

**BOARD OF TRUSTEES AUDIT COMMITTEE MEETING
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOL**

**District Office
1601 South Lamar Street
Lower Level, Room 007
Dallas, TX 75215
Tuesday, December 20, 2011
3:00 PM**

AGENDA

- | | |
|---|---------------------------|
| I. Certification of posting of notice of meeting | Dr. Wright Lassiter |
| II. Presentation of Letter from Independent Auditors to the Audit Committee of the Board of Trustees
Committee action: Review | McConnell &
Jones, LLP |
| III. Presentation of <i>Financial Statements and Office of Management and Budget Circular A-133 Supplemental Financial and Compliance Report Together with Reports of Independent Auditors, August 31, 2011 and 2010</i> , and, Internal Control Letter to the Board of Trustees (as provided by Board of Trustees policy CDC-Local)
Committee action: Review and recommend for presentation to Board of Trustees at the Special Board Meeting on December 20, 2011 | Ed DesPlas |
| IV. Presentation of <i>Quarterly Summary of Internal Audit Activities for the Quarter Ended November 30, 2011</i> (as provided by Board of Trustees policy CDC-Local)
Committee action: Review | Rafael Godinez |
| V. Review of Chancellor's Travel
Committee action: No action required | Kathryn Tucker |
| VI. Executive session | |

The Board may conduct an executive session as authorized under §551.074 of the Texas Government Code to deliberate on personnel matters, including commencement of annual evaluation of The Chancellor and any prospective

employee who is noted in Employment of Contractual Personnel.

As provided by §551.072 of the Texas Government Code, the Board of Trustees may conduct an executive session to deliberate regarding real property since open deliberation would have a detrimental effect upon negotiations with a third person.

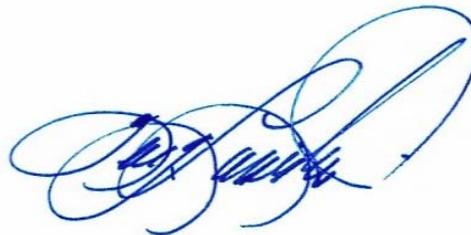
The Board may conduct an executive session under §551.071 of the Texas Government Code to seek the advice of its attorney and/or on a matter in which the duty of the attorneys under the Rules of Professional Conduct clearly conflict with the Open Meetings Act. The Board may seek or receive its attorney's advice on other legal matters during this executive session, including a date for the District's general election for trustees.

The Board may conduct an executive session under §551.076 of the Texas Government Code to deliberate regarding the deployment or specific occasions for implementation of security personnel or devices.

VII. Adjournment

**CERTIFICATION OF NOTICE POSTED
FOR THE
DECEMBER 20, 2011
AUDIT COMMITTEE MEETING OF THE
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOL
BOARD OF TRUSTEES**

I, Wright L. Lassiter, Jr., Secretary of the Board of Trustees of the Dallas County Community College District, do certify that a copy of this notice was posted on the 16th of December 2011, in a place convenient to the public in the District Office Administration Building, and a copy of this notice was provided on the 16th of December 2011, to John F. Warren, County Clerk of Dallas County, Texas, and the notice was posted on the bulletin board at the George Allen, Sr. Courts Building, all as required by the Texas Government Code §551.054.



Wright L. Lassiter, Jr., Secretary

Annual Financial Report

August 31, 2011



Dallas County Community College District
BROOKHAVEN • CEDAR VALLEY • EASTFIELD • EL CENTRO • MOUNTAIN VIEW
NORTH LAKE • RICHLAND • DALLAS TELECOLLEGE

IT ALL BEGINS HERE.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

ORGANIZATIONAL DATA

FISCAL YEAR 2010-11

Board of Trustees

Officers

Jerry Prater
Charletta Rogers Compton
Wright L. Lassiter, Jr.

Chair
Vice-Chair
Secretary

Members

		<u>Term Expires</u>
Marion K. Boyle	Irving, Texas	2014
Charletta Rogers Compton	Dallas, Texas	2012
Bob Ferguson	Farmers Branch, Texas	2016
Diana Flores	Dallas, Texas	2014
Bill Metzger	Mesquite, Texas	2016
Jerry Prater	Garland, Texas	2016
JL Sonny Williams	Dallas, Texas	2012

District Administrative Officers

Wright L. Lassiter, Jr.
Edward M. DesPlas
Sharon Blackman
Justin Lonon

Chancellor
Executive Vice Chancellor, Business Affairs
Provost
Vice Chancellor, Public & Governmental Affairs

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

Letter to the Community

Dear Friends and Stakeholders:

Death and taxes notwithstanding, the most potent constant in life today is CHANGE. That is the one word that describes the landscape of the Dallas County Community College District (the "District") over the past fiscal year. The changes included the following:

- A second mid-year reduction in state funding following the first one mandated for the previous fiscal year that ended August 31, 2010;
- A continued decline in the tax base for a second consecutive year;
- The added operating cost associated with the buildings constructed through the 2004 capital improvement bond program, and
- A significant continued increase in enrollment for each enrollment period.

It was through careful fiscal management and strategic planning that the District addressed those changes in a manner that enabled us to continue to thrive, in spite of the reduced financial resources, and the accomplishments of our students continue to make us proud.



As reported in last year's message, the State of Texas directed all state agencies and institutions of higher education (including community colleges) in January 2010, to adjust for a 5% cut in their budgets for the remaining years of the biennium. Our strategic action was to absorb 35% during the first year and 65% for the second year. This translated into a \$6.5 million decrease for the year ended August 31, 2011.

Then we experienced another change. In December 2010 the State directed an additional reduction in state funding of 2.5%. This resulted in another decrease of \$2.5 million in the District's budget. Once again, through adroit financial and strategic planning we adjusted for that cut through the withdrawal of a planned minimal salary increase for employees to cover added health benefits, postponing planned technology investments, and cutting college and district operations budgets for the remainder.

After a 2.86% decrease in the tax base for the year ended August 31, 2010, the first decrease in a decade, the tax base eroded even further in the 2011 fiscal year with another decrease of 4.76%. Because the maintenance and operations tax rate was maintained at \$0.0778 per \$100 valuation with the lower tax base, the District experienced a reduction of \$5.9 million in local tax revenue from the previous year.

The combination of reduced state revenue and tax revenue amounted to a reduction in the District budget of \$14.9 million. This development caused the entire district to engage in "belt-tightening." However, in spite of those massive changes, the \$9.0 million budgeted to cover expenses for the new buildings was left unchanged.

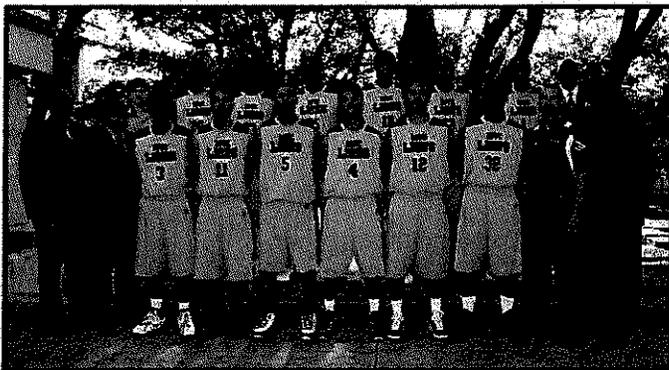
Tuition revenue represents the third revenue component for the District. We continue to implement the plan of adjusting tuition on a two-year cycle. For the period covered by this report there was a tuition increase that resulted in a net increase of \$4 million over the prior year's budget. Part of the increase was due to the tuition

Preliminary and Tentative

increase that placed in-district tuition at \$45 per credit hour (an increase of \$4) as well as corresponding increases to the rates for out-of-district and out-of-state/country students.

The bright spot further stems from credit enrollment continuing to grow, although somewhat more modestly than the previous year. Fall 2010 headcount enrollment increased by 5.2%, while Spring 2011 enrollment increased by 2.16%. Contact hour enrollment increases were even better – 5.95% and 4.00% for Fall and Spring respectively. As state funding is currently tied to contact hours, the higher increases in this revenue category is always welcome news. In spite of the modest increase in tuition of just \$4 per credit hour in Spring 2011, the in-district tuition level of the District ranks 47th out of the 50 community college districts in Texas.

Money matters aside, the fundamental reason for the District's existence is service to students. Our students continue to shine in the classroom, in service-learning experiences outside the classroom, and in the full range of athletic and social activities at the colleges. The student chapters of Phi Theta Kappa, the national honor society for community college students were all recognized for their achievements. Scholarships abound for those students such as the one associated with the coveted Coca Cola Silver Medallion awarded to a Brookhaven student at the regional PTK convention in March. Cedar Valley students won a "Best Graphics" award at an international film-making competition; creative Richland College students won several awards for their work on the college's literary magazine. The Eastfield student newspaper was named among the top five student newspapers in the nation. Eastfield students won the National Junior College Athletic Association Division III men's baseball championship; and Mountain View students earned the title of men's national basketball champion.



El Centro's Native American Student Association presented an educational and cultural event at the college and North Lake's student chapter of the National Association of Home Builders received a charter award from the Dallas Area Home Builders Association. These activities and accomplishments are just a representative handful of the excellent work of our more than 74,000 credit students. Our students have excellent faculty and staff role models who also have received awards and recognitions, chaired various educational and community service organizations, and completed advanced degrees.

In order to maintain a quality arena in which our students can learn and grow, fiscal stability and integrity must be maintained. Each year an audit of our financial records and controls is conducted to determine the District's fiscal health and the results presented to the public in the interest of open communication about the District's financial condition. The report as of and for the years ended August 31, 2011 and 2010 follows this letter. The annual financial report contains three primary financial exhibits, management's discussion and analysis of the results of operations, notes that further describe the financial condition of the District, schedules summarizing in more detail the revenues, expenses and net assets of the District, and supplemental statistical information. All components are required to conform to accounting principles generally accepted in the United States of America. The financial statements follow the form prescribed by the Governmental Accounting Standards Board, a national rule-making body for governmental accounting.

Our external auditor, McConnell & Jones LLP, gives assurance that these statements are prepared in conformance with the standards. In addition, rules established by the federal government under the Office of Management and Budget *Circular A-133* and the State of Texas *Single Audit Circular* prescribe special requirements for a single audit of grants, including student financial aid, issued by the federal and state governments. The results of the single audit are included as the last section of the annual financial report.

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While no bonds were issued this year, the District maintains a triple-A rating on its tax supported debt with Standard and Poors, Inc., Moody's Investors Service, Inc. and Fitch Ratings. When many governmental units and educational institutions were being downgraded in the middle of 2011 after the United States government's rating downgrade, the District received notification from one of its rating agencies that the District's ratings were not impacted by these other rating actions.

We are confident the attached report will support the conclusion that the District, while fiscally challenged this year, has successfully preserved its financial fidelity.

Respectfully submitted,



Edward M. DesPlas
Executive Vice Chancellor, Business Affairs



Wright L. Lassiter, Jr.
Chancellor

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dallas County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Dallas County Community College District (the "District"), as of and for the years ended August 31, 2011 and 2010, 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 an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities and discretely presented component unit of the District as of August 31, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL, 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 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages X through XX 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections on pages ___ through ___ and on pages ___ through ___ respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. The accompanying supplemental schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, net assets by source and availability on pages ___ through ___, and the schedules of expenditures of federal and state awards on pages ___ through ___ and on pages ___ through ___ respectively, are presented for purposes of additional analysis as required by the Texas Higher Education Coordinating Board, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, respectively, and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Houston, Texas

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

Following is management's discussion and analysis of the financial activity of the Dallas County Community College District (the "District") for the fiscal years ended August 31, 2011 and 2010. This section is designed to help readers understand some of the conditions and events contributing to the current financial position of the District as well as to point out trends and changes in the results of operations. Please read it in conjunction with the Letter to the Community, the District's basic financial statements and the footnotes (see Table of Contents). Responsibility for the completeness and fairness of this information rests with the District.

Financial Highlights for 2011

- The District's net assets at August 31, 2011 are reported at \$456.9 million. Approximately 61.2% of the net assets amount reflects the investment in capital assets, net of related debt.
- The District's operating loss is \$355.9 million.
- Net assets decreased \$3.3 million.

Financial Highlights for 2010

- The District's net assets at August 31, 2010 are reported at \$460.3 million. Approximately 57.7% of the net assets amount reflects the investment in capital assets, net of related debt.
- The District's operating loss is \$338.2 million.
- Net assets increased \$9.8 million.

Overview of Financial Statements

The District qualifies as a special-purpose government engaged in business-type activities and the financial statements are prepared on that basis. The resulting financial statement format focuses on the District as a whole. The District's basic financial statements are designed to emulate the corporate presentation model whereby the District's fiscal activities are consolidated into one column total. Comparative data from the prior year is shown in a separate column on the face of each of the statements.

The financial statement format consists of three primary statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. As required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, an accrual basis of accounting is employed. This means that transactions are recorded as incurred rather than when cash changes hands.

The focus of the Statements of Net Assets is to illustrate the financial position of the District at a point in time. This statement exhibits the current financial resources (short-term spendable assets) along with assets planned to be held for more than a year, shows amounts owed against those assets, and reveals the amount of remaining or "net" assets available to the District for further endeavors.

The Statements of Revenues, Expenses and Changes in Net Assets presents the operating results of the District, as well as non-operating revenues and expenses. Of the three main sources of revenue--ad valorem taxes, state appropriations and tuition, only tuition represents an exchange for services. Taxes and state appropriations

Preliminary and Tentative

represent non-exchange transactions and thus are considered non-operating revenues. This approach to presenting revenues and expenses is intended to summarize and simplify the user's analysis of the various District services to students and the public. Depending on whether revenues or expenses are greater for the year, a net increase or net decrease in net assets is created. The ending balance of net assets on this statement agrees with that shown on the Statements of Net Assets.

The Statements of Cash Flows combines information from the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets to illustrate the effect of various actions of the District on the availability and ultimate change in the amount of cash from one year to the next. The cash provided or used by operations, capital and non-capital financing, and investing activities combine to show the net change in cash and cash equivalents. The final portion of the Statements of Cash Flows reconciles the net income or loss from operations to the cash provided or used by operations.

In fiscal 2004, the District implemented GASB 39, *Determining Whether Certain Organizations are Component Units*. Three criteria are applied to determine whether certain affiliated organizations should be reported discretely in the financial statements as component units. The criteria include whether 1) the parent organization provides financial support to the affiliated organization and the economic resources received or held by the affiliate are entirely or almost entirely for the direct benefit of the parent organization, 2) the parent organization is entitled to or otherwise has the ability to access the majority of the economic resources received or held by the affiliate and 3) such resources are significant to the parent organization. All three criteria must be satisfied. The Texas Higher Education Coordinating Board has determined that for Texas community colleges, economic resources from an affiliated organization that are an amount equal to at least 5% of the parent organization's net assets are significant.

Having met all three criteria, the Dallas County Community College District Foundation, Inc. (the "Foundation") has been discretely presented in the District's statements as a component unit by inclusion of the statements and footnotes of the Foundation in the District's statements and footnotes. Because the financial statements of the Foundation are presented in a different format from the District and are incompatible with the District financial statements, the Foundation financial statements are presented on separate pages from the District financial statements. The Foundation is a non-profit organization established in 1973 with its sole purpose being to provide benefits such as scholarships and grants to the District. In recent years, a large part of its focus has been to build an endowment for the Rising Star Scholarship program. This program is designed to encourage and assist recent high school graduates, who might not otherwise feel they can afford a college degree and often whose families have never had a member attend college, to continue their education.

A new operating unit of the District began its first full year of operations in the year ended August 31, 2007. This operating unit is a high school for which the Texas Education Agency (TEA) granted a charter in October 2005. The Board of Trustees of the District subsequently approved the charter in May 2006. For 2010-2011, TEA listed the Accreditation Status as Accredited. Operated under Richland College, one of the seven colleges of the District, the Richland Collegiate High School of Mathematics, Science, and Engineering ("RCHS") opened in August 2006 with 176 students at the junior level. Those students moved up to senior level and a new class of juniors began studies in August 2007. Students take college courses for which they concurrently receive high school credit. At the end of two years, students can graduate from high school while having also earned an associate degree at the college level. The school produced two such graduates in its first year of operation and in May 2008 graduated its first full class, almost all of whom received both a high school diploma and an associate's degree.

While the high school receives state reimbursement based on average daily attendance, the college also receives state funding dollars for the contact hours. TEA requirements necessitate tracking RCHS revenues and expenses separately from those of the college. But because the high school "contracts" with the college for instructional and administrative services, the legal identity is the same as the District, and the high school

Preliminary and Tentative

shares the same Board of Trustees with the District, the RCHS is included as an operating unit in the District's financial statements. More information can be found in Footnote 24, including a Statements of Net Assets and a Statements of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and other schedules for the RCHS alone.

Comparative Financial Information

In order to show the trends for the two years shown in the Statements of Net Assets (Exhibit 1), a summary of three years of data (in thousands) for the years ended August 31, 2009 through 2011 follows.

	Fiscal Year 2009	Increase/ (Decrease)	Fiscal Year 2010	Increase/ (Decrease)	Fiscal Year 2011
CURRENT ASSETS:	\$ 81,907	\$ 43,599	\$ 125,506	\$ 11,980	\$ 137,486
NON-CURRENT ASSETS:					
Capital assets, net of depreciation	665,995	42,578	708,573	(7,685)	700,888
Other	267,036	(58,730)	208,306	(16,198)	192,108
Total assets	<u>1,014,938</u>	<u>27,447</u>	<u>1,042,385</u>	<u>(11,903)</u>	<u>1,030,482</u>
CURRENT LIABILITIES	141,467	(5,613)	135,854	22,311	158,165
NON-CURRENT LIABILITIES	<u>422,991</u>	<u>23,287</u>	<u>446,278</u>	<u>(30,879)</u>	<u>415,399</u>
Total liabilities	564,458	17,674	582,132	(8,568)	573,564
NET ASSETS:					
debt	252,511	13,102	265,613	16,240	281,853
Restricted	11,708	194	11,902	(6,074)	5,828
Unrestricted	<u>186,261</u>	<u>(3,523)</u>	<u>182,738</u>	<u>(13,501)</u>	<u>169,237</u>
Total net assets	<u>\$ 450,480</u>	<u>\$ 9,773</u>	<u>\$ 460,253</u>	<u>\$ (3,335)</u>	<u>\$ 456,918</u>

The difference between what the District owns, its assets, and what it owes, its liabilities, are the net assets. At August 31, 2010, the difference in assets and liabilities was \$460.3 million while at August 31, 2011, the difference was \$456.9 million. As can be seen, the former is an increase from August 31, 2009 of approximately \$9.8 million or 2.2% while the more recent year is an decrease of \$3.3 million or 0.7%.

A review of the assets on the preceding table reveals shifts between current assets and non-current "other" assets for the years ended August 31, 2009 through August 31, 2011. Current assets increased from \$81.9 million at August 31, 2009 to \$125.5 million at August 31, 2010, an increase of \$43.6 million or 53.2% while the non-current "other" assets decreased from \$267.0 million to \$208.3 million, a decrease of \$58.7 million or 22.0%. Continuing the trend, but on a smaller scale, the change of current assets from the year ended August 31, 2010 to August 31, 2011 was an increase of \$12.0 million or 9.6% but for non-current "other" assets was a decrease of \$16.2 million or 7.8%. Capital assets first increase \$42.6 million or 6.4% from 2009 to 2010 but then decrease \$7.7 million or 1.1% as construction neared completion for the District's major facility expansion program by the end of 2010 but then begins to depreciate in the fiscal year ended August 31, 2011.

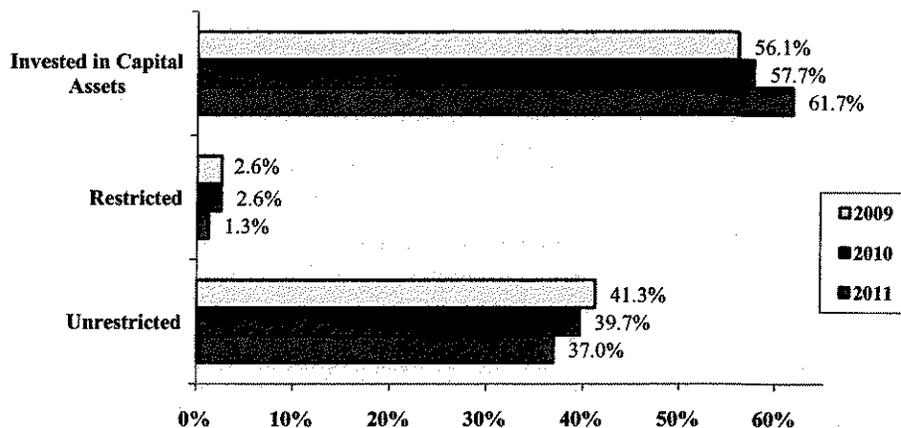
Current liabilities decreased for the year ended August 31, 2010 over August 31, 2009 by \$5.6 million or 4.0% followed by an increase of \$22.3 million or 16.4% for the year ended August 31, 2010 over August 31, 2011. The decrease in the earlier fiscal year is primarily related to a reduction in accounts payable netted against an increase in deferred revenues caused by increased enrollments for the Fall semester that year. The increase in

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the most current fiscal year of \$22.3 million or 16.4% is due mainly to accrued early retirement incentives of \$8.5 million and a deferred revenue increase of \$12.5 million as both enrollment increased and a tuition increase implemented in Spring 2011 hit Fall for the first time when students registered in August. Non-current liabilities increased from August 31, 2009 to August 31, 2010 by \$23.3 million or 5.5% but decreased \$30.9 million or 6.9% for the year ended August 31, 2011. The increase in the earlier year basically represents the net difference of the last \$47.1 million of general obligation bonds issued and the amount moved to current liabilities for payment in the next fiscal year. The decrease in the latter year is tied to the movement of the current portion of bonds payable to current liabilities along with the decrease in accrued compensable absences caused by the fact that those taking early retirement received vacation payouts in September 2011 that normally would have been part of non-current liabilities if the early retirement had not been taken.

The following is a graphic illustration of the breakdown of net assets for the years ended August 31, 2009 through 2011. Restricted net assets has remained fairly steady for the years ended August 31, 2009 and 2010 but decreased somewhat for the year ended August 31, 2011 due to use of unexpended bond proceeds and reduced restrictions for debt service. Those assets invested in capital assets net of related debt have increased steadily over the same period as construction of the bond program projects was completed. A slight dip in unrestricted net assets has occurred since August 31, 2009 inversely proportional to the increase in net assets invested in capital assets.

Comparison of Net Assets



Operating revenues, after growing for several years, declined slightly in 2011. The change began during the year ended August 31, 2010 when the rate of growth was lower resulting in only a \$5.2 million increase or 5.4% to \$101.2 million for the period ended August 31, 2010. But the decrease was \$1.7 million or 1.73% for the year ended August 31, 2011. Operating expenses increased in both years, rising 15.5% to \$439.4 million for the period ended August 31, 2010 followed by a more modest 3.6% increase to \$455.3 million for the year ended August 31, 2011. The increase in expenses outpaced the revenues for both years resulting in a 19.0% or \$53.9 million increase in operating loss for the period ended August 31, 2010 but a less significant 5.2% or \$17.7 million increase in operating loss for the period ended August 31, 2011. The operating loss was offset by a net increase in non-operating revenues as they grew \$40.2 million or 13.0% for the year ended August 31, 2010. But even though there was a net increase in non-operating revenue of \$4.6 million or 1.32% for the year ended August 31, 2011, it was not enough to cover the operating loss, resulting in a decrease in net assets for the first time since switching to the GASB 34 format for financial statements in 2002. The increase in net assets dropped 58.5% or \$13.8 million for the year ended August 31, 2010 from August 31, 2009 but decreased 134.1% or another \$13.1 million from the year ended August 31, 2010 to the year ended August 31, 2011 for a

Preliminary and Tentative

total decrease in net assets of \$3.3 million.

Results of operations and non-operating activities are summarized in the following table, which was prepared from the Statements of Revenues, Expenses, and Changes to Net Assets (Exhibit 2).

**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2009 THROUGH 2011
(In Thousands)**

	Fiscal Year 2009	Difference	Fiscal Year 2010	Difference	Fiscal Year 2011
OPERATING REVENUES	\$ 96,043	\$ 5,153	\$ 101,196	\$ (1,748)	\$ 99,448
LESS OPERATING EXPENSES	<u>380,291</u>	<u>59,063</u>	<u>439,354</u>	<u>15,956</u>	<u>455,310</u>
NET OPERATING LOSS	(284,248)	(53,910)	(338,158)	(17,704)	(355,862)
NON-OPERATING REVENUES AND EXPENSES	<u>307,777</u>	<u>40,154</u>	<u>347,931</u>	<u>4,596</u>	<u>352,527</u>
INCREASE/(DECREASE) IN NET ASSETS	23,529	(13,756)	9,773	(13,108)	(3,335)
NET ASSETS - BEGINNING OF YEAR	<u>426,951</u>	<u>23,529</u>	<u>450,480</u>	<u>9,773</u>	<u>460,253</u>
NET ASSETS - END OF YEAR	<u>\$ 450,480</u>	<u>\$ 9,773</u>	<u>\$ 460,253</u>	<u>\$ (3,335)</u>	<u>\$ 456,918</u>

The two major sources of operating revenues are tuition and various grants and contracts. Tuition revenue is reported net of discounts for tuition paid by various federal, state and local grants, including those associated with the Title IV Higher Education Administration Program. Additionally, state mandated or locally approved remissions and exemptions are reported as discounts against tuition. Grants and contracts provided 29.6% of operating revenue for the year ended August 31, 2009 increasing somewhat to 31.9% of operating revenue for the year ended August, 31, 2010 but increasing more significantly to 39.0% of operating revenue for the year ended August 31, 2011. Both federal grants and contracts and state grants and contracts revenue contributed to this increase each year. Tuition constituted 62.4% and 60.0% of net operating revenue respectively for the years ended August 31, 2009 and 2010 (see Revenue by Source graph) but rocketed to 74.6% of net operating revenue for the year ended August 31, 2011. The offset in part by an increase in tuition discounts—especially for Pell grants—reduced tuition as a percent of total operating revenues or it would have been even higher.

Generally accepted accounting principles, under pronouncements of the Governmental Accounting Standards Board, prohibit reporting two major sources of revenue of the District as operating revenue—state appropriations and ad valorem tax revenues—on the basis that each represents revenue from non-exchange transactions. Accordingly, state appropriations and revenues recognized from ad valorem taxation are reported as non-operating revenues. This results in reporting large operating losses which are significantly decreased after inclusion of these non-operating revenues and others that really are intended to contribute to operations. State appropriations are restricted by law to be used only for the educational and general expenses of the institution, which are its prime operations. Ad valorem tax revenues are broken into two types—those for

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maintenance and operations and those for debt service. The maintenance and operations portion is specifically designed to apply to operations, although a portion can be used for paying maintenance tax notes. Interest revenue is obtained through pooled investments, a large portion of which is attributable to operations. Also federal financial aid was recently reclassified to non-operating revenue by GASB even though the portion that relates to tuition is required to be reported as a tuition discount against operations. If those non-exchange transactions that really apply to operations were reported as such, the Statements of Revenues, Expenses and Changes in Net Assets would look like the following.

ALTERNATIVE REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2009 THROUGH 2011
(In Thousands)

	Fiscal Year 2009	Difference	Fiscal Year 2010	Difference	Fiscal Year 2011
OPERATING REVENUES	\$ 96,043	5,153	\$ 101,196	(1,748)	\$ 99,448
OTHER SUPPORT FOR OPERATIONS	294,256	35,996	330,252	1,241	331,493
LESS OPERATING EXPENSES	<u>380,291</u>	<u>59,063</u>	<u>439,354</u>	<u>15,956</u>	<u>455,310</u>
NET OPERATING INCOME	10,008	(17,914)	(7,906)	(16,463)	(24,369)
NON-OPERATING REVENUES AND EXPENSES	<u>13,521</u>	<u>4,158</u>	<u>17,679</u>	<u>3,355</u>	<u>21,034</u>
INCREASE/(DECREASE) IN NET ASSETS	23,529	(13,756)	9,773	(13,108)	(3,335)
NET ASSETS - BEGINNING OF YEAR	<u>426,951</u>	<u>23,529</u>	<u>450,480</u>	<u>9,773</u>	<u>460,253</u>
NET ASSETS - END OF YEAR	<u>\$ 450,480</u>	<u>\$ 9,773</u>	<u>\$ 460,253</u>	<u>\$ (3,335)</u>	<u>\$ 456,918</u>

State appropriations increased 3.3% or \$3.9 million for the year ended August 31, 2010 over the year ended August, 31, 2009--this in spite of a mid-year reduction requested in January 2010 by the State of Texas and a portion of appropriations reported as a grant because paid by American Reinvestment & Recovery Act (ARRA) funds. The increase after the cut was possible only because of an increase in appropriation for the new biennium granted by the 81st legislative session over the previous one. But for the year ended August 31, 2011 a decrease in appropriations of \$3.9 million or 3.19% brought the total back to less than the previous biennium as the first cut for fiscal year 2011 reduced the appropriation by 65% of the original 5% cut plus an additional 2.5% in the summer.

Tax revenue, net of collection fees and bad debt, increased for the year ended August 31, 2010 but decreased for the year ended August 31, 2011. In spite of the first decrease in the tax base for over a decade (down 2.86%) for the 2009 tax year, there was a 4.0% or \$6.1 million increase for the year ended August 31, 2010 over the year ended August 31, 2009 mainly due to an increase in the assessment of a debt service tax levied for repayment of the general obligation bonds issued for the construction projects approved by voters May 2004. There was an increase from \$0.0135 per \$100 valuation for debt service to \$0.0171 per \$100 valuation-a 26.7%

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increase over the prior year. The tax base for tax year 2010 deteriorated an additional 4.86% while the rate stayed the same resulting in the \$3.9 million or 3.19% tax revenue reduction. However, the debt service tax rate increased from \$0.0171 per \$100 valuation to \$0.02143 per \$100 valuation. Tax revenue net of bad debt allowances and collection fees has exceeded state appropriations as the primary funding source in all three fiscal years, representing 47.5% , 43.5% and 42.7% of total non-operating revenues for the years ended August 31, 2009 through 2011, respectively, compared to 37.0%, 33.7% and 32.2% for state appropriations.

Federal scholarship revenue net of discounts grew from 12.6% of non-operating for the year ended August 31, 2009 to 20.3% and 23.7% of non-operating for the years ended August 31, 2010 and 2011, respectively. It has steadily increased with an 83.9% or \$34.0 million increase at August 31, 2010 over the year ended August 31, 2009 and another 18.2% or \$13.5 million for the year ended August 31, 2011.

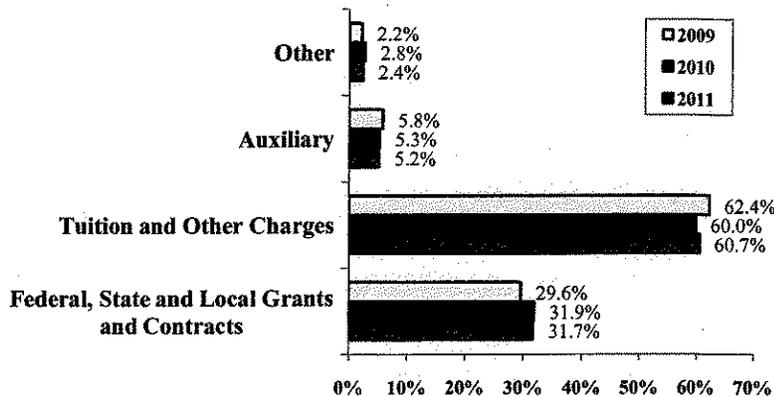
Investment income, also a non-operating revenue, decreased 11.5% or \$1.0 million for the year ended August 31, 2010 over the year ended August 31, 2009. This trend continued with a further decrease of 46.6% or \$3.4 million for the year ended August 31, 2010 over the year ended August 31, 2011 due to continued market declines and some of the older, higher-interest earning investments being called or matured. Interest on capital related debt from August 31, 2009 to August 31, 2010 grew 18.7% or \$2.6 million for the year ended August 31, 2010. New general obligation bonds with a principal value of \$47.1 million were issued during the year as well as \$49.3 million of general obligation refunding bonds to refund the Series 2004 General Obligation Bonds. The interest on capital related debt grew an additional 9.61% or \$1.6 million although no new bonds were issued.

The result of all these changes was that net non-operating revenues increased \$40.2 million or 13.0% for the year ended August 31, 2010 over the year ended August 31, 2009 and \$4.6 million or 1.3% for the year ended August 31, 2011.

The following are graphic illustrations of revenues by source for both operating and non-operating revenues for the years ended August 31, 2009 through 2011, which were prepared from the Statements of Revenues, Expenses, and Changes in Net Assets (Exhibit 2).

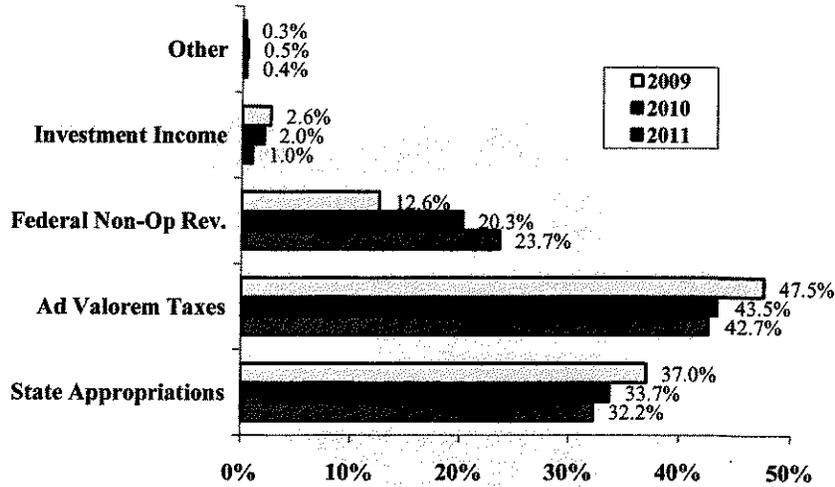
Revenue by Source

Operating Revenues



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Non-operating Revenues



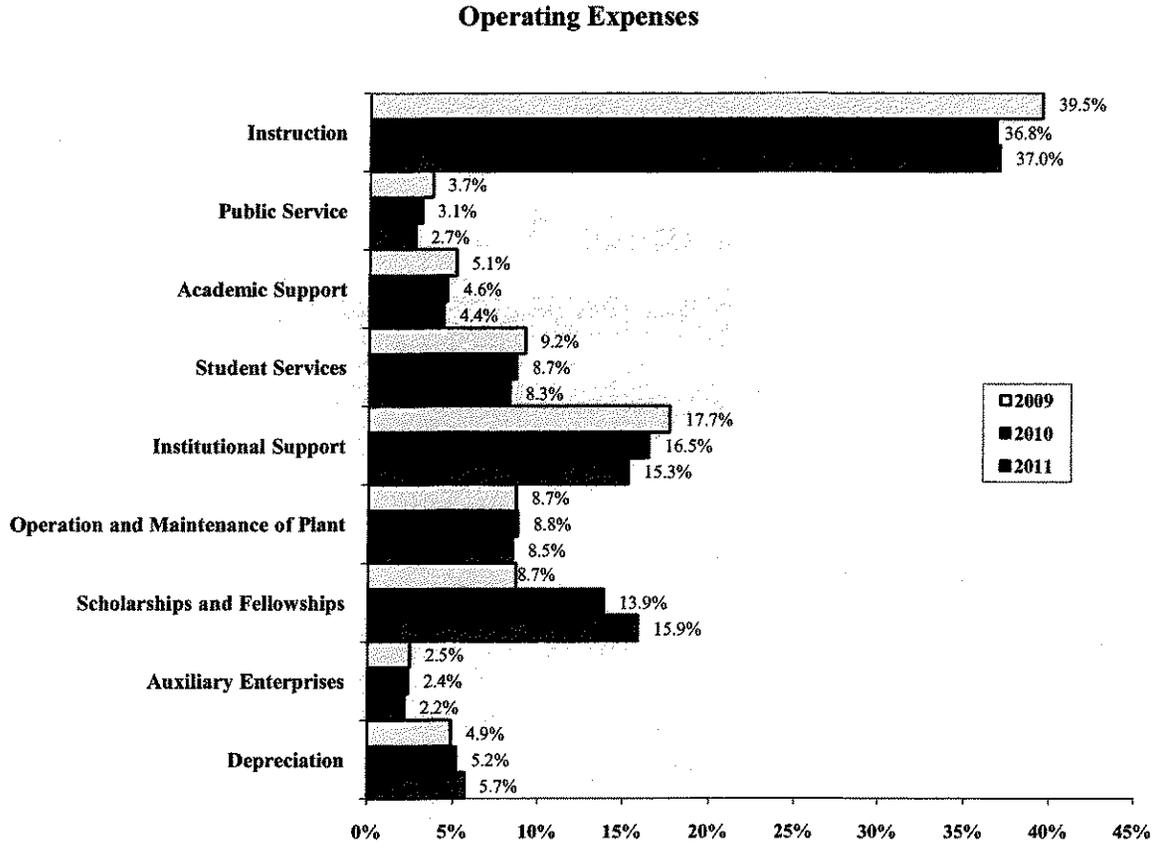
The breakdown of operating expenses by functional area for the years ended August 31, 2009 through 2011 appears in the following table.

OPERATING EXPENSES
YEARS ENDED AUGUST 31, 2009 THROUGH 2011
(In Thousands)

OPERATING EXPENSE	Fiscal Year 2009	Difference	Fiscal Year 2010	Difference	Fiscal Year 2011
Instruction	\$ 150,414	\$ 11,355	\$ 161,769	\$ 6,560	\$ 168,329
Public service	13,954	(451)	13,503	(1,312)	12,191
Academic support	19,363	702	20,065	(77)	19,988
Student services	35,151	3,203	38,354	(738)	37,616
Institutional support	67,196	5,270	72,466	(2,737)	69,729
Operation and maintenance of plant	33,000	5,718	38,718	126	38,844
Scholarships and fellowships	33,144	27,960	61,104	11,311	72,415
Auxiliary enterprises	9,539	850	10,389	(173)	10,216
Depreciation	18,530	4,456	22,986	2,996	25,982
TOTAL	\$ 380,291	\$ 59,063	\$ 439,354	\$ 15,956	\$ 455,310

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The following is a graphic illustration of operating expenses for fiscal years 2009 through 2011.



As would be expected, the bulk of operating expenses are for instruction with a trend of steady growth in keeping with the growth in revenue and shown by an increase of \$11.4 million or 7.5% for the period ended August 31, 2010 and \$6.6 million or 4.05% for the year ended August 31, 2011. However, the percent of total expenses represented by instructional expenses has been fairly steady for the periods ended August 31, 2009 through 2011 due to increases in other functional areas. For instance scholarships and fellowships has grown monumentally over the years ended August 31, 2009 through August 31, 2011 as it increased \$28.0 million or 84.4% for the year ended August 31, 2010 and an additional \$11.3 million or 18.5% for the year ended August 31, 2011 as Title IV awards increased significantly each of the past three years. Also depreciation has steadily increased as new buildings became operational, increasing \$4.5 million or 24.1% for the year ended August 31, 2010 and another \$3.0 or 13.0% for the year ended August 31, 2011. Institutional support increased \$5.3 million or 7.8% for the year ended August 31, 2010 over the year ended August 31, 2009 but decreased \$2.7 million or 3.8% for the year ended August 31, 2011. Public service, Academic Support, and Student services all decreased for the year ended August 31, 2011 as budgets were cut to meet the state appropriation reductions while Instruction was preserved as much as possible to address the growing enrollment needs.

As required when meeting the criteria delineated in GASB 39, the District began including the statements of the Foundation following each of its own statements in the year ended August 31, 2004. For the fiscal year ended August 31, 2010, the Foundation's net assets were \$30.4 million, an amount that represents 6.6% of the District's net assets for the same period. For the fiscal year ended August 31, 2011, the Foundation's net assets were \$33.5 million, which represents 7.3% of the District's net assets for the same fiscal year. The income from the Foundation is partially used to fund grants and scholarships for the students and employees of the District.

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However, most of the Foundation's net assets are permanently restricted and therefore not available for the District's direct use. Permanently restricted net assets of the Foundation were \$26.2 million and \$26.9 million for the years ended August 31, 2010 and 2011 respectively.

Financial Analysis

The continuous reduction in the total of cash and investments from the year ended August 31, 2009 through 2011 reflects the fact that the District's \$450 million bond program approved by voters in May 2004 was nearing completion. The final tranche of \$41.7 million of general obligation bonds for the program was issued in January 2010. The projects were in effect completed by the end of the 2010 fiscal year. No new bonds were issued during the year ended August 31, 2011. For the year ended August 31, 2010, \$9.0 million was added to the depository account where it could earn more money than investment pools, where much of the District's funds had been kept because of low interest earnings in longer term types of investments. Earnings on the \$9.0 million are used to offset banking fees.

The line item "Capital assets not subject to depreciation" changed from \$188.1 million for the year ended August 31, 2009 to only \$50.6 million for the year ended August 31, 2011. This reflects the movement of the cost of completed projects from construction in progress to depreciable assets, particularly in the year ended August 31, 2010. The projects were virtually done with only some final bills to be received and paid in 2011. Depreciable capital assets increased to \$650.3 million, which includes most of the \$450 million bond projects. However, about \$27.5 million of the bond program was spent on land purchases.

Bonds payable for the year ended August 31, 2009 reflects the addition of \$315.0 million in general obligation bonds after repayment of outstanding commercial paper that was used for an interim financing program on the capital bond program. However, the commercial paper program ended November 2009. The final \$47.1 million in general obligation bonds was issued in January 2010. Both years' increases were netted against payment of the current portion of bonds payable. Since no new bond issues were processed for the year ended August 31, 2011, the bonds payable indicates a decrease in bonds outstanding.

Net assets, the difference between total liabilities and total assets, increased for the year ended August 31, 2010. But for the first time since GASB 34 reporting methodology was implemented in 2002, a decrease in net assets has occurred for the year ended August 31, 2011. This can be seen as the product of increased enrollments, creating more costs to educate the higher number of students, and the reduction in state appropriations and tax revenue. Additional costs were also created by the implementation of an early retirement incentive program that will help curb costs for the future. Eligible employees were offered 80% of their annual salary if they retired by August 31, 2011 or 50% if they retired by January 31, 2012. This caused more expense for the year ended August 31, 2011 but will create savings when positions are either not filled or replaced with employees at entry level salaries.

Tuition revenue has increased over the past two fiscal years and so have allowances and discounts. The net tuition revenue increase is due to enrollment increases each semester coupled with a 10% increase in tuition that occurred in Spring 2011. The discounts for tuition grew particularly in relation to Title IV federal financial aid.

Federal grant and contract revenue increased for the year ended August 31, 2010, increasing \$2.8 million or 15.0% while state grants remained relatively flat. The increases were mainly the result of funding from the American Recovery and Reinvestment Act, particularly as part of the state-funded appropriations passed through the Texas Higher Education Coordinating Board and pass through funding from the Dallas County Local Workforce Development Board. But there was a decrease of \$1.4 and \$1.1 million, respectively, for federal and state grants as some grants were not renewed. Non-governmental grants and contracts increased

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\$1.7 million for the year ended August, 31, 2011.

Various functional expenses as a percent of total operating expenses shifted somewhat for the year ended August 31, 2011. This reflects attempts to lower costs in areas where possible in order to accommodate the costs of increasing enrollments. No salary increases were given for the year just ended, and only a \$300 per year increase per person was given in the year ended August 31, 2010 to help cover increased benefit costs. Instruction still grew because of increasing enrollment as did Scholarships & Fellowships to cover the increasing number of students needing financial aid to attend school. Depreciation increases reflect the number of new buildings now starting their depreciation cycle.

State appropriations experienced an increase of \$3.9 million or 3.3% for the year ended August 31, 2010 as it was the first year of the new biennium. This increase would have been larger except that the amount was reduced \$3.4 million when the State mid-year, as a cost-cutting saving measure, asked for a plan to reduce appropriations 5% for the biennium. Also \$1.7 million of appropriations is accounted for as a federal grant because it came through the American Recovery and Reinvestment Act. In its plan the District decided to reduce 35% of the 5% cut during the year ended August 31, 2010 with the remaining 65% coming out of the year ended August 31, 2011. However, in December 2010 the State asked higher education to make an additional cut of 2.5% bringing the District back to its 2009 fiscal year levels for the year ended August 31, 2011.

The tax base declined 2.9% for the year ended August 31, 2010, but tax revenue for M&O was reduced only slightly as the tax rate was raised to \$0.0778 per \$100 of valuation. But overall tax revenue increased because the debt service rate was increased to \$0.0171 per \$100 of valuation to accommodate the issuance of the final tranche of general obligation bonds of \$47.1 million. The year ended August 31, 2011 reflects a decrease in tax revenue because the rate for maintenance and operations was left the same as for 2010 while the tax base deteriorated an additional 4.6% causing over a \$6 million reduction in available money. Earning investment income for the past two years has been a challenge as interest rates have remained at record lows. The \$9.0 million added to the depository bank and the addition of municipal bonds to the investment portfolio helped to diversify investments and earn some greater rates than found in other investments. The District's investment policy was modified to allow the purchase of the municipal bonds and is allowable under the Public Funds Investment Act.

As a result of all of the activity described above, the net assets of the District increased \$9.8 million for the year ended August 31, 2010 but actually decreased for the year ended August 31, 2011. Decreases in state appropriations and the tax base combined with increases in enrollment growth and scholarship applications all contributed to this last year's decrease in net assets. Conservative spending helped keep the reduction lower than it might otherwise have been.

Capital Asset and Non-Current Debt Activity

As of August 31, 2009, the District had recorded \$919.3 million in capital assets, and \$253.3 million in accumulated depreciation resulting in \$666.0 million in net capital assets. For the year ended August 31, 2010, net capital assets increased \$42.6 million or 6.4%. By August 31, 2011, the amounts had decreased by \$7.7 million or 1.1%. After rapid movement toward completion in prior years of a large number of capital construction projects under the bond program approved in May 2004, the changes are indicative of the completion of that program and the beginning of depreciation for the buildings placed into service.

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The following table summarizes the breakdown of capital assets by fiscal year:

CAPITAL ASSETS, NET
YEARS ENDED AUGUST 31, 2009 THROUGH 2011
(In Thousands)

	Fiscal Year 2009	Difference	Fiscal Year 2010	Difference	Fiscal Year 2011
CAPITAL ASSETS:					
Land and improvements	\$ 64,283	\$ 942	\$ 65,225	\$ (572)	\$ 64,653
Buildings & building improvements	633,445	152,727	786,172	55,215	841,387
Equipment, furniture, and software	62,689	5,249	67,938	4,269	72,207
Library books	10,060	(44)	10,016	412	10,428
Construction in progress	<u>148,851</u>	<u>(95,010)</u>	<u>53,841</u>	<u>(42,257)</u>	<u>11,584</u>
Total	919,328	63,864	983,192	17,067	1,000,259
Less accumulated depreciation	<u>(253,332)</u>	<u>(21,287)</u>	<u>(274,619)</u>	<u>(24,753)</u>	<u>(299,372)</u>
Net capital assets	<u>\$ 665,996</u>	<u>\$ 42,577</u>	<u>\$ 708,573</u>	<u>\$ (7,686)</u>	<u>\$ 700,887</u>

After several years of issuing bonds related to the 2004 capital improvement program, none were issued for the year ended August 31, 2011. The last tranche of the \$450 million bond program was issued in January 2010 for \$47.1 million. In addition a bond refunding was accomplished for the Series 2004 general obligation bonds in June 2010 to take advantage of the lower interest rates. The result was the issuance of \$49.3 million of Series 2010 General Obligation Refunding Bonds to refund \$50.6 million of the Series 2004 bonds. Savings targets were met. There are no current plans for any new bond issues or refunding.

In preparation for selling the general obligation bonds, Standard & Poors, Inc., Moody's Investors Service, Inc. and Fitch Ratings all assigned their highest credit rating of AAA. Some of the reasons cited for the rating were (1) a strong tax base, (2) flexible revenue sources, and (3) strong fiscal management. Having the top rating from all three rating agencies provided an advantage to the District as issues were sold. There are only a handful of community colleges in the country that have the highest rating from all three rating agencies.

In January 2006 the board approved a commercial paper program to be used as an interim financing method for the 2004 general obligation bond projects. The limit outstanding was not to exceed \$150.0 million at any given time. Authority for community colleges to issue commercial paper was approved by the legislature in 2006. The first tranche of \$25 million was issued in September 2007 followed by an additional \$100 million in November 2007. The full amount was refunded by a new issue of general obligation bonds issued September 2009. Since it was no longer needed, the commercial paper program was eliminated by board of trustees' resolution at its November 3, 2009 meeting.

Additional information on both capital assets and long term debt can be found in notes 5 and 6.

Currently Known Facts, Decisions and Conditions

The 82nd Legislature for the State of Texas changed the state appropriation landscape significantly. In prior years health benefits were almost fully funded and retirement matches were fully funded. But now, although

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appropriations tied to contact hour funding have remained about the same, significant reductions in appropriations for health benefit contributions from the State and a limit of retirement matching to 6% of each institution's state appropriation has been implemented. So in spite of the general revenue appropriations remaining approximately the same, they are being eaten up by the need to fill the gap in benefit funding, which translates into about \$12 million for the District.

The certified tax base decreased by another 1.4% for the tax year 2011. This time the Board voted to raise the rate to \$0.0789 per \$100 valuation for maintenance and operations so that the tax revenue would remain approximately the same as for the year ended August 31, 2011. The debt service rate was lowered slightly to \$0.02077 per \$100 valuation. The only salary increase given for the new fiscal year was to cover employee benefit cost increases of \$300 per person for 2011 and an additional \$325 per person for 2012, costing about \$1.7 million.

Additional cost cutting measures are being sought through efficiencies of operations to help bridge funding gaps. One significant step taken was to offer the early retirement incentive program, mentioned previously, to eligible employees so that long time employees with higher salaries could be replaced with entry level salaried employees or the position could be eliminated altogether. Approximately \$10 million of fund balance was used to pay for the incentive. A 3-5 year payback is expected and over 230 employees took advantage of the offer.

The District has the second lowest tuition and fees rate among the State's 50 community colleges as well as having the third lowest maintenance and operations tax rates. This gives some flexibility in making up any budget shortages through tuition or tax increases.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Affairs office at 4343 IH-30, Mesquite, Texas 75150.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 1

STATEMENTS OF NET ASSETS
AUGUST 31, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,743,218	\$ 46,551,281
Accounts receivable (net of allowance for uncollectible accounts)	42,099,808	38,144,527
Tuition and fees receivable (net of allowance for uncollectible accounts)	11,528,291	9,219,830
Taxes receivable (net of allowance for uncollectible accounts)	1,597,336	2,125,427
Deferred charges, net	34,315,707	27,277,008
Notes receivable	19,375	49,404
Inventories	598,446	665,163
Prepaid expenses	1,584,435	1,473,409
Total current assets	137,486,616	125,506,049
NON-CURRENT AND RESTRICTED ASSETS:		
Restricted cash and cash equivalents	11,708,116	247,358
Long-term investments	175,238,789	202,659,905
Deferred charges, net	5,160,847	5,398,956
Capital assets, net		
Not subject to depreciation	50,603,545	93,503,817
Subject to depreciation	650,284,221	615,069,063
Total non-current and restricted assets	892,995,518	916,879,099
TOTAL ASSETS	1,030,482,134	1,042,385,148
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	27,434,705	31,098,994
Accrued liabilities	15,356,841	5,618,523
Accrued compensable absences—current portion	8,673,803	6,929,658
Funds held for others	2,517,802	2,518,257
Deferred revenues	76,295,498	63,748,440
Bonds payable—current portion	27,886,053	25,940,339
Total current liabilities	158,164,702	135,854,211
NON-CURRENT LIABILITIES:		
Restricted accrued liabilities	808,235	1,714,728
Accrued compensable absences	1,940,994	4,027,133
Bonds payable	412,650,174	440,536,227
Total non-current liabilities	415,399,403	446,278,088
TOTAL LIABILITIES	573,564,105	582,132,299
NET ASSETS		
Invested in capital assets, net of related debt	281,852,766	265,612,880
Restricted for:		
Unexpended bond proceeds	3,037,934	6,068,463
Debt service	2,789,849	5,833,807
Unrestricted	169,237,480	182,737,699
TOTAL NET ASSETS (Schedule D)	\$ 456,918,029	\$ 460,252,849

The accompanying notes are an integral part of the financial statements.

EXHIBIT 1A

Dallas County Community College District Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Cash and cash equivalents	\$ 5,987,505	\$ 7,194,417
Investments	24,582,798	19,853,108
Accrued interest and dividends receivable	52,049	56,897
Contributions receivable, net	3,020,406	3,496,168
Other assets	10,606	10,617
	<u>33,653,364</u>	<u>30,611,207</u>
Total assets	\$ 33,653,364	\$ 30,611,207
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Due to affiliate	\$ 165,277	\$ 188,382
Accounts payable	19,956	22,247
Total liabilities	<u>185,233</u>	<u>210,629</u>
NET ASSETS:		
Unrestricted	2,893,448	1,357,294
Temporarily restricted	3,686,090	2,872,938
Permanently restricted	26,888,593	26,170,346
Total net assets	<u>33,468,131</u>	<u>30,400,578</u>
Total liabilities and net assets	<u>\$ 33,653,364</u>	<u>\$ 30,611,207</u>

See Note 23 of the primary government organization.

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Tuition and charges (net of discounts of \$36,473,907 and \$33,278,631, respectively)	\$ 60,320,922	\$ 60,679,753
Federal grants and contracts	20,307,272	21,675,227
State grants and contracts	6,680,684	7,733,013
Non-governmental grants and contracts	4,546,919	2,832,108
Sales and services of educational activities	526,579	627,008
Auxiliary enterprises	5,163,347	5,408,863
General operating revenues	<u>1,901,831</u>	<u>2,240,074</u>
Total operating revenues (schedule A)	99,447,554	101,196,046
OPERATING EXPENSES:		
Instruction	168,328,724	161,769,590
Public service	12,191,195	13,502,908
Academic support	19,988,006	20,064,645
Student services	37,616,047	38,353,725
Institutional support	69,729,069	72,466,072
Operation and maintenance of plant	38,843,816	38,718,617
Scholarships and fellowships	72,414,788	61,103,659
Auxiliary enterprises	10,216,128	10,389,098
Depreciation	<u>25,982,044</u>	<u>22,986,128</u>
Total operating expenses (schedule B)	<u>455,309,817</u>	<u>439,354,442</u>
OPERATING LOSS	(355,862,263)	(338,158,396)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	119,373,173	123,303,929
Maintenance ad valorem taxes (net of bad debt and collection fee of \$3,774,842 and \$3,715,304, respectively)	158,309,361	159,137,404
Federal revenue, non-operating	87,927,083	74,418,624
Gifts	148,556	83,299
Investment income	3,943,390	7,384,454
Gain on sale of investment	6,734	-
Interest on capital related debt	(18,094,031)	(16,507,721)
Loss on disposal of fixed assets	(35,292)	(1,040,680)
Other non-operating revenue	1,362,919	1,571,370
Other non-operating expense	<u>(414,450)</u>	<u>(419,536)</u>
Net non-operating revenues (expenses) (Schedule C)	<u>352,527,443</u>	<u>347,931,143</u>
INCREASE/(DECREASE) IN NET ASSETS	(3,334,820)	9,772,747
NET ASSETS:		
Net Assets—Beginning of Year	<u>460,252,849</u>	<u>450,480,102</u>
Net Assets—End of Year	<u>\$ 456,918,029</u>	<u>\$ 460,252,849</u>

The accompanying notes are an integral part of the financial statements.

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 3

STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 71,989,336	\$ 74,681,022
Receipts from grants and contracts	39,621,289	35,058,414
Payments to suppliers for goods and services	(91,498,365)	(115,783,111)
Payments to or on behalf of employees	(250,376,676)	(248,118,308)
Payments for scholarships and fellowships	(76,325,914)	(62,597,386)
Loans issued to students	(49,044)	(106,758)
Collection of loans to students	56,154	82,370
Other receipts	1,901,831	2,240,074
Net cash used by operating activities	<u>(304,681,389)</u>	<u>(314,543,683)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from ad valorem taxes	162,880,366	162,760,498
Payments for collection of taxes	(4,042,913)	(4,143,531)
Receipts from state appropriations	104,330,446	107,751,080
Receipts from federal grants for non operating activities	82,703,352	66,546,853
Receipts from federal student loan programs	27,644,721	22,734,240
Payments of federal loans to students	(27,535,799)	(22,489,448)
Receipts from student organizations and other agency transactions	3,208,590	2,995,843
Payments to student organizations and other agency transactions	(3,066,413)	(2,543,066)
Other receipts	7,950	7,116
Other payments	-	(33,197)
Net cash provided by non-capital financing activities	<u>346,130,300</u>	<u>333,586,388</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	-	50,011,636
Proceeds from the sale of capital assets	2,040	22,731
Purchases of capital assets	(15,334,617)	(64,252,943)
Payments on capital debt - refunding	-	(1,022,080)
Payments on capital debt - principal	(23,925,000)	(20,875,000)
Payments on capital debt - interest	(21,121,190)	(19,678,348)
Net cash used by capital and related financing activities	<u>(60,378,767)</u>	<u>(55,794,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	158,032,734	376,005,000
Interest on investments	2,507,943	6,605,684
Purchase of investments	(130,958,126)	(326,615,324)
Net cash used by investing activities	<u>29,582,551</u>	<u>55,995,360</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,652,695	19,244,061
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>46,798,639</u>	<u>27,554,578</u>
CASH AND CASH EQUIVALENTS, AUGUST 31	\$ <u>57,451,334</u>	\$ <u>46,798,639</u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (355,862,263)	\$ (338,158,396)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	25,982,044	22,986,128
Bad debt expense	1,207,800	775,400
Payments made directly by State for benefits	15,042,727	15,552,849
Changes in assets and liabilities:		
Receivables (net)	(2,218,752)	(2,296,560)
Deferred expenses	(7,201,159)	(3,738,843)
Inventories	66,717	81,659
Notes receivable	30,029	4,052
Prepaid expenses	(111,026)	29,631
Accounts payable	(3,664,289)	(18,689,646)
Accrued liabilities	9,841,719	576,639
Compensated absences	(341,994)	385,200
Deferred revenue	12,547,058	7,948,204
Net cash used by operating activities	<u>\$ (304,681,389)</u>	<u>\$ (314,543,683)</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT 3A

Dallas County Community College District Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,067,553	\$ 1,365,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(691,809)	(294,259)
Net realized and unrealized gains on investments	(2,207,603)	(999,198)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	4,848	(16,527)
Contributions receivable	475,762	925,990
Other assets	(11)	-
Due to affiliate	(23,105)	(354,540)
Accounts payable	(2,291)	(78,539)
Total adjustments	<u>(2,444,209)</u>	<u>(817,073)</u>
Net cash provided by operating activities	<u>623,344</u>	<u>548,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	5,502,237	11,463,076
Purchases of investments	<u>(8,024,302)</u>	<u>(11,485,808)</u>
Net cash used in investing activities	<u>(2,522,065)</u>	<u>(22,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowments	<u>691,809</u>	<u>294,259</u>
Net cash provided by financing activities	<u>691,809</u>	<u>294,259</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,206,912)</u>	<u>819,936</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,194,417</u>	<u>6,374,481</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,987,505</u>	<u>\$ 7,194,417</u>

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

1. REPORTING ENTITY

The Dallas County Community College District (the "District") was established in 1965 in accordance with the laws of the State of Texas to serve the educational needs of Dallas County and the surrounding communities. The District is considered to be a special purpose primary government. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units, including the Dallas County Community College District Foundation, Inc. (the "Foundation"). The Foundation is a separate nonprofit organization, and its sole purpose is to provide benefits such as scholarships and grants to the students, faculty and staff of the District as well as raise money to support capital projects. The Foundation is a legally separate entity which does not provide a financial benefit or impose a financial burden on the District. The District does not appoint any of the Foundation's board members. The financial position and results of operations of the Foundation are included in these financial statements in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an Amendment of GASB Statement No. 14*, as an affiliated entity because the Foundation's sole function is to fund the District and its students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines— In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the District is classified as a special purpose government with all financial data of the District reflected as one business-type activity. The Statements of Net Assets display the financial position of the District at the end of each fiscal year and the Statements of Revenues, Expenses, and Changes in Net Assets display the operations of the District for the years ended August 31, 2011 and 2010. The financial statements are prepared using the economic resources measurement focus and the full accrual method of accounting.

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 accompanying financial statements of the District are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP). 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 District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Tuition Discounting

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Texas Public Education Grant

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 revenue amounts on Schedule A as a separate amount (Texas Education Code §56.0333). When the award for tuition is used by the student, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Administration (HEA) Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to students. These funds are initially received by the District and recorded as revenue. When the student is awarded these funds for tuition, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The District awards certain tuition scholarships from institutional and grant funds to students who qualify. When these amounts are transferred to the student for tuition, the amounts are recorded as tuition revenue and a corresponding amount is recorded as a tuition discount.

Basis of Accounting—The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned and expenses are recorded when they become a legal or contractual obligation to pay.

Cash and Cash Equivalents—The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments—In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair value is based on published market rates. Short-term investments consist of investments that 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.

Inventories—Inventories consist of consumable office and physical plant supplies. Inventories are valued at cost under the first-in, first-out method and are charged to expense as consumed.

Deferred Charges—Current deferred charges of \$33,960,916 and \$26,876,439 represent expenses for scholarships and fellowships related to the periods after August 31, 2011 and 2010, respectively, and \$354,791 and \$400,569 represent bond issue costs to be amortized in the periods after August 31, 2011 and 2010, respectively.

The District defers and amortizes the production costs associated with instructional television programs and other related materials on a straight-line basis over the estimated useful life of such media, which ranges from two to five years. These materials are produced and used both internally for instruction and for lease by the District to other educational institutions. Aggregate deferred production costs, net of accumulated amortization, amounted to \$2,324,237 and \$2,207,555 at August 31, 2011 and 2010, respectively, and have been included in the accompanying Statements of Net Assets as non-current deferred charges. In addition, \$2,836,610 and \$3,191,401, the non-current portion of bond issue costs being amortized over the life of the bonds, is included for the periods ended August 31, 2011 and 2010, respectively.

Capital Assets—Capital assets are stated at cost. Donated capital assets are recorded at their

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estimated fair value on the date received. The District reports depreciation under a single-line item as a business-type unit. 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. Library materials purchased during the fiscal year in an aggregate amount of \$5,000 or more are subject to capitalization and depreciation. Buildings, land and land improvements that exceed \$100,000 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. Equipment, furniture, telecommunications and peripheral equipment apply depreciation on a half-month convention. A full-year convention is applied for buildings, facilities, land improvements and library books. Estimated useful lives of capital assets are established according to the following:

Buildings	50 years
Facilities and other improvements	20 years
Library books	15 years
Furniture, machinery, vehicles, and other equipment	10 years
Major maintenance initiatives	10 years
Telecommunications and peripheral equipment	5 years

Deferred Revenues—Tuition and other revenues received, which relate to future periods, have been deferred.

Estimates—The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy—The District distinguishes operating revenues and expenses from non-operating items. 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 contracts and grants. The major non-operating revenues are state appropriations, property tax collections and Title IV federal revenues not discounted against tuition. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operations of the bookstore and food service are performed by a third party contracted by the District.

Use of Restricted Resources—The District’s practice is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS AND INVESTMENTS

Under the terms of a bank depository agreement, District funds are to be fully invested at all times. The District maintains an investment pool included in the Statements of Net Assets as “Cash and Cash Equivalents” for those items with original maturities of 90 days or less, as “Short-term Investments” for those items with original maturities of 91 days to one year, and as “Long-term Investments” for those items with maturities of greater than one year.

Various restrictions on deposits and investments, including repurchase agreements, are imposed by statute and District policy. These restrictions are summarized below:

Deposits—Custodial credit risk for deposits is the risk that in the event of a bank failure, the

Preliminary and Tentative

District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. All deposits with the depository bank of the District must be collateralized in an amount equal to at least 100% of the amount of uninsured collected funds. The collateral must be held by a third-party collateral bank in the name of the District or there may be a surety bond issued by a company mutually agreeable to the District and the Depository.

The carrying amount of the District's deposits with financial institutions as of August 31, 2011 was \$8,061,553, and the bank balance was \$9,527,787. The carrying amount of the District's deposits with financial institutions as of August 31, 2010 was \$6,304,452, and the bank balance was \$9,299,322. At August 31, 2011, all of the District's non-interest bearing deposits with banks were fully insured by FDIC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. At August 31, 2010, FDIC insures \$250,000 of the District's bank balances, per bank. Any remaining balance not covered by FDIC at any time is collateralized with securities.

Cash and cash equivalents included on the Statements of Net Assets consist of the following:

	2011	2010
Bank deposits:		
Local funds - demand	\$ 8,026,607	\$ 6,295,952
Imprest funds	8,500	8,500
Total deposits	8,035,107	6,304,452
Cash on hand	26,447	22,822
Cash equivalents:		
Investment in Texpool	10,947,617	33,804,518
Investment in TexSTAR	38,442,163	6,666,847
Total cash equivalents	49,389,780	40,471,365
Total cash and cash equivalents	\$ 57,451,334	\$ 46,798,639

Investments—The District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*. Disclosures are presented accordingly. The District is authorized to invest in obligations and instruments as defined in applicable sections of the current Texas Education Code and the Public Funds Investment Act of 1995 (Chapter 2256, 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. The investment policies of the District are governed by formally adopted procedures and allow investments as permitted under state laws for public institutions. Permissible investments under District policy include U.S. Treasury notes, certificates of deposit purchased from FDIC-insured state or nationally chartered U.S. banks, fully collateralized repurchase agreements and reverse repurchase agreements, investment pools, and securities issued by U.S. government agencies or

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municipalities.

At August 31, 2011 and 2010, long-term investments consisted of U.S. government and agency securities and obligations of municipalities. District policy requires that securities underlying its repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement and are to be collateralized with U.S. Treasury obligations or related securities which must be delivered to its depository banks for safekeeping. The District determines that, at least monthly, the collateral has a market value adequate to support such investments and that the collateral has been segregated by the bank.

Investments made by the District are carried at fair value, defined as the price at which two willing parties would complete an exchange. As of August 31, 2011 the District had the following cash equivalents and investments and maturities:

	Fair Value	Investment Maturities (in Years)					
		Less than 1	1-2	2-3	3-4	4-5	5-6
U. S. Agency notes and bonds	\$ 169,047,969	\$ -	\$ 38,292,510	\$ 23,284,200	\$ 18,530,700	\$ 34,672,890	\$ 54,267,669
Municipal obligations	6,190,820	2,013,960	2,088,500	2,088,360	-	-	-
Investments in Texpool	10,947,617	10,947,617	-	-	-	-	-
Investments in TexSTAR	38,442,163	38,442,163	-	-	-	-	-
Total cash equivalents and investments	\$ 224,628,569	\$ 51,403,740	\$ 40,381,010	\$ 25,372,560	\$ 18,530,700	\$ 34,672,890	\$ 54,267,669

As of August 31, 2010 the District had the following cash equivalents, investments and maturities:

	Fair Value	Investment Maturities (in Years)					
		Less than 1	1-2	2-3	3-4	4-5	5-6
U. S. Agency notes and bonds	\$ 202,659,905	\$ -	\$ 73,829,410	\$ 38,397,090	\$ 15,365,700	\$ 40,373,730	\$ 34,693,975
Investments in Texpool	33,804,518	33,804,518	-	-	-	-	-
Investments in TexSTAR	6,666,847	6,666,847	-	-	-	-	-
Total cash equivalents and investments	\$ 243,131,270	\$ 40,471,365	\$ 73,829,410	\$ 38,397,090	\$ 15,365,700	\$ 40,373,730	\$ 34,693,975

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As previously described, the District's investment policy limits credit risk based on meeting requirements of State law.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District policy provides that investment maturities are limited to six years with the average maturity of no more than five years as a means of managing exposure to fair value losses arising from increasing interest rates. The District's philosophy is to hold all investments to

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their maturity.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District's investment policy sets guidelines for the maximum percent of portfolio for any one type of investment. However, all of the District's investments are backed by the U.S. Government and are not subject to concentration of credit risk. Investment in U.S. Agency securities, as the largest component of the portfolio, comprises 72.28% of the District's total portfolio at August 31, 2011 and meets the District's guideline of no more than 85% of the portfolio being U.S. Agency securities.

Reconciliation of Deposits and Investments to Exhibit 1

	<u>Fair Market Value August 31, 2011</u>	<u>Fair Market Value August 31, 2010</u>
Total cash and cash equivalents	\$ 57,451,334	\$ 46,798,639
Total investments	<u>175,238,789</u>	<u>202,659,905</u>
 Total	 <u>\$ 232,690,123</u>	 <u>\$ 249,458,544</u>
 <u>Per Exhibit 1:</u>		
Cash and cash equivalents	\$ 45,743,218	\$ 46,551,281
Restricted cash and cash equivalents	11,708,116	247,358
Long-term investments	<u>175,238,789</u>	<u>202,659,905</u>
 Total	 <u>\$ 232,690,123</u>	 <u>\$ 249,458,544</u>

There were no investments held by broker-dealers under reverse repurchase agreements as of August 31, 2011 or 2010.

TexPool represents an investment service authorized by the Texas Legislature and is under the direction of the State Comptroller. TexPool investments are subject to the same safety requirements maintained by the State Treasury for all state funds, including but not limited to compliance with the Public Funds Investment Act. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. government agencies, commercial paper and other safe instruments. The carrying value of TexPool represents the investment of the District. The investment in TexPool plus accrued interest may be redeemed by the District at any time. TexPool has not been assigned a risk category since the District is not issued securities, but rather owns an undivided beneficial interest in the assets of TexPool. The District's investment in TexPool is included within cash and cash equivalents in the accompanying Statements of Net Assets, as the investment is redeemable on demand.

Created in April 2002 through a contract among its participating governing units, TexSTAR is governed by a board of directors to provide for the joint investment of participants' public funds under their control and meets requirements under the Public Funds Investment Act consequently investing in instruments similar to TexPool. Like those for TexPool, investments in TexSTAR plus accrued interest may be redeemed by the District at any time. Therefore investments in TexSTAR

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are included within cash and cash equivalents in the accompanying Statements of Net Assets.

Texpool and TexSTAR are not registered with the SEC as investment companies but they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price.

Derivatives are investment products which may be a security or a contract that derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The investment policy of the District prohibits investments in derivative securities.

4. CURRENT ASSETS AND LIABILITIES

Receivables—Receivables at August 31, 2011 and 2010 were as follows:

	2011	2010
Ad valorem taxes	\$ 7,896,531	\$ 8,692,693
Student tuition and charges	13,315,880	10,494,238
Accounts Receivable		
Federal grants	36,759,113	32,466,736
State grants	2,895,826	2,928,713
Local grants	289,331	449,345
Interest on investments	796,702	638,715
Other receivables	<u>1,429,429</u>	<u>1,765,040</u>
Total receivables	63,382,812	57,435,480
Less allowances for uncollectible amounts:		
Ad valorem taxes	(6,299,195)	(6,567,266)
Student tuition and charges	(1,787,589)	(1,274,408)
Other receivables	<u>(70,593)</u>	<u>(104,022)</u>
Total allowances	<u>(8,157,377)</u>	<u>(7,945,696)</u>
Total receivables, net of allowances	<u>\$ 55,225,435</u>	<u>\$ 49,489,784</u>

Payables—Accounts Payable at August 31, 2011 and 2010 were as follows:

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	2011	2010
Vendors payable	\$ 9,837,706	\$ 16,674,732
Salaries and benefits payable	29,141	34,190
Students payable	<u>17,567,858</u>	<u>14,390,072</u>
 Total accounts payable	 <u>\$ 27,434,705</u>	 <u>\$ 31,098,994</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Increases/ Reclassifications	Decreases	Balance August 31, 2011
Capital assets not subject to depreciation:				
Land	\$ 39,663,059	\$ -	\$ (643,629)	\$ 39,019,430
Construction in progress	<u>53,840,758</u>	<u>11,935,391</u>	<u>(54,192,034)</u>	<u>11,584,115</u>
Total not depreciated	93,503,817	11,935,391	(54,835,663)	50,603,545
Capital assets subject to depreciation:				
Buildings and building improvements	786,172,296	55,214,405	-	841,386,701
Land improvements	25,561,594	72,336	-	25,633,930
Furniture, machinery, vehicles, and other equipment	67,937,449	5,537,321	(1,267,717)	72,207,053
Library books	<u>10,016,448</u>	<u>411,775</u>	<u>-</u>	<u>10,428,223</u>
Total depreciated	889,687,787	61,235,837	(1,267,717)	949,655,907
Accumulated depreciation:				
Buildings and building improvements	(203,778,356)	(19,841,673)	-	(223,620,029)
Land improvements	(17,697,682)	(474,788)	-	(18,172,470)
Furniture, machinery, vehicles, and other equipment	(46,040,287)	(5,367,606)	1,229,082	(50,178,811)
Library books	<u>(7,102,399)</u>	<u>(297,977)</u>	<u>-</u>	<u>(7,400,376)</u>
Total accumulated depreciation	<u>(274,618,724)</u>	<u>(25,982,044)</u>	<u>1,229,082</u>	<u>(299,371,686)</u>
Net capital assets	<u>\$ 708,572,880</u>	<u>\$ 47,189,184</u>	<u>\$ (54,874,298)</u>	<u>\$ 700,887,766</u>

Capital assets activity for the year ended August 31, 2010 was as follows:

Preliminary and Tentative

	Balance September 1, 2009	Increases/ Reclassifications	Decreases	Balance August 31, 2010
Capital assets not subject to depreciation:				
Land	\$ 39,269,157	\$ 393,902	\$ -	\$ 39,663,059
Construction in progress	<u>148,851,358</u>	<u>57,151,325</u>	<u>(152,161,925)</u>	<u>53,840,758</u>
Total not depreciated	188,120,515	57,545,227	(152,161,925)	93,503,817
Capital assets subject to depreciation:				
Buildings and building improvements	633,444,862	152,857,735	(130,301)	786,172,296
Land improvements	25,013,768	547,826	-	25,561,594
Furniture, machinery, vehicles, and other equipment	62,688,528	7,441,537	(2,192,616)	67,937,449
Library books	<u>10,060,106</u>	<u>515,268</u>	<u>(558,926)</u>	<u>10,016,448</u>
Total depreciated	731,207,264	161,362,366	(2,881,843)	889,687,787
Accumulated depreciation:				
Buildings and building improvements	(186,584,060)	(17,194,296)	-	(203,778,356)
Land improvements	(17,247,584)	(450,098)	-	(17,697,682)
Furniture, machinery, vehicles, and other equipment	(42,378,565)	(5,067,765)	1,406,043	(46,040,287)
Library books	<u>(7,121,973)</u>	<u>(278,519)</u>	<u>298,093</u>	<u>(7,102,399)</u>
Total accumulated depreciation	(253,332,182)	(22,990,678)	1,704,136	(274,618,724)
Net capital assets	\$ 665,995,597	\$ 195,916,915	\$ (153,339,632)	\$ 708,572,880

6. NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Reductions	Balance August 31, 2011	Current Portion
Series 2006 Revenue Financing					
System Refunding Bonds	\$ 25,275,000	\$ -	\$ (1,875,000)	\$ 23,400,000	\$ 1,950,000
Series 2009 Revenue Financing					
System Refunding Bonds	4,345,000	-	(2,150,000)	2,195,000	2,195,000
Series 2004 Maintenance Tax Notes	14,435,000	-	(5,975,000)	8,460,000	6,290,000
Series 2004 General Obligation Bonds	5,270,000	-	(2,570,000)	2,700,000	2,700,000
Series 2008 General Obligation Bonds	198,975,000	-	(7,110,000)	191,865,000	7,480,000
Series 2009 General Obligation Bonds	101,010,000	-	(3,465,000)	97,545,000	3,615,000
Series 2010 General Obligation Bonds	47,060,000	-	(645,000)	46,415,000	1,650,000
Series 2010 General Obligation Refunding Bonds	49,290,000	-	(135,000)	49,155,000	140,000
Unamortized bond premium	24,217,109	-	(2,407,678)	21,809,431	2,249,908
Deferred loss on bond refunding	(3,400,543)	-	392,339	(3,008,204)	(383,855)
Accrued interest	1,714,728	-	(906,493)	808,235	-
Compensable absences	<u>10,956,791</u>	<u>-</u>	<u>(341,994)</u>	<u>10,614,797</u>	<u>8,673,803</u>
Total	\$ 479,148,085	\$ 0	\$ (27,188,826)	\$ 451,959,259	\$ 36,559,856

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Non-current liability activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Reductions	Balance August 31, 2010	Current Portion
Series 2001 Revenue Financing System Bonds	\$ 1,825,000	\$ -	\$ (1,825,000)	\$ -	\$ -
Series 2006 Revenue Financing System Refunding Bonds	25,275,000	-	-	25,275,000	1,875,000
Series 2009 Revenue Financing System Refunding Bonds	6,460,000	-	(2,115,000)	4,345,000	2,150,000
Series 2004 Maintenance Tax Notes	20,120,000	-	(5,685,000)	14,435,000	5,975,000
Series 2004 General Obligation Bonds	58,365,000	-	(53,095,000)	5,270,000	2,570,000
Series 2008 General Obligation Bonds	205,790,000	-	(6,815,000)	198,975,000	7,110,000
Series 2009 General Obligation Bonds	102,985,000	-	(1,975,000)	101,010,000	3,465,000
Series 2010 General Obligation Bonds	-	47,060,000	-	47,060,000	645,000
Series 2010 General Obligation Refunding Bonds	-	49,290,000	-	49,290,000	135,000
Unamortized bond premium	19,347,495	8,668,009	(3,798,395)	24,217,109	2,407,678
Deferred loss on bond refunding	(817,803)	(2,757,407)	174,667	(3,400,543)	(392,339)
Accrued interest	2,179,480	-	(464,752)	1,714,728	-
Compensable absences	10,571,591	385,200	-	10,956,791	6,929,658
Total	\$ 452,100,763	\$ 102,645,802	\$ (75,598,480)	\$ 479,148,085	\$ 32,869,997

Bonds payable are due in annual and semiannual installments at variable interest rates. The interest rate ranges as well as maturity dates of each bond issue are listed below.

	Bonds Issued to Date	Range of Interest Rates	Maturities		
			First Year	Last Year	First Call Date
Series 2001 Revenue Financing System Bonds	\$ 40,000,000	4.00%-5.375%	2002	2021	2/15/2010
Series 2006 Revenue Financing System Refunding Bonds	25,275,000	4.00%-5.00%	2011	2021	2/15/2017
Series 2009 Revenue Financing System Refunding Bonds	6,460,000	1.30%-2.30%	2010	2012	N/A
Series 2004 Maintenance Tax Notes	38,555,000	2.00%-5.00%	2004	2021	2/15/2010
Series 2004 General Obligation Bonds	67,375,000	3.00%-5.00%	2005	2025	2/15/2013
Series 2008 General Obligation Bonds	211,975,000	3.00%-5.00%	2010	2029	2/15/2020
Series 2009 General Obligation Bonds	102,985,000	1.50%-5.00%	2010	2029	2/15/2020
Series 2010 General Obligation Bonds	47,060,000	2.00%-5.00%	2011	2030	2/15/2020
Series 2010 General Obligation Refunding Bonds	49,290,000	2.00%-5.00%	2011	2030	2/15/2021

On February 1, 2001, the District issued \$40,000,000 in Series 2001 Revenue Financing System Bonds ("Series 2001 Bonds") to finance the cost of various new facilities and improvements to existing facilities. All authorized amounts have been issued to date. The Series 2001 Bonds bear interest from

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4.00% to 5.375%. On December 15, 2006 revenue financing system refunding bonds were issued to advance refund \$27,050,000 of the Series 2001 Bonds due from 2011 through 2021. The Series 2001 Bonds that remain outstanding as of August 31, 2011 is \$0. At August 31, 2011, there was no Bond Reserve Fund requirement.

On April 6, 2004, pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.108 and 130.084, Texas Education Code, as amended, the District issued \$38,555,000 of Maintenance Tax Notes ("Series 2004 Notes"). The proceeds of the notes are being used to pay for planned maintenance expenses associated with various facilities of the District. The notes are direct obligations of the District payable from a continuing direct annual ad valorem tax pursuant to the District's maintenance tax authority, with the limits prescribed by law, on all taxable property in the District. Debt issue costs are being amortized over the life of the notes. As of August 31, 2011, the outstanding amount on the Series 2004 Notes is \$8,460,000.

On September 14, 2004, the District issued \$67,375,000 par value general obligation bonds ("Series 2004 Bonds") as the first issue of a \$450 million bond package approved by the voters in May 2004. A bond premium of \$3,288,442 and accrued interest of \$258,442 were received. The bonds were sold in \$5,000 increments with various interest rates and maturity dates. The earliest maturity date is February 15, 2006 and the last is February 15, 2025. A call option can be exercised for maturities greater than 2013. The cost of issuance and underwriter's discount totaled \$662,500. Proceeds of the bonds are to be utilized for acquisition of land and buildings and activities related thereto. The bonds were issued and the tax levied for their payment, pursuant to authority conferred by the Constitution and laws of the State of Texas. June 1, 2010, the bonds were recalled and refunded by Series 2010 General Obligation Refunding Bonds for maturities between 2013 and 2025.

On December 15, 2006 the District advance refunded \$27,050,000 of its outstanding Series 2001 Bonds for maturities 2011 and later by issuing \$25,275,000 in Series 2006 Revenue Financing System Refunding Bonds ("Series 2006 Bonds"). All Series 2006 Bonds authorized have been issued to date. The average interest rate of the refunding bonds is 4.408% with a coupon range of 4.000-5.000%. After payment of \$413,578 in underwriting fees, insurance, and other issuance costs, all resources from the Series 2006 Bonds including transfers of \$2,965,199 of Series 2001 Bonds debt service funds were 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 Series bonds. The Series 2001 Bonds are considered fully defeased for maturities 2011 and later and the liability for those bonds has accordingly been removed from the Statement of Net Assets. Advance refunding of the 2001 Series bonds reduces the District's debt service payments by \$2,444,134. An economic gain (the difference between net present values of the debt service payments on the old and new debt adjusted for cash paid out) of \$1,208,966 was obtained by the advance refunding. The accounting "loss" that resulted from the bond refunding is \$1,130,637 and is being amortized over the life of the new debt by the effective interest method. As of August 31, 2011, there was a Bond Reserve fund balance of \$2,820,000.

On September 4, 2008, the District issued its second tranche of general obligation bonds approved by voters in the May 2004 \$450 million bond election. With a par amount of \$211,975,000 these bonds ("Series 2008 Bonds") were sold with a reoffering premium of \$9,629,583 and accrued interest of \$983,667. The bonds were sold in \$5,000 increments with interest rates varying from 3.5% to 5.0% and maturity dates from February 15, 2009 to February 15, 2018. A call option can be exercised for maturities after February 15, 2019. The cost of issuance and underwriter's discount totaled \$1,513,305. Proceeds of the bond were utilized to refund the \$125,000,000 outstanding of commercial paper, which matured on September 4, 2008, the same day as the bond proceeds were received. Remaining bond proceeds of \$95,000,000 are to be utilized for constructing and equipping buildings in the District. The bonds were issued and the tax levied for their payment, pursuant to authority

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conferred by the Constitution and laws of the State of Texas.

On June 4, 2009, the District issued the third tranche of general obligation bonds for the \$450 million bond election. This "Series 2009 Bonds" have a par amount of \$102,985,000 and were sold with a reoffering premium of \$7,904,650 and accrued interest of \$439,704. The bonds were sold in \$5,000 increments with interest rates varying from 1.5% to 5.0% and maturity dates from February 15, 2010 to February 15, 2029. The cost of issuance and underwriter's discount totaled \$869,233. Proceeds of the bond were utilized to continue the constructing and equipping of buildings in the District. The bonds were issued and the tax levied for their payment, pursuant to authority conferred by the Constitution and laws of the State of Texas.

On June 22, 2009, the District issued bonds through private placement for a current refunding of its outstanding Series 1998 bonds totaling \$6,370,000 by issuing \$6,460,000 in Series 2009 Revenue Financing System Refunding Bonds ("Series 2009 Refunding Bonds"). All Series 2009 Refunding Bonds authorized have been issued to date. The average interest rate of the refunding bonds is 2.073% with a coupon range of 1.300% - 2.300%. After a placement fee of \$39,200 and other issuance costs totaling \$31,950, all resources from the Series 2009 Refunding Bonds, including transfers of \$124,931 of Series 1998 Bonds debt service funds, were placed into an escrow fund to provide for payments on the recalled Series 1998 Bonds. The Series 1998 Bonds are fully paid and the liability for those bonds has accordingly been removed from the Statement of Net Assets. Current refunding of the Series 1998 Bonds reduces the District's debt service payments by \$185,903. An economic gain (the difference between net present values of the debt service payments on the old and new debt adjusted for cash paid out) of \$178,772 was obtained by the current refunding. As of August 31, 2011, there was a Bond Reserve fund balance of \$2,262,000.

On January 15, 2010, the District issued its fourth and final tranche of general obligation bonds for the \$450 million bond election. The "Series 2010 General Obligation Bonds" have a par amount of \$47,060,000 and were sold with a reoffering premium of \$3,394,071. The bonds were sold in \$5,000 increments with interest rates varying from 2.0% to 5.0% and maturity dates from February 15, 2011 to February 15, 2030. The cost of issuance was \$158,879 and underwriter's discount was \$295,193. Proceeds of the bonds were utilized to continue the constructing and equipping of buildings in the District. The bonds were issued and the tax levied for their payment, pursuant to authority conferred by the Constitution and laws of the State of Texas.

On June 1, 2010, the District advanced refunded \$50,635,000 of its outstanding Series 2004 General Obligation Bonds by issuing \$49,290,000 of Series 2010 General Obligation Refunding Bonds ("Series 2010 Refunding Bonds"). All Series 2010 Refunding Bonds authorized have been issued to date. The average interest rate of the refunded bonds is 5% as all remaining outstanding bonds were 5% interest. After payment of \$839,077 in issuance costs and underwriting fees, including issuance costs carried forward from the refunded bonds, net proceeds were \$55,099,048. Debt service funds were placed in an irrevocable trust with an escrow agent to provide for all future debt payments on the Series 2004 Bonds. The Series 2004 Bonds are considered fully defeased for maturities 2013 and later and the liability for those bonds has accordingly been removed from the Statements of Net Assets. An economic gain of \$3,118,507 was obtained by the advance refunding. The accounting "loss" that resulted from the bond refunding is \$2,757,407 and is being amortized over the life of the new debt by the effective interest method.

The total debt service principal and interest requirements for all bonds and maintenance tax notes for the next five years and thereafter for recorded outstanding indebtedness are in the following table.

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	Principal	Interest	Total
Year ended August 31:			
2012	\$ 26,020,000	\$ 19,155,809	\$ 45,175,809
2013	20,410,000	18,280,819	38,690,819
2014	18,935,000	17,530,951	36,465,951
2015	19,700,000	16,756,551	36,456,551
2016	20,560,000	15,881,277	36,441,277
2017 - 2021	118,420,000	63,687,682	182,107,682
2022 - 2026	129,720,000	32,928,581	162,648,581
2027 - 2030	<u>67,970,000</u>	<u>4,537,959</u>	<u>72,507,959</u>
	<u>\$ 421,735,000</u>	<u>\$ 188,759,629</u>	<u>\$ 610,494,629</u>

As of August 31, 2011 and 2010 the District had the following defeased bonds outstanding:

Bond Issue	Year Refunded	Par Value Outstanding	
		2011	2010
Series 1992 Revenue Financing System Bonds	1998	\$ 2,450,000	\$ 4,760,000
Series 2001 Revenue Financing System Bonds	2006	25,140,000	27,050,000
Series 2004 General Obligation Bonds	2010	<u>50,635,000</u>	<u>50,635,000</u>
		<u>\$ 78,225,000</u>	<u>\$ 82,445,000</u>

In 2011, the District incurred \$18,094,031 in interest cost, of which \$18,094,031 was expensed. In 2010, the District incurred \$17,360,468 in interest cost, of which \$16,507,721 was expensed and \$852,747 was capitalized.

At its April 3, 2007 meeting, the Board of Trustees of the Dallas County Community College District passed a resolution approving the use of a Commercial Paper Program for use as an interim financing tool for the \$450 million, voter-approved, capital improvement program ultimately financed by Interest and Sinking ad valorem taxes. The Commercial Paper Program was ended by board resolution on November 3, 2009.

7. RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas ("TRS").

Teacher Retirement System of Texas –

Plan Description -The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems, colleges and university employees and state employees. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of

the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us under the TRS Publications heading.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of TRS; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011 and 2010. For fiscal year 2011, state law provides for a state contribution rate of 6.644% and for fiscal year 2010, 6.4% for the period 09/01/09 through 12/31/09 and 6.644% for the period 01/01/10 through 08/31/10. In certain instances, the reporting district is required to make all or a portion of the state's contribution amounts.

District employees who are employed for one half or more of the standard workload and who are not exempted from membership under Texas Revised Civil Statutes are eligible to participate in TRS. Employees who retire at or after age 65 with 5 years of creditable service or age 60 with 20 years of service or age 55 with 30 years of service are entitled to full retirement benefits. Eligible employees may receive reduced benefits at age 55 with at least 5 years of service or at any age with 30 or more years of service.

Optional Retirement Plan

Plan Description - Eligible faculty and administrative personnel may participate in an optional retirement plan in lieu of the Teacher Retirement System plan. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. For fiscal years 2011 and 2010, the percentages of participant salaries contributed by the state and by each participant were 6.4% and 6.65%, respectively, of annual compensation. In addition, the District contributed 2.1% of annual compensation for each participant enrolled in ORP prior to September 1, 1995 for the years ended August 31, 2011 and 2010 and 0.18% of annual compensation for participants enrolled in ORP after September 1, 1995 as allowed by the Texas Higher Education Coordinating Board regulations. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

For the years ended August 31, 2011 and 2010 the total payroll of the District was \$222,165,680 and \$222,716,554, the payroll for employees covered by TRS was \$115,784,638 and \$115,984,742, and the payroll for employees covered by the optional retirement plan was \$60,488,279 and \$61,645,733, respectively. The retirement expense to the State for the District was \$10,116,107 and \$10,124,917 for the fiscal years ended August 31, 2011 and 2010, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

8. DEFERRED COMPENSATION PLAN

The District has established a deferred compensation plan under which selected executives may elect to defer a portion of their earnings for tax and investment purposes pursuant to authority granted in Government Code §609.001. For the years ended August 31, 2011, and August 31, 2010, the District

had one employee participating in the program.

It is the opinion of the District's legal counsel that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

9. COMPENSABLE ABSENCES

Full-time professional support staff and administrators earn annual leave from one to two days per month depending on the length of employment with the District. The policy of the District is that an employee may carry his or her accrued leave forward from one fiscal year to another fiscal year with a maximum number of days of 48. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. Effective September 1, 2011, the Board of Trustees approved a 40-hour work week for full time professional support staff and administrators and amended all policies, including vacation benefits, impacted by a 40-hour week. At August 31, 2011, the District has recognized the accrued liability for the unpaid annual leave adjusted for a 40-hour work week for active employees, including amounts for salary-related payments, for \$10,614,797, of which \$8,673,803 was recorded as a current liability and \$1,940,994 was recorded as a non-current liability. Unpaid annual leave of \$1,432,107 as of August 31, 2011, for participants of the voluntary retirement incentive, was considered a current liability. As of August 31, 2010, the District had recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for \$10,956,791 of which \$6,929,658 was recorded as a current liability and \$4,027,133 was recorded as a non-current liability. Sick leave, which can be accumulated up to 66 days, is earned at the rate of one day per month. It is used by an employee who misses work because of illness. The policy of the District is to recognize the cost of sick leave when paid. Employees are not entitled to be paid for sick leave accrued but not taken upon termination. Accordingly, no liability for sick leave is reflected in the accompanying Statements of Net Assets. The same applies to extenuating circumstance leave which accrues at a rate of 2 days per year to a maximum of 4 days but is not payable on termination.

10. COMMITMENTS AND CONTINGENCIES

Commitments—The District has entered into contracts for the planning and construction of new facilities, as well as for the renovation and repair of existing campuses within the District. Commitments remaining under such contracts at August 31, 2011 are \$2,604,435.

Pending Lawsuits and Claims—Various claims and lawsuits are pending against the District. In the opinion of District administration, the potential loss on all claims and lawsuits, to the extent not provided for by insurance or otherwise, will not be significant to the financial statements of the District.

Contingencies—The District has received federal, state and other financial assistance in the form of contracts and grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenses disallowed under terms and conditions specified in the grant agreements. In the opinion of District management, such disallowed expenses, if any, will not be significant to the financial statements of the District.

On August 25, 2008 the District sold a building to the University of North Texas. A clause in the original deed requires that the District remain in the line of guarantors on two ground leases, which

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are in effect through 2047 and 2048. The probability of having to pay the ground leases is remote since the University of North Texas is the current owner and the District follows them or any future owners in the line of priority for the guarantee. The potential amount owed through the end of the leases is in excess of \$3.5 million. However, because the probability of having to pay is remote, the District does not plan to accrue a liability.

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS

Included in operating expenses is \$1,508,173 and \$2,096,298 of rent paid during fiscal years 2011 and 2010, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2011 are as follows:

Year Ended	Minimum Future Lease Payments
2012	\$ 295,884
2013	267,117
2014	272,460
2015	<u>9,137</u>
Total	<u>\$ 844,598</u>

There are currently no lease obligations beyond the year ending August 31, 2015.

12. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with US GAAP. Funds received but not expended during the reporting period are shown as deferred revenues on the Statements of Net Assets. Revenues are recognized on the Statements of Revenues, Expenses and Changes in Net Assets as funds are actually expended. For federal contract and grant awards, funds expended but not collected are reported as accounts receivable on the Statements of Net Assets. Non-federal contract and grant awards for which funds are expended but not collected are also reported as accounts receivables on the Statements of Net Assets. 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 award funds already committed or funds awarded during fiscal year 2011 for which monies have not been received nor funds expended totaled \$75,140,540. Of this amount, \$69,196,222 is from federal contract and grant awards and \$5,944,318 is from state contract and grant awards. Contract and grant award funds already committed or funds awarded during fiscal year 2010 for which monies had not been received nor funds expended totaled \$62,086,726. Of this amount, \$58,948,110 was from federal contract and grant awards, \$3,138,616 was from state contract and grant awards.

13. SELF-INSURED PLANS

Prior to August 31, 1998 the District was self-insured for workers' compensation. Effective September 1, 1998 the District implemented a guaranteed cost workers' compensation insurance program to handle workers' compensation claims. The District returned to a self-insured plan

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effective September 1, 2002. The accrued liability balance is based upon third party actuarial information. Future payments for the incurred claims will be paid from the accrued liability.

Self-insurance activity for the plan prior to 1998 for the years ended August 31, 2011 and 2010 was as follows:

	August 31	September 1	Additions	Paid	August 31
2011		245,354	-	(993)	244,361
2010		\$ 263,178	\$ -	\$ (17,824)	\$ 245,354

Self-insurance activity for the current plan for the years ended August 31, 2011 and 2010 was as follows:

	August 31	September 1	Additions	Paid	August 31
2011		1,050,419	570,258	(490,519)	1,130,158
2010		\$ 379,405	\$ 1,092,229	\$ (421,215)	\$ 1,050,419

14. 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.

For the year ended August 31, 2011, the state's maximum contribution per full-time employee was \$413.26 per month for the year and totaled \$4,959.12 per employee for the year. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$649.60, \$571.52, and \$807.86 per month, respectively. The cost of providing all health benefits for the year was \$5,082,773 for 930 retirees and \$19,564,208 for 3,302 active employees.

The state's maximum contribution per full-time employee for the year ended August 31, 2010 was \$385.38 per month for an annualized cost of \$4,624.56 per employee. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$605.70, \$532.90, and \$753.22 per month respectively. The actual cost of providing all health benefits for the year was \$4,578,726 for 860 retirees and \$18,170,701 for 3,399 active employees.

The health insurance expense to the state for the District was \$15,042,227 and \$15,552,849 for the fiscal years ended August 31, 2011 and 2010 respectively. The amounts represent the portion of expended appropriations made by the State Legislature on behalf of the District.

Plan Description - The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing,

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

Funding Policy - Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution. The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. 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 (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to the plan for the years ended August 31, 2011, 2010 and 2009 were \$9,658,852, \$7,196,578 and \$4,171,171, respectively, which equaled the required contributions each year.

15. RELATED PARTIES

During the year, the District furnished certain services such as office space, utilities, and some staff assistance to the Foundation as discussed in Notes 1 and 23.

16. AD VALOREM TAX

Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Taxes levied for the years ended August 31, 2011 and 2010 were \$163,180,919 and \$163,869,241, respectively (which includes any penalties and interest assessed, if applicable).

Tax rates for the years ended August 31, 2011 and 2010 are as follows:

	2011			2010		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ 0.16000	\$ 0.50000	\$ 0.66000	\$ 0.16000	\$ 0.50000	\$ 0.66000
Assessed tax rate per \$100 valuation	\$ 0.07780	\$ 0.02143	\$ 0.09923	\$ 0.07780	\$ 0.01710	\$ 0.09490

At August 31, 2011 and 2010 valuation for property taxed by the District was as follows:

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	2011	2010
Assessed valuation of the District	\$ 186,615,099,253	\$ 188,450,056,497
Less exemptions	<u>23,375,863,562</u>	<u>15,774,377,468</u>
Net assessed valuation of the District	<u>\$ 163,239,235,691</u>	<u>\$ 172,675,679,029</u>

The Dallas County Tax Assessor-Collector is the Collecting Agency for the levy and remits the collections to the District, net of a collection fee. The use of tax proceeds is restricted to either maintenance and operations or funding interest and sinking requirements.

Gross Taxes Collected - 2011	<u>Maintenance & Operations</u>		<u>Interest & Sinking</u>	Total
	<u>Current Operations</u>	<u>Maintenance Tax Notes</u>	<u>Debt Service</u>	
Current	\$ 118,112,913	\$ 6,273,880	\$ 34,902,425	\$ 159,289,218
Delinquent	802,787	(134,504)	41,079	709,362
Penalties and interest	<u>2,085,623</u>	<u>0</u>	<u>0</u>	<u>2,085,623</u>
Total collections	<u>\$ 121,001,323</u>	<u>\$ 6,139,376</u>	<u>\$ 34,943,504</u>	<u>\$ 162,084,203</u>

Gross Taxes Collected - 2010	<u>Maintenance & Operations</u>		<u>Interest & Sinking</u>	Total
	<u>Current Operations</u>	<u>Maintenance Tax Notes</u>	<u>Debt Service</u>	
Current	\$ 124,126,761	\$ 6,128,794	\$ 28,988,798	\$ 159,244,353
Delinquent	594,347	145,369	703,928	1,443,644
Penalties and interest	<u>2,164,711</u>	<u>0</u>	<u>0</u>	<u>2,164,711</u>
Total collections	<u>\$ 126,885,819</u>	<u>\$ 6,274,163</u>	<u>\$ 29,692,726</u>	<u>\$ 162,852,708</u>

Tax collections for the years ended August 31, 2011 and 2010 were approximately 98% of the current tax levy for both years. Allowances for uncollectible taxes (see Note 4) are based upon historical experience in collecting ad valorem taxes.

Under GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, ad valorem taxes are an imposed non-exchange revenue. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset or when the entity receives resources, whichever comes first. The enforceable legal claim date for ad valorem taxes is the assessment date. Accordingly, the District has recognized all assessed taxes in the current year and recorded a receivable for uncollected taxes.

17. DEFERRED REVENUES

Revenues, consisting primarily of tuition and fees related to academic terms in the next fiscal year and contract and grant revenue received prior to being earned, are recorded on the Statements of Net Assets as deferred revenues in the current fiscal year.

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Deferred revenue balances at August 31, 2011 and 2010 are as follows:

	2011	2010
Deferred revenues related to students and other customers	\$ 42,334,582	\$ 36,872,001
Deferred revenues related to grants and contracts	<u>33,960,916</u>	<u>26,876,439</u>
Total deferred revenues	<u>\$ 76,295,498</u>	<u>\$ 63,748,440</u>

18. BUDGETARY DATA

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

19. INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, etc.," although unrelated income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, etc., Organizations." The District had no material unrelated business income tax liability for the years ended August 31, 2011 or 2010.

20. TAX INCREMENT FINANCING DISTRICTS

The District participates in a number of tax increment financing districts ("TIFs"). The following table summarizes the obligations of the District's involvement in the TIFs:

TIF Title	Percentage of Incremental Tax Committed	Taxes Forgone in 2011	Taxes Forgone in 2010
Oak Cliff Gateway	100%	\$ 61,966	\$ 56,993
City of Irving	100	367,357	303,124
City of Farmers Branch Mercer Crossing	35	18,900	30,346
City of Farmers Branch Old Farmers Branch	100	3,455	3,735
City of Grand Prairie #1	100	91,909	85,659
City of Grand Prairie #2	100	75,466	69,686
City of Grand Prairie #3	100	<u>10,699</u>	<u>12,122</u>
Total taxes forgone		<u>\$ 629,752</u>	<u>\$ 561,665</u>

21. GENERAL OPERATING REVENUES

General operating revenues of \$1,901,831 and \$2,240,074 for the years ended August 31, 2011 and 2010, respectively, consist of a variety of miscellaneous revenues that include such items as payments for parking citations, room rental income, certain ticket sales, credit by exam income, etc. The largest amount is \$300,000 and \$400,000 of revenue for leased land for the years ended August 31, 2011 and 2010, respectively. Revenues for other categories are generally smaller.

22. AUXILIARY ENTERPRISES

Contracted Services—Many of the services offered through auxiliary enterprises are contracted to third parties who pay commissions to the District. Currently the bookstores, the cafeterias, and food and beverage vending machine service are all outsourced.

Other facets of auxiliary enterprises are operated by the District but do not involve discounted revenue.

Student Programs—Auxiliary enterprises revenue includes income earned from miscellaneous student programs and activities. Some of the revenues encompass those generated by ticket sales for plays and concerts, copy machine usage, returned check handling charges, locker rentals, advertising in the student newspaper, health services such as tuberculosis tests, etc.

23. COMPONENT UNITS

Dallas County Community College District Foundation, Inc.—Discretely Presented Component Unit

Dallas County Community College District Foundation, Inc. (the “Foundation”) was established as a separate nonprofit organization in 1973 to raise funds to provide student scholarships and assistance in the development and growth of the District. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation’s financial statements are included in the District’s annual report as a discretely presented component unit (see table of contents). Complete financial statements of the Foundation can be obtained from the administrative office of the Foundation.

The following footnotes are excerpted from the Foundation’s audited financial statements:

NOTE A **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING** **POLICIES**

General

Dallas County Community College District Foundation, Inc. (the “Foundation”) is a nonprofit organization established in 1973. Its sole purpose is to provide benefits such as scholarships and grants to the Dallas County Community College District (the “District”), and to the students, faculty, and staff of the District’s seven colleges, and R. Jan LeCroy Center for Educational Telecommunications.

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Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted Net Assets – These are net assets that are not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.
- Temporarily Restricted Net Assets – These are net assets that are subject to donor-imposed stipulations that require the passage of time and/or the occurrence of a specific event.
- Permanently Restricted Net Assets – These are net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

In addition, the Foundation is required by FASB ASC Topic 958-205 to present a statement of cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash equivalents included in cash and cash equivalents at August 31, 2011 and 2010, amounted to \$2,797,351 and \$4,915,118, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reported in the statements of activities.

The Foundation maintains an investment management agreement with Smith Asset Management Group, L.P.; Vanguard; Acadian Asset Management, LLC; Columbia Management; Harbor Funds; IVA Funds; Third Avenue; PIMCO; The Fairholme Fund; Perkins Investment Fund; and Barrow Henley, Mewhinney and Strauss whereby these investment managers manage the Foundation's investments in a manner consistent with the investment goals and policies established by the Foundation's Board of Directors.

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of

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assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using the risk-free rate. Amortization of discounts is recorded as additional contributions in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged-off are credited to expenses. Management believes that all outstanding pledges are collectible and no allowance is necessary as of August 31, 2011 and 2010.

Interest income is recognized on the accrual basis. Dividends are recorded on the ex-dividend date.

Contributed Services

The salaries of certain Foundation employees have been donated by the District. The estimated fair value of these contributed services is \$566,777 and \$300,619 for 2011 and 2010, respectively, and has been included in contributed employees' salaries and benefits in the revenues section, and management and general expenses in the accompanying statements of activities.

The District also provides office space and equipment at no cost to the Foundation. Because the Foundation does not have a clearly measurable basis to estimate the value of these contributed facilities and equipment, no amounts have been reflected in the financial statements.

Federal Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Section 511 of the Code. The Foundation did not conduct any unrelated business activities in the current fiscal year. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements. Accordingly, contributions to the Foundation are tax deductible within the limitations prescribed by the Code. The Foundation has also been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Foundation applies the provisions of FASB ASC 740, *Income Taxes*, (formerly FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes* – an Interpretation of FASB Statement No. 109), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of

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contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are present values of contributions receivable expected to be received beyond one year.

New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC 820 to improve and expand fair value disclosures. Newly required disclosures are as follows: 1) information about transfers in and out of Levels 1 and 2, including reasons for such transfers; 2) details of activities in Level 3 assets including information about purchases, sales, issuances, and settlements; and, 3) fair value measurements for each class of assets and liabilities. ASU 2010-06 also clarifies existing disclosures on inputs and valuation techniques, where a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures became effective in fiscal year 2011, except for disclosures about purchases, sales, issuances, and settlements, which are effective for fiscal years beginning after December 15, 2010. Management has determined that the new clarifications and disclosures did not significantly affect the Foundation's financial statements.

In February 2010, FASB issued ASU 2010-09 - Subsequent Events (Topic 855), *Amendments to Certain Recognition and Disclosure Requirements*, which established principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable GAAP. The Foundation has made the required disclosures in Note K.

In May 2011, the FASB issued ASU 2011-04 – Fair Value Measurements (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*, which changes the wording used to describe many of the requirements in US GAAP for measuring fair value and for disclosing information about the application of existing fair value measurements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments will be effective for the Foundation's 2012 annual financial statements. Management does not anticipate that these new requirements will significantly affect the Foundation's financial statements.

Reclassification

Certain 2010 amounts have been reclassified to conform with the 2011 financial statement presentation.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	\$ 3,731,926	\$ 5,271,424	\$ 3,933,593	\$ 5,305,589
Corporate stocks	3,926,449	4,398,802	2,741,592	2,754,470
Mutual funds	14,098,117	14,912,572	11,954,576	11,793,049

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<u>\$ 21,756,492</u>	<u>\$ 24,582,798</u>	<u>\$ 18,629,761</u>	<u>\$ 19,853,108</u>
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Investment securities are exposed to various risks, such as interest rate, custodial and market credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term, and that such changes could significantly affect the amounts reported in the financial statements.

For the years ended August 31, 2011 and 2010, the components of investment earnings are:

	<u>2011</u>	<u>2010</u>
Investment income	\$ 443,411	\$ 281,610
Net gain on investments carried at fair value	2,207,603	999,198
Total investment return	<u>\$ 2,651,014</u>	<u>\$ 1,280,808</u>

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	<u>August 31,</u>	
	<u>2011</u>	<u>2010</u>
Contributions receivable	\$ 3,175,000	\$ 3,751,000
Less unamortized discount ranging from 0.68% to 3.84% at August 31, 2011 and 1.04% to 4.82% at August 31, 2010	(154,594)	(254,832)
	<u>\$ 3,020,406</u>	<u>\$ 3,496,168</u>

The maturity of contributions receivable as of August 31, 2010 is as follows:

Less than one year	\$ 1,000,000
One to five years	2,175,000
	<u>\$ 3,175,000</u>

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>August 31,</u>	
	<u>2011</u>	<u>2010</u>
Student scholarship for tuition and books	\$ 1,581,198	\$ 1,112,480
Professional development, student related activities, and program support	1,970,601	1,760,458
	<u>\$ 3,551,799</u>	<u>\$ 2,872,938</u>

NOTE E - PERMANENTLY RESTRICTED NET ASSETS

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Permanently restricted net assets are maintained for the benefit of the following:

	August 31,	
	2011	2010
Student scholarship for tuition and books	\$ 26,112,432	\$ 25,481,469
Professional development, student related activities, and program support	911,160	688,877
	<u>\$ 27,023,592</u>	<u>\$ 26,170,346</u>

The Foundation's permanently restricted net assets are restricted to investments in perpetuity, although the income from these permanently restricted assets is available for scholarships and grants.

NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consisting of temporarily restricted funds were due mainly to satisfaction of purpose restrictions, and amounted to \$1,098,457 and \$1,251,846 for the years ended August 31, 2011 and 2010, respectively.

NOTE G – CONCENTRATION OF CREDIT RISK

The Foundation maintains deposits at federally insured banks. During the current year, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Program) was passed to amend the Federal Deposit Insurance (FDI) Act to provide full deposit insurance coverage for noninterest-bearing transaction accounts and Interest on Lawyer Trust Accounts (IOLTAs) beginning December 31, 2010, for a two-year period. The local bank with which the Organization maintains its bank accounts was a participant in such Program and hence, all deposits at the bank were fully insured. Prior to the commencement of the Program, the Foundation maintained deposits in financial institutions which at times exceeded amounts covered by insurance provided by the FDIC. The Foundation did not experience any losses in such accounts. The Foundation's deposit accounts exceeded federally insured limits by approximately \$0 and \$1,814,000 as of June 30, 2011 and 2010, respectively.

NOTE H – TRANSACTIONS WITH RELATED PARTIES

The Foundation's payments to the District for scholarships and grants amounted to \$783,678 and \$898,523 for 2011 and 2010, respectively. At August 31, 2011 and 2010, the Foundation owed the District \$165,277 and \$188,382, respectively, for scholarships and grants.

Also, as described in the Contributed Services paragraph of Note A, the District paid the salaries and benefits of certain Foundation's employees and the estimated fair value of these contributed services is \$566,777 and \$300,619 for 2011 and 2010, respectively. Further, the District also provided office space and equipment at no cost to the Foundation. Because the Foundation does not have a clearly measurable basis to estimate the value of these contributed facilities and equipment, no amounts have been reflected in the Foundation's financial statements.

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NOTE I – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, provides a revised definition of fair value and establishes a framework for measuring fair value. The Statement also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The fair value hierarchy in FASB ASC Topic 820 prioritizes fair value measurements into three levels based on the nature of the inputs. The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of August 31, 2011 and 2010:

Assets at Fair Value as of August 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ 5,271,424	\$ -	\$ -	\$ 5,271,424
Equity investments	4,398,802	-	-	4,398,802
Mutual funds	14,912,572	-	-	14,912,572
	<u>\$ 24,582,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,582,798</u>

Assets at Fair Value as of August 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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Fixed income securities	\$ 5,305,589	\$ -	\$ -	\$ 5,305,589
Equity investments	2,754,470	-	-	2,754,470
Mutual funds	11,793,049	-	-	11,793,049
	<u>\$ 19,853,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,853,108</u>

NOTE J - ENDOWMENTS

The Foundation's endowment consists of approximately 130 individual funds established for a variety of purposes. These individual funds consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments.

On September 1, 2007, the State of Texas adopted the Uniform Prudent Management of Investment Funds Act ("UPMIFA"). UPMIFA provides standards and guidelines for the management, investment, and expenditure of charitable funds and for endowment spending by institutions organized and operated exclusively for a charitable purpose. The purposes of UPMIFA are to modernize rules, to articulate prudence standards, and to provide guidance and authority for the management and investment of charitable funds and for endowment spending. The new act provides greater direction with respect to making prudent determinations and requires charities to focus on donor intent and the purpose of endowment funds when managing institutional funds.

In August 2008, the FASB issued Staff Position (FSP) FAS 117-1, *Endowments 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*, which was later codified as FASB ASC 958-205 and is effective for fiscal years ending after December 15, 2008. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of UPMIFA; and improves disclosures about an organization's endowment funds (both donor restricted funds and funds functioning as an endowment), regardless of whether it is subject to UPMIFA. In addition, FASB ASC 958-205 addresses how UPMIFA's elimination of the historic dollar value threshold — the amount below which a not-for-profit could not spend under regulations prior to the adoption of UPMIFA — affects net asset classification. The FASB ASC 958-205 requires an organization to classify a portion of a donor-restricted endowment fund (other than a term endowment) as permanently restricted net assets. That portion is equal to the amount of the fund that: (1) must be retained permanently, in accordance with explicit donor stipulations, or (2) that, in the absence of such stipulations, the not-for-profit's governing board determines must be retained permanently under the relevant law.

As permitted by accounting standards generally accepted in the United States of America, income earned on endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as well as based on management prudent determinations.

Interpretation of Relevant Law

The staff of the Foundation has interpreted the UPMIFA 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

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Foundation 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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation 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 Foundation.
7. The investment policies of the Foundation.

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Endowment Net Asset Composition by Type of Fund as of August 31, 2011:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 26,888,593	\$ 26,888,593
Board restricted endowment funds	6,882	-	6,882
Total	\$ 6,882	\$ 26,888,593	\$ 26,895,475
Changes in Endowment Net Assets for the year ended August 31, 2011:			
Endowment net assets, beginning of year	\$ 6,519	\$ 26,170,346	\$ 26,176,865
Contributions	-	691,809	691,809
Investment income			
Dividends and interest	154	-	154
Net realized and unrealized gains on investments	209	-	209
Transfer between funds, based on donor instructions	-	26,438	26,438
Endowment net assets, end of year	\$ 6,882	\$ 26,888,593	\$ 26,895,475

Endowment Net Asset Composition by Type of Fund as of August 31, 2010:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 26,170,346	\$ 26,170,346
Board restricted endowment funds	6,519	-	6,519
Total	\$ 6,519	\$ 26,170,346	\$ 26,176,865
Changes in Endowment Net Assets for the year ended August 31, 2010:			
Endowment net assets, beginning of year	\$ 6,216	\$ 26,014,123	\$ 26,020,339
Contributions	-	294,259	294,259
Investment income			
Dividends and interest	89	-	89
Net realized and unrealized gains on investments	214	-	214
Transfer between funds	-	(138,036)	(138,036)
Endowment net assets, end of year	\$ 6,519	\$ 26,170,346	\$ 26,176,865

Return Objectives and Risk Parameters

The Foundation board has adopted investment and spending policies for endowment assets that attempt to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation's benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the investment objective for the fixed income is to outperform (net of fees) the Barclays Intermediate Government/Credit Index. The investment objective for the equity fund is to outperform (net of fees) the Russell 1000 and/or the S&P 500 Stock Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation will make earnings available each year for use by endowment supported funds. The available funds will be up to 5% of the three year average of the aggregate investment portfolio market value at December 31st of the year preceding the disbursement of the funds. The spending limit will not exceed 5% of the December 31st market value.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objectives to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation's benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2011; the date financial statements were available to be issued. No changes are necessary to be made to the financial statements as a result of this evaluation.

24. RICHLAND COLLEGIATE HIGH SCHOOL - CHARTER HIGH SCHOOL OPERATED BY THE DISTRICT

In January 2005, the District's Board of Trustees approved application to the Texas Education Agency (TEA) for a charter to operate the Richland Collegiate High School of Mathematics, Science, and Engineering, designed to enroll students only at the junior and senior levels. TEA approved the application in October 2005. In May 2006, the Board approved the contract with TEA for operating a charter through July 31, 2010. But the charter agreement has been renewed and is in effect indefinitely at this time. The charter high school opened in August 2006 with its first class of 176

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students at the junior level. Students receive high school and college credit concurrently. Funding is received from the State of Texas for the charter high school based on average daily attendance. Expenses consist of contracted services for instruction and other functions provided through Richland College as well as direct expenses for equipment and supplies. The high school has no direct employees.

Beginning with fall 2010 classes, a new area of emphasis for students to select from is the performing and other arts. Because of the expanded offerings, the "Mathematics, Science, and Engineering" portion of the school name has been dropped and is now simply Richland Collegiate High School.

The Richland Collegiate High School has the same legal identity as the District and is governed by the same Board. For operating purposes, in accord with TEA requirements, all revenue and expenses are tracked through a separate general ledger account. But for financial statement purposes, fiscal information for the charter high school is included in the statements of the District.

The Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, a Statements of Cash Flows, and a Schedule of Expenses for the years ended August 31, 2011 and 2010 for Richland Collegiate High School alone are presented below. Included also is a Budgetary Comparison Schedule for 2011.

RICHLAND COLLEGIATE HIGH SCHOOL **EXHIBIT 1**
With TEA Classifications
STATEMENTS OF NET ASSETS
AUGUST 31, 2011 AND 2010

Data Control Codes	ASSETS	2011	2010
	CURRENT ASSETS:		
1100	Cash and cash equivalents	\$ 393,823	\$ 724,025
1240	Accounts Receivable (net) -Due from TEA	<u>23,802</u>	<u>27,706</u>
	Total current assets	417,625	751,731
	NON-CURRENT ASSETS:		
1910	Investments	<u>932,509</u>	
1800	Total non-current assets	<u>932,509</u>	-
1000	TOTAL ASSETS	1,350,134	751,731
	LIABILITIES		
	CURRENT LIABILITIES:		
2501	Due to District (parent organization)	<u>23,802</u>	<u>27,706</u>
	Total current liabilities	23,802	27,706
	NON-CURRENT LIABILITIES:		
2502	Loan payable to Richland College	-	-
	Total non-current liabilities	-	-
2000	TOTAL LIABILITIES	23,802	27,706
	NET ASSETS		
3200	Invested in capital assets, net of related debt	-	-
3900	Unrestricted	<u>1,326,332</u>	<u>724,025</u>
3000	TOTAL NET ASSETS	\$ 1,326,332	\$ 724,025

Preliminary and Tentative

RICHLAND COLLEGIATE HIGH SCHOOL

EXHIBIT 2

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2011 AND 2010**

District Presentation			TEA Classifications			
	2011	2010	Data Control Codes		2011	2010
OPERATING REVENUES:			OPERATING REVENUES:			
Federal grants and contracts	\$ 109,330	\$ 55,058	5929	Federal grants revenue distributed by TEA	\$ 109,330	\$ 55,058
Total operating revenues	109,330	55,058	5020	Total operating revenues	109,330	55,058
OPERATING EXPENSES:			OPERATING EXPENSES:			
Instruction	1,182,141	1,404,069	0011	Instruction	1,414,844	1,627,637
Public Service	181,814	223,568	0012	Instructional resources and media services	86,944	58,052
Academic support	89,175	68,317	0013	Curriculum development & instructional	9,521	10,265
Student services	344,977	279,118	0031	Guidance, counseling and evaluation services	197,076	189,789
			0033	Health services	3,306	4,314
			0034	Student transportation	15,811	11,762
			0035	Food service	6,148	5,268
Institutional support	601,111	471,702	0023	School leadership	487,786	393,657
			0041	General administration	139,623	108,040
			0052	Security and monitoring services	38,159	37,990
Total operating expenses	2,399,218	2,446,774	6030	Total operating expenses	2,399,218	2,446,774
OPERATING LOSS	(2,289,888)	(2,391,716)	1100	OPERATING LOSS	(2,289,888)	(2,391,716)
NON-OPERATING REVENUES (EXPENSES):			NON-OPERATING REVENUES (EXPENSES):			
State appropriations	2,874,326	2,589,190	5800	State appropriations	2,874,326	2,589,190
Investment income	17,869	26,255	5742	Investment income	17,869	26,255
Net non-operating revenues	2,892,195	2,615,445		Net non-operating revenues	2,892,195	2,615,445
INCREASE IN NET ASSETS	602,307	223,729	1200	INCREASE IN NET ASSETS	602,307	223,729
NET ASSETS:			NET ASSETS:			
Net Assets—Beginning of Year	724,025	500,296	0100	Net Assets—Beginning of Year	724,025	500,296
Net Assets—End of Year	\$ 1,326,332	\$ 724,025	3000	Net Assets—End of Year	\$ 1,326,332	\$ 724,025

Preliminary and Tentative

**Richland Collegiate High School
Statements of Cash Flows
For the Fiscal Years Ended August 31, 2011 and 2010**

EXHIBIT 3

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants and contracts	\$ 113,234	\$ 38,037
Payments to suppliers for goods and services	<u>(2,403,122)</u>	<u>(2,429,753)</u>
Net cash used in operating activities	(2,289,888)	(2,391,716)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	2,874,326	2,589,190
Payments on loan	<u>-</u>	<u>-</u>
Net cash provided by non-capital financing activities	2,874,326	2,589,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	17,869	26,255
Purchase of investments	<u>(932,509)</u>	<u>-</u>
Net cash provided (used) by investing activities	(914,640)	26,255
Increase (decrease) in cash and cash equivalents	(330,202)	223,729
Cash and cash equivalents - September 1	<u>724,025</u>	<u>500,296</u>
Cash and cash equivalents - August 31	<u>\$ 393,823</u>	<u>\$ 724,025</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (2,289,888)	\$ (2,391,716)
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Receivables (net)	3,904	(17,021)
Accounts payable	<u>(3,904)</u>	<u>17,021</u>
Net cash used in operating activities	<u>\$ (2,289,888)</u>	<u>\$ (2,391,716)</u>

Preliminary and Tentative

RICHLAND COLLEGIATE HIGH SCHOOL
Budgetary Comparison Schedule
For the Year Ended August 31, 2011

	Budgeted Amounts		Actual Amounts	Actual to Budget Variance	Percent Actual to Final Budget	Variance % Original to Final Budget
	Original	Final				
REVENUES						
Local Support:						
5740	Local and intermediate sources	\$ 8,000	\$ 8,000	\$ 17,869	\$ 9,869	123.36% ^a 0.00%
State program revenues:						
5810	Foundation School Program Act Revenues	2,953,768	2,878,088	2,862,707	(15,381)	-0.53% -2.56%
5810	High school allotment				-	n/a
5820	Technology allotment	11,619	11,236	11,619	383	3.41% -3.30%
	Total state revenues	2,965,387	2,889,324	2,874,326	(14,998)	-0.52% -2.57%
Federal program revenues:						
5900	5900 Federal program revenues	54,729	215,523	109,330	(106,193)	-49.27% 293.80% ^d
	Total revenues	3,028,116	3,112,847	3,001,525	(111,322)	-3.58% 2.80%
EXPENDITURES						
State program expenditures						
0011	11 Instruction ¹	1,880,218	2,047,786	1,414,844	(632,942)	-30.91% 8.91%
0012	12 Instructional resources and media services ²	73,027	103,027	86,944	(16,083)	-15.61% 41.08% ^c
0013	13 Curriculum and staff development ¹	10,000	29,478	9,521	(19,957)	-67.70% 194.78% ^f
0023	23 School leadership	486,347	514,839	487,786	(27,053)	-5.25% 5.86%
0031	31 Guidance, counseling, and evaluation services	274,173	224,095	197,076	(27,019)	-12.06% -18.27% ^g
0033	33 Health services	9,327	3,306	3,306	-	0.00% -64.55% ^h
0034	34 Student Transportation	11,762	17,712	15,811	(1,901)	n/a n/a
0035	35 Food Service	7,375	6,775	6,148	(627)	-9.25% -8.14%
0036	36 Extracurricular activities	10,504	10,504	-	(10,504)	-100.00% 0.00%
0041	41 General administration	227,392	113,824	139,623	25,799	22.67% ^b -49.94% ⁱ
0051	51 Facilities maintenance and operations	1	1	-	(1)	-100.00% 0.00%
0052	52 Security and monitoring services	37,990	41,500	38,159	(3,341)	-8.05% 9.24%
	Total expenditures	3,028,116	3,112,847	2,399,218	(713,629)	-22.93% 2.80%
1200	Net change in fund balances	-	-	602,307	602,307	n/a n/a
0100	Fund balances--beginning	724,025	724,025	724,025	-	0.00% 0.00%
3000	Fund balances--ending	\$ 724,025	\$ 724,025	\$ 1,326,332	\$ 602,307	83.19% ^c 0.00%

¹ Includes grant-funded expenditures

² Includes expenditures funded by technology allotment

Variance Explanations

^a Unrealized market gain is included but was not budgeted

^b Amendment approval was given by TEA late in the year to include superintendent and other administrative salaries after final budget was approved

^c Since budgets are established to have equal revenues and expenses, an increase in fund balance will always be over the amount budgeted

^d Several grants were received after the original budget was submitted

^e Estimated costs for computers were added to the budget in summer revision; however actual expenses came in less

^f Some of the grants received after original budget were for curriculum & staff development causing this variance

^g Two positions were anticipated with original budget but were never filled so adjustment was made with final budget

^h A position was vacated and not filled so the final budget was adjusted accordingly

ⁱ Original budget included superintendent and business officer's salary but amendment not approved by TEA until late summer after final budget was submitted; final budget also lowered as fingerprinting costs were not as high as initially anticipated

RICHLAND COLLEGIATE HIGH SCHOOL

**SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

Expenses Object	2011	2010
6100 Payroll Cost	\$ 1	\$ 1
6200 Professional/Contracted Services	1,937,751	1,764,948
6300 Supplies/Material	362,911	640,035
6400 Other Operating	98,555	41,790
	<u>\$ 2,399,218</u>	<u>\$ 2,446,774</u>

25. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2011. The financial statements were available on this date. No changes are necessary to be made to the financial statements as a result of this evaluation.

SUPPLEMENTAL SCHEDULES

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE A

SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2011 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2010)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2011	2010
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 50,500,027	-	\$ 50,500,027	-	\$ 50,500,027	\$ 46,176,882
Out-of-district resident tuition	14,149,526	-	14,149,526	-	14,149,526	13,499,202
Non-resident tuition	13,241,841	-	13,241,841	-	13,241,841	12,981,473
TPEG - credit (set aside) *	3,976,728	-	3,976,728	-	3,976,728	3,645,075
State-funded continuing education	9,507,603	-	9,507,603	-	9,507,603	11,556,877
TPEG - non-credit (set aside) *	516,544	-	516,544	-	516,544	719,665
Non-state funded educational programs	3,995,810	-	3,995,810	-	3,995,810	4,471,928
Total tuition	95,888,079	-	95,888,079	-	95,888,079	93,051,102
Fees:						
Installation plan fees	906,755	-	906,755	-	906,755	893,595
Prior year tuition and fees	(5)	-	(5)	-	(5)	13,687
Total fees	906,750	-	906,750	-	906,750	907,282
Scholarship allowances and discounts:						
Remissions and exemptions - state	(1,277,947)	-	(1,277,947)	-	(1,277,947)	(1,562,573)
Remissions and exemptions - local	(5,931,342)	-	(5,931,342)	-	(5,931,342)	(5,371,532)
Title IV federal grants	(23,500,128)	-	(23,500,128)	-	(23,500,128)	(18,464,618)
Other federal grants	(2,335,181)	-	(2,335,181)	-	(2,335,181)	(3,253,124)
State grants	(1,499,140)	-	(1,499,140)	-	(1,499,140)	(2,528,363)
TPEG awards	(1,579,687)	-	(1,579,687)	-	(1,579,687)	(1,663,495)
Rising Star program	(350,482)	-	(350,482)	-	(350,482)	(434,926)
Total scholarship allowances and discounts	(36,473,907)	-	(36,473,907)	-	(36,473,907)	(33,278,631)
Total tuition and fees, net	60,320,922	-	60,320,922	-	60,320,922	60,679,753
Additional operating revenues:						
Federal grants and contracts	1,134,990	19,160,284	20,295,274	11,998	20,307,272	21,675,227
State grants and contracts	136,055	6,544,629	6,680,684	-	6,680,684	7,733,013
Non-governmental grants and contracts	1,138	4,545,781	4,546,919	-	4,546,919	2,832,108
Sales and services of educational activities	526,579	-	526,579	-	526,579	627,008
Other operating revenues	1,901,831	-	1,901,831	-	1,901,831	2,240,074
Total additional operating revenues	3,700,593	30,250,694	33,951,287	11,998	33,963,285	35,107,430
Auxiliary Enterprises:						
Bookstore	-	-	-	2,195,065	2,195,065	2,423,970
Food Service	-	-	-	542,062	542,062	546,529
Center for Educational Telecommunications	-	-	-	1,499,211	1,499,211	1,603,154
Business Incubation Center	-	-	-	158,859	158,859	157,494
Student Programs	-	-	-	768,150	768,150	677,716
Total auxiliary enterprises	-	-	-	5,163,347	5,163,347	5,408,863
Total Operating Revenues	\$ 64,021,515	\$ 30,250,694	\$ 94,272,209	\$ 5,175,345	\$ 99,447,554	\$ 101,196,046
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$4,493,272 and \$4,364,740 for years August 31, 2011 and 2010, respectively, of tuition was set aside for Texas Public Education grants (TPEG)

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE B

**SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2011 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2010)**

	Operating Expenses			2011	2010	
	Salaries and Wages	Benefits				
		State	Local	Other Expenses		
UNRESTRICTED - Educational Activities						
Instruction	\$ 117,861,043	\$ -	\$ 14,265,600	\$ 14,953,043	\$ 147,079,686	\$ 143,005,200
Public Service	3,783,011	-	458,543	1,323,973	5,565,527	6,800,228
Academic Support	12,612,900	-	1,517,255	4,015,029	18,145,184	18,040,508
Student Services	23,325,337	-	2,785,171	4,822,550	30,933,058	30,063,135
Institutional Support	43,427,655	-	4,865,825	10,376,967	58,670,447	59,422,768
Operation and Maintenance of Plant	8,612,288	-	1,017,193	29,214,335	38,843,816	38,718,617
Total unrestricted educational activities	209,622,234	-	24,909,587	64,705,897	299,237,718	296,050,456
RESTRICTED - Educational Activities						
Instruction	1,702,896	15,034,826	215,854	4,295,462	21,249,038	18,764,390
Public Service	1,307,351	-	243,925	5,074,392	6,625,668	6,702,680
Academic Support	207,760	1,608,952	31,186	(5,076)	1,842,822	2,024,137
Student Services	2,434,428	2,975,473	451,428	821,660	6,682,989	8,290,590
Institutional Support	2,404,827	5,539,805	404,504	2,709,486	11,058,622	13,043,304
Scholarships and Fellowships	1,754	-	22	72,413,012	72,414,788	61,103,659
Total restricted educational activities	8,059,016	25,159,056	1,346,919	85,308,936	119,873,927	109,928,760
TOTAL EDUCATIONAL ACTIVITIES	217,681,250	25,159,056	26,256,506	146,623,031	405,979,216	405,979,216
AUXILIARY ENTERPRISES	4,381,805	-	1,087,213	4,747,110	10,216,128	10,389,098
DEPRECIATION EXPENSE - Buildings and other real estate improvements	-	-	-	20,316,461	20,316,461	17,644,394
DEPRECIATION EXPENSE - Equipment and furniture	-	-	-	5,665,583	5,665,583	5,341,734
TOTAL OPERATING EXPENSES	\$ 222,063,055	\$ 25,159,056	\$ 27,343,719	\$ 180,743,987	\$ 455,309,817 (Exhibit 2)	\$ 439,354,442 (Exhibit 2)

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE C

**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2011 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2010)**

	Unrestricted	Restricted	Auxiliary Enterprises	2011	2010
NON-OPERATING REVENUES:					
State Appropriations:					
Education and general state support	\$ 89,478,155	\$ -	\$ -	\$ 89,478,155	\$ 93,098,839
State group insurance	-	15,042,227	-	15,042,227	15,552,849
State retirement matching	-	10,116,107	-	10,116,107	10,124,917
SBDC state match	-	1,607,048	-	1,607,048	1,671,112
Starlink	-	255,310	-	255,310	267,022
Foundation school program	2,874,326	-	-	2,874,326	2,589,190
Total state appropriations	<u>92,352,481</u>	<u>27,020,692</u>	<u>-</u>	<u>119,373,173</u>	<u>123,303,929</u>
Maintenance ad valorem taxes	158,309,361	-	-	158,309,361	159,137,404
Federal revenue, non-operating	-	87,927,083	-	87,927,083	74,418,624
Gifts	148,556	-	-	148,556	83,299
Investment income	3,629,904	-	313,486	3,943,390	7,384,454
Gain on sale of investment	6,197	-	537	6,734	-
Other non-operating revenue	1,362,919	-	-	1,362,919	1,571,370
Total non-operating revenues	<u>255,809,418</u>	<u>114,947,775</u>	<u>314,023</u>	<u>371,071,216</u>	<u>365,899,080</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	18,094,031	-	-	18,094,031	16,507,721
Loss on disposal of capital assets	35,292	-	-	35,292	1,040,680
Other non-operating expense	414,450	-	-	414,450	419,536
Total non-operating expenses	<u>18,543,773</u>	<u>-</u>	<u>-</u>	<u>18,543,773</u>	<u>17,967,937</u>
NET NON-OPERATING REVENUES	<u>\$ 237,265,645</u>	<u>\$ 114,947,775</u>	<u>\$ 314,023</u>	<u>\$ 352,527,443</u> (Exhibit 2)	<u>\$ 347,931,143</u> (Exhibit 2)

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

YEAR ENDED AUGUST 31, 2011 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2010)

	Detail by Source					Available for	
	Unrestricted	Restricted		Capital Assets		Current Operations	
		Expendable	Non-Expendable	Net of Depreciation and Related Debt	Total	Yes	No
Current:							
Unrestricted	\$ 125,255,503	\$ -	\$ -	\$ -	\$ 125,255,503	\$ 125,255,503	\$ -
Auxiliary enterprises	19,648,019	-	-	-	19,648,019	19,648,019	-
Restricted	-	-	-	-	-	-	-
Loan	438,491	-	-	-	438,491	-	438,491
Endowment:							
Quasi:							
Unrestricted	5,405,081	-	-	-	5,405,081	-	5,405,081
Restricted	-	-	-	-	-	-	-
Plant:							
Unexpended	18,490,386	3,037,934	-	-	21,528,320	-	21,528,320
Debt Service	-	2,789,849	-	-	2,789,849	-	2,789,849
Investment in Plant	-	-	-	281,852,766	281,852,766	-	281,852,766
TOTAL NET ASSETS--							
August 31, 2011	169,237,480	5,827,783	-	281,852,766	456,918,029 (Exhibit 1)	144,903,522	312,014,507
TOTAL NET ASSETS--							
August 31, 2010	182,737,699	11,902,270	-	265,612,880	460,252,849 (Exhibit 1)	156,634,162	303,618,687
NET INCREASE (DECREASE) IN NET ASSETS	\$ (13,500,219)	\$ (6,074,487)	\$ -	\$ 16,239,886	\$ (3,334,820) (Exhibit 2)	\$ (11,730,640)	\$ 8,395,820

STATISTICAL SECTION

These statistical tables provide selected financial and demographic information. The statistical tables are for informational purposes only and are not audited.

Preliminary and Tentative

Dallas County Community College District
Statistical Supplement I
Net Assets by Component
Fiscal Years 2002 to 2011
 (unaudited)
 (amounts expressed in thousands)

	For the Year Ended August 31,									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>\$ 2002</u>
Invested in capital assets, net of related debt	\$ 281,853	\$ 265,613	\$ 252,511	\$ 237,335	\$ 236,563	\$ 238,727	\$ 231,102	\$ 236,129	\$ 210,803	\$ 183,972
Restricted - expendable	5,828	11,902	11,708	11,563	12,463	13,649	29,999	11,536	6,487	\$ 10,044
Unrestricted	169,237	182,738	186,261	178,053	156,254	131,117	104,147	93,299	111,202	\$ 139,390
Total net assets	\$ 456,918	\$ 460,253	\$ 450,480	\$ 426,951	\$ 405,280	\$ 383,493	\$ 365,248	\$ 340,964	\$ 328,492	\$ 333,406

Preliminary and Tentative

Dallas County Community College District
 Statistical Supplement 2
 Revenues by Source
 Fiscal Years 2002 to 2011
 (unaudited)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tuition and charges (net of discounts)	\$ 60,321	\$ 60,680	\$ 59,918	\$ 53,800	\$ 51,735	\$ 46,055	\$ 44,141	\$ 42,747	\$ 39,771	\$ 43,608
Federal grants and contracts	20,307	21,647	18,842	16,245	15,934	16,246	15,641	13,389	12,748	13,564
State grants and contracts	6,681	7,733	7,237	3,438	2,338	1,387	1,752	2,637	4,658	3,495
Non-governmental grants and contracts	4,547	2,860	2,318	4,368	4,263	3,528	4,619	5,169	4,133	2,522
Sales and services of educational activities:	527	627	509	538	543	481	543	545	447	498
Auxiliary enterprises	5,163	5,409	5,576	5,914	6,663	6,299	5,735	6,592	6,976	6,970
General operating revenues	1,902	2,240	1,643	1,740	1,800	1,675	1,697	1,133	1,177	1,007
Total Operating Revenues	99,448	101,196	96,043	86,043	83,276	75,671	74,128	72,212	69,910	71,664
State appropriations	119,373	123,304	119,415	118,197	110,740	108,041	103,248	101,689	100,624	105,377
Maintenance ad valorem taxes	158,309	159,137	153,057	130,734	121,220	113,769	106,596	100,559	76,922	76,327
Federal revenue, non-operating	87,927	74,419	40,458	32,230	31,405	34,551	33,726	31,875	27,971	21,273
Gifts	149	83	779	205	65	122	138	317	723	280
Investment income	3,943	7,385	8,343	11,975	12,349	8,689	5,501	3,640	3,073	9,546
Gain on sale of investment	7	-	153	-	-	-	-	85	78	-
Contributions in aid of construction	-	-	75	-	-	-	-	-	496	-
Other non-operating revenue	1,363	1,571	50	241	51	175	874	182	52	71
Total Nonoperating Revenues	371,071	365,899	322,330	293,582	275,830	265,347	250,083	238,347	209,939	212,874
Total Revenues	\$ 470,519	\$ 467,095	\$ 418,373	\$ 379,625	\$ 359,106	\$ 341,018	\$ 324,211	\$ 310,559	\$ 279,849	\$ 284,538

For the Year Ended August 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tuition and charges (net of discounts)	12.82%	12.99%	14.32%	14.17%	14.41%	13.51%	13.62%	13.76%	14.21%	15.33%
Federal grants and contracts	4.32%	4.63%	4.50%	4.28%	4.44%	4.76%	4.82%	4.31%	4.56%	4.77%
State grants and contracts	1.42%	1.66%	1.74%	0.91%	0.65%	0.41%	0.54%	0.85%	1.66%	1.23%
Non-governmental grants and contracts	0.97%	0.61%	0.55%	1.15%	1.19%	1.03%	1.42%	1.66%	1.48%	0.89%
Sales and services of educational activities:	0.11%	0.13%	0.12%	0.14%	0.15%	0.14%	0.17%	0.18%	0.16%	0.17%
Auxiliary enterprises	1.10%	1.16%	1.33%	1.56%	1.85%	1.85%	1.77%	2.12%	2.49%	2.45%
General operating revenues	0.40%	0.48%	0.39%	0.46%	0.50%	0.49%	0.52%	0.37%	0.42%	0.35%
Total Operating Revenues	21.14%	21.66%	22.95%	22.67%	23.19%	22.19%	22.86%	23.25%	24.98%	25.19%
State appropriations	25.37%	26.40%	28.54%	31.14%	30.84%	31.68%	31.85%	32.75%	35.95%	37.03%
Maintenance ad valorem taxes	33.64%	34.07%	36.59%	34.44%	33.75%	33.36%	32.88%	32.38%	27.48%	26.82%
Federal revenue, non-operating	18.69%	15.93%	9.67%	8.49%	8.75%	10.13%	10.40%	10.26%	10.00%	7.48%
Gifts	0.03%	0.02%	0.19%	0.05%	0.02%	0.04%	0.04%	0.10%	0.26%	0.10%
Investment income	0.84%	1.58%	1.99%	3.15%	3.44%	2.55%	1.70%	1.17%	1.10%	3.35%
Gain on sale of investment	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.03%	0.03%	0.00%
Contributions in aid of construction	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.18%	0.00%
Other non-operating revenue	0.29%	0.34%	0.01%	0.06%	0.01%	0.05%	0.27%	0.06%	0.02%	0.03%
Total Nonoperating Revenues	78.86%	78.34%	77.05%	77.33%	76.81%	77.81%	77.14%	76.75%	75.02%	74.81%
Total Revenues	100.00%									

Preliminary and Tentative

Dallas County Community College District
 Statistical Supplement 3
 Program Expenses by Function
 Fiscal Years 2002 to 2011
 (unaudited)

For the Year Ended August 31,										
(amounts expressed in thousands)										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$ 168,329	\$ 161,769	\$ 150,414	\$ 141,112	\$ 137,429	\$ 132,577	\$ 130,728	\$ 126,134	\$ 121,450	\$ 118,222
Public service	12,191	13,503	13,954	10,839	10,578	10,334	10,406	9,717	9,954	9,685
Academic support	19,988	20,065	19,363	18,713	18,303	17,314	16,586	15,124	14,824	14,942
Student services	37,616	38,354	35,151	32,418	31,527	29,656	29,199	27,952	26,635	24,982
Institutional support	69,729	72,466	67,196	58,216	52,878	51,110	48,190	46,290	43,391	44,268
Operation and maintenance of plant	38,844	38,718	33,000	30,058	27,083	26,079	24,630	22,783	21,087	19,736
Scholarships and fellowships	72,415	61,104	33,144	26,383	24,053	26,396	26,344	25,784	25,012	21,875
Auxiliary enterprises	10,216	10,389	9,539	10,104	10,774	10,286	9,966	10,309	10,447	10,207
Depreciation	25,982	22,986	18,530	17,084	17,584	14,464	11,343	10,211	10,639	9,489
Total Operating Expenses	455,310	439,354	380,291	344,927	330,209	318,216	307,392	294,304	283,439	273,406
Interest on capital debt	18,094	16,508	13,907	6,149	4,992	4,146	4,538	1,905	735	1,967
Loss on disposal of capital assets	35	1,041	270	5,343	1,736	145	122	156	134	1,882
Accrual for legal expense	-	-	-	-	-	-	(13,271)	1,683	-	9,588
Other non-operating expense	415	419	376	1,535	382	265	1,146	39	454	38
Total Nonoperating Expenses	18,544	17,968	14,553	13,027	7,110	4,556	(7,465)	3,783	1,323	13,475
Total Expenses	\$ 473,854	\$ 457,322	\$ 394,844	\$ 357,954	\$ 337,319	\$ 322,772	\$ 299,927	\$ 298,087	\$ 284,762	\$ 286,881

For the Year Ended August 31,										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	35.52%	35.37%	38.10%	39.41%	40.73%	41.07%	43.59%	42.31%	42.65%	41.21%
Public service	2.57%	2.95%	3.53%	3.03%	3.14%	3.20%	3.47%	3.26%	3.50%	3.37%
Academic support	4.22%	4.39%	4.90%	5.23%	5.43%	5.36%	5.53%	5.07%	5.21%	5.21%
Student services	7.94%	8.39%	8.90%	9.06%	9.35%	9.19%	9.74%	9.38%	9.35%	8.71%
Institutional support	14.72%	15.84%	17.02%	16.26%	15.68%	15.84%	16.07%	15.53%	15.24%	15.43%
Operation and maintenance of plant	8.20%	8.47%	8.36%	8.40%	8.03%	8.08%	8.21%	7.64%	7.40%	6.88%
Scholarships and fellowships	15.28%	13.36%	8.39%	7.37%	7.13%	8.18%	8.78%	8.65%	8.78%	7.62%
Auxiliary enterprises	2.16%	2.27%	2.42%	2.82%	3.19%	3.19%	3.32%	3.46%	3.67%	3.56%
Depreciation	5.48%	5.03%	4.69%	4.77%	5.21%	4.48%	3.78%	3.43%	3.74%	3.31%
Total Operating Expenses	96.09%	96.07%	96.31%	96.35%	97.89%	98.59%	102.49%	98.73%	99.54%	95.30%
Interest on capital debt	3.82%	3.61%	3.52%	1.72%	1.48%	1.28%	1.51%	0.64%	0.25%	0.69%
Loss on disposal of capital assets	0.01%	0.23%	0.07%	1.50%	0.52%	0.05%	0.04%	0.05%	0.05%	0.66%
Accrual for legal expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-4.42%	0.57%	0.00%	3.34%
Other non-operating expense	0.08%	0.09%	0.10%	0.43%	0.11%	0.08%	0.38%	0.01%	0.16%	0.01%
Total Nonoperating Expenses	3.91%	3.93%	3.69%	3.65%	2.11%	1.41%	-2.49%	1.27%	0.46%	4.70%
Total Expenses	100.00%									

**Dallas County Community College District
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Academic Year (Fall)	Resident Fees per Semester Credit Hour (SCH)				Cost for 12 SCH Out of District	Increase from Prior Year In District	Increase from Prior Year Out of District
	In-District Tuition	Out-of-District Tuition	Cost for 12 SCH In District	Cost for 12 SCH Out of District			
2010-11	\$ 41	\$ 76	\$ 493	\$ 912	0.00%	0.00%	
2009-10	41	76	492	912	2.13%	2.50%	
2008-09	39	72	488	864	0.00%	0.00%	
2007-08	39	72	468	864	8.33%	9.09%	
2006-07	36	68	432	792	9.09%	10.00%	
2005-06	33	60	396	720	10.00%	20.00%	
2004-05	30	50	360	600	0.00%	0.00%	
2003-04	30	50	360	600	15.38%	8.70%	
2002-03	26	46	312	552	0.00%	0.00%	
2001-02	26	46	312	552	11.02%	5.95%	

Academic Year (Fall)	Non-Resident Fees per Semester Credit Hour (SCH)				Cost for 12 SCH International	Increase from Prior Year Out-of-State	Increase from Prior Year International
	Non-Resident Tuition	Non-Resident Tuition International	Cost for 12 SCH Out-of-State	Cost for 12 SCH International			
2010-11	\$ 121	\$ 121	\$ 1,452	\$ 1,452	0.00%	0.00%	
2009-10	121	121	1,412	1,412	5.23%	5.23%	
2008-09	115	115	1,380	1,380	0.00%	0.00%	
2007-08	115	115	1,380	1,380	8.49%	8.49%	
2006-07	115	106	1,372	1,372	10.42%	10.42%	
2005-06	115	96	1,152	1,152	20.00%	20.00%	
2004-05	115	80	960	960	0.00%	0.00%	
2003-04	115	80	960	960	2.26%	2.26%	
2002-03	115	78	912	912	0.00%	0.00%	
2001-02	115	76	912	912	3.53%	3.53%	

Source: District Office of Business Affairs

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

Preliminary and Tentative

**Dallas County Community College District
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	(amounts expressed in thousands)			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)
2010-11	\$186,615,099	\$23,375,863	\$163,239,236	87.47%	\$ 0.07780	\$ 0.02143	\$ 0.09923
2009-10	188,450,056	15,774,377	172,675,679	91.63%	0.07780	0.01710	0.09490
2008-09	215,856,678	37,953,410	177,903,268	82.42%	0.07590	0.01350	0.08940
2007-08	202,897,589	36,335,019	166,562,570	82.09%	0.07590	0.00450	0.08040
2006-07	186,011,811	33,388,192	152,623,619	82.05%	0.07780	0.00320	0.08100
2005-06	173,396,321	31,196,654	142,199,667	82.01%	0.07780	0.00380	0.08160
2004-05	164,428,457	29,418,622	135,009,835	82.11%	0.07780	0.00250	0.08030
2003-04	160,837,174	27,825,511	133,011,663	82.70%	0.07780	0.00000	0.07780
2002-03	159,130,757	27,293,383	131,837,374	82.85%	0.06000	0.00000	0.06000
2001-02	150,143,446	22,201,699	127,941,747	85.21%	0.06000	0.00000	0.06000

Source: Dallas Central Appraisal District

Notes: Property is assessed at full market value

(a) per \$100 Taxable Assessed Valuation

Preliminary and Tentative

Dallas County Community College District
Statistical Supplement 6
State Appropriations per FTSE and Contact Hour
Last Ten Fiscal Years
 (Unaudited)
 (amounts expressed in thousands)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			State Appropriation per Contact Hour
	State Appropriation	FTSE	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	
2010-11	\$ 89,478	53,360	\$ 1,889	22,438	9,416	31,854	\$ 2.81
2009-10	93,099	53,474	1,741	21,604	10,360	31,964	2.91
2008-09	89,498	47,374	1,889	19,244	9,284	28,528	3.14
2007-08	89,498	43,737	2,046	17,911	8,428	26,339	3.40
2006-07	84,753	42,992	1,971	17,047	8,120	25,167	3.37
2005-06	84,753	41,648	2,035	17,154	7,830	24,984	3.39
2004-05	83,076	42,934	1,935	16,959	8,385	25,344	3.28
2003-04	83,054	42,261	1,965	16,890	8,953	25,843	3.21
2002-03	79,974	41,509	1,927	16,480	9,479	25,959	3.08
2001-02	86,284	40,579	2,126	14,947	10,353	25,300	3.41

Notes:

FTSE is defined as the number of credit hours divided by 30 plus the number of CE contact hours divided by 900.

Source:

District Business Affairs End of Semester Student Statistics Report

**Dallas County Community College District
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(amounts expressed in thousands)**

Fiscal Year Ended August 31,	Levy (a)		Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)		Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c-d+e)	Cumulative Collections of Adjusted Levy
	\$	%			\$	%					
2011	\$ 163,181		\$ (829)	\$ 162,352	\$ 159,538	98.46%	\$ -	\$ -	\$ 159,538	98.46%	
2010	163,869		(1,732)	162,137	159,806	98.56%	-	876	160,682	99.10%	
2009	153,943		(2,492)	156,451	154,056	98.49%	955	379	155,430	99.35%	
2008	135,224		(1,558)	133,668	131,785	98.59%	1,110	112	133,907	99.51%	
2007	123,162		145	123,308	121,356	98.42%	1,500	68	122,924	99.69%	
2006	114,957		625	115,582	113,740	98.41%	1,499	41	115,280	99.74%	
2005	107,927		(53)	107,874	106,249	98.49%	1,340	27	107,516	99.76%	
2004	103,074		(554)	102,520	100,788	98.31%	1,493	13	102,294	99.78%	
2003	79,860		(1,335)	78,524	77,110	98.20%	1,121	9	78,350	99.78%	
2002	76,722		(485)	76,237	75,018	98.40%	1,074	5	76,297	99.82%	

Source: Dallas County Appraisal District and District Office of Business Affairs

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

(b) As of August 31st of the current reporting year.

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

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

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

Preliminary and Tentative

Dallas County Community College District
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
For the Year Ended August 31 (amounts expressed in thousands)										
General Bonded Debt										
General obligation bonds	\$ 387,680	\$ 401,605	\$ 367,140	\$ 60,735	\$ 63,035	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 387,680	\$ 401,605	\$ 367,140	\$ 60,735	\$ 63,035	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 25,595	\$ 29,620	\$ 33,560	\$ 31,145	\$ 40,660	\$ 45,795	\$ 49,975	\$ 53,955	\$ 57,755	\$ 61,390
Tax notes	8,460	14,435	20,120	25,475	30,450	35,130	39,560	43,125	9,850	-
Notes	-	-	-	51	252	445	630	806	975	1,137
Commercial paper	-	-	-	-	-	-	-	-	-	-
Total outstanding debt	\$ 421,735	\$ 445,660	\$ 430,820	\$ 248,406	\$ 134,397	\$ 146,020	\$ 157,540	\$ 97,886	\$ 68,580	\$ 62,527

General Bonded Debt Ratios

Per Capita	\$ 155.07	\$ 161.10	\$ 148.58	\$ 24.77	\$ 26.69	\$ 27.38	\$ 29.22	-	-	-
Per FTE	7,265	7,510	7,750	1,389	1,466	1,567	1,569	-	-	-
As a percentage of Taxable Assessed Value	0.24%	0.23%	0.21%	0.04%	0.04%	0.05%	0.05%	-	-	-

Total Outstanding Debt Ratios

Per Capita	\$ 168.69	\$ 178.78	\$ 170.30	\$ 101.32	\$ 56.92	\$ 61.53	\$ 68.33	\$ 42.72	\$ 30.96	\$ 27.51
Per FTE	7,904	8,334	8,883	5,080	3,126	3,520	3,669	2,316	1,652	1,541
As a percentage of Taxable Assessed Value	0.26%	0.26%	0.24%	0.15%	0.09%	0.10%	0.12%	0.07%	0.05%	0.05%

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

Dallas County Community College District
 Statistical Supplement 10
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Taxable Assessed Value	\$ 163,239,236	\$ 172,675,579	\$ 177,903,268	\$ 166,553,572	\$ 152,633,619	\$ 142,199,437	\$ 135,009,835	\$ 133,011,663	\$ 131,837,374	\$ 127,941,247
General Bonded Debt										
Statutory Tax Levy Limit for Debt Service	\$ 816,196	\$ 863,378	\$ 889,516	\$ 832,813	\$ 762,637	\$ 710,998	\$ 675,049	\$ 665,058	\$ 659,187	\$ 659,709
Less: Funds Restricted for Payment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	\$ 816,196	\$ 863,378	\$ 889,516	\$ 832,813	\$ 762,637	\$ 710,998	\$ 675,049	\$ 665,058	\$ 659,187	\$ 659,709
Current Year Debt Service Requirements	26,020	21,493	22,997	7,462	5,304	5,301	3,208	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 790,176	\$ 841,885	\$ 866,519	\$ 825,351	\$ 757,333	\$ 705,697	\$ 671,841	\$ 665,058	\$ 659,187	\$ 659,709
Net Current Requirements as a % of Statutory Limit	3.19%	2.49%	2.59%	0.90%	0.70%	0.75%	0.48%	-	-	-

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

Source: Taxable Assessed Value from Dallas County Appraisal District

**Dallas County Community College District
 Statistical Supplement 11
 Pledged Revenue Coverage
 Last Ten Fiscal Years
 (unaudited)**

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)					Debt Service Requirements (\$000 omitted)			Coverage Ratio	
	Tuition	Other Class Fees	Bookstore Commissions	Food Service Commissions	Lease Revenues	Interest Income	Principal	Total		
2011	\$ 15,267	\$ 907	\$ 2,195	\$ 542	\$ 300	\$ 2,538	\$ 4,145	\$ 1,005	\$ 5,150	4.22
2010	17,942	906	2,424	547	400	3,938	4,025	1,128	5,153	5.08
2009	18,531	857	2,311	506	400	4,901	3,940	1,240	5,180	5.31
2008	15,200	897	2,166	563	400	6,650	3,515	1,729	5,235	4.94
2007	14,765	880	1,935	575	400	6,967	3,360	2,182	5,542	4.61
2006	15,033	661	1,689	544	400	5,429	4,180	2,328	6,508	3.65
2005	14,899	662	1,502	602	400	4,104	3,980	2,417	6,397	3.47
2004	15,091	801	1,568	634	400	3,809	3,800	2,487	6,287	3.55
2003	15,044	553	1,492	620	400	4,729	3,635	2,613	6,248	3.66
2002	15,483	466	1,339	547	400	4,919	2,470	3,809	6,279	3.69

Source: District Business Affairs

Preliminary and Tentative

**Dallas County Community College District
 Statistical Supplement 12
 Demographic and Economic Information - Taxing District
 Last Ten Fiscal Years
 (Unaudited)**

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income per Capita	District Unemployment Rate
2011	2,500,000 +	*	*	8.7%
2010	2,492,850 +	*	*	8.4%
2009	2,451,730	111,322,583	45,406	8.2%
2008	2,451,800	108,124,708	44,829	5.7%
2007	2,361,354	107,556,419	45,131	4.3%
2006	2,345,815	101,746,870	43,520	5.5%
2005	2,305,454	93,073,435	40,317	5.6%
2004	2,291,071	88,336,598	38,563	6.7%
2003	2,281,411	84,278,228	36,927	7.8%
2002	2,273,205	82,983,080	36,452	7.7%

Source: Population and Personal Income from U. S. Dept of Commerce, Bureau of Economic Analysis
 Unemployment rate from Texas Workforce Commission

* Information is unavailable
 + Estimated

**Dallas County Community College District
 Statistical Supplement 13
 Principal Employers
 Fiscal Years 2004 to 2011
 (Unaudited)**

Employer	Number of Employees	
	2011	2004
Wal-Mart Stores, Inc.	34,698	29,237
AMR Corporation	20,684	25,000
Dallas Independent School District	20,551	19,359
Bank of America	20,000	-
Baylor Health Resources	19,677	14,572
Texas Health Resources	18,672	17,000
AT&T/SBC Communications Inc.	17,482	12,500
Lockheed Martin Aeronautics Co.	14,902	15,000
City of Dallas	13,427	-
JPMorgan Chase	13,000	-
Raytheon Co.	-	16,250
Verizon Communications Inc.	-	15,900
Albertson's Inc.	-	12,240
Texas Instruments Inc.	-	11,200
Total	193,096	177,058

Source:
 North Texas Commission, DFW Metroplex

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

**Dallas County Community College District
Statistical Supplement 14
Faculty, Staff and Administrative Statistics
Last Ten Fiscal Years
(unaudited)**

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Faculty										
Full-Time	765	763	765	733	699	725	736	719	678	646
Part-Time	2,413	2,440	2,335	2,254	2,384	2,608	2,855	2,557	2,272	2,347
Total	3,178	3,203	3,100	2,987	3,083	3,333	3,591	3,276	2,950	2,993
Percent										
Full-Time	24.1%	23.8%	24.7%	24.5%	22.7%	21.8%	20.5%	21.9%	23.0%	21.6%
Part-Time	75.9%	76.2%	75.3%	75.5%	77.3%	78.2%	79.5%	78.1%	77.0%	78.4%
Staff and Administrators										
Full-Time	2,196	2,472	2,426	2,284	2,193	2,177	2,174	2,147	2,014	2,010
Part-Time	1,373	1,555	1,655	1,516	1,463	1,449	1,736	2,155	1,780	1,804
Total	3,569	4,027	4,081	3,800	3,656	3,626	3,910	4,302	3,794	3,814
Percent										
Full-Time	61.5%	61.4%	59.4%	60.1%	60.0%	60.0%	55.6%	49.9%	53.1%	52.7%
Part-Time	38.5%	38.6%	40.6%	39.9%	40.0%	40.0%	44.4%	50.1%	46.9%	47.3%
FTSE per Full-time Faculty	69.8	70.1	61.9	59.7	61.5	57.4	58.3	58.8	61.2	62.8
FTSE per Full-time Staff Member	24.3	21.6	19.5	19.1	19.6	19.1	19.7	19.7	20.6	20.2
Average Annual Faculty Salary	\$ 80,212	\$ 79,623	\$ 75,532	\$ 74,931	\$ 76,186	\$ 71,042	\$ 68,366	\$ 66,195	\$ 65,636	\$ 66,859

Source: District Business Affairs

**Dallas County Community College District
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)**

Student Classification	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent								
01-30 hours	25,285	37.22%	25,142	38.66%	24,922	40.11%	24,619	41.33%	26,204	44.36%
31-60 hours	27,452	40.41%	26,117	40.16%	24,916	40.10%	23,734	39.91%	21,352	36.14%
>60 hours	15,197	22.37%	13,774	21.18%	12,399	19.79%	11,123	18.70%	11,521	19.50%
Total	67,934	100.00%	65,033	100.00%	62,137	100.00%	59,476	100.00%	59,077	100.00%

Semester Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent								
Less than 3	1,605	2.36%	1,718	2.64%	1,796	2.89%	1,689	2.84%	1,619	2.74%
1-3 semester hours	16,615	24.46%	16,227	24.95%	17,311	27.86%	14,685	24.69%	14,692	24.87%
6-8 semester hours	17,757	26.14%	16,969	26.09%	17,250	27.76%	15,089	25.37%	14,208	24.05%
9-11 semester hours	12,827	18.88%	11,657	17.93%	12,154	19.58%	10,826	18.32%	9,783	16.56%
12-14 semester hours	16,232	23.90%	15,686	24.12%	11,582	18.64%	14,250	23.96%	15,000	25.39%
15-17 semester hours	2,251	3.31%	2,176	3.35%	1,628	2.62%	2,308	3.88%	3,060	5.18%
18 and over	647	0.95%	680	1.04%	416	0.67%	559	0.94%	715	1.21%
Total	67,934	100.00%	65,033	100.00%	62,137	100.00%	59,476	100.00%	59,077	100.00%

Average course load 8.1 8.0 7.1 8.1 7.7

Tuition Status	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent								
Texas Resident (in district)	51,807	80.68%	52,323	80.46%	49,156	79.58%	47,685	80.18%	47,516	80.43%
Texas Resident (out-of-district)	8,759	12.89%	8,132	12.50%	8,184	13.17%	7,981	13.42%	7,741	13.11%
Non-Resident Tuition	4,368	6.43%	4,578	7.04%	4,517	7.27%	3,810	6.40%	3,818	6.46%
Total	67,934	100.00%	65,033	100.00%	62,137	100.00%	59,476	100.00%	59,077	100.00%

Note:
This table includes credit students only, as continuing education units are not tracked by semester hour and students are not tracked by residency.
Source: District Business Affairs

Dallas County Community College District
 Statistical Supplement 16
 Student Profile
 Last Five Fiscal Years
 (unaudited)

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent								
Gender										
Female	47,151	51.10%	45,566	51.86%	41,040	55.07%	41,110	56.06%	41,004	55.21%
Male	41,816	46.90%	39,042	46.14%	35,103	44.93%	32,243	43.91%	33,238	44.77%
Total	89,167	100.00%	84,608	100.00%	78,133	100.00%	73,373	100.00%	74,242	100.00%
Ethnic Origin										
White	28,251	31.68%	27,621	32.65%	25,465	32.59%	25,498	34.75%	26,924	36.27%
Hispanic	25,834	28.97%	23,294	27.53%	21,411	27.40%	19,695	26.84%	19,556	26.34%
African American	20,312	22.78%	18,508	21.87%	16,655	21.32%	15,858	21.61%	15,962	21.50%
Asian	7,893	8.85%	5,726	6.77%	5,435	6.96%	5,108	6.96%	5,180	6.98%
Foreign	1,109	1.25%	4,469	5.28%	4,045	5.18%	1,270	1.73%	1,229	1.64%
Native American	412	0.46%	391	0.46%	347	0.44%	317	0.43%	345	0.46%
Other	5,356	6.01%	4,599	5.44%	4,225	5.41%	3,627	4.93%	3,046	4.10%
Total	89,167	100.00%	81,608	100.00%	78,133	100.00%	73,373	100.00%	74,242	100.00%
Age										
Under 18	4,681	5.25%	4,264	5.04%	3,766	4.82%	3,360	4.58%	3,559	4.79%
18-21	26,518	29.74%	25,797	30.49%	25,690	32.88%	21,854	29.77%	21,286	28.67%
22-24	11,940	13.39%	11,439	13.52%	10,736	13.74%	10,375	14.14%	10,119	13.63%
25-30	15,014	16.84%	14,003	16.55%	13,165	16.85%	12,598	17.17%	12,771	17.21%
31-35	8,444	9.47%	8,029	9.49%	7,157	9.16%	6,809	9.28%	7,361	9.91%
36-40	15,907	17.84%	14,823	17.52%	12,829	16.42%	11,879	16.19%	12,997	16.70%
51 and over	6,643	7.45%	6,253	7.39%	4,790	6.13%	4,498	6.13%	4,747	6.39%
Total	89,167	100.00%	84,608	100.00%	78,133	100.00%	73,373	100.00%	74,242	100.00%
Average Age	29		29		29		28		28	

Source: District Business Affairs

Preliminary and Tentative

**Dallas County Community College District
Statistical Supplement 17
Transfers to Senior Institutions
2009 Fall Students as of Fall 2010
(Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all DCCCD Transfer Students	% of all DCCCD Transfer Students
	Academic	Technical	Tech-Prep		
1 University of Texas - Arlington	2577	349	166	3,092	17.96%
2 University of North Texas	2594	286	92	2,972	17.26%
3 University of Texas - Dallas	1974	294	104	2,372	13.78%
4 Texas Woman's University	1103	181	72	1,356	7.87%
5 University of Texas - Austin	1185	108	5	1,298	7.54%
6 Texas A&M University - College Station	947	70	3	1,020	5.92%
7 Texas Tech University	812	78	12	902	5.24%
8 Texas A&M University - Commerce	743	92	34	869	5.05%
9 University of North Texas - Dallas	701	124	34	859	4.99%
10 Stephen F. Austin State University	375	76	4	455	2.64%
11 Texas State University	371	19	3	393	2.28%
12 University of Houston	173	21	4	198	1.15%
13 Midwestern State University	154	21	16	191	1.11%
14 Prairie View A&M University	150	27	2	179	1.04%
15 Sam Houston State University	124	25	2	151	0.88%
16 University of Texas - Tyler	105	15	6	126	0.73%
17 University of Texas - San Antonio	80	9	0	89	0.52%
18 Texas Southern University	59	23	4	86	0.50%
19 Texas Tech University Health Science Center	62	18	2	82	0.48%
20 Tuleton State University	65	10	3	78	0.45%
21 Angelo State University	57	8	3	68	0.28%
22 University of Texas Southwestern Medical Center - Dallas	40	6	0	46	0.27%
23 Texas A&M University - Corpus Christi	35	5	0	40	0.23%
24 Lamar University Institute of Technology	28	8	1	37	0.21%
25 University of Texas Medical Branch Galveston	25	5	7	35	0.20%
26 Texas A&M University System Health Science Center	22	7	2	31	0.18%
27 West Texas A&M University	22	3	0	25	0.14%
28 Texas A&M University - Galveston	22	0	0	22	0.13%
29 University of Houston - Downtown	19	3	0	22	0.13%
30 University of North Texas Health Science Center - Forth Worth	15	4	0	19	0.11%
31 University of Texas Health Science Center - San Antonio	12	5	1	18	0.10%
32 University of Texas - El Paso	16	0	0	16	0.09%
33 University of Texas - Permian Basin	16	0	0	16	0.09%
34 University of Texas Health Science Center - Houston	12	3	0	15	0.09%
35 University of Houston - Victoria	12	0	0	12	0.07%
36 Texas A&M University - Kingsville	9	1	0	10	0.06%
37 University of Texas - Pan American	7	2	1	10	0.06%
38 Texas A&M University - Texarkana	9	0	0	9	0.05%
39 University of Texas - Brownsville	8	0	0	8	0.05%
40 Texas A&M International University	3	1	0	4	0.02%
41 University of Texas M.D. Anderson Cancer Center	3	0	0	3	0.02%
42 Sul Ross State University	2	0	0	2	0.01%
43 Texas A&M University - Central Texas	1	0	0	1	0.01%
44 University of Houston - Clear Lake	1	0	0	1	0.01%
Totals	14,730	1,905	583	17,218	100.00%

Source:

THECB "Students Pursuing Additional Education" report for Academic Year 2009-10

Preliminary and Tentative

Dallas County Community College District
 Statistical Supplement 18
 Capital Asset Information
 Fiscal Years 2004 to 2011

	Fiscal Year Ended August 31,							
	2011	2010	2009	2008	2007	2006	2005	2004
Academic buildings		89	84	69	67	67	67	65
Square footage		3,847,370	3,426,142	2,872,794	2,918,794	2,918,794	2,918,794	2,780,423
Libraries		2	2	2	2	2	2	2
Square footage		222,765	222,765	222,765	222,765	222,765	222,765	222,765
Number of volumes		-	-	-	-	529,952	504,977	428,815
Administrative and support buildings		8	8	7	7	7	7	7
Square footage		326,215	326,215	242,832	242,832	242,832	242,832	242,832
Dining Facilities		-	-	-	-	-	-	-
Square footage		60,069	60,069	60,069	60,069	60,069	60,069	60,069
Athletic Facilities		6	6	6	6	6	6	6
Square footage		177,050	177,050	177,050	177,050	177,050	177,050	177,050
Athletic fields		43	43	42	42	42	42	42
Gymnasiums		8	8	8	8	8	8	8
Fitness centers		10	10	10	10	10	10	10
Tennis courts		22	36	36	36	36	36	36
Plant facilities		3	3	3	3	3	3	3
Square footage		81,332	81,332	81,332	81,332	81,332	81,332	81,332
Transportation								
Cars		39	28	22	21	24	23	22
Light trucks/vans		88	84	77	76	80	75	70
Buses		10	9	9	7	6	7	2

Note: Most buildings are multi-purpose rather than being dedicated to a single activity. Therefore, estimates have been made on square footage attributable to non-academic purposes. Information will be presented prospectively.

Source: District Business Affairs

SINGLE AUDIT SECTION

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

OMB CIRCULAR A-133

SUPPLEMENTAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUDIT AUGUST 31, 2011

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**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**

To the Board of Trustees
Dallas County Community College District

We have audited the financial statements of Dallas County Community College District (the "District") as of and for the year ended August 31, 2011, and have issued our report thereon dated **DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL**. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate letter dated **DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL**.

Texas Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of Public Funds Investment Act (the "Act"). However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion. During the fiscal year ended August 31, 2011, no instances of non-compliance were found.

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

Houston, Texas

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

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

To the Board of Trustees
Dallas County Community College District

Compliance

We have audited Dallas County Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the Texas Single Audit Circular that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2011. The District's major federal and state programs are identified in the summary of auditors' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and, the State of Texas Single Audit Circular. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-3.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the 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 and State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Preliminary and Tentative

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

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

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

This report is intended solely for the information and use of management, District's Board of Trustees, Audit Committee, and others within the District, 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.

Houston, Texas

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL.

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

Grantor Program Name	CFDA	Grant #	Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Supplemental Educational Opportunity Grant	84.007A (1)		\$ 266,892
College Work Study Program	84.033A (1)		862,760
Job Locator Development	84.033A (1)		43,481
Academic Competitiveness Grant	84.575A		799,903
PELL	84.063P (1)		94,887,395
Direct Loans	84.268 (1)		27,683,650
TRIO Cluster			
TRIO-Student Services	84.042A (2)	P042A100 - 709-253-557	1,146,790
TRIO-Talent Search	84.044A (2)	P042A0-50-51-60	268,828
TRIO-Upward Bound	84.047A (2)	P044A07 / P047A-07&08	1,727,328
Other Direct Programs			
Strengthening Institutions - Title III	84.091A	P031A080120/P031A040037	420,666
CCRAA STEM	84.031C	P031C080006-182	1,791,413
Strengthening Institutions - Title V	84.091B	P031S050026-10-05	584,459
FIPSE	84.116B	P116B060021/P116Y090020	184,659
Student Success Model (Title V)	84.091B	P031S-090114-100071	725,094
Business and International Education	84.153A	P153A090030	33,547
Child Care Access	84.335A	P335A060404-063-150	51,264
Fulbright-Hays GPA	84.021A	P021A110038	81,222
AANAPISI	84.031I	P031I100010	182,799
STEM Professions Initiative	84.116Z	P116Z100040	119,718
Total Direct from U. S. Department of Education			131,601,818
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	11017	1,613,560
Starlink	84.048	11097	135,365
Texas Career Clusters	84.048	11096	56,039
Taking Tech Prog	84.048	81103	5,865
College Connections	84.378	1159	2
Tech PREP	84.243	11067	702,838
ELDE Program	84.372A	N/A	8,000
Leveraging Educational Assistance Partnership	84.069A	N/A	57,749
Special Leveraging Educational Assistance Partnership	84.069B	N/A	76,239
College Access Challenge Grant	84.378	P978A090023	11,080
			2,666,737
Austin Community College			
Texas Network for Teaching Excellence	84.048	101201-91101	1,533
THECB ARRA			
State Fiscal Stabilization Fund	84.397A	5397A090044	938,266
Texas Education Agency			
IDEA B Formula 10-11	84.027A	H027A100008	5,100
TEA/Improving Basic Programs-RCMS	84.01A	8010A100043	12,945
TEA Teacher/Principal Trng & Retr	84.367A	106945010/8367A090041	3,593
			21,638
TEA ARRA			
Title XIV SFSP	84.372A	5394A090044-55701001	54,729
IDEA B Formula LEA RCMS	84.391A	H391A09008-10554010	33,106
			87,835
University of North Texas			
Coop w/UNT - Title V	84.031B	P031B100113	209,675
Total Pass-Through Other Agencies			3,925,664
Total U. S. Department of Education			135,527,482

- (1) Clustered Student Financial Aid Programs
- (2) Clustered TRIO Programs
- (3) Clustered WIA Programs

Preliminary and Tentative

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011 (CONTINUED)

Grantor Program Name	CFDA	Grant #	Expenditures
U.S. Department of Agriculture			
Pass-Through From:			
Texas Health and Human Services Commission			
Child and Adult Food Program	10.558	UCN75N3055	\$ 17,250
Sul Ross State University			
Tax Prep		2007-38422-18081	1,942
Total U.S. Department of Agriculture			19,192
U. S. Department of Commerce			
Direct Programs:			
Malcolm Baldrige Nat'l Quality Award Outreach Activities	11.609	60NANB6D6008	11,574
Total U. S. Department of Commerce			11,574
U.S. Department of Veterans Affairs			
Direct Program:			
Veteran's Administration Chapter 15	64.028		25,640
Veteran's Administration Chapter 33	64.028		1,022,589
Total U.S. Department of Veterans Affairs			1,048,179
U.S. Department of Energy			
Pass-Through From:			
Texas Comptroller of Public Accounts			
Energy Sector Training Center	84.041	ARRA DE-EE0000116	92,627
Houston Community College			
Solar Instructor Training	81.087	DE-EE0002094001	302
Total U. S. Department of Energy			92,929
U.S. Department of Labor			
Pass-Through From:			
Dallas County Local Workforce Development Board			
WIA Cluster:			
Unified Youth Services (ITA)	17.259 (3)	32B-In School/Out School 9	3,240
Youth Services (OSY)	17.259 (3)	32B-Out OSY-10	1,379,352
American Recovery and Reinvestment Act			
Worksite Management	17.259 (3)	ARRA-RLC#1	7,890
Training and Continuing Education	17.260 (3)	ARRA-DCCCD#1	429,431
Texas Workforce Commission			437,321
SDF Affiliated Computer Services	17.258/259	ARRA - 0610XSD000	1,761,344
SDF Summer Merit Program	17.258	0611WSW005	54,833
			1,816,177
City of Dallas			
HPOD	17.261	EA-20245-10-60-A-48	69,363
Austin Community College			
Energy Efficiency and Renewable Energy	17.259 (3)	1410XSW001	98,348
Total U.S. Department of Labor			\$ 3,893,801

- (1) Clustered Student Financial Aid Programs
- (2) Clustered TRIO Programs
- (3) Clustered WIA Programs

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011 (CONCLUDED)

Grantor Program Name	CFDA	Grant #	Expenditures
National Science Foundation			
Direct Programs:			
Broadening Access for Science, Technology, Engineering & Math	47.076	0525536	\$ 247,332
Pass-Through From:			
Collin County Community College			
CCCCD/NSF Convergence Tech	47.076	DUE-0903239	36,234
University of Texas at Dallas			
STEM Gateway Collaboration	47.076	DUE-0856549	124,659
The University of Tulsa			
Oklahoma Center for Information Assurance and Forensics Ed	47.076	14-2-1209284-94827	59,056
Total Pass-Thru from National Science foundation			<u>219,949</u>
Total National Science Foundation:			<u>467,281</u>
Small Business Administration			
Direct Programs:			
Small Business Development Center:	59.037	0&1/603001-Z-0046-24	2,375,949
Jobs Act Program	59.037	1-603001-Z-01452	2,147
Total Small Business Administration			<u>2,378,096</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
University of Texas at Austin			
Substance Abuse & Mental Health	92.243	UTA02-161(5 UD1 TI013423-09)	17,374
Pitt Community College			
Region D CCHTC	93.721	ARRA-90CC0078	314,500
Texas Woman's University			
NITPBS	93.859	R25 GM58397-06	11,591
University of Texas HSC Houston (IEA)			
Children's Learning Institute	93.575	PO0000443265	60,123
Urban League of Greater Dallas			
Project Finish Line	93.710	TDHCA ARRA	682,844
Dallas County Local Workforce Development Board			
ARRA - Child Care Training Initiative	93.713	ARRA - DCCCD-XCQ#1	452,721
Total Department of Health & Human Services:			<u>1,539,163</u>
U. S. Corporation for National and Community Service			
Pass-Through From:			
American Association of Community Colleges			
Broadening Horizons SLP	94.005	SL-2009-02/09LHADCO02	7,473
Total Corporation for National Service			<u>7,473</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 144,896,180</u>

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE F

SCHEDULE OF EXPENDITURES OF STATE AWARDS
PERIOD ENDING AUGUST 31, 2011

<u>State Agency/ Program Name</u>	<u>Grant #</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board		
Texas Grant Program		\$ 2,140,312.00
Texas Education Opportunity Grant		830,580
Texas College Work Study		129,613
Top 10% Scholarship Program		90,363
Nursing Scholarship		26,057
College Connections		12,051
P16 College Readiness		116,575
African American Male		4,558
Course Redesign		373
College for All Texans - G Force		217,731
Intensive Summer Program		74,360
Alternative Teacher Education		68,751
Nursing Shortage Reduction Program		473,634
Total Texas Higher Education Coordinating Board		4,184,958
Pass-Through THECB		
University of Texas at San Antonio		
TexPrep		552
Governor's Office		
Jet Scholarship		95,527
TWOBF	2909WS000	14,702
TCPA-JET Program	4807-9	142,495
Total Governor's Office		252,724
Texas Education Agency		
Dropout Recovery Performance Pay		885
Texas Workforce Commission		
Skills Development Funds		
Skills for Small Business	0610SSD000	6,721
Conexis	0609SDF004	87,345
Dallas Wholesale Builder's Supply	0609SDF003	45,196
Zale Delaware	0610SDF001	275,968
Apprenticeship Training Program	0611ATP000	184,326
COMET	0610SDF002	739,984
DCMA Solutions	0601SDF003	277,425
Essilor of America	0610SDF005	25,688
Amer Concrete Pipe Assn	0610SDF004	47,767
Owens Corning/Irving Roofing & Asphalt	0611SDF000	60,160
Solar Turbines	0611SDF001	9
Construction Consortium	0611SDF003	981
Jefferson Physicians Group	0610SDF000	295,718
Healthcare Associates of Irving	0611SDF002	45,204
Total Texas Workforce Commission:		2,092,492
TOTAL EXPENDITURES OF STATE AWARDS		\$ 6,531,611

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AUGUST 31, 2011**

1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards (“Schedules”) present the activity of all federal and state award programs of the Dallas County Community College District (the “District”). The reporting entity of the District is defined in the notes to the financial statements of the District. All federal and state awards received directly from federal or state agencies or federal awards passed through other government agencies are included on the schedules.

2. BASIS OF ACCOUNTING

The expenditures included in the Schedules are reported for the District’s fiscal year ended August 31, 2011. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the District for the purposes of the awards. 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 Schedules may differ from amounts used in the preparation of the basic 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 District has followed all applicable guidelines issued by various funding agencies in the preparation of the Schedules.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal and state awards revenues are reported in the financial statements of the District for the year ended August 31, 2011, as follows:

	<u>Federal</u>	<u>State</u>
Total revenues per Schedule A	\$ 20,307,272	\$ 6,680,684
Federal revenue, non-operating per Exhibit 2	87,927,083	-
Federal direct student loans	27,683,630	-
Fall tuition-related grants deferred to next fiscal year	8,977,195	(149,073)
Total expenditures for federal/state awards	<u>\$ 144,895,180</u>	<u>\$ 6,531,611</u>

4. AMOUNTS PASSED THROUGH TO OTHERS

Amounts Passed Through by the District – Federal:

The following amounts were passed through to the listed subrecipients by the District. These amounts were funded by the Small Business Administration for the North Texas Small Business Development Center, CFDA 59.037.

Preliminary and Tentative

Collin County Community College	\$	94,102
Grayson Community College		45,528
Kilgore College		176,785
McLennan Community College		131,832
Navarro College		60,254
North Central Texas College		88,142
Northeast Community College		61,792
TAMU		2,194
Paris Junior College		149,369
Tarrant County Junior College		125,763
Trinity Valley Community College		78,126
Tyler Junior College		73,928
UTA Enterprise Excellence		121,267
	\$	<u>1,209,082</u>

The following amounts were passed through to the listed subrecipients by the District. These amounts were from the Texas Higher Education Coordinating Board for the North Central Texas Tech Prep Education program, CFDA 84.243.

Navarro College	\$	150,132
Tarrant County Community College		183,516
	\$	<u>333,648</u>

The following amount was passed through to the listed subrecipient by the District. This amount was funded by the U.S. Department of Education, STEM Program, CFDA 84.031C.

Texas Tech University	\$	<u>675,918</u>
-----------------------	----	----------------

The following amount was passed through to the listed subrecipient by the District. This amount was funded by the U.S. Department Health and Human Services, through Pitt Community College CFDA 93.721.

Temple College	\$	6,290
Austin Community College		52,567
	\$	<u>58,857</u>

Preliminary and Tentative

Amounts Passed Through by the District – State:

The following amounts were passed through to the listed subrecipients by the District. These amounts were funded by State Appropriation for the North Texas Small Business Development Center.

Collin County Community College	\$	93,406
Grayson Community College		95,737
Kilgore College		92,592
McLennan Community College		148,622
Navarro College		77,386
North Central Texas College		84,011
Northeast Community College		27,434
TAMU		21,414
Paris Junior College		15,635
Tarrant County Junior College		37,571
Trinity Valley Community College		132,996
Tyler Junior College		157,256
UTA Enterprise Excellence		-
	<u>\$</u>	<u>984,066</u>

5. STUDENT LOANS PROCESSED AND ADMINISTRATIVE COST RECOVERED

Although Direct Loans “are made to students (not the institution of higher education)” as confirmed in the June 2010 *A-133 Compliance Supplement*, page 5-3-48, they also recommend the amounts for such loans be included on the face of the Schedule of Expenditures of Federal Awards (SEFA). Subtracting the effect of including these loans on the SEFA, actual expenditures of federal awards for the fiscal year are \$117,211,550.

<u>Federal Grantor</u> <u>CFDA Number/Program Name</u>	<u>New Loans</u> <u>Processed</u>	<u>Administrative</u> <u>Cost</u> <u>Recovered</u>	<u>Total Loans Processed</u> <u>and Administrative</u> <u>Cost Recovered</u>
Department of Education -			
84.268 Direct Loans	\$27,683,630	-	\$27,683,630

6. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of differences between the fiscal year of the District and various program years, as well as accruals that would be reflected in the next report filed with the agencies.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

PART 1 – SUMMARY OF AUDITORS’ RESULTS

SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

- | | |
|---|---------------|
| 1. Type of auditors’ report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards Section

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | None reported |
| 2. Type of auditors’ report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |

4. Identification of major programs:

<u>Federal CFDA Number</u>	<u>Name of Federal Program</u>
84.007, 84.033, 84.375, 84.063, 84.268	Student Financial Aid Cluster
84.031	Higher Education Institutional Aid
84.048	Career and Technical Education.
64.028	Veterans Educational Assistance
17.258, 17.259, 17.260	WIA Cluster
59.037	Small Business Development Centers
93.721	Health Information Technology Professionals in Health Care
84.397	State Fiscal Stabilization Fund
93.710	Community Services Block Grant

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

93.713	Child Care and Development Block Grant
<u>State Program Number</u>	<u>Name of State Program</u>
NA	Texas Grant Program
NA	Texas Education Opportunity Grant

5. Dollar threshold used to distinguish between type A and type B programs:
- | | |
|------------------|------------|
| Federal programs | \$ 452,311 |
| State programs | \$ 300,000 |
6. Auditee qualified as low-risk auditee under OMB Circular A-133, Section 530? No

PART II - FINANCIAL STATEMENT AUDIT

This section identifies the significant deficiencies, material weaknesses, and instances of fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

No findings were noted.

PART III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

**Questioned
Costs**

U.S. DEPARTMENT OF EDUCATION

**Career and Technical Education: CFDA #84.048
Grant Awards: 11017, 11096, 11097**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

**Child Care and Development Block Grant: CFDA #93.713
Grant Award: ARRA-DCCCD-XCQ#1**

Finding No. 2011-1:

Criteria: In accordance with the provisions of *OMB Circular A-133 Compliance Supplement*, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification None

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity.

Condition: The District does not perform a verification of vendors for covered transactions in accordance with the requirements of *OMB A-133 Compliance Supplement*.

Effect: The District did not comply with the provisions of the OMB A-133 Compliance Supplement requiring that non-federal entities perform verification of vendors to ensure they are not suspended or debarred or otherwise excluded from federal transactions.

Cause: The District did not have procedures to perform a verification of vendors to determine whether they were suspended or debarred in accordance with the provisions of the *OMB A-133 Compliance Supplement*.

Recommendation: We recommend that the District establish procedures to ensure that verification of vendors is performed in accordance with the provisions of the *OMB A-133 Compliance Supplement* regarding procurement, suspension and debarment.

Views of Responsible Officials: The District will establish procedures and conduct training in verification of vendors in accordance with the provisions of the OMB A-133 Compliance Supplement by March 31, 2012.

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

Community Services Block Grant: CFDA #93.710

Grant Award TDHCA ARRA

Finding No. 2011-2

Criteria: In accordance with provisions of the grant agreement, the District was required to admit participants into the program based on certain defined criteria, including income eligibility requirements.

None

Condition: 5 samples out of the 25 selected students who received ARRA funded scholarships for the Fall 2010 Semester under the Community Services Block Grant Act did not meet the income eligibility requirements in accordance with the provisions of the contract agreement.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

Effect: The District did not comply with the income eligibility requirements for determining eligible students under the contract agreement.

Cause: The District did not adequately monitor its compliance with this particular grant agreement provision.

Recommendation: We recommend that the District establish procedures to identify and ensure compliance with all compliance requirements described in grant agreements.

Views of Responsible Officials: The District will conduct a review of current grant compliance procedures and will enhance procedures specifically targeting determination of eligibility requirements for students under contract agreements by May 31, 2012.

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Information Technology Professional: CFDA #93.721

Grant Award ARRA/90CC0078

Finding No. 2011-3

Criteria: In accordance with provisions of the grant agreement, the District was required to submit report of its subrecipients' monitoring activities to the grantor agency.

None

Condition: The District did not perform monitoring activities on subrecipients to which it provided ARRA funds amounting to \$58,857 during the year.

Effect: The District did not comply with this specific provision in the grant agreement.

Cause: The District did not adequately monitor its compliance with this particular grant agreement provision.

Recommendation: We recommend that the District establish procedures to identify and ensure compliance with all compliance requirements described in grant agreements.

Views of Responsible Officials: The District will conduct a review of current grant compliance procedures and will enhance procedures specifically targeting

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subrecipient monitoring and grant requirements by May 31, 2012.

DALLAS COUNTY COMMUNITY COLLEGE

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2011**

**Questioned
Costs**

**U.S. DEPARTMENT OF DEPARTMENT OF EDUCATION
Student Financial Aid Cluster: Federal Family Education Loans: CFDA #84.032**

2010-1: Grant Award N/A

Criteria: Per 34 CFR 668.167(b), funds for Federal Family Education Loans (“FFEL”) must be disbursed to students within three business days of being received by the District (if funds are received by electronic funds transfer (“EFT”)), or the funds must be returned to the lender within ten days.

None

Condition: Out of ten SFA cluster students tested for loan disbursement requirements, we noted one case where the District did not deliver the loan proceeds to the student’s account within three business days in accordance with the provisions of 34 CFR section 668.167(b). The loan proceeds were delivered to the student’s account on the sixth day.

Effect: The student did not receive the FFEL funds within the allowed time period of three business days.

Cause: The Financial Aid Office did not adequately monitor its compliance with the provisions of the 34 CFR by consistently following the District’s policy which requires the review of a system-generated exception report related to FFEL disbursements to students within two days in order to identify and address loan disbursement delays included in the report.

Recommendation: We recommend the Financial Aid Office consistently follow the District’s policy which requires the review of a system-generated exception report related to FFEL disbursements to students within two days in order to identify and address loan disbursement delays included in the report.

Current Status:

Effective procedures were implemented by the District in fiscal year 2011, to prevent the re-occurrence of this finding.

DRAFT

**DALLAS COUNTY COMMUNITY COLLEGE
DISTRICT**

MANAGEMENT LETTER

AUGUST 31, 2011

DRAFT

To the Management of
Dallas County Community College District

In planning and performing our audit of the financial statements of Dallas County Community College District (the "District") for the year ended August 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We will be pleased to discuss this matter in further detail at your convenience, to perform any additional study, or to assist you in implementing the recommendation. Our observation and recommendation are as follows:

1. Reconcile 'Funds Held for Others' accounts

During the course of our audit, we noted an unreconciled net liability balance of approximately \$598,000 as of August 31, 2011, between the two general ledger accounts used to record loan funds received on behalf of the students and the disbursements of the loan funds to the students. Further inquiries of management indicated that the propriety of this net balance could not be readily substantiated. We noted that one of the reasons a net balance arose between the two accounts described above is because the two accounts maintain cumulative balances going back several years. The cumulative balances on those accounts as of August 31, 2011, were (\$94,822,702) and \$94,224,915, respectively.

We recommend that the reconciliation of the two accounts be updated to the current fiscal year, to determine the true net balance, if any, between the two accounts. In addition, we recommend that the accounts be reconciled and closed off at each fiscal year end.

Management Response

Management will revisit these accounts based on your recommendations. As stated in the letter, the accounts referenced represent federal loan fund activities for several years. While the cumulative amount of the 5-digit liability account numbers total in excess of \$94 million each, our 15-digit ledger numbering system further breaks down the recording of these balances into the corresponding financial aid year in which the loan transactions occurred as required by Federal regulations.

DRAFT

We want to thank the management of the District for their support and assistance during our audit. This report is intended solely for the information and use of management, Board of Trustees and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Houston, Texas

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

TO: Audit Committee of the Board of Trustees

FROM: Rafael J. Godinez, CPA

DATE: December 6, 2011

RE: Quarterly Summary of Activities
For the 1st Quarter Ended November 30, 2011

The following is a summary of activities by the DCCCD Internal Audit Department during the first quarter of Fiscal Year 2011-2012.

AUDITS COMPLETED – Reports Issued

- Student and Exchange Visitor Information System (SEVIS) – Eastfield

The purpose of the audit was to ensure compliance with Federal regulations pertaining to the tracking and reporting of international students enrolled at Eastfield College and the maintenance of all required documentation. This audit was a special request from EFC prior to the transitioning of the SEVIS responsibilities from the Admissions, Advisement, and Testing division into the English Language Learning Advisement (ELLA) center. There are twenty-two international students currently enrolled at EFC. The audit found two student files were missing the Form I-94 (indicating arrivals and departures of student), one student file was missing a photocopy of the student's passport, and one student was not assigned to EFC in the Colleague System. All deficiencies in the records were corrected prior to the completion of the audit.

- Student Waivers

The purpose of the audit was ensure that adequate supporting documentation was on file to justify tuition waivers awarded to students throughout the District. Based on the type of waiver awarded, tuition rates may be reduced to a lower rate or waived entirely. (Employee tuition waivers were not included in this audit as these waivers are included in another audit pertaining to employees receiving student financial assistance.) There are 66 different waiver codes in the Colleague System. During the fall 2011 semester, approximately 1,720 waivers were processed district-wide totaling approximately \$502,940. No exceptions were noted during testing. However, the audit did find that for veterans' Hazlewood Exemption waivers, default on loans was being verified through the National Student Loan Data System (NSLDS). This will only verify default on federal loans. Since the Hazlewood Exemptions are a Texas benefit, the state requires verification that the students are not in default of state education loan. Subsequent to this audit, certification of Hazlewood waivers will include state loan default verification through a THECB provided web site.

- PaperWise Application Security

PaperWise is a database management system that organizes scanned files for storage of electronic documents. The purpose of the audit was to determine that access to the Colleague AIDE screen and PaperWise Financial Aid electronic document cabinet had been appropriately assigned to employees. No significant findings were noted. Access to the financial aid electronic document cabinet is consistent with assigned responsibilities.

AUDITS IN PROGRESS

- Employees Receiving Student Financial Assistance

District employees may enroll in credit and non-credit courses at any of the seven campuses with the tuition being waived for up to 2 credit courses per semester. Employees may also apply for federal and/or state financial assistance in the form of PELL and TPEG grants as well as student loans depending on their needs.

- Consortium for Logistics, Aerospace & Manufacturing (CLAM) Grant

This is a Texas Workforce Commission grant in partnership with the Bill J. Priest campus of El Centro College to provide training on the implementation of practices that will result in significant improvements in efficiency, skills levels, and production.

- Various Information Technology Audits

These include Disbursement Application Security, Global Financial Aid Services IT General Controls, and General IT Controls review at all campuses.

- Other

We provided assistance to McConnell & Jones, LLP in the final phase of the annual financial statements and OMB A-133 audit, and in the review of the District's IT General Controls.

cc Wright Lassiter
Ed DesPlas