



# **San Jacinto Community College District**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED  
AUGUST 31, 2018 AND 2017**

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, 2018 and 2017

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SAN JACINTO COMMUNITY COLLEGE DISTRICT  
Organizational Data

Board of Trustees and Key Officers  
Year Ended August 31, 2018

Officers

Mrs. Marie Flickinger	Chair
Mr. Dan Mims	Vice Chair
Mr. Keith Sinor	Secretary
Mrs. Erica Davis Rouse	Assistant Secretary

Members

		<u>Term Expires</u> <u>May 31,</u>
Mrs. Marie Flickinger	Houston, Texas	2019
Mr. Larry Wilson	Pasadena, Texas	2019
Mr. Dan Mims	Channelview, Texas	2021
Mr. John Moon, Jr.	Pasadena, Texas	2021
Mr. Keith Sinor	Deer Park, Texas	2021
Mrs. Erica Davis Rouse	Houston, Texas	2023
Dr. Ruede Wheeler, D.D.S.	La Porte, Texas	2023

Trustee Emeritus

Mr. Ben Meador

Key Officers

Dr. Brenda L. Hellyer	Chancellor
Dr. Laurel V. Williamson	Deputy Chancellor and College President
Mrs. Teri Crawford	Vice Chancellor of Marketing, Public Relations and Governmental Affairs
Dr. Allatia Harris	Vice Chancellor of Strategic Initiatives, Workforce Development, Community Relations and Diversity
Mrs. Teri Zamora	Vice Chancellor of Fiscal Affairs
Mr. Steve Trncak	Vice Chancellor of Human Resources
Mr. Rob Stanicic	Chief Information Officer
Mr. Van Wigginton, J.D.	Provost
Dr. William Raffetto	Provost
Dr. Brenda Jones	Provost
Ms. Ruth Keenan	Executive Director, SJCC Foundation, Inc.

San Jacinto College  
District Organizational Structure  
August 31, 2018

**Board of Trustees**

**Dr. Brenda Hellyer  
Chancellor**

**Administrative Organization  
Faculty Senate  
Staff Organization**

**Ruth Keenan  
Executive Director  
Advancement of SJCC  
Foundation**

**Dr. Laurel V. Williamson  
Deputy Chancellor and  
President**

**Teri Crawford  
Vice Chancellor  
Marketing, Public Relations,  
and Governmental Affairs**

**Stephen Trncak  
Vice Chancellor  
Human Resources**

**Rob Stanicic  
Chief Information  
Officer**

**Dr. Allatia Harris  
Vice Chancellor  
Strategic Initiatives, Workforce,  
Community, and Diversity**

**Teri Zamora  
Vice Chancellor  
Fiscal Affairs**

**Dr. Brenda Jones  
Provost  
South Campus**

**Van Wigginton  
Provost  
Central Campus**

**Dr. William Raffetto  
Provost  
North Campus**



December 6, 2018

Dr. Brenda Hellyer, Chancellor  
Members of the Board of Trustees  
Citizens of the San Jacinto Community College District

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Jacinto Community College District (College) for the fiscal years ended August 31, 2018 and 2017. The purpose of this report is to provide detailed information about the financial condition and performance of the College to the Board of Trustees, taxpayers, Texas Higher Education Coordinating Board (THECB), grantor agencies, employees and other interested parties. The report consists of management's representations concerning the finances of the College. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control.

To the best of our knowledge and belief, the enclosed financial report is complete and reliable in all material respects. It is organized in a manner designed to fairly present the financial position and results of operations of the College. The accompanying disclosures are necessary to enable the reader to gain an understanding of the College's financial affairs.

The CAFR is prepared by the College Department of Fiscal Affairs. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and also comply with the Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by THECB. The notes to the financial statements are provided in the financial section and are considered essential for fair and adequate disclosure of all information presented in this financial report.

## **PROFILE OF THE DISTRICT**

### **GETTING STARTED**

In May 1960, voters in the Channelview, Deer Park, Galena Park, La Porte, and Pasadena School Districts approved the creation of East Harris County Union Junior College. Sheldon School District was added in 1968. Voters elected seven members to serve on the Board of Regents, now Board of Trustees, and authorized them to levy a tax for the College's operations and maintenance.

In February 1961, the Board changed the name to San Jacinto Junior College District. The name was changed again in 1995 to San Jacinto Community College District to better reflect the expanded mission as a community college. The College is commonly referred to throughout the community as San Jacinto College, or simply San Jac.

On September 18, 1961, the College opened its doors and 876 students filed into a handful of renovated buildings in downtown Pasadena to attend the very first classes offered by San Jacinto College. The voters of the College District voted favorably a \$.15 per \$100 valuation tax that was used to start operations, hire faculty, and begin building what is now the Central Campus of San Jacinto College.

## EXPANSION

By fall 1974, the College was offering seven programs in leased store-front facilities on Federal Road until the North Campus opened in the spring of 1975. This campus was supported by bonds approved in 1972.

Expansion continued as J. Frank Dobie High School provided classrooms until San Jacinto College South opened in September of 1979. This campus was supported by bonds approved in 1976.

Expansion of all three campuses began in December 1999, when voters approved the issuance of \$91 million in general obligation bonds. These funds allowed the College to add new buildings, including the interactive learning centers and fine arts and music centers on all campuses, and childhood development centers on Central and North campuses, along with substantial infrastructure improvements throughout the three campuses.

In May 2008, another successful bond election provided \$295 million in funding to create updated science and allied health facilities on all campuses, library improvements on all campuses, student welcome centers on South and North campuses, a transportation facility on Central campus, and a new facility to house maintenance and police operations. Additionally, the College's fourth campus was opened with the construction of the maritime technology and training center.

In 2017, the College opened the Center for Industrial Technology on the North campus using funding from the issuance of revenue bonds in the spring of 2015.

In November 2015, with a nearly 68 percent approval rate, voters continued their support of the College with approval of a \$425 million general obligation bond. These funds allow the College to continue to update and transform the campuses, with the goal of student success. The first project is the Center for Petrochemical, Energy, and Technology on Central Campus, with a planned opening in Fall 2019. Other funded projects include district-wide infrastructure upgrades, safety and security updates, renovation of nine buildings which are on average 30-years-old or older, construction of a student welcome center and a classroom building on Central campus, center for culinary and cosmetology on North Campus and both a center for engineering and technology and a cosmetology center on South Campus. The majority of these projects will be complete by 2021. This general obligation bond may also provide funding for future expansion within the College district.

A new campus is planned for the northernmost portion of the College's service area in Generation Park. This campus will open with one building in Fall 2020, and will expand as needed.

San Jacinto College continues to expand partnerships with regional independent school districts and has expanded dual credit and early college high school offerings, including career and technical education options. The College has early college high schools and modified early college high schools with Clear Creek, Galena Park, Pasadena, Sheldon, Channelview, Deer Park and La Porte Independent School Districts. This work continues to be important with dual credit and early college high school students representing 14 percent of the fall 2017 student enrollment.

The College has many accomplishments over the past 57 years, and continues a tradition of excellence based on the vision, passion and cooperative spirit that has marked this institution's leadership. In 2017, San Jacinto College was recognized by the Aspen Institute for Community College Excellence with the Rising Star award. This award named San Jacinto College a top five community college in the country out of approximately 1,100. In 2018, the College has been included in the Aspen Institute's Top Ten Colleges, with the ultimate ranking of the Top Ten to be revealed in April 2019.



## **REPORTING ENTITY**

San Jacinto College is considered a special purpose government engaged solely in a business-type activity. As such, the financial statement presentation combines all fund groups into a single column and resembles the format of a corporate presentation as defined by GASB.

## **ECONOMIC CONDITION AND OUTLOOK LOCAL ECONOMY**

San Jacinto College is located in Harris County, Texas, within the nine-county Houston-The Woodlands-Sugar Land metropolitan statistical area (MSA). The nine-county MSA covers 9,432 square miles – an area just larger than New Jersey.

Over the last ten years, the Houston region has created over 455,000 jobs and reached a new record level of employment over three million in December 2017. The area offers more job opportunities than exist in each of 35 states.

On the east side of Harris County where San Jacinto College is located, various opportunities in chemical manufacturing, refining and supporting distribution/terminals continue to grow along with the capabilities of the Port of Houston. Coupled with the retiring workforce, industry leaders continue to project a significant need for a skilled workforce in the industrial and craft trades. San Jacinto College is working closely with many industry leaders and economic development groups to meet these workforce needs on both a near and long-term basis.

Hurricane Harvey hit the Gulf Coast region in August 2017. The region was impacted significantly but recovery was strong. The damage to physical assets of the College were minimal. Many support systems were expanded or added to assist students and employees through the recovery process to the extent that there was no significant impact on enrollment.

## **SAN JACINTO COLLEGE**

The College maintains strong fiscal health, and provides a strong return on investment to students, society, and taxpayers. For every \$1 invested in San Jacinto College, society as a whole in Texas sees \$21.80 in benefits. From the student perspective, for every \$1 invested in San Jacinto College, students see a \$6.30 return in higher future income. The average return is 19.8 percent. From the taxpayer perspective, for every \$1 invested in San Jacinto College, taxpayers see a \$4.50 return in benefits. The annual average return is 10.8 percent. The College Board of Trustees is committed to keeping taxes as low as possible.

San Jacinto College is affordable. At \$750 for tuition and fees for 12 semester credit hours, the College in-district tuition rate is one of the most affordable in the Gulf Coast region and in the state of Texas. The College is focused on student success and has increased student completion of degrees and certificates by 44 percent since 2014.

## **LEGAL**

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 CAFR of the College for the fiscal years ended August 31, 2018 and 2017. Additionally, the College is statutorily required to submit audited financial statements to the Texas Higher Education Coordinating Board by January 1st of each year.

## **THE AUDIT**

A public accounting firm has audited the College's financial statements. The goal of the independent audit is to provide a reasonable assurance that the financial statements of the College for the years ended August 31, 2018 and 2017 are free from material misstatement. The independent audits involve examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor has concluded, based upon the audits, that there is a reasonable basis for rendering an unmodified opinion that the College's financial statements for the years ended August 31, 2018 and 2017 are fairly presented in accordance with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of 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 material loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the College's financial statements in accordance with 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.

## **THE REPORT**

The CAFR is presented in six sections: introductory, financial, supplemental schedules, statistical, Federal awards, and State awards. The introductory section includes this transmittal letter, a list of the members of the Board of Trustees and key officers, an organization chart, and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.

The financial section is prepared in accordance with GAAP. This section of the CAFR includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements, explanatory notes to the basic financial statements, and required supplementary information. Analysts, investors, community members and other interested parties are encouraged to read the Management's Discussion and Analysis which begins on page 4.

The supplemental schedules are presented to comply with the reporting requirements of the Governmental Accounting Standards Board (GASB) and the Texas Higher Education Coordinating Board (THECB). The purpose of the supplemental schedules is to present more detailed information to the reader to allow a deeper understanding of the basic financial statements. Analysis of operating revenue, operating expenses by object, non-operating revenue and expenses, and an analysis of net assets by source and availability are presented.

The statistical section provides a historical perspective through ten years of data regarding operations, the College community of students, faculty and communities served by the College and the local economy.

The Federal awards section contains information regarding participation in various Federal programs. The independent auditors are required to conduct a separate audit of Federal programs and the College's system of internal control according to the standards applicable to financial audits contained in *Government Auditing Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Texas Single Audit Circular*. This section contains the auditors' report on the system of internal control, a listing of the Federal programs in which the College participates and the dollar amount of expenditures for each program.

The State awards section contains information about the various State grant programs that the College participates in and the amount expended for the current fiscal year by program. The independent auditors are required to conduct a separate audit of State programs as required by the State of Texas Single Audit Circular. This section contains a listing of the State programs in which the College participates and the dollar amount of expenditures for each program.

### **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, 2017. This was the eleventh 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. I would also like to express my appreciation to the Board of Trustees for their support in maintaining the highest standards of professionalism with regard to the College's financial operations.

Respectfully submitted,



Teri Zamora  
Vice Chancellor of Fiscal Affairs



Government Finance Officers Association

**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, 2017**

*Christopher P. Morill*

Executive Director/CEO

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
of San Jacinto Community College District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Jacinto Community College District (the College) as of and for the years ended August 31, 2018 and 2017, which include the discretely presented component unit of San Jacinto Community College Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and the financial position of the discretely presented component unit of the College as of June 30, 2018 and 2017, and the respective changes in its financial position and its cash for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 2 to the basic financial statements, the College adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended August 31, 2018. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the College's share of net pension liability, the schedule of the College's contributions for pension, the schedule of the College's proportionate share of the net OPEB liability, the schedule of the College's contributions for OPEB and the note to required supplemental schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplemental schedules on pages 64 through 67 and statistical section on pages 68 through 90 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 95 through 96 and the schedule of expenditures of State awards as required by the *State of Texas Single Audit Circular* on page 97 are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The supplemental schedules and the schedules of expenditures of Federal awards and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 64 through 67 and the schedules of expenditures of Federal awards on pages 95 through 96 and State awards on page 97 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Houston, Texas  
December 6, 2018

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### **About San Jacinto Community College District**

San Jacinto Community College District (the College) traces its roots to May 1960, when voters in five independent school districts (ISDs), Channelview, Deer Park, Galena Park, La Porte and Pasadena (Sheldon ISD was added in 1968), approved the creation of East Harris County Union Junior College, demonstrating a partnership between a growing community college and a sprawling area rich in history. The College's name was changed in February 1961 to San Jacinto Junior College District and then again in 1995 to San Jacinto Community College District. The College is most often referenced by the community as San Jacinto College or San Jac. The college district has now grown to include four campuses, a network of off-campus learning centers, a robust dual credit and early college high school program, and online offerings. In order to serve these students, the College employs over 3,000 full-time and part-time personnel. Most faculty have earned masters and doctoral degrees, and many have been nationally recognized for their teaching, innovation, 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 College's service district is also home to the nation's largest and world's second largest petrochemical complex, NASA-Johnson Space Center, and the Port of Houston (the Port), which is ranked first in the United States in foreign tonnage. 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, marine transportation companies, 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 companies supporting the Port, maritime companies, petrochemical companies, international and small businesses, healthcare providers, transportation entities, 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 technical workforce programs, academic articulation agreements, and dual credit and early college high school programs. Students are attracted to the College's specialized instructional programs and the transferability of credits to four-year universities. Students can choose from various certificate and credential programs, and the following degrees: Associate of Arts, Associate of Science, Associate of Applied Science, and Associate of Arts in Teaching.

The College's service area encompasses approximately 570,000 citizens and 330 square miles. A seven-member Board of Trustees (the Board), elected for six-year terms by the taxpayers in its taxing district, govern the College. The Board sets the vision, mission, and strategic direction for the College and is responsible for oversight of budgets, policies, and governance. In 2017, the Aspen Institute for Community College Excellence named San Jacinto College as a Rising Star Award winner, placing it among the top 5 community colleges out of more than 1,100 in the nation. In 2018, the Aspen Institute named the College as a top 10 institution and as a finalist for the 2019 Aspen Prize for Community College Excellence. This distinction is due to a laser focus on student success and completion that begins with the vision and strategic plan established by the Board and continues through alignment and implementation of the College's annual priorities.



# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### 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 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.

The annual financial report consists of three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements 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 unmodified report from the College's independent auditor.

### Financial Highlights for 2018

- During fiscal year 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 addresses accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). This resulted in a \$2.6 million increase in deferred outflows of resources related to OPEB, a \$91.1 million increase in net OPEB liability and a \$20.1 million increase in deferred inflows of resources related to OPEB as of August 31, 2018. The adoption of GASB Statement No. 75 required a restatement (reduction) of \$106.3 million in the beginning net position as of September 1, 2017, from \$164.3 million to \$58.0 million, to reflect the cumulative effect for the change in accounting principle.
- Hurricane Harvey hit the Gulf Coast region in August 2017. The College had minimal damage from Hurricane Harvey as compared to other entities adjacent and throughout the College service area. The total cost for all damage from the hurricane is approximately \$1 million. The majority of the damage has been covered by insurance (after deductibles) and reimbursements through FEMA.

The storm delayed the start of the Fall 2017 semester from August 28<sup>th</sup> to September 6<sup>th</sup>. The College took the following actions to assist students and employees during the disaster recovery period.

- Waived childcare fees during closure.
- Employees received closure pay during the closure period in compliance with College policy on closures. During the closure period, there were employees that were needed on campus to work on repairs, security, payroll, etc. These employees were compensated in addition to the closure pay.
- The College and the Foundation set up a San Jacinto College Student and Employee Emergency Relief Fund. The Fund received more than \$177,000 in donations thanks to the generosity of the College community. Approximately 97 employees received assistance, 255 students received disaster textbook relief funds and 93 students received additional disaster emergency funds.
- Upon reopening, employees who were affected by the storm were approved to use up to 60 hours of sick pay for repairs on houses and 24 hours of the sick leave could be used for childcare needs while the school districts were still closed.
- Instructional time or assignments were adjusted so that students would complete the semester on time.
- Registration was extended until the first day of classes and the time period for 100% refunds was extended based on the extenuating circumstances. Adjustments to the payment dates were made to student installment payment plans.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

- The College experienced a 5.2% enrollment growth for Fall of 2017 compared to Fall of 2016 with enrollment of 30,509 students compared to 28,998.
- In March 2018, the Board approved the addition of a Technology Fee of \$2 per semester credit hour effective with enrollments for Fall 2018. Due to changes and increased dependency on technology as it relates to college administration, student services, instructional needs, cyber security, and Open Educational Resources, initiatives and costs are escalating for the Information Technology Services area of the College. A Technology Fee would provide a dedicated funding stream to address increased costs and future funding in this area. Each year the Texas Association of Community Colleges conducts a survey of the 50 community colleges in the State which collects, among other items, the tuition and fee rates for 12 Semester Credit Hours (SCH) of instruction. The Spring 2018 survey results were recently released and San Jacinto College's relative position, when compared to the other 49 community colleges in the State, indicates that San Jacinto College's tuition and fees for In-district residents is the fifth lowest in the State, and the second lowest among the colleges in the Gulf Coast region.

Based on the approximately 589,000 semester credit hours generated during the last fiscal year (Fall 2016, Spring 2017, and Summer 2017), the proposed Technology Fee will produce approximately \$1.0 million additional net revenue, after exemptions. The proposed revenue increase will be generated in fiscal year 2018-2019 and will be included in the budget development process to address various new and continuing information technology needs.

The low tuition and fee rates are evidence of the College's commitment to the community it serves by providing affordable, high-quality education. But even with this commitment, the costs to deliver excellent instruction that prepares students for today's workforce and for university transfer continue to increase. The tuition and general service fee were increased in Fall 2016, along with the addition of differential fees for some courses. No other increases have been instituted since that time.

- As of August 31, 2018, the assets of the College exceeded its liabilities by \$60.6 million (net position) which includes a reduction of \$106.4 million related to restatement of beginning net position due to GASB Statement No. 75, plus an increase in net position of \$2.7 million from operations. The College had an overall decrease of \$103.7 million in total net position. Net investment in capital assets increased by \$0.09 million. Restricted net position decreased by \$0.27 million. Unrestricted net position decreased by \$103.5 million. The College's unrestricted net position is a negative \$65.6 million at year end.

### **Financial Highlights for 2017**

- 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 somewhat equally shared. However, State support for College operations, as a percentage of total unrestricted revenue, has continued to decrease. Meanwhile, the operational cost of delivering high quality instruction and maintaining equipment and facilities that prepare students for academic success and workforce readiness continues to increase. As the funding model for community colleges continues to shift from the State, the College is forced to rely more heavily on tuition and fees and property taxes.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

- In April 2016, to be effective beginning with the Fall 2016 semester for fiscal year 2017, the Board of Trustees approved an increase in the semester credit hour (SCH) tuition schedule, an increase in the general service fee, and the addition of a differential fee attached to courses. The last tuition increase occurred in the Fall of 2014 for out-of-state tuition. The College primarily serves post-secondary students, but dual credit and early college high school attendance (students generating simultaneous high school and college credit for academic coursework) is an important focus. The College provided an exemption of 70% in fiscal year 2016 to dual credit students or the related school district. With the tuition increases, the Board also approved increasing the exemption from 70% to 75% for fiscal year 2017.

The tuition increases, per SCH, for fiscal year 2017 were:

- \$3 per SCH increase in the in-district tuition rate (from \$47 to \$50)
- \$6 per SCH increase in the out-of-district tuition rate (from \$89 to \$95)
- \$11 per SCH increase in the non-resident tuition rate (from \$149 to \$160)

The fee changes for fiscal year 2017 were:

- \$10 per semester increase in the general service fee (from \$140 to \$150)
- Differential course fees ranging from \$2 per credit hour to \$7 per credit hour

- Each year the Texas Association of Community Colleges conducts a survey of the 50 community colleges in the State which collects, among other items, the tuition and fee rates for 12 SCH of instruction. According to the Spring 2017 survey results, the College's relative position, when compared to the other 49 community colleges in the State, indicates that an education at the College continues to be one of the best values state-wide. By residency classification, the survey results reflect that the College's tuition and fees for in-district residents is the fifth lowest in the State and the second lowest among colleges in the Gulf Coast region. For the out-of-district category, the College is the seventh lowest in the State and third lowest among colleges in the Gulf Coast region. The low tuition and fee rates are evidence of the College's commitment to the community it serves by providing affordable, high-quality education. But even with this commitment, the costs to deliver excellent instruction that prepares students for today's workforce and for university transfer continue to increase.
- The College continues to invest in its people, a strong student success agenda, and continuous improvement. Student success is evident by an increase of 161.7 percent in the number of certificates and associate degrees awarded since 2007. For fiscal year 2017, 7,019 credentials were awarded to San Jacinto College students. Community College Week ranked the College 15th in the nation in the number of associate degrees awarded.
- As of August 31, 2017, the assets of the College exceeded its liabilities by \$164.3 million (net position). The College had an overall decrease of \$2.5 million in total net position. Net investment in capital assets decreased by \$8.1 million. Restricted net position decreased by \$1.8 million. Unrestricted net position increased by \$7.4 million. The College's unrestricted net position is \$37.9 million, at year-end.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
Fiscal Year Ended August 31, 2018  
(Unaudited)

**The Statement of Net Position**

The Statement of Net Position 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, the deferred outflows and inflows of resources, and the resulting net position. 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 positions are displayed in three components: net investment in capital assets, restricted, and unrestricted.

Increases or decreases to net position 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 Position 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 Statements of Net Position and provides a summary of its assets, liabilities, and net position for the years ended August 31:

**Summary of Statements of Net Position - Exhibit 1  
(In Thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 113,211	\$ 103,941	\$ 98,279
Noncurrent assets:			
Capital assets, net of depreciation	461,208	431,894	416,052
Other	<u>126,675</u>	<u>169,930</u>	<u>204,179</u>
Total assets	\$ <u>701,094</u>	\$ <u>705,765</u>	\$ <u>718,510</u>
Deferred outflows of resources	\$ <u>17,418</u>	\$ <u>18,740</u>	\$ <u>13,112</u>
Current liabilities	\$ 63,216	\$ 57,822	\$ 53,391
Noncurrent liabilities	<u>568,507</u>	<u>498,559</u>	<u>507,264</u>
Total liabilities	\$ <u>631,723</u>	\$ <u>556,381</u>	\$ <u>560,655</u>
Deferred inflows of resources	\$ <u>26,155</u>	\$ <u>3,795</u>	\$ <u>4,122</u>
Net position:			
Net investment in capital assets	\$ 124,400	\$ 124,307	\$ 132,443
Restricted - expendable	1,873	2,147	3,966
Unrestricted	<u>(65,640)</u>	<u>37,875*</u>	<u>30,436</u>
Total net position	\$ <u>60,633</u>	\$ <u>164,329</u>	\$ <u>166,845</u>

\* The cumulative effect of the change in accounting principle related to GASB Statement No. 75 reduced the September 1, 2017 unrestricted net position beginning of year by \$106.3 million, from \$37.9 million as previously reported to \$(68.5) million as restated for GASB Statement No. 75.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### **Fiscal Year 2018 Compared to 2017**

Total assets decreased by \$4.7 million during 2018, a 0.07 percent decrease. The change in total assets resulted from a \$33.5 million decrease in cash and cash equivalents. This was offset with a net increase in capital assets of \$29.3 million and a minor decrease of \$0.5 million in other categories. The College continues to limit its investments to investment pools and money market accounts. Investment earnings rates increased from 1.07% at the start of the fiscal year to 2.01% at the end of the fiscal year.

The College's current ratio (current assets divided by current liabilities) remained the same at 1.80 in 2018 and 2017.

Total liabilities increased by \$75.3 million in 2018. The major area of change occurred due to the recording of the net OPEB liability in 2018 for an increase of \$91.1 million, a \$5.3 million decrease to the net pension liability related to the Teacher's Retirement System of Texas (TRS), a \$15.7 million decrease in the bond and notes payables and a \$5.3 million increase in other categories such as accounts payable and unearned revenues.

Total net position increased by \$2.7 million from operations. The College had an overall decrease of \$103.7 million in total net position due to the restatement of the beginning balance related to GASB No. 75 change in accounting principle of \$106.4 million. Net investment in capital assets increased by \$0.09 million. Restricted net position decreased by \$0.27 million. Unrestricted net position decreased by \$103.5 million. The College's unrestricted net position is a negative \$65.6 million at year end.

### **Fiscal Year 2017 Compared to 2016**

Total assets decreased by \$12.7 million during 2017, a 1.8 percent decrease. The change in total assets resulted from a \$28.0 million decrease in cash and cash equivalents. This was offset with a net increase in capital assets of \$15.8 million and a minor decrease of \$0.5 million in other categories. The College continues to limit its investments in investment pools and money market accounts. Investment earnings rates increased from 0.45% at the start of the fiscal year to 1.07% at the end of the fiscal year.

The College's current ratio (current assets divided by current liabilities) decreased to 1.80 in 2017 from 1.84 in 2016. The decrease is primarily due to an increase of current cash and investments of approximately \$6.2 million and an increase \$3.8 million in current bonds payable.

Total liabilities decreased by \$4.3 million in 2017. The major areas of change occurred in a decrease of \$6.1 million in the bond and notes payables and a \$1.9 million increase to the net pension liability related to the Teacher's Retirement System of Texas (TRS),

Total net position decreased by \$2.5 million in 2017. Changes in net position by category: Unrestricted increased by \$7.4 million, restricted decreased by \$1.8 million, and capital assets net of depreciation and related debt decreased by \$8.1 million.

### **The Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position 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 position has increased during the year ended August 31, 2018, with comparative information for fiscal year 2017. 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.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
Fiscal Year Ended August 31, 2018  
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Tuition and auxiliary revenues are shown net of 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 Statements of Revenues, Expenses and Changes in Net Position for the years ended August 31:

**Summary of Revenues, Expenses, and Changes in Net Position - Exhibit 2**  
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of allowances and discounts	\$ 43,765	\$ 43,530	\$ 41,846
Federal grants and contracts	6,959	6,965	5,463
State grants and contracts	3,252	3,080	2,701
Non-government grants and contracts	1,712	2,082	1,699
Sales and services of educational activities	3,159	2,284	1,671
Auxiliary enterprises, net of discounts	2,623	2,843	3,303
General operating revenues	<u>-</u>	<u>-</u>	<u>8</u>
Total operating revenues	<u>61,470</u>	<u>60,784</u>	<u>56,691</u>
Expenses:			
Operating expenses:			
Instruction	75,679	73,338	68,455
Public service	7,325	6,409	6,863
Academic support	18,029	17,746	15,521
Student services	16,605	15,513	14,365
Institutional support	42,260	40,531	43,151
Operation and maintenance of plant	21,944	16,882	16,700
Scholarships and fellowships	30,389	31,041	31,733
Auxiliary enterprises	3,456	3,723	4,091
Depreciation	<u>17,116</u>	<u>18,439</u>	<u>18,808</u>
Total operating expenses	<u>232,803</u>	<u>223,622</u>	<u>219,687</u>
Operating loss	<u>(171,333)</u>	<u>(162,838)</u>	<u>(162,996)</u>
Non-operating revenues (expenses):			
State appropriations	51,368	46,751	43,989
Maintenance ad valorem taxes	66,657	64,849	62,711
Debt service ad valorem taxes	28,360	26,714	22,590
Federal revenue, non-operating	41,109	40,823	40,864
Investment income (net of investment expenses)	3,397	1,519	545
Interest on capital related debt	(17,297)	(18,248)	(17,034)
Other non-operating revenues (expenses)	<u>407</u>	<u>(2,086)</u>	<u>(27)</u>
Total non-operating revenues, net	<u>174,001</u>	<u>160,322</u>	<u>153,638</u>
Increase (Decrease) in net position	<u>2,668</u>	<u>(2,516)</u>	<u>(9,358)</u>
Net position, beginning of year, as previously reported	164,329	166,845	176,203
Cumulative effect of change in accounting principle	<u>(106,364)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year as restated in 2018	<u>57,965</u>	<u>166,845</u>	<u>176,203</u>
Net position, end of year	<u>\$ 60,633</u>	<u>\$ 164,329</u>	<u>\$ 166,845</u>

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### **Fiscal Year 2018 Compared to 2017**

Tuition and fee revenue (before allowances and discounts) increased by \$0.8 million in 2018 to \$67.0 million from \$66.2 million in 2017. This is due to no change to the semester credit hour tuition rate and an increase in enrollment from 28,000 to 30,500 students from fall to fall. Total contact hours decreased by 103,000 and the average State appropriation per contact hour increased to \$2.75 for 2018 from \$2.59 for 2017.

Operating expenses increased by \$9.2 million to \$232.8 million for 2018 from \$223.6 million for 2017. Salaries, wages, and benefits increased by \$6.9 million. Additional increases of \$3.3 million are attributed to purchase of non-capital items related to the 2016 bond program.

Net non-operating revenues and expenses increased by \$13.7 million in 2018 from 2017. State appropriations increased by \$4.6 million to \$51.4 million in 2018 from \$46.8 million in 2017. \$2.3 million attributed to appropriations related to instruction and \$2.3 million to state paid benefits. Ad valorem tax revenue increased by \$3.4 million to \$95.0 million in 2018 from \$91.6 million in 2017 due to increases in taxable assessed valuations of \$1.3 billion and changes in the tax rates. The maintenance and operations tax rate decreased to 12.8828 cents from 12.9194 cents and the debt service tax rate was increased to 5.4507 cents from 5.3185 cents for 2018 and 2017 respectively. Net investment income increased by \$1.88 million due to earnings rates increasing from a low of 1.02% at the start of the year to a high of 2.01% at the end of the year. Interest on capital debt decreased by \$0.95 million. Increases of \$0.4 million are related to net increases in Federal Title IV and decreases in the other non-operating expenses.

### **Fiscal Year 2017 Compared to 2016**

Tuition and fee revenue (before allowances and discounts) increased by \$4.4 million in 2017 to \$66.2 million from \$61.8 million in 2016. This is due to the semester credit hour increases in tuition discussed in the financial highlights stable enrollment of 28,000 students from fall to fall. Although total contact hours increased by 262,000, the State appropriation per contact hour decreased to \$2.99 for 2017 from \$3.05 for 2016.

Operating expenses increased by \$3.9 million to \$223.6 million for 2017 from \$219.7 million for 2016. Salaries, wages, and benefits increased by \$4.5 million due to salary adjustments for full-time and part-time employees and rising costs of health benefits. The increases were offset by a decrease of \$0.6 million in net changes in the other categories.

Net non-operating revenues and expenses increased by \$6.7 million in 2017 from 2016. State appropriations increased by \$2.8 million to \$46.8 million in 2017 from \$44.0 million in 2016. Ad valorem tax revenue increased by \$6.3 million to \$91.6 million in 2017 from \$85.3 million in 2016 due to increases in taxable assessed valuations of \$2.6 billion and changes in the tax rates largely related to voter approved debt requirements. The maintenance and operations tax rate remained the same at 12.9194 cents and the debt service tax rate was increased to 5.3185 cents from 4.6589 cents. Net investment income increased by \$0.9 million due to earnings rates increasing from a low of 0.45% at the start of the year to a high of 1.07% at the end of the year. Interest on capital debt increased by \$1.2 million. A \$2.1 million loss on disposal of capital assets was realized due to the razing of the North Campus library after only twenty-three years of service.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
Fiscal Year Ended August 31, 2018  
(Unaudited)

**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 College's ability:

- 1) To generate future cash flows.
- 2) To meet its obligations as they come due.
- 3) To meet 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>2018</u>	<u>2017</u>	<u>2016</u>
Cash provided (used) by:			
Operating activities	\$ (139,429)	\$ (135,982)	\$ (136,479)
Non-capital financing activities	151,712	144,257	139,694
Capital and related financing activities	(49,169)	(37,867)	110,528
Investing activities	<u>3,397</u>	<u>1,519</u>	<u>7,293</u>
(Decrease) Increase in cash and cash equivalents	(33,489)	(28,073)	121,036
Cash and cash equivalents - beginning of year	<u>248,465</u>	<u>276,538</u>	<u>155,502</u>
Cash and cash equivalents - end of year	\$ <u>214,976</u>	\$ <u>248,465</u>	\$ <u>276,538</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.

Cash used by the College for operating activities increased by \$3.4 million to \$139.4 million in 2018 from \$136.0 million in 2017. The decrease in cash used is related to a \$4.3 million increase in payments related to payroll benefits, an offset of \$2.3 million in receipts provided by students and grants, an increase of \$1.4 million in payments for goods and services.

Cash provided to the College for non-capital financing activities increased by \$7.0 million to \$151.2 million in 2018 from \$144.2 million in 2017. State appropriations increased \$4.4 million, maintenance ad valorem tax revenues increased \$1.8 million, and non-operating Federal Title IV increased \$0.3 million. Cash used for other categories cash provided totaled \$0.5 million.

Net cash flows from capital and related financing activities used increased by \$11.3 million to \$49.2 million in 2018 from \$37.9 million in 2017. The increase is due to \$10.1 million used for the purchase of capital assets and \$2.8 million used due to increases in capital debt interest. Cash flows provided from debt service related ad valorem taxes increased \$1.6 million.

Net cash flows provided from investing activities increased \$1.9 million to \$3.4 million in 2018 from \$1.5 million in 2017.



# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### **Capital Assets and Long-Term Debt Activity**

#### Capital Assets - Fiscal Year 2018

In 2018, the College had the following additions and deletions to net capital assets totaling a \$29.3 million increase: \$38.2 million net increase in assets not depreciated, and \$6.1 a million net increase to depreciated assets as completed construction projects were placed in service. Net accumulated depreciation increased \$15.0 million.

#### Capital Assets - Fiscal Year 2017

In 2017, the College had the following additions and deletions to net capital assets totaling a \$15.8 million increase: \$13.9 million net decrease in assets not depreciated, and \$45.8 a million net increase to depreciated assets as completed buildings and renovations were placed in service. Net accumulated depreciation increased \$16.0 million.

#### Long-Term Debt

In September 2016, the College issued \$83.1 million of limited tax general obligation bonds (Series 2016C - PAR value \$73.8 million plus \$9.3 million premium). The proceeds will be used by the College to refund portions of limited tax general obligations bonds (Series 2009 and 2011) and pay the costs of issuance for the Series 2016C Bonds. The bonds are secured by proceeds of the annual ad valorem tax levy.

#### Ad Valorem Taxes

On October 1, 2018, the Board approved the adoption of the 2018 tax rate of 17.9329 cents per \$100 valuation which is 0.4006 cents below the prior year rate of 18.335 cents. The adopted rate is the same as the calculated effective tax rate which is generally considered a "no new tax rate increase rate". The maintenance and operations tax rate decreased to 12.2721 cents and the debt service tax rate decreased to 05.2119 cents. The total taxes imposed on a residence homestead at the current year's appraised value of \$109,291 (excluding special exemptions for persons 65 years of age or older or disabled) at the proposed rate will be \$195.99. A taxpayer owning a homestead residence and claiming the over 65 or older or disabled exemption would incur no taxes (\$0.00) to the College on a residence taxed at the current year's average market value. Certified property tax values for the 2018 tax year were received from the Harris County Appraisal District (HCAD) on August 21, 2018. The certified tax roll values for 2018 are \$54.8 billion which is \$2.4 billion (4.6%) higher than the prior year valuations.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis  
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(Unaudited)

On October 2, 2017, the Board approved the adoption of the 2017 tax rate of 18.3335 cents per \$100 valuation which is 0.0956 cents above the prior year rate of 18.2379 cents. The primary reason for the increase in the tax rate is due to the issuance of \$150 million of voter approved bond debt during fiscal year 2016. The maintenance and operations tax rate decreased to 12.8828 cents and the debt service tax rate was increased to 5.45407 cents. The total taxes imposed on a residence homestead at the current year's appraised value of \$104,959 (excluding special exemptions for persons 65 years of age or older or disabled) at the proposed rate will be \$192.43. A taxpayer owning a homestead residence and claiming the over 65 or older or disabled exemption would incur no taxes (\$0.00) to the College on a residence taxed at the current year's average market value. Certified property tax values for the 2017 tax year were received from HCAD on August 25, 2017. The certified tax roll values for 2017 are \$52.4 billion which is \$1.8 billion (3.5%) higher than the prior year valuations.

On October 10, 2016, the Board approved the adoption of the 2016 tax rate of 18.2379 cents per \$100 valuation which is 0.6596 cents above the prior year rate of 17.5783 cents. The primary reason for the increase in the tax rate is due to the issuance of \$150 million of voter approved bond debt during fiscal year 2016. This is the first issuance of bonds from the total voter approved bond debt of \$425 million with the remaining \$275 million of bond debt to be issued at future dates. The maintenance and operations tax rate remained at 12.9194 cents and the debt service tax rate was increased to 5.3185 cents. The total taxes imposed on a residence homestead at the current year's appraised value of \$97,066 (excluding special exemptions for persons 65 years of age or older or disabled) at the proposed rate will be \$177.03. A taxpayer owning a homestead residence and claiming the over 65 or older or disabled exemption would incur no taxes (\$0.00) to the College on a residence taxed at the current year's average market value. Certified property tax values for the 2016 tax year were received from HCAD on August 26, 2016. The certified tax roll values for 2016 are \$50.6 billion which is \$2.6 billion (5.4%) higher than the prior year valuations.

At August 31, 2018, the College's credit ratings have been affirmed as follows:

	<u>Moody's Investor's Service (1)</u>	<u>Standard &amp; Poor's (2)</u>
General Obligation Bonds	Aa2	AA
Maintenance and Tax Notes	Aa2	AA
Revenue Bonds	Aa3	Not Rated

- (1) Moody's affirmed the General Obligation Bonds, Maintenance Tax Notes and Revenue Bonds rating on August 10, 2016.
- (2) Standard & Poor's affirmed the General Obligation Bonds and Maintenance Tax Notes rating on August 15, 2016.

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

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Management's Discussion and Analysis Fiscal Year Ended August 31, 2018 (Unaudited)

### **Currently Known Facts, Decisions and Conditions**

San Jacinto Community College District is a dynamic institution that is an integral part of the success of East Harris County and the surrounding communities. The College's leadership continues to build a culture focused on the student. The College's employees work with students to redefine their expectations, encourage the exploration of new opportunities, and empower them to achieve their goals. Looking ahead to fiscal year 2019 and beyond, management sees continuing challenges regarding the levels of State support, resistance to maintenance and operations property taxes increases, and continued 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. The College will continue to focus on strengthening the teaching and learning process and expanding outreach efforts while maintaining its sound financial position.

### **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 resources 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 Position  
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 88,301,084	\$ 78,535,185
Accounts receivable, net	21,662,485	22,314,889
Prepaid expenses	1,654,077	1,862,282
Deferred charges	1,233,439	865,025
Inventories	359,413	363,167
Total current assets	<u>113,210,498</u>	<u>103,940,548</u>
Noncurrent assets:		
Restricted cash and cash equivalents	126,674,968	169,929,760
Capital assets net of accumulated depreciation	393,029,132	401,897,874
Capital assets not being depreciated	68,179,036	29,996,327
Total noncurrent assets	<u>587,883,136</u>	<u>601,823,961</u>
Total assets	<u>701,093,634</u>	<u>705,764,509</u>
Deferred outflows of resources:		
Deferred outflow related to pensions	4,631,718	6,924,946
Deferred outflow related to OPEB	2,581,254	-
Deferred outflow related to defeased debt	10,204,649	11,814,997
Total deferred outflows of resources	<u>17,417,621</u>	<u>18,739,943</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	19,284,062	15,387,437
Accrued liabilities	846,529	828,742
Accrued compensable absences - current portion	254,254	610,680
Deferred compensation	35,000	10,000
Unearned revenue	26,581,516	25,246,538
Net OPEB liability - current portion	455,625	-
Notes payable - current portion	426,792	361,792
Bonds payable - current portion	15,332,476	15,376,573
Total current liabilities	<u>63,216,254</u>	<u>57,821,762</u>
Noncurrent liabilities:		
Accrued compensable absences	2,005,045	1,672,108
Net pension liability	26,598,961	31,890,143
Net OPEB liability	90,669,411	-
Notes payable	1,645,380	2,072,172
Bonds payable	447,587,967	462,924,558
Total noncurrent liabilities	<u>568,506,764</u>	<u>498,558,981</u>
Total liabilities	<u>631,723,018</u>	<u>556,380,743</u>
Deferred inflows of resources:		
Deferred inflow related to pensions	6,007,220	3,795,258
Deferred inflow related to OPEB	20,148,183	-
Total deferred inflows of resources	<u>26,155,403</u>	<u>3,795,258</u>
<u>Net Position</u>		
Net investment in capital assets	124,399,776	124,306,376
Restricted for:		
Expendable:		
Grants	1,733,441	1,521,703
Debt service	139,462	625,208
Unrestricted	<u>(65,639,845)</u>	<u>37,875,164</u>
Total net position (Schedule D)	<u>\$ 60,632,834</u>	<u>\$ 164,328,451</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE  
FOUNDATION, INC.  
(a Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 889,102	\$ 1,161,246
Pledges receivable	218,200	314,955
Investments	11,211,900	10,292,513
Permanently restricted pledges receivable	<u>15,000</u>	<u>20,000</u>
Total assets	<u>12,334,202</u>	<u>11,788,714</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Scholarships and programs payable	<u>358,145</u>	<u>311,932</u>
Total liabilities	<u>358,145</u>	<u>311,932</u>
Net assets:		
Unrestricted	2,754,543	2,560,256
Temporarily restricted	4,460,970	4,400,824
Permanently restricted	<u>4,760,544</u>	<u>4,515,702</u>
Total net assets	<u>11,976,057</u>	<u>11,476,782</u>
Total liabilities and net assets	<u>\$ 12,334,202</u>	<u>\$ 11,788,714</u>

See accompanying notes to basic financial statements.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Operating Revenues</u>		
Student tuition and fees (net of allowances and discounts of \$23,245,304 and \$22,717,830, respectively)	\$ 43,765,315	\$ 43,529,650
Federal grants and contracts	6,958,221	6,965,180
State grants and contracts	3,252,231	3,079,579
Non-governmental grants and contracts	1,712,258	2,082,059
Sales and services of educational and non-educational activities	3,159,089	2,284,664
Auxiliary enterprises (net of discounts)	<u>2,622,449</u>	<u>2,843,352</u>
Total operating revenues (Schedule A)	<u>61,469,563</u>	<u>60,784,484</u>
<u>Operating Expenses</u>		
Instruction	75,679,435	73,337,998
Public service	7,325,417	6,409,099
Academic support	18,029,122	17,746,082
Student services	16,604,569	15,513,217
Institutional support	42,259,567	40,530,689
Operation and maintenance of plant	21,944,162	16,881,705
Scholarships and fellowships	30,388,995	31,041,269
Auxiliary enterprises	3,455,670	3,723,398
Depreciation	<u>17,115,860</u>	<u>18,438,792</u>
Total operating expenses (Schedule B)	<u>232,802,797</u>	<u>223,622,249</u>
Operating loss	<u>(171,333,234)</u>	<u>(162,837,765)</u>
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	51,367,683	46,751,531
Maintenance ad valorem taxes	66,657,043	64,848,898
Debt service ad valorem taxes	28,360,386	26,714,175
Federal revenue, non-operating	41,108,977	40,822,543
Investment income (net of investment expenses)	3,396,779	1,519,232
Interest on capital related debt	(17,296,854)	(18,248,200)
Other non-operating revenues (expenses)	<u>407,484</u>	<u>(2,086,683)</u>
Total non-operating revenues, net (Schedule C)	<u>174,001,498</u>	<u>160,321,496</u>
Increase/(Decrease) in net position	<u>2,668,264</u>	<u>(2,516,269)</u>
<u>Net Position</u>		
Net position, beginning of year, as previously reported	164,328,451	166,844,720
Cumulative effect of change in accounting principle	<u>(106,363,881)</u>	<u>-</u>
Net position, beginning of year, as restated for only September 1, 2017	<u>57,964,570</u>	<u>166,844,720</u>
Net position, end of year	<u>\$ 60,632,834</u>	<u>\$ 164,328,451</u>

See accompanying notes to basic financial statements.

SAN JACINTO COMMUNITY COLLEGE  
FOUNDATION, INC.  
(a Texas Nonprofit Corporation)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:								
Contributions	\$ 562,596	\$ 1,061,165	\$ 223,098	\$ 1,846,859	\$ 473,281	\$ 741,061	\$ 282,292	\$ 1,496,634
Special events	147,870	-	-	147,870	87,826	-	-	87,826
Interest and dividends	263,019	-	-	263,019	199,832	-	-	199,832
Net change in fair value of investments	(34,406)	(59,376)	-	(93,782)	63,880	72,277	-	136,157
Net assets released from restrictions	919,899	(941,643)	21,744	-	585,286	(586,496)	1,210	-
<b>Total public support and revenues</b>	<b>1,858,978</b>	<b>60,146</b>	<b>244,842</b>	<b>2,163,966</b>	<b>1,410,105</b>	<b>226,842</b>	<b>283,502</b>	<b>1,920,449</b>
Expenses:								
Programs:								
Student scholarships	780,162	-	-	780,162	356,720	-	-	356,720
Grants awarded	-	-	-	-	46,645	-	-	46,645
Student success initiatives	37,132	-	-	37,132	34,677	-	-	34,677
Programs sponsored	161,481	-	-	161,481	181,920	-	-	181,920
<b>Total programs</b>	<b>978,775</b>	<b>-</b>	<b>-</b>	<b>978,775</b>	<b>619,962</b>	<b>-</b>	<b>-</b>	<b>619,962</b>
Supporting services:								
Administration	-	-	-	-	-	-	-	-
Management and general	523,552	-	-	523,552	452,900	-	-	452,900
Fundraising	150,520	-	-	150,520	89,494	-	-	89,494
Sponsorship expenses	11,844	-	-	11,844	7,275	-	-	7,275
<b>Total supporting services</b>	<b>685,916</b>	<b>-</b>	<b>-</b>	<b>685,916</b>	<b>549,669</b>	<b>-</b>	<b>-</b>	<b>549,669</b>
<b>Total expenses</b>	<b>1,664,691</b>	<b>-</b>	<b>-</b>	<b>1,664,691</b>	<b>1,169,631</b>	<b>-</b>	<b>-</b>	<b>1,169,631</b>
Change in net assets	194,287	60,146	244,842	499,275	240,474	226,842	283,502	750,818
Net assets, beginning of year	2,560,256	4,400,824	4,515,702	11,476,782	2,319,782	4,173,982	4,232,200	10,725,964
Net assets, end of year	<u>\$ 2,754,543</u>	<u>\$ 4,460,970</u>	<u>\$ 4,760,544</u>	<u>\$ 11,976,057</u>	<u>\$ 2,560,256</u>	<u>\$ 4,400,824</u>	<u>\$ 4,515,702</u>	<u>\$ 11,476,782</u>

See accompanying notes to basic financial statements.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows  
Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Receipts from students and other customers	\$ 51,204,363	\$ 48,957,422
Receipts of grants and contracts	11,864,321	11,765,149
Payments to suppliers for goods or services	(42,930,981)	(41,550,113)
Payments to or on behalf of employees	(128,914,859)	(124,595,959)
Payments of scholarships and fellowships	(30,651,182)	(30,559,065)
Net cash used by operating activities	<u>(139,428,338)</u>	<u>(135,982,566)</u>
<u>Cash flows from non-capital financing activities</u>		
Receipts from State appropriations	43,614,303	39,247,237
Receipts from ad valorem taxes - maintenance and operating	66,990,698	64,613,976
Receipts from non-operating Federal revenue	41,108,977	40,822,543
Payments on notes - principal	(361,792)	(351,792)
Payments on notes - interest	(64,133)	(74,796)
Receipts from Harvey relief	854,301	-
Payments to suppliers/employees for Harvey relief	(430,373)	-
Net cash provided by non-capital financial activities	<u>151,711,981</u>	<u>144,257,168</u>
<u>Cash flows from capital and related financing activities</u>		
Receipts from ad valorem taxes - debt service	28,262,230	26,679,996
Purchases of capital assets	(46,446,271)	(36,367,841)
Proceeds from general obligation bonds	-	83,066,473
Payment on capital debt - principal	(13,770,340)	(93,022,348)
Payment on capital debt - interest	(17,214,934)	(18,222,985)
Net cash used by capital and related financing activities	<u>(49,169,315)</u>	<u>(37,866,705)</u>
<u>Cash flows from investing activities</u>		
Investment income	3,396,779	1,519,232
Net cash provided by investing activities	<u>3,396,779</u>	<u>1,519,232</u>
Decrease in cash and cash equivalents	(33,488,893)	(28,072,871)
Cash and cash equivalents, beginning of year	248,464,945	276,537,816
Cash and cash equivalents, end of year	<u>\$ 214,976,052</u>	<u>\$ 248,464,945</u>
<u>Reconciliation of operating loss to net cash used by operating activities</u>		
Operating loss	\$ (171,333,234)	\$ (162,837,765)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	17,115,860	18,438,792
Bad debt expense	828,727	1,365,687
Pension expense	785,992	(198,075)
OPEB expense	(2,328,084)	-
Tax collection fee	152,762	151,244
State group insurance	7,753,380	7,504,294
Changes in assets and liabilities:		
Receivables, net	(564,584)	(1,461,614)
Prepaid expenses and deferred charges	(160,209)	648,269
Inventories	3,754	80,478
Deferred outflow related to pensions	2,293,228	(1,422,834)
Deferred outflow related to OPEB	(70,093)	-
Accounts payable	3,732,427	(277,091)
Accrued liabilities	164,198	502,885
Unearned revenue	1,334,978	34,014
Compensated absences	1,511	(329,835)
Net pension liability	(6,077,174)	2,146,093
Net OPEB liability	(15,421,922)	-
Deferred inflow related to pensions	2,211,962	(327,108)
Deferred inflow related to OPEB	20,148,183	-
Net cash used by operating activities	<u>\$ (139,428,338)</u>	<u>\$ (135,982,566)</u>

See accompanying notes to basic financial statements including Note 27 for noncash investing, capital and financing activities.



SAN JACINTO COMMUNITY COLLEGE  
FOUNDATION, INC.  
(a Texas Nonprofit Corporation)

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 499,275	\$ 750,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in fair value of investments	93,782	(136,157)
Contributions permanently restricted	(223,098)	(282,292)
Decrease (increase) in pledges receivable	96,755	(30,760)
Increase (decrease) in scholarships and programs payable	46,213	(14,487)
	<u>512,927</u>	<u>287,122</u>
Net cash provided by operating activities		
<u>Cash flows from investing activities</u>		
Purchases of investments	(1,013,169)	(8,505,284)
Sales of investments	-	7,764,335
	<u>(1,013,169)</u>	<u>(740,949)</u>
Net cash used by investing activities		
<u>Cash flows from financing activities</u>		
Proceeds from contributions permanently restricted	228,098	262,292
	<u>228,098</u>	<u>262,292</u>
Net decrease in cash and cash equivalents	(272,144)	(191,535)
Cash and cash equivalents, beginning of year	1,161,246	1,352,781
Cash and cash equivalents, end of year	<u>\$ 889,102</u>	<u>\$ 1,161,246</u>

See accompanying notes to basic financial statements.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### 1. Reporting Entity

San Jacinto Community College District (the College) was established in 1960, in accordance with the laws of the State of Texas (State), to serve the educational needs of its taxing district 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.

The San Jacinto Community College Foundation, Inc. (the Foundation) is a non-profit organization established in 1996 for the purpose of providing benefits, such as scholarships and grants, to the College through private funds raised by the Foundation. Under GASB Statement No. 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's most recent fiscal year end comparative Statements of Financial Position, Statements of Activities and Changes in Net Assets, and Statements of Cash Flows, which are prepared in accordance with the standards of the Financial Accounting Standards Board, are included in the College's comprehensive annual financial report as a discretely presented component unit. Complete financial statements for the Foundation can be obtained from the administrative office of the Foundation.

### 2. Summary of Significant Accounting Policies

#### Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

#### Implementation of New GASB Pronouncement - Restatement of Net Position

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation and as such, implemented the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended August 31, 2018. This Statement replaces the requirements of GASB Statement No. 45 and requires that the College recognize a net OPEB liability and changes in the net OPEB liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB. As permitted by GASB Statement No. 75, the College did not report the beginning balances for the net OPEB liability and deferred inflows of resources and deferred outflows of resources related to OPEB as of September 1, 2016, since the information was not available to the College. Consequently, the College's fiscal year 2017 financial statements have not been restated for the implementation of GASB Statement No. 75. Therefore, the College's fiscal year 2018 financial statements are not comparable to the fiscal year 2017 financial statements with respect to the net OPEB liability and deferred inflows of resources and deferred outflows of resources related to OPEB. As an alternative allowed under GASB Statement No. 75, the cumulative effect of applying the new accounting pronouncement has been reported as a restatement of beginning net position as of September 1, 2017 as follows:

Net position as of September 1, 2017, as previously reported	\$ 164,328,451
Cumulative effect of change in accounting principle:	
Beginning net OPEB liability (measurement date as of August 31, 2016)	(108,875,042)
Deferred outflows of resources related to contributions made by the College during fiscal year 2017 (after the measurement date)	<u>2,511,161</u>
Net position as of September 1, 2017, as restated	\$ <u>57,964,570</u>

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### New Accounting Pronouncements

All GASB Statements up to Statement No. 90 were reviewed for applicability to the College. Implementation status and applicability information is provided below (GASB Statement No. 75 is discussed above).

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement was adopted during the College's fiscal year ended August 31, 2018 with no significant impact.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement was adopted during the College's fiscal year ended August 31, 2018 with no significant impact.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for the College's fiscal year ending August 31, 2019. The College is currently evaluating the impact of adopting this Statement.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for the College's fiscal year ending August 31, 2020. The College is currently evaluating the impact of adopting this Statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objectives of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement was adopted during the College's fiscal year ended August 31, 2018 with no significant impact.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was adopted during the College's fiscal year ended August 31, 2018 with no significant impact.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the College's fiscal year ending August 31, 2021. The College is currently evaluating the impact of adopting this Statement

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for reporting periods beginning after June 15, 2018. This Statement is effective for the College's fiscal year ending August 31, 2019. The College is currently evaluating the impact of adopting this Statement.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. This Statement is effective for the College's fiscal year ending August 31, 2021. The College is currently evaluating the impact of adopting this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. This Statement is effective for the College's fiscal year ending August 31, 2020. The College is currently evaluating the impact of adopting this Statement.

### Tuition Discounting

*Texas Public Education Grants (TPEG)* - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

*Title IV Higher Education Act Program Funds (HEA)* - Certain Title IV HEA Program 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 award is used by the student 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.

*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 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

The College is required by Texas State 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.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less at time of purchase. The governing board has designated external public funds investment pools to be cash equivalents, as the investments are redeemable on demand.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. Deferred outflows represent unrecognized items not yet charged to pension expense and contributions from the College after the measurement date but before the end of the College's reporting period, as well as deferred gains related to debt defeasement. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB.

Investments

The College reports investments at fair value. Fair values are based on published market rates, except for external public funds investment pools which are valued and reported at amortized cost, which approximates fair value. Short-term investments have an original maturity greater than three months but less than one year at time of purchase or current maturities of less than one year. The College has designated external public funds investment pools of \$156,347,911 and \$181,546,932 as of August 31, 2018 and 2017, respectively, to be cash equivalents. Long-term investments have an original maturity of greater than one year at the time of purchase and are considered as noncurrent assets. The College had no long-term investments at August 31, 2018 and 2017.

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.

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 that are purchased are recorded at cost. Donated capital assets are recorded at acquisition value. 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, 2018 and 2017. 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

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### Interest on Capital Related Debt

Interest incurred on capital related debt totaled \$18,165,978 and \$18,929,328 for fiscal years 2018 and 2017, respectively. Of these amounts, \$869,124 and \$681,128 was capitalized to construction in process for fiscal years 2018 and 2017, respectively.

### Net Pension Liability - Teachers Retirement System of Texas

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost-sharing-defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### Net Other Post-Employment Benefits Liability - Employees Retirement System of Texas

The College participates in other post-employment benefits (OPEB) offered through the Employee Retirement System of Texas (ERS) State Retiree Health Plan. The fiduciary net position of the OPEB plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB plan's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

### Unearned Revenue

Unearned revenue, primarily consisting of tuition and fees, relates to academic terms in the next fiscal year and, as such, has been deferred. At August 31, 2018 and 2017, unearned revenue was \$26,581,516 and \$25,246,538, respectively.

### Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan and OPEB investments and changes in actuarial assumptions. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### Net Position

The College's net position is classified as follows:

*Net investment in capital assets:* 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 net investment in capital assets.

*Restricted - nonexpendable:* This represents amounts subject to externally imposed stipulations that they be maintained in perpetuity by the College.

*Restricted - expendable:* This represents amounts 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:* This represents 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.

### Classification of Revenues and Expenses

The College defines operating activities, for purposes of reporting on the Statements of Revenues, Expenses, and Changes in Net Position, 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 financial statements in accordance with accounting principles generally 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.

### Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform with the current year presentation.

### **3. 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, 2018 and 2017.



SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

**4. Authorized Investments**

The Board of Trustees of the College has adopted a written investment policy (the Policy) regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 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.

Deposits and Investments

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

	2018	2017
Cash and cash equivalents:		
Petty cash on hand	\$ 19,055	\$ 20,318
External investment pools	156,347,911	181,546,932
Money market	58,014,494	61,198,489
Subtotal cash and cash equivalents	214,381,460	242,765,739
Bank deposits - demand deposits	594,592	5,699,206
Total cash and deposits, August 31	\$ 214,976,052	\$ 248,464,945

The following is a reconciliation of cash, cash equivalents and investments to Exhibit 1, Statements of Net Position, as of August 31:

	2018	2017
Exhibit 1 - cash, cash equivalents and investments:		
Cash and cash equivalents:		
Current	\$ 88,301,084	\$ 78,535,185
Noncurrent	126,674,968	169,929,760
Investments	-	-
Total cash, cash equivalents and investments	\$ 214,976,052	\$ 248,464,945

As of August 31, the College had the following cash equivalents, investments and related maturities:

Investment Type	Investment Maturities (in Years)				Weighted Average (Days)	Rating
	Fair Value	Maturity Less than 1	1 to 2	2 to 3		
<u>2018</u>						
External investment pools	\$ 156,347,911	\$ 156,347,911	\$ -	\$ -	0.72	AAA-AAAm
Money market	58,014,494	58,014,494	-	-	0.28	n/a
Totals	\$ 214,362,405	\$ 214,362,405	\$ -	\$ -	1.00	
<u>2017</u>						
External investment pools	181,546,932	181,546,932	-	-	0.73	AAA-AAAm
Money market	61,198,489	61,198,489	-	-	0.27	n/a
Totals	\$ 242,745,421	\$ 242,745,421	\$ -	\$ -	1.00	

# 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 Policy sets a maximum maturity of three 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 months. The bond fund must maintain a 10% liquidity buffer. During 2018 and 2017, the portfolio contained no investment maturing beyond three years and the dollar weighted average maturity of the total portfolio was 1 day as of August 31, 2018 and 2017.

### 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 year and are further collateralized to 102% with pledged securities, and all collateral is to be held by an independent custodian. The independent custodian 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 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 less than 90 days.

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.

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

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Concentration of Credit Risk

The Policy requires diversification on all authorized investment types which are monitored on at least a monthly basis. The College will diversify maturity dates and to the extent possible, match investments with anticipated cash flow requirements. No investment stated maturities will exceed three years at the time of purchase. The Policy requires the following diversifications:

<u>Type of Investment</u>	<u>Maximum % of Portfolio</u>
U.S. Treasury Obligations	90 %
U.S. Agency and Instrumentality Obligations	85 %
SEC Registered Money Market Funds	60 %
Repurchase Agreements	75 %
Flex Repurchase (Bond Funds)	100 % of Issue
Collateralized/Insured Certificates of Deposits	20 %
FDIC Insured Brokered Certificates of Deposits	20 %
Negotiable Certificates of Deposits	15 %
Limit per bank	5 %
Local Government Investment Pools	100 %
Participation Per Pool	10 % of Pool
Commercial Paper	25 %
Limit per issuer	5 %
Municipal Obligations	50 %
Limit per issuer	10 %
Limit per geographical region	50 %
Corporate Obligations	30 %
Limit per issuer	5 %

As of August 31, 2018, the investment portfolio consisted of 99.71% in investment pools and money market accounts and 0.29% in petty cash and demand deposits. As of August 31, 2017, the investment portfolio consisted of 97.70% in investment pools and money market accounts and 2.30% in petty cash and demand deposits.

Custodial Credit Risk

To control custody risk, State law and the 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.

As of August 31, 2018 and 2017, the Portfolio did not contain any repurchase agreements or certificates of deposit. 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. At August 31, 2018, and 2017, the carrying amount of the College deposits was \$58,562,254 and \$66,671,067 and the total bank balances equaled \$59,807,004 and \$66,757,976, respectively. Bank balances are covered by Federal depository insurance of up to \$250,000 per financial institution. The remaining \$59,064,259 and \$15,816,335 were covered by an FHLB letter of credit or collateral pledged with securities held by the pledging financial institution's trust department or agent in the College's name for the years ended August 31, 2018 and 2017, respectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Fair Value of Financial Instruments

GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value for certain investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The College had the following investments measured at fair value at August 31, 2018:

	Total	Level 1	Level 2	Level 3
Investments measured at fair value level - money market	\$ 58,014,494	\$ <u>58,014,494</u>	\$ _____	\$ _____
Investments measured at NAV/amortized cost:				
TexPool	43,202,834			
Lone Star	<u>113,145,077</u>			
Total	\$ <u>214,362,405</u>			

The College had the following investments measured at fair value at August 31, 2017:

	Total	Level 1	Level 2	Level 3
Investments measured at fair value level - money market	\$ 61,198,489	\$ <u>61,198,489</u>	\$ _____	\$ _____
Investments measured at NAV/amortized cost:				
TexPool	26,964,998			
Lone Star	<u>154,581,934</u>			
Total	\$ <u>242,745,421</u>			

The State of Texas Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State of Texas Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State of Texas Comptroller of Public Accounts for review. TexPool uses amortized cost to report net position to compute share prices. The fair value of the position in TexPool is the same as the value in TexPool shares.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The Lone Star Investment Pool (Lone Star) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star is rated AAA by Standard & Poor's. Lone Star uses amortized cost to report net position to compute share prices. The fair value of the position in Lone Star is the same as the value in Lone Star shares.

TexPool and Lone Star are not registered with the Securities and Exchange Commission (SEC) as investment companies but they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Under GASB, 2a7-like investment pools are permitted to use amortized cost rather than market value to report net positions and to compute share price.

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

Accounts receivable consist of the following at August 31:

	2018	2017
Student receivables	\$ 22,204,886	\$ 23,117,969
Federal receivables	1,638,375	1,514,059
State and local receivables	234,828	300,755
Other receivables	313,571	427,136
Less allowances for doubtful accounts	<u>(6,336,086)</u>	<u>(7,040,202)</u>
Total	<u>18,055,574</u>	<u>18,319,717</u>
Property tax receivable	3,839,661	4,227,922
Less allowances for doubtful accounts	<u>(232,750)</u>	<u>(232,750)</u>
Total	<u>3,606,911</u>	<u>3,995,172</u>
Total accounts receivables, net	<u>\$ 21,662,485</u>	<u>\$ 22,314,889</u>

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

	2018	2017
Vendors payable	\$ 10,201,910	\$ 6,846,947
Students payable	676,267	938,454
Other payables	2,199,390	1,559,739
Salaries and benefits payable	6,206,495	6,042,297
Accrued interest payable	<u>846,529</u>	<u>828,742</u>
Total accounts payable and accrued liabilities	<u>\$ 20,130,591</u>	<u>\$ 16,216,179</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

6. **Capital Assets**

Capital assets activity for the years ended August 31 is as follows:

	2018			
	Balance September 1, 2017	Increase	Decrease	
<b>Not depreciated:</b>				
Land	\$ 18,981,179	\$ -	\$ 9,882	\$ 18,971,297
Construction in progress	<u>11,015,148</u>	<u>47,311,755</u>	<u>9,119,164</u>	<u>49,207,739</u>
Total not depreciated	<u>29,996,327</u>	<u>47,311,755</u>	<u>9,129,046</u>	<u>68,179,036</u>
<b>Other capital assets:</b>				
Buildings	438,234,749	2,301,463	6,663	440,529,549
Land improvements	58,529,802	219,224	-	58,749,026
Furniture, equipment and vehicles	39,108,176	3,351,129	313,197	42,146,108
Telecommunications and computer peripheral equipment	33,133,277	2,065,012	1,614,162	33,584,127
Library books	<u>7,192,544</u>	<u>326,734</u>	<u>252,397</u>	<u>7,266,881</u>
Total depreciated	<u>576,198,548</u>	<u>8,263,562</u>	<u>2,186,419</u>	<u>582,275,691</u>
<b>Less accumulated depreciation:</b>				
Buildings	102,087,412	8,583,187	4,125	110,666,474
Land improvements	26,339,274	2,776,989	-	29,116,263
Furniture, equipment and vehicles	18,004,184	2,888,260	324,891	20,567,553
Telecommunications and computer peripheral equipment	23,307,680	2,530,186	1,588,562	24,249,304
Library books	<u>4,562,124</u>	<u>337,238</u>	<u>252,397</u>	<u>4,646,965</u>
Total accumulated depreciation	<u>174,300,674</u>	<u>17,115,860</u>	<u>2,169,975</u>	<u>189,246,559</u>
Net capital assets	<u>\$ 431,894,201</u>	<u>\$ 38,459,457</u>	<u>\$ 9,145,490</u>	<u>\$ 461,208,168</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

	2017			
	Balance September 1, 2016	Increase	Decrease	Balance August 31, 2017
Not depreciated:				
Land	\$ 18,981,179	\$ -	\$ -	\$ 18,981,179
Construction in progress	<u>24,917,189</u>	<u>34,695,964</u>	<u>48,598,005</u>	<u>11,015,148</u>
Total not depreciated	<u>43,898,368</u>	<u>34,695,964</u>	<u>48,598,005</u>	<u>29,996,327</u>
Other capital assets:				
Buildings	400,401,957	41,118,270	3,285,478	438,234,749
Land improvements	58,529,802	-	-	58,529,802
Furniture, equipment and vehicles	35,482,080	3,898,920	272,824	39,108,176
Telecommunications and computer peripheral equipment	29,085,680	4,761,032	713,435	33,133,277
Library books	<u>6,948,868</u>	<u>309,766</u>	<u>66,090</u>	<u>7,192,544</u>
Total depreciated	<u>530,448,387</u>	<u>50,087,988</u>	<u>4,337,827</u>	<u>576,198,548</u>
Less accumulated depreciation:				
Buildings	94,710,345	8,772,550	1,395,483	102,087,412
Land improvements	23,566,815	2,772,459	-	26,339,274
Furniture, equipment and vehicles	15,188,680	3,088,328	272,824	18,004,184
Telecommunications and computer peripheral equipment	20,598,593	3,407,728	698,641	23,307,680
Library books	<u>4,230,487</u>	<u>397,727</u>	<u>66,090</u>	<u>4,562,124</u>
Total accumulated depreciation	<u>158,294,920</u>	<u>18,438,792</u>	<u>2,433,038</u>	<u>174,300,674</u>
Net capital assets	<u>\$ 416,051,835</u>	<u>\$ 66,345,160</u>	<u>\$ 50,502,794</u>	<u>\$ 431,894,201</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, 2018 and 2017, the outstanding commitment under construction contracts for facilities and other projects is approximately \$61.5 and \$55.7 million, respectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

8. **Noncurrent Liabilities**

Noncurrent liability activity for the years ended August 31 is as follows:

	2018				
	Balance September 1, 2017	Increase	Decrease	Balance August 31, 2018	Current Portion
Bonds payable:					
General obligation bonds	\$ 428,268,418	\$ -	\$ 14,079,677	\$ 414,188,741	\$ 13,981,467
Revenue bonds	50,032,713	-	1,301,011	48,731,702	1,351,009
Notes payable -					
Maintenance tax notes	2,433,964	-	361,792	2,072,172	426,792
Accrued compensable absences	2,282,788	255,764	279,253	2,259,299	254,254
Net pension liability	31,890,143	-	5,291,182	26,598,961	-
Net OPEB liability	<u>-</u>	<u>91,125,036</u>	<u>-</u>	<u>91,125,036</u>	<u>455,625</u>
Total	<u>\$ 514,908,026</u>	<u>\$ 91,380,800</u>	<u>\$ 21,312,915</u>	<u>\$ 584,975,911</u>	<u>\$ 16,469,147</u>
	2017				
	Balance September 1, 2016	Increase	Decrease	Balance August 31, 2017	Current Portion
Bonds payable:					
General obligation bonds	\$ 433,907,908	\$ 83,066,660	\$ 88,706,150	\$ 428,268,418	\$ 14,075,564
Revenue bonds	50,143,722	-	111,009	50,032,713	1,301,009
Notes payable -					
Maintenance tax notes	2,785,756	-	351,792	2,433,964	361,792
Accrued compensable absences	2,612,623	270,845	600,680	2,282,788	610,680
Net pension liability	<u>29,942,125</u>	<u>1,948,018</u>	<u>-</u>	<u>31,890,143</u>	<u>-</u>
Total	<u>\$ 519,392,134</u>	<u>\$ 85,285,523</u>	<u>\$ 89,769,631</u>	<u>\$ 514,908,026</u>	<u>\$ 16,349,045</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:

	2018	2017
<u>General Obligation Bonds</u>		
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.	\$ 10,293,076	\$ 11,575,948
Limited Tax Refunding Bonds, Series 2008, to refund 2000 General Obligation Bonds. Issued March 19, 2008, in the amount of \$12,700,000. Partially defeased during fiscal year 2016. Tax supported bonds. Interest rates range from 3.00% to 5.00%. Due February 2025.	414,138	520,000
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. Partially defeased during fiscal year 2016. Tax supported bonds. Interest rates range from 3.250% to 5.000%. Due February 2038.	1,015,000	2,182,415
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. Partially defeased during fiscal years 2016 and 2017. Tax supported bonds. Interest rates range from 3.50% to 5.00%. Due February 2039.	5,956,429	11,097,979
Limited Tax General Obligation Building and Refunding Bonds, Series 2011, to refund a portion of 2009 General Obligation Bonds, to construct and equip facilities, and to purchase sites for school buildings. Issued July 21, 2011, in the amount of \$68,055,568 plus a premium of \$2,863,979. Partially defeased during fiscal year 2017. Tax supported bonds. Interest rates range from 1.30% to 4.66%. Due February 2032.	47,507,286	48,995,976

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

General Obligation Bonds, Continued

Limited Tax General Obligation Refunding Bonds, Series 2012, to refund Series 2003 and 2004 General Obligation Bonds. Issued May 23, 2012, in the amount of \$13,800,000 plus a premium of \$548,973, less a discount of \$90,374. Tax supported bonds. Interest rates range from 2.00% to 5.00%. Due February 2033.

11,808,295                      12,930,203

Limited Tax General Obligation Refunding Bonds, Series 2015, to partially refund Series 2008, 2008A, and 2009 General Obligation Bonds. Issued September 10, 2015, in the amount of \$46,505,000 plus a premium of \$5,995,835, less a discount of \$303,503. Tax supported bonds. Interest rates range from 3.625% to 5.00%. Due February 2040.

50,891,504                      51,216,780

Limited Tax General Obligation Bonds, Series 2016A, to construct, renovate, acquire and equip school buildings and for the purchase of necessary sites for school buildings, and pay the costs of issuance. Issued April 20, 2016, in the amount of \$138,220,000 plus a premium of \$14,856,886, less a discount of \$675,563. Tax supported bonds. Interest rates range from 3.00% to 5.00%. Due February 2046.

148,997,169                      151,767,520

Limited Tax General Obligation Refunding Bonds, Series 2016B, to partially refund Series 2008A and 2009 General Obligation Bonds and pay the costs of issuance. Issued April 20, 2016 in the amount of \$50,235,000 plus a premium of \$5,989,839, less a discount of \$246,949. Tax supported bonds. Interest rates range from 4.00% to 5.00%. Due February 2038.

55,368,796                      55,629,836

Limited Tax General Obligation Refunding Bonds, Series 2016C, to partially refund Series 2009 Limited Tax General Obligation Bonds and Series 2011 Limited Tax Refunding Bonds and pay the costs of issuance. Issued September 22, 2016 in the amount of \$73,770,000 plus a premium of \$9,659,340, less a discount of \$362,867. Tax supported bonds. Interest rates range from 2.50% to 5.00%. Due February 2039.

81,937,048                      82,351,761

Revenue Bonds

Combined Fee Revenue Bonds, Series 2015, to purchase, construct, equip buildings, purchase sites for school buildings, and pay cost of issuance. Issued July 15, 2015, in the amount of \$47,535,000 plus a premium of \$3,036,445, less a discount of \$316,714. Pledged revenue supported bonds. Interest rates range from 3.75% to 5.00%. Due February 2040.

48,731,702                      50,032,713

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Maintenance Tax Notes

Maintenance Tax Refunding Notes, Series 2011, to refund 2003 Maintenance Tax Notes. Issued July 21, 2011, in the amount of \$3,850,000 plus a premium of \$185,600. Tax supported notes. Interest rates range from 2.00% to 3.00%. Due February 2022.

	2,072,172	2,433,964
Total bonds and notes payable	\$ 464,992,615	\$ 480,735,095

**10. Debt Obligations**

Debt service requirements for bonds and notes payable as of August 31, 2018 were as follows:

Years Ending August 31,	Principal	Interest	Total
2019	\$ 15,759,268	\$ 18,504,708	\$ 34,263,976
2020	15,516,651	18,574,996	34,091,647
2021	15,420,410	18,779,876	34,200,286
2022	17,132,800	17,079,116	34,211,916
2023	16,966,429	16,487,366	33,453,795
2024-2028	92,540,870	72,189,111	164,729,981
2029-2033	98,270,462	48,740,408	147,010,870
2034-2038	112,446,145	26,995,825	139,441,970
2039-2043	56,081,201	8,934,450	65,015,651
2044-2048	24,858,379	1,445,601	26,303,980
Total	\$ 464,992,615	\$ 247,731,457	\$ 712,724,072

**11. Pledged Revenue Coverage**

Revenues pledged as security for the life of the revenue bond debt service include the statutory portion of tuition and fees related to continuing education, general service, installment payment plans, and course and laboratory fees. Revenue bonds are payable in annual installments varying from \$2.1 million to \$3.3 million with interest rates from 3.625% to 5.000% and the final installment due in 2040.

Revenues pledged as security for the life of the maintenance tax notes debt service are payable from an annual ad valorem maintenance and operating tax levied within the limits prescribed by law, on all taxable property located within the College. Maintenance tax notes are payable in annual installments varying from \$361,750 to \$749,700 with interest rates from 2.00% to 4.00% and the final installment due in 2022.

Under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the College's pledged revenue for the secured debt outstanding as of and for the years ended August 31, 2018 and 2017 is as follows:

	2018		2017	
	Revenue Bonds	Maintenance Tax Notes	Revenue Bonds	Maintenance Tax Notes
Pledged revenue required for future principal and interest	\$ 71,934,700	\$ 2,183,050	\$ 77,309,100	\$ 3,035,580
Principal and interest paid during the year	\$ 3,270,300	\$ 426,275	\$ 2,104,100	\$ 426,475
Revenue stream for the year	\$ 31,690,000	\$ 66,657,043	\$ 31,836,000	\$ 64,848,898
Percentage of revenue stream pledged for the year	10.32%	0.640%	6.77%	0.658%
Term of commitment	2040	2022	2040	2022

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### 12. Refunding Bonds

#### Limited Tax General Obligation Refunding Bonds, Series 2016C

On September 22, 2016, the College issued \$73,770,000 of Limited Tax General Obligation Refunding Bonds, Series 2016C. The bonds mature serially through February 2039. The interest rates range from 2.50% to 5.00%. The bonds are to refund portions of the Limited Tax Refunding Bonds, Series 2011 and portions of the Limited Tax General Obligation Bonds, Series 2009. The par value of the refunding bonds was \$73,770,000 with reoffering premiums of \$9,659,340, less discounts of \$362,867.

As of the effective date of the refunding: (1) total cash flow required to service the refunded bonds was \$82,779,434, (2) the aggregate debt service payments of \$120,672,610 for the refunding bonds was \$13,870,843 less than the aggregate debt service payments of \$134,543,453 for the refunded bonds, and (3) the net present value of the refunding transaction was \$10,849,558 or 14.62%.

#### Limited Tax General Obligation Refunding Bonds, Series 2016B

On April 20, 2016, the College issued \$50,235,000 of Limited Tax General Obligation Refunding Bonds, Series 2016B. The bonds mature serially through February 2036 and include term bonds maturing through February 2038. The interest rates range from 4.00% to 5.00%. The bonds are to refund the Limited Tax General Obligation Bonds, Series 2008A and 2009. The par value of the refunding bonds was \$50,235,000 with a reoffering premium of \$5,989,839, less a discount of \$246,949.

As of the effective date of the refunding: (1) total cash flow required to service the refunded bonds was \$57,574,944, (2) the aggregate debt service payments of \$82,156,274 for the refunding bonds was \$7,728,431 less than the aggregate debt service payments of \$89,884,705 for the refunded bonds, and (3) the net present value of the refunding transaction was \$5,572,359, or 10.84%.

#### Limited Tax General Obligation Refunding Bonds, Series 2015

On September 10, 2015, the College issued \$46,505,000 of Limited Tax General Obligation Refunding Bonds, Series 2015. The bonds mature serially through February 2040. The interest rates range from 3.625% to 5.00%. The bonds are to refund the Limited Tax General Obligation Bonds, Series 2008, 2008A, and 2009. The par value of the refunding bonds was \$46,505,000 with a reoffering premium of \$5,995,835, less a discount of \$303,503.

As of the effective date of the refunding: (1) total cash flow required to service the refunded bonds was \$51,966,449, (2) the aggregate debt service payments of \$70,549,430 for the refunding bonds was \$3,717,798 less than the aggregate debt service payments of \$74,267,228 for the refunded bonds, and (3) the net present value of the refunding transaction was \$2,820,872, or 5.99%.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

**13. Defeased Bonds Outstanding**

For the fiscal years ended August 31, 2018 and 2017, the College had the following defeased bonds outstanding:

<u>Bond Issue</u>	<u>Calendar Year Refunded</u>	<u>Par Value Outstanding</u>	
		<u>2018</u>	<u>2017</u>
Limited Tax General Obligation Bonds, Series 2008	2015	\$ -	\$ 11,010,000
Limited Tax General Obligation Bonds, Series 2008A	2015	-	24,560,000
Limited Tax General Obligation Bonds, Series 2009	2015	11,505,000	11,505,000
Limited Tax General Obligation Bonds, Series 2008A	2016	-	28,060,000
Limited Tax General Obligation Bonds, Series 2009	2016	23,350,000	23,350,000
Limited Tax General Obligation Bonds, Series 2009	2016	57,605,000	57,605,000
Limited Tax General Obligation Bonds, Series 2011	2016	<u>16,585,000</u>	<u>16,585,000</u>
Total		<u>\$ 109,045,000</u>	<u>\$ 172,675,000</u>

**14. Unrestricted Net Position**

The College may designate a portion of unrestricted net position to indicate management's tentative plans for future use of financial resources. As of August 31, 2018 and 2017, the College has not designated any portion of the unrestricted net position.

**15. Operating Lease Commitments and Rental Agreements**

The College leases computer equipment, instructional equipment, office space, storage space, and copiers. The following operating lease commitments requiring future minimum annual rental payments are as follows as of August 31, 2018:

<u>Years Ending August 31,</u>	
2019	\$ 1,889,351
2020	1,428,089
2021	706,407
2022	254,777
2023	<u>86,325</u>
Total	<u>\$ 4,364,949</u>

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

Computer leases have term expiration dates ranging from calendar years 2018 to 2023. 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.

Office space leases have term expiration dates ranging from calendar years 2018 to 2019. Each agreement contains an escalation clause allowing the landlord to allocate additional direct costs related to the operation of the leased sites. Leases currently in effect contain options to renew and allow for subleasing property with landlord's written consent.

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.

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 have monthly rental fees based on model and number of units leased.

Operating expenses include \$2,589,258 and \$2,951,770 of lease payments paid during fiscal years 2018 and 2017, respectively.

### 16. **Defined Benefit Plan - Teacher Retirement System of Texas**

#### Plan Description

The College participates in the Teacher Retirement System of Texas (TRS), which is a public employee retirement system that is a multiple employer, cost-sharing, defined benefit pension plan that has a special funding situation. TRS is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

#### Pension Plan Fiduciary Net Position

TRS issues a publicly available, audited Comprehensive Annual Financial Report that includes financial statements, notes and required supplementary information. This report may be obtained on the internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf); by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are not actuarially determined but established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a State contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements, 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2017.

Contribution Rates

	2018	2017
Member (Employee)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
College (Employer)	6.8%	6.8%
Member (Employee)	\$ 6,134,047	\$ 5,515,496
Non-Employer Contributing Entity (State)	2,454,445	2,214,557
College (Employer)	3,030,938	2,752,570
Total contributions	\$ 11,619,430	\$ 10,482,623

Contributors to TRS include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and State agencies including TRS. In each respective role, the State contributes to TRS in accordance with State Statutes and the GAA.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS during that fiscal year reduced by the amounts described below which are paid by the employers. The combined percentage contribution for both the State and the College equals 6.8%. The College is required to pay the State contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by Federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- For certain instructional or administrative employees, an amount equal to 50% of the State contribution rate and 100% of the State contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of TRS, the employer shall pay both the member contribution and the State contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in the 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*\*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the weekly rate closest to but not later than the Measurement Date).*

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by TRS's actuary. The TRS Board of Trustees has sole authority to determine the actuarial assumptions used for the pension plan. The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables. The actuarial methods and assumptions are based on a study of actual experience for the four-year period ended August 31, 2014 and were adopted in September 2015 by the TRS Board of Trustees. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability since the prior measurement period of August 31, 2016.

The TRS Board of Trustees adopted actuarial assumptions in July 2018 that were primarily based on a study of actual experience for the three-year period ending August 31, 2017. In connection therewith, among other assumption changes, the long-term assumed rate of return changed from 8.00% used in the August 31, 2017 actuarial valuation to 7.25%, and the discount rate changed from 8.00% used in the August 31, 2017 actuarial valuation to 6.907%. These actuarial assumption changes could have a significant effect on the College's proportionate share of the collective net pension liability.



SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Discount Rate

A single discount rate of 8.00% was used to measure the total pension liability. There was no change in the discount rate since the previous year. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Texas legislature during the 2013 legislative session. Based on those assumptions, TRS's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability with no cross-over point to a municipal bond rate. The long-term rate of return on pension plan investments is 8.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns**</u>
Global Equity:			
U.S.	18%	4.6%	1.0%
Non U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity:			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

\* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

\*\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 net pension liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
College's proportionate share of the net pension liability	\$ 44,840,593	\$ 26,598,961	\$ 11,409,842

Pension Liabilities, Pension Expense and Related Pension Deferred Outflows/Inflows of Resources

At August 31, 2018 and 2017 the College reported a liability of \$26,598,961 and \$31,890,143, respectively, for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided by the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	<u>2018</u>	<u>2017</u>
The College's proportionate share of the collective net pension liability	\$ 26,598,961	\$ 31,890,143
State's proportionate share that is associated with the College	<u>21,638,412</u>	<u>25,038,783</u>
Total	<u>\$ 48,237,373</u>	<u>\$ 56,928,926</u>

The net pension liability for fiscal years 2018 and 2017 was based on an actuarial measurement date of August 31, 2017 and 2016, respectively. The College's proportional share of the net pension liability was based on the College's contributions to TRS relative to the contributions of all employers to TRS for the respective period.

At the measurement date of August 31, 2017, the College's proportional share of the collective net pension liability was 0.0831877506%, which was a decrease of 0.0012033494% from its proportion measured as of August 31, 2016 of 0.0843911031%.

For on-behalf support provided by the State, the College recognized pension expense of \$1,650,492 and revenue of \$1,650,492 for the year ended August 31, 2018. For on-behalf support provided by the State, the College recognized pension expense of \$2,214,557 and revenue of \$2,214,557 for the year ended August 31, 2017.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

At August 31, 2018 and 2017, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 389,155	\$ 1,434,447	\$ 500,031	\$ 952,221
Changes in actuarial assumptions	1,211,625	693,627	971,954	883,952
Difference between projected and actual investment earnings	-	1,938,475	2,700,391	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	1,940,671	-	1,959,085
Total as of August 31 measurement date	1,600,780	6,007,220	4,172,376	3,795,258
Contributions paid to TRS subsequent to the measurement date	3,030,938	-	2,752,570	-
Total	\$ 4,631,718	\$ 6,007,220	\$ 6,924,946	\$ 3,795,258

As of the August 31 measurement date, the College had the following net deferred outflows/(inflows) related to pensions as of August 31, 2018 and 2017:

	2018	2017
Deferred outflows of resources	\$ 1,600,780	\$ 4,172,376
Deferred inflows of resources	(6,007,220)	(3,795,258)
Total	\$ (4,406,440)	\$ 377,118

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended</u> <u>August 31,</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2019	\$ (1,321,540)
2020	376,340
2021	(1,451,970)
2022	(1,823,525)
2023	(112,692)
Thereafter	(73,053)
Total	\$ (4,406,440)

**17. Defined Contribution Plan - Optional Retirement Plan**

Plan Description

The State has established an optional retirement program (ORP) for institutions of higher education. Faculty, administrators, counselors and librarians may enroll in either TRS or ORP. Secretarial, clerical and professional employees are limited to participation in TRS. Employees who are eligible to participate in ORP have ninety days from the date of employment to select the ORP program in lieu of participation in TRS. Employees who previously had the opportunity to participate in ORP but declined must remain with TRS for the duration of their employment in the Texas education system. 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 State contribution percentages for fiscal year 2018 was 3.300% and for 2017 was 3.234% of ORP related salaries. The College contribution percentages for fiscal year 2018 was 3.500% and for 2017 it was 3.566%. The combined rate was 6.8% per year. The Employee contribution percentages were 6.65% for fiscal years 2018 and 2017. 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.

On-Behalf Payments by the State

These amounts represent the portion of expended appropriations made by the State legislature on behalf of the College. The retirement expense related to ORP contributions paid by the State for the College was \$513,807 and \$554,089 for the fiscal years 2018 and 2017, respectively. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period. The total payroll of employees covered by ORP was \$15,845,799 and \$17,388,598 for the fiscal years 2018 and 2017, respectively.

The following table provides a breakdown of the total ORP payments by fiscal year:

Fiscal Year Ended <u>August 31,</u>	State <u>Paid</u>	Contribution <u>%</u>	College <u>Paid</u>	Contribution <u>%</u>	Employee <u>Paid</u>	Contribution <u>%</u>	<u>Total</u>
2018	\$ 513,807	3.300%	\$ 554,373	3.500%*	\$ 1,053,746	6.65%	\$ 2,121,926
2017	\$ 554,089	3.234%	\$ 627,959	3.566%*	\$ 1,156,342	6.65%	\$ 2,338,390

\* The College pays the State share for employees during the first 90 days of employment and the State share for Auxiliary Services, Grant, and Physical Plant employees.

**18. Health Care and Life Insurance Benefits**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State contribution per full-time employees was \$369 and \$324 per month for the years ended August 31, 2018 and 2017, respectively. The State's cost of providing those benefits for 1,377 active employees was \$6,102,888 and for 530 retirees was \$2,290,184, for a total State funded amount of \$8,393,072 for the year ended August 31, 2018. The State's cost of providing those benefits for 1,363 active employees was \$5,293,039 and for 518 retirees was \$2,211,255, for a total State funded amount of \$7,504,294 for the year ended August 31, 2017. The amounts represent the portion of expended appropriations made by the State Legislature on behalf of the College. SB 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

The Board of Trustees of the Employee Retirement System of Texas 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 State's contribution has been limited to 50% of eligible employees for community colleges.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Per the table below the amounts of these benefits paid by the State were recognized as restricted state appropriations with an equal amount recognized as restricted benefits expense. These payments do not flow through the College cash accounts.

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
2018	\$ 8,393,072	35.37%	\$ 12,814,904	54.00%	\$ 2,524,338	10.63%	\$ 23,732,314
2017	\$ 7,504,294	32.29%	\$ 13,056,083	56.18%	\$ 2,681,391	11.53%	\$ 23,241,768

State/Employer Contributions for Health Care Insurance (includes basic life insurance rate) per month:

HealthSelect of Texas Plan

	2018	2017
Member only	\$ 621.90	\$ 617.30
Member and spouse	1,334.54	1,324.66
Member and child(ren)	1,099.06	1,090.90
Member and family	1,811.70	1,798.26

**19. Post-Employment Benefits Other Than Pensions (OPEB)**

Plan Description

The College participates in the State Retiree Health Plan (SRHP) which is a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. Through the SRHP, the Employees Retirement System of Texas (ERS) administers the Texas Employees Group Benefits Program (GBP). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for these post-employment benefits if they reach normal retirement age while working for the State and retire with at least ten years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position

Detailed information about the SRHP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Benefits Provided

Retiree health benefits offered through the GBP are available to most State retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees through a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions

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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State pays part of the premiums for the College.

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium <u>Fiscal Year 2017 (Measurement Year)</u>	
Retiree only	\$ 617.30
Retiree and spouse	970.98
Retiree and children	854.10
Retiree and family	1,207.78

Contributions of premiums to the SRHP for the current and prior fiscal year by source is summarized in the following table:

Premium Contributions by Source Group Benefits Program in the SRHP <u>For Years Ended August 31, 2018 and 2017</u>	
Fiscal Year 2018 Member Contributions	\$ 5,386,967
Fiscal Year 2018 College Contributions	2,554,275
Fiscal Year 2017 Measurement year NECE On-behalf Contributions	2,211,255

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	August 31, 2017
Actuarial cost method	Entry Age
Amortization method	Level percent of payroll - open
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Discount rate	3.51%
Projected annual salary increase	2.50% to 9.50%, including inflation
Annual healthcare trend rate per year	8.5% for fiscal year 2019, decreasing 0.5% per year to 4.50% for fiscal year 2027 and later
Inflation assumption rate	2.50%
Ad hoc post-employment benefit changes	None

The mortality assumptions used in the valuation were as follows:

1. State Agency Members
  - a. Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes) -

2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017.
  - b. Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes) -

RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014.
  - c. Active Members -

RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014.
2. Higher Education Members
  - a. Service Retirees, Survivors and other Inactive Members -

Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014.
  - b. Disability Retirees -

Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
  - c. Active Members -

Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB.

The actuarial methods and assumptions were selected by the ERS Board of Trustees based upon analysis and recommendations by ERS's actuary. The ERS Board of Trustees has sole authority to determine the actuarial assumptions used for the OPEB plan.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

Investment Policy

The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement; therefore, the assumed asset allocation and long-term expected real rate of return on investments is not applicable. The ERS's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the SRHP be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate

Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the SRHP are equal to projected benefit payments out of the plan. Because SRHP operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis

The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
Proportionate share of net OPEB liability	\$ <u>108,776,667</u>	\$ <u>91,125,036</u>	\$ <u>77,452,269</u>

Healthcare Trend Rate Sensitivity Analysis

	1% Decrease in Healthcare Cost Trend Rates (7.50% decreasing to 3.50)	Current Healthcare Cost Trend Rates (8.5% decreasing to 4.50%)	1% Increase in Healthcare Cost Trend Rates (9.5% decreasing to 5.50%)
Proportionate share of net OPEB liability	\$ <u>76,606,088</u>	\$ <u>91,125,036</u>	\$ <u>109,964,210</u>

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At August 31, 2018, the College reported a liability of \$91,125,036 for its proportionate share of the SRHP net OPEB liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College proportionate share of the collective net OPEB liability	\$ 91,125,036
State's proportionate share that is associated with the College	<u>80,389,330</u>
Total	\$ <u>171,514,366</u>



SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportionate share of the net OPEB liability was based on the College's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017. At the measurement date of August 31, 2017, the College's proportion of the collective net OPEB liability was 0.2674405100%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized OPEB expense of \$6,630,205 and revenue of \$6,630,205 for support provided by the State. Contributions made by the College subsequent to the measurement date for retirees have been recorded as deferred outflows of resources as of August 31, 2018. Contributions made by the College subsequent to the measurement date for active employees have been recorded as an expense for the year ended August 31, 2018. Changes, if any, to the current methodology or actuarial assumptions being utilized by ERS, could result in significant changes in accounting and financial reporting in future periods.

At August 31, 2018, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ -	\$ 1,095,031
Changes in actuarial assumptions	-	19,053,152
Differences between projected and actual investment earnings	26,979	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	-	-
Total as of August 31, 2017 measurement date	26,979	20,148,183
Contributions paid to SRHP subsequent to the measurement date	<u>2,554,275</u>	-
Total as of fiscal year end August 31, 2018	<u>\$ 2,581,254</u>	<u>\$ 20,148,183</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended August 31,</u>	<u>OPEB Expense Amount</u>
2019	\$ (4,531,134)
2020	(4,531,134)
2021	(4,531,134)
2022	(4,531,134)
2023	(1,996,668)
Thereafter	-

**20. 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 earned and unused accrued leave. The College recognized the accrued liability for the unpaid annual leave in the amounts of \$1,798,222 and \$1,715,310 as of August 31, 2018 and 2017, respectively.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

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 \$461,077 and \$567,478 as of August 31, 2018 and 2017, 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.

**21. 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, 2018 and 2017, the College had one employee participant and an accrued liability of \$35,000 and \$10,000, respectively.

**22. Self-Insured Plans**

The College provides workers' compensation insurance through a partially self-funded risk pool. An accrued liability in the amount of \$330,149 and \$322,869 as of August 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Beginning Balance, September 1	\$ 322,869	\$ 324,671
Claims incurred and changes in estimates	169,233	222,821
Payments on claims	<u>(161,953)</u>	<u>(224,623)</u>
Ending Balance, August 31	\$ <u>330,149</u>	\$ <u>322,869</u>

**23. Ad Valorem Tax**

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

At August 31:

	<u>2018</u>	<u>2017</u>
Assessed valuation of the College	\$ 61,361,536,908	\$ 59,423,942,157
Less: Exemptions	(9,892,379,331)	(9,224,246,234)
Less: Abatements	<u>-</u>	<u>-</u>
Net assessed valuation of the College	\$ <u>51,469,157,577</u>	\$ <u>50,199,695,923</u>

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements, Continued

	2018			2017		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ 0.200000	\$ 0.500000	\$ 0.700000	\$ 0.200000	\$ 0.500000	\$ 0.700000
Assessed tax rate per \$100 valuation (maximum per enabling legislation)	\$ 0.128828	\$ 0.054507	\$ 0.183335	\$ 0.129194	\$ 0.053185	\$ 0.182379

Taxes levied for the years ended August 31, 2018 and 2017, amounted to \$94,360,980 and \$91,553,703, 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.

	2018			2017		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Taxes Collected for the Year						
Current taxes	\$ 65,360,562	\$ 27,718,861	\$ 93,079,423	\$ 63,545,302	\$ 26,240,058	\$ 89,785,360
Delinquent taxes	807,002	355,334	1,162,336	444,582	183,020	627,602
Penalties and interest	<u>710,538</u>	<u>300,631</u>	<u>1,011,169</u>	<u>624,092</u>	<u>256,918</u>	<u>881,010</u>
Total collections	\$ <u>66,878,102</u>	\$ <u>28,374,826</u>	\$ <u>95,252,928</u>	\$ <u>64,613,976</u>	\$ <u>26,679,996</u>	\$ <u>91,293,972</u>

Tax collections for the years ended August 31, 2018 and 2017, were 98.64 percent and 98.07 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.

**24. 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 Audit and Accounting Guide, *State and Local Governments*. Revenues are recognized on Exhibit 2. 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, for funds awarded during fiscal years 2018 and 2017 for which monies have not been received nor funds expended, total \$17,602,817 and \$20,155,994, respectively. Of these amounts, \$13,207,783 and \$16,215,815 were from Federal contract and grant awards and \$4,395,034 and \$3,940,179 were from State contract and grant awards for the fiscal years ended August 31, 2018 and 2017, respectively.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Basic Financial Statements, Continued

### 25. **Contingent Liabilities**

#### Pending Lawsuits and Claims

As of August 31, 2018, 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.

### 26. **Related Parties**

The Foundation paid grants of \$854,088 and \$537,340 to the College's students and programs during the years ended August 31, 2018 and 2017, 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 \$541,087 and \$427,884 for the fiscal years ended August 31, 2018 and 2017, respectively.

### 27. **Noncash Investing, Capital and Financing Activities**

During fiscal year 2017, the College issued general obligation bonds, Series 2016C, to partially refund debt issued in 2009 and 2011. The proceeds of \$82,779,434 were deposited into an irrevocable trust for the defeasance of outstanding bond principal of \$74,190,000 and interest of \$10,820,028.

### 28. **Subsequent Events**

Management has evaluated subsequent events through December 6, 2018, the date which the financial statements were available to be issued. Management of the College has determined that no subsequent events require recognition or disclosure in these financial statements.

**SUPPLEMENTAL SCHEDULES**

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of the College's Proportionate Share of Net Pension Liability  
 Teacher Retirement System of Texas (TRS)  
 Last Four Fiscal Years \*  
 (Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportionate share of collective net pension liability based on a measurement period of August 31 of the prior year	0.0831877506%	0.0843911031%	0.0847051000%	0.0930021000%
College's proportionate share of collective net pension liability	\$ 26,598,961	\$ 31,890,143	\$ 29,942,125	\$ 24,842,147
State's proportionate share of net pension liability associated with the College	<u>21,638,412</u>	<u>25,038,783</u>	<u>24,104,919</u>	<u>19,954,950</u>
Total	<u>\$ 48,237,373</u>	<u>\$ 56,928,926</u>	<u>\$ 54,047,044</u>	<u>\$ 44,797,097</u>
College's covered-employee payroll amount related to TRS	\$ 71,679,236	\$ 68,966,250	\$ 65,550,515	\$ 61,563,262
College's proportionate share of collective net pension liability / College's covered-employee payroll amount related to TRS	37.11%	46.24%	45.68%	40.35%
TRS net pension as percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

The amounts presented above are as of the measurement date of the collective net pension liability.

\*GASB Statement No. 68 and No. 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of the College's Contributions for Pensions  
 Teacher Retirement System of Texas (TRS)  
 Last Four Fiscal Years \*  
 (Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Legally required contribution	\$ 3,030,938	\$ 2,752,571	\$ 2,704,506	\$ 2,543,574
Actual contribution	<u>3,030,938</u>	<u>2,752,571</u>	<u>2,704,506</u>	<u>2,543,574</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll amount related to TRS	\$ 71,679,236	\$ 68,966,250	\$ 68,966,250	\$ 65,550,515
Contributions as a percentage of covered payroll related to TRS	4.23%	3.99%	3.92%	3.88%

The amounts presented above are as of the College's respective fiscal year-end.

\*GASB Statement No. 68 and No. 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of the College's Proportionate Share of the Net OPEB Liability\*  
 Employees Retirement System of Texas (ERS)  
 State Retiree Health Plan  
 (Unaudited)

	<u>2018</u>
College's proportionate share of collective net OPEB liability based on a measurement period of August 31 of the prior year	0.2674405100%
College's proportionate share of the net OPEB liability	\$ 91,125,036
State's proportionate share of net OPEB liability associated with the College	<u>80,389,330</u>
Total	\$ <u><u>171,514,366</u></u>
College's covered-employee payroll amount related to ERS	\$ 66,207,447
College's proportionate share of collective net OPEB liability as a percentage of covered payroll related to ERS	137.64%
ERS plan fiduciary net position as a percentage of the total OPEB liability	2.04%

\*GASB Statement No. 75 was implemented during fiscal year 2018 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.



SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of the College's Contribution for OPEB\*  
Employees Retirement System of Texas (ERS)  
State Retiree Health Plan  
(Unaudited)

	<u>2018</u>
Legally required contribution	\$ 2,554,275
Contribution in relation to the contractually required contribution	<u>2,554,275</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered-employee payroll amount related to ERS	\$ 71,679,236
Contributions as a percentage of covered payroll amount related to ERS	3.56%

The amounts presented above are as of the College's fiscal year-end.

\*GASB Statement No. 75 was implemented during fiscal year 2018 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Required Supplemental Schedules Years Ended August 31, 2018 and 2017 (Unaudited)

### 1. Schedules for Pensions - Net Pension Liability

#### Changes in Assumptions

There have been no changes in the actuarial assumptions since the prior valuation. Post-Retirement Mortality rates for current and future retirees are prepared in accordance with the Actuarial Standards of Practice No. 35 which advises actuaries to “*adjust mortality rates to reflect mortality improvement prior to the measurement date and to include an assumption as to the expected mortality improvement after the measurement date*”.

### 2. Schedules for Other Post-Employment Benefits (OPEB) - Net OPEB Liability

#### Changes to Term Benefits

Under Q/A #4.107 of GASB’s Implementation Guide No. 2017-2, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- Increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- Reduction in the copayment for Airrosti and for out-of-state participants; and
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the fiscal year 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

#### Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

# SAN JACINTO COMMUNITY COLLEGE DISTRICT

## Notes to Required Supplemental Schedules Years Ended August 31, 2018 and 2017 (Unaudited)

### Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees. Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations and the revised assumed rate of general inflation. The discount rate was lowered as a result of requirements by GASB Statement No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher. Minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs. Actuarial assumption changes are described in ERS's Comprehensive Annual Financial Report and the ERS Actuarial Valuation Report for the year ended August 31, 2017, which can be accessed at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2017-CAFR.pdf> and <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/ERS-Actuarial-Valuation-Reports/2017-ERS-OPEB-Valuation-Report-November-2017.pdf>.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Operating Revenues  
 Year Ended August 31, 2018  
 (With Memorandum Totals for the Year Ended August 31, 2017)

	2018				2017	
	Educational Activity		Total Educational Activity	Auxiliary Enterprises	Total	Total
	Unrestricted	Restricted				
<u>Tuition</u>						
State funded credit courses:						
In-district resident tuition	\$ 16,521,376	\$ -	\$ 16,521,376	\$ -	\$ 16,521,376	\$ 16,253,865
Out-of-district resident tuition	21,740,479	-	21,740,479	-	21,740,479	22,405,196
Non-resident tuition	3,923,364	-	3,923,364	-	3,923,364	3,723,656
TPEG-credit (set aside) *	1,836,481	-	1,836,481	-	1,836,481	1,545,741
State funded continuing non-credit education courses	6,378,389	-	6,378,389	-	6,378,389	6,094,332
TPEG-non-credit (set aside) *	121,435	-	121,435	-	121,435	131,956
Non-state funded educational programs	835,957	-	835,957	-	835,957	901,071
Total tuition	<u>51,357,481</u>	<u>-</u>	<u>51,357,481</u>	<u>-</u>	<u>51,357,481</u>	<u>51,055,817</u>
<u>Fees</u>						
General service	11,340,491	-	11,340,491	-	11,340,491	11,155,877
Incidental	118,651	-	118,651	-	118,651	144,886
Instructional	3,388,127	-	3,388,127	-	3,388,127	3,077,888
Laboratory	805,869	-	805,869	-	805,869	813,012
Total fees	<u>15,653,138</u>	<u>-</u>	<u>15,653,138</u>	<u>-</u>	<u>15,653,138</u>	<u>15,191,663</u>
<u>Allowances and discounts</u>						
Allowance for bad debt	(828,727)	-	(828,727)	-	(828,727)	(1,365,687)
Remissions and exemptions - state	(1,022,657)	-	(1,022,657)	-	(1,022,657)	(963,999)
Remissions and exemptions - local	(4,547,109)	-	(4,547,109)	-	(4,547,109)	(3,880,478)
Scholarship allowances	(1,718,534)	-	(1,718,534)	-	(1,718,534)	(1,859,771)
TPEG awards	(542,482)	-	(542,482)	-	(542,482)	(545,549)
Federal grants to students	(14,016,250)	-	(14,016,250)	-	(14,016,250)	(13,539,399)
State grants to students	(569,545)	-	(569,545)	-	(569,545)	(562,947)
Total allowances and discounts	<u>(23,245,304)</u>	<u>-</u>	<u>(23,245,304)</u>	<u>-</u>	<u>(23,245,304)</u>	<u>(22,717,830)</u>
Total net tuition and fees	<u>43,765,315</u>	<u>-</u>	<u>43,765,315</u>	<u>-</u>	<u>43,765,315</u>	<u>43,529,650</u>
<u>Other operating revenues</u>						
Federal grants and contracts	346,265	6,611,956	6,958,221	-	6,958,221	6,965,180
State grants and contracts	6,190	3,246,041	3,252,231	-	3,252,231	3,079,579
Non-governmental grants and contracts	3,381	1,708,877	1,712,258	-	1,712,258	2,082,059
Sales and services of educational activities	201,161	-	201,161	-	201,161	268,912
Sales and services of non-educational activities	2,957,928	-	2,957,928	-	2,957,928	2,015,752
Total other operating revenues	<u>3,514,925</u>	<u>11,566,874</u>	<u>15,081,799</u>	<u>-</u>	<u>15,081,799</u>	<u>14,411,482</u>
<u>Auxiliary enterprises</u>						
Bookstores	-	-	-	1,092,674	1,092,674	1,017,604
Food services	-	-	-	763,091	763,091	916,217
Less food service discounts	-	-	-	(463,700)	(463,700)	(472,839)
Student services/other services	-	-	-	1,230,384	1,230,384	1,382,370
Total auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,622,449</u>	<u>2,622,449</u>	<u>2,843,352</u>
Total operating revenues	<u>\$ 47,280,240</u>	<u>\$ 11,566,874</u>	<u>\$ 58,847,114</u>	<u>\$ 2,622,449</u>	<u>\$ 61,469,563</u>	<u>\$ 60,784,484</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$1,957,916 and \$1,677,697 for years ended August 31, 2018 and 2017, 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, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	2018				2017	
	Salaries and Wages	Benefits		Other Expenses	Total	Total
		State	Local			
<u>Unrestricted - educational activities</u>						
Instruction	\$ 57,018,543	\$ -	\$ 9,062,521	\$ 2,998,636	\$ 69,079,700	\$ 68,334,120
Public service	2,933,278	-	528,295	3,065,140	6,526,713	5,687,922
Academic support	8,377,682	-	1,495,279	2,417,559	12,290,520	12,069,146
Student services	10,680,593	-	1,989,712	1,724,025	14,394,330	13,898,587
Institutional support	19,739,780	-	4,842,278	13,540,272	38,122,330	36,677,986
Operation and maintenance of plant	3,935,213	-	1,323,238	16,685,711	21,944,162	16,881,705
Total unrestricted educational activities	102,685,089	-	19,241,323	40,431,343	162,357,755	153,549,466
<u>Restricted - educational activities</u>						
Instruction	261,581	6,172,055	2,834	163,265	6,599,735	5,003,878
Public service	246,516	426,671	37,031	88,486	798,704	721,177
Academic support	1,015,187	1,280,899	212,782	3,229,734	5,738,602	5,676,936
Student services	371,427	1,792,538	5,170	41,104	2,210,239	1,614,630
Institutional support	599,114	2,897,145	90,013	550,965	4,137,237	3,852,703
Scholarships and fellowships	-	-	-	30,388,995	30,388,995	31,041,269
Total restricted educational activities	2,493,825	12,569,308	347,830	34,462,549	49,873,512	47,910,593
Total educational activities	105,178,914	12,569,308	19,589,153	74,893,892	212,231,267	201,460,059
Auxiliary enterprises	625,759	-	412,906	2,417,005	3,455,670	3,723,398
Depreciation expense - buildings and improvements	-	-	-	11,358,048	11,358,048	11,545,009
Depreciation expense - equipment, furniture and library books	-	-	-	5,757,812	5,757,812	6,893,783
Total operating expenses	\$ 105,804,673	\$ 12,569,308	\$ 20,002,059	\$ 94,426,757	\$ 232,802,797	\$ 223,622,249
					(Exhibit 2)	(Exhibit 2)

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Non-Operating Revenues and Expenses  
Year Ended August 31, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	2018			2017
	Unrestricted	Restricted	Total	Total
<u>Non-operating revenues</u>				
State appropriations:				
Education and general State support	\$ 38,798,375	\$ -	\$ 38,798,375	\$ 36,478,591
State group insurance	-	10,405,009	10,405,009	7,504,294
State retirement matching	-	2,164,299	2,164,299	2,768,646
Total State appropriations	<u>38,798,375</u>	<u>12,569,308</u>	<u>51,367,683</u>	<u>46,751,531</u>
Ad valorem taxes:				
Maintenance ad valorem taxes	66,657,043	-	66,657,043	64,848,898
Debt service ad valorem taxes	-	28,360,386	28,360,386	26,714,175
Federal revenue, non-operating	108,847	41,000,130	41,108,977	40,822,543
Investment income	1,126,771	2,270,008	3,396,779	1,519,232
Total non-operating revenues	<u>106,691,036</u>	<u>84,199,832</u>	<u>190,890,868</u>	<u>180,656,379</u>
<u>Non-operating expenses</u>				
Interest on capital related debt	-	17,296,854	17,296,854	18,248,200
Loss on disposal of capital assets	16,444	-	16,444	2,086,683
Hurricane Harvey disbursements	174,672	255,701	430,373	-
FEMA proceeds	-	(255,701)	(255,701)	-
Insurance proceeds	(598,600)	-	(598,600)	-
Total non-operating expenses	<u>(407,484)</u>	<u>17,296,854</u>	<u>16,889,370</u>	<u>20,334,883</u>
Net non-operating revenues, net	<u>\$ 107,098,520</u>	<u>\$ 66,902,978</u>	<u>\$ 174,001,498</u>	<u>\$ 160,321,496</u>
			(Exhibit 2)	(Exhibit 2)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Net Position by Source and Availability  
 Year Ended August 31, 2018  
 (With Memorandum Totals for the Year Ended August 31, 2017)

	Detail by Source				Current Operations	
	Unrestricted	Restricted Expendable	Capital Assets	Total	Yes	No
			Net of Depreciation and Related Debt			
<u>Current</u>						
Unrestricted	\$ (78,292,878)	\$ -	\$ -	\$ (78,292,878)	\$ (78,292,878)	\$ -
Restricted	-	1,733,441	-	1,733,441	-	1,733,441
Auxiliary	12,653,033	-	-	12,653,033	12,653,033	-
<u>Plant</u>						
Debt service	-	139,462	-	139,462	-	139,462
Investment in plant	-	-	124,399,776	124,399,776	-	124,399,776
Total net position, August 31, 2018	<u>(65,639,845)</u>	<u>1,872,903</u>	<u>124,399,776</u>	<u>60,632,834</u>	<u>(65,639,845)</u>	<u>126,272,679</u>
Total net position, August 31, 2017	37,875,164	2,146,911	124,306,376	164,328,451	37,875,164	126,453,287
Cumulative effect of change in accounting principle	<u>(106,363,881)</u>	-	-	<u>(106,363,881)</u>	<u>(106,363,881)</u>	-
Total net position, August 31, 2017, as restated	<u>(68,488,717)</u>	<u>2,146,911</u>	<u>124,306,376</u>	<u>57,964,570</u>	<u>(68,488,717)</u>	<u>126,453,287</u>
Net increase (decrease) in net position	\$ <u>2,848,872</u>	\$ <u>(274,008)</u>	\$ <u>93,400</u>	\$ <u>2,668,264</u>	\$ <u>2,848,872</u>	\$ <u>(180,608)</u>

(Exhibit 2)

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Statistical Section  
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Statistical  
Supplements

<b>Financial Trends</b> .....	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.	
<b>Revenue Capacity</b> .....	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.	
<b>Debt Capacity</b> .....	9 - 11
The debt capacity information will assist the reader in understanding and assessing the College's debt burden and ability to issue debt.	
<b>Demographic and Economic Information</b> .....	12 - 13
The demographic and economic information is presented to assist users in understanding certain aspects of the environment in which the College operates.	
<b>Operating Information</b> .....	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 Position by Component  
Last Ten Fiscal Years  
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	\$ 124,400	\$ 124,306	\$ 132,443	\$ 134,450	\$ 125,621	\$ 135,105	\$ 130,942	\$ 121,440	\$ 109,326	\$ 89,074
Restricted - expendable	1,873	2,148	3,966	6,528	5,020	3,008	850	4,199	4,624	6,549
Restricted - nonexpendable	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(65,640)</u>	<u>37,875</u>	<u>30,436</u>	<u>35,226</u>	<u>77,895</u>	<u>76,275</u>	<u>78,213</u>	<u>78,543</u>	<u>84,354</u>	<u>89,116</u>
Total primary government net position	<u>\$ 60,633</u>	<u>\$ 164,329</u>	<u>\$ 166,845</u>	<u>\$ 176,204</u>	<u>\$ 208,536</u>	<u>\$ 214,388</u>	<u>\$ 210,005</u>	<u>\$ 204,182</u>	<u>\$ 198,304</u>	<u>\$ 184,739</u>
Prior year change	\$ (103,696)	\$ (2,516)	\$ (9,359)	\$ (32,332)	\$ (5,852)	\$ 4,383	\$ 5,823	\$ 5,878	\$ 13,565	\$ 23,160

For fiscal year 2018, the unrestricted net position includes a net change to the beginning balance from fiscal year 2017 as a reduction of \$106,364 due to the cumulative effect of the change in accounting principle related to GASB Statement No. 75.

For fiscal year 2015, the prior year change of \$32,332 is comprised of \$28,146 due to implementation of GASB Statement No. 68 and \$4,186 related to operations.

Years prior to fiscal year 2015 were not restated.

Restricted - expendable for fiscal year 2013 and fiscal year 2012 were restated due to prior period adjustment of bond issuance costs per implementation of GASB Statement No. 65. Years prior to fiscal year 2012 were not restated.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Revenues by Source  
Last Ten Fiscal Years  
(Unaudited)

	For the Year Ended August 31, (amounts expressed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tuition and fees (net of allowances and discounts)	\$ 43,765	\$ 43,530	\$ 41,846	\$ 38,825	\$ 35,402	\$ 37,525	\$ 32,746	\$ 34,233	\$ 31,298	\$ 30,069
Governmental grants and contracts:										
Federal grants and contracts	6,959	6,965	5,463	4,070	4,592	7,366	8,322	7,913	6,722	5,810
State and local grants and contracts	3,252	3,080	2,701	3,425	2,671	2,932	4,824	4,495	3,521	3,090
Non-governmental grants and contracts	1,712	2,082	1,699	2,128	2,012	1,817	1,260	1,470	1,265	1,014
Sales and services of educational activities and non-educational activities	3,159	2,284	1,670	1,441	1,053	1,322	1,510	1,124	869	735
Auxiliary enterprises (net of discounts)	2,623	2,843	3,303	3,162	3,884	3,872	3,895	3,923	3,755	3,668
Other operating revenues	-	-	8	1	2	2	1	2	2	-
Total operating revenues	<u>61,470</u>	<u>60,784</u>	<u>56,690</u>	<u>53,052</u>	<u>49,616</u>	<u>54,836</u>	<u>52,558</u>	<u>53,160</u>	<u>47,432</u>	<u>44,386</u>
State appropriations	51,368	46,751	43,989	44,428	45,862	45,888	42,513	47,123	47,400	47,838
Ad valorem taxes	95,017	91,563	85,300	82,720	78,198	73,626	68,649	64,806	67,377	65,388
Federal revenue, non-operating	41,109	40,823	40,864	43,459	50,258	51,797	56,053	51,385	40,151	24,744
Investment income	3,397	1,519	545	247	254	369	942	1,100	1,649	2,623
Total non-operating revenues	<u>190,891</u>	<u>180,656</u>	<u>170,698</u>	<u>170,854</u>	<u>174,572</u>	<u>171,680</u>	<u>168,157</u>	<u>164,414</u>	<u>156,577</u>	<u>140,593</u>
Total revenues	<u>\$ 252,361</u>	<u>\$ 241,440</u>	<u>\$ 227,388</u>	<u>\$ 223,906</u>	<u>\$ 224,188</u>	<u>\$ 226,516</u>	<u>\$ 220,715</u>	<u>\$ 217,574</u>	<u>\$ 204,009</u>	<u>\$ 184,979</u>
Prior year change	\$ 10,921	\$ 14,052	\$ 3,482	\$ (282)	\$ (2,328)	\$ 5,801	\$ 3,141	\$ 13,565	\$ 19,030	\$ 16,489
Tuition and fees (net of discounts)	17.34%	18.03%	18.40%	17.36%	15.80%	16.60%	14.84%	15.72%	15.34%	16.26%
Governmental grants and contracts:										
Federal grants and contracts	2.76%	2.88%	2.40%	1.82%	2.05%	3.25%	3.77%	3.64%	3.29%	3.14%
State and local grants and contracts	1.29%	1.28%	1.19%	1.53%	1.19%	1.29%	2.19%	2.07%	1.73%	1.67%
Non-governmental grants and contracts	0.68%	0.86%	0.75%	0.95%	0.90%	0.80%	0.57%	0.68%	0.62%	0.55%
Sales and services of educational activities and non-educational activities	1.25%	0.95%	0.73%	0.63%	0.47%	0.58%	0.68%	0.52%	0.43%	0.40%
Auxiliary enterprises	1.04%	1.18%	1.45%	1.41%	1.73%	1.71%	1.76%	1.80%	1.84%	1.98%
Other operating revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating revenues	<u>24.36%</u>	<u>25.18%</u>	<u>24.93%</u>	<u>23.70%</u>	<u>22.14%</u>	<u>24.23%</u>	<u>23.81%</u>	<u>24.43%</u>	<u>23.25%</u>	<u>24.00%</u>
State appropriations	20.35%	19.36%	19.35%	19.84%	20.46%	20.26%	19.26%	21.66%	23.23%	25.86%
Ad valorem taxes	37.65%	37.92%	37.51%	36.94%	34.88%	32.50%	31.10%	29.79%	33.03%	35.35%
Federal revenue, non-operating	16.29%	16.91%	17.97%	19.41%	22.41%	22.85%	25.40%	23.62%	19.68%	13.38%
Investment income	1.35%	0.63%	0.24%	0.11%	0.11%	0.16%	0.43%	0.51%	0.81%	1.41%
Total non-operating revenues	<u>75.64%</u>	<u>74.82%</u>	<u>75.07%</u>	<u>76.30%</u>	<u>77.86%</u>	<u>75.77%</u>	<u>76.19%</u>	<u>75.57%</u>	<u>76.75%</u>	<u>76.00%</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>	<u>100.00%</u>

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Program Expenses by Function  
Last Ten Fiscal Years  
(Unaudited)

For the Year Ended August 31,  
(amounts expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	\$ 75,679	\$ 73,338	\$ 68,455	\$ 67,447	\$ 68,220	\$ 70,339	\$ 64,118	\$ 68,296	\$ 60,430	\$ 55,593
Public service	7,325	6,409	6,864	5,698	4,912	5,208	4,343	3,701	4,446	3,409
Academic support	18,029	17,746	15,521	13,572	12,968	13,772	12,750	12,620	10,088	10,557
Student services	16,605	15,513	14,365	14,425	14,574	13,740	12,453	13,471	13,239	12,343
Institutional support	42,260	40,531	43,150	40,839	39,365	34,962	33,560	31,638	30,855	26,367
Operation and maintenance of plant	21,944	16,882	16,700	17,556	17,680	17,298	17,168	15,487	13,427	14,163
Scholarships and fellowships	30,389	31,041	31,733	33,946	39,284	40,616	45,304	42,061	34,194	21,152
Auxiliary enterprises	3,456	3,723	4,091	4,527	4,118	4,012	3,980	4,125	4,044	3,929
Depreciation	17,116	18,439	18,808	17,401	16,365	13,107	9,627	7,798	6,816	7,626
Total operating expenses	<u>232,803</u>	<u>223,622</u>	<u>219,687</u>	<u>215,411</u>	<u>217,486</u>	<u>213,054</u>	<u>203,303</u>	<u>199,197</u>	<u>177,539</u>	<u>155,139</u>
Interest on capital related debt	17,297	18,248	17,034	12,645	12,386	9,080	6,788	12,144	12,355	6,600
Loss on disposal of capital assets	16	2,087	27	37	-	-	-	355	1,170	249
Other non-operating	(424)	-	-	-	168	-	107	-	(620)	(169)
Total non-operating expenses	<u>16,889</u>	<u>20,335</u>	<u>17,061</u>	<u>12,682</u>	<u>12,554</u>	<u>9,080</u>	<u>6,895</u>	<u>12,499</u>	<u>12,905</u>	<u>6,680</u>
Total expenses	<u>\$ 249,692</u>	<u>\$ 243,957</u>	<u>\$ 236,748</u>	<u>\$ 228,093</u>	<u>\$ 230,040</u>	<u>\$ 222,134</u>	<u>\$ 210,198</u>	<u>\$ 211,696</u>	<u>\$ 190,444</u>	<u>\$ 161,819</u>
Prior year change	\$ 5,735	\$ 7,209	\$ 8,655	\$ (1,947)	\$ 7,906	\$ 11,936	\$ (1,498)	\$ 21,252	\$ 28,625	\$ 5,036
Instruction	30.31%	30.06%	28.91%	29.58%	29.66%	31.67%	30.50%	32.26%	31.73%	34.36%
Public service	2.93%	2.63%	2.90%	2.50%	2.14%	2.34%	2.07%	1.75%	2.33%	2.11%
Academic support	7.22%	7.27%	6.56%	5.95%	5.64%	6.20%	6.07%	5.96%	5.30%	6.52%
Student services	6.65%	6.36%	6.07%	6.32%	6.34%	6.19%	5.92%	6.36%	6.95%	7.63%
Institutional support	16.92%	16.61%	18.23%	17.90%	17.11%	15.74%	15.97%	14.95%	16.20%	16.29%
Operation and maintenance of plant	8.79%	6.92%	7.05%	7.70%	7.69%	7.79%	8.17%	7.32%	7.05%	8.75%
Scholarships and fellowships	12.17%	12.72%	13.40%	14.88%	17.08%	18.28%	21.55%	19.87%	17.95%	13.07%
Auxiliary enterprises	1.38%	1.53%	1.73%	1.98%	1.79%	1.81%	1.89%	1.95%	2.12%	2.43%
Depreciation	6.85%	7.56%	7.94%	7.63%	7.10%	5.89%	4.58%	3.68%	3.59%	4.71%
Total operating expenses	<u>93.24%</u>	<u>91.66%</u>	<u>92.79%</u>	<u>94.44%</u>	<u>94.55%</u>	<u>95.91%</u>	<u>96.72%</u>	<u>94.10%</u>	<u>93.22%</u>	<u>95.87%</u>
Interest on capital related debt	6.93%	7.48%	7.19%	5.54%	5.38%	4.09%	3.23%	5.73%	6.49%	4.08%
Loss on disposal of capital assets	0.01%	0.86%	0.01%	0.02%	0.00%	0.00%	0.00%	0.17%	0.61%	0.15%
Other non-operating	-0.17%	0.00%	0.00%	0.00%	0.07%	0.00%	0.05%	0.00%	-0.32%	-0.10%
Total non-operating expenses	<u>6.76%</u>	<u>8.34%</u>	<u>7.21%</u>	<u>5.56%</u>	<u>5.45%</u>	<u>4.09%</u>	<u>3.28%</u>	<u>5.90%</u>	<u>6.78%</u>	<u>4.13%</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>	<u>100.00%</u>

Restricted - expendable for fiscal year 2013 and fiscal year 2012 were restated due to prior period adjustment of bond issuance costs per implementation of GASB Statement No. 65. Years prior to fiscal year 2012 were not restated.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Tuition and Fees  
Last Ten Academic Years  
(Unaudited)

Academic Year (Fall)	Resident									
	Fees per Semester Credit Hour (SCH)									
	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	
2018	\$ 150	\$ 50	\$ 95	\$ -	\$ -	\$ 750	\$ 1,290	-	-	
2017	150	50	95	-	-	750	1,290	6.53%	6.79%	
2016	140	47	89	-	-	704	1,208	-	-	
2015	140	47	89	-	-	704	1,208	7.32%	5.23%	
2014	140	43	84	-	-	656	1,148	-	-	
2013	140	43	84	-	-	656	1,148	11.00%	28.85%	
2012	135	38	63	-	-	591	891	-	-	
2011	135	38	63	-	-	591	891	-	-	
2010	135	38	63	-	-	591	891	12.36%	7.87%	
2009	130	33	58	-	-	526	826	-	-	

  

Academic Year (Fall)	Non-Resident									
	Fees per Semester Credit Hour (SCH)									
	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	
2018	\$ 150	\$ 160	\$ 160	\$ -	\$ -	\$ 2,070	\$ 2,070	-	-	
2017	150	160	160	-	-	2,070	2,070	11.83%	11.83%	
2016	140	149	149	-	-	1,851	1,851	0.04%	0.04%	
2015	140	142	142	-	-	1,844	1,844	5.49%	5.49%	
2014	140	134	134	-	-	1,748	1,748	-	-	
2013	140	134	134	-	-	1,748	1,748	17.24%	17.24%	
2012	135	113	113	-	-	1,491	1,491	-	-	
2011	135	113	113	-	-	1,491	1,491	-	-	
2010	135	113	113	-	-	1,491	1,491	4.56%	4.56%	
2009	130	108	108	-	-	1,426	1,426	-	-	

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)				Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of TAV to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2017-18	\$ 61,361,537	\$ 9,892,379	\$ 51,469,158	83.88%	0.128828	0.054507	0.183335
2016-17	59,423,942	9,224,246	50,199,696	84.48%	0.129194	0.053185	0.182379
2015-16	57,896,864	9,465,130	48,431,734	83.65%	0.129194	0.046589	0.175783
2014-15	53,936,177	9,867,005	44,069,172	81.71%	0.127045	0.058557	0.185602
2013-14	51,689,449	9,911,378	41,778,071	80.83%	0.125460	0.060142	0.185602
2012-13	48,921,297	9,703,352	39,217,945	80.17%	0.121571	0.064031	0.185602
2011-12	46,118,995	9,180,053	36,938,942	80.09%	0.118688	0.066914	0.185602
2010-11	44,981,763	8,340,379	36,641,384	81.46%	0.114293	0.061984	0.176277
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

Source: Harris County Appraisal District

Notes: Property is assessed at full market value.

(a) Per \$100 Taxable Assessed Valuation

SAN JACINTO COMMUNITY COLLEGE DISTRICT

General Appropriations Act Before Contact Hour Adjustments (a)  
 Last Ten Fiscal Years  
 (Unaudited)  
 (Amounts Expressed in Thousands)

Appropriation Funding Elements	2018	2017	2016	2015	2014*	2013	2012	2011	2010	2009
State Appropriation Contact Hour Funding (CH)	\$ 34,253	\$ 32,501	\$ 32,442	\$ 33,030	\$ 33,030	\$ 36,957	\$ 36,080	\$ 36,017	\$ 36,378	\$ 37,123
State Appropriation Student Success Points (SSP)	3,865	3,478	3,478	3,613	3,613	-	-	-	-	-
State Appropriation Core Operations (CO)	680	500	500	500	500	-	-	-	-	-
State Appropriation Bachelor of Applied Technology (BAT)	-	-	-	-	-	-	-	-	-	-
State Appropriation Non-Funding Items	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 38,798</b>	<b>\$ 36,479</b>	<b>\$ 36,420</b>	<b>\$ 37,143</b>	<b>\$ 37,143</b>	<b>\$ 36,957</b>	<b>\$ 36,080</b>	<b>\$ 36,017</b>	<b>\$ 36,378</b>	<b>\$ 37,123</b>

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.

\* Fiscal year 2014 Formula Funding Changed Methodology

Source: THECB - Ten Pay Schedule

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

State Appropriation per FTSE  
Last Ten Fiscal Years  
(Unaudited)

Amounts Expressed in Thousands

Fiscal Year	State Appropriation (Unrestricted) From Schedule C	FTSE (a)	State Appropriation per FTSE - Dollars
2017-18	\$ 38,798	22	\$ 1,764
2016-17	36,479	22	1,658
2015-16	36,420	21	1,734
2014-15	37,143	21	1,769
2013-14*	37,143	21	1,769
2012-13	36,957	21	1,760
2011-12	36,080	22	1,640
2010-11	36,017	23	1,566
2009-10	36,378	21	1,732
2008-09	37,123	18	2,062

(a) Fiscal Year (FY) is equal to The sum of State Funded (Fall Semester Credit Hours (SCH) + Spring SCH + Summer SCH for the Current FY/30 SCH) plus State Funded Continuing Education (Fall Credit Hours (CH) + Spring CH + Summer CH for the Current FY/900 CH).

\* Fiscal year 2014 Formula Funding Changed Methodology

Source: CBM004 and CBM00C

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

State Appropriation per Funded Contact Hour  
 Contact Hour (CH) Portion Only of State Appropriation  
 Last Ten Fiscal Years  
 (Unaudited)

Amounts Expressed in Thousands

Fiscal Year	CH - State Appropriation (Unrestricted) (a)	Academic Contact Hours (b)	Vocational - Technical Contact Hours (b)	Continuing Education Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2017-18	\$ 34,253	8,307	3,858	283	12,448	\$ 2.75
2016-17	32,501	8,357	3,829	365	12,551	2.59
2015-16	32,442	8,172	3,752	373	12,297	2.64
2014-15	33,030	7,903	3,772	393	12,068	2.74
2013-14*	33,030	8,092	3,739	327	12,158	2.72
2012-13	36,957	8,254	3,671	384	12,309	3.00
2011-12	36,080	8,493	3,768	433	12,694	2.84
2010-11	36,017	9,058	3,879	357	13,294	2.71
2009-10	36,378	8,047	3,660	392	12,099	3.01
2008-09	37,123	7,290	3,196	432	10,918	3.40

Notes: Contact Hour = State funded Academic, Vocational-Technical and Continuing Education contact hours for Fall, Spring and Summer of the Current Fiscal Year.

(a) State Appropriation Contact Hour Funding as it appears on schedule 6a.

(b) Source: CBM004 and CBM00C

\* Fiscal year 2014 Formula Funding Changed Methodology



## SAN JACINTO COMMUNITY COLLEGE DISTRICT

State Appropriation per Student Success Point (SSP) - Annualized  
Last Five Fiscal Years  
(Unaudited)

Fiscal Year	Amounts Expressed in Thousands		Three Year Average Student Success Points (b)	Appropriation per Success Point
	SSP - State Appropriation (Unrestricted) (a)			
2017-18	\$	3,865	45,061	\$ 85.78
2016-17		3,478	40,304	86.29
2015-16		3,478	40,304	86.29
2014-15		3,613	39,028	92.56
2013-14*		3,613	39,028	92.56

(a) State Funded Success Point Appropriations as it appears on schedule 6a.

(b) Source: THECB - Ten Pay Schedule

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

\* Fiscal year 2014 Formula Funding Changed Methodology

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Student Success Points (SSP)  
Last Reported Fiscal Years  
(Unaudited)

Success Points Elements (a)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Math Readiness	2,819	2,143	1,232	352	1,421
Read Readiness	925	874	501	535	557
Write Readiness	848	829	502	408	492
Students Who Pass FCL Math Course	5,936	5,729	5,013	5,091	4,734
Students Who Pass FCL Read Course	4,424	4,090	3,929	3,981	2,622
Students Who Pass FCL Write Course	2,435	2,295	2,104	2,108	2,511
Students Who Complete 15 SCH	9,062	8,466	8,309	8,409	7,969
Students Who Complete 30 SCH	6,094	5,993	5,897	5,524	5,318
Student Transfers to a 4-Yr Inst	5,226	5,020	5,144	4,592	5,062
Degrees, CCCs, or Certs (Undup)	10,796	10,496	8,416	7,490	7,462
Degrees or Certs in Critical Fields	<u>3,870</u>	<u>3,126</u>	<u>2,818</u>	<u>2,336</u>	<u>2,234</u>
Annual Success Points - Total	<u><u>52,435</u></u>	<u><u>49,061</u></u>	<u><u>43,865</u></u>	<u><u>40,826</u></u>	<u><u>40,382</u></u>

SCH = Semester Contact Hour

(a) General Appropriations Act, SB 1, 85th Texas Legislature, Section 1 (page III-209) - Informational Listing of Appropriated Funds.

\* Fiscal year 2014 Formula Funding Changed Methodology

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

Source: THECB - Ten Pay Schedule

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Top Ten Principal Taxpayers  
Last Ten Tax Years  
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equistar Chemicals LP	Chemical	\$ 1,372,684	\$ 1,356,982	\$ 1,531,712	\$ 1,566,440	\$ 1,201,778	\$ 1,063,952	\$ 970,267	\$ 918,205	\$ 848,797	\$ 732,388
Shell Oil Co.	Refinery	1,130,823	1,184,784	1,360,056	1,500,515	1,545,113	1,675,362	1,676,231	1,713,216	1,486,769	1,877,717
Fairway Methanol, LLC	Petrochemical	576,639									
Lyondell Chemical Co.	Chemical	571,680	601,457	604,913	704,095	756,691	812,824	786,743	705,239	592,522	550,065
Kuraray America Inc	Chemical	484,717	440,321	500,418	453,555						
Kirby Inland Marine, LLP	Marine Transportation	443,548		453,507							
Houston Refining	Refinery	417,286			393,460	391,376	2,739,314	1,757,010	662,539	702,549	1,101,988
Oxy Vynyls LP	Petrochemical	416,051	410,461	424,978	418,532	414,044	412,280	406,133	411,869	404,812	402,232
Enterprise Products	Petrochemical	407,948	455,662								
Air Liquide	Chemical	404,162	430,613	418,645	359,970					339,915	331,289
Celanese, LTD	Petrochemical		715,716	739,533							
Centerpoint Energy, Inc.	Energy		435,659	435,139	350,466	351,705	426,797	345,180	342,704	345,960	373,904
Rohm & Haas Co. (Parent DOW)	Petrochemical		406,834	424,828	518,150	529,774	452,050	418,131	400,723		
Chevron Chemical Co.	Refinery				394,849	389,364	363,130	442,462	404,968	370,234	442,761
Exxon Mobil Corp	Petrochemical					385,773					
BP America Production CO	Petrochemical					368,848	337,753	289,284			
Lubrizol Corp	Chemical						333,719	282,813	274,178		
Ineos Corp	Petrochemical								255,193		
Dow Chemical	Refinery									617,946	776,994
Albermarle Corp	Chemical									290,230	320,710
Totals - Top Ten Only		\$ 6,225,538	\$ 6,438,489	\$ 6,893,727	\$ 6,660,032	\$ 6,334,466	\$ 8,617,181	\$ 7,374,254	\$ 6,088,834	\$ 5,999,734	\$ 6,910,048
Total Taxable Assessed Value (TAV)		\$ 51,469,158	\$ 50,199,696	\$ 48,431,734	\$ 44,069,172	\$ 41,778,071	\$ 39,217,945	\$ 36,938,942	\$ 36,641,384	\$ 39,166,882	\$ 39,482,079

Taxpayer	Type of Business	% of Total Taxable Assessed Value (TAV) by Tax Year									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equistar Chemicals LP	Chemical	2.67%	2.70%	3.16%	3.55%	2.88%	2.71%	2.63%	2.51%	2.17%	1.85%
Shell Oil Co.	Refinery	2.20%	2.36%	2.81%	3.40%	3.70%	4.27%	4.54%	4.68%	3.80%	4.76%
Fairway Methanol, LLC	Petrochemical	1.12%									
Lyondell Chemical Co.	Chemical	1.11%	1.20%	1.25%	1.60%	1.81%	2.07%	2.13%	1.92%	1.51%	1.39%
Enterprise Products	Petrochemical	0.94%	0.88%	1.03%	1.03%						
Kirby Inland Marine, LLP	Marine Transportation	0.86%		0.94%							
Houston Refining	Refinery	0.81%			0.89%	0.94%	6.98%	4.76%	1.81%	1.79%	2.79%
Oxy Vynyls LP	Petrochemical	0.81%	0.82%	0.88%	0.95%	0.99%	1.05%	1.10%	1.12%	1.03%	1.02%
Enterprise Products	Petrochemical	0.79%	0.91%		0.00%						
Air Liquide	Chemical	0.79%	0.86%	0.86%	0.82%					0.87%	0.84%
Celanese, LTD	Petrochemical		1.43%	1.53%							
Centerpoint Energy, Inc.	Energy		0.87%	0.90%	0.80%	0.84%	1.09%	0.93%	0.94%	0.88%	0.95%
Rohm & Haas Co. (Parent DOW)	Petrochemical		0.81%	0.88%	1.18%	1.27%	1.15%	1.13%	1.09%		
Chevron Chemical Co.	Refinery				0.90%	0.93%	0.93%	1.20%	1.11%	0.95%	1.12%
Exxon Mobil Corp	Petrochemical					0.92%					
BP America Production CO	Petrochemical					0.88%	0.86%	0.78%			
Lubrizol Corp	Chemical						0.85%	0.77%			
Ineos Corp	Petrochemical								0.75%		
Dow Chemical	Refinery										
Albermarle Corp	Chemical									1.58%	1.97%
Percentage of Top Ten Taxpayer to Grand Total TAV		12.10%	12.84%	14.24%	15.12%	15.16%	21.96%	19.97%	16.63%	15.32%	17.50%

Note: This list is the Top Ten Principal Taxpayers based on Taxable Assessed Value by Tax Year.  
Source: Harris County Appraisal District

## 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)	Penalty and Interest Collections (e)	Total Collections (c+d+e)	Percentage Cumulative Collections of Adjusted Levy (c+d)/b
2018	\$ 94,361	\$ -	\$ 94,361	\$ 93,079	98.64%	\$ 1,162	\$ 1,011	\$ 95,252	99.87%
2017	91,554	-	91,554	89,785	98.07%	628	881	91,294	98.75%
2016	85,135	-	85,135	83,919	98.57%	1,059	637	85,615	99.82%
2015	81,793	-	81,793	80,443	98.35%	1,109	619	82,171	99.71%
2014	77,613	-	77,613	76,423	98.47%	562	1,276	78,261	99.19%
2013	72,789	-	72,789	71,498	98.23%	702	937	73,137	99.19%
2012	68,559	-	68,559	67,437	98.36%	954	628	69,019	99.75%
2011	64,590	-	64,590	63,852	98.86%	336	600	64,788	99.38%
2010	66,897	-	66,897	64,656	96.65%	956	588	66,200	98.08%
2009	64,518	-	64,518	62,339	96.62%	1,521	800	64,660	98.98%

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Bonded Debt:										
General obligation bonds	\$ 414,189	\$ 428,268	\$ 433,908	\$ 284,351	\$ 293,469	\$ 303,516	\$ 314,223	\$ 324,976	\$ 267,657	\$ 281,922
Notes	2,072	2,434	2,786	3,123	3,449	3,766	4,018	4,546	5,070	6,295
Less: funds restricted for debt service	(139)	-	(219)	(2,756)	(1,193)	-	(704)	(2,687)	(3,091)	(5,357)
Net general bonded debt	416,122	430,702	436,475	284,718	295,725	307,282	317,537	326,835	269,636	282,860
Revenue bonds	48,732	50,033	50,144	50,255	-	-	-	-	-	-
Less: funds restricted for debt service	-	(625)	-	-	-	-	-	-	-	-
Total outstanding debt	\$ 464,854	\$ 480,110	\$ 486,619	\$ 334,973	\$ 295,725	\$ 307,282	\$ 317,537	\$ 326,835	\$ 269,636	\$ 282,860
General Bonded Debt Ratios:										
Per Capita	\$ 736	\$ 761	\$ 775	\$ 510	\$ 535	\$ 578	\$ 609	\$ 689	\$ 563	\$ 579
Per full time student equivalent	18,525	20,056	20,335	13,792	14,285	14,734	14,733	14,562	13,296	15,653
FTSE	22.470	21.475	21.475	20.843	20.785	20.856	21.601	22.629	20.512	18.413
As a percentage of taxable assessed value	0.81%	0.86%	0.90%	0.65%	0.71%	0.78%	0.86%	0.89%	0.69%	0.72%
Total Outstanding Net Debt Ratios:										
Per Capita	\$ 822	\$ 850	\$ 864	\$ 599	\$ 535	\$ 578	\$ 609	\$ 689	\$ 563	\$ 579
Per full time student equivalent	20,694	22,386	22,670	16,203	14,285	14,734	14,733	14,562	13,296	15,653
As a percentage of taxable assessed value	0.90%	0.96%	1.00%	0.76%	0.71%	0.78%	0.86%	0.89%	0.69%	0.72%

Notes: Ratios calculated using population and Taxable Assessed Value 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.

Restricted - expendable for fiscal year 2013 and fiscal year 2012 were restated due to prior period adjustment of bond issuance costs per implementation of GASB Statement No. 65.

Years prior to fiscal year 2012 were not restated.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Taxable Assessed Value	\$ 51,469,158	\$ 50,199,696	\$ 48,431,734	\$ 44,069,172	\$ 41,778,071	\$ 39,217,945	\$ 36,938,942	\$ 36,641,384	\$ 39,166,882	\$ 39,482,079
<b>General Obligation Bonds</b>										
Statutory Tax Levy Limit for Debt Service	\$ 257,346	\$ 250,998	\$ 242,159	\$ 220,346	\$ 208,890	\$ 196,090	\$ 184,695	\$ 183,207	\$ 195,834	\$ 197,410
Less: funds restricted for repayment of general obligation bonds	(139)	-	(219)	(2,756)	(1,193)	-	(704)	(2,687)	(3,091)	(5,357)
Total net general obligation debt	257,207	250,998	241,940	217,590	207,697	196,090	183,991	180,520	192,743	192,053
Current year debt service requirements	28,576	26,773	30,148	25,774	26,676	24,913	24,091	26,945	25,625	18,590
Excess of statutory limit for debt service over current requirement	\$ 228,631	\$ 224,225	\$ 211,792	\$ 191,816	\$ 181,021	\$ 171,177	\$ 159,900	\$ 153,575	\$ 167,118	\$ 173,463
Net current requirements as a % of statutory limit	11.10%	10.67%	12.45%	11.70%	12.77%	12.70%	13.04%	14.71%	13.09%	9.42%

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.

Restricted - expendable for fiscal year 2013 and fiscal year 2012 were restated due to prior period adjustment of bond issuance costs per implementation of GASB Statement No. 65. Years prior to fiscal year 2012 were not restated.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Pledged Revenue Coverage  
Last Ten Fiscal Years  
(Unaudited)

Revenue Bonds	Pledged Revenues (\$000 omitted)							Debt Service Requirements (\$000 omitted)			Coverage Ratio	
	Fiscal Year Ended August 31	Tuition	Continuing or Non-Credit Education Tuition/Fees	General Service	IPP Fees	Course Fees	Laboratory Fees	Total	Principal	Interest		Total
	2018	\$ 10,715	\$ 6,538	\$ 11,340	\$ 1,101	\$ 1,190	\$ 806	\$ 31,690	\$ 1,190	\$ 2,080	\$ 3,270	10
	2017	10,596	6,995	11,156	1,154	1,122	813	31,836	-	2,104	2,104	15
	2016	9,683	7,040	10,183	1,158	-	790	28,854	-	2,157	2,157	13
	2015	9,308	6,378	9,851	812	-	780	27,129	-	96	96	283
	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-

Note: Debt service requirements include revenue bonds.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Demographic and Economic Statistics - Taxing District  
Last Ten Fiscal Years  
(Unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	Harris County Unemployment Rate
2017	570,826	\$ 12,373,224	\$ 21,676	4.40%
2016	565,708	12,099,362	21,388	5.30%
2015	563,453	12,332,296	21,887	4.60%
2014	555,134	12,094,371	21,786	4.90%
2013	531,977	11,214,359	21,081	6.20%
2012	522,596	10,961,333	20,975	6.90%
2011	478,297	9,462,150	19,783	8.20%
2010	484,546	9,205,003	18,997	8.50%
2009	497,422	9,549,838	19,199	8.20%
2008	491,929	9,332,877	18,972	5.50%

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  
Last Ten Fiscal Years  
(Unaudited)

Employer	Number of Employees									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Pasadena ISD	7,974	7,555	7,404	7,186	7,177	7,177	7,069	7,056	7,062	7,062
Lyondell Chemical Co	5,491	5,491	5,061	2,613	2,613	1,200	1,200	1,200	1,200	1,200
HCA-CHCA/Clear Lake Med/Bayshore Med Ctr*	4,020	4,639								
Lockheed Martin Corp & Services	3,940	3,743	3,745	2,300	2,300	1,935	3,359	1,300	1,000	1,000
Walmart/ Sam's Club	2,985	2,715	2,985	2,840	2,540	1,940	1,640	1,640		
Boeing Co	2,830	2,000	2,000	2,000	2,000	2,000		2,530		2,000
Memorial Healthcare System	2,500	2,500	2,200	2,200	2,200	2,200	2,200	2,200	1,350	1,350
NASA Lyndon B Johnson Space Center	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Powell Electrical Systems Inc	1,725	1,975	1,675	2,070	1,720	1,800	2,020	2,020	1,200	1,200
Kroger	1,720	1,900	1,420	1,570						
Shell Chemical	1,500	1,500	1,500	1,600	1,700	1,700	1,700	1,000	1,000	1,000
San Jacinto College	1,500	1,367	1,322	1,325	1,297	1,243	1,244	1,195	1,243	1,157
University of Houston - Clear Lake	1,245	1,245	1,245	1,245	1,245	1,245	1,245	1,299	1,092	1,092
HEB	1,181	1,569	1,199	1,259						
Pasadena City Hall	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	970
DOW (listed as Rohm & Haas Texas Inc. FY17)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
US Air Force	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
ABC Professional Tree Services Inc.		1,500	1,500	1,500	1,500	1,500				
GE Energy/ Baker Hughes		1,295								
Lubrizol		1,015	1,020							
Wyle Life Science		1,000	1,000	1,000	1,000	1,000				1,000
Bayshore Medical Center *			1,617	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Clear Lake Regional Medical Center *			2,422	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Equistar Chemicals LP					1,500	1,500	1,500	1,500	1,500	1,500
Anheuser-Busch Co					1,000	1,000	1,000	1,000	1,000	1,000
United Space Alliance								6,500	10,185	10,185
Aker Industrial Constructors									1,500	
Channelview Complex									1,200	1,200
Gulf Stream Marine										1,700
IKON Office Solutions										1,400
International Business										1,100
Pasadena Paper Company										1,100
East Houston Regional Medical Center										1,000
Totals	44,211	48,609	44,915	39,408	38,492	33,640	32,877	39,140	39,232	45,816

  

Employer	Percentage of Total Employment									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Pasadena ISD	2.93%	2.71%	2.77%	2.72%	2.97%	2.97%	2.93%	3.03%	2.92%	3.89%
Lyondell Chemical Co	2.02%	1.97%	1.89%	0.99%	1.08%	0.50%	0.50%	0.52%	0.50%	0.66%
HCA-CHCA/Clear Lake Med/Bayshore Med Ctr*	1.48%	1.67%								
Lockheed Martin Corp & Services	1.45%	1.34%	1.40%	0.87%	0.95%	0.80%	1.39%	0.56%	0.41%	0.55%
Walmart/ Sam's Club	1.10%	0.97%	1.11%	1.08%	1.05%	0.80%	0.68%	0.70%		
Boeing Co	1.04%	0.90%	0.75%	0.76%	0.83%	0.83%		1.09%		1.10%
Memorial Healthcare System	0.92%	0.90%	0.82%	0.83%	0.91%	0.91%	0.91%	0.94%	0.56%	0.74%
NASA Lyndon B Johnson Space Center	0.92%	0.72%	0.93%	0.95%	1.03%	1.03%	1.03%	1.07%	1.04%	1.38%
Powell Electrical Systems Inc	0.63%	0.71%	0.63%	0.78%	0.71%	0.74%	0.84%	0.87%	0.50%	0.66%
Kroger	0.63%	0.68%	0.53%	0.59%						
Shell Chemical	0.55%	0.56%	0.56%	0.61%	0.70%	0.70%	0.70%	0.43%	0.41%	0.55%
San Jacinto College	0.55%	0.54%	0.49%	0.50%	0.54%	0.51%	0.51%	0.51%	0.51%	0.64%
University of Houston - Clear Lake	0.46%	0.49%	0.46%	0.47%	0.52%	0.52%	0.52%	0.56%	0.45%	0.60%
HEB	0.43%	0.45%	0.45%	0.48%						
Pasadena City Hall	0.40%	0.39%	0.41%	0.42%	0.46%	0.46%	0.46%	0.47%	0.46%	0.53%
DOW (listed as Rohm & Haas Texas Inc. FY17)	0.37%	0.36%	0.37%	0.38%	0.41%	0.41%	0.41%	0.43%	0.41%	0.55%
US Air Force	0.37%	0.36%	0.37%	0.38%	0.41%	0.41%	0.41%	0.43%	0.41%	
ABC Professional Tree Services Inc.		0.36%	0.56%	0.57%	0.62%	0.62%				
GE Energy/ Baker Hughes		0.54%								
Lubrizol		0.47%	0.38%							
Wyle Life Science		0.36%	0.37%	0.38%	0.41%	0.41%				0.55%
Bayshore Medical Center *			0.60%	0.57%	0.62%	0.62%	0.62%	0.64%	0.62%	0.83%
Clear Lake Regional Medical Center *			0.90%	0.61%	0.66%	0.66%	0.66%	0.69%	0.66%	0.88%
Equistar Chemicals LP					0.62%	0.62%	0.62%	0.64%	0.62%	0.83%
Anheuser-Busch Co					0.41%		0.41%	0.43%	0.41%	0.55%
United Space Alliance								2.79%	4.22%	5.61%
Aker Industrial Constructors									0.62%	
Channelview Complex									0.50%	0.66%
Gulf Stream Marine										0.94%
IKON Office Solutions										0.77%
International Business										0.61%
Pasadena Paper Company										0.61%
East Houston Regional Medical Center										0.55%
Totals	16.25%	17.45%	16.75%	14.94%	15.91%	13.90%	13.60%	16.80%	16.23%	25.24%

Data Sources include InfoUSA (ReferenceUSA), Hoover's, and the Dunn & Bradstreet Million Dollar Directory, [www.nces.ed.gov](http://www.nces.ed.gov), [http://www.lyondellbasell.com/WorldWideLocations/NorthAmerica/USA/Texas/Channelview\\_EN/AboutUs/](http://www.lyondellbasell.com/WorldWideLocations/NorthAmerica/USA/Texas/Channelview_EN/AboutUs/), <http://www.shell.us/aboutshell/projects-locations/deerpark.html>, [http://prtl.uhcl.edu/portal/page/portal/HOMEPAGE/TAB\\_ABOUTUHCL](http://prtl.uhcl.edu/portal/page/portal/HOMEPAGE/TAB_ABOUTUHCL)

Total employee count for College service area is from the 2015 US Census County Business Patterns (data compiled for College service area zip codes only). Listing includes employers with 1,000 or more employees in the College's service area zip codes.

Note: Companies with less than 1,000 employees in any displayed year have been left blank.

\* Clear Lake Regional Medical Center and Bayshore Medical Center merged in 2017.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Faculty, Staff, and Administrators Statistics  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Faculty:										
Full-time	525	537	524	541	525	518	523	492	511	454
Part-time	1,142	1,213	1,122	814	793	767	713	729	763	763
Total	<u>1,667</u>	<u>1,750</u>	<u>1,646</u>	<u>1,355</u>	<u>1,318</u>	<u>1,285</u>	<u>1,236</u>	<u>1,221</u>	<u>1,274</u>	<u>1,217</u>
Percent:										
Full-time	31.5%	30.7%	31.8%	39.9%	39.8%	40.3%	42.3%	40.3%	40.1%	37.3%
Part-time	68.5%	69.3%	68.2%	60.1%	60.2%	59.7%	57.7%	59.7%	59.9%	62.7%
Staff and Administrators:										
Full-time	822	830	798	784	772	725	721	703	732	703
Part-time	673	713	617	493	503	441	392	431	577	526
Total	<u>1,495</u>	<u>1,543</u>	<u>1,415</u>	<u>1,277</u>	<u>1,275</u>	<u>1,166</u>	<u>1,113</u>	<u>1,134</u>	<u>1,309</u>	<u>1,229</u>
Percent:										
Full-time	55.0%	53.8%	56.4%	61.4%	60.5%	62.2%	64.8%	62.0%	55.9%	57.2%
Part-time	45.0%	46.2%	43.6%	38.6%	39.5%	37.8%	35.2%	38.0%	44.1%	42.8%
FTSE per full-time faculty										
	41	40	41	39	40	40	41	46	40	41
FTSE per full-time staff member										
	26	26	27	27	27	29	30	32	28	26
Average over 9 months faculty salary										
	\$ 61,167	\$ 60,630	\$ 60,778	\$ 59,794	\$ 59,195	\$ 56,007	\$ 55,893	\$ 56,858	\$ 55,500	\$ 55,722

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

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Enrollment Details  
Last Ten Fiscal Years  
(Unaudited)

Student Classification	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00 - 29 hours	17,263	56.58%	16,335	56.33%	15,866	56.01%	15,811	56.65%	15,846	55.83%	16,340	56.89%	17,142	58.32%	17,023	59.63%	16,467	60.96%	14,854	60.35%
30 - 72 hours	8,532	27.97%	8,155	28.12%	8,065	28.47%	7,986	28.61%	8,118	28.60%	8,055	28.05%	8,100	27.56%	7,589	26.58%	7,879	29.17%	7,265	29.51%
> 72 hours	4,714	15.45%	4,508	15.55%	4,395	15.52%	4,114	14.74%	4,421	15.57%	4,326	15.06%	4,150	14.12%	3,937	13.79%	2,665	9.87%	2,497	10.14%
<b>Total</b>	<b>30,509</b>	<b>100.00%</b>	<b>28,998</b>	<b>100.00%</b>	<b>28,326</b>	<b>100.00%</b>	<b>27,911</b>	<b>100.00%</b>	<b>28,385</b>	<b>100.00%</b>	<b>28,721</b>	<b>100.00%</b>	<b>29,392</b>	<b>100.00%</b>	<b>28,549</b>	<b>100.00%</b>	<b>27,011</b>	<b>100.00%</b>	<b>24,616</b>	<b>100.00%</b>

  

Semester Hour Load	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	262	0.86%	305	1.05%	349	1.23%	317	1.14%	204	0.72%	262	0.91%	235	0.80%	298	1.04%	297	1.10%	190	0.77%
3 - 5 semester hours	5,435	17.81%	5,554	19.15%	5,676	20.04%	5,325	19.08%	5,371	18.92%	4,722	16.44%	4,673	15.90%	4,485	15.71%	5,077	18.80%	4,294	17.44%
6 - 8 semester hours	9,448	30.97%	8,826	30.44%	8,329	29.40%	7,702	27.60%	7,688	27.09%	7,787	27.11%	7,595	25.84%	7,079	24.80%	6,809	25.21%	5,777	23.47%
9 - 11 semester hours	6,529	21.40%	6,150	21.21%	6,054	21.37%	6,020	21.57%	6,240	21.98%	6,134	21.36%	6,358	21.63%	5,661	19.83%	5,171	19.14%	4,513	18.33%
12 - 14 semester hours	6,674	21.88%	6,312	21.77%	5,995	21.16%	6,669	23.89%	7,023	24.74%	7,711	26.85%	8,327	28.33%	8,635	30.25%	7,743	28.67%	6,853	27.84%
15 - 17 semester hours	1,334	4.37%	1,115	3.85%	1,158	4.10%	1,218	4.36%	1,398	4.93%	1,679	5.85%	1,723	5.86%	1,837	6.43%	1,746	6.46%	2,184	8.87%
18 & over	827	2.71%	736	2.54%	765	2.70%	660	2.36%	461	1.62%	426	1.48%	481	1.64%	554	1.94%	168	0.62%	805	3.28%
<b>Total</b>	<b>30,509</b>	<b>100.00%</b>	<b>28,998</b>	<b>100.00%</b>	<b>28,326</b>	<b>100.00%</b>	<b>27,911</b>	<b>100.00%</b>	<b>28,385</b>	<b>100.00%</b>	<b>28,721</b>	<b>100.00%</b>	<b>29,392</b>	<b>100.00%</b>	<b>28,549</b>	<b>100.00%</b>	<b>27,011</b>	<b>100.00%</b>	<b>24,616</b>	<b>100.00%</b>

  

Average course load	8.7	8.6	8.6	8.7	8.8	9.0	9.1	9.3	8.9	9.8
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Tuition Status	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	14,591	47.83%	14,122	48.71%	13,957	49.27%	13,996	50.15%	14,274	50.29%	14,409	50.17%	14,666	49.90%	14,312	50.13%	12,891	47.72%	11,736	47.67%
Texas Resident (out-of-District)	9,872	32.36%	9,898	34.13%	9,837	34.73%	9,919	35.54%	10,477	36.91%	10,633	37.02%	10,775	36.65%	10,381	36.36%	9,664	35.78%	8,866	36.02%
Non-Resident Tuition	804	2.63%	778	2.68%	733	2.59%	651	2.33%	706	2.49%	766	2.67%	919	3.13%	853	2.99%	1,644	6.09%	1,584	6.43%
Tuition Exemption	5,242	17.18%	4,200	14.48%	3,799	13.41%	3,345	11.98%	2,928	10.31%	2,913	10.14%	3,032	10.32%	3,003	10.52%	2,693	9.97%	2,399	9.75%
Other	-	0.00%	-	0.00%	-	-	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	119	0.44%	31	0.13%
<b>Total</b>	<b>30,509</b>	<b>100.00%</b>	<b>28,998</b>	<b>100.00%</b>	<b>28,326</b>	<b>100.00%</b>	<b>27,911</b>	<b>100.00%</b>	<b>28,385</b>	<b>100.00%</b>	<b>28,721</b>	<b>100.00%</b>	<b>29,392</b>	<b>100.00%</b>	<b>28,549</b>	<b>100.00%</b>	<b>27,011</b>	<b>100.00%</b>	<b>24,616</b>	<b>100.00%</b>

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

Source: Data from the CBM001.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Student Profile  
Last Ten Fiscal Years  
(Unaudited)

	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Gender																					
Female	17,498	57.35%	16,337	56.34%	15,833	55.90%	15,561	55.75%	16,017	56.43%	16,393	57.08%	16,781	57.09%	16,116	56.45%	15,107	55.93%	14,127	57.39%	
Male	13,011	42.65%	12,661	43.66%	12,493	44.10%	12,350	44.25%	12,368	43.57%	12,328	42.92%	12,611	42.91%	12,433	43.55%	11,904	44.07%	10,489	42.61%	
Total	30,509	100.00%	28,998	100.00%	28,326	100.00%	27,911	100.00%	28,385	100.00%	28,721	100.00%	29,392	100.00%	28,549	100.00%	27,011	100.00%	24,616	100.00%	

	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Ethnic Origin																					
White	7,163	23.48%	7,398	25.50%	7,647	27.00%	7,960	28.52%	8,475	29.86%	8,720	30.35%	9,636	32.78%	10,711	37.52%	11,114	41.15%	10,556	42.88%	
Hispanic	17,370	56.93%	15,839	54.62%	14,838	52.38%	13,794	49.42%	13,191	46.47%	12,711	44.26%	11,847	40.32%	11,614	40.68%	10,397	38.49%	8,965	36.42%	
African American	3,081	10.10%	2,981	10.28%	2,862	10.10%	2,918	10.46%	2,966	10.45%	2,889	10.06%	3,011	10.24%	3,027	10.60%	2,975	11.01%	2,496	10.14%	
Asian	1,767	5.79%	1,704	5.88%	1,670	5.90%	1,595	5.71%	1,616	5.69%	1,576	5.49%	1,538	5.23%	1,628	5.70%	1,590	5.89%	1,419	5.76%	
Foreign	566	1.86%	567	1.96%	575	2.03%	498	1.78%	508	1.79%	384	1.34%	581	1.98%	682	2.39%	791	2.93%	986	4.01%	
Native American	186	0.61%	173	0.60%	181	0.64%	221	0.79%	277	0.98%	332	1.16%	248	0.84%	258	0.91%	144	0.53%	131	0.53%	
Other	376	1.23%	336	1.16%	553	1.95%	925	3.32%	1,352	4.76%	2,109	7.34%	2,531	8.61%	629	2.20%	-	0.00%	63	0.26%	
Total	30,509	100.00%	28,998	100.00%	28,326	100.00%	27,911	100.00%	28,385	100.00%	28,721	100.00%	29,392	100.00%	28,549	100.00%	27,011	100.00%	24,616	100.00%	

	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Age																					
Under 18	3,903	12.79%	3,071	10.59%	2,721	9.61%	2,269	8.13%	1,830	6.44%	1,903	6.63%	1,991	6.77%	2,057	7.21%	2,594	9.61%	1,784	7.25%	
18 - 21	13,624	44.66%	13,054	45.02%	12,864	45.41%	12,859	46.07%	13,025	45.89%	12,917	44.97%	13,163	44.78%	12,805	44.85%	12,362	45.77%	11,329	46.02%	
22 - 24	4,804	15.75%	4,755	16.40%	4,703	16.60%	4,648	16.65%	4,664	16.43%	4,679	16.29%	4,805	16.35%	4,575	16.02%	3,947	14.61%	3,901	15.85%	
25 - 35	5,893	19.32%	5,849	20.17%	5,623	19.85%	5,659	20.28%	6,026	21.23%	6,264	21.81%	6,489	22.08%	6,234	21.84%	5,571	20.62%	5,149	20.92%	
36 - 50	1,932	6.33%	1,900	6.55%	2,006	7.09%	2,031	7.28%	2,324	8.19%	2,422	8.43%	2,465	8.39%	2,380	8.34%	2,135	7.90%	2,043	8.30%	
51 & over	353	1.15%	369	1.27%	409	1.44%	445	1.59%	516	1.82%	536	1.87%	479	1.63%	498	1.74%	402	1.49%	410	1.66%	
Total	30,509	100.00%	28,998	100.00%	28,326	100.00%	27,911	100.00%	28,385	100.00%	28,721	100.00%	29,392	100.00%	28,549	100.00%	27,011	100.00%	24,616	100.00%	

Average age	23	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
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This schedule does not include non-credit Continuing and Professional Development enrollment.

Source: Data from the CBM001.

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Transfers to Senior Institutions  
Academic Year 2016 - 2017 Students as of Fall 2017  
(Unaudited)  
(Includes Only Public Senior Colleges in Texas)

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Total of All Transfer Students	Percentage of All Transfer Students
1 Angelo State University	9	1	10	0.14%
2 Lamar University	93	11	104	1.48%
3 Midwestern State University	12	3	15	0.21%
4 Prairie View A&M University	22	7	29	0.41%
5 Sam Houston State University	235	35	270	3.85%
6 Stephen F. Austin State University	112	31	143	2.04%
7 Tarleton State University	16	1	17	0.24%
8 Texas A&M International University	1	11	12	0.17%
9 Texas A&M University	539	60	599	8.55%
10 Texas A&M University - Central Texas	3	-	3	0.04%
11 Texas A&M University - Commerce	7	-	7	0.10%
12 Texas A&M University - Corpus Christi	38	4	42	0.60%
13 Texas A&M University - Kingsville	15	6	21	0.30%
14 Texas A&M University - San Antonio	2	-	2	0.03%
15 Texas A&M University at Galveston	52	7	59	0.84%
16 Texas A&M University System Health Science Center	11	-	11	0.16%
17 Texas Southern University	94	28	122	1.74%
18 Texas State University	259	46	305	4.35%
19 Texas Tech University	137	15	152	2.17%
20 Texas Tech University Health Science Center	12	5	17	0.24%
21 Texas Tech University Health Science - El Paso	-	1	1	0.01%
22 Texas Woman's University	33	4	37	0.53%
23 The University of Texas at Rio Grande Valley	6	1	7	0.10%
24 The University of Texas at Arlington	105	26	131	1.87%
25 The University of Texas at Austin	256	45	301	4.30%
26 The University of Texas at Dallas	44	8	52	0.74%
27 The University of Texas at El Paso	4	2	6	0.09%
28 The University of Texas at San Antonio	81	17	98	1.40%
29 The University of Texas at Tyler	66	2	68	0.97%
30 The University of Texas Health Science Center at Houston	73	16	89	1.27%
31 The University of Texas Health Science Center at San Antonio	3	3	6	0.09%
32 The University of Texas M.D. Anderson Cancer Center	45	4	49	0.70%
33 The University of Texas Medical Branch at Galveston	80	9	89	1.27%
34 The University of Texas Southwestern Medical Center	-	-	-	0.00%
35 The University of Texas of the Permian Basin	5	1	6	0.09%
36 University of Houston	1,530	154	1,684	24.03%
37 University of Houston - Clear Lake	1,716	198	1,914	27.32%
38 University of Houston - Downtown	380	60	440	6.28%
39 University of Houston - Victoria	19	7	26	0.37%
40 University of North Texas	49	8	57	0.81%
41 University of North Texas Health Science Center	-	-	-	0.00%
42 West Texas A&M University	3	3	6	0.09%
Totals	<u>6,167</u>	<u>840</u>	<u>7,007</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  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic buildings	38	38	37	36	36	36	34	34	33	32
Square footage	2,089,366	2,089,366	1,975,311	1,930,653	1,930,653	1,930,653	1,645,385	1,559,949	1,447,185	1,432,940
Libraries	3	3	4	3	3	3	3	3	3	3
Square footage	153,985	153,985	192,670	149,673	149,673	149,673	149,673	149,673	149,673	149,673
Number of volumes	219,896	221,849	216,964	240,876	237,177	244,084	245,932	243,340	243,695	244,602
Administrative and support buildings	14	14	14	14	13	13	12	11	8	8
Square footage	401,660	401,660	401,660	401,660	395,610	395,610	371,610	333,610	267,371	267,371
Dormitories	-	-	-	-	1	1	1	1	1	1
Square footage	-	-	-	-	6,050	6,050	6,050	6,050	6,050	6,050
Athletic facilities	4	4	4	3	3	3	3	3	3	3
Square footage	11,434	11,434	11,434	3,170	3,170	3,170	3,170	3,170	3,170	3,170
Stadiums	3	3	3	3	3	3	3	3	3	3
Fitness centers/gymnasiums	4	4	4	3	3	3	3	3	3	3
Tennis courts	3	3	3	3	3	3	3	3	3	3
Plant facilities	6	6	5	5	5	5	7	7	7	7
Square footage	29,544	29,544	27,044	27,044	27,044	27,044	51,449	51,449	51,449	51,449
Transportation:										
Cars	1	1	1	1	1	1	4	6	9	11
Sport utility vehicles/light trucks/vans	96	96	97	91	86	83	74	71	68	57

Source: College Facilities Buildings and Land Inventory.

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

Board of Trustees  
of **San Jacinto Community College District**

We have audited the financial statements of the San Jacinto Community College District (the College) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 6, 2018. We conducted our audit in accordance with the 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. The financial statements of the San Jacinto Community College Foundation, Inc. (the Foundation) were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houston, Texas  
December 6, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees  
of San Jacinto Community College District

**Report on Compliance for Each Major Federal and State Program**

We have audited San Jacinto Community College District's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major Federal and State of Texas (State) programs for the year ended August 31, 2018. 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.

**Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its Federal and State awards applicable to its Federal and State programs, respectively.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major Federal and State programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Texas Single Audit Circular*. Those standards and the Uniform Guidance and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal and State program. However, our audit does not provide a legal determination of the College's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, the College complied, in all material respects, with the types of 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 summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended August 31, 2018.

## Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, 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 material noncompliance with a type of compliance requirement of a Federal or State program will not be prevented, or detected and corrected, on a timely basis. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Houston, Texas  
December 6, 2018

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2018

<u>Federal Grantors/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Direct Awards</u>	<u>Pass-Through Awards</u>	<u>Total Expenditures</u>	<u>Subrecipients Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Direct Programs:					
Student Financial Aid Cluster:					
Federal Supplemental Educational Opportunity Grants P007A134114	84.007	\$ 855,598	\$ -	\$ 855,598	\$ -
Federal Work - Study Program P033A134114	84.033	535,148	-	535,148	-
Federal Pell Grant Program P063P132303	84.063	31,557,527	-	31,557,527	-
Federal Direct Student Loans - Subsidized P268K142303	84.268	8,160,704	-	8,160,704	-
Total Student Financial Aid Cluster - Schedule C		<u>41,108,977</u>	<u>-</u>	<u>41,108,977</u>	<u>-</u>
TRIO Cluster:					
TRIO Talent Search P044A160410	84.044A	245,904	-	245,904	-
TRIO Upward Bound P047A120043	84.047A	319,334	-	319,334	-
TRIO Upward Bound - Math & Science P047M120021	84.047M	1,683	-	1,683	-
Total TRIO Cluster		<u>566,921</u>	<u>-</u>	<u>566,921</u>	<u>-</u>
Pass-Through From:					
Texas Workforce Commission - TWC					
Houston-Galveston Area Council/Workforce Development Board:					
Adult Education - Basic Grants to States 216-17	84.002A	-	59,188	59,188	-
Adult Education - Basic Grants to States 216-18	84.002A	-	474,784	474,784	21,512
Adult Education - Basic Grants to States 216-19	84.002A	-	68,499	68,499	-
Total Adult Education - Basic Grants to States		<u>-</u>	<u>602,471</u>	<u>602,471</u>	<u>21,512</u>
Texas Higher Education Coordinating Board:					
Career and Technical Education - Basic Grants to States:					
Carl Perkins Vocational Education Basic 2016 WECM 171109	84.048	-	(5,132)	(5,132)	-
Carl Perkins Vocational Education Basic 2016 - 2017 174254	84.048	-	(7)	(7)	-
Carl Perkins Vocational Education Basic 2017 -2018 184242	84.048	-	796,405	796,405	-
Carl Perkins Career and Technical Education - Leadership Grants - OER 181163	84.048	-	79,926	79,926	61,704
Carl Perkins Career and Technical Education - Leadership Grants 181171	84.048	-	7,079	7,079	-
Total Career and Technical Education - Basic Grants to States		<u>-</u>	<u>878,271</u>	<u>878,271</u>	<u>61,704</u>
Education, Research, Development and Dissemination R305H150069	84.305	-	14,091	14,091	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u><b>41,675,898</b></u>	<u><b>1,494,833</b></u>	<u><b>43,170,731</b></u>	<u><b>83,216</b></u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Pass-Through From:					
Texas Department of Agriculture -					
Child and Adult Care Food Program 3202	10.558	-	35,689	35,689	-
The University of Texas at El Paso - Hispanic Serving Institutions Education Grants 226300285E	10.223	-	33,694	33,694	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u><b>-</b></u>	<u><b>69,383</b></u>	<u><b>69,383</b></u>	<u><b>-</b></u>

Continued

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2018

<u>Federal Grantors/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Direct Awards</u>	<u>Pass-Through Awards</u>	<u>Total Expenditures</u>	<u>Subrecipients Expenditures</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>					
Direct Programs:					
Bulletproof Vest Partnership Program BVP2016	16.607	3,262	-	3,262	-
Bulletproof Vest Partnership Program BVP 2017	16.607	655	-	655	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>		<b>3,917</b>	<b>-</b>	<b>3,917</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>					
Direct Programs:					
H-1B Job Training Grants HG-26672-15-60-A-48	17.268	2,793,553	-	2,793,553	1,583,582
Trade Adjustment Assistance Community College and Career Training TC-25000-13-60-A-48	17.282	131	-	131	-
Pass-Through From:					
Texas Workforce Commission - TWC:					
WIOA National Dislocated Worker Grants / WIA National Emergency Grant: 2818NDW000	17.277	-	6,863	6,863	-
WIA/WIOA Dislocated Worker Formula Grants 2818ATP000	17.278	-	37,992	37,992	-
Texas Higher Education Coordinating Board - Apprenticeship USA Grants 19668	17285	-	14,168	14,168	-
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		<b>2,793,684</b>	<b>59,023</b>	<b>2,852,707</b>	<b>1,583,582</b>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>					
Direct Programs:					
Education and Human Resources - STEP DUE-1317386	47.076	71,212	-	71,212	-
Pass-Through From:					
Texas Southern University -					
Education and Human Resources - Houston Alliance for Minority Participa K-14-381	47.076	-	47,559	47,559	-
Tidewater Community College -					
Education and Human Resources - SMART Institute TCC1501449	47.076	-	7,855	7,855	-
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>		<b>71,212</b>	<b>55,414</b>	<b>126,626</b>	<b>-</b>
<b><u>U.S. SMALL BUSINESS ADMINISTRATION</u></b>					
Pass-Through From:					
The University of Houston:					
Small Business Development Centers 2016-2017 R-17-0035-53826	59.037	-	16,092	16,092	-
Small Business Development Centers 2017-2018 R-18-0054-53826	59.037	-	164,985	164,985	-
<b>TOTAL U.S. SMALL BUSINESS ADMINISTRATION</b>		<b>-</b>	<b>181,077</b>	<b>181,077</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u></b>					
Direct Programs - All-Volunteer Force Educational Assistance 362/242D	64.124	9,723	-	9,723	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
Direct Programs:					
Affordable Care Act (ACA) Health Profession Opportunity Grants 90FX0035	93.093	1,465,288	-	1,465,288	88,352
Pass-Through From:					
American International Health Alliance -					
The University of Texas Medical Branch at Galveston - Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatm under the President's Emergency Plan for AIDS Relief 17-030	93.266	-	2,440	2,440	-

Continued

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2018

Federal Grantors/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct Awards	Pass-Through Awards	Total Expenditures	Subrecipients Expenditures
Temporary Assistance for Needy Families Cluster (TANF):					
Texas Workforce Commission (TWC):					
Temporary Assistance for Needy Families - Governor's Summer Merit 2818SMP000	93.558	-	36,685	36,685	-
Temporary Assistance for Needy Families - Apprenticeship Program 2818ATP000	93.558	-	6,740	6,740	-
Houston-Galveston Area Council/Workforce Development Board:					
Temporary Assistance for Needy Families - AEL Program 216-17	93.558	-	17,069	17,069	-
Temporary Assistance for Needy Families - AEL Program 216-18	93.558	-	22,679	22,679	-
Total TANF Cluster		-	83,173	83,173	-
Child Care and Development Fund Cluster (CCDF):					
TWC Pass-Through From:					
Houston-Galveston Area Council/Workforce Development Board					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2817CCMC26	93.596	-	12,782	12,782	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2818CCMC26	93.596	-	89,351	89,351	-
Total CCDF Cluster		-	102,133	102,133	-
Total 477 Cluster		-	185,306	185,306	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>1,465,288</b>	<b>187,746</b>	<b>1,653,034</b>	<b>88,352</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Pass-Through From:					
Federal Emergency Management Agency (FEMA)					
Disaster Grants - Public Assistance	97.036	-	255,701	255,701	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 46,019,722</b>	<b>\$ 2,303,177</b>	<b>\$ 48,322,899</b>	<b>\$ 1,755,150</b>

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

## SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of State Awards  
Year Ended August 31, 2018

<u>State Grantor Agency/Pass-Through Grantor/Program Title</u>	<u>Grant Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total State Expenditures</u>
<b><u>TEXAS WORKFORCE COMMISSION (TWC)</u></b>			
Direct Program:			
Skills Development Fund - SJC in Partnership with a Manufacturing Consortium 2017	2817SDF002	\$ -	\$ 89,532
Skills Development Fund - SJC in Partnership with a Manufacturing Consortium 2018	2818SDF007	-	94,153
Total SJC in Partnership with a Manufacturing Consortium		-	183,685
Skills Development Fund - SJC in Partnership with a Maritime Consortium	2817SDF003	-	131,243
Skills Development Fund - Skills for Small Business Program 4	2817SSD004	-	9,004
Apprenticeship Training Program	2818ATP007	-	109,007
Pass-Through From:			
Houston-Galveston Area Council/Workforce Development Board:			
Adult Education & Literacy State General Revenue Matching	216-18	32,969	76,451
Adult Education & Literacy State General Revenue Matching	216-19	-	1,319
Total Adult Education & Literacy State General Revenue Matching		32,969	77,770
<b>TOTAL TEXAS WORKFORCE COMMISSION</b>		<b>32,969</b>	<b>510,709</b>
<b><u>TEXAS HIGHER EDUCATION COORDINATING BOARD</u></b>			
Student Financial Aid:			
State Military Tuition Assistance	26041	-	(1,666)
Texas Education Opportunity Grant Program - Initial (TEOG)	13399	-	1,362,233
Texas Education Opportunity Grant Program - Renewal (TEOG)	13399	-	653,491
College Work Study Program	22339	-	120,427
College Work Study Mentorship Program	22349	-	40,528
College Access Loan	N/A	-	7,469
Total Student Financial Aid Cluster		-	2,182,482
Direct Program:			
Reginal Pathways Project Grant	19100	-	2,532
T-STEM Scholarship 2016	16909	-	182,335
College Readiness and Success/Developmental Ed Program	13079	-	188,522
Nursing and Allied Health - Building Simulation and Skills Lab Capacity	13068	-	(182)
Nursing Shortage Reduction Program Under 70 FY16-17 - Central Campus	16619 CC&NC	-	117,704
Nursing Shortage Reduction Program Under 70 FY16-17 - South Campus	16619 SC	-	68,129
<b>TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		<b>-</b>	<b>2,741,522</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 32,969</b>	<b>\$ 3,252,231</b>

See accompanying notes to schedule of Federal and State awards.

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Awards  
Year Ended August 31, 2018

**1. Federal Assistance Reconciliation**

Direct Federal grants and contracts per Schedule A	\$ 6,611,956*
Add: Indirect/Administrative Cost Recoveries per Schedule A	346,265
Direct Federal revenue, non-operating Schedule C	41,000,130
Add: Indirect/Administrative Cost Recoveries per Schedule C	108,847
Add: FEMA per Schedule C	<u>255,701</u>
 Total Federal Revenues per Schedule E - Schedule of Expenditures of Federal Awards	 \$ <u>48,322,899</u>

**2. State Assistance Reconciliation**

Direct State grants and contracts per Schedule A	\$ 3,246,041**
Add: Indirect/Administrative Cost Recoveries (Returned Funds) per Schedule A	<u>6,190</u>
 Total State Revenues per Schedule F - Schedule of Expenditures of State Awards	 \$ <u>3,252,231</u>

**3. Significant Accounting Policies Used in Preparing the Schedules**

The schedules of expenditures of Federal and State awards (the Schedules) present the activity of Federal and State programs of the College for the year ended August 31, 2018. The Schedules have been prepared on the accrual basis of accounting. 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. Since the College has an agency approved Indirect Recovery Rate, it has elected not to use the 10% de minimus rate as permitted in the Uniform Guidance, Section 200.414.

**4. Amounts Passed Through by the College - Sub-Recipients**

\*The following amounts were passed-through to the listed sub-recipients by the College. The total amount of \$1,755,150 is included in Note 1 - Direct Federal Grants and Contracts.

<u>Sub-Recipient Name</u>	<u>CFDA</u>	<u>Grant Agency</u>	<u>Grant Program</u>	<u>Amount</u>
Brazosport College	17.268	U.S. Department of Labor	H-1B Ready to Work	\$ 389,193
Lee College	17.268	U.S. Department of Labor	H-1B Ready to Work	799,448
College of the Mainland	17.268	U.S. Department of Labor	H-1B Ready to Work	394,941
Clear Creek ISD	84.002	U.S. Department of Education	Adult Education	21,512
Amarillo Junior College District	84.048	U.S. Department of Education	Career and Technical Education	11,543
Austin Community Collee	84.048	U.S. Department of Education	Career and Technical Education	22,627
Tarrant County College District	84.048	U.S. Department of Education	Career and Technical Education	21,215
Odessa College	84.048	U.S. Department of Education	Career and Technical Education	6,319
Neighborhood Centers Inc.	93.093	U.S. Department of Health and Human Services	Health Career Pathways	<u>88,352</u>
 Total				 \$ <u>1,755,150</u>

\*\*The following amount was passed-through to the listed sub-recipient by the College. The total amount of \$32,969 is included in Note 2 - Direct State Grants and Contracts.

<u>Sub-Recipient Name</u>	<u>Contract Number</u>	<u>Grant Agency</u>	<u>Grant Program</u>	<u>Amount</u>
Clear Creek ISD	216-18	Texas Workforce Commission	Adult Education & Literacy	\$ 32,969

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs  
Year Ended August 31, 2018

**Section 1**

Financial Statements

1. Type of auditor's report issued:
2. Internal control over financial reporting:
  - a. Material weaknesses identified?
  - b. Significant deficiencies identified that are not considered to be material weaknesses?
  - c. Noncompliance material to the financial statements noted?

**Summary of Auditor's Results**

Unmodified  
No  
None reported  
No

Federal and State Awards

1. Internal control over major programs:
  - a. Material weaknesses identified?
  - b. Significant deficiencies identified that are not considered to be material weaknesses?
2. Type of auditor's report issued on compliance for major programs:
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516 (a) or the *State of Texas Single Audit Circular*?
4. Identification of major programs:

No  
None reported  
Unmodified  
No

Federal CFDA Number

84.007  
  
84.033  
84.063  
84.268  
  
84.048  
  
97.036

Name of Federal Program

Student Financial Aid Cluster:  
  
Federal Supplemental Educational Opportunity Grants  
Federal Work-Study Program  
Federal Pell Grant Program  
Federal Direct Student Loans  
  
Career and Technical Education - Basic Grants to States  
Federal Emergency Management Agency Disaster Grants - Public Assistance

State - Contract Number

26041  
13399  
  
13399  
  
22339  
22349  
  
N/A

Name of State Program

Texas Higher Education Board - Student Financial Aid Cluster:  
  
State Military Tuition Assistance  
Texas Education Opportunity Grant Program - Initial  
Texas Education Opportunity Grant Program - Renewal  
College Work Study Program  
College Work Study Mentorship Program  
College Access Loan



SAN JACINTO COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs, Continued  
Year Ended August 31, 2018

**Section 1, Continued**

**Summary of Auditor's Results**

5. Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$ 750,000
State	\$ 300,000
6. Auditee qualified as a low-risk auditee?	
Federal	No
State	Yes

**Section 2**

Financial Statement Findings

None reported

**Section 3**

Federal and State Award Findings and Questioned Costs

None reported

SAN JACINTO COMMUNITY COLLEGE DISTRICT

Summary Schedule of Prior Audit Findings  
Year Ended August 31, 2018

The audit finding 2017-001 which was identified during the Federal Single Audit for the year ended August 31, 2017 has been fully corrected.