

BRAZOSPORT COLLEGE DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEARS ENDED AUGUST 31, 2012 AND 2011

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 Years Ended August 31, 2012 and 2011

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BRAZOSPORT COLLEGE DISTRICT

Annual Financial and Compliance Report Years Ended August 31, 2012 and 2011

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INTRODUCTORY SECTION

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BRAZOSPORT COLLEGE DISTRICT

ORGANIZATIONAL DATA

Fiscal Year 2011-2012

Board of Trustees/Regents

Officers

Carolyn Johnson
Sharon Rogers

Chairman
Vice-Chairman

Members

Term Expires

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

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

May 10, 2014
May 10, 2014
May 10, 2014
May 14, 2016
May 14, 2016
May 14, 2016
May 12, 2018
May 12, 2018
May 12, 2018

Principal Administrative Officers

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

President
Dean, Information & Community Resources
Vice-President, Administrative Services & CFO
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

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

Houston Office:
10260 Westheimer, Suite 410
Houston, Texas 77042
(281) 974-3416 Fax: (281) 974-3764

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

December 5, 2012

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, 2012 and 2011, 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, 2012 and 2011, 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.

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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 December 5, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is 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*, and the Texas Higher Education Coordinating Board and is also not a required part of the financial statements. The supplemental schedules; and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Kennemer, Masters & Hunford, LLC

BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012. 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 88% 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 related 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, 2012 and 2011
(in thousands of dollars)

	2012	2011
Assets:		
Current assets	\$ 6,083	\$ 2,481
Capital assets, net	101,767	95,878
Other assets	7,644	7,511
Total assets	115,494	105,870

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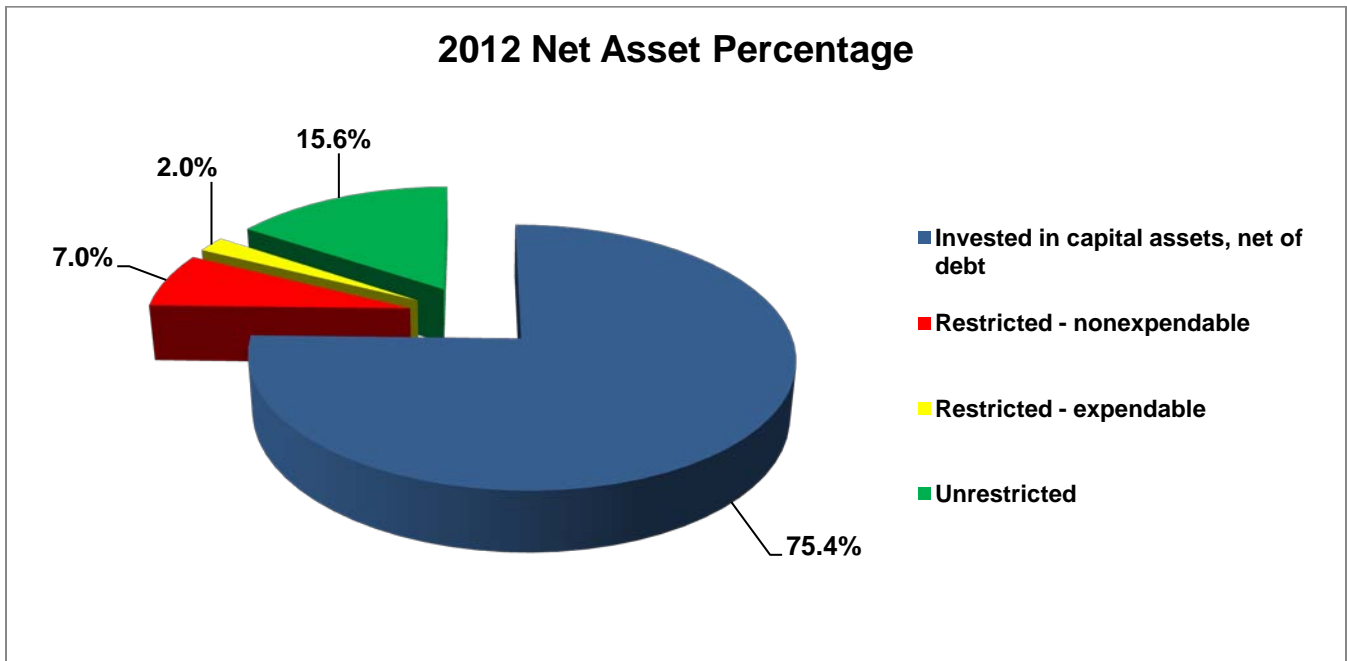
BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

The Statement of Net Assets - Continued

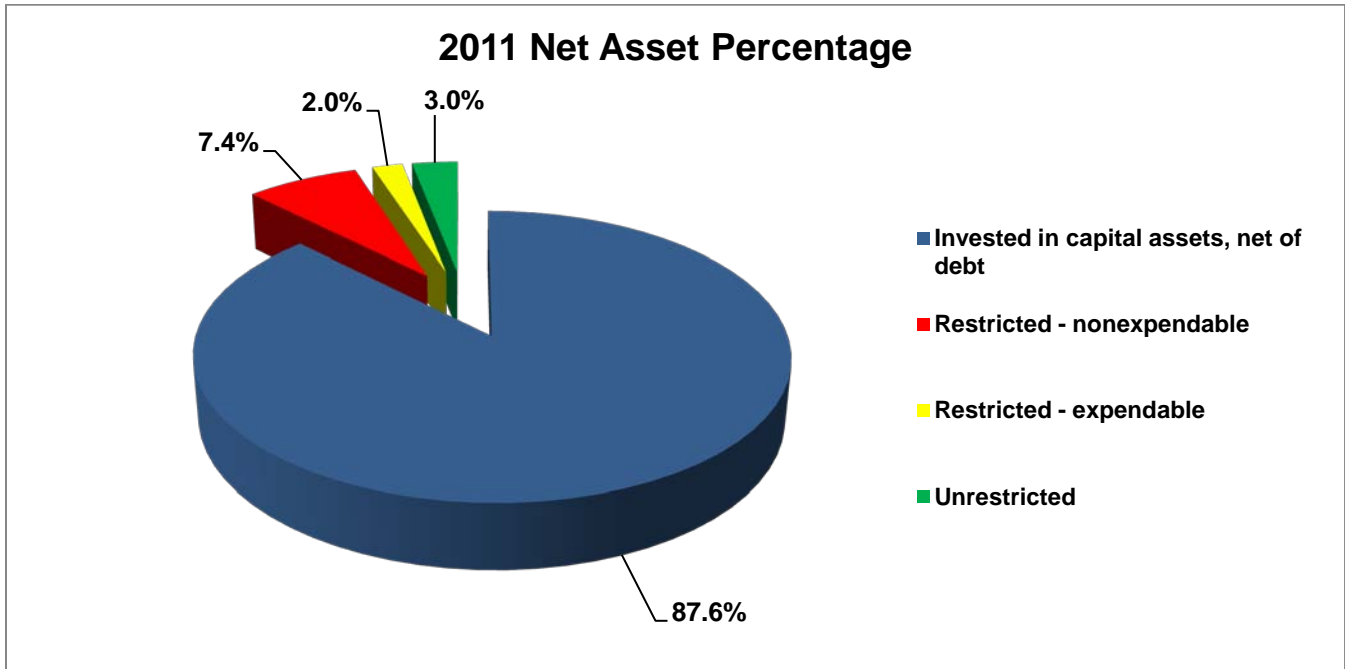
	2012	2011
Liabilities:		
Current liabilities	\$ 6,134	\$ 8,335
Noncurrent liabilities	73,879	64,161
Total liabilities	80,013	72,496
Total net assets	\$ 35,481	\$ 33,374
Net Assets Consists Of:		
Invested in capital assets, net of related debt	\$ 26,734	\$ 29,241
Restricted – nonexpendable	2,484	2,453
Restricted – expendable	721	674
Unrestricted	5,542	1,006
Total net assets	\$ 35,481	\$ 33,374

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 District records asset acquisitions that have a unit value of \$ 5,000 or more as capital assets that are depreciated over time related to the useful life of the assets. Furnishings, fixtures, and other equipment having unit values less than \$ 5,000 are recorded as expenses during the period acquired. For the new and renovated construction projects during 2011-2012, the District purchased approximately \$ 3 million of these assets, explaining the significant reduction in Unrestricted Net Assets.

The following chart reflects the percentage of net assets at August 31, 2012 and 2011:



BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 YEARS ENDED AUGUST 31, 2012 AND 2011



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, 2012 and 2011
 (in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Net tuition and fees	\$ 8,186	\$ 7,304
Auxiliary enterprises	143	158
Grants and contracts	6,812	5,167
Other	<u>798</u>	<u>820</u>
 Total operating revenues	 <u>15,939</u>	 <u>13,449</u>

(continued)

BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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

	2012	2011
Operating Expenses:		
Instruction	\$ 15,501	\$ 17,531
Public service	194	180
Academic support	1,742	1,878
Student services	2,274	2,314
Institutional support	5,320	4,962
Operation and maintenance of plant	3,582	3,303
Scholarships and fellowships	3,607	4,026
Auxillary enterprises	752	996
Depreciation	2,857	1,798
Total operating expenses	35,829	36,988
Operating loss	(19,890)	(23,539)
Nonoperating Revenues and Expenses:		
State appropriations	6,000	7,597
Title IV federal grants	4,276	4,155
Taxes of maintenance and operations	10,647	9,734
Taxes of debt service	4,058	1,980
Investment income	149	159
Debt service expenses	(3,135)	(2,661)
Net nonoperating revenues	21,995	20,964
Loss before other revenues, expenses, gains or losses	2,105	(2,575)
Other Revenues, Expenses, Gains or Losses:		
Additions to permanent and term endowments	2	6
Increase (decrease) in net assets	2,107	(2,569)
Net asset at beginning of year	33,374	35,943
Net asset at end of year	\$ 35,481	\$ 33,374

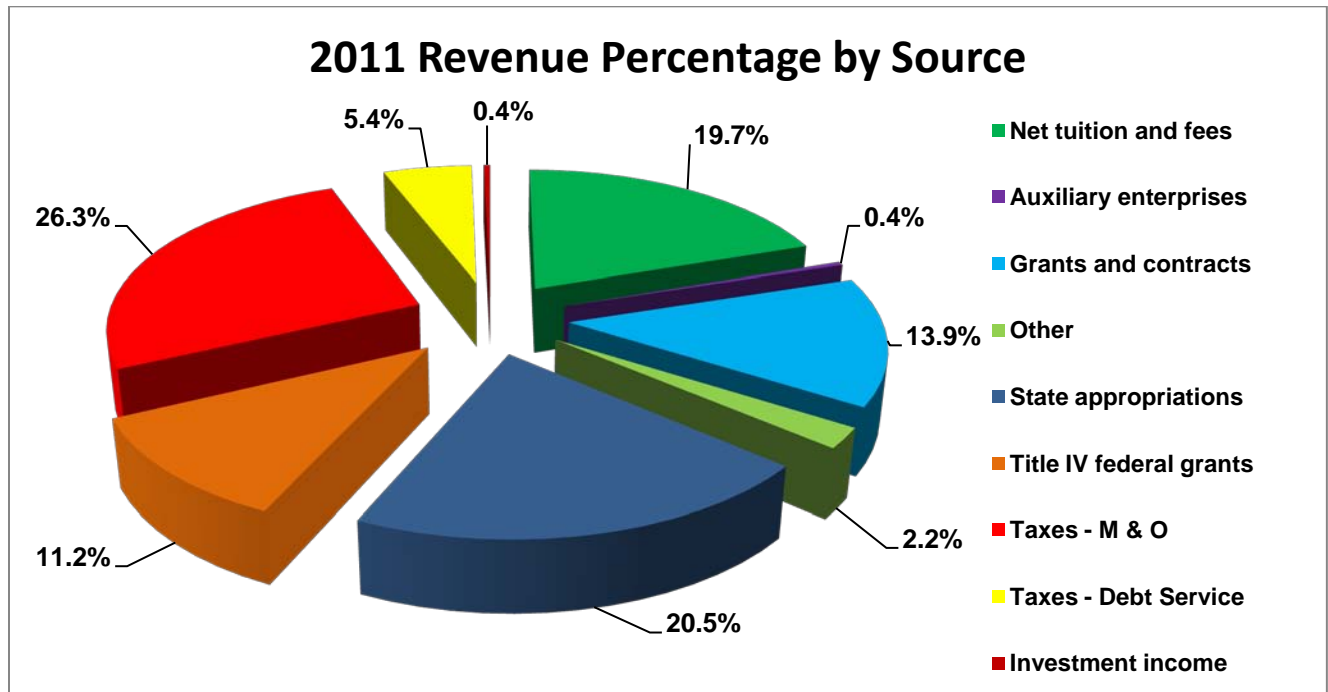
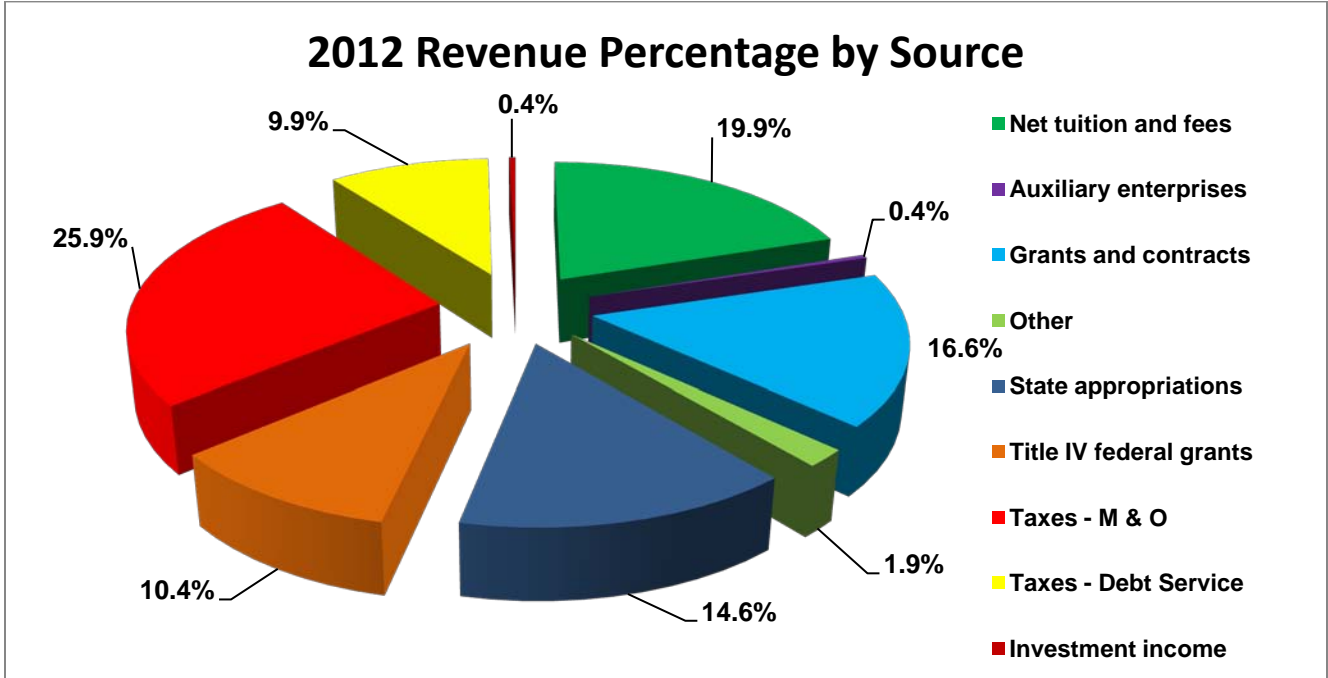
The following graphic information illustrates the changes in revenues, expenses and the results of both operating and non-operating activity for the years ended August 31, 2012 and 2011.

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, 2012 and 2011.

BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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

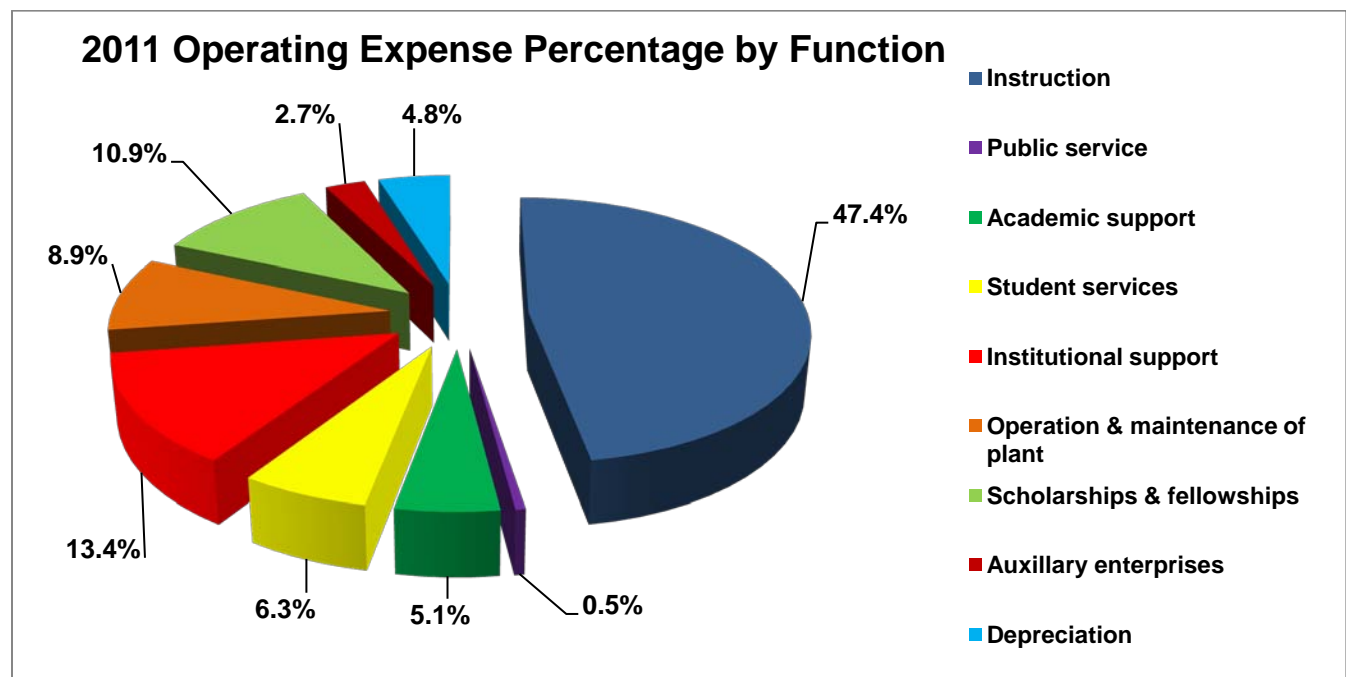
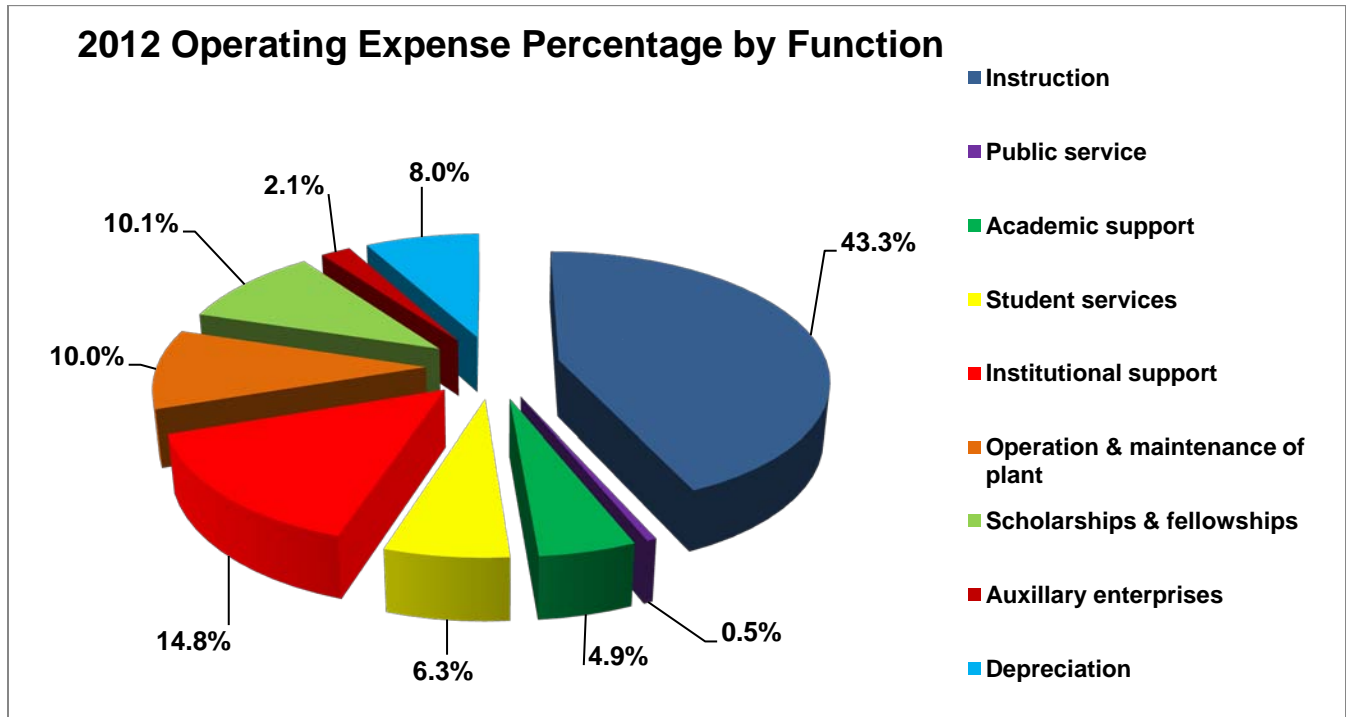


BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011.

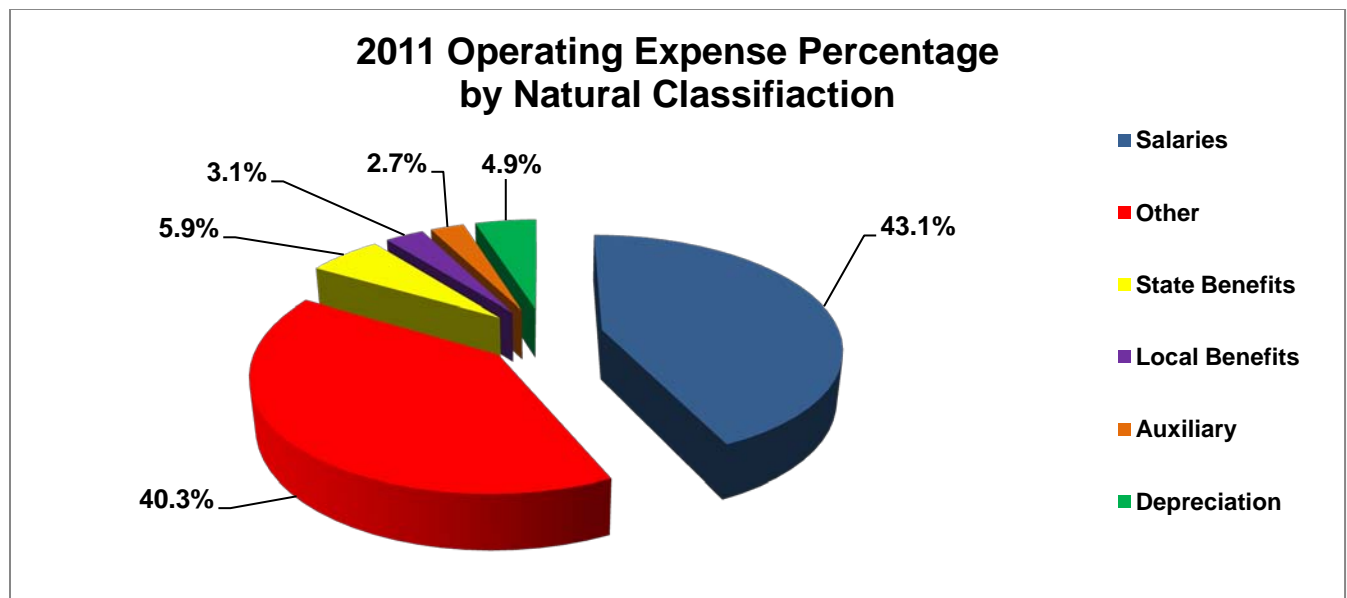
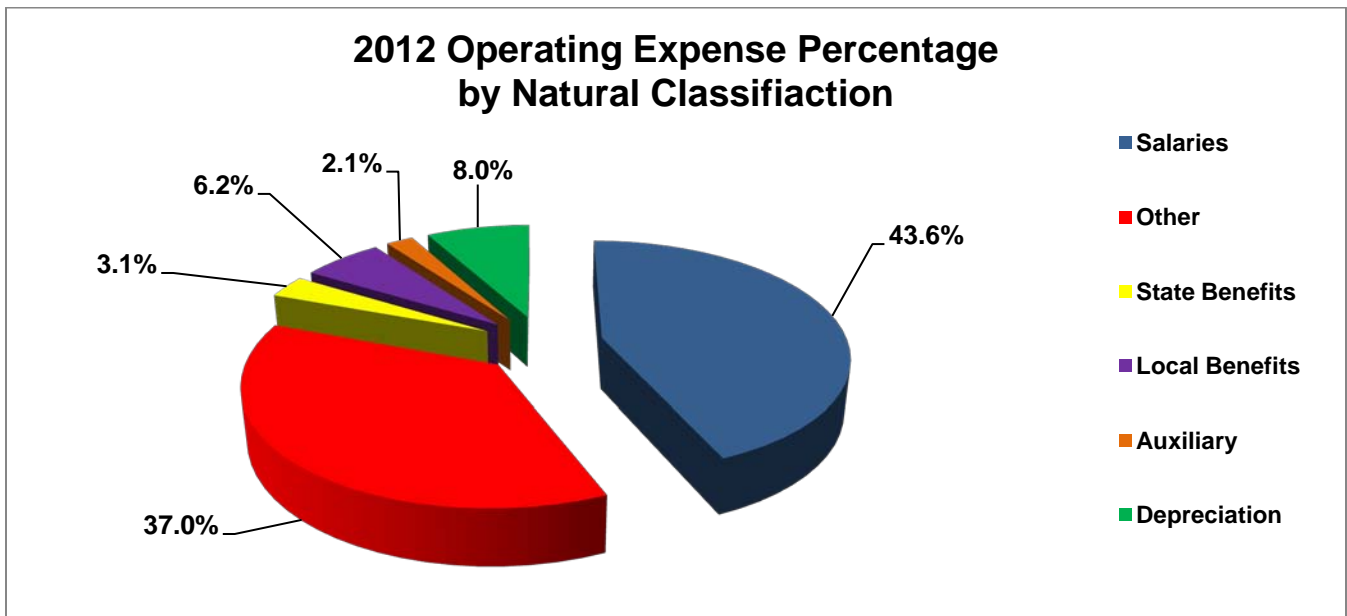


BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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

For the years ended August 31, 2012 and 2011, forty-three point three percent and forty-seven point four percent of operating expenses by function are attributable to instruction. The percentages for the remaining functional areas range from five tenths of a percent to fourteen point eight percent of total operating expenses.

For the years ended August 31, 2012 and 2011, fifty-two point nine percent and fifty-two point one percent of expenses are attributed to salaries and benefits, while operating expenses represent thirty-seven percent and forty point three percent of total expenses, and depreciation represent the remaining eight percent and four point nine percent of expenses. Total Auxiliary expenses represented two point one percent and two point seven percent of total expenses.



BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011
(in thousands of dollars)

	2012	2011
Cash Provided (Used) By:		
Operating activities	\$(18,337)	\$(22,679)
Non-operating financing activities	23,805	21,286
Capital and related financing activities	(1,963)	(8,670)
Investing activities	(491)	1,753
Net increase (decrease) in cash	3,014	(8,310)
Cash and cash equivalents, beginning of year	2,333	10,643
Cash and cash equivalents, end of year	\$ 5,347	\$ 2,333

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, 2012, Brazosport College District had \$ 101,767,161 invested in capital assets, net of accumulated depreciation. Depreciation charges totaled \$ 2,856,610 for the current fiscal year. Details of these assets are shown below.

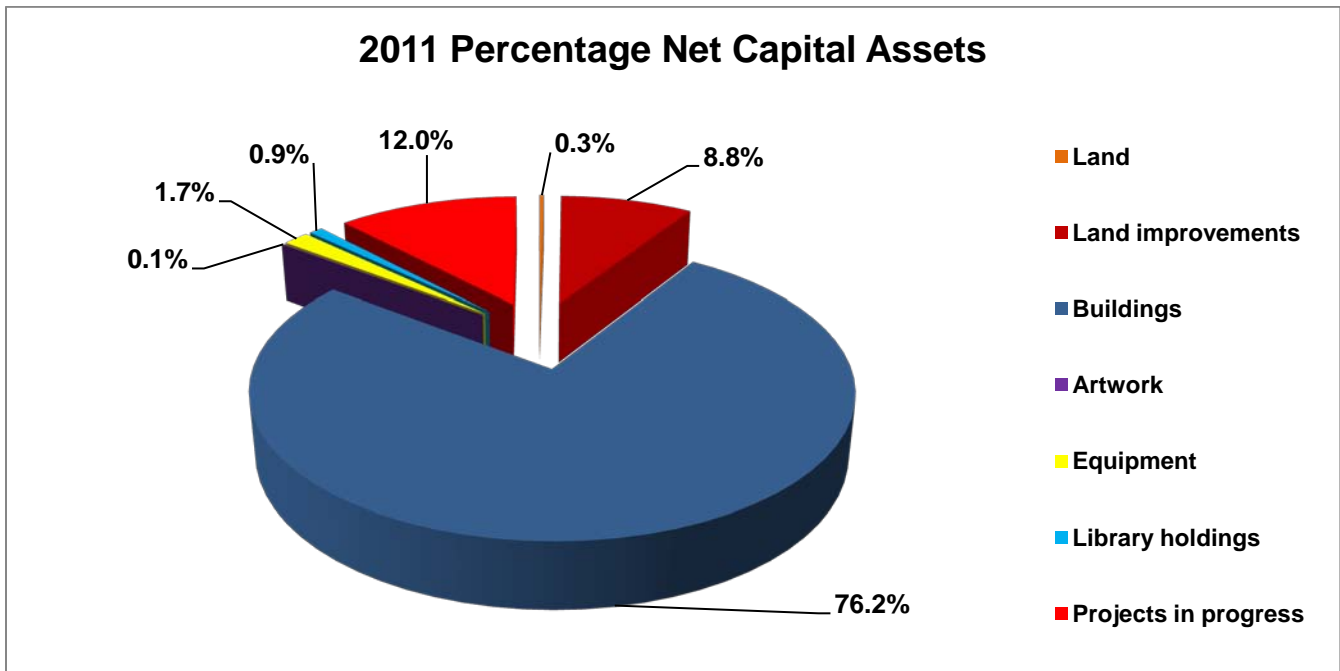
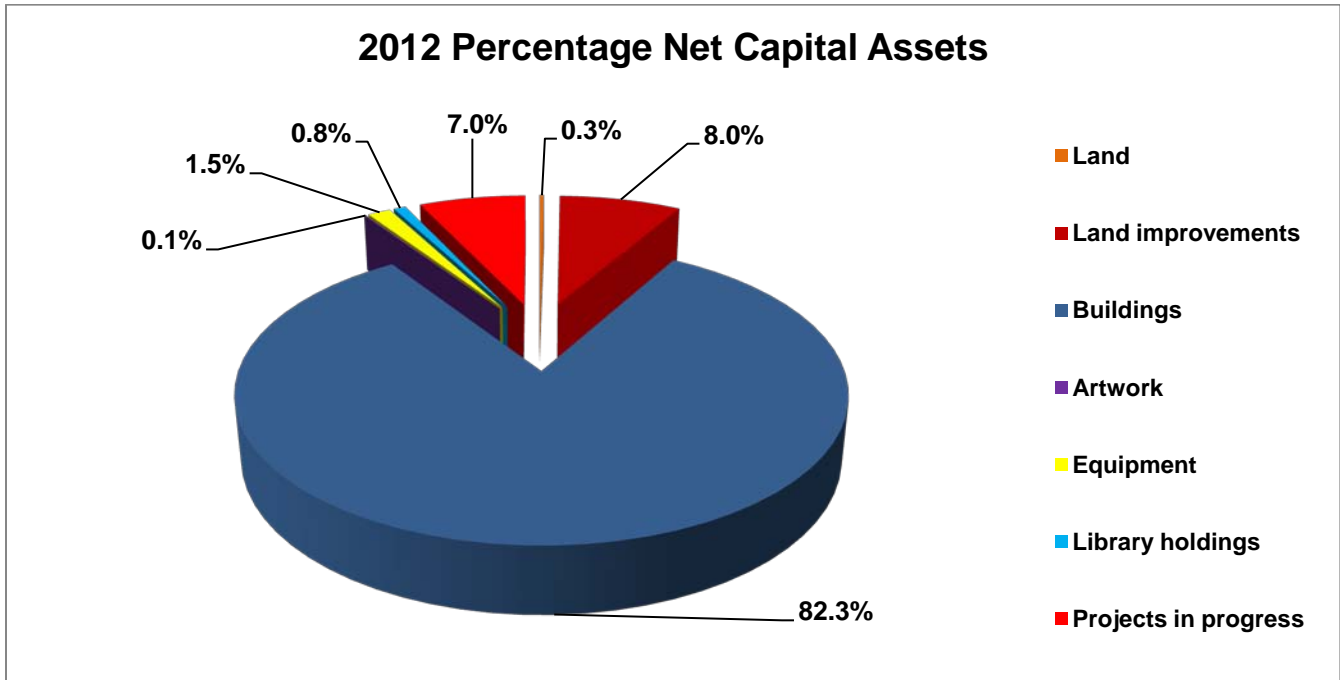
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2012	2011
Land	\$ 296	\$ 296
Land improvements	8,118	8,391
Buildings	83,749	73,067
Artwork	91	91
Equipment	1,562	1,659
Library holdings	810	831
Projects in progress	7,141	11,543
Total	\$ 101,767	\$ 95,878

BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

Capital Asset and Debt Administration - Continued

The following is a graphic illustration of the make-up of net capital assets at August 31, 2012 and 2011:



BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

Capital Asset and Debt Administration - Continued

Projects in progress for Brazosport College District during 2010-2011 and 2011-2012 included completion of the Dow Academic Center, the Byron & Sandra Sadler Health Professionals Complex, the Main Entrance Boulevard, the Technology Corridor, 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 Student Success Center.

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

Debt

At August 31, 2012, the District had \$ 76,064,161 in debt outstanding. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt Schedule – Net of Premiums
(in thousands of dollars)

	2012	2011
Revenue bonds	\$ 7,595	\$ 8,300
General obligation bonds	67,100	56,040
Total debt	\$ 74,695	\$ 64,340

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.

On October 14, 2010, the District authorized and issued \$ 29,360,000 in General Obligation Bonds, Series 2010 to construct the Master Plan which adds several buildings and renovates and improves the campus. These bonds are the second issue of bonds approved by voters in the amount of \$ 70,000,000 on November 6, 2007.

On November 8, 2011, the District authorized and issued \$ 11,820,000 in General Obligation Bonds, Series 2011 to continue to construct the Master Plan which adds several buildings and renovates and improves the campus. These bonds are the third 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.

BRAZOSPORT COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2012 AND 2011

Economic Factors That Will Affect the Future

For fiscal year 2012-2013, the District Board of Regents approved an increase in property tax in September, 2012 of \$ 0.01129 per \$ 100 of valuation. This sets the rate at \$ 0.184 per \$ 100 of valuation for the 2012 assessment. This increase applied to a decrease in the tax base will generate approximately \$ 1,120,000 more tax revenue for the 2012-2013 fiscal year. The Board of Regents also approved a tax rate of 0.075436 per \$ 100 valuation to pay the debt service on the General Obligation Bonds. Therefore, the total tax rate for the District is \$ 0.259436 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.

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 Vice-President, Administrative Services and CFO, 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, 2012 AND 2011

EXHIBIT 1
Page 1 of 2

	<u>2012</u>	<u>2011</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 4,690,984	\$ 1,186,954
Accounts and notes receivable (net of allowance for doubtful accounts)	823,477	743,592
Inventories	42,297	49,242
Other assets	<u>526,232</u>	<u>501,210</u>
Total current assets	<u>6,082,990</u>	<u>2,480,998</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	656,369	1,146,321
Accounts receivable (net of allowance for doubtful accounts)	578,183	679,865
Investments	2,530,188	2,538,627
Bond issuance costs (net of accumulated amortization)	1,372,706	1,271,400
Other assets	2,208	20,228
Investments	2,504,220	1,853,933
Capital assets, (net of accumulated depreciation)	<u>101,767,161</u>	<u>95,878,450</u>
Total noncurrent assets	<u>109,411,035</u>	<u>103,388,824</u>
Total assets	<u>115,494,025</u>	<u>105,869,822</u>
Liabilities:		
Current Liabilities:		
Accounts and accrued liabilities	916,751	876,782
Funds held for others	139,136	161,216
Deferred revenues	1,689,959	1,537,590
Accrued compensated absences	55,000	48,500
Liabilities Payable from Restricted Assets:		
Accounts and accrued liabilities	880,405	3,931,388
Deferred revenue	64,471	252,282
Bonds payable	<u>2,388,303</u>	<u>1,526,393</u>
Total current liabilities	<u>6,134,025</u>	<u>8,334,151</u>
Noncurrent liabilities:		
Bonds payable	73,675,858	63,968,166
Accrued compensated absences	<u>203,559</u>	<u>193,549</u>
Total noncurrent liabilities	<u>73,879,417</u>	<u>64,161,715</u>
Total liabilities	<u>80,013,442</u>	<u>72,495,866</u>

(continued)

BRAZOSPORT COLLEGE DISTRICT
STATEMENTS OF NET ASSETS – Continued
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 26,734,227	\$ 29,241,276
Restricted:		
Nonexpendable:		
Endowments	2,483,643	2,452,445
Expendable:		
Endowments	106,118	51,054
Student aid	265,650	275,155
Instructional programs	16,665	15,088
Debt service	332,588	332,588
Unrestricted	<u>5,541,692</u>	<u>1,006,350</u>
Total net assets	<u>\$ 35,480,583</u>	<u>\$ 33,373,956</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, 2012 AND 2011

EXHIBIT 1A
PAGE 1 OF 1

	<u>2012</u>	<u>2011</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 3,712,102	\$ 601,622
Accounts receivable	46,805	12,948
Pledges receivable (net of allowance for doubtful accounts)	<u>53,989</u>	<u>1,086,313</u>
Total current assets	<u>3,812,896</u>	<u>1,700,883</u>
Noncurrent Assets:		
Pledges receivable (net of allowance for doubtful accounts and discounts)	26,057	73,628
Investments	<u> </u>	<u>5,459,613</u>
Total noncurrent assets	<u>26,057</u>	<u>5,533,241</u>
Total assets	<u>3,838,953</u>	<u>7,234,124</u>
Liabilities:		
Current Liabilities:		
Accounts payable	46,651	20,343
Deferred revenue	<u>24,250</u>	<u>25,641</u>
Total current liabilities	70,901	45,984
Noncurrent liabilities:		
Total noncurrent liabilities	<u> </u>	<u> </u>
Total liabilities	<u>70,901</u>	<u>45,984</u>
Net Assets:		
Restricted:		
Permanently restricted	1,404,508	1,310,135
Temporarily restricted	1,924,135	5,286,430
Unrestricted	<u>439,409</u>	<u>591,575</u>
Total net assets	<u>\$ 3,768,052</u>	<u>\$ 7,188,140</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, 2012 AND 2011**EXHIBIT 2
Page 1 of 1

Revenues:	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Tuition and fees (net of discounts of \$ 1,557,748 and \$ 1,158,405, respectively)	\$ 8,186,178	\$ 7,303,581
Federal grants and contracts	1,902,766	3,700,214
State grants and contracts	344,692	882,546
Local grants and contracts	4,450,811	420,511
Non-governmental grants and contracts	113,760	163,950
Sales and services of educational activities	215,689	150,222
Auxiliary enterprises	142,573	157,791
Other operating revenues	<u>582,190</u>	<u>670,063</u>
Total operating revenues	<u>15,938,659</u>	<u>13,448,878</u>
Expenses:		
Operating Expenses:		
Instruction	15,501,454	17,531,328
Public service	194,382	179,535
Academic support	1,741,849	1,877,944
Student services	2,274,121	2,314,283
Institutional support	5,319,719	4,962,245
Operation and maintenance of plant	3,581,707	3,302,377
Scholarships and fellowships	3,607,286	4,025,914
Auxiliary enterprises	752,449	996,112
Depreciation	<u>2,856,610</u>	<u>1,798,260</u>
Total operating expense	<u>35,829,577</u>	<u>36,987,998</u>
Operating loss	<u>(19,890,918)</u>	<u>(23,539,120)</u>
Non-Operating Revenues (Expenses):		
State appropriations	6,000,326	7,597,493
Title IV federal programs	4,276,200	4,154,780
Taxes for maintenance and operations	10,647,415	9,733,865
Debt service ad valorem taxes	4,057,477	1,979,623
Investment income (loss) net of investment expenses	149,048	159,284
Interest on capital related debt	<u>(3,135,104)</u>	<u>(2,660,576)</u>
Net non-operating revenues	<u>21,995,362</u>	<u>20,964,469</u>
Income before other revenues, (expenses), gains, (losses)	<u>2,104,444</u>	<u>(2,574,651)</u>
Other Revenues, (Expenses), Gains, (Losses)		
Additions to permanent and term endowments	<u>2,183</u>	<u>5,694</u>
Total other revenues, (expenses), gains, (losses)	<u>2,183</u>	<u>5,694</u>
Increase (decrease) in net assets	2,106,627	(2,568,957)
Net Assets:		
Net assets – beginning of year	<u>33,373,956</u>	<u>35,942,913</u>
Net assets – end of year	<u>\$ 35,480,583</u>	<u>\$ 33,373,956</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, 2012 AND 2011

EXHIBIT 2A
PAGE 1 OF 1

	<u>2012</u>	<u>2011</u>
Revenue:		
Gifts (net of discounts)	\$ 435,035	\$ 758,789
Grants	77,345	93,109
Fundraising	359,300	191,339
Interest and dividend income	145,886	111,626
Gain (loss) on investments	(68,526)	(2,934)
Unrealized investment income (loss)	<u>10,813</u>	<u>10,813</u>
Total revenue	<u>949,040</u>	<u>1,162,742</u>
Expenses:		
Fundraising expenses	119,111	57,861
Investment expenses	1,471	1,844
Administrative	7,200	7,200
Student aid scholarships	164,001	71,818
Grants to Brazosport College District	<u>4,077,345</u>	<u>138,367</u>
Total operating expenses	<u>4,369,128</u>	<u>277,090</u>
Increase (decrease) in net assets	(3,420,088)	885,652
Net Assets:		
Net assets - beginning of year	<u>7,188,140</u>	<u>6,302,488</u>
Net assets - end of year	<u>\$ 3,768,052</u>	<u>\$ 7,188,140</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, 2012 AND 2010

EXHIBIT 3
Page 1 of 2

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 10,248,056	\$ 8,585,705
Receipts of grants and contracts	6,681,558	5,162,540
Collection of loans to students and employees	161,112	46,835
Receipts from student organizations	66,803	37,548
Other receipts	582,190	670,063
Payments to or on behalf of employees	(17,556,300)	(17,044,176)
Payments to suppliers of goods and service	(14,655,113)	(16,053,998)
Payments of scholarships	(3,607,286)	(4,022,306)
Loans to students and employees	(169,428)	(44,384)
Payment on behalf of student organizations	<u>(88,883)</u>	<u>(16,717)</u>
Net cash used by operating activities	<u>(18,337,291)</u>	<u>(22,678,890)</u>
Cash Flows from Noncapital Financing Activities:		
State appropriations	4,880,787	5,411,856
Ad valorem tax revenues	14,646,540	11,713,488
Title IV federal programs	4,276,200	4,154,780
Gifts and grants (other than capital)	<u>2,183</u>	<u>5,694</u>
Net cash provided by non-capital and related financing activities	<u>23,805,710</u>	<u>21,285,818</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from sale of bonds	12,096,054	29,952,528
Bond issuance costs	(187,878)	(347,168)
Principal payments on bonded debt	(1,465,000)	(1,375,000)
Interest and fees paid on bonded debt	(3,660,906)	(1,622,599)
Purchases of capital assets	<u>(8,745,321)</u>	<u>(35,277,671)</u>
Net cash used by capital and related financing activities	<u>(1,963,051)</u>	<u>(8,669,910)</u>
Cash Flows from Investing Activities		
Proceeds from sale and maturity of investments	4,809,423	6,730,269
Investment earnings	283,544	161,576
Purchases of investments	<u>(5,584,257)</u>	<u>(5,139,271)</u>
Net cash provided by investing activities	<u>(491,290)</u>	<u>1,752,574</u>
Increase (decrease) in cash and cash equivalents	3,014,078	(8,310,408)
Cash and cash equivalents – September 1,	<u>2,333,275</u>	<u>10,643,683</u>
Cash and cash equivalents – August 31,	<u>\$ 5,347,353</u>	<u>\$ 2,333,275</u>

(continued)

BRAZOSPORT COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

EXHIBIT 3
Page 2 of 2

	<u>2012</u>	<u>2011</u>
Noncash Transactions Affecting Financial Position:		
Change in value of investments – from cost to fair value increase (decrease)	\$(<u>132,986</u>)	\$ <u>20,658</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:		
Operating income (loss)	\$(19,890,918)	\$(23,539,120)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,856,610	1,798,260
State on-behalf benefits	1,119,539	2,185,637
Changes in Assets and Liabilities:		
Receivables, net	78,639	(338,268)
Inventories	6,945	(3,525)
Other assets	(7,002)	(39,882)
Accounts payable	(2,460,092)	(2,920,967)
Deferred revenue	(35,442)	135,973
Funds held for others	(22,080)	20,831
Compensated absences	<u>16,510</u>	<u>22,171</u>
Net cash used by operating activities	\$(<u>18,337,291</u>)	\$(<u>22,678,890</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, 2012 AND 2011

EXHIBIT 3A
Page 1 of 1

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from gifts	\$ 1,507,730	\$ 1,016,320
Receipts from grants	43,488	
Receipts from fundraising	357,909	190,089
Receipt of interest and dividend earnings	145,886	111,626
Proceeds from sale and maturity of investments	7,583,327	4,339,193
Payments to suppliers of goods and services	(120,582)	(60,577)
Payments of investments	(2,192,240)	(6,067,841)
Payments of scholarships	(164,001)	(71,818)
Payments of scholarships and grants to Brazosport College	<u>(4,051,037)</u>	<u>(138,367)</u>
Net cash provided (used) by operating activities	<u>3,110,480</u>	<u>(681,375)</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	3,110,480	(681,375)
Cash and cash equivalents – September 1,	<u>601,622</u>	<u>1,282,997</u>
Cash and cash equivalents – August 31,	<u>\$ 3,712,102</u>	<u>\$ 601,622</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> </u>	<u>10,813</u>
Net noncash transactions affecting financial position	<u>\$ 7,200</u>	<u>\$ 18,013</u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used)		
By Operating Activities:		
Change in net assets	\$(3,420,088)	\$ 885,652
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)		
By Operating Activities:		
Change in Assets and Liabilities:		
Receivables, net	(33,857)	33,192
Pledges receivable, net	1,079,895	231,539
Investments	5,459,613	(1,736,527)
Accounts payable	26,308	(872)
Deferred revenue	<u>(1,391)</u>	<u>(94,359)</u>
Net cash provided (used) by operating activities	<u>\$ 3,110,480</u>	<u>\$(681,375)</u>

The accompanying notes are an integral part of this statement.

BRAZOSPORT COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2012 AND 2011

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BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011.

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, 2012 AND 2011

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, 2012 AND 2011

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, 2012 AND 2011

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, 2012 and 2011, no interest was capitalized.

2.J. Deferred Revenues

Tuition and fees of \$ 1,689,959 and \$ 1,537,590 and federal, state and local grants of \$ 64,471 and \$ 252,282 have been reported as deferred revenues at August 31, 2012 and 2011 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, 2012 AND 2011

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, 2012 and 2011:

<u>August 31, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$	\$ 2,483,643	\$ 2,483,643
Board-designated endowment funds	_____	106,118	_____	106,118
Total investment return	\$ <u>-0-</u>	\$ <u>106,118</u>	\$ <u>2,483,643</u>	\$ <u>2,589,761</u>

<u>August 31, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$	\$ 2,452,445	\$ 2,452,445
Board-designated endowment funds	_____	51,054	_____	51,054
Total investment return	\$ <u>-0-</u>	\$ <u>51,054</u>	\$ <u>2,452,445</u>	\$ <u>2,503,499</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Changes in endowment net assets for the years ended August 31, 2012 and 2011:

<u>August 31, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 1, 2011	\$ -0-	\$ 51,054	\$ 2,452,445	\$ 2,503,499
Investment Return:				
Investment income		28,948	9,411	38,359
Realized gains		127,254	41,377	168,631
Unrealized gains (losses)		(66,963)	(21,773)	(88,736)
Total investment return	-0-	89,239	29,015	118,254
Contributions		2,275	2,183	4,458
Scholarships provided		(36,450)		(36,450)
Endowment net assets, August 31, 2012	<u>\$ -0-</u>	<u>\$ 106,118</u>	<u>\$ 2,483,643</u>	<u>\$ 2,589,761</u>
 <u>August 31, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 1, 2010	\$ 1,829,662	\$ -0-	\$ 2,436,463	\$ 4,266,125
Investment Return:				
Investment income		54,211		54,211
Realized gains		238		238
Unrealized gains (losses)		3,198		3,198
Total investment return	-0-	57,647	-0-	57,647
Contributions			5,694	5,694
Moved From (To):				
Unrestricted	(1,779,143)			(1,779,143)
Restricted	(50,519)	40,231	10,288	-0-
Scholarships provided		(46,824)		(46,824)
Endowment net assets, August 31, 2011	<u>\$ -0-</u>	<u>\$ 51,054</u>	<u>\$ 2,452,445</u>	<u>\$ 2,503,499</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011.

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 to 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, 2012 and 2011, no net appreciation was available to be spent.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2012</u>			
Cash and Cash Equivalents:			
Cash (cashier and petty cash accounts)	\$ 59,932	\$	\$ 59,932
Financial Institution Deposits:			
Demand deposits	3,756,086	654,850	4,410,936
Pooled Deposits:			
TexPool, Lone Star, LOGIC & TEXSTAR	874,966	1,519	876,485
Total cash and cash equivalents	4,690,984	656,369	5,347,353

(continued)

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS AND INVESTMENTS (Continued)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2012</u>			
Investments:			
Investments Held by Broker-Dealers:			
Certificates of deposit	\$	\$ 99,000	\$ 99,000
U.S. Agencies	2,504,220		2,504,220
Mutual funds		1,927,166	1,927,166
Equities		<u>504,022</u>	<u>504,022</u>
 Total investments	 <u>2,504,220</u>	 <u>2,530,188</u>	 <u>5,034,408</u>
	<u>\$ 7,195,204</u>	<u>\$ 3,186,557</u>	<u>\$ 10,381,761</u>
 <u>August 31, 2011</u>			
Cash and Cash Equivalents:			
Cash (cashier and petty cash accounts)	\$ 30,804	\$	\$ 30,804
Financial Institution Deposits:			
Demand deposits	480,410	1,144,828	1,625,238
Pooled Deposits:			
TexPool, Lone Star, LOGIC & TEXSTAR	<u>675,740</u>	<u>1,493</u>	<u>677,233</u>
 Total cash and cash equivalents	 <u>1,186,954</u>	 <u>1,146,321</u>	 <u>2,333,275</u>
 Investments:			
Investments Held by Broker-Dealers:			
Certificates of deposit	\$	\$ 99,000	\$ 99,000
U.S. Agencies	<u>1,853,933</u>	<u>2,439,627</u>	<u>4,293,560</u>
 Total investments	 <u>1,853,933</u>	 <u>2,538,627</u>	 <u>4,392,560</u>
	<u>\$ 3,040,887</u>	<u>\$ 3,684,948</u>	<u>\$ 6,725,835</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011, the carrying amounts of the District's deposits of the primary government were \$ 4,509,936 and \$ 1,724,238 and total financial institution balances equaled \$ 4,833,630 and \$ 2,343,963, respectively. At August 31, 2012 and 2011, financial institutions balances of \$ 384,073 and \$ 366,894 were covered by federal depository insurance, \$ 500,000 and \$ 500,000 were covered by the Securities Investor Protection Corporation Insurance, \$ 563,223 and \$ 792,632 were covered by collateral pledged in District's name, and \$ 3,386,334 and \$ 684,437 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
YEARS ENDED AUGUST 31, 2012 AND 2011

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
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 TexPool, Lone Star, TexSTAR, and LOGIC had a weighted average maturity of 38 days, 46 days, 49 days, and 45 days, respectively. Although TexPool, Lone Star, TexSTAR, and LOGIC portfolios had a weighted

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS AND INVESTMENTS (Continued)

4.B. Investments (Continued)

average maturity of 38 days, 46 days, 49 days, and 45 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, 2012 and 2011.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2012</u>			
Local government investment pools	\$ 874,966	\$ 1,519	\$ 876,485
Certificates of deposit		99,000	99,000
U.S. Agencies	2,504,220		2,504,220
Mutual funds		1,927,166	1,927,166
Equities		<u>504,022</u>	<u>504,022</u>
	<u>\$ 3,379,186</u>	<u>\$ 2,531,707</u>	<u>\$ 5,910,893</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>August 31, 2011</u>			
Local government investment pools	\$ 675,740	\$ 1,493	\$ 677,233
Certificates of deposit		99,000	99,000
U.S. Agency	<u>1,853,933</u>	<u>2,439,627</u>	<u>4,293,560</u>
	<u>\$ 2,529,673</u>	<u>\$ 2,540,120</u>	<u>\$ 5,069,793</u>

Unrestricted Funds

As of August 31, 2012 and 2011, 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, 2012</u>		
Local government investment pools (LGIP)	\$ 874,966	42
U.S. Agency	<u>2,504,220</u>	1,440
	<u>\$ 3,379,186</u>	1,078
<u>August 31, 2011</u>		
Local government investment pools (LGIP)	\$ 675,740	41
U.S. Agency	<u>1,853,933</u>	1,240
	<u>\$ 2,529,673</u>	909

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS AND INVESTMENTS (Continued)

4.B. Investments (Continued)

Credit Risk – As of August 31, 2012 and 2011, the LGIPs (which represent approximately 13% and 19% of the unrestricted portfolio) are rated AAAM by Standard and Poor’s. The money market cash accounts (which represent approximately 49% and 28% of the unrestricted portfolio) are covered 100% by federal deposit insurance SIPC and private insurance. The U.S. agencies (which represent approximately 38% and 53% 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, 2012 and 2011, 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, 2012</u>		
Local government investment pools (LGIP)	\$ 1,519	38
Mutual funds	<u>51,538</u>	
	<u>\$ 53,057</u>	
<u>August 31, 2011</u>		
Local government investment pools (LGIP)	\$ <u>1,493</u>	41
	<u>\$ 1,493</u>	

Credit Risk - As of August 31, 2012 and 2011, the LGIP’s (which represent 3% and 100% of the restricted non-endowment portfolio) are rated AAAM by Standard and Poor’s. Mutual funds (which represent approximately 97% and -0-% of the restricted (non-endowment) portfolio) complete the investment portfolio.

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.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

4.B. Investments (Continued)

Restricted (Endowment) Funds

As of August 31, 2012 and 2011, 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, 2012</u>		
Certificates of deposit	\$ 99,000	28
Mutual funds	1,875,628	
Equities	<u>504,022</u>	
	<u>\$ 2,478,650</u>	
<u>August 31, 2011</u>		
U.S. Agency	\$ 2,439,627	3,203
Certificates of deposit	<u>99,000</u>	28
	<u>\$ 2,538,627</u>	3,079

Credit Risk - As of August 31, 2012 and 2011, the money market cash accounts and certificates of deposit (which represent approximately 4% and 10% of the restricted portfolio) are covered 100% by SIPC. The U.S. Agencies (which represent approximately -0-% and 90% of the restricted portfolio) are rated AAA and Aaa by Standard and Poor's and Moody's. Mutual funds (which represent approximately 76% and -0-% of the restricted (endowment) portfolio), and equities (which represent approximately 20% and -0-% of the restricted (endowment) portfolio), complete the investment portfolio.

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.

Foreign Currency Risk – As of August 31, 2011, the District had no mutual funds or equity securities that were exposed to foreign currency risk. The District's investment policy permits it to invest up to 15 percent of total investments in foreign investments. Amounts over 15 percent require periodic rebalancing. As of August 31, 2012, the District's restricted investments in equity securities are exposed to foreign currency risk as follows:

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

4.B. Investments (Continued)

<u>Country</u>	<u>Currency</u>	<u>Fair Value</u>
Argentina	Argentinian Peso	\$ 193
Australia	Australian Dollar	18,715
Brazil	Real	13,841
Canada	Canadian Dollar	24,955
Chile	Chilean Peso	461
China	Chinese Renminbi	14,877
Columbia	Columbian Peso	188
Czech Republic	Czech Koruna	246
Denmark	Danish Krone	225
Hong Kong	Hong Kong Dollar	29,265
India	Indian Rupee	7,092
Indonesia	Rupiah	678
Israel	Shekels	159
Japan	Japanese Yen	137,214
Kazakhstan	Tenge	103
Kuwait	Dinar	87
Mexico	Mexican Peso	1,472
Norway	Norwegian Krone	1,324
Peru	Peruvian New Sol	262
Poland	Zloty	771
Qatar	Qatar Rial	164
Russia	Ruble	6,753
Singapore	Singapore Dollar	11,744
South Africa	Rand	2,800
South Korea	Won	10,579
Sri Lanka	Sri Lankan Rupee	119
Sweden	Krona	2,050
Switzerland	Franc	17,554
Taiwan	Taiwan Dollar	3,078
Thailand	Bhat	1,816
Turkey	Turkish Lira	1,160
Ukraine	Hryvna	135
United Arab Emirates	Dirhan	34
United Kingdom	Pound	104,995
Various	Euro	<u>81,220</u>
Total foreign investments		496,329
United States		<u>1,934,859</u>
Total mutual funds and equities		<u>\$ 2,431,188</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

4. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

4.B. Investments (Continued)

At August 31, 2012, the District held 20% and 5% in foreign investments in restricted investments and total investments. These balances will be reviewed annually and adjusted as necessary to comply with the investment policy and to maximize the District's return on investment.

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, 2012 and 2011, and held no direct investments in derivatives at August 31, 2012 and 2011.

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, 2012 and 2011:

<u>August 31, 2012</u>	<u>Balance September 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2012</u>
Non-Depreciated Capital Assets:				
Land	\$ 296,189	\$	\$	\$ 296,189
Art	91,209			91,209
Construction in progress	<u>11,542,717</u>	<u>8,509,512</u>	<u>12,910,907</u>	<u>7,141,322</u>
Total non-depreciated	<u>11,930,115</u>	<u>8,509,512</u>	<u>12,910,907</u>	<u>7,528,720</u>
Depreciated Capital Assets:				
Land improvements	11,439,094	112,134		11,551,228
Buildings	89,907,219	12,656,524		102,563,743
Furniture, machinery, vehicles, and other equipment	4,046,723	18,357		4,065,080
Library books	2,118,088	111,138	17,027	2,212,199
Telecommunication and peripheral equipment	<u>2,717,794</u>	<u>248,563</u>		<u>2,966,357</u>
Total depreciated capital assets	<u>110,228,918</u>	<u>13,146,716</u>	<u>17,027</u>	<u>123,358,607</u>
Total assets	<u>122,159,033</u>	21,656,228	12,927,934	<u>130,887,327</u>
Construction in progress		<u>12,910,907</u>	<u>12,910,907</u>	
Total additions/retirements		\$ <u>8,745,321</u>	\$ <u>17,027</u>	

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

6. CAPITAL ASSETS (Continued)

6.A. Changes in Capital Assets (Continued)

<u>August 31, 2012</u>	<u>Balance September 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2012</u>
Accumulated Depreciated:				
Land improvements	\$ 3,047,992	\$ 385,074	\$	\$ 3,433,066
Buildings	16,839,812	1,975,192		18,815,004
Furniture, machinery, vehicles and other equipment	3,123,737	133,002		3,256,739
Library books	1,286,835	132,403	17,027	1,402,211
Telecommunications and peripheral equipment	<u>1,982,207</u>	<u>230,939</u>		<u>2,213,146</u>
Total accumulated depreciation	<u>26,280,583</u>	<u>\$ 2,856,610</u>	<u>\$ 17,027</u>	<u>29,120,166</u>
Net depreciated capital assets	<u>83,948,335</u>			<u>94,238,441</u>
Net capital assets	<u>\$ 95,878,450</u>			<u>\$ 101,767,161</u>

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

<u>August 31, 2011</u>	<u>Balance September 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2011</u>
Non-Depreciated Capital Assets:				
Land	\$ 296,189	\$	\$	\$ 296,189
Art	91,209			91,209
Construction in progress	<u>19,974,530</u>	<u>34,401,235</u>	<u>42,833,048</u>	<u>11,542,717</u>
Total non-depreciated	<u>20,361,928</u>	<u>34,401,235</u>	<u>42,833,048</u>	<u>11,930,115</u>
Depreciated Capital Assets:				
Land improvements	5,685,724	5,753,370		11,439,094
Buildings	52,717,420	37,189,799		89,907,219
Furniture, machinery, vehicles, and other equipment	3,781,279	265,444		4,046,723
Library books	2,170,371	197,575	249,858	2,118,088
Telecommunication and peripheral equipment	<u>2,414,497</u>	<u>303,297</u>		<u>2,717,794</u>
Total depreciated capital assets	<u>66,769,291</u>	<u>43,709,485</u>	<u>249,858</u>	<u>110,228,918</u>
Total assets	<u>87,131,219</u>	78,110,720	43,082,906	<u>122,159,033</u>
Construction in progress		<u>42,833,048</u>	<u>42,833,048</u>	
Total additions/retirements		<u>\$ 35,277,672</u>	<u>\$ 249,858</u>	

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

6. CAPITAL ASSETS (Continued)

6.A. Changes in Capital Assets (Continued)

<u>August 31, 2011</u>	<u>Balance September 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2011</u>
Accumulated Depreciated:				
Land improvements	\$ 2,815,380	\$ 122,303	\$(110,309)	\$ 3,047,992
Buildings	15,730,538	1,219,583	110,309	16,839,812
Furniture, machinery, vehicles and other equipment	2,687,206	108,063	(328,468)	3,123,737
Library books	1,404,960	131,733	249,858	1,286,835
Telecommunications and peripheral equipment	<u>2,094,097</u>	<u>216,578</u>	<u>328,468</u>	<u>1,982,207</u>
Total accumulated depreciation	<u>24,732,181</u>	<u>\$ 1,798,260</u>	<u>\$ 249,858</u>	<u>26,280,583</u>
Net depreciated capital assets	<u>42,037,110</u>			<u>83,948,335</u>
Net capital assets	<u>\$ 62,399,038</u>			<u>\$ 95,878,450</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, 2012 and 2011 as follows:

<u>August 31, 2012</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Master Plan Projects:				
Contractor-New Buildings and Infrastructure	\$ 4,061,128	\$ 3,624,319	\$ 436,809	\$
Engineering	5,000	2,500	2,500	
Project Manager	<u>189,707</u>	<u>185,054</u>	<u>4,653</u>	
Total	<u>\$ 4,255,835</u>	<u>\$ 3,811,873</u>	<u>\$ 443,962</u>	<u>\$ -0-</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

6. CAPITAL ASSETS (Continued)

6.C. Unexpended Plant Construction Commitments (Continued)

<u>August 31, 2011</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Master Plan Projects:				
Architecture	\$ 1,042,875	\$ 945,543	\$ 97,332	\$
Contractor-New Buildings and Infrastructure	37,708,810	29,750,979	7,957,831	12,294,378
Improvements	1,025,321	578,843	446,478	
Engineering	81,162	28,108	53,054	
Project Manager	<u>2,164,766</u>	<u>691,324</u>	<u>1,473,442</u>	
Total	<u>\$ 42,022,934</u>	<u>\$ 31,994,797</u>	<u>\$ 10,028,137</u>	<u>\$ 12,294,378</u>

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt for the years ended August 31, 2012 and 2011:

	<u>Balance September 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2012</u>	<u>Current Portion</u>
Revenue bonds	\$ 8,300,000	\$	\$ 705,000	\$ 7,595,000	\$ 735,000
Limited tax bonds	56,040,000	11,820,000	760,000	67,100,000	1,590,000
Components of Long-Term Debt:					
Premium on revenue bonds	38,011		3,470	34,541	3,469
Premium on limited tax bonds	1,116,548	276,055	57,983	1,334,620	59,834
Accrued interest	1,072,624	521,703	1,072,624	521,703	521,703
Compensated absences	<u>242,049</u>	<u>51,389</u>	<u>34,879</u>	<u>258,559</u>	<u>55,000</u>
Total long-term liabilities	<u>\$ 66,809,232</u>	<u>\$ 12,669,147</u>	<u>\$ 2,633,956</u>	<u>\$ 76,844,423</u>	<u>\$ 2,971,506</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

7. LONG-TERM LIABILITIES (Continued)

	Balance September 1, 2010	Additions	Reductions	Balance August 31, 2011	Current Portion
Revenue bonds	\$ 8,940,000	\$	\$ 640,000	\$ 8,300,000	\$ 705,000
Limited tax bonds	27,415,000	29,360,000	735,000	56,040,000	760,000
Components of Long-Term Debt:					
Premium on revenue bonds	41,481		3,470	38,011	3,469
Premium on limited tax bonds	569,962	592,527	45,941	1,116,548	57,924
Accrued interest	64,040	1,072,624	64,040	1,072,624	1,072,624
Compensated absences	<u>219,878</u>	<u>52,978</u>	<u>30,807</u>	<u>242,049</u>	<u>48,500</u>
Total long-term liabilities	<u>\$ 37,250,361</u>	<u>\$ 31,078,129</u>	<u>\$ 1,519,258</u>	<u>\$ 66,809,232</u>	<u>\$ 2,647,517</u>

The annual debt service requirements to maturity for bonded debt as of August 31, 2012 are as follows:

For the Year Ended August 31,	Revenue Bonds Series 2002		Revenue Bonds Series 2006	
	Principal	Interest	Principal	Interest
2013	\$ 250,000	\$ 34,340	\$ 485,000	\$ 272,600
2014	260,000	23,590	510,000	253,200
2015	270,000	12,150	525,000	232,800
2016			835,000	211,800
2017			875,000	178,400
2018-2022			<u>3,585,000</u>	<u>365,000</u>
Total	<u>\$ 780,000</u>	<u>\$ 70,080</u>	<u>\$ 6,815,000</u>	<u>\$ 1,513,800</u>

For the Year Ended August 31,	Total Revenue Bonds		General Obligation Bonds Series 2008	
	Principal	Interest	Principal	Interest
2013	\$ 735,000	\$ 306,940	\$ 785,000	\$ 1,197,381
2014	770,000	276,790	815,000	1,169,381
2015	795,000	244,950	845,000	1,140,331
2016	835,000	211,800	875,000	1,108,044
2017	875,000	178,400	910,000	1,072,344
2018-2022	3,585,000	365,000	5,160,000	4,766,106
2023-2027			6,390,000	3,530,235
2028-2032			8,210,000	1,709,675
2033-2036			<u>1,930,000</u>	<u>53,075</u>
Total	<u>\$ 7,595,000</u>	<u>\$ 1,583,880</u>	<u>\$ 25,920,000</u>	<u>\$ 15,746,572</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

7. LONG-TERM LIABILITIES (Continued)

For the Year Ended August 31,	General Obligation Bonds Series 2010		General Obligation Bonds Series 2011	
	Principal	Interest	Principal	Interest
2013	\$ 805,000	\$ 1,130,981	\$	\$ 883,981
2014	825,000	1,110,606	315,000	496,431
2015	850,000	1,089,669	325,000	486,781
2016	870,000	1,065,994	335,000	475,256
2017	900,000	1,039,444	345,000	463,331
2018-2022	4,925,000	4,765,569	1,955,000	2,090,932
2023-2027	5,905,000	3,786,369	2,480,000	1,574,291
2028-2032	7,210,000	2,473,034	3,080,000	966,431
2033-2036	<u>7,070,000</u>	<u>677,687</u>	<u>2,985,000</u>	<u>260,419</u>
Total	<u>\$ 29,360,000</u>	<u>\$ 17,139,353</u>	<u>\$ 11,820,000</u>	<u>\$ 7,697,853</u>

For the Year Ended August 31,	Total General Obligation Bonds		Total Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 1,590,000	\$ 3,212,343	\$ 2,325,000	\$ 3,519,283
2014	1,955,000	2,776,418	2,725,000	3,053,208
2015	2,020,000	2,716,781	2,815,000	2,961,731
2016	2,080,000	2,649,294	2,915,000	2,861,094
2017	2,155,000	2,575,119	3,030,000	2,753,519
2018-2022	12,040,000	11,622,607	15,625,000	11,987,607
2023-2027	14,775,000	8,890,895	14,775,000	8,890,895
2028-2032	18,500,000	5,149,140	18,500,000	5,149,140
2033-2036	<u>11,985,000</u>	<u>991,181</u>	<u>11,985,000</u>	<u>991,181</u>
Total	<u>\$ 67,100,000</u>	<u>\$ 40,583,778</u>	<u>\$ 74,695,000</u>	<u>\$ 42,167,658</u>

8. BONDS PAYABLE

General information related to bonds payable is summarized below:

- 8.A. 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 2012 and 2011 was \$ 780,000 and \$ 1,020,000.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

8. BONDS PAYABLE (Continued)

8.B. 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, 2012 and 2011 was \$ 6,815,000 and \$ 6,865,000.

8.C. 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, 2012 and 2011 was \$ 25,920,000 and \$ 26,680,000.

8.D. Limited Tax Bonds, Series 2010

- To construct the Master Plan, which adds several buildings, and renovates, and improves the campus.
- Issue date was October 14, 2010.
- Original amount of issue: amount authorized \$ 29,360,000.
- 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, 2012 and 2011 was \$ 29,360,000 and \$ 29,360,000.

8.E. Limited Tax Bonds, Series 2011

- To construct the Master Plan, which adds several buildings, and renovates, and improves the campus.
- Issue date was October 14, 2010.
- Original amount of issue: amount authorized \$ 11,820,000.
- 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, 2012 was \$ 11,820,000.

Bonds (principal and interest) payable are due in annual installments varying from \$ 2,745,172 to \$ 5,844,284 with interest rates from 2.50% to 5.50% with the final installment due in 2036.

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%.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

9. ADVANCE REFUNDING BONDS (Continued)

- 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.
- 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, 2012 and 2011 was \$ 6,510,000 and \$ 6,510,000 and the balance held in escrow was \$ 6,698,191 and \$ 6,727,392.

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, 2012 and 2011.

11.B. Lease Commitments

Operating Lease Obligations

Beginning October 1, 2000 the District entered into a lease agreement with CALTIM, LTD. (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. 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 October 15, 2008, the District exercised its second option term extending the lease term through January 2012, then terminated the lease.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

11. SHORT-TERM DEBT AND LEASE COMMITMENTS (Continued)

11.B. Lease Commitments (Continued)

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 plus rental increases related to price index changes. In addition, the District paid a common area maintenance fee, which is adjusted on a calendar year basis. The District paid \$ 2,541.18 for calendar months in 2007 and \$ 2,640.35 for calendar months in 2008. For the year ended August 31, 2009, the District paid \$ 8,333.44 and beginning October 1, 2008 the District paid \$ 8,953.24.

The District paid \$ 58,261 and \$ 133,682 as rent expense for the years ended August 31, 2012 and 2011.

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 August 31, 2003, this lease was amended to reduce the base rent amount from \$ 3,070 to \$ 1,811 with the payment of \$ 56,125 of leasehold improvements. On May 1, 2008, the District renewed its lease on these facilities for an additional five years ending on April 30, 2013. During the interim the original lease terms applied. Currently the monthly lease payment is \$ 3,650.

The District paid \$ 44,360 and \$ 44,169 as rent expense for the years ended August 31, 2012 and 2011, respectively.

Under this lease, the District is granted the option to terminate the lease at any time after the twenty-fourth (24) month of the term, provided the District provides written notice no less than ninety (90) days prior to the date of termination. A termination fee is associated with this termination option which decreases each month from May 2010 (\$ 27,545) to April 2013 (\$ 1,249).

The District also leased storage facilities on a month to month basis. The District paid \$ 1,814 and \$ 5,941 as rent expense for the years ended August 31, 2012 and 2011.

Future, minimum lease rental payments under non cancellable operating leases having an initial term in excess of one year as of August 31, 2012 and 2011 were as follows:

<u>Year Ended August 31,</u>	<u>Minimum Future Lease Payments</u>	
	<u>2012</u>	<u>2011</u>
2012	\$	\$ 103,061
2013	<u>29,200</u>	<u>29,200</u>
Total	<u>\$ 29,200</u>	<u>\$ 132,261</u>

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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 6.00% 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 unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS on behalf of Brazosport College District employees for the years ended August 31, 2012 and 2011 was \$ 447,419 and \$ 465,725, respectively. The District's total payroll for the years ended August 31, 2012 and 2011 was \$ 15,694,151 and \$ 16,135,038 of which \$ 8,550,676 and \$ 8,208,421 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.

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 6.00% and 6.644% 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.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

12. EMPLOYEE RETIREMENT PLANS (Continued)

12.B. Optional Retirement System (Continued)

The State of Texas contribution rate is 6.40% for fiscal year 2010-2011 and 6.00% for fiscal year 2011-2012 with a 0.73% supplement for 2010-2011 and a 1.31% supplement for 2011-2012 for those participating on August 31, 1995 or before which is paid by the District. Member contribution rate is 6.65% for fiscal years 2010-2011 and 2011-2012. These rates are set by state statutes. The contribution requirement of the fiscal years ended August 31, 2012 and 2011 for the District was \$ 693,196 and \$ 782,813, which consisted of \$ 309,087 and \$ 361,801 from the state, \$ 38,588 and \$ 30,701 from the District, and \$ 344,122 and \$ 383,260 from the employees, and, \$ 1,399 and \$ 7,051 from grantors, respectively. The District's total payroll for the years ended August 31, 2012 and 2011 was \$ 15,694,151 and \$ 16,135,038 of which \$ 5,174,754 and \$ 5,763,306 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 2010-2011, and 2011-2012. The District's contribution rate was 1.5% for the same period. The contribution requirement of the fiscal years ended August 31, 2012 and 2011 was \$ 25,759 and \$ 27,918 from the District and \$ 103,032 and \$ 111,668 from the employees, respectively. The District's total payroll for the years ended August 31, 2012 and 2011 was \$ 15,694,151 and \$ 16,135,038 of which \$ 1,717,184 and \$ 1,864,115 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.

As of August 31, 2012 and 2011, the District has 45 and 48 employees participating in the program, 45 and 48 employees were vested as of August 31, 2012 and 2011. A total of \$ 265,075 and \$ 308,075 in contributions were deferred by employees during the fiscal year ended August 31, 2012 and 2011 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, 2012 and 2011 the accrued liability for unpaid leave totaled \$ 258,559 and \$ 242,049, of which \$ 55,000 and \$ 48,500, respectively is classified as a current liability.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

14. COMPENSATED ABSENCES (Continued)

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, 2012 and 2011.

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, 2012 and 2011.

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, 2012 and 2011.

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, 2012 and 2011 were as follows:

	2012	2011
Current Receivables:		
Student notes receivable	\$ 23,254	\$ 19,512
Taxes receivable	264,150	199,321
Accounts receivable	891,831	817,260
Interest receivable	13,205	6,942
Subtotal	1,192,440	1,043,035
Allowance for doubtful accounts	368,963	299,443
Net current receivables	823,477	743,592
Restricted Assets:		
Federal grants receivable	548,172	452,937
State grants receivable	30,011	219,155
Interest receivable	7,773	7,773
Total restricted receivables	578,183	679,865
Total receivables	\$ 1,401,660	\$ 1,423,457

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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

16.B. Accounts and Accrued Liabilities

Payables at August 31, 2012 and 2011 were as follows:

	2012	2011
Current Liabilities:		
Vendors payable	\$ 302,978	\$ 362,414
Salaries and benefits payable	613,773	514,368
Total current liabilities	916,751	876,782
Liabilities Payable from Restricted Assets:		
Vendors payable	357,346	2,820,840
Accrued interest	521,703	1,072,624
Due to other governments	1,356	37,924
Total from restricted assets	880,405	3,931,388
Total payables	\$ 1,797,156	\$ 4,808,170

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, 2012 and 2011 was \$ 106,365 and \$ 99,888, 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, 2012 and 2011 was \$ 262,598 and \$ 199,555, 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, 2012 and 2011; 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, 2012 and 2011, no allowance was established. During the years ended August 31, 2012 and 2011, there were no write-offs of student loans.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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

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, 2012 and 2011. Of these amounts only the tuition and fees, clarion tickets, and childcare fees were collected prior to August 31, 2012 and 2011. These amounts are as follows:

	2012	2011
Current Liabilities:		
Tuition and fees	\$ 1,689,959	\$ 1,537,590
Liabilities Payable from Restricted Assets:		
State and local grants	64,471	252,282
Totals	\$ 1,754,430	\$ 1,789,872

17. OPERATING LEASE REVENUES

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

1. 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 \$ 142,573 and \$ 157,791 in lease income for the years ended August 31, 2012 and 2011.
2. 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 \$ 20,401 and \$ 18,057 of lease income on this contract for the years ended August 31, 2012 and 2011.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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, 2012 and 2011 for which monies have not been received 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, 2012 was \$ 438.30 for "Employee Only" coverage, \$ 939.78 for "Employee and Spouse" coverage, \$ 724.10 for "Employee and Children" coverage, and \$ 1,275.58 for "Employee and Family" coverage. The cost of providing those benefits for 66 retirees was \$ 384,166 and for 253 active employees was \$ 442,167. For the year ended August 31, 2012 the state contribution was limited to \$ 826,333. Monthly contributions for the year ended August 31, 2011 was \$ 413.26 for "Employee Only" coverage, \$ 649.60 for "Employee and Spouse" coverage, \$ 571.52 for "Employee and Children" coverage, and \$ 807.86 for "Employee and Family" coverage. The cost of providing those benefits for 65 retirees was \$ 313,940 and for 283 active employees was \$ 1,048,148. For the year ended August 31, 2011 the state contribution was limited to \$ 1,358,111.

20. ON-BEHALF PAYMENTS

The State of Texas provided on-behalf payments for the following benefits for the years ended August 31, 2012 and 2011:

	2012	2011
Teacher Retirement System	\$ 447,419	\$ 465,725
Optional Retirement Program (ORP)	293,206	361,801
Postretirement health care and life insurance benefits	826,333	1,358,111
Total	\$ 1,566,958	\$ 2,185,637

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

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.

	2012	2011
Assessed Valuation of the District:	\$ 8,452,873,307	\$ 8,348,290,507
Less: Abatements	761,998,713	789,216,086
Less: Exemptions	1,569,806,153	1,426,623,374
Net assessed valuation of the district	\$ 6,121,068,441	\$ 6,132,451,047

	2012		
	Current Operations	Debt Service	Total
Authorized Tax Rate per \$ 100 valuation (Maximum per enabling legislation)	\$ 0.350000	\$ 0.066488	\$ 0.416488
Assessed Tax Rate per \$ 100 valuation	\$ 0.172710	\$ 0.066488	\$ 0.239198

	2011		
	Current Operations	Debt Service	Total
Authorized Tax Rate per \$ 100 valuation (Maximum per enabling legislation)	\$ 0.350000	\$ 0.032175	\$ 0.382175
Assessed Tax Rate per \$ 100 valuation	\$ 0.158000	\$ 0.032175	\$ 0.190175

Taxes levied for the years ended August 31, 2012 and 2011 were \$ 14,640,820 and \$ 11,662,481 (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, 2012 and 2011:

August 31, 2012

Taxes Collected	Current Operations	Debt Service	Total
Current taxes collected	\$ 10,459,448	\$ 4,026,566	\$ 14,486,014
Delinquent taxes collected	127,967	13,305	141,272
Penalties and interest collected	60,000	17,606	77,606
Total collections	\$ 10,647,415	\$ 4,057,477	\$ 14,704,892

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

21. PROPERTY TAXES (Continued)

August 31, 2011

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 9,603,869	\$ 1,955,723	\$ 11,559,592
Delinquent taxes collected	76,616	14,331	90,947
Penalties and interest collected	<u>53,380</u>	<u>9,569</u>	<u>62,949</u>
Total collections	<u>\$ 9,733,865</u>	<u>\$ 1,979,623</u>	<u>\$ 11,713,488</u>

Tax collections for the years ended August 31, 2012 and 2011 were 99.91% and 99.90% 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, 2012 and 2011.

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 Vice President, Administrative Services & CFO, 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.

BRAZOSPORT COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

25. SUBSEQUENT EVENTS

The Texas Constitution in article 16, section 657(b)(3) provides that the State of Texas must contribute “not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system, “ referring to the State’s Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State’s contribution to TRS/ORP on behalf of community colleges to only six percent of each district’s unrestricted general revenue appropriation for each year of the biennium state budget. There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district. The District has calculated that as of August 31, 2012 the contribution that has not been paid to TRS on behalf of District employees is \$ 447,399 and has accrued this liability.

The management of the District met on December 5, 2012 and determined that no subsequent events, except for the above, 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.

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, 2012, 2011 and 2010 were \$ 32,317, \$ 31,117, and \$ 39,533, respectively, which equaled the required contributions for each year.

SUPPLEMENTAL SCHEDULES

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2012
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Total Year Ended August 31, 2012</u>	<u>Total Year Ended August 31, 2011</u>
TUITION AND FEES:						
Tuition:						
State Funded Courses:						
In-district resident tuition	\$ 2,553,263	\$	\$ 2,553,263	\$	\$ 2,553,263	\$ 2,116,932
Out-of-district resident tuition	2,419,345		2,419,345		2,419,345	2,142,441
TPEG (set aside)*		255,193	255,193		255,193	220,353
Non-resident tuition	88,454		88,454		88,454	99,853
Non-state funded continuing education	<u>2,529,476</u>		<u>2,529,476</u>		<u>2,529,476</u>	<u>2,052,264</u>
Total tuition	<u>7,590,538</u>	<u>255,193</u>	<u>7,845,731</u>	<u>-0-</u>	<u>7,845,731</u>	<u>6,631,843</u>
Fees:						
General fee	453,797		453,797	73,182	526,979	430,747
Student service fee			-0-	180,555	180,555	186,338
Out of district	51		51		51	
Laboratory fee	324,889		324,889		324,889	357,134
Building use fee	<u>865,721</u>		<u>865,721</u>		<u>865,721</u>	<u>855,924</u>
Total fees	<u>1,644,458</u>	<u>-0-</u>	<u>1,644,458</u>	<u>253,737</u>	<u>1,898,195</u>	<u>1,830,143</u>
Scholarship Allowances and Discounts:						
Scholarship allowances	(272,494)		(272,494)		(272,494)	(157,244)
Remissions and exemptions	(121,536)		(121,536)		(121,536)	(59,061)
TPEG allowances	(188,661)		(188,661)		(188,661)	(150,245)
Federal grants to students	(894,017)		(894,017)		(894,017)	(680,190)
State grants to students	(62,684)		(62,684)		(62,684)	(90,021)
Other	<u>(18,356)</u>		<u>(18,356)</u>		<u>(18,356)</u>	<u>(21,644)</u>
Total scholarship allowances and discounts	<u>(1,557,748)</u>	<u>-0-</u>	<u>(1,557,748)</u>	<u>-0-</u>	<u>(1,557,748)</u>	<u>(1,158,405)</u>
Net tuition and fees	<u>7,677,248</u>	<u>255,193</u>	<u>7,932,441</u>	<u>253,737</u>	<u>8,186,178</u>	<u>7,303,581</u>

(continued)

BRAZOSPORT COLLEGE DISTRICT**SCHEDULE OF OPERATING REVENUES - Continued****FOR THE YEAR ENDED AUGUST 31, 2012****(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2011)**

SCHEDULE A

Page 2 of 2

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total Year Ended August 31, 2012	Total Year Ended August 31, 2011
ADDITIONAL OPERATING REVENUES:						
Federal grants and contracts	\$ 672	\$ 1,902,094	\$ 1,902,766	\$	\$ 1,902,766	\$ 3,700,214
State grants and contracts		344,692	344,692		344,692	882,546
Local grants and contracts	4,283,491	167,320	4,450,811		4,450,811	420,511
Nongovernmental grants and contracts	105,710	8,050	113,760		113,760	163,950
Sales and services of educational activities	183,147	3,325	186,472	29,217	215,689	150,222
Other operating revenues	<u>582,190</u>		<u>582,190</u>		<u>582,190</u>	<u>670,063</u>
Total other operating revenues	<u>5,155,210</u>	<u>2,425,481</u>	<u>7,580,691</u>	<u>29,217</u>	<u>7,609,908</u>	<u>5,987,506</u>
AUXILIARY ENTERPRISES:						
Bookstore			-0-	142,573	142,573	157,791
Total auxiliary enterprises	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>142,573</u>	<u>142,573</u>	<u>157,791</u>
Total operating revenues	<u>\$ 12,832,458</u>	<u>\$ 2,680,674</u>	<u>\$ 15,513,132</u>	<u>\$ 425,527</u>	<u>\$ 15,938,659</u> (Exhibit 2)	<u>\$ 13,448,878</u> (Exhibit 2)

* In accordance with Education Code 56.033, \$ 188,661 and \$ 186,786 for years ended August 31, 2012 and 2011, 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, 2012
(WITH MEMORANDUM TOTAL FOR THE YEAR ENDED AUGUST 31, 2011)

SCHEDULE B
Page 1 of 1

	Operating Expenses			August 31, 2012	August 31, 2011	
	Salaries and Wages	Benefits State	Local			Other Expenses
Unrestricted Educational Activities:						
Instruction	\$ 8,817,757	\$	\$ 1,092,845	\$ 3,099,817	\$ 13,010,419	\$ 12,764,065
Public services	63,125		9,928	2,294	75,347	67,222
Academic support	774,793		121,846	649,500	1,546,139	1,638,339
Student services	1,525,090		217,282	230,451	1,972,823	1,955,735
Institutional support	3,083,768		528,109	1,571,309	5,183,186	4,550,890
Operation and maintenance of plant	417,192		147,566	3,016,949	3,581,707	3,302,377
Scholarship and fellowships	3,005		89	95,456	98,550	283,838
Total unrestricted educational activities	<u>14,684,730</u>	<u>-0-</u>	<u>2,117,665</u>	<u>8,665,776</u>	<u>25,468,171</u>	<u>24,562,466</u>
Restricted Educational Activities:						
Instruction	674,293	792,479	95,591	928,672	2,491,035	4,767,263
Public services	81,471	11,416		26,148	119,035	112,313
Academic support	26,137	46,237	14,244	109,092	195,710	239,605
Student services	150,908	132,874	1,442	16,074	301,298	358,548
Institutional support		136,533			136,533	411,355
Scholarship and fellowships	10,484		309	3,497,943	3,508,736	3,742,076
Total restricted educational activities	<u>943,293</u>	<u>1,119,539</u>	<u>111,586</u>	<u>4,577,929</u>	<u>6,752,347</u>	<u>9,631,160</u>
Total educational activities	15,628,023	1,119,539	2,229,251	13,243,705	32,220,518	34,193,626
Auxiliary enterprises	59,641		13,408	679,400	752,449	996,112
Depreciation Expense:						
Buildings and other real estate				2,360,744	2,360,744	1,341,349
Equipment and furniture				363,463	363,463	325,178
Library books				132,403	132,403	131,733
Total operating expenses	<u>\$ 15,687,664</u>	<u>\$ 1,119,539</u>	<u>\$ 2,242,659</u>	<u>\$ 16,779,715</u>	<u>\$ 35,829,577</u> (Exhibit 2)	<u>\$ 36,987,998</u> (Exhibit 2)

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

FOR THE YEAR ENDED AUGUST 31, 2012

(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2011)

SCHEDULE C

Page 1 of 1

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>August 31, 2012</u>	<u>August 31, 2011</u>
NON-OPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 4,880,787	\$	\$	\$ 4,880,787	\$ 5,411,856
State group insurance		826,333		826,333	1,358,111
State retirement matching		<u>293,206</u>		<u>293,206</u>	<u>827,526</u>
Total state appropriations	4,880,787	1,119,539	-0-	6,000,326	7,597,493
Title IV federal programs	4,276,200			4,276,200	4,154,780
Maintenance ad valorem taxes	10,647,415			10,647,415	9,733,865
Debt service ad valorem taxes		4,057,477		4,057,477	1,979,623
Investment income (net of fees)	36,921	42,509	5	79,435	147,927
Increase (decrease) in value of investments	(44,250)	(88,737)		(132,987)	20,658
Gain (loss) on sale of investments	<u>33,969</u>	<u>168,631</u>		<u>202,600</u>	<u>(9,301)</u>
Total non-operating revenue	<u>19,831,042</u>	<u>5,299,419</u>	<u>5</u>	<u>25,130,466</u>	<u>23,625,045</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	<u>337,934</u>	<u>2,797,170</u>		<u>3,135,104</u>	<u>2,660,576</u>
Total non-operating expenses	<u>337,934</u>	<u>2,797,170</u>	<u>-0-</u>	<u>3,135,104</u>	<u>2,660,576</u>
Net non-operating revenues	<u>\$ 19,493,108</u>	<u>\$ 2,502,249</u>	<u>\$ 5</u>	<u>\$ 21,995,362</u> (Exhibit 2)	<u>\$ 20,964,469</u> (Exhibit 2)

BRAZOSPORT COLLEGE DISTRICT

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

FOR THE YEAR ENDED AUGUST 31, 2012

(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2011)

SCHEDULE D

Page 1 of 1

	Detail by Source				Total
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets Net of Depreciation and Related Debt	
Current:					
Unrestricted	\$ 5,137,165	\$	\$	\$	\$ 5,137,165
Board designated	20,004				20,004
Restricted		282,315			282,315
Auxiliary enterprises	326,824				326,824
Loan	57,699				57,699
Endowment:					
Quasi:					
Unrestricted					-0-
Endowment:					
True		106,118	2,483,643		2,589,761
Plant:					
Debt service		332,588			332,588
Investment in plant				26,734,227	26,734,227
Total net assets, August 31, 2012	5,541,692	721,021	2,483,643	26,734,227	35,480,583 (Exhibit 1)
Total net assets, August 31, 2011	<u>1,006,350</u>	<u>673,885</u>	<u>2,452,445</u>	<u>29,241,276</u>	<u>33,373,956</u> (Exhibit 1)
Net increase (decrease) in net assets	<u>\$ 4,535,342</u>	<u>\$ 47,136</u>	<u>\$ 31,198</u>	<u>\$ (2,507,049)</u>	<u>\$ 2,106,627</u> (Exhibit 2)

Available for
Current Operations

<u>Yes</u>	<u>No</u>
\$ 5,137,165 20,004 282,315 326,824	\$ 57,699 -0- 2,483,643 332,588 <u>26,734,227</u>
106,118 5,872,426	 29,608,157
<u>1,289,948</u>	<u>32,084,008</u>
<u>\$ 4,582,478</u>	<u>\$ (2,475,851)</u>

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FEDERAL AND STATE AWARD 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:
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Houston, Texas 77042
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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

December 5, 2012

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2012. 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.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

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, 2012, no instances of noncompliance were found.

We noted certain matters that we reported to management of the District, in a separate letter dated December 5, 2012.

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.

Kennebec, Masters & Hunford, LLC

KENNEMER, MASTERS & LUNSFORD

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Independent Audit's Report

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

December 5, 2012

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, 2012. 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*. 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.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2012.

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

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 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 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 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 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.

Kennebec, Masters & Hurdford, LLC

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:
 - SFA Cluster Programs:
 - CFDA #84.007 Federal Supplemental Education Opportunity Grants (FSEOG)
 - CFDA #84.032 Federal Family Education Loan Program (FFELP)
 - CFDA #84.033 Federal Work Study Program (FWS)
 - CFDA #84.063 Pell Grant Program
 - State:
 - Texas Grant Program
 - Texas JET Shine Grant Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.
9. Low Risk Auditee: Yes.

II. Findings related to the financial statements.

None.

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

None.

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

None.

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

None.

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

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	P007A118372	\$ <u>148,604</u>
Federal Family Education Loan Program – FFELP*	84.032	P268K122911	<u>638,195</u>
Federal Work Study Program (FWS)*	84.033	P033A118372	<u>114,393</u>
Pell Grant Program*	84.063	P063P112911	<u>3,375,008</u>
Passed Through From:			
Texas Education Agency:			
Adult Basic Education Programs:			
EI Civics	84.002	124100087110034	120,971
EI Civics	84.002	134100087110374	<u>3,198</u>
			<u>124,169</u>
Region IV Education Service Center:			
ABE-COOP ESL	84.002	124100017110286	82,342
ABE-COOP ESL	84.002	134100018110286	8,520
TANFF	84.002	123625017110268	<u>14,077</u>
Subtotal Adult Basic Education			<u>104,939</u>
Texas Higher Education Coordinating Board:			
Vocational Education - Basic Grants	84.048	114207	<u>66,359</u>
Wharton County Junior College:			
Title V Program	84.031	P0315100074	<u>297,064</u>
Total U.S. Department of Education			<u>4,868,731</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through From Brazoria County:			
Community Development Block Grant	14.218	---	<u>23,500</u>

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

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> 672</u>
<u>U.S. Department of Labor</u>			
Direct Programs:			
OSHA Susan Harwood Training Grant	17.502	SH222911160F48	<u>59,629</u>
Community Based Job Training Grant	17.275	CB181970960A48	192,610
Passed Through From San Jacinto College:			
Community Based Job Training Grant	17.275	DOL5317021008	<u>527,559</u>
			<u>720,169</u>
Passed Through From Lee College:			
DOL Nuclear Power Training	17.269	CB182260960A48	104,078
Passed Through From San Jacinto College:			
Job Training – Healthcare	17.269	CB205671060A48	<u>257,365</u>
			<u>361,443</u>
Passed Through From Texas Workforce Commission:			
ARRA-Employment Service/Wagner Peyser Funded Activities	17.207	2812WPB001	<u>18,535</u>
Total U.S. Department of Labor			<u>1,159,776</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	11603001-Z-0047-27	17,068
Brazos SBDC Programs (Note 3)	59.037	12603001-Z-0047-27	<u>100,219</u>
Total U.S. Small Business Administration			<u>117,287</u>
<u>Nuclear Regulatory Commission</u>			
Direct:			
TexANS Scholarship Program	77.008	NRCHQ126380025	<u>9,000</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>6,178,966</u>

* - Title IV Cluster Programs

NOTE 1 - FEDERAL ASSISTANCE RECONCILIATION

Federal Revenues – per Exhibit 2:	
Federal grants and contracts (operating revenues)	\$ 1,902,766
Title IV federal grants (non-operating revenues)	4,276,200
Reconciling Items:	
None	<u>-0-</u>
Total pass-through and expenditures per federal schedule	<u>\$ 6,178,966</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, 2012 and 2011. 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, 2012 and 2011 were as follows:

	Federal CFDA Number	Pass -Through Grantor's Number	Program Matching Required	Direct Matching Expenditures Years Ended August 31,		
				2012	2011	Total
SBDC Program (10-01-10/09-30-11)	59.037	11-603001-Z-0047-27	\$ 131,875	\$ 6,518	\$ 126,589	\$ 133,107
SBDC Program (10-01-11/09-30-12)	59.037	12-603001-Z-0047-27	67,603	<u>60,502</u>		<u>60,502</u>
				<u>\$ 67,020</u>	<u>\$ 126,589</u>	<u>\$ 193,609</u>

NOTE 4 - INDIRECT COST

The District did not receive reimbursement for indirect costs during the year ended August 31, 2012. Indirect costs are allowed as part of the Small Business Development program matching expenditures, however, none are reimbursed.

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 27,849
State Top Ten Percent	007287	14,000
State WS Mentorship Program	007287	35,000
Work Study Program	007287	7,841
Texas Education Opportunity Grant Program	007287	29,160
Texas Grant Program	007287	<u>115,830</u>
Total Texas Higher Education Coordinating Board		<u>229,680</u>
Texas Education Agency:		
Passed Through Region IV Education Service Center:		
Adult Basic Education	120100017110286	15,958
Passed Through Houston Galveston Area Council:		
Child Care Quality Improvement	2812CCNC42	<u>6,655</u>
Total Texas Education Agency		<u>22,613</u>
Texas Commission on the Arts:		
Direct:		
Texas State of the Arts Grant	12-33040	<u>3,347</u>
Total Texas Commission on the Arts		<u>3,347</u>
Texas Comptroller's Office:		
Passed Through Brazosport College Foundation:		
Texas Jet Shine Grant Program	N92.8.170950	77,345
Passed Through Texas A & M University:		
Nuclear Institute Equipment Trainer	---	<u>11,707</u>
Total Texas Comptroller's Office		<u>89,052</u>
TOTAL STATE FINANCIAL ASSISTANCE		\$ <u><u>344,692</u></u>

BRAZOSPORT COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

NOTE 1 - STATE ASSISTANCE RECONCILIATION

State Revenues - per Exhibit 2:		
State grants and contracts	\$	344,692
Reconciling Items:		
None		<u>-0-</u>
Expenditures per state schedule	\$	<u>344,692</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 2003 to 2012
UNAUDITED
 (Amounts expressed in thousands)

	For the Fiscal Year Ended			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 26,734	\$ 29,241	\$ 27,775	\$ 28,236
Restricted - expendable	2,484	2,453	2,436	2,461
Restricted - nonexpendable	721	674	603	532
Unrestricted	<u>5,542</u>	<u>1,006</u>	<u>5,129</u>	<u>5,070</u>
Total primary government net assets	<u>\$ 35,481</u>	<u>\$ 33,374</u>	<u>\$ 35,943</u>	<u>\$ 36,299</u>

August 31,

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 27,462	\$ 27,547	\$ 25,830	\$ 25,553	\$ 20,926	\$ 16,752
2,460	1,357	1,165	968	886	736
784	2,455	2,221	2,144	1,974	3,099
<u>5,780</u>	<u>6,678</u>	<u>7,752</u>	<u>7,175</u>	<u>10,902</u>	<u>10,177</u>
<u>\$ 36,486</u>	<u>\$ 38,037</u>	<u>\$ 36,968</u>	<u>\$ 35,840</u>	<u>\$ 34,688</u>	<u>\$ 30,764</u>

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

Fiscal Years 2003 to 2012

UNAUDITED

(Amounts expressed in thousands)

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Tuition and fees (net of discounts)	\$ 8,186	\$ 7,304	\$ 5,140	\$ 5,685
Governmental Grants and Contracts:				
Federal grants and contracts	1,903	3,700	2,014	718
State grants and contracts	345	883	1,210	313
Local grants and contracts	4,451	420	151	149
Non-governmental grants and contracts	114	164	170	92
Sales and service of education activities	216	150	137	156
Auxiliary enterprises	143	158	142	130
Other operating revenues	581	670	605	574
Total operating revenues	15,939	13,449	9,569	7,817
State appropriations	6,000	7,597	7,691	8,053
Title IV Federal Programs	4,276	4,155	3,072	1,849
Ad Valorem taxes	14,705	11,714	11,317	11,175
Gifts				
Investment income	149	159	466	568
Other non-operating revenues	(3,135)	(2,661)	(1,714)	(1,769)
Total non-operating revenues	21,995	20,964	20,832	19,876
Total revenues	\$ 37,934	\$ 34,413	\$ 30,401	\$ 27,693

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Tuition and fees (net of discounts)	21.59%	21.22%	16.91%	20.53%
Governmental Grants and Contracts:				
Federal grants and contracts	5.02%	10.75%	6.62%	2.59%
State grants and contracts	0.91%	2.57%	3.98%	1.13%
Local grants and contracts	11.73%	1.22%	0.50%	0.54%
Non-governmental grants and contracts	0.30%	0.48%	0.56%	0.33%
Sales and service of education activities	0.56%	0.43%	0.45%	0.56%
Auxiliary enterprises	0.38%	0.46%	0.47%	0.47%
Other operating revenues	1.53%	1.95%	1.99%	2.08%
Total operating revenues	42.02%	39.08%	31.48%	28.23%
State appropriations	15.82%	22.08%	25.30%	29.08%
Title IV Federal Programs	11.27%	12.07%	10.10%	6.68%
Ad Valorem taxes	38.76%	34.04%	37.23%	40.35%
Gifts				
Investment income	0.39%	0.46%	1.53%	2.05%
Other non-operating revenues	(8.26%)	(7.73%)	(5.64%)	(6.39%)
Total non-operating revenues	57.98%	60.92%	68.52%	71.77%
Total revenues	100.00%	100.00%	100.00%	100.00%

August 31,						
2008	2007	2006	2005	2004	2003	
\$ 6,075	\$ 6,039	\$ 5,615	\$ 5,247	\$ 5,515	\$ 4,412	
447	613	772	889	1,053	950	
270	112	342	301	501	376	
116	96	13	14	4	15	
98	114	90	75	98	73	
215	336	410	527	480	112	
118	120	124	119	115	133	
<u>496</u>	<u>474</u>	<u>458</u>	<u>505</u>	<u>419</u>	<u>349</u>	
<u>7,835</u>	<u>7,904</u>	<u>7,824</u>	<u>7,677</u>	<u>8,185</u>	<u>6,420</u>	
8,018	7,981	7,865	7,041	7,118	7,264	
1,192	1,580	1,953	2,016	1,607	1,410	
8,145	7,868	7,145	6,380	5,773	4,602	
6	599	1,034	2,026	2,000		
211	444	469	409	376	386	
(<u>708</u>)	<u>451</u>	<u>154</u>	<u>216</u>	<u>167</u>	<u>186</u>	
<u>16,864</u>	<u>18,923</u>	<u>18,620</u>	<u>18,088</u>	<u>17,041</u>	<u>13,848</u>	
\$ <u>24,699</u>	\$ <u>26,827</u>	\$ <u>26,444</u>	\$ <u>25,765</u>	\$ <u>25,226</u>	\$ <u>20,268</u>	

August 31,						
2008	2007	2006	2005	2004	2003	
24.60%	22.51%	22.47%	20.37%	21.86%	21.77%	
1.81%	2.28%	2.88%	3.45%	4.17%	4.69%	
1.09%	0.42%	1.27%	1.17%	1.99%	1.86%	
0.47%	0.36%	0.05%	0.05%	0.02%	0.07%	
0.40%	0.42%	0.34%	0.29%	0.39%	0.36%	
0.87%	1.25%	1.53%	2.05%	1.90%	0.55%	
0.48%	0.45%	0.46%	0.46%	0.46%	0.66%	
2.01%	1.77%	1.69%	1.96%	1.66%	1.72%	
<u>31.73%</u>	<u>29.46%</u>	<u>30.69%</u>	<u>29.80%</u>	<u>32.45%</u>	<u>31.68%</u>	
32.46%	29.75%	29.27%	27.33%	28.21%	35.83%	
4.83%	5.89%	7.27%	7.82%	6.37%	6.96%	
32.98%	29.33%	26.60%	24.76%	22.89%	22.71%	
0.02%	2.23%	3.85%	7.86%	7.93%	0.00%	
0.85%	1.66%	1.75%	1.59%	1.49%	1.90%	
(<u>2.87%</u>)	<u>1.68%</u>	<u>0.57%</u>	<u>0.84%</u>	<u>0.66%</u>	<u>0.92%</u>	
<u>68.27%</u>	<u>70.54%</u>	<u>69.31%</u>	<u>70.20%</u>	<u>67.55%</u>	<u>68.32%</u>	
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	

BRAZOSPORT COLLEGE DISTRICT
STATISTICAL SUPPLEMENT 3 -
PROGRAM EXPENSES BY FUNCTION
Fiscal Years 2003 to 2012
UNAUDITED
(Amounts expressed in thousands)

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Instruction	\$ 15,501	\$ 17,531	\$ 14,209	\$ 12,795
Public service	194	180	180	177
Academic support	1,742	1,878	1,980	1,840
Student services	2,274	2,314	2,322	2,154
Institutional support	5,320	4,962	4,853	4,191
Operation and maintenance of plant	3,582	3,303	2,918	2,841
Scholarships and fellowships	3,607	4,026	2,148	1,924
Auxiliary enterprises	752	996	326	293
Depreciation	2,857	1,798	1,821	1,667
Total operating revenues	<u>35,829</u>	<u>36,988</u>	<u>30,757</u>	<u>27,882</u>
Interest on capital related debt	3,135	2,661	1,714	1,769
Loss on disposal of fixed assets				
Total non-operating expenses	<u>3,135</u>	<u>2,661</u>	<u>1,714</u>	<u>1,769</u>
Total expenses	<u>\$ 38,964</u>	<u>\$ 39,649</u>	<u>\$ 32,471</u>	<u>\$ 29,651</u>

	For the Fiscal Year Ended			
	2012	2011	2010	2009
Instruction	39.79%	44.22%	43.75%	43.15%
Public support	0.50%	0.45%	0.55%	0.60%
Academic support	4.47%	4.74%	6.10%	6.21%
Student services	5.84%	5.84%	7.15%	7.26%
Institutional support	13.66%	12.52%	14.95%	14.13%
Operation and maintenance of plant	9.19%	8.33%	8.99%	9.58%
Scholarships and fellowships	9.26%	10.15%	6.62%	6.49%
Auxiliary enterprises	1.93%	2.51%	1.00%	0.99%
Depreciation	7.33%	4.53%	5.61%	5.62%
Total operating expenses	<u>91.95%</u>	<u>93.29%</u>	<u>94.72%</u>	<u>94.03%</u>
Interest on capital related debt	8.05%	6.71%	5.28%	5.97%
Loss on disposal of fixed assets	0.00%	0.00%	0.00 %	0.00 %
Total non-operating expenses	<u>8.05%</u>	<u>6.71%</u>	<u>5.28%</u>	<u>5.97%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

August 31,

2008	2007	2006	2005	2004	2003
\$ 12,132	\$ 11,770	\$ 12,136	\$ 11,237	\$ 10,221	\$ 11,179
178	162	162	165	163	200
1,651	1,443	1,287	1,037	893	858
1,945	1,647	1,623	1,729	1,732	1,612
4,404	4,423	4,046	3,647	3,480	3,249
2,572	2,376	2,072	1,774	1,562	1,624
1,506	1,814	2,163	2,204	1,925	1,761
289	288	257	72	60	134
<u>1,596</u>	<u>1,504</u>	<u>1,518</u>	<u>1,207</u>	<u>1,025</u>	<u>972</u>
<u>26,273</u>	<u>25,427</u>	<u>25,264</u>	<u>23,072</u>	<u>21,061</u>	<u>21,589</u>
708	429	569	597	623	644
<u>708</u>	<u>429</u>	<u>569</u>	<u>597</u>	<u>623</u>	<u>644</u>
<u>\$ 26,981</u>	<u>\$ 25,856</u>	<u>\$ 25,833</u>	<u>\$ 23,669</u>	<u>\$ 21,684</u>	<u>\$ 22,233</u>

August 31,

2008	2007	2006	2005	2004	2003
44.97%	45.52%	46.98%	47.48%	47.13%	50.28%
0.66%	0.63%	0.63%	0.70%	0.75%	0.90%
6.12%	5.58%	4.98%	4.38%	4.12%	3.86%
7.21%	6.37%	6.28%	7.30%	7.99%	7.25%
16.32%	17.11%	15.66%	15.41%	16.05%	14.61%
9.53%	9.19%	8.02%	7.50%	7.20%	7.31%
5.58%	7.01%	8.37%	9.31%	8.88%	7.92%
1.07%	1.11%	1.00%	0.30%	0.28%	0.60%
5.92%	5.82%	5.88%	5.10%	4.73%	4.37%
<u>97.38%</u>	<u>98.34%</u>	<u>97.80%</u>	<u>97.48%</u>	<u>97.13%</u>	<u>97.10%</u>
2.62%	1.66%	2.20%	2.52%	2.87%	2.90%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>2.62%</u>	<u>1.66%</u>	<u>2.20%</u>	<u>2.52%</u>	<u>2.87%</u>	<u>2.90%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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		
2012	\$ 25	\$ 59	\$ 93	\$ 9	\$ 4	\$ 5	\$ 918	\$ 1,326	16.35%	16.62%		
2011	25	50	79	9	21	5	789	1,137	15.86%	17.34%		
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%		

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		
2012	\$ 25	\$ 140	\$ 140	\$ 9	\$ 4	\$ 5	\$ 1,890	\$ 1,890	11.11%	11.11%		
2011	25	126	126	9	21	5	1,701	1,701	10.96%	10.96%		
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%		

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)
2011-12	\$ 8,453	\$ 2,332	\$ 6,121	72.41%	0.172710	0.066488	0.239198
2010-11	8,356	2,014	6,342	75.90%	0.158000	0.032175	0.190175
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

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				State Appropriation 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)	
2011-12	\$ 6,000	6,722	893	1,050	619	21	1,690	\$ 3.55
2010-11	7,597	6,965	1,091	1,132	572	19	1,722	4.41
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

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)			
		2012	2011	2010	2009
Dow Chemical Company	Chemical	\$ 2,190,559	\$ 4,343,252	\$ 4,325,645	\$ 2,536,465
BASF Corp Chemical Division	Chemical	444,359	806,084	898,794	511,393
Shintech, Inc.	Chemical	166,135	265,322	284,811	162,051
Freeport Energy Center	Energy	140,767			
Braskem American, Inc.	Chemical	95,617			
Oyster Creek Ltd./Delta Power	Power	66,801	139,243	146,432	83,317
Air Liquide Energy Inc.	Energy	63,953	122,088	76,977	43,798
Shin-Etsu Silicones of America	Silicones	49,534	86,527	84,405	48,025
American Rice Inc.	Agriculture	42,376	88,164	76,254	43,387
Centerpoint Energy Inc.	Utility	39,217	73,292	66,752	37,981
SI Group Inc. Schenectady Int'l	Chemical		162,587	158,490	90,178
Dow Agrosiences	Chemical		75,531		
Dow Hydrocarbons & Resource	Chemical			65,457	
Totals		<u>\$ 3,299,318</u>	<u>\$ 6,162,090</u>	<u>\$ 6,184,017</u>	<u>\$ 3,556,595</u>
Total taxable assessed value		<u>\$ 6,120,879</u>	<u>\$ 8,355,626</u>	<u>\$ 9,027,692</u>	<u>\$ 7,120,527</u>

Taxpayer	Type of Business	% Taxable Assessed Value (TAV) by Tax Year			
		2012	2011	2010	2009
Dow Chemical Company	Chemical	66.39%	70.48%	69.96%	71.31%
BASF Corp Chemical Division	Chemical	13.47%	13.08%	14.53%	14.38%
Shintech, Inc.	Chemical	5.04%	4.31%	4.61%	4.56%
Freeport Energy Center	Chemical	4.27%			
Braskem America, Inc.	Power	2.90%			
Oyster Creek Ltd./Delta Power	Power	2.02%	2.26%	2.37%	2.34%
Air Liquide Energy Inc.	Energy	1.94%	1.98%	1.36%	1.35%
Shin-Etsu Silicones of America	Silicones	1.50%	1.40%	1.23%	1.22%
American Rice Inc.	Agriculture	1.28%	1.43%	1.24%	1.23%
Centerpoint Energy Inc.	Utility	1.19%	1.19%	1.06%	
Totals		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
% of Total Assessed Taxable Value		<u>53.90%</u>	<u>73.75%</u>	<u>68.50%</u>	<u>49.95%</u>

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

2008	2007	2006	2005	2004	2003
\$ 2,945,805	\$ 2,743,452	\$ 3,463,027	\$ 3,274,446	\$ 2,971,965	\$ 3,113,632
766,664	741,770	831,464	837,731	836,575	906,643
166,748	175,269	166,170	137,292	132,887	167,027
84,553	87,517	119,138	133,736	132,834	136,766
47,022		60,471	46,339	47,849	40,613
15,594					
34,535	45,354	46,454	47,165	62,691	64,069
39,395	39,081	42,250	44,151	41,879	40,393
110,404	107,474	93,351	93,656	85,159	84,012
	31,326		37,013	33,804	
<u>\$ 4,210,720</u>	<u>\$ 3,971,243</u>	<u>\$ 4,822,325</u>	<u>\$ 4,651,529</u>	<u>\$ 4,345,643</u>	<u>\$ 4,553,155</u>
<u>\$ 6,750,116</u>	<u>\$ 6,423,220</u>	<u>\$ 6,005,693</u>	<u>\$ 5,636,859</u>	<u>\$ 5,470,974</u>	<u>\$ 5,397,054</u>

% Taxable Assessed Value (TAV) by Tax Year

2008	2007	2006	2005	2004	2003
69.95%	69.08%	71.81%	70.39%	68.39%	68.38%
18.21%	18.68%	17.24%	18.01%	19.25%	19.91%
3.96%	4.41%	3.45%	2.95%	3.06%	3.67%
0.37%		1.25%	1.00%	1.10%	0.89%
1.12%	1.14%	0.96%	1.01%	1.44%	1.41%
0.82%					
0.94%	0.99%	0.88%	0.95%	0.96%	0.89%
	0.79%		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>62.38%</u>	<u>61.83%</u>	<u>80.30%</u>	<u>82.52%</u>	<u>79.43%</u>	<u>84.36%</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
2012	\$ 14,641	\$	\$ 14,641	\$ 14,486	98.94%	\$	\$ 141	\$ 14,627	99.90%
2011	11,662	(11)	11,651	11,560	99.22%		91	11,651	100.00%
2010	11,284		11,284	11,175	99.03%		72	11,247	99.67%
2009	11,142	(34)	11,108	11,053	99.51%		54	11,108	100.00%
2008	8,168	(58)	8,110	8,101	99.89%		9	8,110	100.00%
2007	7,839	(10)	7,829	7,774	99.30%		55	7,829	100.00%
2006	7,128	(18)	7,110	7,078	99.55%		32	7,110	100.00%
2005	6,345	(3)	6,342	6,296	99.27%		46	6,342	100.00%
2004	5,750	(12)	5,738	5,693	99.22%		44	5,737	99.98%
2003	4,482	95	4,577	4,539	99.17%		38	4,577	100.00%

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 31st 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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Bonded Debt										
General obligation bonds	\$ 68,957	\$ 57,157	\$ 27,985	\$ 28,720	\$ 29,091	\$	\$	\$	\$	\$
Notes										
Less: Funds restricted for debt service	<u>2</u>	<u>1</u>	<u>1</u>	<u>41</u>	<u>141</u>					
Net general bonded debt	68,955	57,156	27,984	28,761	29,232	-0-	-0-	-0-	-0-	-0-
Other Debt										
Revenue Bonds	7,630	8,338	8,981	9,570	10,085	10,662	10,730	11,200	11,640	12,055
Notes										
Capital lease obligations										
Total outstanding debt	<u>\$ 76,585</u>	<u>\$ 65,494</u>	<u>\$ 36,965</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>
General Bonded Debt Ratio										
Per Capita	\$ N/A	\$ N/A	\$ N/A	\$ 93.02	\$ 97.10	\$	\$	\$	\$	\$
Per FTSE	10,258	8,206	4,124	5,055	5,249					
As a percentage of Taxable Assessed Value	1.13%	0.68%	0.31%	0.40%	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ N/A	\$ N/A	\$ N/A	\$ 123.97	\$ 130.60	\$ 35.42	\$ 37.27	\$ 40.22	\$ 42.93	\$ 45.73
Per FTSE	11,393	9,403	5,448	6,738	7,060	1,834	1,924	2,055	2,063	2,073
As a percentage of Taxable Assessed Value	1.25%	0.78%	0.41%	0.54%	0.58%	0.17%	0.18%	0.20%	0.21%	0.22%

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Taxable Assessed Value	\$ <u>6,120,879</u>	\$ <u>6,132,514</u>	\$ <u>6,418,021</u>	\$ <u>7,105,190</u>	\$ <u>6,749,869</u>
General Obligation Bonds					
Statutory Tax Levy for Debt Service	\$ 40,697	\$ 30,663	\$ 32,090	\$ 35,526	\$ 33,749
Less: Funds Restricted for Repayment of General Obligation Bonds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net General Obligation Debt	40,697	30,663	32,090	35,526	33,749
Current Year Debt Service Requirements	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess of Statutory Limit for Debt Service over Current Requirements	\$ <u>40,697</u>	\$ <u>30,663</u>	\$ <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%	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
2012	\$ 1,328	\$ 866			\$ 2,472				\$ 4,666
2011	1,090	856			1,987				3,933
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

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage Ratio</u>
\$ 705	\$ 339	\$ 1,044	4.47
640	370	1,010	3.89
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

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>
2012	N/A	N/A	N/A	7.1
2011	319,973	N/A	N/A	9.0
2010	313,166	N/A	N/A	9.3
2009	309,208	11,602	37,523	8.6
2008	301,044	11,456	38,030	5.6
2007	293,106	10,555	36,011	4.5
2006	283,934	9,438	33,241	5.2
2005	274,045	8,526	31,111	5.8
2004	267,879	7,801	29,120	7.3
2003	261,132	7,493	28,693	7.6

Sources:

Population from U.S. Census Bureau (Data only available from 2003-2011)

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

Personal income from Bureau of Economic Analysis (Data only available from 2003-2009).

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

Unemployment rate from Texas Workforce Commission

<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	15.56%

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty										
Full-Time	86	87	88	88	80	74	73	75	68	61
Part-Time	95	74	105	100	187	167	80	100	111	135
Total	181	161	193	188	267	241	153	175	179	196
Percentage										
Full-Time	47.5%	54.0%	45.6%	46.8%	30.0%	30.7%	47.7%	42.9%	38.0%	31.1%
Part-Time	52.5%	46.0%	54.4%	53.2%	70.0%	69.3%	52.3%	57.1%	62.0%	68.9%
Staff and Administrators										
Full-Time	171	169	163	166	156	155	161	141	131	116
Part-Time	140	85	46	63	47	76	250	248	218	178
Total	311	254	209	229	203	231	411	389	349	294
Percentage										
Full-Time	55.0%	66.5%	78.0%	72.5%	76.8%	67.1%	39.2%	36.2%	37.5%	39.5%
Part-Time	45.0%	33.5%	22.0%	27.5%	23.2%	32.9%	60.8%	63.8%	62.5%	60.5%
FTSE Per Full-time Faculty *	78.2	73.5	77.1	63.3	69.6	75.3	76.3	74.3	81.9	91.3
FTSE Per Full-time Staff Member*	39.3	37.9	41.8	33.5	35.7	35.9	34.6	39.5	42.5	48.0
Average Annual Faculty Salary	\$ 64,978	\$ 66,518	\$ 66,419	\$ 62,390	\$ 66,461	\$ 55,857	\$ 44,200	\$ 40,600	\$ 36,900	\$ 32,200

* Restated

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

<u>Student Classification</u>	<u>Fall 2011</u>		<u>Fall 2010</u>		<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</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	2,705	64.50%	2,736	65.55%	2,574	66.58%	2,649	68.15%	2,434	64.89%
30-60 hours	1,085	25.87%	1,064	25.49%	972	25.14%	930	23.93%	962	25.65%
>60 hours	<u>404</u>	<u>9.63%</u>	<u>374</u>	<u>8.96%</u>	<u>320</u>	<u>8.28%</u>	<u>308</u>	<u>7.92%</u>	<u>355</u>	<u>9.46%</u>
Total	<u>4,194</u>	<u>100.00%</u>	<u>4,174</u>	<u>100.00%</u>	<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>Semester Hour Load</u>	<u>Fall 2011</u>		<u>Fall 2010</u>		<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</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	18	0.42%	15	0.35%	11	0.28%	15	0.39%	13	0.35%
3-5 semester hours	1,055	25.15%	1,064	25.49%	1,091	28.22%	1,240	31.90%	1,203	32.07%
6-8 semester hours	1,218	29.04%	1,119	26.81%	1,011	26.15%	962	24.75%	949	25.30%
9-11 semester hours	760	18.12%	646	15.48%	538	13.92%	582	14.97%	567	15.12%
12-14 semester hours	862	20.55%	1,068	25.59%	981	25.38%	854	21.97%	793	21.14%
15-17 semester hours	235	5.60%	225	5.39%	194	5.02%	191	4.91%	191	5.09%
18 & over	<u>46</u>	<u>1.10%</u>	<u>37</u>	<u>0.89%</u>	<u>40</u>	<u>1.03%</u>	<u>43</u>	<u>1.11%</u>	<u>35</u>	<u>0.93%</u>
Total	<u>4,194</u>	<u>100.00%</u>	<u>4,174</u>	<u>100.00%</u>	<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>Tuition Status</u>	<u>Fall 2011</u>		<u>Fall 2010</u>		<u>Fall 2009</u>		<u>Fall 2008</u>		<u>Fall 2007</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)	2,452	58.46%	2,388	57.21%	2,157	55.79%	2,232	57.42%	2,130	56.79%
Texas Resident (out-of-district)	1,718	40.96%	1,758	42.12%	1,686	43.61%	1,621	41.70%	1,547	41.24%
Non-resident tuition	<u>24</u>	<u>0.58%</u>	<u>28</u>	<u>0.67%</u>	<u>23</u>	<u>0.60%</u>	<u>34</u>	<u>0.88%</u>	<u>74</u>	<u>1.97%</u>
Total	<u>4,194</u>	<u>100.00%</u>	<u>4,174</u>	<u>100.00%</u>	<u>3,866</u>	<u>100.00%</u>	<u>3,887</u>	<u>100.00%</u>	<u>3,751</u>	<u>100.00%</u>

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

<u>Gender</u>	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	<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	2,149	51.24%	2,192	52.52%	1,892	48.94%	1,983	51.02%	1,895	50.52%
Male	2,045	48.76%	1,982	47.48%	1,974	51.06%	1,904	48.98%	1,856	49.48%
Total	4,194	100.00%	4,174	100.00%	3,866	100.00%	3,887	100.00%	3,751	100.00%

<u>Ethnic Origin</u>	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	<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	2,420	57.70%	2,514	60.23%	2,431	62.89%	2,450	63.03%	2,367	63.09%
Hispanic	1,398	33.33%	1,201	28.77%	1,041	26.93%	1,081	27.81%	1,030	27.46%
African American	278	6.63%	385	9.22%	312	8.07%	283	7.28%	273	7.28%
Asian	25	0.60%	53	1.27%	69	1.78%	45	1.16%	49	1.31%
Native American	11	0.26%	17	0.41%	9	0.23%	11	0.28%	16	0.43%
Other	62	1.48%	4	0.10%	4	0.10%	17	0.44%	16	0.43%
Total	4,194	100.00%	4,174	100.00%	3,866	100.00%	3,887	100.00%	3,751	100.00%

<u>Age</u>	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	<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	994	23.70%	1,034	24.78%	736	19.05%	741	19.07%	677	18.05%
18-21	1,470	35.04%	1,446	34.64%	1,502	38.85%	1,463	37.64%	1,375	36.66%
22-25	603	14.38%	591	14.16%	585	15.13%	577	14.84%	571	15.22%
26-29	379	9.04%	347	8.31%	323	8.35%	315	8.10%	326	8.69%
30-37	402	9.59%	390	9.34%	362	9.36%	367	9.44%	378	10.08%
38 & above	346	8.25%	366	8.77%	358	9.26%	424	10.91%	424	11.30%
Total	4,194	100.00%	4,174	100.00%	3,866	100.00%	3,887	100.00%	3,751	100.00%
Average Age	24		24		24		24		24	

BRAZOSPORT COLLEGE DISTRICT
STATISTICAL SUPPLEMENT 17 -
TRANSFERS TO SENIOR INSTITUTIONS
 2010 Fall Students as of Fall 2011
 (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	0.8%
Lamar University	12			12	1.9%
Midwestern State University	1			1	0.2%
Prairie View A&M University	8			8	1.2%
Sam Houston State University	70	2		72	11.2%
Stephen F. Austin State University	20	2		22	3.4%
Sul Ross State University	1			1	0.2%
Tarleton State University	3			3	0.5%
Texas A&M University	101	1		102	15.9%
Texas A&M University at Commerce	1			1	0.2%
Texas A&M University at Corpus Christi	16			16	2.5%
Texas A&M University at Galveston	9			9	1.4%
Texas A&M University at Kingsville	3	1		4	0.6%
Texas Southern University	1	2		3	0.5%
Texas State University – San Marcos	70	1	1	72	11.1%
Texas Tech University	18			18	2.8%
Texas Woman's University	2			2	0.3%
The University of Texas at Arlington	4			4	0.6%
The University of Texas at Austin	50	1		51	8.0%
The University of Texas at Dallas	9	1		10	1.6%
The University of Texas at Pan American	2			2	0.3%
The University of Texas at San Antonio	35	1		36	5.6%
The University of Texas at Tyler	2			2	0.3%
The University of Houston	88	4		92	14.4%
The University of Houston - Downtown	6	2	1	9	1.4%
The University of Houston at Clear Lake	48	4		52	8.1%
The University of Houston at Victoria	10	1		11	1.7%
The University of North Texas	19	1		20	3.1%
West Texas A&M University	1			1	0.2%
Totals	614	25	2	641	100.00%

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 2008-2012

	Fiscal Year				
	2012	2011	2010	2009	2008
Academic Buildings					
Square footage (in thousands)	484	484	369	369	359
Libraries					
Square footage (in thousands)	25	25	16	16	16
Number of volumes (in thousands)					
Administrative and support buildings					
Square footage (in thousands)	37	37	26	26	26
Dining Facilities					
Square footage (in thousands)	12	12	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	6	7	7	7	7
Buses					