

**BRAZOSPORT COLLEGE DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**YEARS ENDED AUGUST 31, 2010 AND 2009**

**KENNEMER, MASTERS & LUNSFORD, LLC**  
***CERTIFIED PUBLIC ACCOUNTANTS***  
**8 WEST WAY COURT**  
**LAKE JACKSON, TEXAS 77566**

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# BRAZOSPORT COLLEGE DISTRICT

## *Annual Financial and Compliance Report Year Ended August 31, 2010*

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# BRAZOSPORT COLLEGE DISTRICT

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**INTRODUCTORY SECTION**

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# BRAZOSPORT COLLEGE DISTRICT

## ORGANIZATIONAL DATA

*Fiscal Year 2010-2011*

### Board of Trustees/Regents

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#### Officers

Jerry Hinojosa  
Carolyn Johnson

Chairman  
Vice-Chairman

#### Members

Lucilla Henderson  
Jerry Hinojosa  
Robert Perryman  
Lillian Lockett, M.D.  
Harry F. Koester, Jr.  
Sharon Rogers  
John R. Gilbert  
Joe C. Greer, Jr.  
Carolyn Johnson

Lake Jackson, Texas  
Lake Jackson, Texas  
Jones Creek, Texas  
Lake Jackson, Texas  
Lake Jackson, Texas  
Lake Jackson, Texas  
Lake Jackson, Texas  
Lake Jackson, Texas  
Freeport, Texas  
Freeport, Texas

#### Term Expires

May 12, 2012  
May 12, 2012  
May 12, 2012  
May 10, 2014  
May 10, 2014  
May 10, 2014  
May 10, 2014  
May 14, 2016  
May 14, 2016  
May 14, 2016

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#### Principal Administrative Officers

Millicent M. Valek, Ph.D.  
John C. Ray, Ed.D.  
Fred J. Scott, MBA  
Pamela Davenport, Ph.D.  
Ken Tasa, Ed.D.  
Herb E. Miles, Ed.D.

President  
Dean, Information & Community Resources  
Dean, Administrative & Business Services  
Dean, Student Services  
Dean, Educational Programs & Services  
Dean, Human Resources & Payroll

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**FINANCIAL SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:  
8 West Way Court  
Lake Jackson, Texas 77566  
(979) 297-4075 Fax: (979) 297-6648  
(800) 399-4075

Houston Office:  
12000 Westheimer, Suite 105  
Houston, Texas 77077  
(281) 752-0200 Fax: (281) 752-0204

## Independent Auditor's Report

Unqualified Opinion on Basic Financial Statements

Accompanied by Required Supplementary Information, Supplemental Schedules,  
Supplementary Schedules of Expenditures of Federal and State Awards  
And Statistical Supplementary Information

November 22, 2010, except for Note 27, as to which the date February 17, 2011

Board of Regents  
Brazosport College District  
Lake Jackson, Texas 77566

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Brazosport College District (the "District") as of and for the years ended August 31, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Brazosport College District, as of August 31, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

[www.kmkwllc.com](http://www.kmkwllc.com) – Email: [kmkw@kmkwllc.com](mailto:kmkw@kmkwllc.com)

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,  
Partnering for CPA Practice Success

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 23, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the State of Texas Single Audit Circular, and the Texas Higher Education Coordinating Board and are also not a required part of the basic financial statements of the District. The supplemental schedules and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kerremers, Masters & Rungford, LLC*

**BRAZOSPORT COLLEGE DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED AUGUST 31, 2010**

This section of Brazosport College District's annual financial report presents a discussion and analysis of the financial performance of the District during the fiscal year ended August 31, 2010. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial reporting format has been presented in a manner required by the Governmental Accounting Standards Board's Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

**Using This Annual Report**

This report consists of three basic financial statements for the District and three basic financial statements for the Foundation. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Brazosport College District as a whole and present a long-term view of the District's finances. The Statement of Financial Position; the Statement of Financial Activity; and the Statement of Cash Flows provide information on the Brazosport College Foundation as a whole.

**The Statement of Net Assets**

The Statement of Net Assets presents the financial position of the District at the end of the fiscal year and includes all assets and liabilities. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the District. Assets and liabilities are generally measured using current values. Capital assets, which represent 76% of total assets, are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, investment in capital assets, net of debt, provides the District equity in property, plant and equipment owned. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the District, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. These net assets are available for use by the District for any legal purpose.

**Brazosport College District**  
**Statement of Net Assets**  
**As of August 31, 2010 and 2009**  
**(in thousands of dollars)**

	2010	2009
Assets:		
Current assets	\$ 3,313	\$ 3,798
Capital assets, net	62,399	43,578
Other assets	15,932	29,985
 Total assets	 81,644	 77,361

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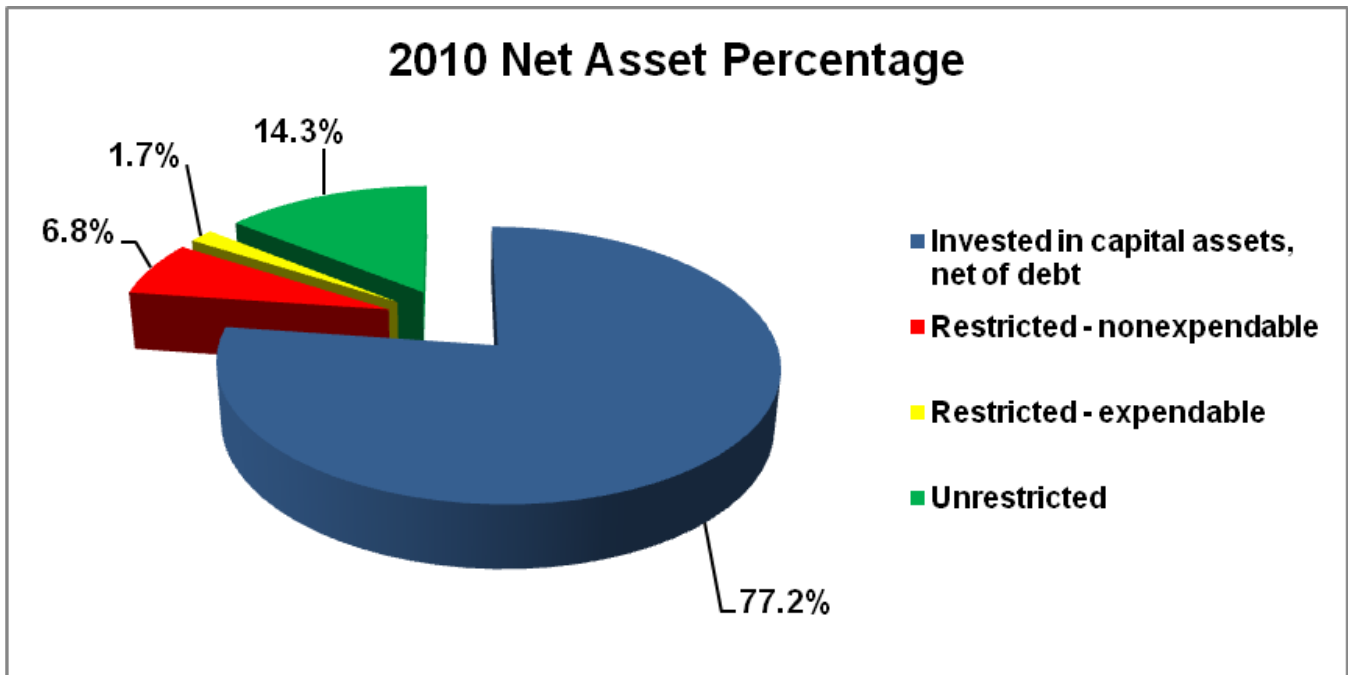
**BRAZOSPORT COLLEGE DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED AUGUST 31, 2010**

**The Statement of Net Assets - Continued**

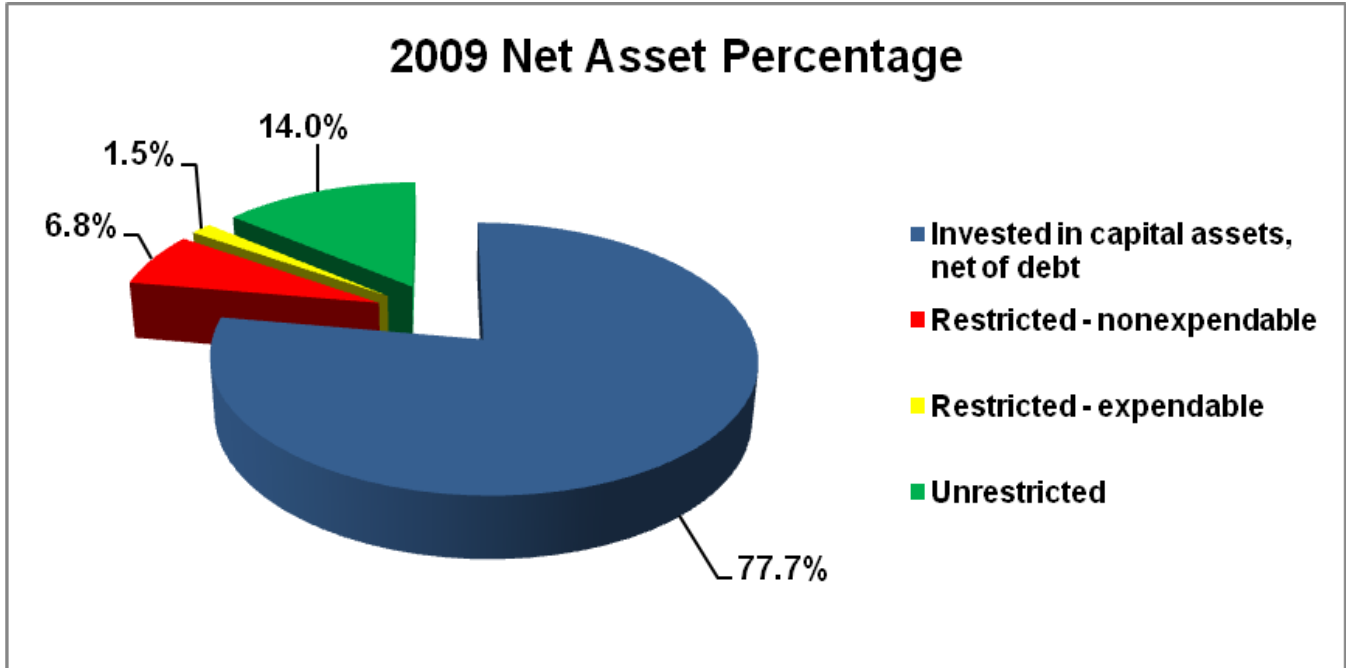
	2010	2009
Liabilities:		
Current liabilities	\$ 9,967	\$ 3,926
Noncurrent liabilities	35,734	37,136
Total liabilities	45,701	41,062
Total net assets	\$ 35,943	\$ 36,299
Net Assets Consists Of:		
Invested in capital assets, net of debt	\$ 27,775	\$ 28,236
Restricted – nonexpendable	2,436	2,461
Restricted – expendable	603	532
Unrestricted	5,129	5,070
Total net assets	\$ 35,943	\$ 36,299

Assets consist primarily of cash and cash equivalents, investments, accounts, notes and grants receivable, and capital assets. Liabilities include long-term bonded debt, compensated absences, and deferred revenue.

The following chart reflects the percentage of net assets at August 31, 2010 and 2009:



**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
 YEAR ENDED AUGUST 31, 2010



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

The Statement of Revenues, Expenses, and Changes in Net Assets present the operating results of the District and the non-operating revenues and expenses.

**Brazosport College District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For Fiscal Years Ended August 31, 2010 and 2009**  
 (in thousands of dollars)

	2010	2009
Operating Revenues:		
Net tuition and fees	\$ 5,140	\$ 5,685
Auxiliary enterprises	142	130
Grants and contracts	3,545	1,272
Other	742	730
Total operating revenues	9,569	7,817

(continued)

**BRAZOSPORT COLLEGE DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED AUGUST 31, 2010**

**The Statement of Revenues, Expenses, and Changes in Net Assets - Continued**

	2010	2009
Operating Expenses:		
Instruction	\$ 14,209	\$ 12,795
Public service	180	177
Academic support	1,980	1,840
Student services	2,322	2,154
Institutional support	4,853	4,191
Operation and maintenance of plant	2,918	2,841
Scholarships and fellowships	2,148	1,924
Auxillary enterprises	326	293
Depreciation	1,821	1,667
Total operating expenses	30,757	27,882
Operating loss	( 21,188)	( 20,065)
Nonoperating Revenues and Expenses:		
State appropriations	7,691	8,053
Title IV federal grants	3,072	1,849
Taxes of maintenance and operations	9,345	9,229
Taxes of debt service	1,972	1,947
Investment income	466	568
Debt service expenses	( 1,714)	( 1,769)
Net nonoperating revenues	20,832	19,877
Loss before other revenues, expenses, gains or losses	( 356)	( 188)
Other Revenues, Expenses, Gains or Losses:		
Additions to permanent and term endowments		1
Change in net assets	( 356)	( 187)
Net asset at beginning of year	36,299	36,486
Net asset at end of year	\$ 35,943	\$ 36,299

The following graphic information illustrates the changes in revenues, expenses and the results of both operating and non-operating activity for the years ended August 31, 2010 and 2009.

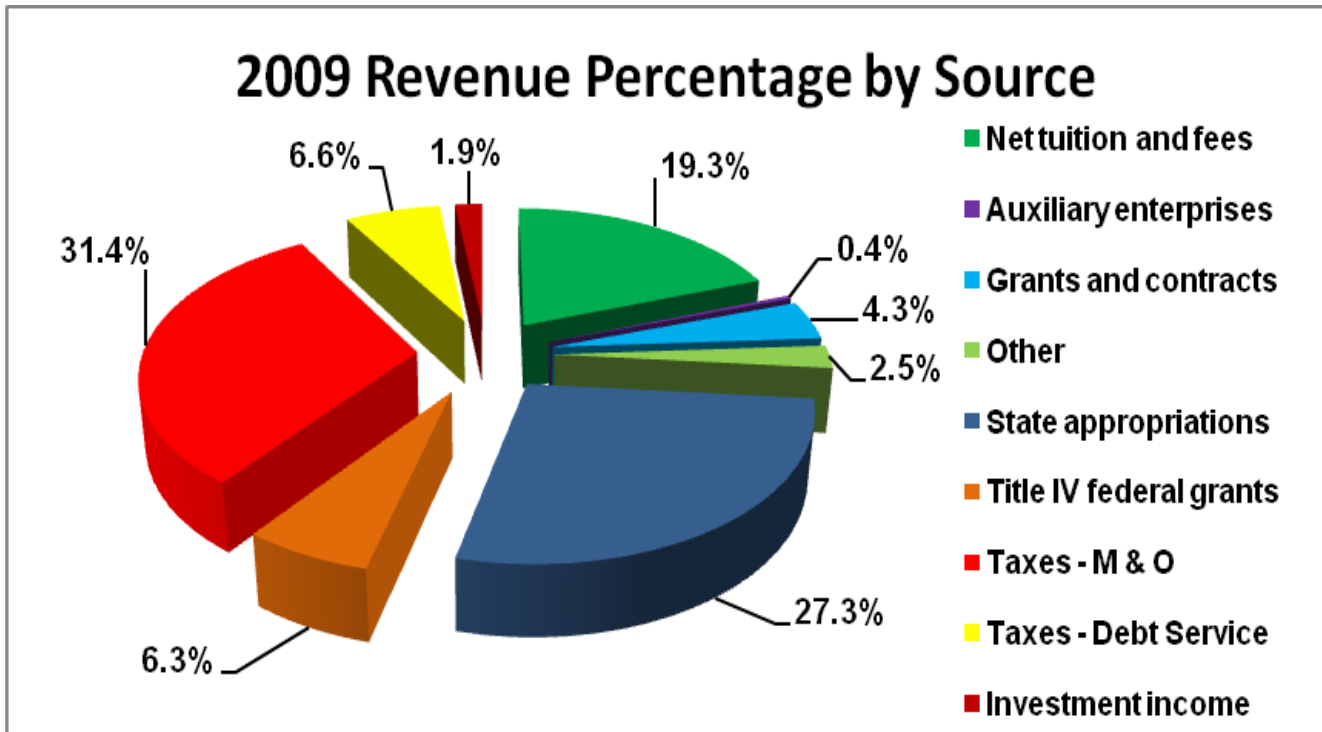
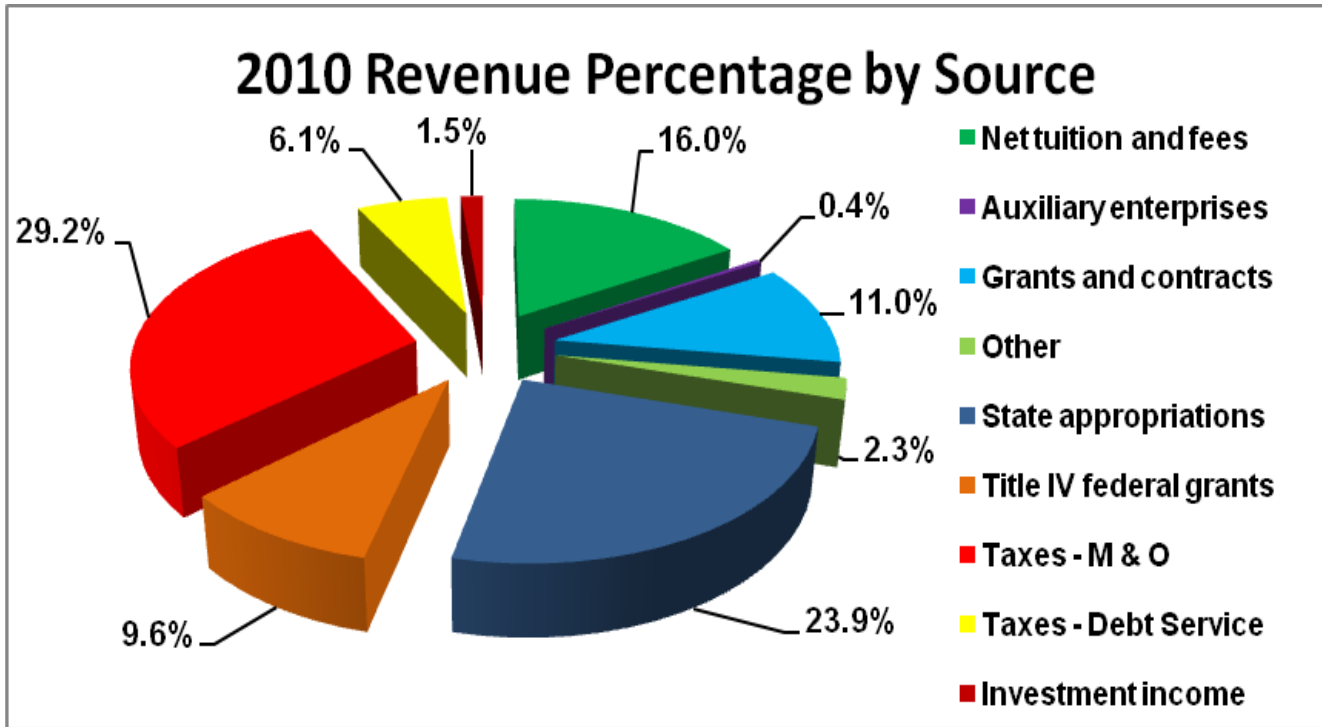
Revenues

The following is a graphic illustration of revenues by source (both operating and non-operating), which were used to fund the District's operating activities for the years ended August 31, 2010 and 2009.



**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
*YEAR ENDED AUGUST 31, 2010*

**The Statement of Revenues, Expenses, and Changes in Net Assets - Continued**

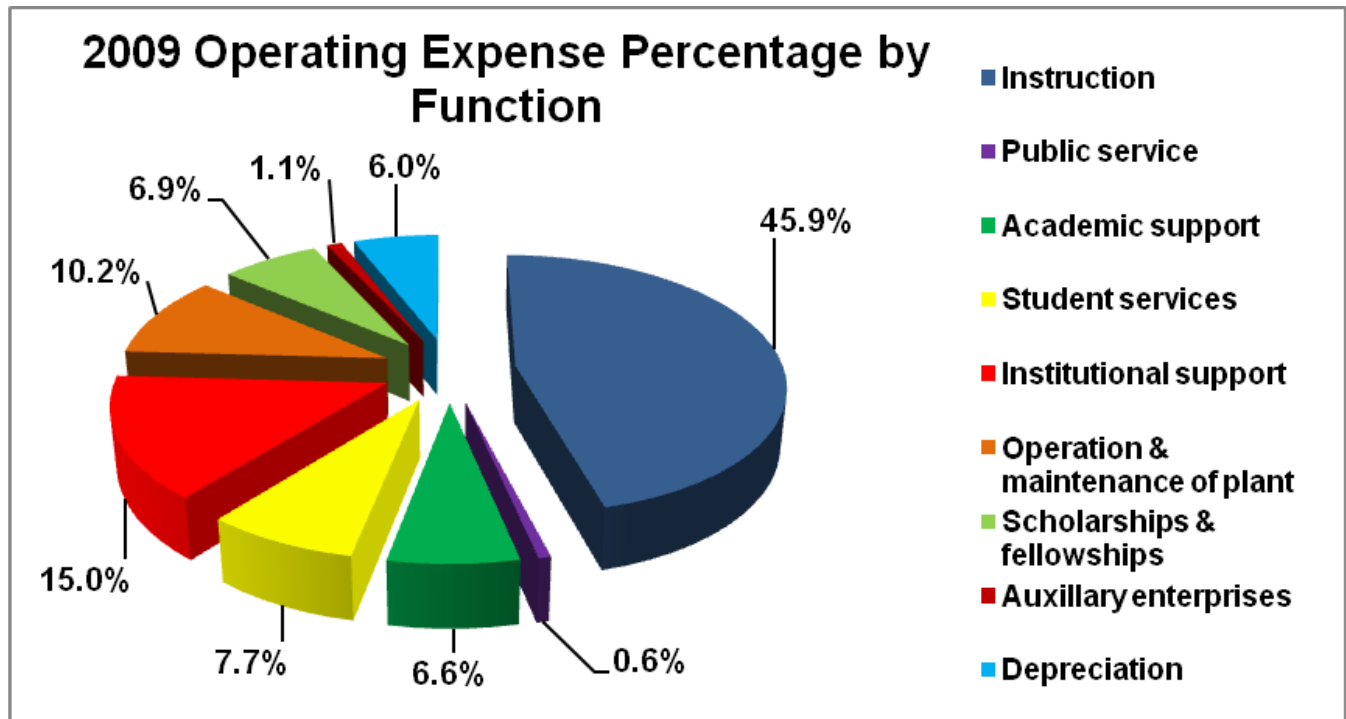
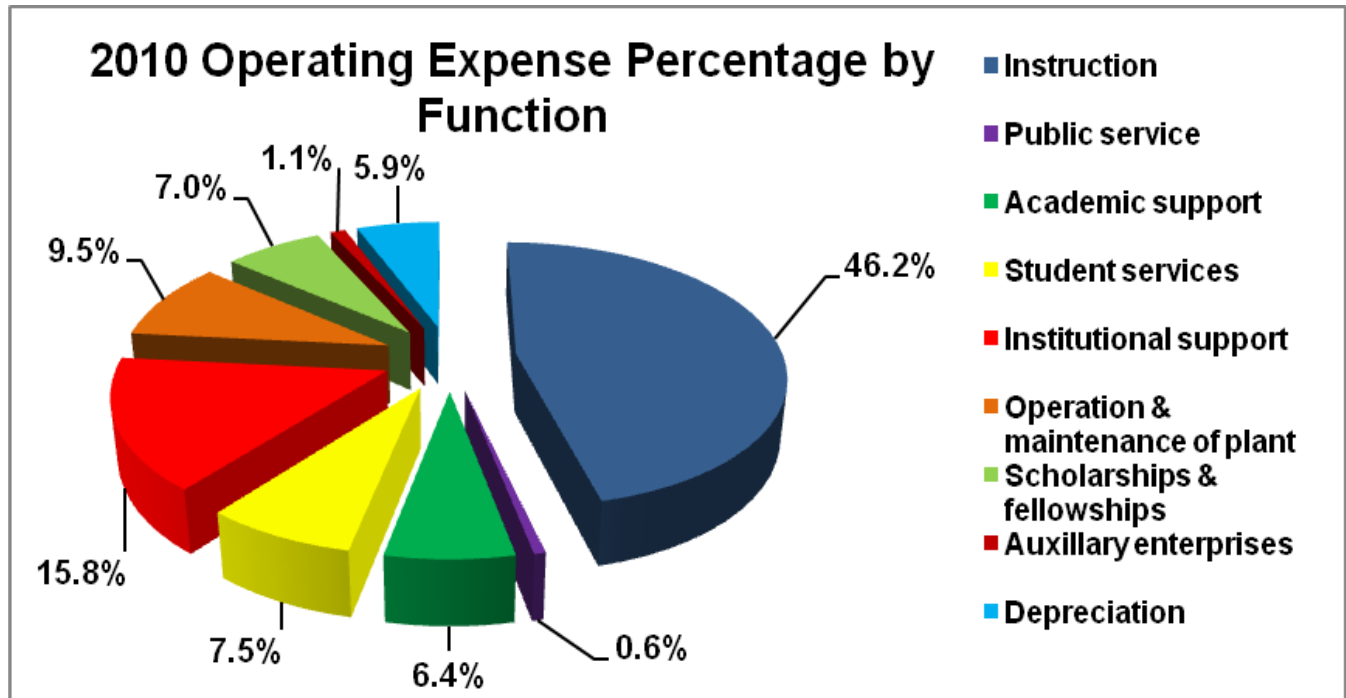


**BRAZOSPORT COLLEGE DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED AUGUST 31, 2010**

**The Statement of Revenues, Expenses, and Changes in Net Assets - Continued**

Expenses

Operating expenses can be displayed in two formats, natural classification and functional classification. Both formats are displayed below (as a percentage of total operating expenses), for the years ended August 31, 2010 and 2009.

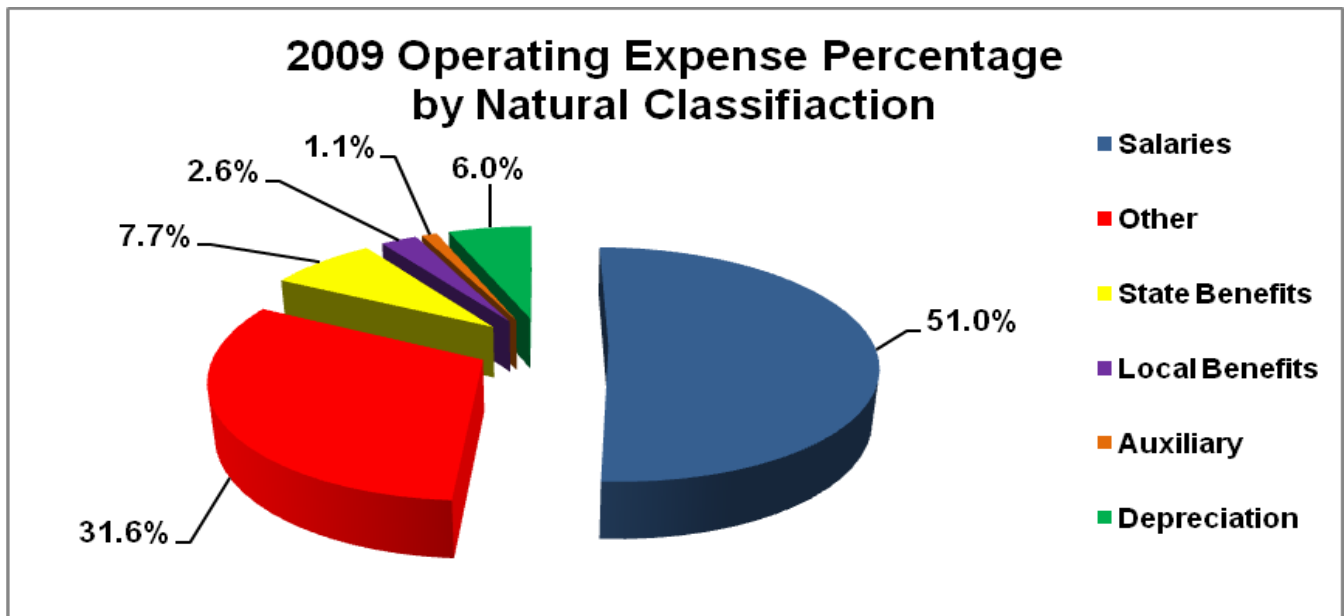
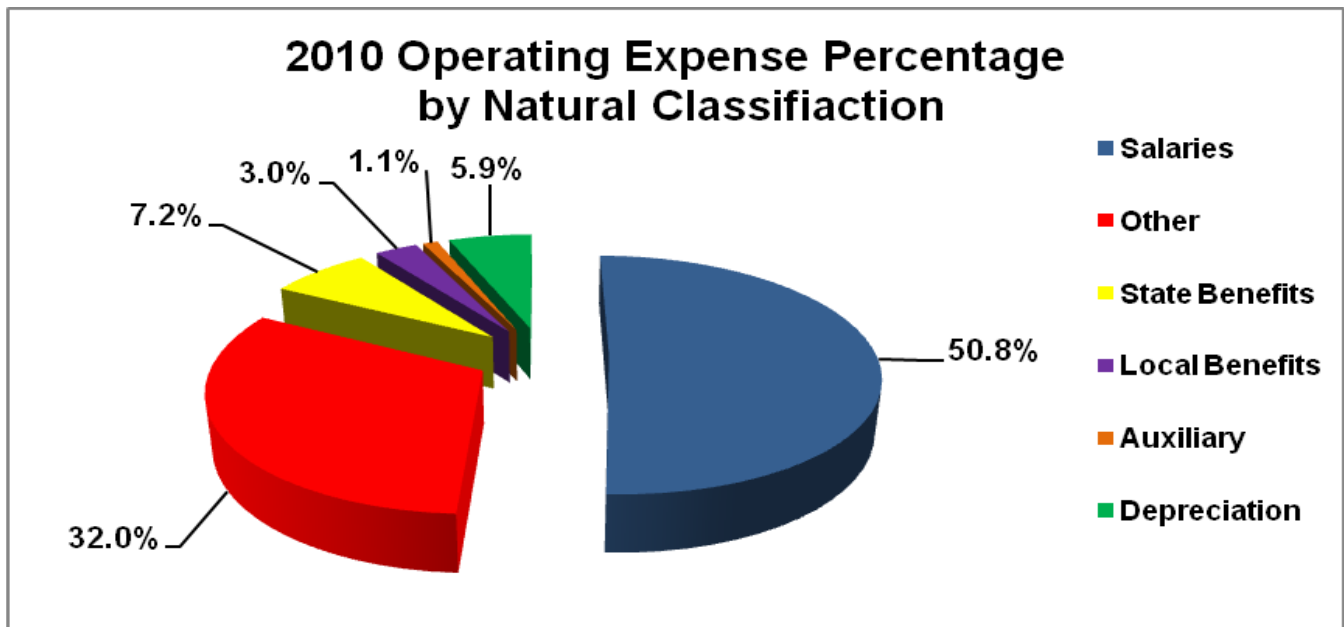


**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
*YEAR ENDED AUGUST 31, 2010*

**The Statement of Revenues, Expenses, and Changes in Net Assets – Continued**

For the years ended August 31, 2010 and 2009, forty-six point two percent and forty-five point nine percent of operating expenses by function is attributable to instruction. The percentages for the remaining functional areas range from six tenths of a percent to fifteen point eight percent of total operating expenses.

For the years ended August 31, 2010 and 2009, sixty-one percent and sixty-two percent of expenses are attributed to salaries and benefits, while operating expenses represent thirty-two percent and thirty-one point seven percent of total expenses, and depreciation represent the remaining six percent and five point nine percent of expenses. Total Auxiliary expenses represented one percent and one point one percent of total expenses.



**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
 YEAR ENDED AUGUST 31, 2010

**The Statement of Cash Flows**

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the ability of the District to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

**Brazosport College District**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended August 31, 2010 and 2009**  
**(in thousands of dollars)**

	2010	2009
Cash Provided (Used) By:		
Operating activities	\$( 11,687)	\$( 15,620)
Nonoperating financing activities	19,858	18,904
Capital and related financing activities	( 23,615)	( 9,859)
Investing activities	16,493	9,622
Net increase (decrease) in cash	1,049	3,047
Cash, beginning of year	9,594	6,547
Cash, end of year	\$ 10,643	\$ 9,594

Material sources of cash included state appropriations, tuition and fees, and grants and contracts. Material uses of cash were for payments to suppliers and vendors, payments to employees, and payments for scholarships and fellowships.

**Capital Asset and Debt Administration**

Capital Assets

At August 31, 2010, Brazosport College District had \$ 62,399,038 invested in capital assets, net of accumulated depreciation. Depreciation charges totaled \$ 1,821,361 for the current fiscal year. Details of these assets are shown below.

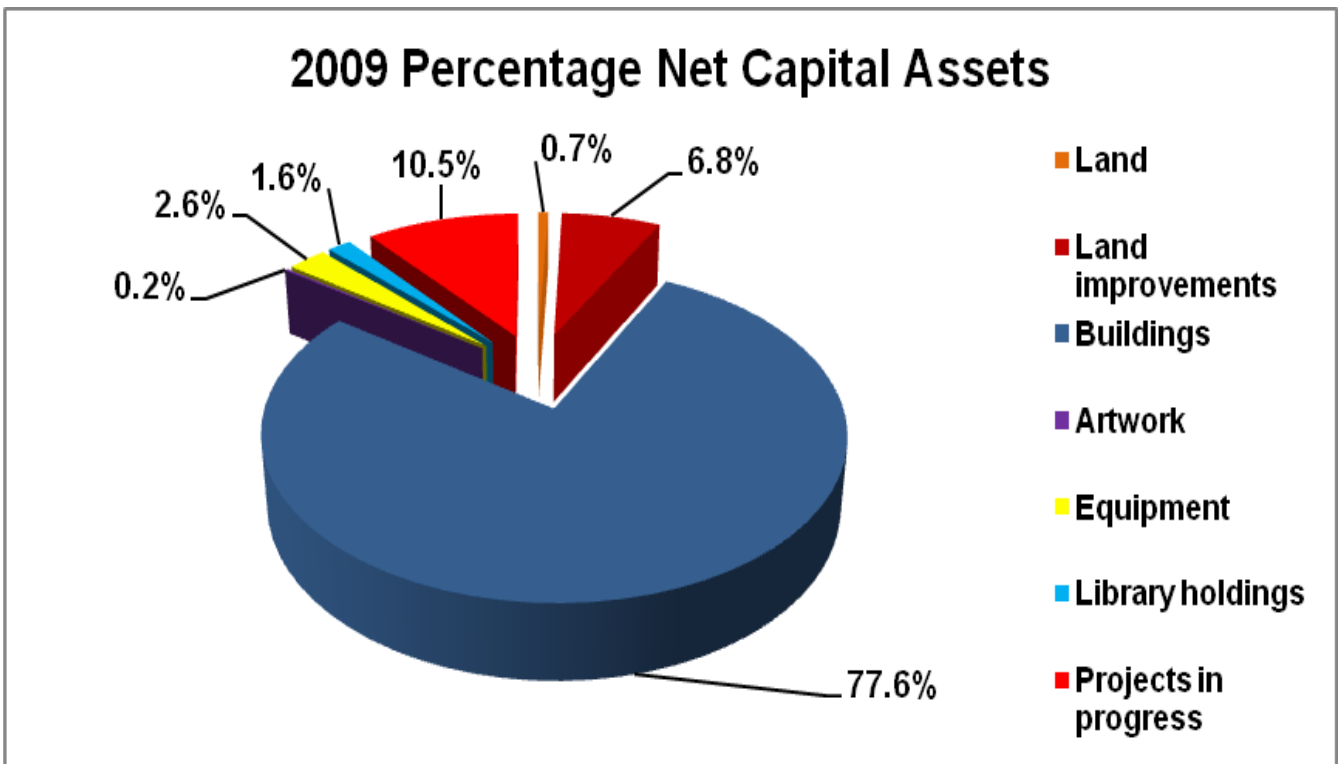
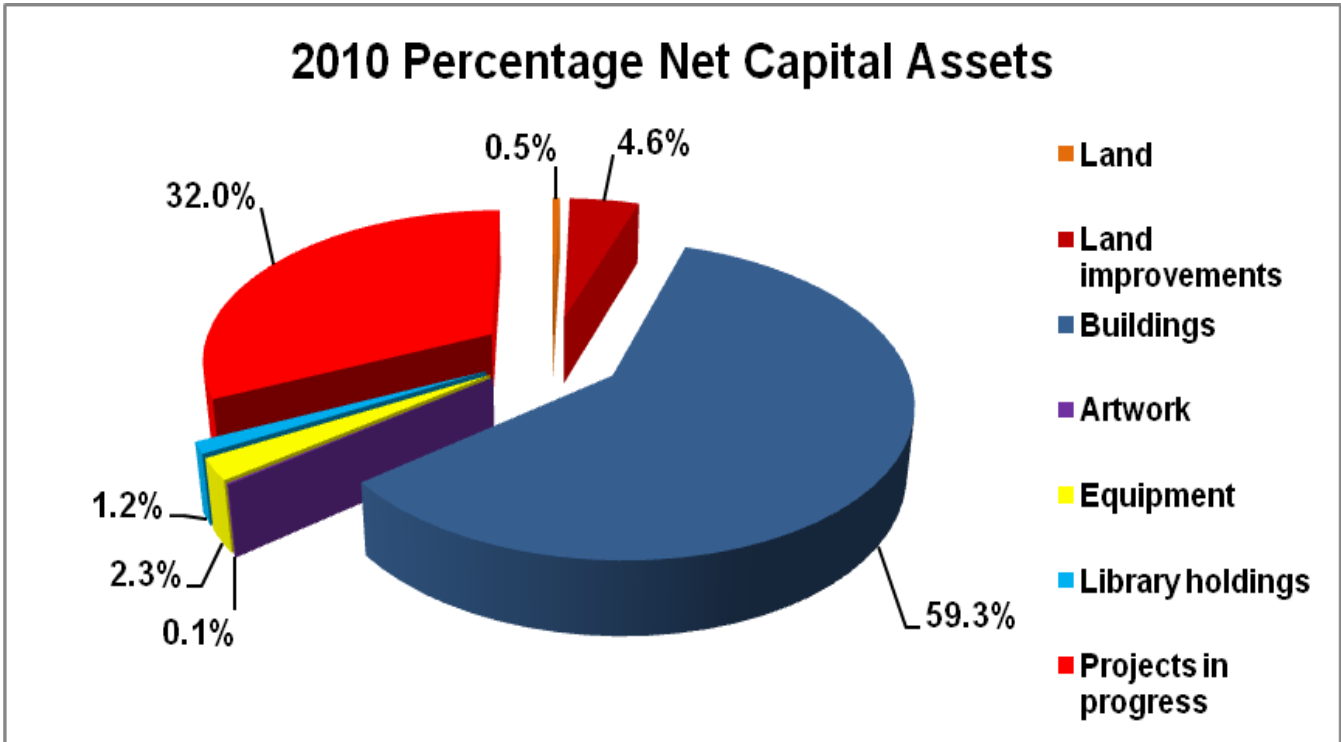
**Schedule of Capital Assets, Net of Depreciation**  
**(in thousands of dollars)**

	2010	2009
Land	\$ 296	\$ 296
Land improvements	2,870	2,968
Buildings	36,987	33,797
Artwork	91	91
Equipment	1,415	1,154
Library holdings	765	701
Projects in progress	19,975	4,571
Total	\$ 62,399	\$ 43,578

**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
 YEAR ENDED AUGUST 31, 2010

**Capital Asset and Debt Administration - Continued**

The following is a graphic illustration of the make-up of net capital assets at August 31, 2010 and 2009:



**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
*YEAR ENDED AUGUST 31, 2010*

**Capital Asset and Debt Administration - Continued**

Projects in progress for Brazosport College District during 2008-2009 and 2009-2010 included completion of the BASF Center for Process Technology and construction of the Dow Academic Center, the Byron & Sandra Sadler Health Professionals Complex, the Main Entrance Boulevard, the Technology Corridor, and the Student Life Center The Library/Learning Assistance Center/Testing Center Renovations, two floors of C-wing renovation, one floor of B-wing, and the Transitional Education Center in final stages of design under contracts with an architect and a contractor.

More detailed information about the District capital assets is presented in Note 6 to the financial statements.

Debt

At August 31, 2010, the District had \$ 36,966,443 in debt outstanding. The table below summarizes these amounts by type of debt instrument.

**Outstanding Debt Schedule**  
**(in thousands of dollars)**

	2010	2009
Bonds	\$ <u>36,966</u>	\$ <u>38,290</u>
Total debt	\$ <u><u>36,966</u></u>	\$ <u><u>38,290</u></u>

On May 23, 2008, the District authorized and issued \$ 28,470,000 in General Obligation Bonds, Series 2008 to construct the Master Plan which adds several buildings and renovates and improves the campus. These bonds are the first issue of bonds approved by voters in the amount of \$ 70,000,000 on November 6, 2007.

Brazosport College currently is rated as Aa3 by Moody's and as AA- by Standard & Poor's. More detailed information about the District long-term liabilities is presented in Notes 7-10 to the financial statements.

**Economic Factors That Will Effect the Future**

For fiscal year 2010-2011, the District Board of Regents approved an increase in property tax in September, 2010 of \$ 0.0130 per \$ 100 of valuation. This sets the rate at \$ 0.158 per \$ 100 of valuation for the 2010 assessment. This increase applied to a decrease in the tax base will generate approximately \$ 384,000 more tax revenue for the 2010-2011 fiscal year. The Board of Regents also approved a tax rate of 0.032175 per \$ 100 valuation to pay the debt service on the General Obligation Bonds. Therefore, the total tax rate for the District is \$ .190175 per \$ 100 of valuations.

Other than the above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

On November 6, 2007, voters in the Brazosport College District approved a \$ 70 million bond referendum to fund the College Master Plan. Construction began in fiscal year 2008 and will continue in three phases with estimated completion 2013. Ad valorem tax rates are estimated to increase from approximately 3 cents to 7 cents per \$ 100 valuation as the bonds are issued.

**BRAZOSPORT COLLEGE DISTRICT**  
*MANAGEMENT DISCUSSION AND ANALYSIS*  
*YEAR ENDED AUGUST 31, 2010*

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Dean, Administrative & Business Services, Brazosport College District, 500 College Drive, Lake Jackson, Texas 77566.

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**BASIC FINANCIAL STATEMENTS**

**BRAZOSPORT COLLEGE DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

EXHIBIT 1  
Page 1 of 2

	<u>2010</u>	<u>2009</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 2,238,777	\$ 3,008,362
Accounts and notes receivable (net of allowance for doubtful accounts)	567,224	327,534
Inventories	45,717	32,489
Other assets	<u>460,889</u>	<u>429,443</u>
Total current assets	<u>3,312,607</u>	<u>3,797,828</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	8,404,906	6,585,835
Short-term investments		
Accounts receivable (net of allowance for doubtful accounts)	540,915	419,007
Investments	1,912,921	17,624,050
Bond issuance costs (net of accumulated amortization)	1,003,036	1,069,792
Other assets	20,667	6,815
Investments	4,049,980	4,280,070
Capital assets, (net of accumulated depreciation)	<u>62,399,038</u>	<u>43,577,772</u>
Total noncurrent assets	<u>78,331,463</u>	<u>73,563,341</u>
Total assets	<u>81,644,070</u>	<u>77,361,169</u>
Liabilities:		
Current Liabilities:		
Accounts and accrued liabilities	354,874	907,653
Funds held for others	140,385	117,459
Deferred revenues	1,518,282	1,352,578
Accrued compensated absences	48,500	48,500
Liabilities Payable from Restricted Assets:		
Accounts and accrued liabilities	6,365,678	66,355
Deferred revenue	135,617	109,843
Bonds payable	<u>1,403,845</u>	<u>1,323,845</u>
Total current liabilities	<u>9,967,181</u>	<u>3,926,233</u>
Noncurrent liabilities:		
Bonds payable	35,562,598	36,966,442
Accrued compensated absences	<u>171,378</u>	<u>169,898</u>
Total noncurrent liabilities	<u>35,733,976</u>	<u>37,136,340</u>
Total liabilities	<u>45,701,157</u>	<u>41,062,573</u>

(continued)

**BRAZOSPORT COLLEGE DISTRICT**  
*STATEMENTS OF NET ASSETS – Continued*  
*FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009*

	<u>2010</u>	<u>2009</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 27,774,507	\$ 28,236,231
Restricted:		
Nonexpendable:		
Endowments	2,436,463	2,461,244
Expendable:		
Endowments		
Student aid	257,110	182,647
Instructional programs	13,079	17,111
Debt service	332,588	332,588
Unrestricted	<u>5,129,166</u>	<u>5,068,775</u>
Total net assets	<u>\$ 35,942,913</u>	<u>\$ 36,298,596</u>

The accompanying notes are an integral part of this statement.

**BRAZOSPORT COLLEGE FOUNDATION**  
**AFFILIATED ORGANIZATION**  
**BRAZOSPORT COLLEGE FOUNDATION**  
*STATEMENTS OF FINANCIAL POSITION*  
*FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009*

EXHIBIT 1A  
PAGE 1 OF 1

	<u>2010</u>	<u>2009</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 1,282,997	\$ 1,408,979
Accounts receivable	46,140	12,697
Pledges receivable (net of allowance for doubtful accounts)	<u>322,707</u>	<u>201,915</u>
Total current assets	<u>1,651,844</u>	<u>1,623,591</u>
Noncurrent Assets:		
Pledges receivable (net of allowance for doubtful accounts and discounts)	1,068,773	1,425,541
Investments	<u>3,723,086</u>	<u>2,036,089</u>
Total noncurrent assets	<u>4,791,859</u>	<u>3,461,630</u>
Total assets	<u>6,443,703</u>	<u>5,085,221</u>
Liabilities:		
Current Liabilities:		
Accounts payable	21,215	3,235
Deferred revenue	<u>120,000</u>	<u>          </u>
Total current liabilities	141,215	3,235
Noncurrent liabilities:		
Total noncurrent liabilities	<u>          </u>	<u>          </u>
Total liabilities	<u>141,215</u>	<u>3,235</u>
Net Assets:		
Restricted:		
Permanently restricted	569,048	451,659
Temporarily restricted	4,478,074	3,532,253
Unrestricted	<u>1,255,366</u>	<u>1,098,074</u>
Total net assets	<u>\$ 6,302,488</u>	<u>\$ 5,081,986</u>

The accompanying notes are an integral part of this statement.

**BRAZOSPORT COLLEGE DISTRICT****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**EXHIBIT 2  
Page 1 of 1

Revenues:	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Tuition and fees (net of discounts of \$ 1,688,937 and \$ 590,864, respectively)	\$ 5,139,925	\$ 5,684,861
Federal grants and contracts	2,024,167	717,781
State grants and contracts	1,199,676	312,781
Local grants and contracts	150,971	149,341
Non-governmental grants and contracts	169,622	92,406
Sales and services of educational activities	136,634	155,627
Auxiliary enterprises	142,188	130,481
Other operating revenues	<u>605,360</u>	<u>573,650</u>
Total operating revenues	<u>9,568,543</u>	<u>7,816,928</u>
Expenses:		
Operating Expenses:		
Instruction	14,208,789	12,794,537
Public service	180,266	177,066
Academic support	1,979,768	1,840,150
Student services	2,321,600	2,153,533
Institutional support	4,853,517	4,191,477
Operation and maintenance of plant	2,917,708	2,841,069
Scholarships and fellowships	2,148,268	1,924,297
Auxiliary enterprises	325,863	292,849
Depreciation	<u>1,821,361</u>	<u>1,666,517</u>
Total operating expense	<u>30,757,140</u>	<u>27,881,495</u>
Operating loss	<u>( 21,188,597 )</u>	<u>( 20,064,567 )</u>
Non-Operating Revenues (Expenses):		
State appropriations	7,691,307	8,052,628
Title IV federal programs	3,071,913	1,849,473
Taxes for maintenance and operations	9,345,330	9,228,774
Debt service ad valorem taxes	1,972,142	1,946,633
Investment income (loss) net of investment expenses	465,502	567,812
Interest on capital related debt	<u>( 1,713,762 )</u>	<u>( 1,769,234 )</u>
Net non-operating revenues	<u>20,832,432</u>	<u>19,876,086</u>
Loss before other revenues, (expenses), gains, (losses)	<u>( 356,165 )</u>	<u>( 188,481 )</u>
Other Revenues, (Expenses), Gains, (Losses)		
Additions to permanent and term endowments	<u>482</u>	<u>1,137</u>
Total other revenues, (expenses), gains, (losses)	<u>482</u>	<u>1,137</u>
Change in net assets	<u>( 355,683 )</u>	<u>( 187,344 )</u>
Net Assets:		
Net assets – beginning of year	<u>36,298,596</u>	<u>36,485,940</u>
Net assets – end of year	<u>\$ 35,942,913</u>	<u>\$ 36,298,596</u>

The accompanying notes are an integral part of this statement.

**BRAZOSPORT COLLEGE FOUNDATION**  
**AFFILIATED ORGANIZATION**  
**BRAZOSPORT COLLEGE FOUNDATION**  
*STATEMENTS OF FINANCIAL ACTIVITY*  
*FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009*

EXHIBIT 2A  
PAGE 1 OF 1

	<u>2010</u>	<u>2009</u>
Revenue:		
Gifts (net of discounts)	\$ 1,033,321	\$ 529,978
Fundraising	117,777	117,919
Interest and dividend income	46,205	57,869
Gain (loss) on investments	175,516	( 308,558)
Unrealized investment income (loss)	<u>3,320</u>	<u>( 53,406)</u>
Total revenue	<u>1,376,139</u>	<u>343,802</u>
Expenses:		
Fundraising expenses	52,148	33,294
Investment expenses	12,633	24,457
Administrative	7,200	7,200
Student aid scholarships	53,187	59,906
Grants to Brazosport College District	<u>30,469</u>	<u>36,184</u>
Total operating expenses	<u>155,637</u>	<u>161,041</u>
Change in net assets	1,220,502	182,761
Net Assets:		
Net assets - beginning of year	<u>5,081,986</u>	<u>4,899,225</u>
Net assets - end of year	<u>\$ 6,302,488</u>	<u>\$ 5,081,986</u>

The accompanying notes are an integral part of this statement.

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**BRAZOSPORT COLLEGE DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

EXHIBIT 3  
Page 1 of 2

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 7,088,007	\$ 6,809,942
Receipts of grants and contracts	3,314,920	1,050,131
Collection of loans to students and employees	34,809	36,656
Receipts from student organizations	48,325	39,277
Other receipts	605,360	573,650
Payments to or on behalf of employees	( 16,707,521 )	( 15,012,936 )
Payments to suppliers of goods and service	( 3,859,873 )	( 6,507,265 )
Payments of scholarships	( 2,148,268 )	( 2,515,161 )
Loans to students and employees	( 37,394 )	( 34,624 )
Payment on behalf of student organizations	( 25,399 )	( 59,415 )
Net cash used by operating activities	<u>( 11,687,034 )</u>	<u>( 15,619,745 )</u>
Cash Flows from Noncapital Financing Activities:		
State appropriations	5,478,959	5,897,144
Ad valorem tax revenues	11,306,339	11,155,944
Title IV federal programs	3,071,913	1,849,473
Gifts and grants (other than capital)	<u>482</u>	<u>1,137</u>
Net cash provided by non-capital and related financing activities	<u>19,857,693</u>	<u>18,903,698</u>
Cash Flows from Capital and Related Financing Activities:		
Principal payments on bonded debt	( 1,295,000 )	( 905,000 )
Interest and fees paid on bonded debt	( 1,677,132 )	( 2,040,741 )
Purchases of capital assets	<u>( 20,642,627 )</u>	<u>( 6,913,528 )</u>
Net cash used by capital and related financing activities	<u>( 23,614,759 )</u>	<u>( 9,859,269 )</u>
Cash Flows from Investing Activities		
Proceeds from sale and maturity of investments	19,810,690	14,232,877
Investment earnings	855,990	610,593
Purchases of investments	<u>( 4,173,094 )</u>	<u>( 5,220,736 )</u>
Net cash provided by investing activities	<u>16,493,586</u>	<u>9,622,734</u>
Increase in cash and cash equivalents	1,049,486	3,047,418
Cash and cash equivalents – September 1,	<u>9,594,197</u>	<u>6,546,779</u>
Cash and cash equivalents – August 31,	<u>\$ 10,643,683</u>	<u>\$ 9,594,197</u>

(continued)



**BRAZOSPORT COLLEGE DISTRICT**  
**STATEMENTS OF CASH FLOWS - Continued**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

EXHIBIT 3  
Page 2 of 2

	<u>2010</u>	<u>2009</u>
Noncash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value increase (decrease)	\$( <u>303,623</u> )	\$ <u>17,083</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:		
Operating income (loss)	\$( 21,188,597 )	\$( 20,064,567 )
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,821,361	1,666,517
State on-behalf benefits	2,212,348	2,155,484
Changes in Assets and Liabilities:		
Receivables, net	( 437,330 )	235,623
Inventories	( 13,228 )	18,227
Other assets	( 45,298 )	( 5,750 )
Accounts payable	5,747,826	602,888
Deferred revenue	191,478	( 234,928 )
Funds held for others	22,926	( 20,138 )
Compensated absences	<u>1,480</u>	<u>26,899</u>
Net cash provided (used) by operating activities	\$( <u>11,687,034</u> )	\$( <u>15,619,745</u> )

The accompanying notes are an integral part of this statement.

**BRAZOSPORT COLLEGE DISTRICT**  
**AFFILIATED ORGANIZATION**  
**BRAZOSPORT COLLEGE FOUNDATION**  
*STATEMENTS OF CASH FLOWS*  
*FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009*

EXHIBIT 3A  
Page 1 of 1

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Receipts from gifts	\$ 1,228,654	\$ 312,300
Receipts from grants	100,000	
Receipts from fundraising	137,777	117,919
Receipt of interest and dividend earnings	46,205	57,869
Proceeds from sale and maturity of investments	1,911,258	2,135,811
Payments to suppliers of goods and services	( 64,781)	( 60,909)
Payments of investments	( 3,419,419)	( 1,660,936)
Payments of scholarships and grants	( 35,207)	( 59,906)
Payments of scholarships and grants to Brazosport College	<u>( 30,469)</u>	<u>( 36,184)</u>
Net cash provided (used) by operating activities	<u>( 125,982)</u>	<u>805,964</u>
Cash Flows from Noncapital Financing Activities:		
Net cash provided (used) by non-capital and related financing activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:		
Net cash provided (used) by capital and related financing activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Investing Activities:		
Net cash provided (used) by investing activities	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in cash and cash equivalents	( 125,982)	805,964
Cash and cash equivalents – September 1,	<u>1,408,979</u>	<u>603,015</u>
Cash and cash equivalents – August 31,	<u>\$ 1,282,997</u>	<u>\$ 1,408,979</u>
Noncash Transactions Affecting Financial Position:		
Contributions of in-kind services	\$ 7,200	\$ 7,200
Change in value of investments - from cost to fair value increase (decrease)	<u>3,320</u>	<u>( 53,406)</u>
Net noncash transactions affecting financial position	<u>\$ 10,520</u>	<u>\$ ( 46,206)</u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used)		
By Operating Activities:		
Change in net assets	\$ 1,220,502	\$ 182,761
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)		
By Operating Activities:		
Change in Assets and Liabilities:		
Receivables, net	( 33,443)	( 4,114)
Pledges receivable, net	235,976	( 206,364)
Land held for resale		610,000
Investments	( 1,686,997)	226,839
Accounts payable	17,980	( 3,158)
Deferred revenue	<u>120,000</u>	<u>                    </u>
Net cash provided (used) by operating activities	<u>\$ ( 125,982)</u>	<u>\$ 805,964</u>

The accompanying notes are an integral part of this statement.

# BRAZOSPORT COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2010 AND 2009

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**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**1. REPORTING ENTITY**

**1.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of Brazosport College District (the "District") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal years ended August 31, 2010 and 2009.

**1.B. Reporting Entity**

Brazosport Junior College District was established in 1948, in accordance with the laws of the State of Texas, to serve the educational needs of Brazosport and the surrounding communities. On September 15, 2003 the Board of Regents of the Brazosport Junior College District passed a resolution to change the corporate name of the college district to Brazosport College District. The Brazosport College District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of the these entities, it is not a component unit of any other governmental entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.A. Report Guidelines**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

**2.B. Tuition Discounting**

**Texas Public Education Grants**

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

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.B. Tuition Discounting (Continued)**

Title IV, HEA Program Funds

Certain Title IV HEA Program funds are received by the college to pass through to the student. The funds are initially received by the college and recorded as non operating revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The college awards tuition and fee scholarships from institutional funds to students who qualify. 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.

**2.C. Basis of Accounting**

The basic financial statements of the District and the financial statements of the component unit report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Major revenue sources susceptible to accrual include: state appropriations, tuition and fees, grants and contracts, property taxes, and investment income.

Operating income includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues include tuition and fees, grants and contracts, and charges to customers for sales and services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed. See Note 2.F. for information describing restricted assets.

**2.D. Budgetary Data**

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.E. Cash and Investments**

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

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

**2.F. Restricted Assets**

Certain District assets are restricted for construction funded through long-term debt, payment of debt service and fiscal fees on long-term debt, endowments, student aid and instructional programs. Net assets include the excess of restricted assets over restricted liabilities except for restricted liabilities related to invested capital assets. See Note 2.C. describing the priority for use on restricted and unrestricted assets. See Note 2.L. for additional information on donor restricted endowments.

**2.G. Inventories**

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, and computer equipment and related accessories. Inventories are valued at market valuation method and are charged to expense as consumed.

**2.H. Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District'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. Renovations of \$ 100,000 to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Land Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Library Books	10 years
Telecommunications and Peripheral Equipment	5 years

Bond issuance costs are recorded at historical cost and amortized over the term of the bonds on a straight-line basis.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.I. Capitalized Interest**

Interest costs are capitalized when incurred on debt where proceeds were used to finance construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. During the years ended August 31, 2010 and 2009, no interest was capitalized.

**2.J. Deferred Revenues**

Tuition and fees of \$ 1,518,282 and \$ 1,352,578 and federal, state and local grants of \$ 135,617 and \$ 109,843 have been reported as deferred revenues at August 31, 2010 and 2009 respectively.

**2.K. Estimates**

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

**2.L. Endowments (Donor Restricted)**

Effective January 1, 2008, the District adopted the provisions of FASB Codification (Topic 958, Sub-section 205, Section 5, paragraph 10) related to "Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" The FASB Codification provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted and board-designated endowment funds.

The District's endowment consists of approximately 40 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Regents of the District has interpreted the Uniform Prudent management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.L. Endowments (Donor Restricted) (Continued)**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporary restricted net assets until those amounts are appropriated for expenditure by the District in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the District considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the District and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the District.
7. The investment policy of the District.

Endowment net assets consist of the following at August 31, 2010 and 2009:

<u>August 31, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$	\$ 2,436,463	\$ 2,436,463
Board-designated endowment funds	<u>1,829,662</u>	<u>                    </u>	<u>                    </u>	<u>1,829,662</u>
Total endowed net assets	<u>\$ 1,829,662</u>	<u>\$ -0-</u>	<u>\$ 2,436,463</u>	<u>\$ 4,266,125</u>

<u>August 31, 2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$	\$ 2,461,245	\$ 2,461,245
Board-designated endowment funds	<u>1,550,318</u>	<u>                    </u>	<u>                    </u>	<u>1,550,318</u>
Total endowed net assets	<u>\$ 1,550,318</u>	<u>\$ -0-</u>	<u>\$ 2,461,245</u>	<u>\$ 4,011,563</u>



**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.L. Endowments (Donor Restricted) (Continued)**

Changes in endowment net assets for the years ended August 31, 2010 and 2009:

<u>August 31, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 1, 2009	\$ <u>1,550,318</u>	\$ <u>-0-</u>	\$ <u>2,461,245</u>	\$ <u>4,011,563</u>
Investment Return:				
Investment income	34,746		9,652	44,398
Realized gains	162,831		45,229	208,060
Unrealized gains	25,336		7,038	32,374
Investment fees	<u>( 6,358)</u>		<u>( 1,767)</u>	<u>( 8,125)</u>
Total investment return	216,555	-0-	60,152	276,707
Contributions			482	482
Donor moved to Foundation			( 22,627)	( 22,627)
Donor moved to unrestricted	<u>62,789</u>		<u>( 62,789)</u>	<u>-0-</u>
Total endowed net assets, August 31, 2010	\$ <u>1,829,662</u>	\$ <u>-0-</u>	\$ <u>2,436,463</u>	\$ <u>4,266,125</u>
 <u>August 31, 2009</u>				
Endowment net assets, September 1, 2008	\$ <u>1,606,811</u>	\$ <u>288,467</u>	\$ <u>2,460,108</u>	\$ <u>4,355,386</u>
Investment Return:				
Investment income	2,326	80,034		82,360
Realized losses	( 12,200)	( 419,839)		( 432,039)
Unrealized losses	( 4,225)	( 145,408)		( 149,633)
Investment fees	<u>( 701)</u>	<u>( 24,120)</u>		<u>( 24,821)</u>
Total investment return	( 14,800)	( 509,333)	-0-	( 524,133)
Contributions		220,866	1,137	222,003
Appropriations of endowment assets for expenditures	<u>( 41,693)</u>			<u>( 41,693)</u>
Total endowed net assets, August 31, 2009	\$ <u>1,550,318</u>	\$ <u>-0-</u>	\$ <u>2,461,245</u>	\$ <u>4,011,563</u>

**BRAZOSPORT COLLEGE DISTRICT**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.L. Endowments (Donor Restricted) - Continued**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the District to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Regents. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of August 31, 2010 and 2009.

**Return Objectives and Risk Parameters**

The District has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor specified period as well as board-designated funds.

If a donor has not provided specific instructions, State law appears to permit the District's Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Regents is required to consider the District's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the District's security selection and asset allocation strategy sets a long-term percentage target for the amount of the endowment's market value that is to be invested in any one-asset class (See Note 4.B for details).

**Spending policy and How the Investment Objectives Relate to Spending Policy**

The District's Board of Regents chooses to spend only a portion of the endowment earnings each year. Under the policy established by the Board, approximately 3-5 percent of the sum of the original corpus plus realized gains. The annual spending shall not reduce the original corpus value. The remaining endowment earnings, if any, is retained and classified as expendable for future years. The Board may spend income from the endowment fund for scholarships or operations of the college. At August 31, 2010 and 2009, no net appreciation was available to be spent.

**BRAZOSPORT COLLEGE DISTRICT**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.M. Operating and Non-Operating Revenue and Expenses Policy**

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a Business Type Activity (BTA) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs (Federal Supplemental Education Opportunity Grants, Student Loan Program, Federal Work Study Program, Pell Grant, and Academic Competitiveness Program) is now characterized as non operating revenue as opposed to operating revenue. The major non-operating revenues are state allocations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The District does not perform the operation of the bookstore and the cafeteria.

**3. AUTHORIZED INVESTMENTS**

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

**4. DEPOSITS AND INVESTMENTS**

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, short-term investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either short-term investments or investments. Short-term investments have maturity of one year or less and investments are those that have a maturity of one year or more. See Note 2.E. for additional Governmental Accounting Standards Board Statement No. 3 disclosures.

Cash and cash equivalents, short-term investments, and investments as reported on the statement of net assets at August 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2010</u>			
Cash and Cash Equivalents:			
Cash (cashier and petty cash accounts)	\$ 39,354	\$	\$ 39,354
Financial Institution Deposits:			
Demand deposits	1,378,451	889,038	2,267,489
Pooled Deposits:			
TexPool, Lone Star, LOGIC & TEXSTAR	820,972	7,515,868	8,336,840
Total cash and cash equivalents	2,238,777	8,404,906	10,643,683

(continued)

**BRAZOSPORT COLLEGE DISTRICT**  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2010</u>			
Investments:			
Investments Held by Broker-Dealers:			
Certificates of deposit	\$	\$ 300,000	\$ 300,000
U.S. Agencies	<u>4,049,980</u>	<u>1,612,921</u>	<u>5,662,901</u>
Total investments	<u>4,049,980</u>	<u>1,912,921</u>	<u>5,962,901</u>
	<u>\$ 6,288,757</u>	<u>\$ 10,317,827</u>	<u>\$ 16,606,584</u>
 <u>August 31, 2009</u>			
Cash and Cash Equivalents:			
Cash (cashier and petty cash accounts)	\$ 21,940	\$	\$ 21,940
Financial Institution Deposits:			
Demand deposits	1,391,946	2,537,963	3,929,909
Pooled Deposits:			
TexPool, Lone Star, LOGIC & TEXSTAR	<u>1,594,476</u>	<u>4,047,872</u>	<u>5,642,348</u>
Total cash and cash equivalents	<u>3,008,362</u>	<u>6,585,835</u>	<u>9,594,197</u>
 Investments:			
Investments Held by Broker-Dealers:			
Certificates of deposit		300,000	300,000
U.S. agencies	4,280,070	15,613,109	19,893,179
Mutual funds (stock)		10,928	10,928
Equity securities	<u>                    </u>	<u>1,700,013</u>	<u>1,700,013</u>
Total investments	<u>4,280,070</u>	<u>17,624,050</u>	<u>21,904,120</u>
	<u>\$ 7,288,432</u>	<u>\$ 24,209,885</u>	<u>\$ 31,498,317</u>

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.A. Deposits**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At August 31, 2010 and 2009, the carrying amounts of the District's deposits of the primary government were \$ 2,567,489 and \$ 4,229,909 and total financial institution balances equaled \$ 2,619,977 and \$ 4,670,931, respectively. At August 31, 2010 and 2009, financial institutions balances of \$ 554,004 and \$ 550,000 were covered by federal depository insurance, \$ 500,000 and \$ 500,000 were covered by the Securities Investor Protection Corporation Insurance, \$ 840,699 and \$ 840,699 were covered by collateral pledged in District's name, and \$ 725,274 and \$ 2,780,232 were covered by private insurance, respectively. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging financial institution's agents. The District's deposits held at financial institutions were collateralized or insured.

**4.B. Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The District operates under two investment policies, one for unrestricted and one for restricted (endowment funds) investments. These investment policies define what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policies, which are approved by the Board of Regents. The investment policies include lists of authorized investment instruments and allowable stated maturity of individual investments. In addition they include an "Investment Strategy Statement" that specifically addresses each type's (unrestricted and restricted) investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed.

The District's Investment Officer submits an investment report each quarter to the Board of Regents. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.B. Investments (Continued)**

Unrestricted Investment Policy

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States Government or its agencies and instrumentalities, which have the full faith and credit guarantee of the United States Government or its agencies and instrumentalities.
2. Certificates of deposit guaranteed by the Federal Deposit Insurance Corporation issued by state and national banks domiciled in Texas.
3. Demand deposits and certificates of deposit guaranteed by the Federal Deposit Insurance Corporation or secured by pledged securities issued by the depository approved by the Board of Regents.
4. Public funds investment pools as permitted by Government Code 2256.016 – 2256.019 and approved by Board resolution up to ten million dollars. Public funds investment pools may also be used to deposit bond sale proceeds up to the limit of the bonds issued. As long-term investments are purchased, the funds are transferred out of the public funds investment pool account.
5. Commercial paper that has a maturity of 270 days or fewer and is rated no less than A-1 or P-1 by at least two nationally recognized rating agencies.
6. Money market mutual funds as permitted by Government Code 2256.014 and approved by Board resolution.
7. Fully collateralized repurchase agreements as permitted by Government Code 2256.011.

Restricted Investment Policy (Endowments)

The District's endowment fund assets are to be invested in accordance with sound investment practices that emphasize long-term growth for the endowment. This endowment will be managed according to the following underlying principles:

1. The endowment's investments shall emphasize long-term capital appreciation as a primary source of return. Current income is a supplementary source of gains;
2. The investment objective recognizes that the assets are exposed to risk and may be subject to large fluctuations in market value from year-to-year. This volatile performance is acceptable, as long as the endowment is invested primarily for capital appreciation over the long-term;
3. The endowment's assets are expected to earn long-term returns sufficient to grow the purchasing power of assets over the long-term, net of disbursements and fees;
4. The investment objective implies a long-term time horizon available for investment in order to benefit from total returns that would normally accrue to a patient investment strategy;
5. The endowment shall be diversified in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that may result from concentrated positions; and
6. The endowment shall achieve investment results over the long-term that compare favorably with those of other professionally managed portfolios and of appropriate market indices.

**BRAZOSPORT COLLEGE DISTRICT**  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.B. Investments (Continued)**

The District's endowment funds, are authorized to be invested in the items listed in the Unrestricted Investment Policy, and the following investment instruments provided that they meet the guidelines of the investment policy:

1. Mutual Fund Investments – The investment guidelines for mutual funds and limited partnerships are detailed in the prospectus or Declaration of Trust for individual funds. The investment advisor is responsible for reviewing these guidelines to ensure they are generally consistent with District's investment policy and advising the Board.
2. Permitted Securities – The securities shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter market. Private placement issues also known as "144A" securities may not be purchased.
  - a. Real Estate Securities include: Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies.
  - b. Fixed Income Securities include: Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. Corporations, Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations and governments but traded in the US), securitized mortgages (GNMA's, FNMA's, FHLMC's) collateralized mortgage obligations, asset-backed securities, taxable municipal bonds, convertible bonds and preferred stock.
  - c. International Securities include: sponsored and unsponsored American Depository Shares (ADS's) or other depository securities of non-U.S. based companies traded in the U.S. and closed-end country funds. Equities of foreign domiciled companies that are traded in the U.S. may also be purchased so long as the securities are registered with the Securities and Exchange Commission and traded on a recognized national exchange or over-the-counter market.
3. Excluded Investments – The endowment's assets may not be used for the following purposes:
  - a. Short sales;
  - b. Purchases of letter stock or private placements;
  - c. Leveraged transactions except through experienced fund managers;
  - d. Commodities transactions;
  - e. Puts, calls, straddles, or other option strategies;
  - f. Purchase of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or marketable real estate securities;
  - g. Investment in limited partnerships except for publicly traded Master Limited Partnerships and debt issued by Real Estate Master Trusts; and
  - h. Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in the investment policy statement.

The District's security selection and asset allocation strategy sets a long-term percentage target for the amount of the endowment's market value that is to be invested in any one-asset class. In line with the return objectives and risk parameters of the endowment, the mix of assets should be generally maintained as follows:

**BRAZOSPORT COLLEGE DISTRICT**  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.B. Investments (Continued)**

<u>Asset Class/Investment Style</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Large/Medium/Small Cap Stocks	0%	40-50%	60%
International Stocks	0%	5-10%	15%
Total equities	0%	45-60%	75%
Investment grade fixed income *	0%	35-50%	100%
Real estate funds, convertible funds, and Closed-end funds	0%	5-10%	15%
State sponsored pools	0%	**	100%**
Cash and cash equivalents	0%	**	100%**

In order to assure preservation of original corpus, managers may be required to hold cash, cash equivalents, and investment grade fixed income securities when appropriate.

\* Investment grade is securities with a minimum BBB rating by Standard & Poors.

\*\* Cash held outside the investment manager's accounts shall be the minimum amount needed to meet anticipated expenditures.

Rebalancing the Portfolio – The allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles. Since capital appreciation (depreciation) and trading activity in individually managed portfolios can result in deviation from overall asset allocation, the aggregate asset allocation can result in deviation from overall asset allocation, the aggregate asset allocation will be monitored by the investment advisor and readjusted at least annually. Should an allowable asset range be violated, the Board of Regents must rebalance the existing assets to the target mix within three months of the time when the deviation is discovered.

The District participates in four Local Government Investment Pools (LGIPs): TexPool, Lone Star, TexSTAR, and LOGIC. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Lone Star, TexSTAR, and LOGIC, advisory boards consisting of participants or their designees, maintains oversight responsibility for Lone Star, TexSTAR, and LOGIC.

The District invests in TexPool, Lone Star, TexSTAR, and LOGIC to provide its liquidity needs. TexPool, Lone Star, TexSTAR, and LOGIC are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Lone Star, TexSTAR, and LOGIC are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Lone Star, TexSTAR, and LOGIC are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At August 31, 2010 TexPool, Lone Star, TexSTAR, and LOGIC had a weighted average maturity of 29 days, 52 days, 49 days, and 41 days, respectively. Although TexPool, Lone Star, TexSTAR, and LOGIC portfolios had a weighted



**BRAZOSPORT COLLEGE DISTRICT**  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.B. Investments (Continued)**

average maturity of 29 days, 52 days, 49 days, and 41 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

All of the District's investments are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2010 and 2009.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2010</u>			
Local government investment pools	\$ 820,972	\$ 7,515,868	\$ 8,336,840
Certificates of deposit		300,000	300,000
U.S. Agency	<u>4,049,980</u>	<u>1,612,921</u>	<u>5,662,901</u>
	<u>\$ 4,870,952</u>	<u>\$ 9,428,789</u>	<u>\$ 14,299,741</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2009</u>			
Local government investment pools	\$ 1,594,476	\$ 4,047,872	\$ 5,642,348
Certificates of deposit		300,000	300,000
U.S. Agency	4,280,070	15,613,109	19,893,179
Mutual funds (stock)		10,928	10,928
Equity securities		<u>1,700,013</u>	<u>1,700,013</u>
	<u>\$ 5,874,546</u>	<u>\$ 21,671,922</u>	<u>\$ 27,546,468</u>

Unrestricted Funds

As of August 31, 2010 and 2009, the District's unrestricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<u>August 31, 2010</u>		
Local government investment pools (LGIP)	\$ 820,972	1
U.S. Agency	<u>4,049,980</u>	<u>1,454</u>
	<u>\$ 4,870,952</u>	<u>1,209</u>
<u>August 31, 2009</u>		
Local government investment pools (LGIP)	\$ 1,594,476	1
U.S. Agency	<u>4,280,070</u>	<u>1,476</u>
	<u>\$ 5,874,546</u>	<u>1,076</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. DEPOSITS AND INVESTMENTS (Continued)**

**4.B. Investments (Continued)**

Credit Risk – As of August 31, 2010 and 2009, the LGIPs (which represent approximately 15% and 24% of the unrestricted portfolio) are rated AAAM by Standard and Poor's. The money market cash accounts and certificates of deposit (which represent approximately 8% and 12% of the unrestricted portfolio) are covered 100% by federal deposit insurance SIPC. The U.S. agencies (which represent approximately 77% and 64% of the unrestricted portfolio are rated AAA and Aaa by Standard and Poor's, and Moody's.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires 50% of unrestricted net assets not exceed one (1) year and none exceed two (2) years, unless matched to a specific requirement, such as investments required to support student scholarships. Quality short-to-medium term securities should be purchased, which compliment each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

Restricted (Non-Endowment) Funds

As of August 31, 2010 and 2009, the District's non-endowment restricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<u>August 31, 2010</u>		
Local government investment pools (LGIP)	\$ <u>7,515,868</u>	<u>1</u>
	\$ <u>7,515,868</u>	<u>1</u>
<u>August 31, 2009</u>		
Local government investment pools (LGIP)	\$ 4,047,872	1
U.S. Agency	<u>15,339,163</u>	<u>221</u>
	<u>\$ 19,387,035</u>	<u>175</u>

Credit Risk - As of August 31, 2010 and 2009, the LGIP's (which represent 100% and 19% of the restricted non-endowment portfolio) are rated AAAM by Standard and Poor's. The money market cash accounts (which represent approximately -0-% and 11% of the restricted non-endowment portfolio) are covered 100% by SIPC. The U.S. Agencies (which represent -0-% and 70% of the restricted non-endowment portfolio) are rated AAA and Aaa by Standard and Poor's and Moody's.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy allows investment of these funds for periods matched to the specific purpose of such funds.

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**4. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**4.B. Investments (Continued)**

Restricted (Endowment) Funds

As of August 31, 2010 and 2009, the District's restricted funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<u>August 31, 2010</u>		
U.S. Agency	\$ 1,612,921	2,265
Certificates of deposit	<u>300,000</u>	<u>206</u>
	<u>\$ 1,912,921</u>	<u>1,942</u>
 <u>August 31, 2009</u>		
U.S. Agency	\$ 273,946	1,925
Certificates of deposit	<u>300,000</u>	<u>571</u>
	573,946	<u>1,217</u>
Mutual funds	10,928	
Equity securities	<u>1,700,013</u>	
	<u>\$ 2,284,887</u>	

Credit Risk - As of August 31, 2010 and 2009, the money market cash accounts and certificates of deposit (which represent approximately 34% and 17% of the restricted portfolio) are covered 100% by SIPC. The U.S. Agencies (which represent approximately 66% and 12% of the restricted portfolio) are rated AAA and Aaa by Standard and Poor's and Moody's. The mutual funds and equity securities (which represent approximately -0% and 71% of the restricted portfolio) are all registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter market.

Interest Rate Risk - The District's investment policy for endowments emphasizes long-term capital appreciation as a primary source of return with and current income as a supplementary source of gains. However, quality medium-to-long term securities should be purchased, which compliment each other in a structured manner that minimizes risk and meets the District's endowment investment strategy.

**BRAZOSPORT COLLEGE DISTRICT**  
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**4. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**4.B. Investments (Continued)**

Foreign Currency Risk - As of August 31, 2010 and 2009, the District's restricted investments in equity securities are exposed to foreign currency risk as follows:

<u>Country</u>	<u>Currency</u>	<u>Fair Value</u>
<u>August 31, 2010</u>		
None		
<u>August 31, 2009</u>		
Australia	Australian dollar \$	8,037
Brazil	Real	4,204
Canada	Canadian dollar	3,847
Finland	Euro	6,038
France	Euro	30,867
Germany	Euro	16,275
Hong Kong	Hong Kong dollar	6,293
Indonesia	Indonesian rupiah	3,741
Italy	Euro	5,884
Japan	Japanese yen	67,285
Mexico	Mexican peso	1,753
Netherlands	Euro	42,873
Norway	Euro	3,866
Russia	Ruble	1,643
South Korea	Won	3,384
Spain	Euro	3,900
Sweden	Euro	5,853
Switzerland	Swiss franc	29,285
Taiwan	New Taiwan dollar	2,307
United Kingdom	British pound	<u>52,154</u>
Total foreign investments		299,489
United States		<u>1,400,524</u>
Total equity securities		<u>\$ 1,700,013</u>

The District's investment policy permits it to invest up to 15 percent of total investments in foreign investments. At August 31, 2010 and 2009, the District's current position was approximately -0-percent and 12.58 percent. Amounts over 15 percent require periodic rebalancing.

**5. DERIVATIVES**

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the years ended August 31, 2010 and 2009, and held no direct investments in derivatives at August 31, 2010 and 2009.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**6. CAPITAL ASSETS**

**6.A. Changes in Capital Assets**

The following provides a summary of changes in capital assets and accumulated depreciation for the years ended August 31, 2010 and 2009:

<u>August 31, 2010</u>	<u>Balance September 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2010</u>
<b>Non-Depreciated Capital Assets:</b>				
Land	\$ 296,189	\$	\$	\$ 296,189
Art	91,209			91,209
Construction in progress	<u>4,571,083</u>	<u>20,071,280</u>	<u>4,667,833</u>	<u>19,974,530</u>
Total non-depreciated	<u>4,958,481</u>	<u>20,071,280</u>	<u>4,667,833</u>	<u>20,361,928</u>
<b>Depreciated Capital Assets:</b>				
Land improvements	5,659,886	25,838		5,685,724
Buildings	48,337,647	4,379,773		52,717,420
Furniture, machinery, vehicles, and other equipment	3,409,767	371,512		3,781,279
Library books	2,058,225	187,722	75,576	2,170,371
Telecommunication and peripheral equipment	<u>2,140,162</u>	<u>274,335</u>	<u>          </u>	<u>2,414,497</u>
Total depreciated	<u>61,605,687</u>	<u>5,239,180</u>	<u>75,576</u>	<u>66,769,291</u>
Total assets	<u>66,564,168</u>	25,310,460	4,743,409	<u>87,131,219</u>
Construction in progress		<u>4,667,833</u>	<u>4,667,833</u>	
Total additions/retirements		<u>\$ 20,642,627</u>	<u>\$ 75,576</u>	

**BRAZOSPORT COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2010 AND 2009**

**6. CAPITAL ASSETS (Continued)**

**6.A. Changes in Capital Assets (Continued)**

<u>August 31, 2010</u>	<u>Balance September 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2010</u>
Accumulated Depreciated:				
Land improvements	\$ 2,691,654	\$ 119,810	\$( 3,916)	\$ 2,815,380
Buildings	14,540,726	1,193,728	3,916	15,730,538
Furniture, machinery, vehicles and other equipment	2,580,952	111,744	5,490	2,687,206
Library books	1,357,211	123,325	75,576	1,404,960
Telecommunications and peripheral equipment	<u>1,815,853</u>	<u>272,754</u>	<u>( 5,490)</u>	<u>2,094,097</u>
Total accumulated depreciation	<u>22,986,396</u>	<u>\$ 1,821,361</u>	<u>\$ 75,576</u>	<u>24,732,181</u>
Net depreciated capital assets	<u>38,619,291</u>			<u>42,037,110</u>
Net capital assets	<u>\$ 43,577,772</u>			<u>\$ 62,399,038</u>

See Note 2.H. for additional information regarding capital assets.

<u>August 31, 2009</u>	<u>Balance September 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2009</u>
Non-Depreciated Capital Assets:				
Land	\$ 296,189	\$	\$	\$ 296,189
Art	91,209			91,209
Construction in progress	<u>479,265</u>	<u>6,493,939</u>	<u>2,402,121</u>	<u>4,571,083</u>
Total non-depreciated	<u>866,663</u>	<u>6,493,939</u>	<u>2,402,121</u>	<u>4,958,481</u>
Depreciated Capital Assets:				
Land improvements	3,393,120	2,266,766		5,659,886
Buildings	48,283,644	54,003		48,337,647
Furniture, machinery, vehicles, and other equipment	3,246,868	162,899		3,409,767
Library books	1,921,724	175,784	39,283	2,058,225
Telecommunication and peripheral equipment	<u>1,977,904</u>	<u>162,258</u>		<u>2,140,162</u>
Total depreciated	<u>58,823,260</u>	<u>2,821,710</u>	<u>39,283</u>	<u>61,605,687</u>
Total assets	<u>59,689,923</u>	9,315,649	2,441,404	<u>66,564,168</u>
Construction in progress		<u>2,402,121</u>	<u>2,402,121</u>	
Total additions/retirements		<u>\$ 6,913,528</u>	<u>\$ 39,283</u>	

**BRAZOSPORT COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2010 AND 2009**

**6. CAPITAL ASSETS (Continued)**

**6.A. Changes in Capital Assets (Continued)**

<u>August 31, 2009</u>	<u>Balance September 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2009</u>
Accumulated Depreciated:				
Land improvements	\$ 2,621,580	\$ 70,074	\$	\$ 2,691,654
Buildings	13,408,952	1,131,774		14,540,726
Furniture, machinery, vehicles and other equipment	2,502,306	84,136	5,490	2,580,952
Library books	1,286,159	110,335	39,283	1,357,211
Telecommunications and peripheral equipment	<u>1,540,165</u>	<u>270,198</u>	<u>( 5,490)</u>	<u>1,815,853</u>
Total accumulated depreciation	<u>21,359,162</u>	<u>\$ 1,666,517</u>	<u>\$ 39,283</u>	<u>22,986,396</u>
Net depreciated capital assets	<u>37,464,098</u>			<u>38,619,291</u>
Net capital assets	<u>\$ 38,330,761</u>			<u>\$ 43,577,772</u>

**6.B. Depreciation Expense**

Depreciation expense has not been charged to functional categories. This does not comply with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments. However, the Texas Higher Education Coordinating Board guidelines contained in the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* does not require allocation of depreciation to functional categories. Since the District is reported as a special-purpose government engaged in business-type activities, this is not considered material to the financial statements.

**6.C. Unexpended Plant Construction Commitments**

The District has entered into contracts for construction as of August 31, 2010 and 2009 as follows:

<u>August 31, 2010</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Master Plan Projects:				
Architecture	\$ 2,144,575	\$ 1,905,890	\$ 238,685	\$
Contractor-New Buildings and Infrastructure	37,392,054	10,304,770	27,087,284	26,592,986
Improvements	148,508		148,508	
Engineering	141,497	105,359	36,138	
Project Manager	<u>1,026,960</u>	<u>605,715</u>	<u>421,245</u>	
Total non-depreciated Capital assets	<u>\$ 40,853,594</u>	<u>\$ 12,921,734</u>	<u>\$ 27,931,860</u>	<u>\$ 26,592,986</u>

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**6. CAPITAL ASSETS (Continued)**

**6.C. Unexpended Plant Construction Commitments (Continued)**

<u>August 31, 2009</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Master Plan Projects:				
Architecture	\$ 1,753,751	\$ 591,428	\$ 1,162,323	\$
Contractor-New Buildings and Infrastructure	2,885,769	2,520,115	365,654	
Improvements	680,177	672,603	7,574	
Engineering	134,794	96,256	38,538	
Project Manager	<u>977,460</u>	<u>285,868</u>	<u>691,592</u>	
Total non-depreciated Capital assets	<u>\$ 6,431,951</u>	<u>\$ 4,166,270</u>	<u>\$ 2,265,681</u>	<u>\$ -0-</u>

**7. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term debt for the years ended August 31, 2010 and 2009:

	<u>Balance September 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2010</u>	<u>Current Portion</u>
Revenue bonds	\$ 9,525,000	\$	\$ 585,000	\$ 8,940,000	\$ 640,000
Limited tax bonds	28,125,000		710,000	27,415,000	735,000
Components of Long-Term Debt:					
Premium on revenue bonds	44,950		3,469	41,481	3,469
Premium on limited tax bonds	595,337		25,375	569,962	25,376
Compensated absences	<u>218,398</u>	<u>54,330</u>	<u>52,850</u>	<u>219,878</u>	<u>48,500</u>
Total long-term liabilities	<u>\$ 38,508,685</u>	<u>\$ 54,330</u>	<u>\$ 1,376,694</u>	<u>\$ 37,186,321</u>	<u>\$ 1,452,345</u>



**BRAZOSPORT COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2010 AND 2009**

**7. LONG-TERM LIABILITIES (Continued)**

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
Revenue bonds	\$ 10,085,000	\$	\$ 560,000	\$ 9,525,000	\$ 585,000
Limited tax bonds	28,470,000		345,000	28,125,000	710,000
Components of Long-Term Debt:					
Premium on revenue bonds	48,419		3,469	44,950	3,469
Premium on limited tax bonds	620,714		25,377	595,337	25,376
Compensated absences	<u>191,499</u>	<u>47,639</u>	<u>20,740</u>	<u>218,398</u>	<u>48,500</u>
Total long-term liabilities	<u>\$ 39,415,632</u>	<u>\$ 47,639</u>	<u>\$ 954,586</u>	<u>\$ 38,508,685</u>	<u>\$ 1,372,345</u>

The annual debt service requirements to maturity for bonded debt as of August 31, 2010 are as follows:

For the Year Ended August 31,	Series 2001		Series 2002	
	Principal	Interest	Principal	Interest
2011	\$ 395,000	\$ 39,295	\$ 225,000	\$ 55,670
2012	415,000	20,335	240,000	44,420
2013			250,000	34,340
2014			260,000	23,590
2015			<u>270,000</u>	<u>12,150</u>
Total	<u>\$ 810,000</u>	<u>\$ 59,630</u>	<u>\$ 1,245,000</u>	<u>\$ 170,170</u>

For the Year Ended August 31,	Series 2006		Total Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 20,000	\$ 275,400	\$ 640,000	\$ 370,365
2012	50,000	274,600	705,000	339,355
2013	485,000	272,600	735,000	306,940
2014	510,000	253,200	770,000	276,790
2015	525,000	232,800	795,000	244,950
2016-2020	4,545,000	710,000	4,545,000	710,000
2021-2025	<u>750,000</u>	<u>45,200</u>	<u>750,000</u>	<u>45,200</u>
Total	<u>\$ 6,885,000</u>	<u>\$ 2,063,800</u>	<u>\$ 8,940,000</u>	<u>\$ 2,293,600</u>

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**7. LONG-TERM LIABILITIES (Continued)**

For the Year Ended August 31,	General Obligation Bond Series 2008		Total Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 735,000	\$ 1,250,581	\$ 1,375,000	\$ 1,620,946
2012	760,000	1,224,419	1,465,000	1,563,774
2013	785,000	1,197,381	1,520,000	1,504,321
2014	815,000	1,169,381	1,585,000	1,446,171
2015	845,000	1,140,331	1,640,000	1,385,281
2016-2020	4,755,000	5,167,819	9,300,000	5,877,819
2021-2025	5,850,000	4,069,309	6,600,000	4,114,509
2026-2030	7,380,000	2,538,425	7,380,000	2,538,425
2031-2033	<u>5,490,000</u>	<u>463,925</u>	<u>5,490,000</u>	<u>463,925</u>
Total	<u>\$ 27,415,000</u>	<u>\$ 18,221,571</u>	<u>\$ 36,355,000</u>	<u>\$ 20,515,171</u>

**8. BONDS PAYABLE**

General information related to bonds payable is summarized below:

**8.A. Combined Fee Revenue Bonds, Series 2001**

- To construct Corporate Learning Center and Child Care Development Center
- Issue date was January 1, 2001
- Original amount of issued; amount authorized \$ 8,000,000
- The sources of revenue for debt service are building fee, corporate learning fee, pledged tuition fee, and registration fee.
- Balance as of August 31, 2010 and 2009 was \$ 810,000 and \$ 1,185,000

**8.B. Combined Fee Revenue Bonds, Series 2002**

- To construct new buildings on campus
- Issue date was July 24, 2002
- Original amount of issue; amount authorized \$ 5,000,000
- The sources of revenue for debt service are the registration fee, pledged tuition fee, building fee, and corporate learning fee.
- Balance as of August 31 2010 and 2009 was \$ 1,245,000 and \$ 1,455,000

**8.C. Combined Fee Revenue Refunding Bonds, Series 2006**

- To refund part of Series 2001 (\$ 4,190,000) and Series 2002 (\$ 2,320,000)
- Issue date was November 28, 2006
- Original amount of issue; amount authorized \$ 6,885,000
- The source for debt service are the registration fee, pledged tuition fee, building fee, and corporate learning fee.
- Balance as of August 31, 2010 and 2009 was \$ 6,885,000 and \$ 6,885,000

**BRAZOSPORT COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. BONDS PAYABLE (Continued)**

**8.D. Limited Tax Bonds, Series 2008**

- To construct the Master Plan which adds several buildings and renovates and improves the campus
- Issue date was May 23, 2008
- Original amount of issue; amount authorized \$ 28,470,000
- General Obligation Bond Issue was approved by the voters of the Brazosport College District for \$ 70,000,000. Property taxes will pay the debt.
- Balance as of August 31, 2010 and 2009 was \$ 27,415,000 and \$ 28,125,000

Bonds (principal and interest) payable are due in annual installments varying from \$ 1,981,784 to \$ 3,035,744 with interest rates from 3.50% to 7.00% with the final installment due in 2033.

**9. ADVANCE REFUNDING BONDS**

- Refunded \$ 4,190,000 of Combined Fee Bonds, Series 2001 and \$ 2,320,000 of Combined Fee Bonds, Series 2002
- Issued refunding bonds on November 29, 2006
- \$ 6,885,000 all authorized bond have been issued
- Combined Fee Revenue Refunding Bonds, Series 2006
- Average interest rate of bonds refunded was 5.75%
- Net proceeds from Refunding Series \$ 6,869,638; after payment of \$ 207,836 in underwriting fees, insurance, and other issuance costs.
- Additional \$ 6,832,346 of 2006 Series sinking fund monies was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2001 and 2002 Series bonds.
- The 2001 Series debt was reduced to \$ 2,180,000 and will be fully paid in 2012. The 2002 Series debt has been reduced to \$ 2,040,000 and will be fully paid in 2015.
- Advance refunding of the 2006 Series bonds reduced the District's debt service payments over the next 16 years by approximately \$ 231,800.
- Economic Gain - \$ 205,753 difference between the net present value of the old and new debt service payments.
- Accounting Loss - \$ 383,644 accounting loss was resulted from the advanced refunding. This loss will be amortized over the life of the new bonds.

**10. DEFEASED BONDS OUTSTANDING**

Bond Issue	Year Refunded	Par Value Outstanding
Revenue Bonds Series 2001	2006	\$ 4,190,000
Revenue Bonds Series 2002	2006	2,320,000
Total		\$ 6,510,000

The outstanding balance of these defeased bonds at August 31, 2010 and 2009 was \$ 6,510,000 and \$ 6,510,000 and the balance held in escrow was \$ 6,755,357 and \$ 6,782,138.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**11. SHORT-TERM DEBT AND LEASE COMMITMENTS**

**11.A. Short-Term Debt**

The District had and incurred no short-term debt at and for the years ended August 31, 2010 and 2009.

**11.B. Lease Commitments**

Operating Lease Obligations

Beginning October 1, 2000 the District entered into a lease agreement with Westco Property Management Company, a Texas Limited Partnership, to lease space in the Four Corners Shopping Center located in Lake Jackson, Texas. The District is using the space for community education classes. The initial lease period is for five years ending on September 30, 2005.

Under this lease, the District is granted the option to extend the term of this lease for three (3) additional periods of three (3) years each, commencing on the date immediately following the expiration of the initial lease term. The District must give written notice of its exercise of the option at least one hundred and twenty (120) days prior to the expiration of the initial lease term. The monthly rent during the extended lease periods will be \$ 7,933 for the first option term, \$ 8,553 for the second option term, and \$ 9,297 for the third option term. On July 27, 2000, this lease was amended to include an increase of \$ 400 per month for the entire initial term, the first option term, and a portion of the second option term, totaling one hundred and twenty (120) months.

On July 14, 2005, the District exercised its option, in writing, extending the lease term through September 30, 2008. On September 29, 2008, the District exercised the third option, in writing, extending the lease through September 30, 2011. The lease includes a maintenance agreement requiring monthly payments of \$ 2,665 per month during the term of the lease.

The District paid \$ 131,274 and \$ 139,321 as rent expense for the years ended August 31, 2010 and 2009.

Beginning February 1, 2003 the District entered into a lease agreement with Beacroft, Bass and Beacroft et al, to lease space located in Freeport, Texas. The initial lease period is for five years ending on January 31, 2008.

On May 1, 2008 the District signed a new lease agreement with Beacroft, Bass and Beacroft Et Al, to continue leasing the space located in Freeport, Texas for an extended period of five years ending on April 30, 2013. The District agrees to pay rent expense of \$ 3,650 a month.

The District paid \$ 43,800 and \$ 43,800 as rent expense for the years ended August 31, 2010 and 2009.

The District also leased storage facilities on a month-to-month basis. The District paid \$ 2,307 and \$ -0- as rent expense for the years ended August 31, 2009 and 2008.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**11. SHORT-TERM DEBT AND LEASE COMMITMENTS (Continued)**

**11.B. Lease Commitments (Continued)**

Operating Lease Obligations (Continued)

Future, minimum lease rental payments under non cancellable operating leases having an initial term in excess of one year as of August 31, 2010 and 2009 were as follows:

<u>Year Ended August 31,</u>	<u>Minimum Future Lease Payments</u>	
	<u>2010</u>	<u>2009</u>
2010	\$	\$ 183,221
2011	185,749	183,221
2012	185,749	55,418
2013	<u>44,679</u>	<u>32,850</u>
Total	<u>\$ 416,177</u>	<u>\$ 454,710</u>

**12. EMPLOYEE RETIREMENT PLANS**

**12.A. Teacher Retirement System**

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas (TRS). The percentages of participant salaries currently contributed by the state and by each participant are 6.40% and 6.644% respectively, of annual compensation. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% on the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfounded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS on behalf of Brazosport College District employees for the years ended August 31, 2010 and 2009 was \$ 440,346 and \$ 421,294, respectively. The District's total payroll for the years ended August 31, 2010 and 2009 was \$ 15,633,737 and \$ 14,338,422 of which \$ 7,754,682 and \$ 7,266,955 was covered payroll for this plan, respectively.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**12. EMPLOYEE RETIREMENT PLANS (Continued)**

**12.A. Teacher Retirement System (Continued)**

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.40% and 6.644% respectively. The District contributes 0.73% for employees who were participating the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

**12.B. Optional Retirement System**

Brazosport College District's full-time employees and administrators as defined in accordance with Texas Civil Statutes, Title 110B, Section 31.001, Subdivision (8), Revised Statutes, as amended are eligible to participate in the Optional Retirement Program (ORP). By statute, the State of Texas contributes to the retirement program an amount equal to the current authorized rates times the aggregate annual compensation of all members of the retirement program during that fiscal year. Member benefits in the ORP vest after one year of participation in one or more optional retirement plans operating in one or more institutions of higher education in Texas.

The State of Texas contribution rate is 6.58% and 6.40% for fiscal years 2008-2009 and 2009-2010 with a 0.73% and 0.73% supplement for those participating on August 31, 1995 or before which is paid by the District. Member contribution rate was 6.58% and 6.65% for fiscal years 2008-2009 and 2009-2010. These rates are set by state statutes. The contribution requirement of the fiscal years ended August 31, 2010 and 2009 for the District was \$ 781,292 and \$ 748,836, which consisted of \$ 358,387 and \$ 360,540 from the state, \$ 32,639 and \$ 23,920 from the District, and \$ 381,170 and \$ 364,376 from the employees, and, \$ 9,095 and \$ -0- from grantors, respectively. The District's total payroll for the years ended August 31, 2009 and 2008 was \$ 15,633,737 and \$ 14,338,422 of which \$ 5,731,883 and \$ 5,479,337 was covered payroll for this plan, respectively.

**12.C. Teachers Insurance Annuity Association/College Retirement Equities Fund**

Brazosport College District's part-time employees are eligible to participate in the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF). The member contribution rate was 6% for fiscal years 2008-2009, and 2009-2010. The District's contribution rate was 1.5% for the same period. The contribution requirement of the fiscal years ended August 31, 2010 and 2009 was \$ 28,137 and \$ 19,256 from the District and \$ 112,548 and \$ 77,021 from the employees, respectively. The District's total payroll for the years ended August 31, 2010 and 2009 was \$ 15,633,737 and \$ 14,338,422 of which \$ 1,875,767 and \$ 1,283,655 was covered payroll for this plan, respectively.

**13. DEFERRED COMPENSATION PROGRAM**

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**13. DEFERRED COMPENSATION PROGRAM (Continued)**

As of August 31, 2010 and 2009, the District has 51 and 63 employees participating in the program, 51 and 61 employees were vested as of August 31, 2010 and 2009. A total of \$ 280,772 and \$ 288,712 in contributions were deferred by employees during the fiscal year ended August 31, 2010 and 2009 creating a payable to the vested employees of zero. The District is not custodian for this plan and therefore does not administrate any type of plan where it would have any records on employee contributions. The District withholds the amount requested by the various employees and then immediately remits it to the broker selected by each employee. Since these are individual annuity contracts, the District has no additional or unfunded liability for this program and has no contractual liability.

**14. COMPENSATED ABSENCES**

Full time employees of the District earn annual leave from 12 to 20 days each year depending upon the number of years employed with the District; however, in no case shall annual leave accrue in units other than one-half day or full days. Individuals employed after March 1, shall not receive credit for a year of service under this policy. Employees may accrue to a maximum of fifteen days of leave from prior years with the approval of the District president. At August 31, 2010 and 2009 the accrued liability for unpaid leave totaled \$ 219,878 and \$ 218,398, of which \$ 48,500 and \$ 48,500, respectively is classified as a current liability.

Under the District's sick leave policy, full-time and part-time (regularly employed on 50% or more basis) employed personnel, incapable of performing duties, shall be allowed up to ninety working days disability leave (sick leave) without loss of pay during any academic year or for any continuous absence for an accident or illness in which the ninety days includes days in two academic years. No leave under this policy shall accrue from one year to another; therefore, no accrual of liability exists at August 31, 2010 and 2009.

**15. PENDING LAWSUITS AND CLAIMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance for these types of risks. There have been no significant changes in insurance coverage, and no settlements have significantly exceeded insurance coverage for the years ended August 31, 2010 and 2009.

The District is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the District at August 31, 2010 and 2009.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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**16. DISSAGREGATION OF ACCOUNTS AND NOTES RECEIVABLE, ACCOUNTS AND ACCRUED LIABILITIES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES**

**16.A. Accounts and Notes Receivables**

Receivables at August 31, 2010 and 2009 were as follows:

	2010	2009
Current Assets:		
Student notes receivable	\$ 17,389	\$ 14,804
Taxes receivable	196,439	88,300
Accounts receivable	505,577	343,312
Interest receivable	32,199	20,292
Subtotal	751,604	466,708
Allowance for doubtful accounts	184,380	139,174
Total current assets	567,224	327,534
Restricted Assets:		
Federal receivable	485,298	228,353
State receivable	50,151	86,417
Interest receivable	5,466	104,237
Total restricted assets	540,915	419,007
Total receivables	\$ 1,108,139	\$ 746,541

**16.B. Accounts and Accrued Liabilities**

Payables at August 31, 2010 and 2009 were as follows:

	2010	2009
Current Liabilities:		
Vendors payable	\$ 183,000	\$ 208,277
Due to other governments	22,627	29,018
Salaries and benefits payable	149,247	670,358
Total current liabilities	354,874	907,653
Liabilities Payable from Restricted Assets:		
Vendors payable	6,301,463	
Accrued interest	64,040	65,322
Due to other governments	175	1,033
Total from restricted assets	6,365,678	66,355
Total payables	\$ 6,720,552	\$ 974,008



**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**16. DISSAGREGATION OF ACCOUNTS AND NOTES RECEIVABLE, ACCOUNTS AND ACCRUED LIABILITIES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES (Continued)**

**16.C. Uncollectible Accounts**

Taxes

Ad valorem taxes receivable are reserved based upon historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The allowance for uncollectible taxes as of August 31, 2010 and 2009 was \$ 97,006 and \$ 86,145, respectively.

Customer Receivables

The allowance for uncollectible receivables related to District services is determined based on historical experience and evaluation of collectivity in relation to the aging of customer accounts. The allowance for uncollectible accounts as of August 31, 2010 and 2009 was \$ 87,374 and \$ 53,029, respectively.

Tuition and Fees Receivable

The allowance for uncollectible receivables related to District services is determined based on historical experience and evaluation of collectivity in relation to the aging of customer accounts. The District considers tuition and fees receivable to be fully collectible as of August 31, 2010 and 2009; accordingly no allowance for uncollectible accounts is required.

Notes Receivable - Student Loans

The allowance for uncollectible student loans is determined based on historical experience and evaluation of collectivity in relation to the aging of notes outstanding. At August 31, 2010 and 2009, no allowance was established. During the years ended August 31, 2010 and 2009, there were no write-offs of student loans.

**16.D. Deferred Revenues**

Current Unrestricted Fund revenues, consisting of tuition and fees related to academic terms in the next fiscal year, and childcare fees are recorded on the balance sheet as deferred revenue at August 31, 2010 and 2009. Of these amounts only the tuition and fees, clarion tickets, and childcare fees were collected prior to August 31, 2010 and 2009. These amounts are as follows:

	2010	2009
Current Liabilities:		
Tuition and fees	\$ 1,518,282	\$ 1,352,578
Liabilities Payable from Restricted Assets:		
State and local grants	135,617	109,843
Totals	\$ 1,653,899	\$ 1,462,421

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**17. OPERATING LEASE REVENUES**

Brazosport College District is the lessor of various properties and rights under operating leases as follows:

1. The District leases land described as Lot #3, block #13, Davidson's Slater Place, Pecan Park Subdivision, Richwood, Texas, to Joseph Garrett for the fee of \$ 1.00 annually. The lease began February 27, 1995 and is renewed annually and expired on February 18, 2009.
2. Beginning April 18, 2003 the District entered into a lease agreement with Texas Book Company to lease the bookstore for 8.5% of gross sales up to \$ 2,000,000, plus 10% of gross sales over \$ 2,000,000, but not less than \$ 100,000 annually. The District provides utilities, furniture and equipment, and maintenance of facilities while the lessee provides maintenance of furniture and equipment and specified insurance coverage. On August 21, 2006, the District approved modifications to the existing agreement, which calls for the Texas Book Company to commit up to \$ 90,000 for bookstore renovations and to provide a \$ 10,000 contribution to the District. The new agreement will be for seven years from May 1, 2007 to April 30, 2014. Upon completion of the renewal term, the lease shall automatically self-renew for three years under the same provisions. The District received \$ 142,188 and \$ 130,480 in lease income for the years ended August 31, 2010 and 2009.
3. Beginning January 20, 1999 the District entered into a lease agreement with Tommy's to lease the cafeteria for 3% of net sales (gross sales less sales taxes), but not less than \$ 400 monthly. The District provides utilities, specified furniture and equipment, and maintenance of facilities and the lessee provides maintenance of furniture and equipment, specified insurance coverage, inventory and business licenses and permits. Lessee agrees to comply with all applicable laws. The lease began on January 20, 1999 and was renewed on May 1, 2000, April 19, 2004 and June 1, 2008 and is effective until August 31, 2014. The District received \$ 16,683 and \$ 11,495 of lease income on this contract for the years ended August 31, 2010 and 2009.

**18. CONTRACTS AND GRANTS**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 as federal grants and contracts (operating revenue) and Title IV federal grants (non-operating revenues). For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards already committed, e.g., multi-year awards, or funds awarded during fiscal years ending August 31, 2010 and 2009 for which monies have not been received nor funds totaled zero.

**19. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through 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's contribution per full-time employee varied based upon coverage category. Monthly contributions for the year ended August 31, 2010 was \$ 385.38 for "Employee Only" coverage, \$ 605.70 for "Employee and Spouse"

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**19. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)**

coverage, \$ 532.9 for "Employee and Children" coverage, and \$ 753.22 for "Employee and Family" coverage. The cost of providing those benefits for 68 retirees was \$ 330,486 and for 267 active employees was \$ 1,083,129. For the year ended August 31, 2010 the state contribution was limited to \$ 1,413,615. Monthly contributions for the year ended August 31, 2009 was \$ 360.54 for "Employee Only" coverage, \$ 566.57 for "Employee and Spouse" coverage, \$ 498.49 for "Employee and Children" coverage, and \$ 704.52 for "Employee and Family" coverage. The cost of providing those benefits for 66 retirees was \$ 351,499 and for 258 active employees was \$ 1,022,151. For the year ended August 31, 2009 the state contribution was limited to \$ 1,373,650.

**20. ON-BEHALF PAYMENTS**

The State of Texas provided on-behalf payments for the following benefits for the years ended August 31, 2010 and 2009:

	2010	2009
Teacher Retirement System	\$ 440,346	\$ 421,294
Optional Retirement Program (ORP)	358,387	360,540
Post retirement health care and life insurance benefits	1,413,615	1,373,650
Total	\$ 2,212,348	\$ 2,155,484

**21. PROPERTY TAXES**

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

	2010	2009
Assessed Valuation of the District:	\$ 9,027,692,329	\$ 9,666,578,420
Less: Abatements	1,022,707,490	977,139,240
Less: Exemptions	1,585,185,408	1,568,912,443
Net assessed valuation of the district	\$ 6,419,799,431	\$ 7,120,526,737

	2010		
	Current Operations	Debt Service	Total
Authorized Tax Rate per \$ 100 valuation (Maximum per enabling legislation)	\$ 0.350000	\$ 0.030754	\$ 0.380754
Assessed Tax Rate per \$ 100 valuation	\$ 0.145000	\$ 0.030754	\$ 0.175754

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**21. PROPERTY TAXES (Continued)**

	2009		
	Current Operations	Debt Service	Total
Authorized Tax Rate per \$ 100 valuation (Maximum per enabling legislation)	\$ <u>0.350000</u>	\$ <u>0.027488</u>	\$ <u>0.377488</u>
Assessed Tax Rate per \$ 100 valuation	\$ <u>0.129000</u>	\$ <u>0.027488</u>	\$ <u>0.156488</u>

Taxes levied for the years ended August 31, 2010 and 2009 were \$ 11,283,951 and \$ 11,142,500 (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

The following is a summary of tax collections for the years ended August 31, 2010 and 2009:

August 31, 2010

Taxes Collected	Current Operations	Debt Service	Total
Current taxes collected	\$ 9,219,391	\$ 1,955,401	\$ 11,174,792
Delinquent taxes collected	63,294	8,478	71,772
Penalties and interest collected	<u>51,512</u>	<u>8,263</u>	<u>59,775</u>
Total collections	\$ <u>9,334,197</u>	\$ <u>1,972,142</u>	\$ <u>11,306,339</u>

August 31, 2009

Taxes Collected	Current Operations	Debt Service	Total
Current taxes collected	\$ 9,111,560	\$ 1,941,541	\$ 11,053,101
Delinquent taxes collected	54,456		54,456
Penalties and interest collected	<u>62,639</u>	<u>5,100</u>	<u>67,739</u>
Total collections	\$ <u>9,228,655</u>	\$ <u>1,946,641</u>	\$ <u>11,175,296</u>

Tax collections for the years ended August 31, 2010 and 2009 were 99.67% and 99.69% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations.

**22. INCOME TAXES**

The District is exempt from income taxes under internal Revenue Code Section 115. Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The college had no unrelated business income tax liability for the year ended August 31, 2010 and 2009.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**23. COMPONENT UNITS**

Brazosport College Foundation - Discrete Component Unit

Brazosport College Foundation (the Foundation) was established as a separate nonprofit organization on November 22, 1995, to raise funds to provide student scholarships, building projects and support other projects of the District. The Governmental Standards Board 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 government unit.

Accordingly, the Foundation financial statements are included in the District's annual report as a discrete component unit (see table of contents). Complete financial statements of the Brazosport College Foundation can be obtained from the Dean, Administrative & Business Services, Brazosport College District, 500 College Drive, Lake Jackson, Texas 77566.

**24. RELATED PARTIES**

The District has no related parties except the Brazosport College Foundation which is mentioned as a Component Unit in Footnote 23.

**25. SUBSEQUENT EVENTS**

The management of the College met on November 22, 2010 and determined that no subsequent events had transpired that would require disclosure under generally accepted accounting principles.

**26. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

Brazosport College District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

ERS issued a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

Funding Policy

Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan member or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

**BRAZOSPORT COLLEGE DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEARS ENDED AUGUST 31, 2010 AND 2009*

**26. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (of funding excess) of the plan over a period not to exceed thirty years.

The District's contributions to SRHP for the years ended August 31, 2010, 2009 and 2008 were \$ 39,533, \$ 34,560, and \$ 42,209, respectively, which equaled the required contributions for each year.

**27. REISSUANCE OF INDEPENDENT AUDITOR'S REPORT**

The original report dated November 22, 2010 is being reissued based upon information obtained after the issuance of the Independent Auditor's Report. The schedules of expenditures of federal and state awards have been changed to correctly report both federal and state awards. Further the *Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*, has been reissued to reflect findings made by a state agency monitoring report. The reporting of these findings is made to add clarify the circumstances related to the identified grant findings.

**SUPPLEMENTAL SCHEDULES**

**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)

SCHEDULE A  
Page 1 of 2

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Total Year Ended August 31, 2010</u>	<u>Total Year Ended August 31, 2009</u>
<b>TUITION AND FEES:</b>						
<b>Tuition:</b>						
State Funded Courses:						
In-district resident tuition	\$ 1,783,298	\$	\$ 1,783,298	\$	\$ 1,783,298	\$ 1,548,266
Out-of-district resident tuition	1,804,068		1,804,068		1,804,068	1,471,476
TPEG (set aside)*		186,786	186,786		186,786	156,372
Non-resident tuition	71,358		71,358		71,358	63,042
Non-state funded continuing education	<u>1,254,221</u>		<u>1,254,221</u>		<u>1,254,221</u>	<u>1,468,268</u>
<b>Total tuition</b>	<u>4,912,945</u>	<u>186,786</u>	<u>5,099,731</u>	<u>-0-</u>	<u>5,099,731</u>	<u>4,707,424</u>
<b>Fees:</b>						
General fee	429,184		429,184	73,098	502,282	470,225
Student service fee			-0-	173,259	173,259	161,330
Laboratory fee	265,374		265,374		265,374	240,214
Building use fee	<u>788,216</u>		<u>788,216</u>		<u>788,216</u>	<u>696,532</u>
<b>Total fees</b>	<u>1,482,774</u>	<u>-0-</u>	<u>1,482,774</u>	<u>246,357</u>	<u>1,729,131</u>	<u>1,568,301</u>
<b>Scholarship Allowances and Discounts:</b>						
Scholarship allowances	( 156,219)		( 156,219)		( 156,219)	( 136,295)
Remissions and exemptions	( 29,324)		( 29,324)		( 29,324)	( 35,398)
TPEG allowances	( 138,256)		( 138,256)		( 138,256)	( 105,020)
Federal grants to students	( 1,352,578)		( 1,352,578)		( 1,352,578)	( 299,736)
Other	<u>( 12,560)</u>		<u>( 12,560)</u>		<u>( 12,560)</u>	<u>( 14,415)</u>
<b>Total scholarship allowances and discounts</b>	<u>( 1,688,937)</u>	<u>-0-</u>	<u>( 1,688,937)</u>	<u>-0-</u>	<u>( 1,688,937)</u>	<u>( 590,864)</u>
<b>Net tuition and fees</b>	<u>4,706,782</u>	<u>186,786</u>	<u>4,893,568</u>	<u>246,357</u>	<u>5,139,925</u>	<u>5,684,861</u>

(continued)



**BRAZOSPORT COLLEGE DISTRICT****SCHEDULE OF OPERATING REVENUES - Continued****FOR THE YEAR ENDED AUGUST 31, 2010****(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)**

SCHEDULE A

Page 2 of 2

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Total Year Ended August 31, 2010</u>	<u>Total Year Ended August 31, 2009</u>
<b>ADDITIONAL OPERATING REVENUES:</b>						
Federal grants and contracts	\$ 686	\$ 2,023,481	\$ 2,024,167	\$	\$ 2,024,167	\$ 717,781
State grants and contracts		1,199,676	1,199,676		1,199,676	312,781
Local grants and contracts		150,971	150,971		150,971	149,341
Nongovernmental grants and contracts	162,672	6,950	169,622		169,622	92,406
Sales and services of educational activities	107,960	1,880	109,840	26,794	136,634	155,627
Other operating revenues	<u>605,360</u>		<u>605,360</u>		<u>605,360</u>	<u>573,650</u>
Total other operating revenues	<u>876,678</u>	<u>3,382,958</u>	<u>4,259,636</u>	<u>26,794</u>	<u>4,286,430</u>	<u>2,001,586</u>
<b>AUXILIARY ENTERPRISES:</b>						
Bookstore			-0-	142,188	142,188	130,481
Total auxiliary enterprises	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>142,188</u>	<u>142,188</u>	<u>130,481</u>
Total operating revenues	<u>\$ 5,583,460</u>	<u>\$ 3,569,744</u>	<u>\$ 9,153,204</u>	<u>\$ 415,339</u>	<u>\$ 9,568,543</u> (Exhibit 2)	<u>\$ 7,816,928</u> (Exhibit 2)

\* In accordance with Education Code 56.033, \$ 186,786 and \$ 156,372 for years ended August 31, 2010 and 2009, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
**(WITH MEMORANDUM TOTAL FOR THE YEAR ENDED AUGUST 31, 2009)**

	Operating Expenses				August 31, 2010	August 31, 2009
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
<b>Unrestricted Educational Activities:</b>						
Instruction	\$ 8,417,180	\$	\$ 434,221	\$ 1,572,065	\$ 10,423,466	\$ 10,908,408
Public services	6,910		350	1,234	8,494	9,577
Academic support	1,059,396		49,367	511,030	1,619,793	1,553,484
Student services	1,601,439		83,982	225,501	1,910,922	1,824,450
Institutional support	2,822,455		147,126	1,433,604	4,403,185	3,750,896
Operation and maintenance of plant	472,932		154,516	2,290,260	2,917,708	2,841,069
Scholarship and fellowships				236,293	236,293	268,621
<b>Total unrestricted educational activities</b>	<b>14,380,312</b>	<b>-0-</b>	<b>869,562</b>	<b>6,269,987</b>	<b>21,519,861</b>	<b>21,156,505</b>
<b>Restricted Educational Activities:</b>						
Instruction	\$ 889,765	\$ 1,342,670	\$ 20,374	\$ 1,532,514	\$ 3,785,323	\$ 1,886,129
Public services	130,871		19,574	21,327	171,772	167,489
Academic support	72,159	162,206	22,671	102,939	359,975	286,666
Student services	139,276	257,140	56	14,206	410,678	329,083
Institutional support		450,332			450,332	440,581
Scholarship and fellowships				1,911,975	1,911,975	1,655,676
<b>Total restricted educational activities</b>	<b>1,232,071</b>	<b>2,212,348</b>	<b>62,675</b>	<b>3,582,961</b>	<b>7,090,055</b>	<b>4,765,624</b>
<b>Total educational activities</b>	<b>15,612,383</b>	<b>2,212,348</b>	<b>932,237</b>	<b>9,852,948</b>	<b>28,609,916</b>	<b>25,922,129</b>
Auxiliary enterprises	90,092		18,368	217,403	325,863	292,849
<b>Depreciation Expense:</b>						
Buildings and other real estate				1,313,538	1,313,538	1,201,848
Equipment and furniture				384,498	384,498	354,334
Library books				123,325	123,325	110,335
<b>Total operating expenses</b>	<b>\$ 15,702,475</b>	<b>\$ 2,212,348</b>	<b>\$ 950,605</b>	<b>\$ 11,891,712</b>	<b>\$ 30,757,140</b> (Exhibit 2)	<b>\$ 27,881,495</b> (Exhibit 2)

**BRAZOSPORT COLLEGE DISTRICT****SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**

FOR THE YEAR ENDED AUGUST 31, 2010

(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)

SCHEDULE C

Page 1 of 1

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>August 31, 2010</u>	<u>August 31, 2009</u>
NON-OPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 5,478,959	\$	\$	\$ 5,478,959	\$ 5,897,144
State group insurance		1,413,615		1,413,615	1,373,650
State retirement matching		<u>798,733</u>		<u>798,733</u>	<u>781,834</u>
Total state appropriations	5,478,959	2,212,348	-0-	7,691,307	8,052,628
Title IV federal programs	3,071,913			3,071,913	1,849,473
Maintenance ad valorem taxes	9,345,330			9,345,330	9,228,774
Debt service ad valorem taxes		1,972,142		1,972,142	1,946,633
Investment income (net of fees)	132,744	415,977	9	548,730	1,101,519
Increase (decrease) in value of investments	13,000	( 290,623)		( 277,623)	17,083
Gain (loss) on sale of investments	<u>2,500</u>	<u>191,895</u>		<u>194,395</u>	<u>( 550,790)</u>
Total non-operating revenue	<u>18,044,446</u>	<u>4,501,739</u>	<u>9</u>	<u>22,546,194</u>	<u>21,645,320</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	<u>398,333</u>	<u>1,315,429</u>		<u>1,713,762</u>	<u>1,769,234</u>
Total non-operating expenses	<u>398,333</u>	<u>1,315,429</u>	<u>-0-</u>	<u>1,713,762</u>	<u>1,769,234</u>
Net non-operating revenues	<u>\$ 17,646,113</u>	<u>\$ 3,186,310</u>	<u>\$ 9</u>	<u>\$ 20,832,432</u> (Exhibit 2)	<u>\$ 19,876,086</u> (Exhibit 2)

**BRAZOSPORT COLLEGE DISTRICT****SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY****FOR THE YEAR ENDED AUGUST 31, 2010****(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)**

SCHEDULE D

Page 1 of 1

	Detail by Source				
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Capital Assets Net of Depreciation &amp; Related Debt</u>	<u>Total</u>
		<u>Expendable</u>	<u>Non- Expendable</u>		
Current:					
Unrestricted	\$ 2,160,164	\$	\$	\$	\$ 2,160,164
Board designated	31,149				31,149
Restricted		270,189			270,189
Auxiliary enterprises	1,050,492				1,050,492
Loan	57,699				57,699
Endowment:					
Quasi:					
Unrestricted	1,829,662				1,829,662
Endowment:					
True			2,436,463		2,436,463
Plant:					
Debt service		332,588			332,588
Investment in plant				27,774,507	27,774,507
Total net assets, August 31, 2010	5,129,166	602,777	2,436,463	27,774,507	35,942,913 (Exhibit 1)
Total net assets, August 31, 2009	<u>5,068,775</u>	<u>532,346</u>	<u>2,461,244</u>	<u>28,236,231</u>	<u>36,298,596</u> (Exhibit 1)
Net increase (decrease) in net assets	\$ <u>60,391</u>	\$ <u>70,431</u>	\$ <u>(24,781)</u>	\$ <u>(461,724)</u>	\$ <u>(355,683)</u> (Exhibit 2)

Available for  
Current Operations

<u>Yes</u>	<u>No</u>
\$ 2,160,164	\$ 31,149
270,189	
1,050,492	57,699
	1,829,662
	2,436,463
	332,588
	<u>27,774,507</u>
3,480,845	32,462,068
<u>3,660,516</u>	<u>32,638,080</u>
<u>\$ ( 179,671 )</u>	<u>\$ ( 176,012 )</u>

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**FEDERAL AND STATE AWARD SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS  
Limited Liability Company

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## Independent Auditor's Report

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*

November 22, 2010

Board of Regents  
Brazosport College District  
Lake Jackson, Texas 77566

We have audited the financial statements of the business-type activities and the discretely presented component unit Brazosport College District (the "District"), as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2010, no instances of noncompliance were found.

We noted certain matters that we reported to management of the District, in a separate letter dated November 22, 2010.

This report is intended solely for the information and use of management, Board of Regents, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kennemer, Masters & Hunford, LLC*

# KENNEMER, MASTERS & LUNSFORD

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Independent Audit's Report  
Report on Compliance with Requirements that Could Have a Direct and Material  
Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

February 17, 2011

Board of Regents  
Brazosport College District  
Lake Jackson, Texas 77566

## Compliance

We have audited the compliance of Brazosport College District (the "District"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended August 31, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the State of Texas Single Audit Circular and the Texas Higher Education Coordinating Board. Those standards and OMB Circular A-133 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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Compliance - Continued

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB-A133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-01.

Internal Control over Compliance

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

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

This report is intended solely for the information and use of management, Board of Regents, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kennemer, Masters & Hunford, LLC*

**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No significant internal control deficiency, which was considered a material weakness that is required to be reported in this schedule, was disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control deficiencies that are required to be reported in this schedule were disclosed in the audit of major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings, which are required to be reported under Sec. 5 I O (a): No.
7. Major programs include:
  - Federal:
    - Cluster Programs:
      - CFDA #84.007 Federal Supplemental Education Opportunity Grants (FSEOG)
      - CFDA #84.032 Federal Family Education Loan Program.
      - CFDA #84.033 Federal Work Study Program (FWS)
      - CFDA #84.063 Pell Grant Program.
      - CFDA #84.375 Academic Competitiveness Grant
    - Other Program:
      - CFDA #17.275 Community Based Job Training Grants
  - State:
    - Skill Development Funds
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.
9. Low Risk Auditee: Federal – Yes, State - No.

II. Findings related to the financial statements.

None.

III. Findings and questioned costs related to the federal and state awards.

1. Schedule reference number 10-01: The District did not comply (based on a Texas Workforce Commission monitoring report) with reporting requirements that requires expenditures to be adequately supported for the major state Skills Development Programs (2809SDF2004 and 2809SDF2005). This finding has been listed to eliminate apparent confusion regarding this issue at the state level (Texas Workforce Commission).

III. Findings and questioned costs related to the federal and state awards - Continued

Criteria: An initial monitoring report by the Texas Workforce Commission (the "TWC") cited that the District did not provide supporting documentation for certain reported expenditures. This resulted in questioned costs of \$ 58,588.75 for contract #2809SDF004, including \$ 53,405.19 in Instructional Services reported in CDER as Direct Program-Education and Training, and \$ 5,183.56 in Administrative fees based on a percentage of program cost. Monitors also questioned costs of \$ 74,561.05 for contract #2809SDF005, including \$ 67,604.47 in Instructional Services and \$ 6,959.58 in Administrative Fees.

The District challenged these findings and the matter was referred to Audit Resolution. The following was the result of Audit Resolution:

With regards to contract #2809SDF004, the District was originally awarded for \$ 143,778 to train 103 individuals. The District received \$ 92,494 from the TWC Cash Draw System based on expenditures aligning with its standard business practices rather than direct reimbursable costs. The District modified the billing to be in line with recommendations made by TWC monitors. The supporting documentation submitted to Audit Resolution included source documents, journal entries, and accounting reports. The final costs of \$ 52,876 were determined to be adequately supported. The District issued a check for \$ 39,618 and submitted it to the TWC on August 6, 2010. In addition, the closeout package has been submitted to TWC and Workforce Businesses Services is currently working on closing this contract. On contract #2809SDF005, like the contract #2809SDF004, the District modified and will bill TWC for direct reimbursable costs rather than the fees for service model that has been its standard business practice. The District provided supporting documentation of expenditures through August 31, 2010. Included in the package was a facility usage rate study performed by the Federal Costing Concepts, LLC. The District agreed to reduce the usage rate to not include any equipment replacement cost in the indirect cost pool calculation. The documentation submitted for other costs were adequately supported; however, because total administrative costs are based on a percentage of total program service costs, because the contract is still active, the allowable amount for administrative costs will have to be deferred until the end of the contract.

Condition Found: Audit procedures found that there was no intent on the part of the District to represent the initial cash draws as direct reimbursable costs. The District, as has been the practice, was reporting on a fee for service basis and once the District was informed of the contract misunderstanding, it complied in every way with the contract requirements.

Questioned Cost/Basis: None

Instances/universe: These circumstances were identified during our audit of the major federal and state programs for the year ended August 31, 2010.

Effect: Based on the actions, noted above, although the TWC reported initial findings and questioned costs, these circumstances had no negative effect on the District's compliance.

Recommendations: A concerted effort needs to be made to obtain a clear understanding of the type of contract the District is entering into when state and or federal grants are concerned. Even though previous grants may have been performed as a contractor as a fee for service, this should not be assumed for future contracts.

**BRAZOSPORT COLLEGE DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

None.

**BRAZOSPORT COLLEGE DISTRICT**  
*SCHEDULE OF CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

Schedule Reference Number 10-01: The District did not comply (based on a Texas Workforce Commission monitoring report) with reporting requirements that requires expenditures to be adequately supported for the major state Skills Development Programs (2809SDF2004 and 2809SDF2005). This finding has been listed to eliminate apparent confusion regarding this issue at the state level (Texas Workforce Commission).

Corrective Action Plan: The Business Office and the Grant administrator will both identify the type of grants, including the basis for reimbursement, prior to acceptance of such grants. Centralizing of communications regarding grants will be emphasized to ensure that all parties within the District are aware of grant status and any findings which may be reported. Fred Scott, Dean of Business and Administrative Services, will monitor on an ongoing basis to ensure proper performance of these processes and procedures.



**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT E  
Page 1 of 3

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Federal Supplemental Education Opportunity Grants (FSEOGG)	84.007	P007A098372	\$ <u>160,460</u>
Student loan program – FFELP	84.032	00728700	<u>313,098</u>
Federal Work Study Program (FWS)*	84.033	P033A088372	9,999
Federal Work Study Program (FWS)*	84.033	P033A098372	98,044
Federal Work Study Program (FWS)*	84.033	P033A108372	<u>7,841</u>
			<u>115,884</u>
Pell Grant program*	84.063	P063P092911	<u>2,422,346</u>
Academic Competitiveness Program*	84.375	P375A092911	<u>60,125</u>
Passed Through From:			
Texas Education Agency:			
Adult Basic Education Programs:			
EI Civics	84.002	104100087110034	92,019
EI Civics	84.002	114100087110374	<u>6,944</u>
			<u>98,963</u>
Region IV Education Service Center:			
ABE-COOP ESL	84.002	104100017110286	64,106
ABE-COOP ESL	84.002	114100018110286	2,634
TANFF	84.002	103625017110268	<u>15,721</u>
Subtotal Adult Basic Education			<u>82,461</u>
Texas Higher Education Coordinating Board:			
Vocational Education - Basic Grants	84.048	104207	<u>62,892</u>
Student Leveraging Education Assistance Partnership	84.069	00728700	<u>2,778</u>
Leveraging Education Assistance Partnership	84.069	00728700	<u>2,222</u>
State Fiscal Stabilization Funds - ARRA	84.397	S397A090044	83,325
Texas A & M University:			
State Fiscal Stabilization Fund - ARRA	84.397	S397A090044	<u>50,000</u>
			<u>133,325</u>
Gulf Coast Technical Preparation Consortium:			
Technical Preparation	84.243	104401	<u>750</u>
Total U.S. Department of Education			<u>3,455,304</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through From Brazoria County:			
Community Development Block Grant	14.218	---	<u>12,960</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT E  
Page 2 of 3

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Interior</u>			
Passed Through Fish and Wildlife Service:			
Refuge Revenue Sharing Act of 1978	15.000	---	\$ <u>686</u>
<u>U.S. Department of Labor</u>			
Direct Programs:			
Community Based Job Training Grant	17.275	CB181970960A48	865,472
Passed Through From San Jacinto College:			
Community Based Job Training Grant	17.275	DOL5317021008	<u>31,307</u>
			<u>896,779</u>
Passed Through From Lee College:			
DOL Nuclear Power Training	17.269	CB182260960A48	<u>147,354</u>
Passed Through From San Jacinto College:			
WIA Adult program Scholarships	17.258	DOL5317021005	<u>68,292</u>
Passed Through From San Jacinto College:			
WIA Adult Program Scholarships	17.260	DOL5317021005	21,267
Energy Venture Scholarships	17.260	DOL5317021002	<u>5,360</u>
			26,627
Passed Through From Texas workforce Commission:			
WIA Dislocated Worker Program - ARRA	17.260	2810WSW001-1	9,750
WIA Dislocated Worker Program - ARRA	17.260	2810XSD001	<u>186,811</u>
			<u>223,188</u>
Total U.S. Department of Labor			<u>1,335,613</u>
<u>U.S. Small Business Administration</u>			
Passed Through From:			
University of Houston Small Business Development Center:			
Brazos SBDC Programs (Note 3)	59.037	09603001-Z-0047-25	10,201
Brazos SBDC Programs (Note 3)	59.037	10603001-Z-0047-26	<u>91,089</u>
Total U.S. Small Business Administration			<u>101,290</u>
<u>Nuclear Regulatory Commission</u>			
Direct:			
US NRC Scholarships	77.008	NRC-38-09-906	<u>99,417</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Port Freeport:			
Port Security Grant	97.056	---	<u>90,810</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 5,096,080</u>

\* - Title IV Cluster Programs

**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**NOTE 1 - FEDERAL ASSISTANCE RECONCILIATION**

Federal Revenues – per Exhibit 2:		
Federal grants and contracts (operating revenues)	\$	2,024,167
Title IV federal grants (non-operating revenues)		3,071,913
Reconciling Items:		
None		<u>-0-</u>
Total pass-through and expenditures per federal schedule	\$	<u>5,096,080</u>

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING SCHEDULE**

The expenditures included in the schedule are reported for the college's fiscal years ended August 31, 2010 and 2009. 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 purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. 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 schedule.

**NOTE 3 - MATCHING EXPENDITURES**

The Small Business Development (SBDC) program requires local matching expenditures. The District accounts for these expenditures within the Current Unrestricted Funds. Matching expenditures for the years ended August 31, 2010 and 2009 were as follows:

	Federal CFDA Number	Pass -Through Grantor's Number	Program Matching Required	Direct Matching Expenditures Years Ended August 31,		
				2010	2009	Total
SBDC Program (10-01-08/09-30-09)	59.037	09-603001-Z-0047-25	\$ 64,272	\$ 58,799	\$ 5,529	\$ 64,328
SBDC Program (10-01-09/09-30-10)	59.037	10-603001-Z-0047-26	65,032		60,861	60,861
				<u>\$ 58,799</u>	<u>\$ 66,390</u>	<u>\$ 125,189</u>

**NOTE 4 - INDIRECT COST**

The District did not receive reimbursement for indirect costs during the year ended August 31, 2010. Indirect costs are allowed as part of the Small Business Development program matching expenditures, however, none are reimbursed.

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**BRAZOSPORT COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT F  
Page 1 of 2

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Higher Education Coordination Board Direct:		
Nursing Shortage Reduction Grant	007287	\$ 183,580
Professional Nursing Scholarship Grant	007287	2,725
State Top Ten Percent	007287	8,000
State WS Mentorship Program	007287	23,157
Vocational Nursing Scholarship Grant	007287	120
Work Study Program	007287	5,370
Texas Education Opportunity Grant Program	007287	27,590
Texas Grant Program	007287	<u>105,020</u>
Total Texas Higher Education Coordinating Board		<u>355,562</u>
Texas Education Agency:		
Passed Through Region IV Education Service Center:		
Adult Basic Education	100100017110286	<u>18,510</u>
Total Region IV Education Service Center		<u>18,510</u>
Texas Workforce Commission:		
Direct:		
Skills Development Funds	2809SDF2005	694,380
Skills Development Funds (Partnership with Conoco Phillips)	2809SDF2004	<u>52,876</u>
		747,256
Passed Through Texas A&M University:		
Nuclear Grant	2909WSW003	<u>40,973</u>
Total Texas Workforce Commission		<u>788,229</u>
Texas Commission on the Arts:		
Direct:		
Texas State of the Arts Grant	10-31046	<u>10,500</u>
Texas Comptrollers Office:		
Direct:		
Texas Jet Grant Program	3572-7	<u>26,875</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ <u>1,199,676</u></b>

**BRAZOSPORT COLLEGE DISTRICT**  
*SCHEDULE OF EXPENDITURES OF STATE AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

EXHIBIT F  
Page 2 of 2

**NOTE 1 - STATE ASSISTANCE RECONCILIATION**

State Revenues – per Exhibit 2:	
State grants and contracts	\$ 1,199,676
Reconciling Items:	
None	<u>-0-</u>
Expenditures per state schedule	<u>\$ 1,199,676</u>

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING SCHEDULE**

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the District's significant accounting policies. These expenditures are reported on the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**STATISTICAL SUPPLEMENTARY INFORMATION**

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 1 -**  
**NET ASSETS BY COMPONENT**  
 Fiscal Years 2002 to 2010  
**UNAUDITED**  
 (Amounts expressed in thousands)

	For the Fiscal Year Ended			
	2010	2009	2008	2007
Invested in capital assets, net of related debt	\$ 27,775	\$ 28,236	\$ 27,462	\$ 27,547
Restricted - expendable	2,436	2,461	2,460	1,357
Restricted - nonexpendable	603	532	784	2,455
Unrestricted	<u>5,129</u>	<u>5,070</u>	<u>5,780</u>	<u>6,678</u>
Total primary government net assets	<u>\$ 35,943</u>	<u>\$ 36,299</u>	<u>\$ 36,486</u>	<u>\$ 38,037</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2008 are available.



August 31,

---

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 25,830	\$ 25,553	\$ 20,926	\$ 16,752	\$ 13,126
1,165	968	886	736	3,044
2,221	2,144	1,974	3,099	2,856
<u>7,752</u>	<u>7,175</u>	<u>10,902</u>	<u>10,177</u>	<u>13,716</u>
<u>\$ 36,968</u>	<u>\$ 35,840</u>	<u>\$ 34,688</u>	<u>\$ 30,764</u>	<u>\$ 32,742</u>

**BRAZOSPORT COLLEGE DISTRICT****STATISTICAL SUPPLEMENT 2 -****REVENUES BY SOURCE**

Fiscal Years 2002 to 2010

**UNAUDITED**

(Amounts expressed in thousands)

	For the Fiscal Year Ended			
	2010	2009	2008	2007
Tuition and fees (net of discounts)	\$ 5,140	\$ 5,685	\$ 6,075	\$ 6,039
Governmental Grants and Contracts:				
Federal grants and contracts	2,014	718	447	613
State grants and contracts	1,210	313	270	112
Local grants and contracts	151	149	116	96
Non-governmental grants and contracts	170	92	98	114
Sales and service of education activities	137	156	215	336
Auxiliary enterprises	142	130	118	120
Other operating revenues	<u>605</u>	<u>574</u>	<u>496</u>	<u>474</u>
Total operating revenues	<u>9,569</u>	<u>7,817</u>	<u>7,835</u>	<u>7,904</u>
State appropriations	7,691	8,053	8,018	7,981
Title IV Federal Programs	3,072	1,849	1,192	1,580
Ad Valorem taxes	11,317	11,175	8,145	7,868
Gifts			6	599
Investment income	466	568	211	444
Other non-operating revenues	<u>(1,714)</u>	<u>(1,769)</u>	<u>(708)</u>	<u>451</u>
Total non-operating revenues	<u>20,832</u>	<u>19,876</u>	<u>16,864</u>	<u>18,923</u>
Total revenues	<u>\$ 30,401</u>	<u>\$ 27,693</u>	<u>\$ 24,699</u>	<u>\$ 26,827</u>

	For the Fiscal Year Ended			
	2010	2009	2008	2007
Tuition and fees (net of discounts)	16.91%	20.53%	24.60%	22.51%
Governmental Grants and Contracts:				
Federal grants and contracts	6.62%	2.59%	1.81%	2.28%
State grants and contracts	3.98%	1.13%	1.09%	0.42%
Local grants and contracts	0.50%	0.54%	0.47%	0.36%
Non-governmental grants and contracts	0.56%	0.33%	0.40%	0.42%
Sales and service of education activities	0.45%	0.56%	0.87%	1.25%
Auxiliary enterprises	0.47%	0.47%	0.48%	0.45%
Other operating revenues	<u>1.99%</u>	<u>2.08%</u>	<u>2.01%</u>	<u>1.77%</u>
Total operating revenues	<u>31.48%</u>	<u>28.23%</u>	<u>31.73%</u>	<u>29.46%</u>
State appropriations	25.30%	29.08%	32.46%	29.75%
Title IV Federal Programs	10.10%	6.68%	4.83%	5.89%
Ad Valorem taxes	37.23%	40.35%	32.98%	29.33%
Gifts			0.02%	2.23%
Investment income	1.53%	2.05%	0.85%	1.66%
Other non-operating revenues	<u>(5.64%)</u>	<u>(6.39%)</u>	<u>(2.87%)</u>	<u>1.68%</u>
Total non-operating revenues	<u>68.52%</u>	<u>71.77%</u>	<u>68.27%</u>	<u>70.54%</u>
Total revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

August 31,

2006	2005	2004	2003	2002
\$ 5,615	\$ 5,247	\$ 5,515	\$ 4,412	\$ 5,067
772	889	1,053	950	584
342	301	501	376	305
13	14	4	15	
90	75	98	73	55
410	527	480	112	110
124	119	115	133	84
<u>458</u>	<u>505</u>	<u>419</u>	<u>349</u>	<u>28</u>
<u>7,824</u>	<u>7,677</u>	<u>8,185</u>	<u>6,420</u>	<u>6,233</u>
7,865	7,041	7,118	7,264	7,605
1,953	2,016	1,607	1,410	1,175
7,145	6,380	5,773	4,602	4,506
1,034	2,026	2,000		
469	409	376	386	281
<u>154</u>	<u>216</u>	<u>167</u>	<u>186</u>	<u>31</u>
<u>18,620</u>	<u>18,088</u>	<u>17,041</u>	<u>13,848</u>	<u>13,598</u>
<u>\$ 26,444</u>	<u>\$ 25,765</u>	<u>\$ 25,226</u>	<u>\$ 20,268</u>	<u>\$ 19,831</u>

August 31,

2006	2005	2004	2003	2002
22.47%	20.37%	21.86%	21.77%	25.55%
2.88%	3.45%	4.17%	4.69%	2.94%
1.27%	1.17%	1.99%	1.86%	1.54%
0.05%	0.05%	0.02%	0.07%	0.00%
0.34%	0.29%	0.39%	0.36%	0.28%
1.53%	2.05%	1.90%	0.55%	0.55%
0.46%	0.46%	0.46%	0.66%	0.42%
<u>1.69%</u>	<u>1.96%</u>	<u>1.66%</u>	<u>1.72%</u>	<u>0.14%</u>
<u>30.69%</u>	<u>29.80%</u>	<u>32.45%</u>	<u>31.68%</u>	<u>31.42%</u>
29.27%	27.33%	28.21%	35.83%	38.35%
7.27%	7.82%	6.37%	6.96%	5.93%
26.60%	24.76%	22.89%	22.71%	22.72%
3.85%	7.86%	7.93%	0.00%	0.00%
1.75%	1.59%	1.49%	1.90%	1.42%
<u>0.57%</u>	<u>0.84%</u>	<u>0.66%</u>	<u>0.92%</u>	<u>0.16%</u>
<u>69.31%</u>	<u>70.20%</u>	<u>67.55%</u>	<u>68.32%</u>	<u>68.58%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 3 -**  
**PROGRAM EXPENSES BY FUNCTION**  
Fiscal Years 2002 to 2010  
**UNAUDITED**  
(Amounts expressed in thousands)

	For the Fiscal Year Ended			
	2010	2009	2008	2007
Instruction	\$ 14,209	\$ 12,795	\$ 12,132	\$ 11,770
Public service	180	177	178	162
Academic support	1,980	1,840	1,651	1,443
Student services	2,322	2,154	1,945	1,647
Institutional support	4,853	4,191	4,404	4,423
Operation and maintenance of plant	2,918	2,841	2,572	2,376
Scholarships and fellowships	2,148	1,924	1,506	1,814
Auxiliary enterprises	326	293	289	288
Depreciation	<u>1,821</u>	<u>1,667</u>	<u>1,596</u>	<u>1,504</u>
Total operating revenues	<u>30,757</u>	<u>27,882</u>	<u>26,273</u>	<u>25,427</u>
Interest on capital related debt	1,714	1,769	708	429
Loss on disposal of fixed assets	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total non-operating expenses	<u>1,714</u>	<u>1,769</u>	<u>708</u>	<u>429</u>
Total expenses	<u>\$ 32,471</u>	<u>\$ 29,651</u>	<u>\$ 26,981</u>	<u>\$ 25,856</u>

	For the Fiscal Year Ended			
	2010	2009	2008	2007
Instruction	43.75%	43.15%	44.96%	45.52%
Public support	0.55%	0.60%	0.66%	0.63%
Academic support	6.10%	6.21%	6.12%	5.58%
Student services	7.15%	7.26%	7.21%	6.37%
Institutional support	14.95%	14.13%	16.32%	17.11%
Operation and maintenance of plant	8.99%	9.58%	9.53%	9.19%
Scholarships and fellowships	6.62%	6.49%	5.58%	7.02%
Auxiliary enterprises	1.00%	0.99%	1.07%	1.11%
Depreciation	<u>5.61%</u>	<u>5.62%</u>	<u>5.92%</u>	<u>5.82%</u>
Total operating expenses	<u>94.72%</u>	<u>94.03%</u>	<u>97.38%</u>	<u>98.34%</u>
Interest on capital related debt	5.28%	5.97%	2.62%	1.66%
Loss on disposal of fixed assets	<u>0.00%</u>	<u>0.00%</u>	<u>0.00 %</u>	<u>0.00 %</u>
Total non-operating expenses	<u>5.28%</u>	<u>5.97%</u>	<u>2.62%</u>	<u>1.66%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

August 31,

2006	2005	2004	2003	2002
\$ 12,136	\$ 11,237	\$ 10,221	\$ 11,179	\$ 9,328
162	165	163	200	399
1,287	1,037	893	858	814
1,623	1,729	1,732	1,612	1,527
4,046	3,647	3,480	3,249	3,150
2,072	1,774	1,562	1,624	1,529
2,163	2,204	1,925	1,761	1,332
257	72	60	134	52
1,518	1,207	1,025	972	740
<u>25,264</u>	<u>23,072</u>	<u>21,061</u>	<u>21,589</u>	<u>18,871</u>
569	597	623	644	4
<u>569</u>	<u>597</u>	<u>623</u>	<u>644</u>	<u>4</u>
<u>\$ 25,833</u>	<u>\$ 23,669</u>	<u>\$ 21,684</u>	<u>\$ 22,233</u>	<u>\$ 18,875</u>

August 31,

2006	2005	2004	2003	2002
46.98%	47.48%	47.13%	50.28%	49.42%
0.63%	0.70%	0.75%	0.90%	2.11%
4.98%	4.38%	4.12%	3.86%	4.31%
6.28%	7.30%	7.99%	7.25%	8.09%
15.66%	15.41%	16.05%	14.61%	16.69%
8.02%	7.50%	7.20%	7.31%	8.10%
8.37%	9.31%	8.88%	7.92%	7.06%
1.00%	0.30%	0.28%	0.60%	0.28%
5.88%	5.10%	4.73%	4.37%	3.92%
<u>97.80%</u>	<u>97.48%</u>	<u>97.13%</u>	<u>97.10%</u>	<u>99.98%</u>
2.20%	2.52%	2.87%	2.90%	0.02%
0.00%	0.00%	0.00%	0.00%	0.00%
<u>2.20%</u>	<u>2.52%</u>	<u>2.87%</u>	<u>2.90%</u>	<u>0.02%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 4 -**  
**TUITION AND FEES**  
 Last Ten Academic Years  
**UNAUDITED**  
 (Fees per Semester Credit Hour (SCH))

Resident													
Academic Year (Fall)	Registration Fee	In-District Tuition	Out-of-District Tuition	Building Fees	Student Service Fees	Technology Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District			
2010	\$ 25	\$ 41	\$ 65	\$ 9	\$ 21	\$ 5	\$ 681	\$ 969	9.66%	11.00%			
2009	25	36	57	9	21	5	621	873	10.70%	7.38%			
2008	25	31	52	9	15	5	561	813	8.09%	5.45%			
2007	--	28	49	9	8	5	519	771	13.07%	8.44%			
2006	--	28	49	9	8	--	459	711	11.68%	15.61%			
2005	--	24	41	9	8	--	411	615	0.00%	0.00%			
2004	--	24	41	9	8	--	411	615	31.31%	34.57%			
2003	10	20	32	4	8	--	313	457	13.00%	8.55%			
2002	10	17	29	4	8	--	277	421	0.00%	0.00%			
2001	10	17	29	4	8	--	277	421	20.96%	34.50%			

Non-Resident													
Academic Year (Fall)	Registration Fee	In-District Tuition	Out-of-District Tuition	Building Fees	Student Service Fees	Technology Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District			
2010	\$ 25	\$ 112	\$ 112	\$ 9	\$ 21	\$ 5	\$ 1,533	\$ 1,533	6.68%	6.68%			
2009	25	104	104	9	21	5	1,437	1,437	4.36%	4.36%			
2008	25	99	99	9	15	5	1,377	1,377	3.15%	3.15%			
2007	--	96	96	9	8	5	1,335	1,335	4.71%	4.71%			
2006	--	96	96	9	8	--	1,275	1,275	8.14%	8.14%			
2005	--	88	88	9	8	--	1,179	1,179	0.00%	0.00%			
2004	--	88	88	9	8	--	1,179	1,179	15.48%	15.48%			
2003	10	79	79	4	8	--	1,021	1,021	0.00%	0.00%			
2002	10	79	79	4	8	--	1,021	1,021	0.00%	0.00%			
2001	10	79	79	4	8	--	1,021	1,021	11.83%	11.83%			

Notes: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.  
 Students taking junior and senior level courses as part of the Bachelor of Technology Program are charged an additional course fee of \$ 35 per credit hour.

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 5 -**  
**ASSESSED VALUE AND TAXABLE ASSESSED VALUE OF PROPERTY**  
Last Ten Fiscal Years  
**UNAUDITED**

Fiscal Year	(amounts expressed in millions)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2009-10	\$ 9,027	\$ 2,608	\$ 6,419	71.11%	0.145000	0.030754	0.175754
2008-09	9,667	2,546	7,121	73.66%	0.129000	0.027488	0.156488
2007-08	8,809	2,059	6,750	76.63%	0.121000	0.000000	0.121000
2006-07	7,839	1,571	6,268	79.96%	0.122000	0.000000	0.122000
2005-06	7,128	1,289	5,839	81.92%	0.119000	0.000000	0.119000
2004-05	7,335	1,769	5,566	75.88%	0.114000	0.000000	0.114000
2003-04	7,257	1,706	5,551	76.49%	0.105000	0.000000	0.105000
2002-03	6,707	1,369	5,338	79.59%	0.085000	0.000000	0.085000
2001-02	6,926	1,642	5,284	76.28%	0.085000	0.000000	0.085000
2000-01	6,794	1,424	5,370	79.04%	0.085000	0.000000	0.085000

Source: Local Appraisal District

Note: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 6 -**  
**STATE APPROPRIATIONS PER FTSE AND CONTACT HOUR**  
 Last Ten Fiscal Years  
**UNAUDITED**  
 (Amounts expressed in thousands)

Fiscal Year	State Appropriation (thousands)	Appropriations per FTSE		Appropriations per Contact Hour				
		FTSE	State Appropriation per FTSE	Academic Contact Hours (thousands)	Voc/Tech Contact Hours (thousands)	BAT Contact Hours (thousands)	Total Contact Hours (thousands)	State Appropriation per Contact Hour
2009-10	\$ 7,691	6,786	1,133	1,057	491	19	1,567	\$ 4.91
2008-09	8,053	5,689	1,415	514	934	15	1,463	5.50
2007-08	8,018	5,569	1,440	859	574	18	1,451	5.53
2006-07	7,981	5,815	1,372	939	595		1,534	5.20
2005-06	7,865	5,576	1,411	933	495		1,428	5.51
2004-05	7,041	5,451	1,292	915	469		1,384	5.09
2003-04	7,118	5,641	1,262	899	573		1,472	4.84
2002-03	7,264	5,816	1,249	897	660		1,557	4.67
2001-02	7,605	5,849	1,300	842	783		1,625	4.68
2000-01	6,680	5,520	1,210	782	756		1,538	4.34

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



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**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 7 -**  
**PRINCIPAL TAXPAYERS**  
Last Ten Tax Years  
**UNAUDITED**

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 Omitted)			
		2010	2009	2008	2007
Dow Chemical Company	Chemical	\$ 4,325,645	\$ 2,536,465	\$ 2,945,805	\$ 2,743,452
BASF Corp Chemical Division	Chemical	898,794	511,393	766,664	741,770
Shintech, Inc.	Chemical	284,811	162,051	166,748	175,269
SI Group Inc. Schenectady Int'l	Chemical	158,490	90,178	110,404	107,474
Oyster Creek Ltd./Delta Power	Power	146,432	83,317	84,553	87,517
Shin-Etsu Silicones of America	Silicones	84,405	48,025	15,594	
Air Liquide Energy Inc.	Energy	76,977	43,798	47,022	45,354
American Rice Inc.	Agriculture	76,254	43,387	34,535	
Centerpoint Energy Inc.	Utility	66,752	37,981	39,395	39,081
Huntsman Ethyleneamines LTD	Chemical	65,457	32,091	34,896	31,326
Totals		<u>\$ 6,184,017</u>	<u>\$ 3,588,686</u>	<u>\$ 4,245,616</u>	<u>\$ 3,971,243</u>
Total taxable assessed value		<u>\$ 9,027,692</u>	<u>\$ 7,120,527</u>	<u>\$ 6,750,116</u>	<u>\$ 6,423,220</u>

Taxpayer	Type of Business	% Taxable Assessed Value (TAV) by Tax Year			
		2010	2009	2008	2007
Dow Chemical Company	Chemical	69.96%	70.68%	69.38%	69.08%
BASF Corp Chemical Division	Chemical	14.53%	14.25%	18.06%	18.68%
Shintech, Inc.	Chemical	4.61%	4.52%	3.93%	4.41%
SI Group Inc. Schenectady Int'l	Chemical	2.56%	2.51%	2.60%	2.71%
Oyster Creek Ltd./Delta Power	Power	2.37%	2.32%	1.99%	2.20%
Shin-Etsu Silicones of America	Silicones	1.36%	1.34%	0.37%	
Air Liquide Energy Inc.	Energy	1.24%	1.22%	1.11%	1.14%
American Rice Inc.	Agriculture	1.23%	1.21%	0.81%	
Centerpoint Energy Inc.	Utility	1.08%	1.06%	0.93%	0.98%
Huntsman Ethyleneamines LTD	Chemical	1.06%	0.89%	0.82%	0.79%
Totals		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
% of Total Assessed Taxable Value		<u>86.85%</u>	<u>50.40%</u>	<u>62.90%</u>	<u>61.83%</u>

Taxable Assessed Value (TAV) by Tax Year (\$000 Omitted)

	2006	2005	2004	2003	2002	2001
\$	3,463,027	\$ 3,274,446	\$ 2,971,965	\$ 3,113,632	\$ 2,968,858	\$ 2,340,550
	831,464	837,731	836,575	906,643	925,909	496,765
	166,170	137,292	132,887	167,027	160,390	157,226
	93,351	93,656	85,159	84,012	84,135	62,539
	119,138	133,736	132,834	136,766	151,294	160,710
	60,471	46,339	47,849	40,613		
	46,454	47,165	62,691	64,069		79,597
	42,250	44,151	41,879	40,393		
		37,013	33,804			
\$	<u>4,822,325</u>	<u>4,651,529</u>	<u>4,345,643</u>	<u>4,553,155</u>	<u>4,290,586</u>	<u>3,297,387</u>
\$	<u>6,005,693</u>	<u>5,636,859</u>	<u>5,470,974</u>	<u>5,397,054</u>	<u>5,282,617</u>	<u>5,377,684</u>

% Taxable Assessed Value (TAV) by Tax Year

	2006	2005	2004	2003	2002	2001
	71.81%	70.39%	68.39%	68.38%	69.19%	70.98%
	17.24%	18.01%	19.25%	19.91%	21.58%	15.07%
	3.45%	2.95%	3.06%	3.67%	3.74%	4.77%
	1.94%	2.01%	1.96%	1.85%	1.96%	1.90%
	2.47%	2.88%	3.06%	3.00%	3.53%	4.87%
	1.25%	1.00%	1.10%	0.89%		
	0.96%	1.01%	1.44%	1.41%		2.41%
	0.88%	0.95%	0.96%	0.89%		
		0.80%	0.78%			
	<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>80.30%</u>	<u>82.52%</u>	<u>79.43%</u>	<u>84.36%</u>	<u>81.22%</u>	<u>61.32%</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 8 -**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Academic 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	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2010	\$ 11,042	\$ 242	\$ 11,284	\$ 11,175	99.03%	\$	\$ 72	\$ 11,247	99.67%
2009	11,142	( 34)	11,108	11,053	99.20%		54	11,108	99.69%
2008	8,168	( 58)	8,110	8,101	99.18%		9	8,110	99.29%
2007	7,839	( 10)	7,829	7,774	99.17%		55	7,829	99.87%
2006	7,128	( 18)	7,110	7,078	99.30%		32	7,110	99.75%
2005	6,345	( 3)	6,342	6,296	99.23%		46	6,342	99.95%
2004	5,750	( 12)	5,738	5,693	99.01%		44	5,737	99.77%
2003	4,482	95	4,577	4,539	101.27%		38	4,577	102.12%
2002	4,486	( 9)	4,477	4,430	98.75%		47	4,477	99.80%
2001	4,564	( 16)	4,548	4,518	98.99%		30	4,548	99.65%

Source: Local Tax Assessor/Collector and District records.

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

(b) As of August 31<sup>st</sup> of the current reporting year.

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

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

(e) Represents current year collections of prior years levels.

Total collections = c + d + e

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 9 -**  
**RATIOS OF OUTSTANDING DEBT**  
Last Ten Fiscal Years  
**UNAUDITED**

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>General Bonded Debt</b>										
General obligation bonds	\$ 27,985	\$ 28,720	\$ 29,091	\$	\$	\$	\$	\$	\$	\$
Notes										
Less: Funds restricted for debt service	<u>1</u>	<u>41</u>	<u>141</u>							
Net general bonded debt	27,986	28,761	29,232	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Other Debt</b>										
Revenue Bonds	8,981	9,570	10,085	10,662	10,730	11,200	11,640	12,055	12,415	7,635
Notes										
Capital lease obligations										
Total outstanding debt	<u>\$ 36,967</u>	<u>\$ 38,331</u>	<u>\$ 39,317</u>	<u>\$ 10,662</u>	<u>\$ 10,730</u>	<u>\$ 11,200</u>	<u>\$ 11,640</u>	<u>\$ 12,055</u>	<u>\$ 12,415</u>	<u>\$ 7,635</u>
<b>General Bonded Debt Ratio</b>										
Per Capita	\$ N/A	\$ 93.02	\$ 97.10	\$	\$	\$	\$	\$	\$	\$
Per FTSE	4,124	5,055	5,249							
As a percentage of Taxable Assessed Value	0.31%	0.40%	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Outstanding Debt Ratios</b>										
Per Capita	\$ N/A	\$ 123.97	\$ 130.60	\$ 35.42	\$ 37.27	\$ 40.22	\$ 42.93	\$ 45.73	\$ 48.32	\$ 30.64
Per FTSE	5,448	6,738	7,060	1,834	1,924	2,055	2,063	2,073	2,123	1,383
As a percentage of Taxable Assessed Value	0.41%	0.54%	0.58%	0.17%	0.18%	0.20%	0.21%	0.22%	0.24%	0.14%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time equivalent enrollment.

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 10 -**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years  
**UNAUDITED**

	For the Year Ended August 31 (amounts expressed in thousands)		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Taxable Assessed Value	\$ <u>6,418,021</u>	\$ <u>7,105,190</u>	\$ <u>6,749,869</u>
<b>General Obligation Bonds</b>			
Statutory Tax Levy for Debt Service	\$ 32,090	\$ 35,526	\$ 33,749
Less: Funds Restricted for Repayment of General Obligation Bonds	<u>          </u>	<u>          </u>	<u>          </u>
Total Net General Obligation Debt	32,090	35,526	33,749
Current Year Debt Service Requirements	<u>          </u>	<u>          </u>	<u>          </u>
Excess of Statutory Limit for Debt Service over Current Requirements	\$ <u>32,090</u>	\$ <u>35,526</u>	\$ <u>33,749</u>
Net Current Requirements as a % of Statutory Limits	0.00%	0.00%	0.00%

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

There was no general obligation debt service levy for years 2001-2007.

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**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 11 -**  
**PLEDGED REVENUE COVERAGE**  
 Last Ten Fiscal Years  
**UNAUDITED**  
 (Amounts expressed in thousands)

Fiscal Year Ended August 31	Tuition	Building Fees	Registration Fees	Laboratory Fees	Corporate Training	Interest Income	Vending Commission	Bookstore Commission	Total
2010	\$ 915	\$ 788	\$	\$	\$ 1,192	\$	\$	\$	\$ 2,895
2009	770	697			1,370				2,837
2008	706	709			2,178				3,593
2007	691	677			2,266				3,634
2006	663	670			2,005				3,338
2005	628	666			1,964				3,258
2004	584	666			2,272				3,522
2003	353	309	100		1,836				2,598
2002	402	278	104		2,396				3,180
2001	361	263	99		2,095				2,818



<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage Ratio</u>
\$ 585	\$ 400	\$ 985	2.94
560	454	1,014	2.80
525	454	979	3.67
495	553	1,048	3.47
470	583	1,053	3.17
440	611	1,051	3.10
415	637	1,052	3.35
360	690	1,050	2.47
360	690	1,050	3.03
360	690	1,050	2.68

**BRAZOSPORT COLLEGE DISTRICT***STATISTICAL SUPPLEMENT 12 -**DEMOGRAPHIC AND ECONOMIC STATISTICS - TAXING DISTRICT*

Last Ten Fiscal Years

**UNAUDITED**

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income (a) (thousands of dollars)</u>	<u>District Personal Income Per Capita</u>	<u>District Unemployment Rate</u>
2010	N/A	N/A	N/A	9.4
2009	N/A	N/A	N/A	8.9
2008	301,044	N/A	N/A	5.5
2007	294,233	N/A	N/A	4.3
2006	287,898	9,241	32,513	5.1
2005	278,484	8,298	29,869	5.6
2004	271,130	7,701	28,442	6.8
2003	263,621	7,375	27,993	7.3
2002	256,935	7,204	28,035	6.3
2001	249,163	6,918	27,757	5.1

**Sources:**

Population from U.S. Census Bureau (Data only available from 2000-2008)

<http://quickfacts.census.gov/qfd/states/48/48039.html>

Personal income from Bureau of Economic Analysis (Data only available from 2000-2006).

<http://www.bea.gov/regional/reis/default.cfm?catable=CA1-3&section=2>

Unemployment rate from Texas Workforce Commission (Data only available from 2000-2008)

<http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 13 -**  
**PRINCIPAL EMPLOYERS**  
 Current Fiscal Year  
**UNAUDITED**

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Dow Chemical	4,570	4.29%
Texas Department of Criminal Justice	2,440	2.29%
Infinity Group	2,413	2.26%
Brazosport I.S.D.	2,015	1.89%
Walmart	1,880	1.76%
Brazoria County Government	1,313	1.23%
Industrial Specialists	1,069	1.00%
Conoco Phillips	900	0.84%
Total	16,600	15.57%

**Source:**  
**Brazosport Chamber of Commerce**  
**Texas Workforce Commission**

This institution previously did not present this schedule and chose to implement prospectively.

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 14 -**  
**FACULTY, STAFF AND ADMINISTRATORS STATISTICS**  
 Last Ten Fiscal Years  
**UNAUDITED**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Faculty</b>										
Full-Time	88	88	80	74	73	75	68	61	61	47
Part-Time	105	100	187	167	80	100	111	135	141	131
Total	193	188	267	241	153	175	179	196	202	178
<b>Percentage</b>										
Full-Time	45.6%	46.8%	30.0%	30.7%	47.7%	42.9%	38.0%	31.1%	30.2%	26.4%
Part-Time	54.4%	53.2%	70.0%	69.3%	52.3%	57.1%	62.0%	68.9%	69.8%	73.6%
<b>Staff and Administrators</b>										
Full-Time	163	166	156	155	161	141	131	116	97	87
Part-Time	46	63	47	76	250	248	218	178	166	165
Total	209	229	203	231	411	389	349	294	263	252
<b>Percentage</b>										
Full-Time	78.0%	72.5%	76.8%	67.1%	39.2%	36.2%	37.5%	39.5%	36.9%	34.5%
Part-Time	22.0%	27.5%	23.2%	32.9%	60.8%	63.8%	62.5%	60.5%	63.1%	65.5%
FTSE Per Full-time Faculty *	77.1	63.3	69.6	75.3	76.3	74.3	81.9	91.3	91.3	118.5
FTSE Per Full-time Staff Member*	41.8	33.5	35.7	35.9	34.6	39.5	42.5	48.0	57.4	64.0
Average Annual Faculty Salary	\$ 66,419	\$ 44,426	\$ 66,461	\$ 55,857	\$ 44,200	\$ 40,600	\$ 36,900	\$ 32,200	\$ 28,600	\$ 29,900

\* Restated

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 15 -**  
**ENROLLMENT DETAILS**  
 Last Five Fiscal Years  
**UNAUDITED**

<u>Student Classification</u>	<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</u>		<u>Fall 2006</u>		<u>Fall 2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
00-29 hours	2,574	66.58%	2,649	68.15%	2,434	64.89%	2,748	72.17%	2,513	69.69%
30-60 hours	972	25.14%	930	23.93%	962	25.65%	633	16.62%	633	17.55%
>60 hours	<u>320</u>	<u>8.28%</u>	<u>308</u>	<u>7.92%</u>	<u>355</u>	<u>9.46%</u>	<u>427</u>	<u>11.21%</u>	<u>460</u>	<u>12.76%</u>
Total	<u>3,866</u>	<u>100.00%</u>	<u>3,887</u>	<u>100.00%</u>	<u>3,751</u>	<u>100.00%</u>	<u>3,808</u>	<u>100.00%</u>	<u>3,606</u>	<u>100.00%</u>

<u>Semester Hour Load</u>	<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</u>		<u>Fall 2006</u>		<u>Fall 2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 3	11	0.28%	15	0.39%	13	0.35%	19	0.50%	11	0.30%
3-5 semester hours	1,091	28.22%	1,240	31.90%	1,203	32.07%	1,165	30.59%	984	27.29%
6-8 semester hours	1,011	26.15%	962	24.75%	949	25.30%	1,063	27.92%	984	27.29%
9-11 semester hours	538	13.92%	582	14.97%	567	15.12%	516	13.55%	573	15.89%
12-14 semester hours	981	25.38%	854	21.97%	793	21.14%	796	20.90%	838	23.24%
15-17 semester hours	194	5.02%	191	4.91%	191	5.09%	208	5.46%	158	4.38%
18 & over	<u>40</u>	<u>1.03%</u>	<u>43</u>	<u>1.11%</u>	<u>35</u>	<u>0.93%</u>	<u>41</u>	<u>1.08%</u>	<u>58</u>	<u>1.61%</u>
Total	<u>3,866</u>	<u>100.00%</u>	<u>3,887</u>	<u>100.00%</u>	<u>3,751</u>	<u>100.00%</u>	<u>3,808</u>	<u>100.00%</u>	<u>3,606</u>	<u>100.00%</u>

<u>Tuition Status</u>	<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</u>		<u>Fall 2006</u>		<u>Fall 2005</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Texas Resident (in-district)	2,157	55.79%	2,232	57.42%	2,130	56.79%	2,254	59.19%	2,084	57.79%
Texas Resident (out-of-district)	1,686	43.61%	1,621	41.70%	1,547	41.24%	1,494	39.23%	1,501	41.63%
Non-resident tuition	<u>23</u>	<u>0.60%</u>	<u>34</u>	<u>0.88%</u>	<u>74</u>	<u>1.97%</u>	<u>60</u>	<u>1.58%</u>	<u>21</u>	<u>0.58%</u>
Total	<u>3,866</u>	<u>100.00%</u>	<u>3,887</u>	<u>100.00%</u>	<u>3,751</u>	<u>100.00%</u>	<u>3,808</u>	<u>100.00%</u>	<u>3,606</u>	<u>100.00%</u>

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 16 -**  
**STUDENT PROFILE**  
 Last Five Fiscal Years  
**UNAUDITED**

<u>Gender</u>	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Female	1,892	48.94%	1,983	51.02%	1,895	50.52%	1,975	51.86%	1,732	48.03%
Male	1,974	51.06%	1,904	48.98%	1,856	49.48%	1,833	48.14%	1,874	51.97%
<b>Total</b>	<b><u>3,866</u></b>	<b><u>100.00%</u></b>	<b><u>3,887</u></b>	<b><u>100.00%</u></b>	<b><u>3,751</u></b>	<b><u>100.00%</u></b>	<b><u>3,808</u></b>	<b><u>100.00%</u></b>	<b><u>3,606</u></b>	<b><u>100.00%</u></b>

<u>Ethnic Origin</u>	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
White	2,431	62.89%	2,450	63.03%	2,367	63.09%	2,499	65.62%	2,401	66.59%
Hispanic	1,041	26.93%	1,081	27.81%	1,030	27.46%	984	25.84%	876	24.29%
African American	312	8.07%	283	7.28%	273	7.28%	242	6.36%	272	7.54%
Asian	69	1.78%	45	1.16%	49	1.31%	47	1.23%	34	0.94%
Foreign	-0-	0.00%	-0-	0.00%	-0-	0.00%	-0-	0.00%	-0-	0.00%
Native American	9	0.23%	11	0.28%	16	0.43%	16	0.42%	11	0.31%
Other	4	0.10%	17	0.44%	16	0.43%	20	0.53%	12	0.33%
<b>Total</b>	<b><u>3,866</u></b>	<b><u>100.00%</u></b>	<b><u>3,887</u></b>	<b><u>100.00%</u></b>	<b><u>3,751</u></b>	<b><u>100.00%</u></b>	<b><u>3,808</u></b>	<b><u>100.00%</u></b>	<b><u>3,606</u></b>	<b><u>100.00%</u></b>

<u>Age</u>	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 18	736	19.05%	741	19.07%	677	18.05%	825	21.66%	1,475	40.91%
18-21	1,502	38.85%	1,463	37.64%	1,375	36.66%	1,345	35.32%	449	12.45%
22-25	585	15.13%	577	14.84%	571	15.22%	536	14.08%	571	15.83%
26-29	323	8.35%	315	8.10%	326	8.69%	328	8.61%	330	9.15%
30-37	362	9.36%	367	9.44%	378	10.08%	377	9.90%	410	11.37%
38 & above	358	9.26%	424	10.91%	424	11.30%	397	10.43%	371	10.29%
<b>Total</b>	<b><u>3,866</u></b>	<b><u>100.00%</u></b>	<b><u>3,887</u></b>	<b><u>100.00%</u></b>	<b><u>3,751</u></b>	<b><u>100.00%</u></b>	<b><u>3,808</u></b>	<b><u>100.00%</u></b>	<b><u>3,606</u></b>	<b><u>100.00%</u></b>
<b>Average Age</b>	<b>24</b>		<b>24</b>		<b>24</b>		<b>24</b>		<b>24</b>	

**BRAZOSPORT COLLEGE DISTRICT**  
**STATISTICAL SUPPLEMENT 17 -**  
**TRANSFERS TO SENIOR INSTITUTIONS**  
2008 Fall Students as of Fall 2009  
(Includes only public senior colleges in Texas)

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Transfer Student Count <u>Tech-Prep</u>	Total of Transfer Students	% of Transfer Students
Angelo State University	4	1		5	0.79%
Lamar University	12	2		14	2.21%
Prairie View A&M University	5	1		6	0.95%
Sam Houston State University	44	9		53	8.37%
Stephen F. Austin State University	20	2		22	3.48%
Sul Ross State University	1			1	0.16%
Tarleton State University	2			2	0.31%
Texas A&M University	117	3		120	18.96%
Texas A&M Central Texas	1			1	0.16%
Texas A&M University at Commerce	1			1	0.16%
Texas A&M University at Corpus Christi	9			9	1.42%
Texas A&M University at Galveston	11	1		12	1.90%
Texas A&M University at Kingsville	6			6	0.95%
Texas Southern University	4	1		5	0.79%
Texas State University	46	2	1	49	7.74%
Texas Tech University	29	1		30	4.74%
Texas Woman's University	2			2	0.32%
The University of Texas at Arlington	9			9	1.42%
The University of Texas at Austin	49	4		53	8.37%
The University of Texas at Dallas	5			5	0.79%
The University of Texas at Pan American					0.00%
The University of Texas at San Antonio	37	1		38	6.00%
The University of Texas at Tyler	2			2	0.31%
The University of Texas of the Permian Basin					0.00%
The University of Houston	73	8		81	12.80%
The University of Houston - Downtown	3	1		4	0.63%
The University of Houston at Clear Lake	58	9		67	10.58%
The University of Houston at Victoria	6	1		7	1.11%
The University of North Texas	17			17	2.69%
Texas Tech University Health Science Center	1			1	0.16%
The University of Texas Health Sciences Center at Houston	3			3	0.47%
The University of Texas MD Anderson Cancer Center	2			2	0.31%
The University of Texas Medical Branch at Galveston	6			6	0.95%
Totals	<u>585</u>	<u>47</u>	<u>1</u>	<u>633</u>	<u>100.00%</u>

Information is provided by the Texas Higher Education Data.  
<http://www.txhighereddata.org/reports/performance/ctcasalf/ctcadd/>

**BRAZOSPORT COLLEGE DISTRICT***STATISTICAL SUPPLEMENT 18 -**CAPITAL ASSET INFORMATION*

Fiscal Years 2006-2010

	Fiscal Year				
	2010	2009	2008	2007	2006
Academic Buildings					
Square footage (in thousands)	369	369	359	359	355
Libraries					
Square footage (in thousands)	16	16	16	16	15
Number of volumes (in thousands)					
Administrative and support buildings					
Square footage (in thousands)	26	26	26	26	26
Dining Facilities					
Square footage (in thousands)	9	9	9	9	9
Average daily customers					
Athletic Facilities					
Square footage (in thousands)					
Gymnasiums	16	16	16	16	16
Fitness Centers	3	3	3	3	3
Plant Facilities					
Square Footage (in thousands)	13	13	13	13	13
Transportation					
Cars					
Light Truck/Vans	7	7	7	5	5
Buses					