

# **San Jacinto College District**

**Audit Report  
August 31, 1998**

**EUGENE HOVEY  
CERTIFIED PUBLIC ACCOUNTANT  
902 WEST MAIN STREET  
LA PORTE, TEXAS 77571**

# TABLE OF CONTENTS

		<u>PAGE</u>
	Name and Terms of the Board of Regents and Key Officers of the College	1
	Independent Auditor's Opinion on the General Purpose Statements	2
<u>EXHIBIT</u>		
A	Balance Sheet	3
B	Statement of Changes in Fund Balances	5
C	Statement of Current Funds Revenues Expenditures and Other Changes	7
	Notes to Financial Statements	8-14
<u>SCHEDULE</u>		
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16-17
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	18-19
A-1	Schedule of Cash, Cash Equivalents and Investments	20-21
C-1	Schedule of Current Funds Revenues	22
C-2	Schedule of Current Funds Expenditures by Object Classification	23
C-3	Schedule of Educational and General Expenditures Summarized by Elements of Institutional Costs	24
C-4	Schedule of District Taxes	25
D-1	Schedule of Bonds Payable and Debt Service Requirements	26
D-2	Schedule of Pledged Revenues and Fund Balances for Revenue Bonds	27
D-3	Schedule of Expenditures of Federal Awards	28-29
	Schedule of Findings and Questioned Costs	30

# San Jacinto College District

## Organization Data For the Fiscal Year 1997-98

### Board of Regents

#### Officers

Dr. Ruede Wheeler	Chair
Mr. C. Wayne Slovacek	Vice Chair
Dr. John Nichols	Secretary
Mrs. Marie Flickinger	Assistant Secretary

#### Members

#### Term Expires

J. D. Bruce	Pasadena, Texas	1999
Marie Flickinger	Houston, Texas	2001
John W. Nichols, M.D.	Galena Park, Texas	2003
C. Wayne Slovacek	Deer Park, Texas	2003
W. L. "Levi" Smallwood	Pasadena, Texas	2001
Ruede Wheeler, D.D.S.	La Porte, Texas	1999
Dr. Parker Williams	Houston, Texas	2003

### District Administrators

#### Key Officers

Dr. James F. Horton, Jr.	Chancellor
Dr. Ron Rucker	Vice Chancellor for Administration
Dr. William Lindemann, Jr.	Vice Chancellor of Business, Industry and Technology
Mr. Rudy V. Gonzales	Vice Chancellor of Fiscal Affairs
Mr. James Fowler	Vice Chancellor of Human Resources
Mr. Steve Lestarjette	Assoc. Vice Chancellor of Marketing and Enrollment
Dr. Monte Blue	President, Central Campus
Dr. Raymond Hawkins	President, North Campus
Dr. Adena Williams Loston	President, South Campus

**EUGENE HOVEY**  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1375  
LA PORTE, TEXAS 77571

PHONE 471-2700

DECEMBER 18, 1998

TO THE BOARD OF REGENTS  
SAN JACINTO COLLEGE DISTRICT

Re: Independent Auditor's Report

I have audited the accompanying balance sheet of the San Jacinto College District as of August 31, 1998 and the related statements of changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Jacinto College District as of August 31, 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 18, 1998 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Eugene Hovey  
Certified Public Accountant

SAN JACINTO COLLEGE DISTRICT  
EXHIBIT A  
BALANCE SHEET  
August 31, 1998  
With Comparison Totals at August 31, 1997

CURRENT FUNDS

ASSETS	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
Cash and Cash Equivalents	\$ 349,589	\$ 205,948	\$ 1,015	\$ 556,552
Short-Term Investments	21,223,383	6,753,463	488,811	28,465,657
Accounts Receivable	720,160	811,793	893,300	2,425,253
Taxes Receivable (net of allowance for doubtful accounts of \$3,166,045)	74,935	-	-	74,935
Due from Other Funds	1,286,772	-	-	1,286,772
Investments	-	-	-	-
Accrued Interest Receivable	101,210	-	-	101,210
Federal Receivables	-	-	258,661	258,661
Deferred Expense	677,862	-	-	677,862
Inventories, at cost	734,802	2,250,822	-	2,985,624
Land	-	-	-	-
Buildings	-	-	-	-
Improvements Other Than Buildings	-	-	-	-
Equipment	-	-	-	-
Library Books	-	-	-	-
Construction in Progress	-	-	-	-
<b>Total Assets</b>	<b>\$ 25,168,713</b>	<b>\$ 10,022,026</b>	<b>\$ 1,641,787</b>	<b>\$ 36,832,526</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 821,268	\$ 312,464	\$ 78,924	\$ 1,212,656
Accrued Liabilities	962,715	-	-	962,715
Due To Other Funds	-	-	1,108,277	1,108,277
Deferred Revenues	4,349,530	-	-	4,349,530
Accrued Compensable Absences Payable	1,511,666	-	-	1,511,666
Bonds Payable	-	-	-	-
Construction Advances Payable	-	-	-	-
Funds Held in Custody for Others	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 7,645,179</b>	<b>\$ 312,464</b>	<b>\$ 1,187,201</b>	<b>\$ 9,144,844</b>
Fund Balance				
Unrestricted				
Reserved:				
Encumbrances	\$ -	\$ -	\$ -	\$ -
Accounts & Taxes Receivable	795,095	811,793	-	1,606,888
Inventories	734,802	2,250,822	-	2,985,624
Unreserved-Undesignated	15,993,637	6,646,947	-	22,640,584
Restricted	-	-	454,586	454,586
Net Investment in Plant	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 17,523,534</b>	<b>\$ 9,709,562</b>	<b>\$ 454,586</b>	<b>\$ 27,687,682</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 25,168,713</b>	<b>\$ 10,022,026</b>	<b>\$ 1,641,787</b>	<b>\$ 36,832,526</b>

See Accompanying Notes to the Financial Statements.

PLANT FUNDS

TOTALS MEMORANDUM ONLY

Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$ 48,960	\$ 2,247	\$ 1,639	\$ -	\$ 129,939	\$ 739,337	\$ 2,961,326
188,876	2,790,267	783,000	-	258,245	32,486,045	31,969,837
-	409,229	-	-	-	2,834,482	1,119,864
-	-	-	-	-	74,935	70,889
-	-	-	-	-	1,286,772	401,577
-	-	-	-	-	-	5,000
-	-	-	-	-	101,210	64,768
-	-	-	-	-	258,661	428,906
-	-	-	-	-	677,862	774,691
-	-	-	-	-	2,985,624	2,505,858
-	-	-	4,914,142	-	4,914,142	3,069,246
-	-	-	84,577,069	-	84,577,069	84,555,824
-	-	-	6,808,035	-	6,808,035	6,473,948
-	-	-	20,502,245	-	20,502,245	18,137,174
-	-	-	280,933	-	280,933	261,124
-	-	-	3,243,639	-	3,243,639	328,847
<u>\$ 237,836</u>	<u>\$ 3,201,743</u>	<u>\$ 784,639</u>	<u>\$ 120,326,063</u>	<u>\$ 388,184</u>	<u>\$ 161,770,991</u>	<u>\$ 153,128,879</u>
\$ -	\$ 185,701	\$ -	\$ -	\$ -	\$ 1,398,357	\$ 2,156,763
-	-	-	9,502	-	972,217	1,111,132
-	178,495	-	-	-	1,286,772	401,577
-	-	-	-	-	4,349,530	4,510,004
-	-	-	-	-	1,511,666	1,178,539
-	-	-	10,565,000	-	10,565,000	12,990,000
-	-	-	890,073	-	890,073	69,851
-	-	-	-	388,184	388,184	315,407
<u>\$ -</u>	<u>\$ 364,196</u>	<u>\$ -</u>	<u>\$ 11,464,575</u>	<u>\$ 388,184</u>	<u>\$ 21,361,799</u>	<u>\$ 22,733,273</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,606,888	1,190,753
-	-	-	-	-	2,985,624	2,505,858
-	-	-	-	-	22,640,584	19,659,112
237,836	2,837,547	784,639	-	-	4,314,608	7,273,571
-	-	-	108,861,488	-	108,861,488	99,766,312
<u>\$ 237,836</u>	<u>\$ 2,837,547</u>	<u>\$ 784,639</u>	<u>\$ 108,861,488</u>	<u>\$ -</u>	<u>\$ 140,409,192</u>	<u>\$ 130,395,606</u>
<u>\$ 237,836</u>	<u>\$ 3,201,743</u>	<u>\$ 784,639</u>	<u>\$ 120,326,063</u>	<u>\$ 388,184</u>	<u>\$ 161,770,991</u>	<u>\$ 153,128,879</u>

SAN JACINTO COLLEGE DISTRICT  
EXHIBIT B  
STATEMENT OF CHANGES IN FUND BALANCES  
August 31, 1998  
With Comparison Totals at August 31, 1997

	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
FUND BALANCES, September 1, 1997	\$ 14,280,296	\$ 9,075,427	\$ 559,045	\$ 23,914,768
REVENUES AND OTHER ADDITIONS				
Unrestricted Current Funds Revenue (Exh. C)	\$ 67,458,630	\$ 7,356,097	\$ -	\$ 74,814,727
State Appropriations - Restricted	-	-	5,421,190	5,421,190
Federal Grants and Contracts	-	-	4,846,174	4,846,174
State Grants and Contracts	-	-	147,137	147,137
Local Gifts and Grants	-	-	-	-
Investment Income	-	-	22,525	22,525
Retirement of Indebtedness	-	-	-	-
Expended for Plant Facilities (Includes \$2,918,706 Charged to Current Funds Expenditures)	-	-	-	-
Interest Income	-	-	-	-
Local Taxes	-	-	-	-
Loan Proceeds Expended	-	-	-	-
Other Additions	-	-	-	-
Total Revenues and Other Additions	\$ 67,458,630	\$ 7,356,097	\$ 10,437,026	\$ 85,251,753
EXPENDITURES AND OTHER DEDUCTIONS				
Expenditures (Exh. C)	\$ 61,384,942	\$ 6,657,843	\$ 10,820,189	\$ 78,862,974
Expended for Plant Facilities	-	-	-	-
Indirect Costs Recovered	-	-	67,930	67,930
Retirement of Indebtedness	-	-	-	-
Interest on Indebtedness	-	-	-	-
Disposal of Plant Facilities	-	-	-	-
Increase in Construction Advances Payable	-	-	-	-
Other Deductions	-	-	-	-
Total Expenditures and Other Deductions	\$ 61,384,942	\$ 6,657,843	\$ 10,888,119	\$ 78,930,904
TRANSFERS - ADDITIONS / (DEDUCTIONS)				
Mandatory Transfers				
Retirement of Indebtedness-Revenue Bonds	\$ -	\$ (64,119)	\$ -	\$ (64,119)
TPEG Transfer	(346,634)	-	346,634	-
Transfer to Plant Funds	(2,483,816)	-	-	(2,483,816)
Total Transfers - Additions / (Deductions)	\$ (2,830,450)	\$ (64,119)	\$ 346,634	\$ (2,547,935)
NET INCREASE(DECREASE) FOR FISCAL YR	\$ 3,243,238	\$ 634,135	\$ (104,459)	\$ 3,772,914
FUND BALANCES, August 31, 1998	\$ 17,523,534	\$ 9,709,562	\$ 454,586	\$ 27,687,682

See Accompanying Notes to the Financial Statements

Endowment and Similar Funds	PLANT FUNDS			TOTALS MEMORANDUM ONLY	
	Unexpended	Retirement of Indebtedness	Investment in Plant	Current Year	Prior Year
\$ 498,621	\$ 4,262,260	\$ 1,953,645	\$ 99,766,312	\$ 130,395,606	\$ 126,997,379
\$ -	\$ -	\$ -	\$ -	\$ 74,814,727	\$ 67,473,943
-	-	-	-	5,421,190	5,794,578
-	-	-	-	4,846,174	5,018,640
-	-	-	-	147,137	241,441
5,974	237,000	-	-	242,974	63,440
14,075	(1,022)	-	-	35,578	48,797
-	-	-	2,425,000	2,425,000	2,350,000
-	-	-	6,262,639	6,262,639	2,934,932
-	133,253	81,594	-	214,847	428,051
-	-	2,867,643	-	2,867,643	2,736,422
-	829,723	-	-	829,723	69,851
-	-	-	-	-	260,000
\$ 20,049	\$ 1,198,954	\$ 2,949,237	\$ 8,687,639	\$ 98,107,632	\$ 87,420,095
\$ -	\$ -	\$ -	\$ -	\$ 78,862,974	\$ 77,822,433
-	3,889,955	-	-	3,889,955	380,618
-	-	-	-	67,930	104,593
-	-	2,425,000	-	2,425,000	2,350,000
-	-	663,575	-	663,575	799,101
-	-	-	607,635	607,635	1,772,135
-	-	-	829,724	829,724	69,851
280,834	462,055	4,364	-	747,253	723,137
\$ 280,834	\$ 4,352,010	\$ 3,092,939	\$ 1,437,359	\$ 88,094,046	\$ 84,021,868
\$ -	\$ -	\$ 64,119	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,728,343	(1,089,423)	1,844,896	-	-
\$ -	\$ 1,728,343	\$ (1,025,304)	\$ 1,844,896	\$ -	\$ -
\$ (260,785)	\$ (1,424,713)	\$ (1,169,006)	\$ 9,095,176	\$ 10,013,586	\$ 3,398,227
\$ 237,836	\$ 2,837,547	\$ 784,639	\$ 108,861,488	\$ 140,409,192	\$ 130,395,606



SAN JACINTO COLLEGE DISTRICT  
 EXHIBIT C  
 STATEMENT OF CURRENT FUNDS REVENUES EXPENDITURES AND OTHER CHANGES  
 For the Year Ended August 31, 1998  
 With Comparison Totals at August 31, 1997

REVENUES	TOTALS MEMORANDUM ONLY					
	Unrestricted	Auxiliary Enterprises	Restricted	Total	Current Year	Prior Year
State Appropriations - General Revenue	\$ 28,530,456	\$ -	\$ 5,421,190	\$ 33,951,646	\$ 33,951,646	\$ 30,722,460
Local Funds:						
Tuition and Fees	9,144,852	-	-	9,144,852	9,144,852	12,499,892
Tuition Remissions and Exemptions	365,331	-	-	365,331	365,331	695,233
Other Fees	6,285,227	503,756	-	6,788,983	6,788,983	504,368
Taxes for Current Operation	21,229,038	-	-	21,229,038	21,229,038	20,294,980
Sales & Services	443,499	-	-	443,499	443,499	441,075
Federal Grants and Contracts	67,930	-	4,778,244	4,846,174	4,846,174	5,013,179
State Grants and Contracts	-	-	252,375	252,375	252,375	136,203
Auxiliary Enterprises Sales and Services	-	6,501,102	-	6,501,102	6,501,102	6,534,482
Interest Income	1,356,196	351,730	22,525	1,730,451	1,730,451	1,483,857
Investment Income	16,101	(491)	-	15,610	15,610	11,541
<b>Total Current Funds Revenues</b>	<b>\$ 67,458,630</b>	<b>\$ 7,356,097</b>	<b>\$ 10,474,334</b>	<b>\$ 85,289,061</b>	<b>\$ 85,289,061</b>	<b>\$ 78,437,270</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>						
<b>Educational and General</b>						
Instruction	\$ 29,632,747	\$ -	\$ 4,055,039	\$ 33,688,786	\$ 33,688,786	\$ 32,353,215
Public Service	3,741,533	-	269,480	4,012,113	4,012,113	2,862,346
Academic Support	6,223,846	-	581,800	6,805,646	6,805,646	6,539,992
Student Services	5,116,674	-	537,701	5,654,375	5,654,375	5,052,692
Institutional Support	7,972,315	-	630,727	8,603,042	8,603,042	10,405,545
Operation and Maintenance of Plant	8,310,396	-	498,207	8,808,603	8,808,603	9,031,261
Scholarships and Fellowships	385,331	-	4,236,289	4,621,620	4,621,620	4,779,108
<b>Total Educational and General Expenditures</b>	<b>\$ 61,384,942</b>	<b>\$ -</b>	<b>\$ 10,809,243</b>	<b>\$ 72,194,185</b>	<b>\$ 72,194,185</b>	<b>\$ 71,024,159</b>
Expended for Plant Facilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,607
Auxiliary Enterprise Expenditures	-	6,657,843	10,946	6,668,789	6,668,789	6,798,274
Mandatory Transfers for:						
Principal and interest	-	64,119	-	64,119	64,119	55,518
TPEG to Restricted Funds	346,634	-	(345,855)	779	779	(40,142)
Transfer to Plant Funds	2,483,816	-	-	2,483,816	2,483,816	-
<b>Total expenditures and mandatory transfers</b>	<b>\$ 64,215,392</b>	<b>\$ 6,721,962</b>	<b>\$ 10,474,334</b>	<b>\$ 81,411,688</b>	<b>\$ 81,411,688</b>	<b>\$ 77,966,416</b>
<b>Other transfers and additions/(deductions):</b>						
Excess(Deficit) of restricted receipts over transfers to revenues	\$ -	\$ -	\$ (104,459)	\$ (104,459)	\$ (104,459)	\$ (36,967)
<b>Net increase (decrease) in fund balances</b>	<b>\$ 3,243,238</b>	<b>\$ 634,135</b>	<b>\$ (104,459)</b>	<b>\$ 3,772,914</b>	<b>\$ 3,772,914</b>	<b>\$ 433,887</b>

See Accompanying Notes to the Financial Statements

SAN JACINTO COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 1998

1. Reporting Entity

San Jacinto College was established in 1962, in accordance with the laws of the State of Texas, to serve the educational needs of the Public and the surrounding communities. The San Jacinto College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Report Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Reporting Requirements for Texas Public Community and Junior Colleges. These requirements are in substantial conformity with the the AICPA Industry Audit Guide, Audits of Colleges and Universities, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities."

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis, except depreciation expense related to plant fund assets is not recorded. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Encumbrance Accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Inventories, consisting of consumable office supplies, physical plant supplies, book store stock, and food service supplies, are valued at the lower of cost under the "first-in, first-out" method or market. The inventories also include computer parts and equipment.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment and library holdings; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the District, accounts are maintained in accordance with the principles of "fund accounting". Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the

accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and Similar Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriation, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at the District are as follows:

#### Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups:

#### Unrestricted Current Funds

Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

#### Auxiliary Enterprises

Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are food services and book stores.

#### Restricted Current Funds

Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

#### Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

## Plant Funds

Plant funds are divided into these separate balanced fund groups:

Unexpended-Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Retirement of Indebtedness-Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant-Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Library books and holdings are recorded at minimal value. Depreciation on physical plant and equipment is not recorded.

## Agency Funds

Funds held by the District as custodial or fiscal agent for students, faculty members, and/or others.

## Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures and Other Changes are shown with memorandum totals for the current and prior years. Interfund borrowing has not been eliminated, but has offset in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

### 3. Authorized Investments

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

In accordance with Sec. 2256.005 (m) of the Public Funds Investment Act, the community college, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies. Additionally, the community college shall report the results of the audit performed under this subsection to the state auditor.

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

-The categorization of investments by risk which is required by GASB Statement No. 3, in the "Deposits and Investments"

-Placing a statement in the scope paragraph of the Report on Compliance and Internal Control which indicates the audit work covered in the Act.

and/or

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

### 4. Deposits and Investments

At August 31, 1998, the carrying amount of the District's deposits was \$619,696 and total bank balances equalled \$4,042,368, which at the balance sheet date, were fully covered by Federal Depository Insurance of \$400,000 and \$5,400,000 in collateral pledged in the District's name. The collateral was held in the safekeeping department of an unrelated bank which acts as the pledging bank's agent (Category 1). Cash and Deposits included on Exhibit A, Balance Sheet, consist of the items reported below:

Cash and Deposits

Bank Deposits

Demand Deposits	\$ 619,696	
Time Deposits	-----	\$ 619,696

Cash and Cash Equivalents

Petty Cash on Hand	\$ 119,641	119,641
	-----	-----

Total Cash and Deposits		\$ 739,337
		=====

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

The following categories of credit risk are included:

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

Investment Categories

Type of Security	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	\$ 5,312,082			\$ 5,312,082	\$ 5,312,082
TOTALS	\$ 5,312,082			\$ 5,312,082	\$ 5,312,082
	=====			-----	-----

Uncategorized Investments:

Tex Pool		\$ 15,580,281	\$ 15,580,281
Lone Star-U. S. Government Fund		1,890,126	1,890,126
Lone Star-Liquidity Plus Fund		9,703,556	9,703,556

TOTAL INVESTMENTS		\$ 32,486,045	\$ 32,486,045
		=====	=====

Total Cash and Deposits	\$ 739,337	
Total Investments	32,486,045	

TOTAL DEPOSITS AND INVESTMENTS	\$ 33,225,382	
	=====	

5. Bonds Payable

Bonds Payable at August 31, 1998 are as follows:

Tax Supported Bonds		
School Building Bonds		
Series 1993, Issued \$12,000,000 January 1, 1993		
Interest from 5.125% to 7.125% maturing serially through 2002		10,500,000
Revenue Bonds		
General Fee Bond Series 1974, Issued \$850,000 on June 1, 1974		
Interest at 6% maturing serially through 1999		65,000
Total Bonds Payable		\$ 10,565,000
		=====

The principal and interest expense requirements for the next five years is summarized below for bonds issued.

YEAR ENDED AUGUST 31	Principal	Interest	Total
1999	2,565,000	485,950	3,050,950
2000	2,000,000	362,750	2,362,750
2001	2,000,000	259,500	2,259,500
2002	2,000,000	155,000	2,155,000
2003	2,000,000	51,250	2,051,250
Total	\$ 10,565,000	\$ 1,314,450	\$ 11,879,450

The District has signed a loan commitment with the General Services Commission under the Loan Star Revolving Loan Program to receive advances up to a maximum of \$2,989,192 for energy conservation expenditures. Upon completion of the projects, the loan is scheduled to be repaid quarterly over an eight-year period at 4.04% interest per annum.

#### 6. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas. The percentage of participant salaries currently contributed by the State and by each participant are 6.00% and 6.4% respectively, of annual compensation. A participant is finally vested after 5 years. Normal retirement age is 65 with 5 years of service, age 60 with 20 years of service or age 50 with 30 years of service.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature. According to an independent actuarial evaluation as of August 31, 1997, the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was in excess of the assets of the retirement system. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 0.6 years assuming annual payroll growth of 4.0%. Further information regarding actuarial assumptions and conclusions, as well as audited financial statements, are included in the retirement system's annual financial report.

The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the State and each participant are 6.00% and 6.65% respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

#### 7. Retirement Incentive Pay and Compensated Absences

The District provides retirement incentive pay for employees hired before August 1, 1988 based on unused sick days accumulation prior to August 1, 1988. To receive the incentive pay, the employee must accumulate 10 years of service, 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.

Effective August 1, 1988, the District allows sick leave to accumulate at a rate of 8 hrs per month to a maximum of 160 days. However, there is no additional accumulation for retirement incentive pay purposes for any sick days that an employee earned after August 1, 1988. An employee who is on sick leave will be paid only to the extent of accumulated sick leave hours. The District's policy is to recognize this sick leave cost when paid. No liability is shown in the financial statements since experience indicates the expenditure for sick leave to be minimal. Full-time employees earn annual leave from 6.66 to 12.66 hours per month depending on the number of years employed with the District. Vacation time is cumulative up to 80 hours and is generally taken within the District's fiscal year. The District accrues no liability for annual leave under this policy.

#### 8. Pending Lawsuits and Claims

On August 31, 1998, certain lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

#### 9. Contract and Grant Awards.

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities.. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenues are recognized on Exhibit C as funds are actually expended. For Federal contract and grant awards, funds expended but not collected, are reported as Federal Receivables on Exhibit A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract or grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year 1998 for which monies have not been received nor funds expended totalled \$1,233,727. All of this amount was from State Contract and Grant Awards.

#### 10. 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's contribution per full-time employees was \$234 per month for the year ended August 31, 1998 and totaled \$2,821,576 for the year. The cost of providing those benefits for 211 retirees was \$603,347 and for 1,006 active employees was \$3,177,700.

11

#### 11 Related Parties

The San Jacinto College Foundation, incorporated in 1996, is a nonprofit organization with the sole purpose of supporting the educational and other activities of the District. The District does not appoint a voting majority nor does it fund or is it obligated to pay debt related to the Foundation. The Foundation solicits donations and acts as coordinator of gifts made by other parties. During the fiscal year ended August 31, 1998, the Foundation provided grants of \$14,788 to District students. The District remitted to the Foundation \$256,244 in restricted gifts from the Endowment & Similar Funds in FY 98. During the fiscal year, the District provided certain services, such as office space, utilities and staff to the Foundation. The cost of these unreimbursed services for the year were \$126,003.

## 12 Property Tax

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

The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures. Tax collections for the year ended August 31, 1998 were 98.2 % of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

## 13 Deferred Revenues

Revenues represent tuition and fees related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

## 14 Deferred Expense/Accrued Liabilities

Deferred Expense represents salaries of \$643,067 and other expense of \$34,795 related to academic terms in the next fiscal year.

Accrued liabilities represents early exit incentive payable of \$180,868, deferred payments to full-time faculty contract employees of \$643,067 and payroll liabilities of \$138,780.

## 15 Budgetary Data

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

## 16 Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B). Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the year ended August 31, 1998.

## 17 Interfund Borrowing

Interfund borrowing has been made from unrestricted funds and is payable within one year without interest. Unrestricted current funds has \$1,108,277 due from restricted funds and \$178,495 due from the unexpended plant funds. The restricted funds and the unexpended plant fund owe the unrestricted current fund respectively \$1,108,2277 and \$178,495.

## 18 GASB Statement No. 31 Adopted

The District has adopted GASB Statement No. 31 reporting investments at fair value. The accounting changes adopted to conform to the statement have been applied retroactively by restating the financial statements used for the prior period information presented in this report. The restatement increased investment carrying value by \$5,117 and the current year's value by \$15,610. Market quotations are used for U S Treasury and agency obligations. The only investments reported at amortized cost are U S securities that mature within one year or less of the date of the acquisition. Investments in Tex Pool and Lone Star Investment Pool are reported at market value.



19 Operating Lease Commitments and Rental Agreement

The District paid rental payments from current funds of \$47,868 under operating leases in 1998. Future minimum lease payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 1998 are as follows:

Year Ending August 31	Minimum Future Lease Payments
1999	115,285
2000	117,256
2001	99,796
2002	30,288
Total	362,625

EUGENE HOVEY  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1375  
LA PORTE, TEXAS 77571

PHONE 471-2700

December 18, 1998

To The Board of Regents  
San Jacinto College District

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

I have audited the financial statements of the San Jacinto College District for the year ended August 31, 1998, and have issued my report thereon dated December 18, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance  
-----

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

Internal Control Over Financial Reporting  
-----


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

To The Board of Regents  
December 18, 1998  
Page Two

However, I noted certain matters involving the internal control and its operation that I have reported to the management of the District in a separate letter, dated December 18, 1998. ~~X~~

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

Respectfully submitted,



Eugene Hovey  
Certified Public Accountant

EUGENE HOVEY  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1375  
LA PORTE, TEXAS 77571

PHONE 471-2700  
December 18, 1998

To The Board of Regents  
San Jacinto College District

Re: Report on Compliance with Requirements Applicable to Each Major Program  
and Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance  
-----

I have audited the compliance of the San Jacinto College District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended August 31, 1998. The San Jacinto College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the San Jacinto College District's management. My responsibility is to express an opinion on the District's compliance based on our audit.

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

In my opinion, the San Jacinto College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 1998.

Internal Control Over Compliance  
-----

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


To The Board of Regents  
December 18, 1998  
Page 2

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

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Eugene Hovey".

Eugene Hovey  
Certified Public Accountant

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE A-1  
 SCHEDULE OF CASH , CASH EQUIVALENTS AND INVESTMENTS  
 AUGUST 31, 1998

	CURRENT FUNDS		
	Unrestricted	Auxiliary Enterprises	Restricted
Cash on Hand			
Cashier Accounts	\$ -	\$ 96,504	\$ -
Petty Cash	23,137	-	-
Subtotal	\$ 23,137	\$ 96,504	\$ -
Cash in Bank	\$ 326,452	\$ 109,444	\$ 1,015
Total Cash and Cash Equivalents	\$ 349,589	\$ 205,948	\$ 1,015
Short-Term Investments			
Bank Time Deposits	\$ -	\$ -	\$ -
Tex Pool	6,207,745	4,863,337	488,811
Lorestar	9,703,556	1,890,126	-
U.S. Securities	5,312,082	-	-
Total Short-term Investments	\$ 21,223,383	\$ 6,753,463	\$ 488,811
Long-Term Investments			
U. S. Securities	\$ -	\$ -	\$ -
Total Cash, Cash Equivalents and Investments	\$ 21,572,972	\$ 6,959,411	\$ 489,826

PLANT FUNDS

Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Agency Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 96,504
-	-	-	-	23,137
\$ -	\$ -	\$ -	\$ -	\$ 119,641
\$ 48,960	\$ 2,247	\$ 1,639	\$ 129,939	\$ 619,696
\$ 48,960	\$ 2,247	\$ 1,639	\$ 129,939	\$ 739,337
\$ -	\$ -	\$ -	\$ -	\$ -
188,876	2,790,267	783,000	258,245	15,580,281
-	-	-	-	11,593,682
-	-	-	-	5,312,082
\$ 188,876	\$ 2,790,267	\$ 783,000	\$ 258,245	\$ 32,486,045
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 237,836	\$ 2,792,514	\$ 784,639	\$ 388,184	\$ 33,225,382

SAN JACINTO COLLEGE DISTRICT  
SCHEDULE C-1  
STATEMENT OF CURRENT FUNDS REVENUES  
For the Year Ended August 31, 1998

	Unrestricted	Auxiliary Enterprises	Restricted	Total
<u>State Appropriations:</u>				
State Basic Aid	\$ 28,389,333	\$ -	\$ -	\$ 28,389,333
State Group Insurance	-	-	3,384,807	3,384,807
State Retirement Matching	-	-	2,036,383	2,036,383
Other	141,123	-	-	141,123
Total State Appropriations	28,530,456	\$ -	\$ 5,421,190	\$ 33,951,646
<u>Tuition and Fees</u>				
Tuition and Fees	\$	\$	\$	\$
In-District Resident Tuition	6,988,739	-	-	6,988,739
Out-of-District Resident Tuition	1,330,001	-	-	1,330,001
Non-resident Tuition	826,112	-	-	826,112
Subtotal Tuition	\$ 9,144,852	-	-	9,144,852
General Fees	4,172,571	503,756	-	4,676,327
Laboratory Fees	334,133	-	-	334,133
Out of District	1,778,523	-	-	1,778,523
Remissions and Exemptions	385,331	-	-	385,331
Total Tuition and Fees	\$ 15,815,410	\$ 503,756	\$ -	\$ 16,319,166
Taxes for Current Operations	\$ 21,229,038	\$ -	\$ -	\$ 21,229,038
<u>Federal Grants and Contracts</u>				
Other Programs	\$ -	\$ -	\$ 4,778,244	\$ 4,778,244
Recovery of Indirect Costs	67,930	-	-	67,930
Total Federal Grants and Contracts	\$ 67,930	\$ -	\$ 4,778,244	\$ 4,846,174
<u>State Grants and Contracts</u>				
Other Programs	\$ -	\$ -	\$ 252,375	\$ 252,375
Sales & Services of Educational Services	\$ 443,499	\$ -	\$ -	\$ 443,499
Sales & Services of Auxiliary Activities	\$ -	\$ 6,501,102	\$ -	\$ 6,501,102
Interest Income	\$ 1,356,196	\$ 351,730	\$ 22,525	\$ 1,730,451
Investment Income	\$ 16,101	\$ (491)	\$ -	\$ 15,610
Total Current Funds Revenues (Exh. C)	\$ 67,458,630	\$ 7,356,097	\$ 10,474,334	\$ 85,289,061



SAN JACINTO COLLEGE DISTRICT  
SCHEDULE C-2  
STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED AUGUST 31, 1998

	Salaries And Wages	Other Expenses	Capital Outlay	Total
	-----	-----	-----	-----
Unrestricted-Educational and General				
Instruction	\$ 23,938,055	\$ 3,960,252	\$ 1,735,440	\$ 29,633,747
Public Service	2,040,993	1,363,810	337,830	3,742,633
Academic Support	4,203,356	1,846,504	173,986	6,223,846
Student Services	3,748,660	1,233,811	134,203	5,116,674
Institutional Support	4,965,987	2,597,751	408,578	7,972,316
Operation and Maintenance of Plant	3,935,580	4,246,146	128,669	8,310,395
Scholarships and Fellowships	-	385,331	-	385,331
	-----	-----	-----	-----
Total Unrestricted	\$ 42,832,631	\$ 15,633,605	\$ 2,918,706	\$ 61,384,942
	-----	-----	-----	-----
Restricted-Educational and General				
Instruction	\$ 348,068	\$ 3,706,971	\$ -	\$ 4,055,039
Public Service	10,888	258,592	-	269,480
Academic Support	49,981	531,819	-	581,800
Student Services	63,347	474,354	-	537,701
Institutional Support	2,411	628,316	-	630,727
Operation and Maintenance of Plant	-	498,207	-	498,207
Scholarships and Fellowships	-	4,236,289	-	4,236,289
	-----	-----	-----	-----
Total Restricted	\$ 474,695	\$ 10,334,548	\$ -	\$ 10,809,243
	-----	-----	-----	-----
Restricted-Auxiliary Enterprises	\$ 10,946	-	-	10,946
	-----	-----	-----	-----
Total Restricted	\$ 485,641	\$ 10,334,548	\$ -	\$ 10,820,189
	-----	-----	-----	-----
Total Educational and General	\$ 43,318,272	\$ 25,968,153	\$ 2,918,706	\$ 72,205,131
	-----	-----	-----	-----
Auxiliary Enterprises	\$ 1,105,076	\$ 5,552,767	\$ -	\$ 6,657,843
	-----	-----	-----	-----
Total Current Fund Expenditures	\$ 44,423,348	\$ 31,520,920	\$ 2,918,706	\$ 78,862,974
	=====	=====	=====	=====

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE C-3  
 SCHEDULE OF UNRESTRICTED CURRENT FUNDS  
 EDUCATIONAL AND GENERAL EXPENDITURES  
 SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS  
 For the Year Ended August 31, 1998

Instruction		
Academic Programs		
Faculty Salaries	\$ 13,171,606	
Departmental Operating Expenses	2,349,347	\$ 15,520,953
	-----	
Vocational Technical Programs		
Faculty Salaries	\$ 10,753,567	
Departmental Operating Expenses	3,600,679	14,354,246
	-----	-----
Total Instruction	-	\$ 29,875,199
		-----
Public Service		
		1,445,632
Academic Support		
Library	\$ 1,571,980	
Instructional Administration	4,399,524	5,971,504
	-----	
Student Services		
		4,839,308
Institutional Support		
General Administration	\$ 3,695,331	
General Institutional Expense	2,981,533	
Campus Security	887,998	7,564,862
	-----	
Operation and Maintenance of Plant		
Plant Support Services	\$ 1,692,247	
Building Maintenance	1,749,048	
Custodial Services	1,940,686	
Grounds Maintenance	697,614	
Utilities	1,866,918	7,946,513
	-----	
Staff Benefits		
Group Insurance Premiums	\$ 5,317,082	
Workmen's Compensation Insurance	170,779	
Other	2,876,345	8,364,206
	-----	
Major Repairs & Rehabilitation of Facilities and Buildings		
		62,607
		-----
Total Expenditures by Elements of Institutional Costs		\$ 66,069,831
		=====
Reconciliation:		
Total Expenditures by Function (Exh. C)	\$ 61,384,942	
Less: Tuition Remissions and Exemptions	(385,331)	
Increase in Accrued Compensable Absences	(350,970)	
Add: Restricted State Paid Staff Benefits	5,421,190	
	-----	
Total Expenditures by Elements of Institutional Costs	\$ 66,069,831	
	=====	

SAN JACINTO COLLEGE DISTRICT  
SCHEDULE C-4  
SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 1998

Assessed Valuation of District	\$ 24,091,167,482		
Less: Exemptions	2,309,988,900		
	-----		
Net Assessed Valuation of District	\$ 21,781,178,582		
	=====		
	Current Operations	Debt Service	Total
	-----	-----	-----
Tax rate authorized per \$100 valuation	\$ 0.15000	\$	\$ 0.15000
	=====	=====	=====
Tax rate assessed per \$100 valuation	\$ 0.09678	\$ 0.01322	\$ 0.11000
	=====	=====	=====
Taxes Receivable, August 31, 1997	\$ 3,236,934	\$ -	\$ 3,236,934
Less: Allowance for Doubtful Accounts	3,166,045	-	3,166,045
	-----	-----	-----
Adjusted Taxes Receivable, August 31, 1997	\$ 70,889	\$ -	\$ 70,889
	-----	-----	-----
Taxes Assessed	\$ 21,113,786	2,845,510	\$ 23,959,296
Penalty & Interest Assessed	162,307	22,133	184,440
	-----	-----	-----
Subtotal Assessment	\$ 21,276,093	\$ 2,867,643	\$ 24,143,736
	-----	-----	-----
Taxes Collected			
Current	\$ 20,747,975	\$ 2,799,069	\$ 23,547,044
Delinquent	321,568	47,834	369,402
Penalties and interest	141,528	20,740	162,268
	-----	-----	-----
Subtotal Collections	\$ 21,211,071	\$ 2,867,643	\$ 24,078,714
	-----	-----	-----
Adjustments:			
Taxes Written Off/Refunds	\$ 60,976	\$ -	\$ 60,976
Change in Allowance for Doubtful Accounts	-	-	-
	-----	-----	-----
Subtotal Adjustments	\$ 60,976	\$ -	\$ 60,976
	-----	-----	-----
Taxes Receivable, August 31, 1998	\$ 74,935	\$ -	\$ 74,935
	=====	=====	=====

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE D-1  
 BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS  
 FOR THE YEAR ENDED AUGUST 31, 1998

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/97	Bonds Issued After 09/01/97	Bonds Matured or Retired	Bonds Outstanding 08/31/98	Maturities		
							First Year	Last Year	First Call Date
School Building Bonds, Series 96 *	\$ 3,550,000	5.21	\$ 1,490,000	\$ -	\$ 1,490,000	\$ 0	1996	1998	NONE
School Building Bonds, Series 88	3,000,000	6.40-7.40	575,000	-	575,000	0	1989	1997	NONE
School Building Bonds, Series 93	12,000,000	5.125-7.125	10,800,000	-	300,000	10,500,000	1993	2002	NONE
General Fee Bonds, Series 1974	850,000	6.00	125,000	-	60,000	65,000	1974	1999	NONE
<b>Total</b>	<b>\$ 19,400,000</b>		<b>\$ 12,990,000</b>	<b>\$ -</b>	<b>\$ 2,425,000</b>	<b>\$ 10,565,000</b>			

\* Refunding Bonds

Summary of Debt Service Requirements to Maturity

Description	Year Ending August 31,					Total Requirements
	1999	2000	2001	2002	2003	
School Building Bonds, Series 93	2,984,000	2,362,750	2,259,500	2,155,000	2,051,250	11,812,500
General Fee Bonds, Series 1974	66,950	-	-	-	-	66,950
	<b>3,050,950</b>	<b>\$ 2,362,750</b>	<b>\$ 2,259,500</b>	<b>\$ 2,155,000</b>	<b>\$ 2,051,250</b>	<b>\$ 11,879,450</b>

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE D-2  
 SCHEDULE OF PLEDGED REVENUES AND FUND BALANCES  
 FOR REVENUE BONDS OUTSTANDING  
 FOR THE YEAR ENDED AUGUST 31, 1998

PLEDGED REVENUES AND RELATED EXPENDITURES

Description	Pledged	Interest	Total	Operating	Net Available
	Revenues	Earned on Investments	Pledged Revenues	Expense	for Debt Service
General Fee Bond 1974	\$ 5,537,947	\$ 294,213	\$ 5,832,160	\$ 4,705,365	\$ 1,126,795

RESTRICTED ACCOUNT BALANCES

Description	Debt Service Principal	Debt Service Interest	INTEREST AND SINKING FUND		BOND RESERVE FUND	
			Required	Actual	Required	Actual
General Fee Bond 1974	\$ 65,000	\$ 1,950	\$ -	\$ -	\$ 66,950	\$ 66,950

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE D-3  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 1998

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS AND EXPENDITURES
U S DEPARTMENT OF AGRICULTURE Pass-Through From: Texas Department Human Services Child Care Food Program	10.558		4,925
U S DEPARTMENT OF LABOR Pass-Through From: Houston-Galveston Area Council	17.250		49,801
NATIONAL ENDOWMENT FOR THE HUMANITIES Pass-Through From: Texas Council for the Humanities	45.129		894
NATIONAL SCIENCE FOUNDATION Pass-Through From: University of Texas Texas Statewide Systemic Initiative	47.076		1,129
U S SMALL BUSINESS ADMINISTRATION Pass-Through From: University of Houston - Central Small Business Development Center	59.037		48,792
U S DEPARTMENT OF VETERANS AFFAIRS Direct Programs: Veteran's Administration Admin Allowance	64.124		2,882
U S DEPARTMENT OF EDUCATION Direct Programs: Federal Supplemental Educational Opportunity Grant Federal College Workstudy Program Federal Pell Grant	84.007 84.033 84.063		756,685 235,988 3,167,259
Pass-Through From: Texas Higher Education Coordinating Board Carl Perkins Voc Ed -- Annual Application 98 Carl Perkins Voc Ed -- Professional Dev Project 98 Subtotal Carl Perkins Voc Ed North Harris Montgomery Community College Dist Carl Perkins Voc Ed -- Tech Prep 98 Texas Higher Education Coordinating Board Eisenhower 97 Eisenhower 98 Eisenhower 99 Subtotal Eisenhower	84.048 84.048  84.243 84.281 84.281 84.281	88420239 88110006  88001715 95035 95048 96024	453,432 59,274 512,706 4,936 7,814 13,027 39,336 60,177
Total U S Department of Education			4,737,751
Total Federal Financial Assistance			4,846,174

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE D-3  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 1998

Note 1: Federal Assistance Reconciliation

Federal Revenues per Exhibit C-Restricted Funds	\$	4,778,244
Indirect/Administrative Cost Recoveries		67,930
		-----
Total Expenditures per Federal Schedule	\$	4,846,174
		=====
		-

Note 2: Student Loans Processed-Not Included in Schedule

Federal Grantor CFDA Number/Program Name		New Loans Processed
		-----
Department of Education		
84.032 Federal Family Education Loan Program	\$	990,524
		=====

Note 3: Significant accounting policies used in preparing the schedule

See Note 2 of the notes to the financial statements for college's significant accounting policies. These expenditures are reported on the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

SAN JACINTO COLLEGE DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 1998

1 SUMMARY OF AUDIT RESULTS:

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

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

Noncompliance material to financial statements.  yes  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program
84.007	Federal SEOG Program
84.032	Federal Family Education Loan Program
84.033	Federal College Workstudy Program
84.048	Carl Perkins Voc Ed Program
84.063	Federal Pell Grant Program

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

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

FINDINGS--FINANCIAL STATEMENTS AUDIT None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

	Federal CFDA Number	Findings	Questioned Costs
Federal SEOG Program	84.007	None	None
Federal Family Education Loan	84.032	None	None
Federal College Workstudy	84.033	None	None
Carl Perkins Voc Ed Program	84.048	None	None
Federal Pell Grant Program	84.063	None	None