	45	6	14	433	709	16.09%	20.37%	
2002	32	7	20	38	6	14	373	589	14.07%	13.49%	
2001	32	7	18	34	5	10	327	519	24.81%	20.70%	

Academic Year (Fall)	Non-Resident										Increase from Prior Year International
	Fees per Semester Credit Hour (SCH)										
	Matriculation Fee	General Service Fee	Non-Resident Tuition Out-of-State	Non-Resident Tuition International	Technology Fees	Student Activity Fees	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year Out-of-State	Increase from Prior Year International	
2010	\$ -	135	113	113	-	-	1,491	1,491	4.56%	4.56%	
2009	-	130	108	108	-	-	1,426	1,426	-	-	
2008	-	130	108	108	-	-	1,426	1,426	-	-	
2007	-	130	108	108	-	-	1,426	1,426	38.45%	38.45%	
2006	-	130	75	75	-	-	1,030	1,030	-	-	
2005	-	130	75	75	-	-	1,030	1,030	4.57%	4.57%	
2004	15	60	68	68	6	14	985	985	-	-	
2003	15	60	68	68	6	14	985	985	15.47%	15.47%	
2002	32	7	60	60	6	14	853	853	2.65%	2.65%	
2001	32	7	60	60	5	10	831	831	5.19%	5.19%	

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

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)
2009-10	\$ 47,500,387	\$ 8,333,505	\$ 39,166,882	82.46%	0.114293	0.056507	0.170800
2008-09	47,918,939	8,436,860	39,482,079	82.39%	0.115927	0.047484	0.163411
2007-08	43,571,837	7,403,078	36,168,759	83.01%	0.115927	0.029438	0.145365
2006-07	39,245,803	7,035,225	32,210,578	82.07%	0.115927	0.029438	0.145365
2005-06	34,824,332	6,030,925	28,793,407	82.68%	0.115927	0.029438	0.145365
2004-05	31,370,541	3,928,408	27,442,133	87.48%	0.109700	0.029430	0.139130
2003-04	30,129,024	3,576,980	26,552,044	88.13%	0.109700	0.029430	0.139130
2002-03	28,882,123	3,281,633	25,600,490	88.64%	0.101280	0.029430	0.130710
2001-02	28,294,370	3,260,583	25,033,787	88.48%	0.101280	0.029430	0.130710
2000-01	26,750,533	2,811,274	23,939,259	89.49%	0.096570	0.029430	0.126000

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
Fiscal Years 2004 to 2010

(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	
2009-10	\$ 36,378	43	\$ 846	7,455	3,284	10,739	\$ 3.39
2008-09	37,123	39	952	7,191	3,097	10,288	3.61
2007-08	37,123	37	1,003	6,852	3,119	9,971	3.72
2006-07	35,203	37	951	6,781	3,148	9,929	3.55
2005-06	35,203	37	951	6,739	3,288	10,027	3.51
2004-05	32,999	37	892	6,395	3,447	9,842	3.35
2003-04	32,999	36	917	6,497	3,367	9,864	3.35

Notes: Full Time Student Equivalent (FTSE) is defined as the number of full time students plus total hours taken by part-time students divided by 12. The College previously did not present this schedule. Information is being presented for the past seven years, and the College will continue to implement prospectively.

(a) Source CBM001 for FTSE

(b) Source THECB for Appropriation per Contact Hours (Prep Online Total Contact Hours by Fund)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Principal Taxpayers
Fiscal Years 2002 to 2010
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)								
		2010	2009	2008	2007	2006	2005	2004	2003	2002
Shell Oil Co.	Refinery	\$ 1,488,769	\$ 1,877,717	\$ 2,322,379	\$ 2,259,147	\$ 2,023,449	\$ 1,535,852	\$ 1,357,730	\$ 1,583,169	\$ 1,221,891
Equistar Chemicals LP	Chemicals	848,797	732,388	1,355,749	1,237,973	-	998,731	887,592	1,035,598	1,071,895
Houston Refining	Refinery	702,549	1,101,988	1,149,523	925,293	-	-	-	-	368,605
Dow Chemical	Refinery	617,946	778,994	309,893	285,665	-	-	275,072	-	254,916
Lyondell Chemical Co.	Chemicals	592,522	550,065	878,319	842,933	1,548,825	1,125,395	649,833	1,056,866	739,259
Oxy Vinyls LP	Petrochemical	404,812	402,232	420,549	425,328	394,494	399,150	373,580	410,675	529,838
Chevron Chemical Co.	Refinery	370,234	442,781	433,345	301,017	238,414	197,235	-	-	-
Centerpoint Energy, Inc.	Energy	345,980	373,904	368,282	395,178	424,297	426,282	475,685	494,653	-
Air Liquide	Chemicals	339,915	331,289	354,719	-	-	-	-	-	-
Albemarle Corp	Chemicals	280,230	320,710	-	-	-	-	-	-	-
Rohm & Haas Co.	Petrochemical	-	-	601,731	593,949	558,543	565,260	538,652	560,545	330,957
Amoco Chemical	Chemicals	-	-	-	-	-	-	-	-	-
Calpine Central LP	Energy	-	-	-	-	229,987	412,785	308,800	-	-
Celanese LTD	Chemicals	-	-	-	-	-	-	-	288,933	326,449
Conoco Phillips	Refinery	-	-	-	416,796	-	376,933	-	480,763	-
GE Aero Energy Products	Petrochemical	-	-	-	-	-	-	-	200,424	-
GE Packaged Power	Energy	-	-	-	-	211,958	-	-	288,933	326,449
H L & P Co.	Electric Utility	-	-	-	-	-	-	-	-	368,605
Lubrizol Corp	Chemicals	-	-	-	-	-	-	-	-	-
Lyondell Citgo Ref Co LTD	Refinery	-	-	-	-	-	-	275,072	-	254,916
Phillips 66 Company	Refinery	-	-	-	-	233,513	-	364,037	-	287,977
Reliant Energy Channelview	Energy	-	-	-	-	208,486	205,189	277,296	228,000	250,000
Totals		\$ 5,999,734	\$ 6,910,048	\$ 8,192,489	\$ 7,683,279	\$ 6,067,956	\$ 6,242,632	\$ 5,781,149	\$ 6,628,559	\$ 6,331,557
Total Taxable Assessed Value		\$ 39,166,862	\$ 39,482,079	\$ 38,168,759	\$ 32,210,578	\$ 28,793,407	\$ 27,442,133	\$ 26,552,044	\$ 25,800,480	\$ 25,033,787

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year								
		2010	2009	2008	2007	2006	2005	2004	2003	2002
Shell Oil Co.	Refinery	3.80%	4.76%	6.42%	7.01%	7.03%	5.60%	5.11%	6.18%	4.88%
Houston Refining	Refinery	2.17%	2.79%	3.18%	2.87%	0.00%	0.00%	0.00%	0.00%	1.47%
Dow Chemical	Refinery	1.79%	1.87%	0.86%	0.89%	0.00%	0.00%	1.04%	0.00%	1.02%
Equistar Chemicals LP	Chemicals	1.58%	1.85%	3.75%	3.84%	0.00%	3.64%	3.34%	4.05%	4.28%
Lyondell Chemical Co.	Chemicals	1.51%	1.39%	2.43%	2.82%	5.38%	4.10%	2.45%	4.13%	2.95%
Chevron Chemical Co.	Refinery	1.03%	1.12%	1.20%	0.94%	0.83%	0.72%	0.00%	0.00%	0.00%
Oxy Vinyls LP	Petrochemical	0.95%	1.02%	1.18%	1.32%	1.37%	1.46%	1.41%	1.80%	2.12%
Centerpoint Energy, Inc.	Energy	0.88%	0.95%	1.01%	1.23%	1.47%	1.56%	1.79%	1.93%	0.00%
Air Liquide	Chemicals	0.87%	0.84%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Albemarle Corp	Chemicals	0.74%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rohm & Haas Co.	Petrochemical	0.00%	0.00%	1.68%	1.84%	1.84%	2.08%	2.02%	2.19%	1.32%
Amoco Chemical	Chemicals	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Calpine Central LP	Energy	0.00%	0.00%	0.00%	0.00%	0.78%	1.50%	1.16%	0.00%	0.00%
Celanese LTD	Chemicals	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.13%	1.30%
Conoco Phillips	Refinery	0.00%	0.00%	0.00%	1.29%	0.00%	1.37%	0.00%	1.89%	0.00%
GE Aero Energy Products	Petrochemical	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.78%	0.00%
GE Packaged Power	Energy	0.00%	0.00%	0.00%	0.00%	0.74%	0.00%	0.00%	1.13%	1.31%
H L & P Co.	Electric Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.47%
Lubrizol Corp	Chemicals	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lyondell Citgo Ref Co LTD	Refinery	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.04%	0.00%	1.02%
Phillips 66 Company	Refinery	0.00%	0.00%	0.00%	0.00%	0.81%	0.00%	1.37%	0.00%	1.15%
Reliant Energy Channelview	Energy	0.00%	0.00%	0.00%	0.00%	0.72%	0.75%	1.04%	0.89%	1.00%
Totals		15.32%	17.50%	22.65%	23.85%	21.07%	22.75%	21.77%	25.89%	25.28%

Source: Harris County Appraisal District

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

Property Tax Levies and Collections
Last Ten 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
2010	\$ 66,897	\$ -	\$ 66,897	\$ 64,656	96.65%	\$ 956	\$ 65,612	98.08%
2009	64,518	-	64,518	62,339	96.62%	1,521	63,860	98.98%
2008	52,577	-	52,577	51,215	97.41%	811	52,026	98.95%
2007	46,823	-	46,823	45,515	97.21%	1,150	46,665	99.66%
2006	41,856	-	41,856	40,729	97.31%	839	41,568	99.31%
2005	38,182	1,881	40,063	37,574	98.41%	1,335	38,909	97.12%
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%

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.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Bonded Debt:										
General obligation bonds	\$ 267,657	\$ 281,922	\$ 58,471	\$ 64,470	\$ 72,800	\$ 75,380	\$ 77,845	\$ 59,095	\$ 56,900	\$ 20,800
Notes	5,070	6,295	7,520	8,830	9,340	10,835	12,125	14,585	4,645	-
Less: funds restricted for debt service	(3,091)	(5,357)	(4,138)	(1,527)	(8,541)	(6,250)	(3,940)	(710)	(4)	-
Net general bonded debt	269,636	282,860	61,853	71,773	73,599	79,965	86,030	72,970	61,541	20,800
Revenue bonds	-	-	-	1,325	2,615	5,325	7,940	10,475	5,590	190
Notes	-	-	-	-	555	980	1,388	1,780	2,156	-
Less: funds restricted for debt service	-	-	-	(1,344)	(1,342)	(2,595)	(2,755)	-	-	-
Total outstanding debt	\$ 269,636	\$ 282,860	\$ 61,853	\$ 71,754	\$ 75,427	\$ 83,675	\$ 92,603	\$ 85,225	\$ 69,287	\$ 20,990
General Bonded Debt Ratios:										
Per Capita	\$ 545	\$ 582	\$ 134	\$ 151	\$ 171	\$ 181	\$ 191	\$ 158	\$ 134	\$ 46
Per FTSE	7,059	7,220	1,751	1,956	2,182	2,274	2,443	2,076	1,545	556
TAV	28,793,407	28,793,407	28,793,407	28,793,407	28,793,407	27,442,133	26,552,044	25,600,490	25,033,787	23,939,259
As a percentage of taxable assessed value	0.94%	0.98%	0.21%	0.25%	0.26%	0.29%	0.32%	0.29%	0.25%	0.09%
Total Outstanding Debt Ratios:										
Per Capita	\$ 542	\$ 575	\$ 126	\$ 147	\$ 157	\$ 176	\$ 197	\$ 183	\$ 151	\$ 46
Per FTSE	6,140	7,130	1,642	1,915	2,004	2,207	2,514	2,401	1,739	561
As a percentage of taxable assessed value	0.94%	0.98%	0.21%	0.25%	0.26%	0.30%	0.35%	0.33%	0.28%	0.09%

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

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Taxable Assessed Value	\$ 39,166,682	\$ 39,482,079	\$ 36,168,759	\$ 32,210,578	\$ 28,793,407	\$ 27,442,133	\$ 26,552,044	\$ 25,600,490	\$ 25,033,787	\$ 23,939,259
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 195,834	\$ 197,410	\$ 180,844	\$ 161,053	\$ 143,987	\$ 137,211	\$ 132,760	\$ 128,002	\$ 125,169	\$ 119,696
Less: funds restricted for repayment of general obligation bonds	(3,091)	(5,357)	(4,138)	(1,527)	(8,305)	(5,399)	(2,952)	(1,000)	(1,000)	(1,000)
Total net general obligation debt	192,743	192,053	176,706	159,526	135,662	131,812	129,808	127,002	124,169	118,696
Current year debt service requirements	25,625	18,590	9,138	6,843	6,488	5,731	5,492	5,544	6,546	5,428
Excess of statutory limit for debt service over current requirement	\$ 167,118	\$ 173,463	\$ 167,568	\$ 152,683	\$ 129,174	\$ 126,081	\$ 124,316	\$ 121,458	\$ 117,623	\$ 113,268
Net current requirements as a % of statutory limit	13.09%	9.42%	5.05%	4.25%	4.51%	4.18%	4.14%	4.33%	5.23%	4.53%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

* The amount of funds restricted for repayment have been estimated for Fiscal Years ended 2000 thru 2003.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Revenue Bonds		Pledged Revenues (\$000 omitted)										Debt Service Requirements (\$000 omitted)		
Fiscal Year Ended August 31	Tuition	Technology Fee	General Service/Other Fees	Laboratory Fees	Continuing or Non-Credit Education Tuition/Fees	General Fund Interest Income	Food Service Revenue	Bookstore Revenue	Total	Principal	Interest	Total	Coverage Ratio	
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2009	-	-	-	-	-	-	-	-	-	-	-	-	-	
2008	-	-	-	-	-	-	-	-	-	-	-	-	-	
2007	4,816	-	10,532	620	5,075	4,908	396	3,346	29,693	1,732	66	1,798	16.51	
2006	4,744	-	11,435	724	2,391	3,213	344	7,276	30,127	3,135	147	3,282	9.18	
2005	4,392	2,999	6,770	719	2,928	1,707	300	8,917	28,732	3,023	254	3,277	8.77	
2004	4,409	4,159	5,369	600	3,315	1,220	313	10,808	30,193	2,927	355	3,282	9.20	
2003	2,783	3,140	4,060	477	3,955	718	200	8,506	23,839	1,410	195	1,605	14.85	
2002	809	2,223	3,288	399	3,322	2,372	333	9,228	21,974	1,610	14	1,624	13.53	
2001	754	1,891	3,224	391	3,257	2,325	330	9,047	21,219	755	20	775	27.38	

Debt service requirements include revenue bonds.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Demographic and Economic Statistics - Taxing District
Last Ten Calendar Years

(Unaudited)

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income (a) (thousands of dollars)</u>	<u>District Personal Income Per Capita</u>	<u>Harris County Unemployment Rate</u>
2009	497,422	\$ 9,549,838	\$ 19,265	8.20%
2008	491,929	9,332,877	18,972	5.50%
2007	486,664	9,104,016	18,707	5.10%
2006	481,398	8,877,766	18,442	5.50%
2005	476,133	8,654,310	18,176	5.70%
2004	470,868	8,433,649	17,911	6.00%
2003	465,602	8,215,782	17,646	6.40%
2002	460,337	8,000,710	17,380	6.10%
2001	455,071	7,788,433	17,115	4.80%
2000	449,806	7,578,950	16,849	4.30%

Sources: Personal income and Population from Economic Alliance - Houston Port Region.
Unemployment rate from Texas Workforce Commission.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Principal Employers for the Service Area
Fiscal Years 2005 to 2009
(Unaudited)

Employer	Number of Employees				
	2009	2008	2007	2006	2005
United Space Alliance	10,185	6,600	3,000	3,000	3,000
Pasadena ISD	7,062	7,000	7,000	7,000	7,000
Lockheed Martin Corp	5,000	3,250	5,000	-	-
NASA Lyndon B Johnson Space Ctr	2,500	2,750	2,500	3,200	3,200
Boeing Co	2,000	2,000	2,000	-	-
Gulf Stream Marine	1,700	1,700	1,700	-	-
CHCA Clear Lake, LP	1,600	1,550	1,600	1,300	1,300
Equistar Chemicals LP	1,500	1,500	1,500	1,500	1,500
IKON Office Solutions	1,400	1,400	-	-	-
Memorial Healthcare System	1,350	1,350	1,350	1,200	1,200
Pasadena Bayshore Hospital Inc	1,200	1,350	1,500	1,200	1,200
Lyondell Chemical Co	1,200	1,200	1,200	-	-
San Jacinto College	1,200	1,200	1,200	1,200	1,200
Channelview Complex	1,200	1,200	1,200	-	-
Powell Electrical Systems Inc	1,200	1,200	1,200	-	-
International Business	1,100	1,100	-	-	-
Pasadena Paper Co	1,100	1,100	1,100	-	-
University of Houston - Clear Lake	1,092	1,100	1,092	1,200	1,200
Wyle Life Science	1,000	1,000	1,000	1,000	1,000
East Houston Regional Med Ctr	1,000	1,000	1,000	-	-
Rohm & Haas Texas Inc	1,000	1,000	1,000	1,000	1,000
Lockheed Martin Corp	1,000	1,000	1,000	-	-
Shell Chemical	1,000	1,000	1,000	-	-
Pasadena City Hall	970	1,100	1,100	-	-
Kellogg Brown & Root	-	-	-	1,700	1,700
Memorial 55 Plus	-	-	1,000	-	-
Totals	49,559	44,650	41,242	24,500	24,500

Employer	Percentage of Total Employment				
	2009	2008	2007	2006	2005
United Space Alliance	5.61%	3.86%	2.39%	4.17%	4.17%
Pasadena ISD	3.89%	3.63%	1.02%	1.79%	1.79%
Lockheed Martin Corp	2.75%	1.79%	1.71%	0.00%	0.00%
NASA Lyndon B Johnson Space Ctr	1.38%	1.51%	0.86%	1.90%	1.90%
Boeing Co	1.10%	1.10%	0.68%	0.00%	0.00%
Gulf Stream Marine	0.94%	0.94%	0.58%	0.00%	0.00%
CHCA Clear Lake, LP	0.88%	0.85%	0.55%	0.78%	0.78%
Equistar Chemicals LP	0.83%	0.83%	0.51%	0.89%	0.89%
IKON Office Solutions	0.77%	0.77%	0.00%	0.00%	0.00%
Memorial Healthcare System	0.74%	0.74%	0.51%	0.72%	0.72%
Pasadena Bayshore Hospital Inc	0.66%	0.66%	0.41%	0.72%	0.72%
Lyondell Chemical Co	0.66%	0.66%	0.41%	0.72%	0.72%
San Jacinto College	0.66%	0.66%	0.41%	0.72%	0.72%
Channelview Complex	0.66%	0.66%	0.41%	0.00%	0.00%
Powell Electrical Systems Inc	0.66%	0.61%	0.38%	0.00%	0.00%
International Business	0.61%	0.61%	0.00%	0.00%	0.00%
Pasadena Paper Co	0.61%	0.61%	0.38%	0.00%	0.00%
University of Houston - Clear Lake	0.60%	0.60%	0.37%	0.72%	0.72%
Wyle Life Science	0.55%	0.55%	0.34%	0.60%	0.60%
East Houston Regional Med Ctr	0.55%	0.55%	0.34%	0.00%	0.00%
Rohm & Haas Texas Inc	0.55%	0.55%	0.34%	0.60%	0.60%
Lockheed Martin Corp	0.55%	0.55%	0.34%	0.00%	0.00%
Shell Chemical	0.55%	0.55%	0.34%	0.00%	0.00%
Pasadena City Hall	0.53%	0.61%	0.38%	1.01%	1.01%
Kellogg Brown & Root	0.00%	0.00%	0.46%	0.71%	0.71%
Memorial 55 Plus	0.00%	0.00%	0.34%	0.00%	0.00%
Totals	27.29%	24.45%	14.46%	16.04%	16.04%

Source: D & B Million Dollar and InfoUSA Databases

Note: Based on businesses with 1,000 or more full time employees for a total of 181,540 local employees.

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

Faculty, Staff, and Administrators Statistics
Fiscal Years 2004 to 2010
(Unaudited)

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Faculty:							
Full-time	511	454	463	440	439	428	426
Part-time	763	763	648	685	680	720	696
Total	<u>1,274</u>	<u>1,217</u>	<u>1,111</u>	<u>1,125</u>	<u>1,119</u>	<u>1,148</u>	<u>1,122</u>
Percent:							
Full-time	40.1%	37.3%	41.7%	39.1%	39.2%	37.3%	38.0%
Part-time	59.9%	62.7%	58.3%	60.9%	60.8%	62.7%	62.0%
Staff and Administrators:							
Full-time	732	703	759	739	694	687	667
Part-time	577	526	583	518	571	502	553
Total	<u>1,309</u>	<u>1,229</u>	<u>1,342</u>	<u>1,257</u>	<u>1,265</u>	<u>1,189</u>	<u>1,220</u>
Percent:							
Full-time	55.9%	57.2%	56.6%	58.8%	54.9%	57.8%	54.7%
Part-time	44.1%	42.8%	43.4%	41.2%	45.1%	42.2%	45.3%
FTSE per full-time faculty	74	84	78	82	83	86	83
FTSE per full-time staff member	52	54	48	49	52	53	53
Average over 9 months faculty salary	\$55,500	\$55,722	\$55,944	\$49,000	\$46,166	\$47,686	\$46,821

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

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

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Enrollment Details
Fiscal Years 2005 to 2009
(Unaudited)

Student Classification	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-29 hours	16,467	60.96%	14,854	60.35%	14,134	60.01%	13,968	58.85%	14,611	60.63%
30-72 hours	7,879	29.17%	7,265	29.51%	7,008	29.76%	7,170	30.21%	6,799	28.22%
> 72 hours	2,665	9.87%	2,497	10.14%	2,409	10.23%	2,596	10.94%	2,687	11.15%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%

Semester Hour Load	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	297	1.10%	190	0.77%	146	0.62%	156	0.66%	150	0.62%
3 - 5 semester hours	5,077	18.80%	4,294	17.44%	4,317	18.33%	4,056	17.09%	4,013	16.65%
6 - 8 semester hours	6,809	25.21%	5,777	23.47%	5,484	23.29%	5,468	23.04%	5,601	23.24%
9 - 11 semester hours	5,171	19.14%	4,513	18.33%	4,235	17.98%	4,446	18.73%	4,395	18.24%
12 - 14 semester hours	7,743	28.67%	6,853	27.84%	6,505	27.62%	6,737	28.39%	6,821	28.31%
15 - 17 semester hours	1,746	6.46%	2,184	8.87%	2,144	9.10%	2,208	9.30%	2,387	9.91%
18 & over	168	0.62%	805	3.28%	720	3.06%	663	2.79%	730	3.03%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%

Average course load 8.9 9.8 9.7 9.7 9.4

Tuition Status	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	12,891	47.72%	11,736	47.67%	11,523	48.93%	11,966	50.42%	12,482	51.80%
Texas Resident (out-of-District)	9,664	35.78%	8,866	36.02%	8,286	35.18%	8,374	35.28%	8,453	35.08%
Non-Resident Tuition	1,644	6.09%	1,584	6.43%	1,398	5.94%	1,358	5.72%	1,260	5.23%
Tuition Exemption	2,693	9.97%	2,399	9.75%	2,299	9.76%	1,989	8.38%	1,826	7.58%
Other	119	0.44%	31	0.13%	45	0.19%	47	0.20%	76	0.31%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%

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

Source: Data from the CBM001.

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
Fiscal Years 2005 to 2009
(Unaudited)

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	15,107	55.93%	14,127	57.33%	13,437	57.05%	13,670	57.60%	14,008	58.13%
Male	11,904	44.07%	10,489	42.61%	10,114	42.95%	10,064	42.40%	10,089	41.87%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%
Ethnic Origin										
White	11,114	41.15%	10,556	42.88%	10,577	44.91%	10,809	45.54%	11,247	46.67%
Hispanic	10,397	38.49%	8,965	36.42%	8,157	34.64%	8,053	33.93%	7,977	33.10%
African American	2,975	11.01%	2,496	10.14%	2,334	9.91%	2,424	10.21%	2,497	10.36%
Asian	1,590	5.89%	1,419	5.76%	1,327	5.63%	1,275	5.37%	1,192	4.95%
Foreign	791	2.93%	986	4.01%	859	3.65%	868	3.66%	934	3.88%
Native American	144	0.53%	131	0.53%	115	0.49%	94	0.40%	69	0.29%
Other	-	0.00%	63	0.26%	182	0.77%	211	0.89%	181	0.75%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%
Age										
Under 18	2,594	9.61%	1,784	7.25%	1,644	6.98%	1,344	5.66%	1,123	4.66%
18 - 21	12,362	45.77%	11,329	46.02%	10,851	46.07%	10,786	45.45%	10,653	44.21%
22 - 24	3,947	14.61%	3,901	15.85%	3,813	16.19%	3,956	16.67%	4,178	17.34%
25 - 35	5,571	20.62%	5,149	20.92%	4,834	20.53%	5,135	21.64%	5,457	22.65%
36 - 50	2,135	7.90%	2,043	8.30%	2,021	8.58%	2,139	9.01%	2,305	9.56%
51 & over	402	1.49%	410	1.66%	388	1.65%	374	1.57%	381	1.58%
Total	27,011	100.00%	24,616	100.00%	23,551	100.00%	23,734	100.00%	24,097	100.00%
Average age	24		24		24		24		25	

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

Source: Data from the CBM001.

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 2009

(Unaudited)

(Includes only public senior colleges in Texas)

	Total Transfer Student Count Academic	Total Transfer Student Count Technical	Total Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Student
1 University of Houston - Clear Lake	1,328	49	54	1,431	26.94%
2 University of Houston	1,165	37	51	1,253	23.59%
3 Texas A&M University	362	12	7	381	7.17%
4 University of Texas - Austin	325	16	5	346	6.51%
5 University of Houston - Downtown	234	18	25	277	5.22%
6 Texas State University	191	13	10	214	4.03%
7 Sam Houston State University	174	9	16	199	3.75%
8 University of Texas Medical Branch Galveston	141	13	-	154	2.90%
9 Stephen F. Austin State University	130	9	6	145	2.73%
10 University of Texas - San Antonio	126	6	2	134	2.52%
11 Texas Tech University	104	3	1	108	2.03%
12 Texas Southern University	93	5	10	108	2.03%
13 Lamar University Institute of Technology	79	5	2	86	1.62%
15 University of Texas Health Science Center - Houston	52	4	-	56	1.06%
14 Texas A&M University - Galveston	52	1	1	54	1.02%
16 University of North Texas	44	-	2	46	0.87%
17 Prairie View A&M University	41	7	3	51	0.96%
18 University of Texas - Arlington	36	3	1	40	0.75%
19 Texas Woman's University	27	5	1	33	0.62%
20 Texas A&M University - Corpus Christi	25	3	-	28	0.53%
21 University of Texas - Dallas	19	-	1	20	0.38%
22 University of Houston - Victoria	17	3	-	20	0.38%
23 Texas Tech University Health Science Center	16	3	-	19	0.36%
24 University of Texas M.D. Anderson Cancer Center	16	-	-	16	0.30%
25 Midwestern State University	12	3	-	15	0.28%
26 University of Texas Health Science Center - San Antonio	9	1	1	11	0.21%
27 University of Texas - Tyler	8	2	1	11	0.21%
28 University of Texas - Pan American	8	-	-	8	0.15%
29 Texas A&M University - Kingsville	6	1	-	7	0.13%
30 Angelo State University	6	-	-	6	0.11%
31 West Texas A&M University	5	1	-	6	0.11%
32 Texas A&M University Health Science Center	5	-	-	5	0.09%
34 University of Texas - El Paso	4	1	-	5	0.09%
36 Texas A&M University - Commerce	3	2	-	5	0.09%
33 Tarleton State University	4	-	-	4	0.08%
35 Sul Ross State University	3	-	-	3	0.06%
37 Baylor College of Medicine	2	-	-	2	0.04%
38 University of North Texas Health Science Center - Fort Worth	1	1	-	2	0.04%
39 University of Texas - Permian Basin	1	-	-	1	0.02%
40 University of Texas Southwestern Medical Center at Dallas	-	1	-	1	0.02%
Totals	<u>4,874</u>	<u>237</u>	<u>200</u>	<u>5,311</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board Automated Student and Adult Learner Follow-Up System.

Note: This statistical supplement is presented with only the most current information.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Capital Asset Information
Fiscal Years 2006 to 2010
(Unaudited)

	2010	2009	2008	2007	2006
Academic Buildings	34	32	32	32	32
Square footage (in thousands)	1,476,608	1,457,408	1,457,408	1,457,408	1,457,408
Libraries	3	3	3	3	3
Square footage (in thousands)	163,615	163,615	163,615	163,615	163,615
Number of Volumes (in thousands)	243,695	244,602	259,434	238,489	275,713
Administrative and Support Buildings	4	4	4	4	4
Square footage (in thousands)	265,906	265,906	265,906	265,906	265,906
Dormitories	1	1	1	1	1
Square footage (in thousands)	6,050	6,050	6,050	6,050	6,050
Athletic Facilities	10	10	10	10	10
Square footage (in thousands)	165,527	165,527	165,527	165,527	165,527
Stadiums	3	3	3	3	3
Fitness Centers/Gymnasiums	4	4	4	4	4
Tennis Courts	3	3	3	3	3
Other	2	2	2	2	2
Plant Facilities	14	14	14	14	14
Square footage (in thousands)	49,137	49,137	49,137	49,137	49,137
Transportation:					
Cars	11	11	11	12	12
Light Trucks/Vans	66	57	50	47	40

Source: Master property schedule.

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.



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

Board of Trustees
San Jacinto Community College District:

We have audited the basic financial statements of San Jacinto Community College District (the College) as of and for the year ended August 31, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

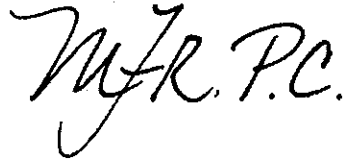
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "M.R.P.C.", written in a cursive style.

December 13, 2010



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INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
San Jacinto Community College District:

Compliance

We have audited the compliance of San Jacinto Community College District (the College) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal and State of Texas (State) programs for the year ended August 31, 2010. The College's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal and State programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs identified in the accompanying schedule of findings and questioned costs for the year ended August 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control over Compliance

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 and State program in order to determine our auditing procedures for the purpose of expressing our opinion on

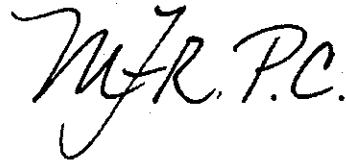
compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal or State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a Federal and State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010 - 1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The College's response to the finding identified in our audit is described in the accompanying schedule of finding and questioned costs. We did not audit the College responses and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink, appearing to read "M. R. P.C.", is located in the lower right quadrant of the page.

December 13, 2010

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2010

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFOA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
<u>U. S. Department of Education:</u>			
Student Financial Aid Cluster:			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	P007A094114	\$ 747,707
Federal Family Education Loans - Subsidized Loans	84.032	91-4251-0-1-502	4,423,673
Federal Family Education Loans - Unsubsidized Loans	84.032	91-4251-0-1-502	5,744,447
Federal Family Educational Loans - Plus Loans	84.032	91-4251-0-1-502	26,695
			<u>10,194,815</u>
Federal Work - Study Program	84.033	P033A094114	441,578
Federal Work - Study Program (ARRA)	ARRA 84.033	P033A094114	88,676
			<u>530,254</u>
Federal Pell Grant Program	84.063	P063P092303	27,284,905
Federal Direct Student Loans - Subsidized	84.268	P268K102303	473,050
Federal Direct Student Loans - Unsubsidized	84.268	P268K102303	692,654
			<u>1,165,704</u>
Academic Competitiveness Grants	84.375	P375A092303	197,526
Pass-Through From:			
Texas Higher Education Coordinating Board:			
Leveraging Educational Assistance Partnership (LEAP)	84.069A	91-0200-0-1-502	21,907
Special Leveraging Educational Assistance Partnership (SLEAP)	84.069A	91-0200-0-1-502	28,167
			<u>50,074</u>
Total Student Financial Aid Cluster - Schedule C			<u>40,150,985</u>
Direct Programs:			
Higher Education Institutional Aid	84.031S	P031S050003	574,716
TRIO Cluster:			
TRIO Talent Search	84.044A	P044A070353	243,240
TRIO Upward Bound	84.047A	P047A070042	284,500
TRIO Upward Bound - Math & Science	84.047M	P047M070003	344,498
TRIO Student Support Services	84.042A	P042A050162	235,075
			<u>1,087,311</u>
Fund for the Improvement of Postsecondary Education (FIPSE):			
Fund for the Improvement of Postsecondary Education (FIPSE)	84.116Z	P116Z080320	144,579
Fund for the Improvement of Postsecondary Education (FIPSE) - Maritime Equipment	84.116Z	P116Z100163	106,416
			<u>250,995</u>
Pass-Through From:			
Texas Education Agency			
Pass-Through From -			
Clear Creek Independent School District			
Adult Education - Basic Grants to States - English Literacy and Civics Education Grant No. 2	84.002	2010.017	51,053
Pass-Through From:			
Harris County Juvenile Board			
Title I Part D Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies - HCJCSVEP 08-09	84.010 A	P148668	(15,020)
Title I Grants to Local Educational Agencies - HCJCSVEP 09-10	84.010 A	X2784	194,710
			<u>179,690</u>
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career and Technical Education/Basic Grants to States -			
Carl Perkins Vocational Education Basic 09/10	84.048	10042	538,107
Slate Fiscal Stabilization Fund (SFSF) - Government Services (ARRA)	ARRA 84.397A	3586	639,852
Pass-Through From -			
Del Mar College			
Career and Technical Education/Basic Grants to States	84.048	P096728	1,287
Total U. S. Department of Education			<u>43,473,996</u>
<u>U. S. Department of Agriculture</u>			
Pass-Through From -			
Texas Department of Agriculture			
Child and Adult Care Food Program	10.558	NA	3,635
Total U. S. Department of Agriculture			<u>3,635</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards, Continued
Year Ended August 31, 2010

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U. S. Department of Housing and Urban Development:			
Direct Programs -			
Hispanic Serving Institution Assisting Communities Program	14.514	HSIAC-08-TX-28	140,018
Total U. S. Department of Housing and Urban Development			<u>140,018</u>
U. S. Department of Labor:			
Direct Programs -			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA)	ARRA 17.275	GJ-20047-10-60-A-48	44,539
Pass-Through From -			
Lee College -			
Community Based Job Training Grants -			
High Growth and Community Based Job Training Grant (CBJT)	17.289	CB-18228-06-60-A-48	251,140
Pass-Through From:			
Texas Workforce Commission			
Workforce Investment Act Cluster:			
Workforce Investment Act/Dislocated Workers - Summer Merit Program 2010 - EV/INSPIRE	17.260	2810WSW002	61,908
Workforce Investment Act/Dislocated Workers - Summer Merit Program 2009 - EV/INSPIRE	17.260	2809WSW005	52,700
Workforce Investment Act/Dislocated Workers - Texas Youth in Technology Grant Program	17.260	2809WSW003	135,759
Workforce Investment Act/Dislocated Workers - Partnership with Center Point Energy (ARRA)	ARRA 17.260	2810XSD000	<u>70,322</u>
			320,689
Houston-Galveston Area Council -			
WIA Adult Program/WIA Dislocated Workers (ARRA)	ARRA 17.258 & 17.260	742-10	347,542
Alvin Community College -			
WIA Adult Program - Licensed Vocational Nursing Instruction (ARRA)	ARRA 17.258	NA	<u>43,741</u>
			711,972
Total U. S. Department of Labor			<u>1,007,651</u>
National Aeronautics and Space Administration:			
Direct Programs -			
Aerospace Education Services Program - NASA Strategic Education Alliance Grant	43.001	NNX07AP99A	1,850,259
Total National Aeronautics and Space Administration			<u>1,850,259</u>
National Science Foundation:			
Direct Programs -			
Engineering Grants - Partnership for Innovation in Biotechnology and Life Sciences	47.041	IIP-0649713	88,341
Education and Human Resources:			
Education and Human Resources - Students Expanding Possibilities Undergraduate Program	47.076	DUE-0849391	86,858
Education and Human Resources - National Middle School Aerospace Scholars	47.076	ESI-0422698	<u>1,103</u>
			87,959
Pass-Through From:			
University of Houston			
Education and Human Resources (IASNRCDUE):			
Education and Human Resources - Houston Alliance for Minority Participation Project (PH III)	47.076	R-09-0147	10,795
Education and Human Resources - Houston Alliance for Minority Participation Project (PH II)	47.076	R-09-0172	21,402
Education and Human Resources - Expanding Pathways to Success in Science	47.076	HRD-0402623	49,291
	47.076	DUE-00336612	<u>(9,824)</u>
			71,664
Lee College -			
Education and Human Resources - Analyzer Technician Opportunities Project	47.076	DUE-0801907	43,442
Total National Science Foundation			<u>291,406</u>
U. S. Small Business Administration:			
Pass-Through From:			
The University of Houston-Central:			
Small Business Development Center 09/10	59.037	R-10-0075-53826	133,691
Small Business Development Center 08/09	59.037	R-09-0109	<u>30,271</u>
Total U. S. Small Business Administration			163,962
U. S. Department of Veterans Affairs:			
Direct Programs - All-Volunteer Force Educational Assistance	64.124	382/242D	<u>6,848</u>

Continued

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards, Continued
Year Ended August 31, 2010

Federal Grantors/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U. S. Department of Health and Human Services:			
Pass-Through From -			
Child Care and Development Fund Cluster (CCDF) - The University of Texas Health Science Center at Houston Child Care and Development Block Grant - Higher Education grant	93.575	NA	1,761
Texas Workforce Commission:			
Child Care and Development Block Grant 09-10	93.575	06260C267FY10	62,610
Child Care and Development Block Grant 08-09	93.575	06260C260FY09	3,882
			<u>66,292</u>
Texas Education Agency -			
The University of Texas Health Science Center at Houston:			
Child Care and Development Block Grant - Higher Demonstration	93.575	PO/0000285725	(255)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	PO/0000380571	67,435
			<u>67,180</u>
Total U. S. Department of Health and Human Services - CCDF Cluster			<u>135,233</u>
Total Federal Financial Assistance			<u>\$ 46,673,209</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of State Awards
Year Ended August 31, 2010

Grantor Agency/Program Title	Grant Contract Number	General Ledger Account	Expenditures
Texas Workforce Commission - Skills Development Fund:			
Aerospace Consortium Grant	2808SDF002	241046	\$ 276,844
West Gulf Maritime Association II	2809SDF008	541001	398,596
Aerospace Consortium II	2810SDF004	551003	226,161
Maritime Consortium 2010	2810SDF005	551002	105,875
Total Texas Workforce Commission			1,007,476
Texas Higher Education Coordinating Board:			
College G Force Workstudy	#740	245133	4,602
P-16 College Readiness Special Advisors Program	P-16 SA-SJCD	245128	781
P-16 Initiatives - First Year Experience Calling Program	2448	555001	60,000
State Military Tuition Assistance	26041	245127	4,535
Texas Grant I - Initial	13099	245606	827,700
Texas Grant I - Renewal	13099	245610	338,200
Texas Education Opportunity Grant Program - Initial (TEOG)	13399	245706	297,260
Texas Education Opportunity Grant Program - Renewal (TEOG)	13399	245710	46,280
Financial Aid - Professional Nursing	13025	245301	16,160
Financial Aid - Licensed Vocational Nursing	13026	245302	1,772
College Work Study Program	22339	245506	53,851
Early High School - House Bill 1479	33080	245125	219,401
Certified Education Aide Program	33081	245126	25,090
Top Ten Percent	20356	245129	104,000
Combat Exemption Program	21985	245130	2,540
Alternative Teacher Certification	13093	245134	5,750
Health Educational Loan Program		245211	4,346
College Access Loan		245216	98,212
Professional Nursing Shortage Reduction Program FY09	NSRD - FY2009	245121	57,018
Professional Nursing Shortage Reduction Program FY10 - S.C.	HB 3034 FY10 Regular	555002	94,807
Professional Nursing Shortage Reduction Program FY10 - C.C.	HB 3034 FY10 Under 70	555003	85,849
Professional Nursing Shortage Reduction Program FY10 - S.C.	HB 3034 FY10 Under 70	555004	15,902
Pass-Through From -			
El Paso Community College - Community College Develop Education Initiative Program	NA	545001	4,165
Total Texas Higher Education Coordinating Board			2,368,221
Texas Education Agency:			
Pass-Through From:			
Clear Creek Independent School District Early College High School Grant	SAS #828-07	240203	21,711
Total Texas Education Agency			21,711
Texas Comptroller of Public Accounts -			
Jobs and Education for Texans Block Grant	3572-39	542001	123,023
Total Texas Comptroller of Public Accounts			123,023
Total State Financial Assistance			\$ 3,520,431

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Awards Year Ended August 31, 2010

Note 1: Federal Assistance Reconciliation

Direct Federal grants and contracts per Schedule A	\$ 6,515,797
Add: Indirect/Administrative Cost Recoveries - per Schedule A	206,426
Direct Federal revenue, non-operating - Schedule C	40,048,860
Add: Indirect/Administrative Cost Recoveries - per Schedule C	<u>102,125</u>
Total Federal Revenues per Schedule E - Schedule of Expenditures of Federal Awards	\$ <u>46,873,208</u>

Note 2: State Assistance Reconciliation

Direct State grants and contracts per Schedule A	\$ 3,455,801
Add: Indirect/Administrative Cost Recoveries - per Schedule A	<u>64,630</u>
Total State Revenues per Schedule F - Schedule of Expenditures of State Awards	\$ <u>3,520,431</u>

Note 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, 2010. 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.

Note 4: Amounts passed through by the College - Sub-recipients

The following amounts were passed-through to the listed sub-recipients by the College. These amounts are included in Note 1 above.

College of the Mainland	CFDA 17.258	U.S. Department of Labor	WIA Grant/Dislocated Wrk	\$ 4,034
College of the Mainland	CFDA 17.258	U.S. Department of Labor	WIA Grant/Adult	4,408
Brazosport College	CFDA 17.258	U.S. Department of Labor	WIA Grant/Dislocated Wrk	7,983
Lee College	CFDA 17.258	U.S. Department of Labor	WIA Grant/Dislocated Wrk	14,905
Brazosport College	CFDA 17.258	U.S. Department of Labor	WIA Grant/Adult	43,321
Lee College	CFDA 17.258	U.S. Department of Labor	WIA Grant/Adult	88,696
Brazosport College	CFDA 17.260	U.S. Department of Labor	WIA Grant/Summer Merit	2,772
College of the Mainland	CFDA 17.260	U.S. Department of Labor	WIA Grant/Summer Merit	4,505
Lee College	CFDA 17.260	U.S. Department of Labor	WIA Grant/Summer Merit	7,623
Brazosport College	CFDA 17.275	U.S. Department of Labor	Prog of Competitive Grants	30,694
Universities Space Research Association	CFDA 43.001	NASA	Aerospace Education Svc Prog	<u>883,954</u>
				<u>\$1,092,895</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs
Year Ended August 31, 2010

Section 1 Summary of Auditors' Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditors' report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal and State Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 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 Section 510(a) of OMB Circular A-133 and the <i>State of Texas Single Audit Circular</i> ? | Yes |

4. Identification of major programs:

Federal CFDA Number

Name of Federal Program

84.007	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants
84.063P	Federal Pell Grant Program
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.033	Federal Work-Study Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.397A	State Fiscal Stabilization Fund
17.258	WIA Adult Program
17.260	WIA Dislocated Workers

State - Contract Number

Name of State Program

2808SDF002	TWC Cluster: TWC SDF Aerospace Consortium Grant
2809SDF008	TWC SDF WGMA II
2810SDF004	TWC SDF Aerospace Consortium II
281SDF0005	TWC Maritime Consortium 2010
2810SSD001	TWC Skill for Small Business
2810SDF007	TWC San Jacinto College in Partnership with a Petrochemical Consortium

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs, Continued
Year Ended August 31, 2010

1310SDF000	Professional Nursing Shortage Reduction Cluster:
NSRD	A Partnership with Hospital Corporation of America and United Health Services
HB 3034	Professional Nursing Shortage Reduction Program FY09 Professional Nursing Shortage Reduction Program FY10 - S.C.

- | | |
|--|-------------|
| 5. Dollar threshold used to distinguish
between Type A and Type B programs: | |
| Federal | \$1,099,825 |
| State | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee? | |
| Federal | Yes |
| State | Yes |

Section 2

Financial Statement Findings

No matters were reported

Section 3

Federal and State Award Findings and Questioned Costs

Finding 2010-1

SUB-RECIPIENT MONITORING

CFDA #17.258 and CFDA #17.260

Workforce Investment Act Adult Program/Dislocated Workers (ARRA)

U.S. Department of Labor; Pass-through from Houston – Galveston Area Council

Criteria: The OMB Circular A-133 states that a recipient of Federal assistance which passes that assistance to another recipient is responsible to monitor the Federal assistance activities of that sub-recipient, as well as assure that they are both complying with laws and regulations. It is essential that the College comply with Federal regulations regarding sub-recipient monitoring of Federal programs.

Condition: During our audit, we noted that the College provided funds to sub-recipients during the year and did not perform adequate monitoring of said sub-recipients of Federal funds.

Questioned costs: None

Context: The program had a total of 3 sub-recipients and all were tested, we noted a lack of sub-recipient monitoring in all. The total findings to the sub-recipients was \$178,247, during 2010.

Effect: The College did not properly monitor the sub-recipients in accordance with Federal regulations. There could be potential non-compliance with the program requirements and the College could potentially be liable for any reimbursement necessary.

Cause: In our judgment, the College does not have proper internal processes in place regarding sub-recipient monitoring.

Recommendation: We recommend that management establish policies and procedures to ensure proper sub-recipient monitoring occur within compliance with Federal regulations.

Management's response and corrective actions: Subsequent to year end, the College has implemented a sub-recipient monitoring process that will assist them in their handling of Federal assistance monies that are passed to other recipients.

Section 4

Schedule of Prior Year Audit 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, 2009.