

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

Financial Statements and Office of Management and Budget Circular A-133 Supplemental Financial and Compliance Report

Together With Reports of
Independent Auditors

**August 31, 2006
and 2005**



DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

ORGANIZATIONAL DATA

FISCAL YEAR 2005 - 2006

Board of Trustees

Officers

Jerry Prater
Wright Lassiter, Jr.

Chair
Secretary

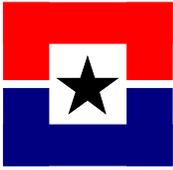
Members

Term Expires

Marion K. Boyle	Irving, Texas	2008
Charletta Rogers Compton	Dallas, Texas	2012
Bob Ferguson	Farmers Branch, Texas	2010
Diana Flores	Dallas, Texas	2008
Martha Sanchez Metzger	Mesquite, Texas	2010
Jerry Prater	Garland, Texas	2010
JL Sonny Williams	Dallas, Texas	2012

Key Officers

Wright Lassiter, Jr.	Chancellor
Andrew Jones	Vice Chancellor of Educational Affairs
Denys Blell	Vice Chancellor of Human & Organizational Development
Edward M. DesPlas	Vice Chancellor of Business Affairs



Letter to the Community

Dear Friends,

There has been much activity in the Dallas County Community College District (DCCCD or the “District”) this year, including changes in leadership. This is the first of these letters on which you will see the names Wright Lassiter, Jr. and Edward M. DesPlas. During the fiscal year, the District realized a leadership transition as I, Wright Lassiter, Jr., became the District’s sixth Chancellor. I moved to this new position from the Presidency of El Centro, one of the District’s seven colleges, where I served for 20 years. In addition, Edward M. DesPlas, my co-author of this letter, became the fourth Vice-Chancellor for Business Affairs in the District’s history. Mr. DesPlas joined my cabinet from the Executive Vice-President position that he held at El Centro College for eight years. But now that I’ve introduced us to you, on to our primary purpose for this letter—to introduce the District’s audited financial statements for the years ended August 31, 2006 and 2005 and to paint a brief picture of the District for the year in which this financial information was accumulated.



Starting the year with a bang as Hurricane Katrina hit the southern Gulf coast, the District was able to offer assistance to about 250 displaced Louisiana, Mississippi and Alabama residents by offering in-district tuition and providing scholarships for some that were not even able to muster that low amount.



Then in November the District was proud to learn that its Richland College had been named by the White House and the Department of Commerce as a 2005 recipient of the Malcolm Baldrige National Quality Award, the only community college to ever receive this prestigious award. For more than 30 years, Richland College has focused on teaching, learning and community building. The national recognition was well-deserved.

Over the course of the year, many of the college athletic teams won national championships in their sports. These include the Brookhaven women’s volleyball team, the North Lake men’s basketball team, and Eastfield’s baseball team. Honors were also won by Cedar Valley’s Phi Theta Kappa organization, receiving 2nd place nationally out of 1,200 community colleges. Mountain View’s Phi Theta Kappa chapter also won several awards.

This year the District bid farewell to long time board member Pattie Powell, who retired after 32 years of service to the District. Ms. Powell’s dedication and service were recognized by other trustees when they approved her appointment as the first “trustee emeritus” for DCCCD during their regular monthly meeting in June. She was replaced on the board by JL Sonny Williams, who was elected in May.

During the year, the District completed over 270 projects related to the planned maintenance of facilities financed by maintenance tax notes. Completion of these projects has provided for needed cosmetic and infrastructure upgrades in preparation for the addition of new buildings planned under the general obligation bond capital improvement program passed by voters in May 2004. The progress on the \$450 million program is now well underway. As part of its second year of activities, the District sought to acquire land for three additional campus locations to add to the two already purchased in 2005. The District is close to meeting that

goal. A management structure has been established to expedite building plans and supervision of construction, and architects have been selected to begin design work on the first round of projects.

The Texas Higher Education Coordinating Board document known as *Closing the Gaps by 2015*, a plan directed at closing the gaps in student participation, student success, excellence, and research, has provided impetus for the expansion as the District sets targets for meeting its share of increasing student participation in the educational process. The new facilities being prepared under the bond program will provide the space to accommodate continued growth.

One of the Board of Trustees' goals is to maintain the public's trust by being fiscally responsible and accountable at all times. An objective for meeting that goal is to "ensure that the public is regularly informed of our fiscal health and stability." Each year an annual audit of the Dallas County Community College District's financial statements is conducted and the results shared through the publishing of the annual financial report, helping to fulfill that objective.

Designed to inform interested parties of the District's financial condition, the annual financial report conforms to accounting principles generally accepted in the United States of America. It contains three primary financial exhibits as of and for fiscal years ended August 31, 2006 and 2005, 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. The financial statements follow the form prescribed by the Governmental Accounting Standards Board, a national rule-making body for governmental accounting. Our external auditor, Grant Thornton 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 grants, including student financial aid, issued by the federal and state governments. The results of the special audit are included as the last section of the annual financial report.



Now that you are aware of some of the activities and events occurring during the past year, we invite you to read the financial story of the District in the remaining pages. The accomplishments and undertakings of the District for the past year as well as its financial soundness for its future expansion are described in the form of financial schedules and narrative. We trust that you will find it exciting to learn of the strong base from which the District is poised to meet its mission in the years ahead.

Respectfully submitted,

Handwritten signature of Edward M. DesPlas.

Edward M. DesPlas
Vice Chancellor of Business Affairs

Handwritten signature of Wright Lassiter, Jr.

Wright Lassiter, Jr.
Chancellor

Report of Independent Certified Public Accountants

Board of Trustees
Dallas County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Dallas County Community College District (the "District") as of and for the years ended August 31, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the District as of August 31, 2006 and 2005 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 November 29, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and is not a required part of the basic financial statements. The supplemental schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, net assets by source and availability, and schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The organizational data, letter to the community, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in Note 2, as required by the State of Texas Comptroller's office, the District changed its method of computing depreciation of library books in 2006.

GRANT THORNTON LLP

Dallas, Texas
November 29, 2006 (except for Note 24, as to
which the date is December 5, 2006)

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, 2006 and 2005. 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 transmittal 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.

In order to be consistent with industry standards, the State of Texas Comptroller's Office and the Texas Higher Education Coordinating Board required that all Texas institutions of higher education adopt a policy for depreciation of library books for fiscal year 2006. As a result of implementing this change in accounting principle, the District has restated its 2005 financial statements to reflect the values they would have contained if the change had been in effect previously. The restated amounts are utilized throughout the management discussion and analysis (MD&A). The 2004 information appearing in the MD&A for trending purposes has also been restated.

Financial Highlights for 2006

- The District's net assets at August 31, 2006 are reported at \$383.5 million. Approximately 62.3% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$208.0 million.
- Net assets increased \$18.2 million.

Financial Highlights for 2005

- The District's net assets at August 31, 2005 are reported at \$365.2 million. Approximately 63.3% of the net assets amount reflects the investment in capital assets net of related debt.
- The District's operating loss is \$199.5 million.
- Net assets increased \$24.3 million.
- A favorable final decision of a lawsuit initiated against the District in 1998 released \$13.3 million of assets for the District's use.

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 net assets available to the District for further endeavors.

The Statements of Revenues, Expenses and Changes in Net Assets focus on the costs of District activities and show what revenue supports them. Of the three main sources of revenue--ad valorem taxes, state appropriations and tuition, only the latter represents an exchange for services. Taxes and state appropriations 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 cost of various District services to students and the public. Depending on whether revenues or expenses are greater for the year, a net income or net loss is created and determines whether net assets for the year have increased or must be decreased. The ending balance of net assets on this statement agrees with that shown on the Statements of Net Assets.

The Statements of Cash Flows combine information from both 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. Accordingly, 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 on 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.

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 for the years ended August 31, 2004 through 2006 follows.

NET ASSETS YEARS ENDED AUGUST 31, 2004 THROUGH 2006 (In Thousands)

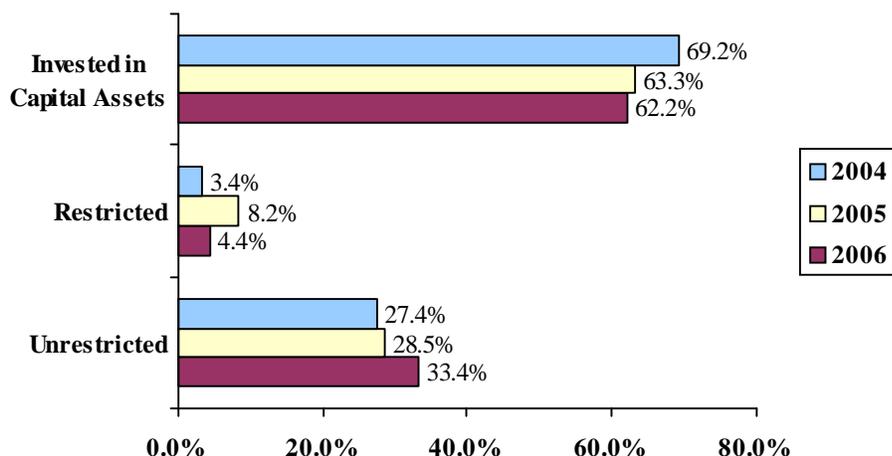
	Fiscal Year 2004	Increase/ (Decrease)	Fiscal Year 2005	Increase/ (Decrease)	Fiscal Year 2006
CURRENT ASSETS:	\$ 50,071	\$ 23,919	\$ 73,990	\$ 14,338	\$ 88,328
NON-CURRENT ASSETS:					
Capital assets, net of depreciation	291,968	29,144	321,112	18,787	339,899
Other	180,503	24,089	204,592	(29,711)	174,881
Total assets	<u>522,542</u>	<u>77,152</u>	<u>599,694</u>	<u>3,414</u>	<u>603,108</u>
CURRENT LIABILITIES	87,077	(6,752)	80,325	(3,223)	77,102
NON-CURRENT LIABILITIES	94,501	59,621	154,122	(11,609)	142,513
Total liabilities	<u>181,578</u>	<u>52,869</u>	<u>234,447</u>	<u>(14,832)</u>	<u>219,615</u>
NET ASSETS:					
Invested in capital assets, net of related debt	236,129	(5,028)	231,101	7,626	238,727
Restricted	11,536	18,463	29,999	(13,217)	16,782
Unrestricted	93,299	10,848	104,147	23,837	127,984
Total net assets	<u>\$ 340,964</u>	<u>\$ 24,283</u>	<u>\$ 365,247</u>	<u>\$ 18,246</u>	<u>\$ 383,493</u>

The difference between what the District owns, its assets, and what it owes, its liabilities, are the net assets. At August 31, 2005, the difference in assets and liabilities was \$365.2 million while at August 31, 2006, the difference was \$383.5 million. As can be seen, the first is an increase from the prior year of approximately \$24.3 million or 7.1% while the more recent year is an increase of \$18.2 million or 5.0%. For the year ended August 31, 2005, a release of \$13.3 million in liabilities previously booked for a possible adverse decision regarding a lawsuit against the District filed in 1998 contributed heavily (almost 55% of the change amount) to the increase in net assets. In December 2005 the Texas State Supreme Court found in favor of the District enabling extinguishment of liabilities established in 2001 and 2002. (See Note 10 for additional information regarding the lawsuit and settlement.)

New capital programs in the form of a \$50 million major renovation initiative and the first stage of a \$450 million bond program, described in more detail later, increased the long-term debt of the District for the year ended August 31, 2005. While assets increased \$77.2 million or 14.8% from 2004 to 2005, liabilities--claims on those assets by parties external to the District--increased by a net amount of \$52.9 million or 29.1%, mainly due to the issuance of the first series of general obligation bonds. From 2005 to 2006 assets increased only \$3.4 million or 0.6% while liabilities decreased \$14.8 million or 6.3% as payments were made on bonds, including the final payment for Series 1986 revenue bonds. Between the years ended August 31, 2004 and 2005, the increase in assets is predominantly from increases in additional cash, cash equivalents and investments of bond proceeds along with additions in new capital assets. On the other hand, those same cash and investment assets were used for completing maintenance tax note projects and initiating bond-funded capital improvement projects during the fiscal year ended August 31, 2006, resulting in a shift from more liquid assets to capital assets.

The following is a graphic illustration of the breakdown of net assets for the years ended August 31, 2004 through 2006. Restricted net assets increased significantly in the year ended August 31, 2005 with the issuance of \$67.4 million of general obligation bonds for the most recent capital improvement plan, but they have decreased again as the proceeds have been spent.

Comparison of Net Assets



Operating revenues show a steady increase rising 3.6% to \$107.9 for the period ended August 31, 2005 and an additional 2.3% to \$110.3 million for the period ended August 31, 2006. Operating expenses also increased both years, but at a slower rate in the most recent year, rising by 4.4% to \$307.4 million for the period ended August 31, 2005 but only 3.6% to \$318.3 million for the period ended August 31, 2006. The increase in operating expenses has outpaced the increase in operating revenues from fiscal year 2004 to 2006, resulting in successively higher net operating losses each of the past two fiscal years.

The two major sources of operating revenues are tuition and various grants and contracts. Tuition revenue is reported net of allowances for 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 over half of operating revenue in both 2005 and 2006 but decreased slightly in percent of revenue contribution for the year ended August, 31, 2006, with a 2.9% or \$1.4 million increase to federal grants and contracts offset by a similar reduction in state and local contracts and grants. Tuition constituted 40.9% and 41.8% of net operating revenue respectively for the years ended August 31, 2005 and 2006 (see Revenue by Source graph). Its increased contribution can be attributed to a tuition increase for the Spring 2006 term as well as a new additional tuition for students repeating courses for a third or more time.

Accounting principles generally accepted in the United States of America 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. State appropriations increased 1.5% or \$1.6 million for the period ending August 31, 2005 over that ending August 31, 2004 and an additional 4.6% or \$4.8 million for the period ended August 31, 2006. The increase in the earlier year is mainly due to increased funding for group insurance from the State while the latter year represents the increase in state appropriation granted by the 79th legislative session for the new funding biennium. Tax revenue, net of collection fees and bad debt, has steadily increased, in part due to continued growth in the tax base and in part due to assessment of a debt service tax for repayment of the Series 2004

general obligation bonds issued in September 2005. A \$6.0 million or 6.0% increase was realized between the years ended August 31, 2004 and 2005 compared to \$7.2 million or 6.7% between the years ended August 31, 2005 and 2006, the difference in increase mainly attributable in the latter year to an increase of \$0.0013 per \$100 valuation in the debt service tax. Gross tax revenue (before bad debt allowances and collection fees) has now exceeded state appropriations as the primary funding source in both fiscal year 2005 and 2006.

Investment income, another non-operating revenue, increased a significant 51.1% or \$1.9 million between August 31, 2004 and 2005 due to the incremental increases in interest rates over the last several months of the period as well as the volume of investments generating interest income during the year. This trend continued, resulting in a 58.0% or \$3.2 million increase for the period ending August 31, 2006. The greatest change in non-operating revenues and expenses for the year ended August 31, 2005 is from the final settlement of a lawsuit in the District's favor, enabling reversal of \$13.3 million previously accrued for legal expense. Since the event was not repeatable for the year ended August 31, 2006, the change in the total non-operating revenues and expenses appears more modest. But the \$13.3 million reduction in non-operating revenues and expenses is offset by the \$4.8, \$7.2 and \$3.2 million increases in state appropriations, ad valorem tax revenue and investment income, respectively, for the year ended August 31, 2006.

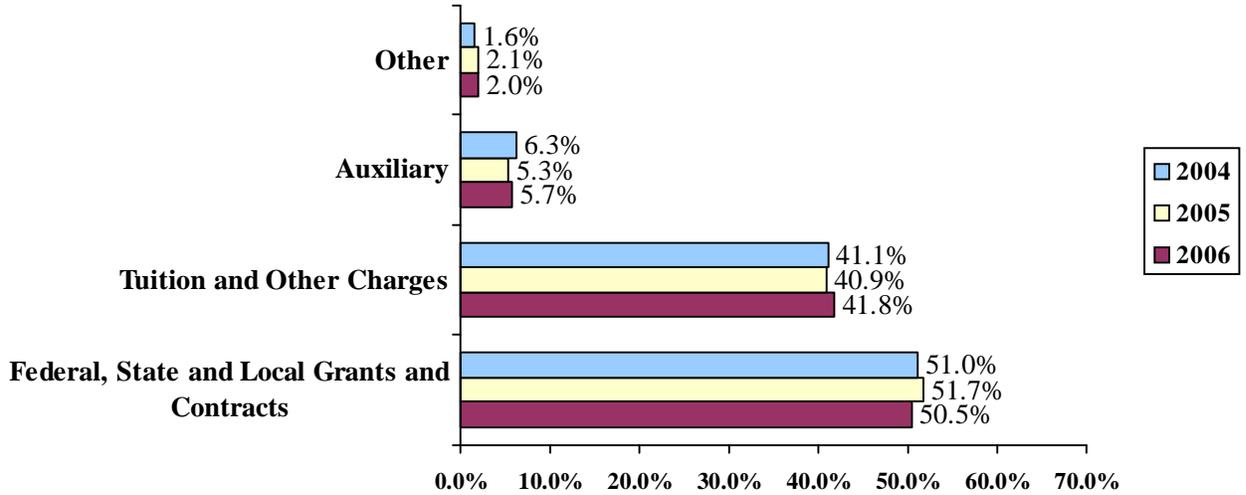
This information is summarized in the following table, which was prepared from the Statements of Revenues, Expenses, and Changes in Net Assets (Exhibit 2).

REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2004 THROUGH 2006
(In Thousands)

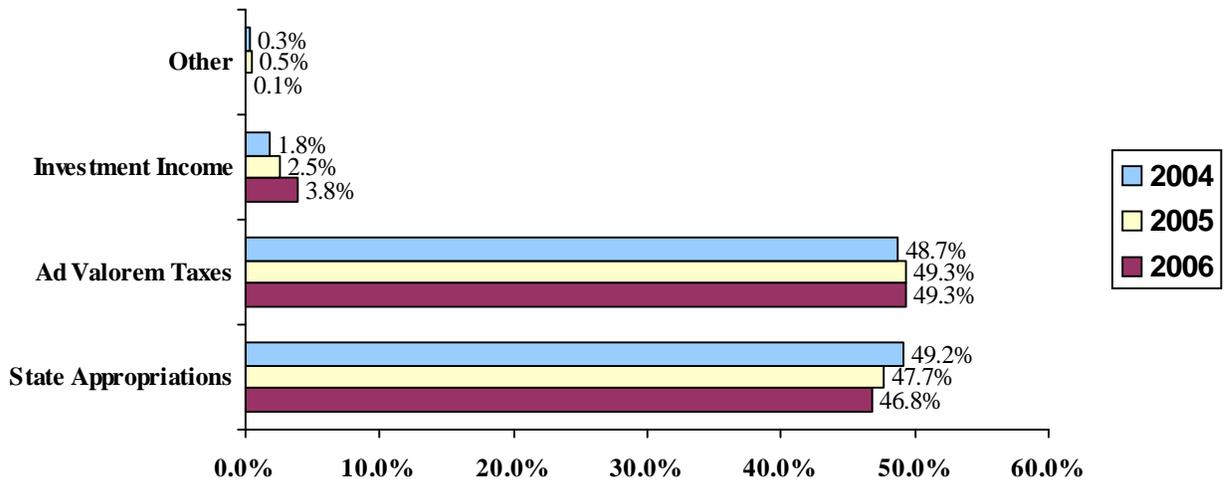
	Fiscal Year 2004	Difference	Fiscal Year 2005	Difference	Fiscal Year 2006
OPERATING REVENUES	\$ 104,087	\$ 3,767	\$ 107,854	\$ 2,480	\$ 110,334
LESS OPERATING EXPENSES	<u>294,304</u>	<u>13,088</u>	<u>307,392</u>	<u>10,936</u>	<u>318,328</u>
NET OPERATING LOSS	(190,217)	(9,321)	(199,538)	(8,456)	(207,994)
NON-OPERATING REVENUES AND EXPENSES	<u>202,689</u>	<u>21,132</u>	<u>223,821</u>	<u>2,419</u>	<u>226,240</u>
INCREASE/(DECREASE) IN NET ASSETS	12,472	11,811	24,283	(6,037)	18,246
NET ASSETS - BEGINNING OF YEAR	<u>328,492</u>	<u>12,472</u>	<u>340,964</u>	<u>24,283</u>	<u>365,247</u>
NET ASSETS - END OF YEAR	<u>\$ 340,964</u>	<u>\$ 24,283</u>	<u>\$ 365,247</u>	<u>\$ 18,246</u>	<u>\$ 383,493</u>

The following are graphic illustrations of revenues by source for the years ended August 31, 2004 through 2006.

Revenue by Source Operating Revenues



Non-operating Revenues



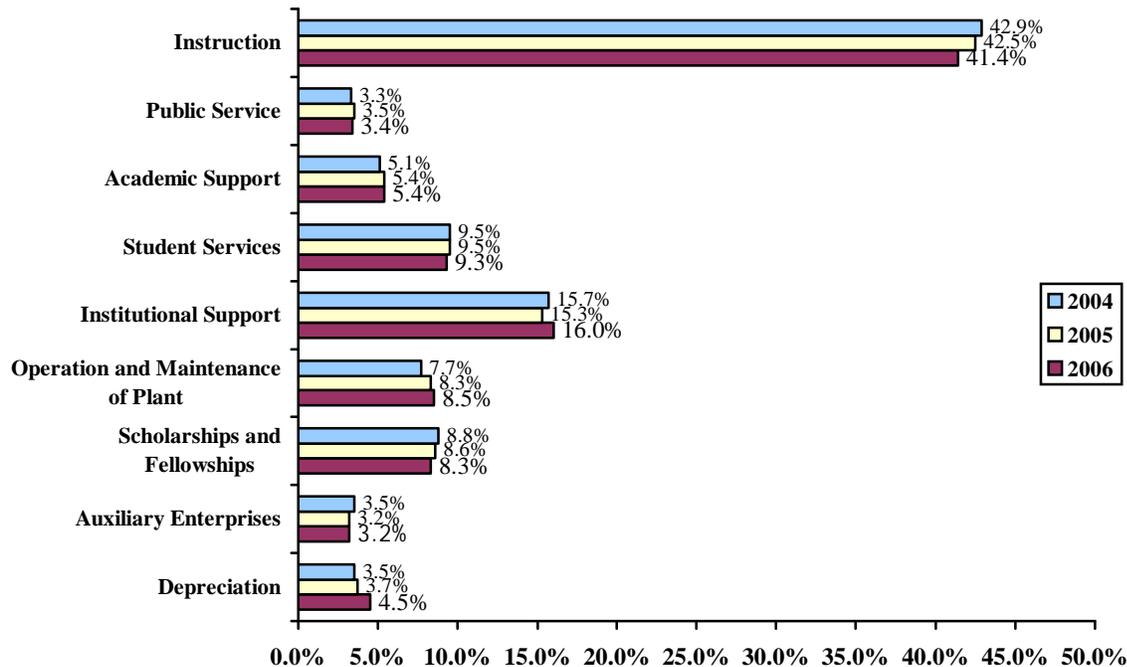
The breakdown of operating expenses by functional area for the years ended August 31, 2004 through 2006 appears in the following table.

OPERATING EXPENSES
YEARS ENDED AUGUST 31, 2004 THROUGH 2006
(In Thousands)

OPERATING EXPENSE	Fiscal Year 2004	Difference	Fiscal Year 2005	Difference	Fiscal Year 2006
Instruction	\$ 126,134	\$ 4,581	\$ 130,715	\$ 973	\$ 131,688
Public service	9,717	1,117	10,834	(90)	10,744
Academic support	15,124	1,463	16,587	638	17,225
Student services	27,952	1,158	29,110	392	29,502
Institutional support	46,290	759	47,049	3,936	50,985
Operation and maintenance of plant	22,783	2,661	25,444	1,593	27,037
Scholarships and fellowships	25,784	560	26,344	52	26,396
Auxiliary enterprises	10,309	(343)	9,966	321	10,287
Depreciation	10,211	1,132	11,343	3,121	14,464
TOTAL	\$ 294,304	\$ 13,088	\$ 307,392	\$ 10,936	\$ 318,328

The following is a graphic illustration of operating expenses for fiscal years 2004 through 2006.

Operating Expenses



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 \$4.6 million or 3.6% for the period ended August 31, 2005 and \$1.0 million or 0.7% for the period ended August 31, 2006. However, the percent of total expenses represented by instructional expenses has declined somewhat over the periods ended August 31, 2004 through 2006. The greatest increase in operational expenses for the year ended August 31, 2005 can be attributed to instruction with other increases spread fairly evenly throughout the elements of cost, but for the year ended August 31, 2006, the greatest increases in operational expenses came from institutional support and depreciation. The depreciation increased due to the increase in capital assets from the planned capital maintenance program and other building additions. Of the institutional support increase, 29% or \$1.1 million is attributable to increases associated with certain contracts and grants expenditure requirements. Another \$1.6 million or 42% of the total is related to an increase in purchased services and goods such as advertising and equipment, and the remaining 29% or \$1.2 million relates to salaries and benefits.

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, 2005, the Foundation's net assets were \$29.5 million, an amount that represents 8.1% of the District's net assets for the same period. For the fiscal year ended August 31, 2006, the Foundation's net assets were \$32.2 million, which represents 8.4% 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. 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 \$22.3 million and \$24.0 million for the years ended August 31, 2005 and 2006 respectively.

Financial Analysis

For the year ended August 31, 2005, cash and investments increased \$48.1 million or 26.1%. However, for the year ended August 31, 2006, cash and investments decreased \$14.1 million or 6.9%. During the earlier time period \$67.4 million of general obligation bonds, as the first tranche of the \$450 million bond package approved for the new capital program, were issued while expenditures of some of the \$40 million proceeds obtained from the issuance of maintenance tax notes in the year ended August 31, 2004 for the associated major initiative for planned maintenance, netting down the total of cash and investments. On the other hand, the reduction in cash and investments for the year ended August 31, 2006, represents the spending associated with the near completion of the maintenance tax note projects and progress on the general obligation bond projects netted against increases in cash received as a result of a higher tax levy and increased state appropriations.

Short-term investments were added to the portfolio for the year ended August 31, 2004 with part of the proceeds from the sale of maintenance tax notes. Being in an uncertain interest environment at that time, a ladder approach to investment was used so that money would be available as needed for the tax note projects. In the ensuing periods, interest rates have steadily increased for cash equivalents and short-term investments while long-term investment interest rates have reached all-time lows. So investment terms have been shortened in the past two years to maximize returns. A portion of the proceeds from the general obligation bonds was invested in pools for ready access as the District sought to purchase land for five new community campuses included in the capital plan. Two sites were successfully purchased during the period ended August 31, 2005 with one more completed during the year ended August 31, 2006 and two more expected to be completed in the near future.

The line item "Capital assets not subject to depreciation" shows a \$4.4 million or 4.3% increase from the year ended August 31, 2004 to August 31, 2005 but a decrease of \$24.9 million or 23.4% for the year ended August 31, 2006. These changes are attributable mainly to construction in progress changes, clearly

reflecting the finalization of many of the maintenance tax note projects and their move to the depreciable capital asset category for the year ended August 31, 2006. As mentioned previously, library books are now subject to depreciation due to a change in policy requested by the Texas State Comptroller's Office, so all years shown reflect the move of library books to the depreciable capital asset category in the amount of \$9.2 million depreciated by \$5.1 million for a net value at August 31, 2004 of \$4.1 million. Depreciable capital assets have increased by \$24.7 million or 13.0% and \$43.7 million or 20.3%, respectively, for the years ended August 31, 2005 and 2006.

Maintenance tax notes with face value of \$38.6 million (see the discussion in the Capital Asset and Non-Current Debt Activity section) were sold in April 2004. This increased the amount of outstanding current and non-current bonds payable to \$99.0 million at August 31, 2004. The figures at August 31, 2005 reflect issuance of the first series of general obligation bonds with a face value of \$67.4 million by increasing the current and non-current portions of bonds payable to a total of \$161.6 million, an increase of 63.2%. However, the final payment for Series 1986 revenue bonds were made for the fiscal year just ended. The deposit with bond trustee of approximately \$3.0 million associated with the revenue bonds was released for use in other capital projects.

Net assets, the difference between liabilities and total assets, have changed dramatically both because of the bond issues and their related debt and the \$13.3 million release of liability for the favorably decided lawsuit. The increased debt load created by the issuance of maintenance tax notes and general obligation bonds has reduced the amount invested in capital assets, net of related debt, by \$5.0 million or 2.1% for the year ended August 31, 2005 compared to the \$7.6 million or 3.3% increase for the year ended August 31, 2006 when some of the debt was reduced and capital projects completed. Net assets restricted for unexpended bond proceeds jumped dramatically by \$15.3 million or 370.2% accordingly for the year ended August 31, 2005 but decreased \$16.0 million or 82.2% for the year ended August 31, 2006.

As tuition revenue has increased over the past two fiscal years, so have discounts—mainly in the form of federal and state financial aid and grants paying tuition, representing 84.7% and 79.9% of all discounts for the years ending August 31, 2005 and 2006, respectively. The latter year is a smaller percent of total discounts because remissions and exemptions increased by \$1.2 million or 65.6% in part due to an increase in dual credit and early high school graduation waivers. Both of these waivers are incentives to students to complete high school and college more quickly in order to save money for the State through appropriations. As did other schools, the District gladly helped their neighbors who were victims of Hurricane Katrina by providing \$0.3 million of waived tuition. Discounts overall increased a total of 15.6% from the year ended August 31, 2004 to the year ended August 31, 2005 and another 18.8% for the year ended August 31, 2006. Net tuition revenue for the year ended August 31, 2005 increased \$1.4 million or 3.3% compared to \$2.0 million or 4.6% for the year ended August 31, 2006. A modest tuition hike in Spring 2005 and again in Spring 2006 aided in increasing tuition revenue. Based on legislation passed in the summer of 2005, for the Fall 2005 term the District started charging an additional tuition to students taking classes a third or more time, helping to increase the tuition collected. However, the tuition is an offset to state appropriations as such students will no longer be eligible for the District to receive state funding on their contact hours.

Change in one other area of operating revenues bears mentioning. Federal grant and contract revenue increased \$4.1 million or 9.1% from August 31, 2004 to August 31, 2005. The increase was related primarily to a \$1.2 million increase in Department of Labor direct and pass-through funding and a \$1.9 million difference in the amount recognized as deferred revenue between fiscal years due to deferred revenue related to financial aid decreasing after a several year trend of increasing. From August 31, 2005 to August 31, 2006 federal grant and contract revenue increased an additional \$1.4 million or 2.9%. Both Department of Education direct grants and Department of Labor grants increased during the latter year.

According to published enrollment figures, credit student headcount has modestly increased each fall semester, increased in spring of 2005 after a slight drop the previous spring semester, and decreased again slightly in the spring of 2006. Operating expense changes reflect this trend with a modest 4.4% increase from fiscal year 2004 to 2005 and even more modest 3.6% increase from fiscal year 2005 to 2006. For the fiscal year ended August 31, 2005, the increase in instructional expenses, the largest operating expense, was \$4.6 million or 3.6% and represented about 35.0% of the \$13.1 million increase in operating expenses. For the fiscal year ended August 31, 2006, the increase in instructional expenses was only \$1.0 million or 0.7% and represented only about 8.9% of the \$10.9 million increase in operating expenses. Depreciation increased 11.1% for the year ended August 31, 2005 mainly as a result of the completion of new buildings for which depreciation was initiated. But the largest increase in operating expenses for the year ended August 31, 2005 after those for instruction was in operation and maintenance of plant. Close to half of the \$2.7 million or 11.7% increase for operation and maintenance of plant occurred primarily because of increased utility costs associated with more square footage. However, \$0.6 million or almost another quarter of the increase was related to an increase in repair and rehabilitation projects. For the year ended August 31, 2006, 28.5% of the \$10.9 million increase in operational expenses was attributable to depreciation. Operations and maintenance of plant represented 14.5% of the increase and institutional support was the largest portion of the increase at 36.0% of the total increase. In response to the expected increasing demand for education, the Board had increased the maintenance and operations (M&O) tax rate beginning fiscal year 2004, which gave the colleges more revenue to spend to meet operational needs.

As previously stated, subsequent to the closing of the year ended August 31, 2005 but prior to issuance of the financial statements for that year, the lawsuit brought against the District in 1998 was decided by the Texas State Supreme Court in favor of the District. The decision freed up \$13.3 million in liabilities accrued since the decision of the first appeal court hearing the case. (See Note 10 for further discussion of the history of the lawsuit). This one event had the greatest effect on the increase in net non-operating revenue accounting for 70.8% of the total change amount from the year ended August 31, 2004 to that ended August 31, 2005. Although one might think this would cause the net non-operating revenue to decrease by that amount for the year ended August 31, 2006, other contributing factors actually caused the net non-operating revenue to surpass that of the previous year for the following reasons.

State appropriations increased \$1.6 million or 1.5% for the year ended August 31, 2005. This increase can be attributed primarily to \$1.1 million in funding reallocated by the State to the District for group insurance. For the year ended August 31, 2006, state appropriations rose another \$4.8 million or 4.6% due to an increase voted by the legislature for the new biennium. The increase was both in base funding and additional state group insurance funding. Net tax revenue increased for the year ended August 31, 2005 by \$6.0 million or 6.0% over the previous year because of a 1.4% increase in the tax base, but mainly because that was the first year to collect a debt service tax for the Series 2004 general obligation bonds repayment, assessed at \$0.0025 per \$100 of valuation. This rate increased to \$0.0038 per \$100 of valuation for the year ended August 31, 2006. That fact together with the 4.6% increase in the tax base created an increase of \$7.2 million or 6.7% in net ad valorem tax revenue for fiscal year 2006 over the prior year. About \$0.0042 per \$100 of valuation for the M&O tax assessment is utilized to make maintenance tax note payments. Investment income for the year ended August 31, 2005 increased \$1.9 million or 51.1%. Short-term interest rates incrementally increased over the last several months of the fiscal year, but also proceeds from maintenance tax notes and general obligation bonds increased the amount on which interest was earned. The increase in investment income for the year ended August 31, 2006 of \$3.2 million or 58.0% was even more dramatic as interest rates continued to rise. Overall net non-operating revenue increased \$21.1 million or 10.4% for the year ended August 31, 2005, mainly related to the lawsuit settlement, and another \$2.4 million or 1.1% for the year ended August 31, 2006 because of increased state appropriations, ad valorem tax revenue and investment income.

As a result of all of the activity described above, the net assets of the District increased \$18.2 million for the year ended August 31, 2006 as compared to the \$24.3 million increase for the year ended August 31, 2005.

Capital Asset and Non-Current Debt Activity

As of August 31, 2004, the District had recorded \$474.7 million in capital assets, and \$182.7 million in accumulated depreciation resulting in \$292.0 million in net capital assets. For the year ended August 31, 2005, net capital assets increased \$29.1 million or 10.0%. By August 31, 2006, the amounts had increased an additional \$18.8 million or 5.9%. The following table summarizes the breakdown of capital assets by fiscal year.

CAPITAL ASSETS, NET
YEARS ENDED AUGUST 31, 2004 THROUGH 2006
(In Thousands)

	Fiscal Year 2004	Difference	Fiscal Year 2005	Difference	Fiscal Year 2006
CAPITAL ASSETS:					
Land and improvements	\$ 32,407	\$ 14,427	\$ 46,834	\$ 4,798	\$ 51,632
Buildings	299,119	31,194	330,313	53,241	383,554
Equipment, furniture, and software	44,119	2,265	46,384	1,475	47,859
Library books	9,219	361	9,580	250	9,830
Construction in progress	89,837	(8,665)	81,172	(27,663)	53,509
Total	474,701	39,582	514,283	32,101	546,384
Less accumulated depreciation	(182,733)	(10,438)	(193,171)	(13,314)	(206,485)
Net capital assets	\$ 291,968	\$ 29,144	\$ 321,112	\$ 18,787	\$ 339,899

Each year the District conducts an audit of its facilities to determine what projects are needed to properly maintain and/or improve facilities for the benefit and safety of the students. In addition, plans for future expansion had been under consideration for some time. The District determined that before beginning expansion, a number of planned maintenance projects would be accelerated so that completion would occur prior to any expansion projects. On August 6, 2003 the District issued maintenance tax notes for the first time in the amount of \$9.9 million followed by a second issue on April 6, 2004 for additional proceeds of \$39.8 million, both issues to be financed by the maintenance and operations portion of ad valorem taxes. Texas statute dictates that projects financed by this means cannot include any new construction, but rather only maintenance projects. A somewhat aggressive repayment plan was established for the first set of notes with repayment completed in four years and the bulk in the first two years. The Series 2004 notes were set for repayment to be completed by 2021. The projects associated with the second issue were placed on a schedule designed to complete all projects in 18 months. This is why the construction in progress amount did not drop as much as might be expected in fiscal year 2005 in spite of the fact that prior long range plan projects were basically completed. This also explains part of the increase in buildings for both the years ended August 31, 2005 and 2006.

In the spring of 2004, the Board of Trustees presented its plan for issuance of general obligation bonds to the voters for funding needed expansion. Demographic studies and the Closing the Gaps report from the Texas Higher Education Coordinating Board indicated that enrollment needs might increase by as much as 25,000 students or almost 40% by the year 2015. After determining future career needs for the region to aid in identifying the type of buildings needed, the District held a series of community forums to present the capital improvement plan and the reason for it. The voters responded by passing with an overwhelming margin the request to issue \$450 million of general obligation bonds over the next 6-7 years to fund the projects. This

was the first time such a request had been made of voters by the District in almost thirty years. The first \$67.4 million issue was sold September 14, 2004. Out of that amount, the first plans were to purchase land for five new education centers. Also two buildings were purchased, one just prior to August 31, 2004 and the other shortly after. The District advanced the money for the purchase of the first building and reimbursed its operating funds after the sale of the bonds. During fiscal year 2005, two of the properties were purchased for new centers, one in Garland and the other in Coppell. In the year ended August 31, 2006, a third piece of land was purchased in Pleasant Grove. Significant progress has been made on purchasing land for the two remaining properties. One of the buildings purchased was subsequently traded for another that more closely meets the needs for a new centralized administration office. The bond program has also progressed to the hiring of architects for a number of the key new building projects. So while completion of maintenance tax note projects has decreased construction in progress from 2005 to 2006, initial work on the bond projects has contributed to maintaining the level of construction in progress.

In preparation for selling the general obligation bonds, Standard & Poors, Inc., Moody's Investors Service, Inc. and Fitch Ratings were all approached for a credit rating. After careful review of the District's financial information and other factors, all three organizations provided the District with their highest 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 will provide an advantage to the District as future issues are sold. There are only a handful of community colleges in the country that have the highest rating from all three rating agencies.

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

Currently Known Facts, Decisions and Conditions

All projects in the \$450 million bond program are scheduled to be completed by 2010 but will be built on a staggered schedule. The new community campuses are being located in areas of the county that have previously been underserved and/or have demonstrated need for education services and will be among the first buildings to be erected. Two are expected to be operational by the end of 2008 and three more during 2009. As these campuses and other new buildings become operational, expenses are expected to increase to support them. However, they are expected also to bring in additional revenue as student enrollments are added.

A bond refunding for the Series 2001 revenue bonds is expected to occur within a few weeks that will result in net present value savings of at least 3%. In addition, a change to the law made by the 3rd special session of the 79th Legislature now allows community colleges to issue commercial paper. Use of this tool could result in significant savings to the District by allowing commercial paper to serve as an interim funding source until a new tranche of bonds is issued, also eliminating the need to meet arbitrage requirements. The District is carefully reviewing this new option that has been opened up to community colleges.

After several years in a row of modest tuition hikes, including one slated for Spring 2007, the District plans to hold the tuition firm in fiscal year 2008. Even with the increases, the District's tuition has been one of the four lowest among Texas' 50 community colleges.

Fiscal year 2007 has seen the start of two new, similar initiatives that will assist high school students in obtaining college credits as they complete their high school experience. One is called Early College and is being offered at Mountain View and Brookhaven Colleges in conjunction with their respective independent school districts. The other is a new charter high school being operated through Richland College. Both types of initiatives employ what is called dual credit whereby students receive both high school and college credit for the same class. In addition to helping students to move forward in their educational experience more

quickly, the colleges benefit by receiving state funding for dual credit contact hours for students who demonstrate college readiness through testing.

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.

STATEMENTS OF NET ASSETS
AUGUST 31, 2006 AND 2005

ASSETS	2006	2005 (as restated)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 38,038,396	\$ 25,619,264
Short-term investments	9,933,500	9,960,000
Accounts receivable (net of allowance for uncollectible accounts)	17,931,683	17,372,111
Tuition and charges receivable (net of allowance for uncollectible accounts)	6,718,892	5,430,162
Taxes receivable (net of allowance for uncollectible accounts)	1,412,804	1,280,142
Deferred charges, net	12,418,823	12,542,055
Notes receivable	12,546	18,964
Inventories	545,369	492,161
Prepaid expenses	<u>1,316,454</u>	<u>1,275,261</u>
Total current assets	88,328,467	73,990,120
NON-CURRENT AND RESTRICTED ASSETS:		
Restricted cash and cash equivalents	34,230,128	13,437,612
Restricted short-term investments	4,976,500	17,320,138
Long-term investments	130,766,370	165,747,022
Deferred charges, net	2,768,386	2,976,369
Deposit with Bond Trustee	2,139,156	5,110,478
Capital assets, net		
Not subject to depreciation	81,332,489	106,244,250
Subject to depreciation	<u>258,567,135</u>	<u>214,868,138</u>
Total non-current assets	<u>514,780,164</u>	<u>525,704,007</u>
TOTAL ASSETS	603,108,631	599,694,127
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	15,532,680	20,400,430
Accrued liabilities	4,024,984	5,562,784
Accrued compensable absences	5,819,722	5,476,747
Funds held for others	1,797,703	1,859,543
Deferred revenues	38,937,840	35,533,174
Note payable—current portion	192,422	184,457
Bonds payable—current portion	<u>10,797,167</u>	<u>11,307,644</u>
Total current liabilities	77,102,518	80,324,779
NON-CURRENT AND RESTRICTED LIABILITIES:		
Restricted accrued liabilities	181,832	191,328
Accrued compensable absences	2,624,423	3,234,436
Note payable	252,254	444,676
Bonds payable	<u>139,454,188</u>	<u>150,251,355</u>
Total non-current liabilities	<u>142,512,697</u>	<u>154,121,795</u>
TOTAL LIABILITIES	219,615,215	234,446,574
NET ASSETS:		
Invested in capital assets, net of related debt	238,726,662	231,101,596
Restricted for:		
Unexpended bond proceeds	3,462,495	19,477,390
Debt service	13,319,863	10,522,022
Unrestricted	<u>127,984,396</u>	<u>104,146,545</u>
TOTAL NET ASSETS (Schedule D) (as restated for 2005)	<u>\$ 383,493,416</u>	<u>\$ 365,247,553</u>

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,

ASSETS	<u>2006</u>	<u>2005</u>
CASH AND CASH EQUIVALENTS	\$ 3,730,104	\$ 2,455,490
INVESTMENTS		
Debt securities	3,452,365	3,400,450
Common stocks	15,592,313	14,051,357
Alternative investments	<u>3,174,542</u>	<u>3,125,659</u>
Total investments	22,219,220	20,577,466
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	9,532	10,262
CONTRIBUTIONS RECEIVABLE, net	7,100,861	6,739,930
OTHER ASSETS	<u>23,848</u>	<u>10,541</u>
Total assets	<u>\$33,083,565</u>	<u>\$29,793,689</u>
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE	\$ <u>839,520</u>	\$ <u>292,107</u>
Total liabilities	839,520	292,107
NET ASSETS		
Unrestricted	2,503,078	3,244,766
Temporarily restricted	5,713,773	3,985,174
Permanently restricted	<u>24,027,194</u>	<u>22,271,642</u>
Total net assets	<u>32,244,045</u>	<u>29,501,582</u>
Total liabilities and net assets	<u>\$33,083,565</u>	<u>\$29,793,689</u>

See Note 23 of the primary government organization.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2006 AND 2005**

	2006	2005 (as restated)
OPERATING REVENUES:		
Tuition and charges (net of discounts of \$18,400,197 and \$15,493,019, respectively)	\$ 46,166,907	\$ 44,141,486
Federal grants and contracts	50,797,207	49,367,191
State grants and contracts	1,253,189	1,751,990
Non-governmental grants and contracts	3,661,795	4,618,905
Sales and services of educational activities	480,644	542,547
Auxiliary enterprises	6,298,790	5,734,905
General operating revenues	<u>1,675,275</u>	<u>1,696,654</u>
 Total operating revenues (Schedule A)	 110,333,807	 107,853,678
OPERATING EXPENSES:		
Instruction	131,688,423	130,715,036
Public service	10,744,274	10,834,478
Academic support	17,225,300	16,586,516
Student services	29,502,070	29,110,371
Institutional support	50,985,190	47,048,974
Operation and maintenance of plant	27,036,742	25,443,709
Scholarships and fellowships	26,396,060	26,344,145
Auxiliary enterprises	10,286,427	9,965,555
Depreciation	<u>14,463,647</u>	<u>11,343,323</u>
 Total operating expenses (Schedule B)	 <u>318,328,133</u>	 <u>307,392,107</u>
 OPERATING LOSS	 (207,994,326)	 (199,538,429)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	108,041,415	103,248,023
Maintenance ad valorem taxes (net of bad debt and collection fees of \$2,582,080 and \$2,461,245, respectively)	113,768,873	106,596,307
Gifts	121,934	137,643
Investment income	8,689,241	5,501,142
Interest on capital-related debt	(4,145,949)	(4,538,314)
Loss on disposal of capital assets	(145,484)	(122,223)
Extinguishment of potential liability and related legal expenses	-	13,270,961
Other non-operating revenues	174,812	873,826
Other non-operating expenses	<u>(264,653)</u>	<u>(1,145,954)</u>
 Net non-operating revenues (Schedule C)	 226,240,189	 223,821,411
 INCREASE IN NET ASSETS	 18,245,863	 24,282,982
NET ASSETS:		
Net Assets—Beginning of Year (as restated for 2005)	<u>365,247,553</u>	<u>340,964,571</u>
 Net Assets—End of Year (as restated for 2005)	 <u>\$ 383,493,416</u>	 <u>\$ 365,247,553</u>

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

Dallas County Community College District Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended August 31,

	2006				2005			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support								
Contributions	\$ 124,860	\$ 1,527,077	\$ 1,732,086	\$ 3,384,023	\$ 129,558	\$ 880,118	\$ 1,292,245	\$ 2,301,921
Interest income	96,092	178,758	-	274,850	80,769	266,570	-	347,339
Contributed salaries	197,386	-	-	197,386	196,379	-	-	196,379
Net realized gains on sale of investments	686,205	2,005,261	-	2,691,466	45,170	143,726	-	188,896
Net unrealized gains on investments	(1,368,039)	-	-	(1,368,039)	1,810,837	-	-	1,810,837
Net assets released from restrictions	<u>1,960,019</u>	<u>(1,960,019)</u>	<u>-</u>	<u>-</u>	<u>1,443,721</u>	<u>(1,443,721)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	1,696,523	1,751,077	1,732,086	5,179,686	3,706,434	(153,307)	1,292,245	4,845,372
Program and support services								
Grants and scholarships	2,067,467	-	-	2,067,467	1,531,739	-	-	1,531,739
Management and general	308,162	-	-	308,162	303,972	-	-	303,972
Fundraising	<u>61,594</u>	<u>-</u>	<u>-</u>	<u>61,594</u>	<u>67,682</u>	<u>-</u>	<u>-</u>	<u>67,682</u>
Total program and support services	2,437,223	-	-	2,437,223	1,903,393	-	-	1,903,393
Transfers between funds	<u>(988)</u>	<u>(22,478)</u>	<u>23,466</u>	<u>-</u>	<u>-</u>	<u>(51,274)</u>	<u>51,274</u>	<u>-</u>
Change in net assets	(741,688)	1,728,599	1,755,552	2,742,463	1,803,041	(204,581)	1,343,519	2,941,979
Net assets - beginning of year	<u>3,244,766</u>	<u>3,985,174</u>	<u>22,271,642</u>	<u>29,501,582</u>	<u>1,441,725</u>	<u>4,189,755</u>	<u>20,928,123</u>	<u>26,559,603</u>
Net assets - end of year	<u>\$ 2,503,078</u>	<u>\$ 5,713,773</u>	<u>\$24,027,194</u>	<u>\$32,244,045</u>	<u>\$3,244,766</u>	<u>\$ 3,985,174</u>	<u>\$22,271,642</u>	<u>\$29,501,582</u>

See Note 23 of the primary government organization.

Dallas County Community College District
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2006 AND 2005

EXHIBIT 3

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 53,417,071	\$ 52,687,656
Receipts from grants and contracts	55,939,199	54,868,617
Payments to suppliers for goods and services	(68,535,153)	(58,353,914)
Payments to or on behalf of employees	(214,562,710)	(207,692,316)
Payments for scholarships and fellowships	(26,498,802)	(26,525,483)
Loans issued to students	(26,393)	(42,223)
Collection of loans to students	29,485	50,596
Other receipts	1,671,251	1,695,882
Net cash used in operating activities	<u>(198,566,052)</u>	<u>(183,311,185)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from ad valorem taxes	115,961,589	108,736,109
Payments for collection of taxes	(2,325,378)	(2,180,057)
Receipts from state appropriations	108,041,415	103,248,023
Receipts from student organizations and other agency transactions	16,140,521	16,499,081
Payments to student organizations and other agency transactions	(16,202,361)	(16,460,402)
Payments on notes - principal	(184,457)	(176,821)
Payments on notes - interest	(23,824)	(31,460)
Other receipts	130,147	1,131,914
Other payments	-	(117,058)
Net cash provided by non-capital financing activities	<u>221,537,652</u>	<u>210,649,329</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	-	70,258,442
Proceeds from the sale of capital assets	41,659	(5,565)
Purchases of capital assets	(31,341,354)	(39,431,188)
Payments on capital debt - principal	(10,735,000)	(7,545,000)
Payments on capital debt - interest	(7,085,195)	(7,913,973)
Net cash provided by (used in) capital and related financing activities	<u>(49,119,890)</u>	<u>15,362,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	114,200,000	169,658,379
Interest on investments	7,509,370	7,133,154
Purchase of investments	(62,349,432)	(192,409,272)
Net cash provided by (used in) investing activities	<u>59,359,938</u>	<u>(15,617,739)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	33,211,648	27,083,121
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>39,056,876</u>	<u>11,973,755</u>
CASH AND CASH EQUIVALENTS, AUGUST 31	<u>\$ 72,268,524</u>	<u>\$ 39,056,876</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (207,994,326)	\$ (199,538,429)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	14,463,647	11,343,323
Bad debt expense	677,300	441,187
Changes in assets and liabilities:		
Receivables (net)	(2,700,282)	(388,516)
Deferred charges	331,215	837,281
Inventories	(53,208)	(56,399)
Notes receivable	6,418	17,289
Prepaid expenses	(41,193)	(190,044)
Accounts payable	(4,867,750)	2,300,163
Accrued liabilities	(1,525,501)	(1,200,884)
Accrued compensable absences	(267,038)	1,344,294
Deferred revenues	3,404,666	1,779,550
Net cash used in operating activities	<u>\$ (198,566,052)</u>	<u>\$ (183,311,185)</u>

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

Dallas County Community College District Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$2,742,463	\$2,941,979
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions restricted for long-term purposes	(1,732,086)	(1,292,245)
Net realized gains on sale of investments	(2,691,465)	(188,896)
Net unrealized losses (gains) on investments	1,368,039	(1,810,837)
Amortization of premium or discount on investments	-	1,043
Noncash contributions of investments	(25,142)	(30,896)
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	730	35,067
Contributions receivable	(360,931)	123,613
Other assets	(13,307)	(181)
Accounts payable	<u>547,413</u>	<u>(412,794)</u>
Net cash used in operating activities	(164,286)	(634,147)
Cash flows from investing activities		
Proceeds from investment sales	14,103,314	22,348,834
Purchases of investments	<u>(14,396,500)</u>	<u>(24,464,209)</u>
Net cash used in investing activities	(293,186)	(2,115,375)
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>1,732,086</u>	<u>1,292,245</u>
Increase (decrease) in cash and cash equivalents	1,274,614	(1,457,277)
Cash and cash equivalents - beginning of year	<u>2,455,490</u>	<u>3,912,767</u>
Cash and cash equivalents - end of year	<u>\$3,730,104</u>	<u>\$2,455,490</u>

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2006 AND 2005

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. 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. Beginning in fiscal 2004 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, 2006 and 2005. 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

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 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 values are 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 \$12,319,830 and \$12,436,567 represent expenses for scholarships and fellowships related to the periods after August 31, 2006 and 2005, respectively, and \$98,993 and \$105,488 represents bond issue costs to be amortized in the periods after August 31, 2006 and 2005, 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 approximately \$2,134,138 and \$2,243,128 at August 31, 2006 and 2005, respectively, and have been included in the accompanying Statements of Net Assets as non-current deferred charges. In addition, \$634,248 and \$733,241, the non-current portion of bond issue costs being amortized over the life of the bonds, is included for the periods ended August 31, 2006 and 2005, respectively.

Capital Assets—Capital assets are stated at cost. Donated capital assets are recorded at their 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. 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 and land improvements. 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
Telecommunications and peripheral equipment	5 years

Implementation of New State Classification for Library Books—Effective September 1, 2006, the State Comptroller’s office changed its classification of professional, academic and research library books and materials from non-depreciable to depreciable to be consistent with industry standards. Library materials purchased during the fiscal year in an aggregate amount of \$5,000 or more are subject to capitalization and depreciation.

As a result of implementing the changes in classification, the previously reported net assets of the District as of August 31, 2004 is reconciled to report as follows:

Net assets as of August 31, 2004		\$346,106,326
Accumulated depreciation – Library books		<u>(5,141,755)</u>
Net assets, September 1, 2004, as restated		340,964,571
Previously reported increase in net assets for the year ended August 31, 2005	\$24,845,274	
Less: Depreciation expense – Library books	(638,655)	
Add: Accumulated depreciation expense related to library books written off	<u>76,363</u>	
Increase in net assets for the year ended August 31, 2005, as restated, as restated		<u>24,282,982</u>
Net assets, August 31, 2005, as restated		<u>\$365,247,553</u>

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 and property tax collections. 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.

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 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, 2006 was \$(3,229,678), and the bank balance was \$326,900. The carrying amount of the District’s deposits with financial institutions as of August 31, 2005 was \$(1,421,444), and the bank balance was \$722,074. FDIC insures \$100,000 of the District’s bank balance, and the remaining balance is collateralized with securities.

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

	2006	2005
Bank deposits:		
Local funds - demand	\$ (3,238,178)	\$ (1,429,944)
Imprest funds	<u>8,500</u>	<u>8,500</u>
	(3,229,678)	(1,421,444)
Cash on hand	12,857	19,586
Cash and cash equivalents:		
Investment in Texpool	36,445,710	22,422,702
Investment in TexSTAR	<u>39,039,635</u>	<u>18,036,032</u>
	<u>75,485,345</u>	<u>40,458,734</u>
Total cash and cash equivalents	<u>\$72,268,524</u>	<u>\$39,056,876</u>

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 policy include U.S. Treasury notes, certificates of deposit purchased from FDIC-insured state or nationally chartered U.S. banks, fully collateralized repurchase agreements, no-load money market mutual funds, and securities issued by U.S. government agencies.

At August 31, 2006 and 2005, long-term investments consisted of U.S. government and agency securities. 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, 2006, 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
U. S. Treasury notes	\$ 31,017,990	\$ -	\$ -	\$ 2,984,190	\$ 4,982,800	\$ 23,051,000
U. S. Agency notes and bonds	114,658,380	14,910,000	14,927,700	19,855,900	34,799,090	30,165,690
Investments in Texpool	36,445,710	36,445,710	-	-	-	-
Investments in TexSTAR	39,039,635	39,039,635	-	-	-	-
Total cash equivalents and investments	<u>\$ 221,161,715</u>	<u>\$ 90,395,345</u>	<u>\$ 14,927,700</u>	<u>\$ 22,840,090</u>	<u>\$ 39,781,890</u>	<u>\$ 53,216,690</u>

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 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 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 limits any one type of investment to 75% of the total portfolio. Investment in U.S. Agency securities comprises 51.84% of the District's total portfolio at August 31, 2006.

Reconciliation of Deposits and Investments to Exhibit 1

	Market Value <u>August 31, 2006</u>	Market Value <u>August 31, 2005</u>
Total cash and cash equivalents	\$ 72,268,524	\$ 39,056,876
Total investments	<u>145,676,370</u>	<u>193,027,160</u>
Total	<u>\$ 217,944,894</u>	<u>\$ 232,084,036</u>
<u>Per Exhibit 1:</u>		
Cash and cash equivalents	\$ 38,038,396	\$ 25,619,264
Restricted cash and cash equivalents	34,230,128	13,437,612
Short-term investments	9,933,500	9,960,000
Restricted short-term investments	4,976,500	17,320,138
Long-term investments	<u>130,766,370</u>	<u>165,747,022</u>
Total	<u>\$ 217,944,894</u>	<u>\$ 232,084,036</u>

There were no investments held by broker-dealers under reverse repurchase agreements as of August 31, 2006 or 2005.

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

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, 2006 and 2005 were as follows:

	2006	2005
Ad valorem taxes	\$ 6,586,530	\$ 6,197,166
Student tuition and sales	7,589,530	7,916,918
Federal grants	14,572,059	14,025,241
State grants	227,341	449,934
Local grants	890,839	661,102
Interest on investments	680,448	900,355
Other receivables	<u>1,601,407</u>	<u>1,778,246</u>
Total receivables	32,148,154	31,928,962
Less allowances for uncollectible amounts:		
Ad valorem taxes	(5,173,726)	(4,917,024)
Student tuition and sales	(870,638)	(2,486,756)
Other receivables	<u>(40,411)</u>	<u>(442,767)</u>
Total allowances	<u>(6,084,775)</u>	<u>(7,846,547)</u>
Total receivables, net of allowances	<u>\$26,063,379</u>	<u>\$24,082,415</u>

Payables—Accounts Payable at August 31, 2006 and 2005 were as follows:

	2006	2005
Vendors payable	\$ 9,359,586	\$ 14,321,323
Salaries and benefits payable	28,030	11,457
Students payable	<u>6,145,064</u>	<u>6,067,650</u>
Total accounts payable	<u>\$ 15,532,680</u>	<u>\$ 20,400,430</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2006 was as follows:

	Balance September 1, 2005	Increases/ Reclassifications	Decreases	Balance August 31, 2006
Capital assets not subject to depreciation:				
Land	\$ 25,071,879	\$ 2,751,278	\$ -	\$ 27,823,157
Construction in progress	<u>81,172,371</u>	<u>27,624,478</u>	<u>(55,287,517)</u>	<u>53,509,332</u>
Total not depreciated	106,244,250	30,375,756	(55,287,517)	81,332,489
Capital assets subject to depreciation:				
Buildings and building improvements	330,312,947	53,241,271	-	383,554,218
Land improvements	21,762,043	2,046,246	-	23,808,289
Furniture, machinery, vehicles, and other equipment	46,384,239	2,576,885	(1,101,925)	47,859,199
Library books	<u>9,579,832</u>	<u>492,151</u>	<u>(241,892)</u>	<u>9,830,091</u>
Total depreciated	408,039,061	58,356,553	(1,343,817)	465,051,797
Accumulated depreciation:				
Buildings and building improvements	(137,724,247)	(10,205,500)	-	(147,929,747)
Land improvements	(15,268,600)	(505,684)	-	(15,774,284)
Furniture, machinery, vehicles, and other equipment	(34,474,029)	(3,129,934)	1,037,025	(36,566,938)
Library books	<u>(5,704,047)</u>	<u>(622,529)</u>	<u>112,883</u>	<u>(6,213,693)</u>
Total accumulated depreciation	<u>(193,170,923)</u>	<u>(14,463,647)</u>	<u>1,149,908</u>	<u>(206,484,662)</u>
Net capital assets	<u>\$ 321,112,388</u>	<u>\$ 74,268,662</u>	<u>\$ (55,481,426)</u>	<u>\$ 339,899,624</u>

Capital assets activity for the year ended August 31, 2005 was as follows:

	Balance September 1, 2004	Increases/ Reclassifications	Decreases	Balance August 31, 2005
Capital assets not subject to depreciation:				
Land	\$ 12,003,169	\$ 13,068,710	\$ -	\$ 25,071,879
Construction in progress	<u>89,837,114</u>	<u>24,688,542</u>	<u>(33,353,285)</u>	<u>81,172,371</u>
Total not depreciated	101,840,283	37,757,252	(33,353,285)	106,244,250
Capital assets subject to depreciation:				
Buildings and building improvements	299,118,468	31,194,479	-	330,312,947
Land improvements	20,404,084	1,357,959	-	21,762,043
Furniture, machinery, vehicles, and other equipment	44,118,835	3,064,410	(799,006)	46,384,239
Library books	<u>9,219,087</u>	<u>524,380</u>	<u>(163,635)</u>	<u>9,579,832</u>
Total depreciated	372,860,474	36,141,228	(962,641)	408,039,061
Accumulated depreciation:				
Buildings and building improvements	(130,847,823)	(6,876,424)	-	(137,724,247)
Land improvements	(14,854,995)	(413,605)	-	(15,268,600)
Furniture, machinery, vehicles, and other equipment	(31,888,569)	(3,414,639)	829,179	(34,474,029)
Library books	<u>(5,141,755)</u>	<u>(638,655)</u>	<u>76,363</u>	<u>(5,704,047)</u>
Total accumulated depreciation	<u>(182,733,142)</u>	<u>(11,343,323)</u>	<u>905,542</u>	<u>(193,170,923)</u>
Net capital assets	<u>\$ 291,967,615</u>	<u>\$ 62,555,157</u>	<u>\$ (33,410,384)</u>	<u>\$ 321,112,388</u>

During the year ended August 31, 2006, the Texas Comptroller's Office requested that library books be depreciated. The table above has been restated to reflect depreciation of library books in the amount of \$5,141,755 prior to September 1, 2004. See Note 2 "Library Books."

6. NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2006 was as follows:

	Balance September 1, 2005	Additions	Reductions	Balance August 31, 2006	Current Portion
Series 1986 A-D Rate Adjustable Mode Consolidated District Revenue Bonds	\$ 2,600,000	\$ -	\$ (2,600,000)	\$ -	\$ -
Series 1998 Revenue Financing System Refunding Bonds	11,935,000	-	(45,000)	11,890,000	1,755,000
Series 2001 Revenue Financing System Bonds	35,440,000	-	(1,535,000)	33,905,000	1,605,000
Series 2003 Maintenance Tax Notes	1,330,000	-	(745,000)	585,000	585,000
Series 2004 Maintenance Tax Notes	38,230,000	-	(3,685,000)	34,545,000	4,095,000
Series 2004 General Obligation Bonds	67,375,000	-	(2,125,000)	65,250,000	2,215,000
Unamortized bond premium	4,648,999	-	(572,644)	4,076,355	542,167
Accrued interest	191,328	-	(9,496)	181,832	-
Note payable	629,133	-	(184,457)	444,676	192,422
Compensable absences	8,711,183	274,750	(541,788)	8,444,145	5,819,722
Total	<u>\$171,090,643</u>	<u>\$ 274,750</u>	<u>\$ (12,043,385)</u>	<u>\$ 159,322,008</u>	<u>\$ 16,809,311</u>

Non-current liability activity for the year ended August 31, 2005 was as follows:

	Balance September 1, 2004	Additions	Reductions	Balance August 31, 2005	Current Portion
Series 1986 A-D Rate Adjustable Mode Consolidated District Revenue Bonds	\$ 5,000,000	\$ -	\$ (2,400,000)	\$ 2,600,000	\$ 2,600,000
Series 1998 Revenue Financing System Refunding Bonds	12,040,000	-	(105,000)	11,935,000	45,000
Series 2001 Revenue Financing System Bonds	36,915,000	-	(1,475,000)	35,440,000	1,535,000
Series 2003 Maintenance Tax Notes	4,570,000	-	(3,240,000)	1,330,000	745,000
Series 2004 Maintenance Tax Notes	38,555,000	-	(325,000)	38,230,000	3,685,000
Series 2004 General Obligation Bonds	-	67,375,000	-	67,375,000	2,125,000
Unamortized bond premium	1,930,504	3,288,442	(569,947)	4,648,999	572,644
Accrued interest	681,700	190,020	(680,392)	191,328	-
Note payable	805,954	-	(176,821)	629,133	184,457
Compensable absences	7,366,889	1,344,294	-	8,711,183	5,476,747
Total	<u>\$ 107,865,047</u>	<u>\$ 72,197,756</u>	<u>\$ (8,972,160)</u>	<u>\$ 171,090,643</u>	<u>\$ 16,968,848</u>

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 1986 A-D Rate Adjustable Mode Consolidated District Revenue Bonds	\$ 28,800,000	Variable	1987	2006	1/16/1987
Series 1998 Revenue Financing System Refunding Bonds	16,550,000	4.00%-5.25%	1998	2012	2/15/2009
Series 2001 Revenue Financing System Bonds	40,000,000	4.00%-5.375%	2002	2021	2/15/2010
Series 2003 Maintenance Tax Notes	9,850,000	2.00%-3.00%	2003	2007	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

On July 23, 1986, the District issued \$28,800,000 in Rate Adjustable Mode Consolidated District Revenue Bonds, Series 1986 A-D (“Series 1986 Bonds”). The proceeds of the bonds were used to pay for the cost of various new facilities and certain improvements to existing facilities. All authorized amounts have been issued to date. These variable notes may bear interest at either a weekly, monthly, quarterly, or semiannual term, or final rate (as defined), all of which are based on yield quotations for issues of tax-exempt bonds having similar characteristics. At August 31, 2005, the Series 1986 Bonds bore a weekly rate of 2.52%. The Series 1986 Bonds are special obligations of the District and are payable solely from revenues pledged, which consist of the net revenues from the operations of the bookstores and cafeterias of the District, vending machines, certain lease revenues, interest earnings, and the tuition pledge. As additional security, a Bond Reserve Fund was established with the paying agent. At August 31, 2005, the Bond Reserve Fund amounted to \$3,470,660. In connection with the issuance of the Series 1986 Bonds, the District entered into a Standby Bond Purchase Agreement with a bank. The terms of the Agreement provide for the payment by the bank of principal and interest of the Series 1986 Bonds when due in the event that the District is unable to meet its obligations. At August 31, 2006, the Bond Reserve Fund was released since payment on the bonds was complete.

On June 15, 1998, the District issued \$16,550,000 in Series 1998 Revenue Financing System Refunding Bonds (“Series 1998 Bonds”) to advance refund \$15,140,000 of outstanding Series 1992 Bonds. The resources were used to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 1992 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statements of Net Assets. As of August 31, 2006, \$11,890,000 of advanced refunded bonds are outstanding. The Series 1998 Bonds bear interest at 4.00% to 5.25%. All authorized amounts have been issued to date. The Series 1998 Bonds constitute parity obligations and are special obligations of the District equally and ratably secured solely by and payable solely from a pledge of and lien on the pledged revenues as described below. The pledged revenues consist of, subject to the provisions of the resolutions authorizing the issuance of the prior encumbered obligations, the revenue funds, including all of the

funds and balances now or hereafter lawfully available to the District and derived from or attributable to the financing system which are lawfully available to the District for payments on parity obligations. As additional security, a Bond Reserve fund was established with the paying agent at an amount equal to the average annual principal and interest requirements on the Series 1998 Bonds. At August 31, 2006, the Bond Reserve fund amounted to \$2,139,156.

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 4.00% to 5.375%. The Series 2001 Bonds constitute parity obligations and are special obligations of the District equally and ratably secured solely by and payable solely from a pledge of and lien on the pledged revenues as described below. The pledged revenues consist of, subject to the provisions of the resolutions authorizing the issuance of the prior encumbered obligations, the revenue funds, including all of the funds and balances now or hereafter lawfully available to the District and derived from or attributable to the financing system which are lawfully available to the District for payments on parity obligations.

On August 6, 2003, 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 \$9,850,000 of Maintenance Tax Notes (“Series 2003 Notes”) and on April 6, 2004 \$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.

On September 14, 2004, the District issued \$67,375,000 par value general obligation bonds with a bond premium of \$3,288,442. Accrued interest of \$258,442 was also 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.

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.

	Principal	Interest	Total
Year ended August 31:			
2007	\$ 10,255,000	\$ 6,436,793	\$ 16,691,793
2008	10,790,000	6,013,602	16,803,602
2009	11,400,000	5,529,293	16,929,293
2010	11,990,000	5,067,280	17,057,280
2011	12,575,000	4,605,306	17,180,306
2012 - 2016	36,675,000	17,012,363	53,687,363
2017 - 2021	33,345,000	9,168,584	42,513,584
2022 - 2025	<u>19,145,000</u>	<u>1,967,875</u>	<u>21,112,875</u>
	<u>\$ 146,175,000</u>	<u>\$ 55,801,096</u>	<u>\$ 201,976,096</u>

The note payable accrues interest at 4.25% and is payable in quarterly installments beginning on November 30, 2002. Principal and interest are payable as follows:

	Principal	Interest	Total
Year ended August 31:			
2007	192,422	15,859	208,281
2008	200,731	7,550	208,281
2009	<u>51,523</u>	<u>547</u>	<u>52,070</u>
	<u>\$444,676</u>	<u>\$ 23,956</u>	<u>\$ 468,632</u>

7. RETIREMENT PLAN

The District participates in the Teacher Retirement System of Texas (the "System"). The System is a multiple-employer public employee retirement system (PERS) with one exception: all risks and costs are not shared by the employer but are the liability of the State of Texas. Accordingly, the System does not separately account for each of its component governmental agencies. Further information regarding actuarial assumptions and conclusions, as well as audited financial statements, is included in the annual financial report of the System.

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 the System. 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. The System also provides death and disability benefits as established by state statute. For both 2006 and 2005, the percentages of participant salaries contributed by the state and by each participant were 6.00% and 6.40%, respectively, of annual compensation. The payroll for employees covered by the System for the years ended August 31, 2006 and 2005 was \$88,246,258 and \$83,215,231, respectively. The total payroll of the District was \$180,527,074 and \$174,965,666 for the years ended August 31, 2006 and 2005, respectively.

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. For both 2006 and 2005, the percentages of participant salaries contributed by the state and by each participant were 6.00% and 6.65%, respectively, of annual compensation. In addition, the District contributed 2.5% of annual compensation for each participant hired on or before August 31, 1995 for the years ended August 31, 2006 and 2005. The payroll for employees covered by the optional retirement plan for the years ended August 31, 2006 and 2005 was \$58,044,250 and \$56,471,324, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the District was \$7,696,051 and \$7,437,904 for the fiscal years ended August 31, 2006 and 2005, 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. As of August 31, 2006, the District had one employee participating in the program.

As of August 31, 2005, the District had 18 employees participating in the program, 17 of whom were vested as of August 31, 2005. A total of \$329,346 in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$41,172 and creating a payable to the vested employees of \$921,459.

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 up to 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. At August 31, 2006, the District has recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for \$8,444,145, of which \$5,819,722 was recorded as a current liability and \$2,624,423 was recorded as a non-current liability. As of August 31, 2005, the District had recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for \$8,711,183 of which \$5,476,747 was recorded as a current liability and \$3,234,436 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.

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, 2006 are \$43,702,806.

Pending Lawsuits and Claims—A class-action lawsuit against the District was filed in 1998 that involved constitutional and common law claims brought against the District to recover student services fees and technology fees that were assessed against all District students. The trial court hearing the case decided adversely in November 2000, and a final judgment was entered against the District in the amount of \$15.3 million.

The District appealed the trial court's decision. In August 2002 the Dallas Court of Appeals issued a decision that affirmed in part and reversed in part the trial court's judgment. The net effect of the court of appeals decisions was to reduce the amount of the judgment to approximately \$11.6 million, including pre-judgment and post-judgment interest through September 2002.

A settlement was reached with the District's insurance company in 2001 that was expected to cover the anticipated loss associated with the student services fees portion of the lawsuit. An additional \$9.6 million was accrued in 2002 to cover the remaining portion.

However, the District Board of Trustees approved filing a petition for review with the Texas Supreme Court. The Texas Supreme Court granted the District's petition and scheduled a hearing for January 7, 2004. The final outcome was still pending at August 31, 2004, awaiting the decision of the Texas Supreme Court. At that time an additional \$1,682,923 of interest on the judgement amount was accrued for the year.

On December 2, 2005, the Texas Supreme Court rendered judgment that the class was not entitled to a refund of the technology fees or the increase in the student services fee. Because of the decision, the District reversed its accruals for anticipated losses. As a result \$13.3 million of liabilities were extinguished and the related expenses were reversed, reflected as Extinguishment of Potential Liability and Related Legal Expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

Various other 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 27, 2003 the El Centro College campus experienced major flood damage in one building due to a broken pipe. Damage to the facility and contents was approximately \$4.2 million, which was covered mainly by insurance. Proceeds of \$3,034,903 were received from insurance prior to August 31, 2004, and a receivable was established for the year ended August 31, 2004, for the projected remaining proceeds. The portion of the loss not expected to be covered by insurance was expensed in the year ended August 31, 2003. All expected insurance proceeds from the District's primary carrier were received prior to August 31, 2006. Therefore, there are no remaining receivables associated with the flood.

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS

Included in operating expenses is \$2,020,307 and \$2,001,420 of rent paid during fiscal years 2006 and 2005, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2006 are as follows:

Year Ended	Minimum Future Lease Payments
2007	\$ 1,380,810
2008	1,187,868
2009	1,152,766
2010	691,721
2011	<u>13,412</u>
Total	<u>\$4,426,577</u>

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 awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal year 2006 for which monies have not been received nor funds expended totaled \$23,069,767. Of this amount, \$22,387,939 is from federal contract and grant awards and \$681,828 is from local contract and grant awards. Contract and grant awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal year 2005 for which monies have not been received nor funds expended totaled \$10,688,309. Of this amount, \$10,416,481 is from federal contract and grant awards and \$271,828 is from local contract and grant awards.

13. SELF-INSURED PLANS

Prior to August 31, 1998 the District was self-insured for workers' compensation. The accrued liability for claims incurred but not yet developed under the self-insured plan is approximately \$272,953 and \$276,242 as of August 31, 2006 and 2005, respectively, and is included in the accompanying Statements of Net Assets. The accrued liability balance is based upon third party actuarial information. Future payments for the incurred claims will be paid from the accrued liability.

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 effective September 1, 2002. Accordingly a liability has been recorded as of August 31, 2006 and 2005, respectively, for \$526,951 and \$1,410,625 and is included in accrued liabilities in accompanying Statements of Net Assets.

Self-insurance activity for the years ended August 31, 2005 and 2006 was as follows:

Accrued Claim Liability for the Year Ended August 31	Balance September 1	Additions	Reductions in Liability/ Claims Paid	Balance August 31
2005	\$ 1,480,222	\$ 381,636	\$ (451,233)	\$ 1,410,625
2006	1,410,625	549,800	(1,433,474)	526,951

In the year ended August 31, 2004, the District accrued additional claims of \$1,624,220. At that time, the District estimated that its claims servicer had potentially under-valued claims on record. The District completed its review of the records underlying the plan for the year ended August 31, 2006 and determined that the accrual was previously overstated. Reductions for Claims Paid in the year ended August 31, 2006 includes a \$1 million reduction in estimated losses previously accrued for the years ended August 31, 2004 and 2005. Changes in Accrued Claims Liability is reflected in the District's Operating Expenses.

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, 2006, the state's maximum contribution per full-time employee was \$343.48 per month for the year and totaled \$4,121.76 per employee for the year. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$539.70, \$474.86, and \$671.08 per month, respectively. The cost of providing those benefits for the year was \$3,593,942 for 767 retirees and \$14,793,671 for 2,973 active employees.

The state's maximum contribution per full-time employee for the year ended August 31, 2005 was \$315.56 per month for an annualized cost of \$3,786.72 per employee. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$495.73, \$436.19, and \$616.36 per month respectively. The actual cost of providing those benefits for the year was \$3,229,573 for 739 retirees and \$13,657,364 for 2,950 active employees.

The health insurance expense to the state for the District was \$14,609,769 and \$12,007,741 for the fiscal years ended August 31, 2006 and 2005 respectively. The amounts represent the portion of expended appropriations made by the State Legislature on behalf of the District.

The Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, has been issued and will be effective for the fiscal year ending August 31, 2007. The District has not yet determined the effect on the financial statements for implementation of the new standard.

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, 2006 and 2005 were \$114,957,170 and \$107,927,242, respectively (which includes any penalties and interest assessed, if applicable).

The District is permitted by Texas State law to levy taxes up to \$.16 per \$100 of assessed valuation on real property for general governmental services and \$.50 per \$100 of assessed valuation on real property for the payment of principal and interest on long-term debt. The combined tax rate levied by the District in 2006 and 2005 to finance the operations and maintenance as well as debt service was \$.0816 and \$.0803, respectively, per \$100 of assessed valuation on real property, leaving a tax margin of \$.5784 and \$.5797, respectively, per \$100 of assessed valuation on real and personal property. Approximately \$822,482,876 of additional taxes could be raised per year based on the 2006 assessed value of \$142,199,667,396 for real property before the limit is reached. In 2005 approximately \$782,652,015 of additional taxes could have been raised per year based on the 2005 assessed value of \$135,009,835,189 for real property before the limit would have been reached.

At August 31, 2006 and 2005:

	2006	2005
Assessed valuation of the District	\$173,396,320,770	\$164,428,457,211
Less exemptions	<u>31,196,653,374</u>	<u>29,418,622,022</u>
Net assessed valuation of the District	<u>\$142,199,667,396</u>	<u>\$135,009,835,189</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 - 2006	Current Operations	Debt Service	Total
Current	\$ 102,359,309	\$ 11,066,181	\$ 113,425,490
Delinquent	1,612,003	119,319	1,731,322
Penalties and interest	<u>1,194,141</u>	<u>-</u>	<u>1,194,141</u>
Total collections	<u>\$ 105,165,453</u>	<u>\$ 11,185,500</u>	<u>\$ 116,350,953</u>

Gross Taxes Collected - 2005	Current Operations	Debt Service	Total
Current	\$ 97,087,857	\$ 8,894,258	\$ 105,982,115
Delinquent	1,599,717	238,602	1,838,319
Penalties and interest	<u>1,237,118</u>	<u>-</u>	<u>1,237,118</u>
Total collections	<u>\$ 99,924,692</u>	<u>\$ 9,132,860</u>	<u>\$ 109,057,552</u>

Tax collections for the years ended August 31, 2006 and 2005 were approximately 99% and 98%, respectively, of the current tax levy. 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.

Deferred revenue balances at August 31, 2006 and 2005 are as follows:

	2006	2005
Deferred revenues related to students and other customers	\$ 26,475,968	\$ 23,030,151
Deferred revenues related to grants and contracts	<u>12,461,872</u>	<u>12,503,023</u>
Total deferred revenues	<u>\$ 38,937,840</u>	<u>\$ 35,533,174</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 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, 2006 or 2005.

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 2006	Taxes Forgone in 2005
Cityplace	100%	\$ 246,402	\$ 176,489
Oak Cliff Gateway	100	14,594	11,695
State - Thomas	100	-	41,677
City of Irving	100	-	(5,408)
City of Farmers Branch Mercer Crossing	35	8,996	8,973
City of Farmers Branch Old Farmers Branch	100	827	422
City of Grand Prairie #1	100	14,340	11,580
City of Grand Prairie #2	100	31,180	20,671
City of Grand Prairie #3	100	<u>2,971</u>	<u>779</u>
 Total taxes forgone		 <u>\$ 319,310</u>	 <u>\$ 266,878</u>

21. GENERAL OPERATING REVENUES

General operating revenues of \$1,675,275 and \$1,696,654 for the years ended August 31, 2006 and 2005, 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 \$400,000 of revenue for leased land each year. Income for items such as earned discounts for early payment to vendors represent the smallest amount of revenue at \$2 and \$1,269 for August 31, 2006 and 2005, respectively. Revenue for other categories range between these two extremes.

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 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the Foundation classifies net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - 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** - 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** - Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market funds totaling \$3,636,170 and \$2,168,391 as of August 31, 2006 and 2005, respectively. The Foundation maintains cash and cash equivalents at financial institutions, which at times may not be federally insured or may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such accounts.

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. The carrying amounts of alternative investments are based on the fair value of the underlying funds as provided by the fund managers. 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.; Shamrock Asset Management; Snow Capital Management; and Barrow Henley, Mewhinney and Strauss whereby they manage the Foundation's investments in a manner consistent with the investment goals and policies established by the Board of Directors.

Contributions

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 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, 2006 and 2005.

Contributed Services

The salaries of certain Foundation employees have been donated by the District. The estimated fair value of these contributed services is \$197,386 and \$196,379 for 2006 and 2005, respectively, and has been included in revenues, gains, and other support and management and general expenses in the accompanying financial statements.

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 income of the Foundation, except for unrelated business income, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no unrelated business income during the years ended August 31, 2006 and 2005.

Use of Estimates - The preparation of 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.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Corporate bonds	\$ 3,325,525	\$ 3,452,365	\$ 3,325,525	\$ 3,400,450
Corporate stocks	11,597,331	15,592,313	11,279,560	14,051,357
Alternative investments	<u>3,000,000</u>	<u>3,174,542</u>	<u>3,000,000</u>	<u>3,125,659</u>
	<u>\$17,922,856</u>	<u>\$22,219,220</u>	<u>\$17,605,085</u>	<u>\$20,577,466</u>

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	<u>August 31.</u>	
	<u>2006</u>	<u>2005</u>
Contributions receivable	\$ 8,301,400	\$ 8,126,000
Less unamortized discount ranging from 5.07% to 3.84% at August 31, 2006 and 3.84% at August 31, 2005	<u>(1,200,539)</u>	<u>(1,386,070)</u>
	<u>\$ 7,100,861</u>	<u>\$ 6,739,930</u>

The maturity of contributions receivable as of August 31, 2006 is as follows:

Less than one year	\$1,580,633
One to five years	4,620,767
More than five years	<u>2,100,000</u>
	<u>\$8,301,400</u>

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows:

	<u>August 31.</u>	
	<u>2006</u>	<u>2005</u>
Grants and scholarships	\$5,713,773	\$3,985,174

NOTE E - PERMANENTLY RESTRICTED NET ASSETS

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

	<u>August 31.</u>	
	<u>2006</u>	<u>2005</u>
Grants and scholarships	\$24,027,194	\$22,271,642

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

NOTE F - NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>August 31.</u>	
	<u>2006</u>	<u>2005</u>
Grants and scholarships	\$1,960,019	\$1,443,721

* * * * *

24. SUBSEQUENT EVENT

In order to take advantage of record lows for long-term interest rates, the District's Board of Trustees passed a resolution on December 5, 2006 to establish parameters to refund callable portions of the Series 2001 Revenue Financing System Bonds. (See Note 6 for additional information regarding the original issue of the bonds and outstanding amounts owed at August 31, 2006). The provisions of the resolution include refunding a principal amount of not more than \$30 million, a net present value savings of 3% or more with a positive gross savings, and a maturity of the refunding bonds not to exceed a maturity of 2025. The refunding bonds are expected to be priced during the month of December 2006 with proceeds to be received in January 2007.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE A

SCHEDULE OF OPERATING REVENUES

YEAR ENDED AUGUST 31, 2006 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2006	2005
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 31,711,793	\$ -	\$ 31,711,793	\$ -	\$ 31,711,793	\$ 29,696,068
Out-of-district resident tuition	9,184,558	-	9,184,558	-	9,184,558	7,544,149
Non-resident tuition	7,526,499	-	7,526,499	-	7,526,499	6,178,481
TPEG—credit (set aside) *	2,520,896	-	2,520,896	-	2,520,896	2,342,104
State-funded continuing education	9,211,718	-	9,211,718	-	9,211,718	9,318,784
TPEG—non-credit (set aside) *	586,751	-	586,751	-	586,751	591,871
Non-state funded educational programs	3,163,930	-	3,163,930	-	3,163,930	3,301,583
Total tuition	63,906,145	-	63,906,145	-	63,906,145	58,973,040
Charges:						
Distance learning charges	159,319	-	159,319	-	159,319	223,748
Installment plan charges	499,446	-	499,446	-	499,446	435,848
Prior year tuition and charges	2,194	-	2,194	-	2,194	1,869
Total charges	660,959	-	660,959	-	660,959	661,465
Scholarship allowances and discounts:						
Remissions and exemptions—state	(755,792)	-	(755,792)	-	(755,792)	(454,999)
Remissions and exemptions—local	(2,332,235)	-	(2,332,235)	-	(2,332,235)	(1,409,492)
Title IV federal grants	(10,166,734)	-	(10,166,734)	-	(10,166,734)	(9,110,137)
Other federal grants	(3,110,522)	-	(3,110,522)	-	(3,110,522)	(1,876,802)
TPEG awards	(1,361,874)	-	(1,361,874)	-	(1,361,874)	(1,274,724)
Other state grants	(70,025)	-	(70,025)	-	(70,025)	(866,285)
Rising Star program	(598,592)	-	(598,592)	-	(598,592)	(500,435)
Other local grants	(4,423)	-	(4,423)	-	(4,423)	(145)
Total scholarship allowances	(18,400,197)	-	(18,400,197)	-	(18,400,197)	(15,493,019)
Total net tuition and charges	46,166,907	-	46,166,907	-	46,166,907	44,141,486
Additional operating revenues:						
Federal grants and contracts	1,306,372	49,460,399	50,766,771	30,436	50,797,207	49,367,191
State grants and contracts	127,597	1,119,133	1,246,730	6,459	1,253,189	1,751,990
Non-governmental grants and contracts	2,038	3,659,757	3,661,795	-	3,661,795	4,618,905
Sales and services of educational activities	480,644	-	480,644	-	480,644	542,547
General operating revenues	1,675,275	-	1,675,275	-	1,675,275	1,696,654
Total additional operating revenues	3,591,926	54,239,289	57,831,215	36,895	57,868,110	57,977,287
Auxiliary Enterprises:						
Bookstore**	-	-	-	1,689,279	1,689,279	1,502,039
Food Service	-	-	-	543,873	543,873	601,806
Center for Educational Telecommunications	-	-	-	2,901,564	2,901,564	2,610,102
Business Incubation Center	-	-	-	164,714	164,714	135,303
Universities Center of Dallas	-	-	-	424,930	424,930	439,873
Student Programs	-	-	-	574,430	574,430	445,782
Total net auxiliary enterprises	-	-	-	6,298,790	6,298,790	5,734,905
Total Operating Revenues	\$ 49,758,833	\$ 54,239,289	\$ 103,998,122	\$ 6,335,685	\$ 110,333,807	\$ 107,853,678
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$3,107,647 and \$2,933,975 for years August 31, 2006 and 2005, respectively, of tuition was set aside for Texas Public Education grants (TPEG)

** The bookstore is operated by a third party external to the District. Therefore there are no discounts associated with operating revenues from the bookstore. The revenues relate to commissions from the third party to the District.

DALLAS COMMUNITY COLLEGE DISTRICT

SCHEDULE B

SCHEDULE OF OPERATING EXPENSES BY OBJECT

YEAR ENDED AUGUST 31, 2006 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)

	Operating Expenses			Other Expenses	2006	2005
	Salaries and Wages	Benefits				
		State	Local			
UNRESTRICTED—Educational activities:						
Instruction	\$ 97,088,152	\$ -	\$ 4,243,389	\$ 11,973,284	\$ 113,304,825	\$ 112,947,683
Public service	3,171,311	-	138,607	2,299,213	5,609,131	5,597,301
Academic support	10,700,378	-	467,677	4,239,782	15,407,837	14,889,678
Student services	18,587,380	-	812,390	3,652,105	23,051,875	22,911,433
Institutional support	32,575,671	-	1,423,770	9,396,370	43,395,811	40,601,394
Operation and maintenance of plant	7,208,349	-	315,052	18,563,793	26,087,194	24,609,043
Scholarships and fellowships	-	-	-	-	-	-
Total unrestricted educational activities	<u>169,331,241</u>	<u>-</u>	<u>7,400,885</u>	<u>50,124,547</u>	<u>226,856,673</u>	<u>221,556,532</u>
RESTRICTED—Educational activities:						
Instruction	1,278,387	12,789,317	211,972	4,103,922	18,383,598	17,767,353
Public service	1,283,189	417,753	234,482	3,199,719	5,135,143	5,237,177
Academic support	349,745	1,409,549	58,169	-	1,817,463	1,696,838
Student services	2,352,956	2,448,495	423,087	1,225,657	6,450,195	6,198,938
Institutional support	1,640,089	4,291,158	263,885	1,394,247	7,589,379	6,447,580
Operation and maintenance of plant	-	949,548	-	-	949,548	834,666
Scholarships and fellowships	-	-	-	26,396,060	26,396,060	26,344,145
Total restricted educational activities	<u>6,904,366</u>	<u>22,305,820</u>	<u>1,191,595</u>	<u>36,319,605</u>	<u>66,721,386</u>	<u>64,526,697</u>
TOTAL EDUCATIONAL ACTIVITIES	176,235,607	22,305,820	8,592,480	86,444,152	293,578,059	286,083,229
AUXILIARY ENTERPRISES	4,291,467	-	818,268	5,176,692	10,286,427	9,965,555
DEPRECIATION EXPENSE—Buildings and other real estate improvements	-	-	-	10,711,183	10,711,183	7,290,029
DEPRECIATION EXPENSE—Equipment and furniture	-	-	-	3,752,464	3,752,464	4,053,294
TOTAL OPERATING EXPENSES	<u>\$ 180,527,074</u>	<u>\$22,305,820</u>	<u>\$ 9,410,748</u>	<u>\$106,084,491</u>	<u>\$ 318,328,133</u> (Exhibit 2)	<u>\$ 307,392,107</u> (Exhibit 2)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 YEAR ENDED AUGUST 31, 2006 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)

	Unrestricted	Restricted	Auxiliary Enterprises	2006	2005
NON-OPERATING REVENUES:					
State Appropriations:					
Education and general state support	\$ 84,752,748	\$ -	\$ -	\$ 84,752,748	\$ 83,052,590
State group insurance	-	14,609,769	-	14,609,769	12,007,741
State retirement matching	-	7,696,051	-	7,696,051	7,437,904
Nursing growth	-	-	-	-	23,105
SBDC state match	-	982,847	-	982,847	726,683
Total state appropriations	<u>\$ 84,752,748</u>	<u>\$ 23,288,667</u>	<u>\$ -</u>	<u>\$ 108,041,415</u>	<u>\$ 103,248,023</u>
Maintenance ad valorem taxes	113,768,873	-	-	113,768,873	106,596,307
Gifts	121,934	-	-	121,934	137,643
Investment income	8,137,004	-	552,237	8,689,241	5,501,142
Other non-operating revenue	174,799	-	13	174,812	873,826
Total non-operating revenues	<u>206,955,358</u>	<u>23,288,667</u>	<u>552,250</u>	<u>230,796,275</u>	<u>216,356,941</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	4,145,949	-	-	4,145,949	4,538,314
Loss on disposal of capital assets	145,484	-	-	145,484	122,223
Extinguishment of potential liability and related legal expenses	-	-	-	-	(13,270,961)
Other non-operating expenses	264,653	-	-	264,653	1,145,954
Total non-operating expenses	<u>4,556,086</u>	<u>-</u>	<u>-</u>	<u>4,556,086</u>	<u>(7,464,470)</u>
NET NON-OPERATING REVENUES	<u>202,399,272</u>	<u>23,288,667</u>	<u>552,250</u>	<u>226,240,189</u> (Exhibit 2)	<u>223,821,411</u> (Exhibit 2)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY

YEAR ENDED AUGUST 31, 2006 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 102,286,089	\$ -	\$ -	\$ -	\$ 102,286,089	\$ 102,286,089	\$ -
Auxiliary enterprises	16,878,918	-	-	-	16,878,918	16,878,918	-
Restricted	-	-	-	-	-	-	-
Loan	130,933	-	-	-	130,933	-	130,933
Endowment:							
Quasi—unrestricted, designated	5,257,828	-	-	-	5,257,828	-	5,257,828
Plant:							
Unexpended	3,430,628	3,462,495	-	-	6,893,123	-	6,893,123
Debt service	-	13,319,863	-	-	13,319,863	-	13,319,863
Investment in plant	-	-	-	238,726,662	238,726,662	-	238,726,662
TOTAL NET ASSETS— August 31, 2006	127,984,396	16,782,358	-	238,726,662	383,493,416 (Exhibit 1)	119,165,007	264,328,409
TOTAL NET ASSETS— August 31, 2005	104,146,545	29,999,412	-	231,101,596	365,247,553 (Exhibit 1)	106,076,711	259,170,842
NET INCREASE (DECREASE) IN NET ASSETS	\$ 23,837,851	\$(13,217,054)	\$ -	\$ 7,625,066	\$ 18,245,863 (Exhibit 2)	\$ 13,088,296	\$ 5,157,567

STATISTICAL SECTION

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

Dallas County Community College District
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2002 to 2006
(unaudited)
(amounts expressed in thousands)

	For the Year Ended August 31,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	238,727	231,102	236,129	210,803	183,972
Restricted - expendable	16,782	29,999	11,536	6,487	10,044
Unrestricted	127,984	104,147	93,299	111,202	139,390
Total net assets	<u>383,493</u>	<u>365,248</u>	<u>340,964</u>	<u>328,492</u>	<u>333,406</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Dallas County Community College District
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2006
(unaudited)

	For the Year Ended August 31,				
	(amounts expressed in thousands)				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tuition and charges (net of discounts)	\$ 46,167	\$ 44,141	\$ 42,747	\$ 39,771	\$ 43,608
Federal grants and contracts	50,797	49,367	45,264	40,719	34,837
State grants and contracts	1,253	1,752	2,637	4,658	3,495
Non-governmental grants and contracts	3,662	4,619	5,169	4,133	2,522
Sales and services of educational activities	481	543	545	447	498
Auxiliary enterprises	6,299	5,735	6,592	6,976	6,970
General operating revenues	1,675	1,697	1,133	1,177	1,007
Total Operating Revenues	<u>110,334</u>	<u>107,854</u>	<u>104,087</u>	<u>97,881</u>	<u>92,937</u>
State appropriations	108,041	103,248	101,689	100,624	105,377
Maintenance ad valorem taxes	113,769	106,596	100,559	76,922	76,327
Gifts	122	138	317	723	280
Investment income	8,689	5,501	3,640	3,073	9,546
Gain on sale of investment	-	-	85	78	-
Contributions in aid of construction	-	-	-	496	-
Other non-operating revenue	175	874	182	52	71
Total Nonoperating Revenues	<u>230,796</u>	<u>216,357</u>	<u>206,472</u>	<u>181,968</u>	<u>191,601</u>
Total Revenues	<u>\$ 341,130</u>	<u>\$ 324,211</u>	<u>\$ 310,559</u>	<u>\$ 279,849</u>	<u>\$ 284,538</u>

	For the Year Ended August 31,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tuition and charges (net of discounts)	13.53%	13.62%	13.76%	14.21%	15.33%
Federal grants and contracts	14.89%	15.23%	14.58%	14.55%	12.24%
State grants and contracts	0.37%	0.54%	0.85%	1.67%	1.23%
Non-governmental grants and contracts	1.07%	1.42%	1.66%	1.48%	0.89%
Sales and services of educational activities	0.14%	0.17%	0.18%	0.16%	0.17%
Auxiliary enterprises	1.85%	1.77%	2.12%	2.49%	2.45%
General operating revenues	0.49%	0.52%	0.37%	0.42%	0.35%
Total Operating Revenues	<u>32.34%</u>	<u>33.27%</u>	<u>33.52%</u>	<u>34.98%</u>	<u>32.66%</u>
State appropriations	31.67%	31.84%	32.74%	35.95%	37.03%
Maintenance ad valorem taxes	33.35%	32.88%	32.38%	27.48%	26.83%
Gifts	0.04%	0.04%	0.10%	0.26%	0.10%
Investment income	2.55%	1.70%	1.17%	1.10%	3.35%
Gain on sale of investment	0.00%	0.00%	0.03%	0.03%	0.00%
Contributions in aid of construction	0.00%	0.00%	0.00%	0.18%	0.00%
Other non-operating revenue	0.05%	0.27%	0.06%	0.02%	0.03%
Total Nonoperating Revenues	<u>67.66%</u>	<u>66.73%</u>	<u>66.48%</u>	<u>65.02%</u>	<u>67.34%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Dallas County Community College District
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2006
(unaudited)

	For the Year Ended August 31,				
	(amounts expressed in thousands)				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Instruction	\$ 131,688	\$ 130,715	\$ 126,134	\$ 121,450	\$ 118,222
Public service	10,744	10,834	9,717	9,954	9,685
Academic support	17,225	16,587	15,124	14,824	14,942
Student services	29,502	29,110	27,952	26,635	24,982
Institutional support	50,985	47,049	46,290	43,391	44,268
Operation and maintenance of plant	27,037	25,444	22,783	21,087	19,736
Scholarships and fellowships	26,396	26,344	25,784	25,012	21,875
Auxiliary enterprises	10,286	9,966	10,309	10,447	10,207
Depreciation	14,464	11,343	10,211	10,639	9,489
Total Operating Expenses	<u>318,327</u>	<u>307,392</u>	<u>294,304</u>	<u>283,439</u>	<u>273,406</u>
Interest on capital debt	4,146	4,538	1,905	735	1,967
Loss on disposal of capital assets	145	122	156	134	1,882
Accrual (reversal) for legal expenses	-	(13,271)	1,683	-	9,588
Other non-operating expense	265	1,146	39	454	38
Total Nonoperating Expenses	<u>4,556</u>	<u>(7,465)</u>	<u>3,783</u>	<u>1,323</u>	<u>13,475</u>
Total Expenses	<u>\$ 322,883</u>	<u>\$ 299,927</u>	<u>\$ 298,087</u>	<u>\$ 284,762</u>	<u>\$ 286,881</u>

	For the Year Ended August 31,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Instruction	40.78%	43.58%	42.31%	42.65%	41.21%
Public service	3.33%	3.61%	3.26%	3.50%	3.37%
Academic support	5.33%	5.53%	5.07%	5.21%	5.21%
Student services	9.14%	9.72%	9.38%	9.35%	8.71%
Institutional support	15.79%	15.69%	15.53%	15.24%	15.43%
Operation and maintenance of plant	8.37%	8.48%	7.64%	7.40%	6.88%
Scholarships and fellowships	8.18%	8.78%	8.65%	8.78%	7.62%
Auxiliary enterprises	3.19%	3.32%	3.46%	3.67%	3.56%
Depreciation	4.48%	3.78%	3.43%	3.74%	3.31%
Total Operating Expenses	<u>98.59%</u>	<u>102.49%</u>	<u>98.73%</u>	<u>99.54%</u>	<u>95.30%</u>
Interest on capital debt	1.28%	1.51%	0.64%	0.25%	0.69%
Loss on disposal of capital assets	0.05%	0.04%	0.05%	0.05%	0.66%
Accrual for legal expense	0.00%	-4.42%	0.57%	0.00%	3.34%
Other non-operating expense	0.08%	0.38%	0.01%	0.16%	0.01%
Total Nonoperating Expenses	<u>1.41%</u>	<u>-2.49%</u>	<u>1.27%</u>	<u>0.46%</u>	<u>4.70%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

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)							Increase from Prior Year In-District	Increase from Prior Year Out-of-District
	In-District Tuition	Out-of-District Tuition	Registration Fee	Technology Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District		
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	11.03%	5.95%
2000-01	23	43	5	-	-	281	521	0.00%	0.00%
1999-00	21	41	5	10	-	281	521	6.04%	14.51%
1998-99	18	37	5	10	10	265	455	0.00%	0.00%
1997-98	18	37	5	10	10	265	455	5.58%	3.17%
1996-97	18	37	5	10	10	251	441	0.00%	0.00%

Academic Year (Fall)	Non-Resident Fees per Semester Credit Hour (SCH)							Increase from Prior Year Out-of-State	Increase from Prior Year International
	Non-Resident Tuition Out-of-State	Non-Resident Tuition International	Registration Fee	Technology Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International		
2005-06	\$ 96	\$ 96	\$ -	\$ -	\$ -	\$ 1,152	\$ 1,152	20.00%	20.00%
2004-05	80	80	-	-	-	960	960	0.00%	0.00%
2003-04	80	80	-	-	-	960	960	5.26%	5.26%
2002-03	76	76	-	-	-	912	912	0.00%	0.00%
2001-02	76	76	-	-	-	912	912	3.52%	3.52%
2000-01	73	73	5	-	-	881	881	0.00%	0.00%
1999-00	71	71	5	10	-	881	881	2.80%	2.80%
1998-99	67	67	5	10	10	857	857	0.00%	0.00%
1997-98	67	67	5	10	10	857	857	1.66%	1.66%
1996-97	67	67	5	10	10	843	843	0.00%	0.00%

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.

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)
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
2000-01	139,771,154	21,729,048	118,042,106	84.45%	0.05000	0.00000	\$ 0.05000
1999-00	129,424,544	20,022,309	109,402,235	84.53%	0.05000	0.00000	\$ 0.05000
1998-99	117,946,970	17,577,538	100,369,432	85.10%	0.05000	0.00000	\$ 0.05000
1997-98	107,875,664	16,040,225	91,835,439	85.13%	0.05000	0.00000	\$ 0.05000
1996-97	101,489,275	16,820,710	84,668,565	83.43%	0.05210	0.00000	\$ 0.05210

Source: Dallas County Appraisal District
Notes: Property is assessed at full market value
(a) per \$100 Taxable Assessed Valuation

Dallas County Community College District
 Statistical Supplement 6
 State Appropriations per FTSE and Contact hour
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation (in thousands)	FTSE	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
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
2000-01	78,509	35,974	2,182	13,503	9,405	22,908	3.43
1999-00	76,498	34,267	2,232	12,888	8,491	21,379	3.58
1998-99	72,064	32,765	2,199	12,594	8,332	20,926	3.44
1997-98	69,300	31,144	2,225	11,760	7,513	19,273	3.60
1996-97	61,719	31,929	1,933	12,086	8,179	20,265	3.05

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 7
 Principal Taxpayers
 Last Ten Tax Years
 (unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Southwestern Bell/Cingular	Telephone Utility	1,702,249	1,590,414	1,505,448	1,605,116	1,631,836	1,593,285	1,280,131	1,177,566	1,357,967	1,242,626
Texas Utilities	Electric Utility	1,381,599	1,322,938	1,376,066	1,315,833	1,293,507	1,388,807	1,156,027	1,072,126	1,049,026	1,083,954
Raytheon/Texas Instruments	Manufacturing	1,056,013	1,164,396	1,272,884	1,438,159	1,465,722	1,765,643	1,422,511	1,266,827	1,430,912	1,421,230
Crescent Real Estate	Real Estate Development	773,627	781,402	793,480	869,249	991,604	1,080,569	1,142,586	1,197,750	1,090,132	759,632
Verizon/GTE	Telephone Utility	527,007	549,021	536,833	535,798	762,900	380,788	263,142	263,142	629,763	541,463
Southwest Airlines	Airline	512,039	537,242	476,922	510,029	500,357	565,343	544,714	502,927	466,179	453,908
Wal-Mart	Retail	485,283	471,872	431,497	326,838	-	-	-	-	-	-
Teachers Insurance	Insurance	368,709	-	-	-	-	-	-	-	-	-
Trammell Crow/Anatole	Real Estate Development	367,490	323,381	324,764	366,411	393,304	361,937	-	-	-	-
Trizec Renaissance	Real Estate Development	366,948	-	-	-	-	-	-	-	-	-
Post Apartment Homes LP/ Columbus Realty Trust	Real Estate Development	-	276,921	-	-	-	390,442	371,127	341,706	304,530	272,228
Exxon/Mobil	Oil & Gas Exploration	-	262,664	273,239	275,688	-	-	-	-	-	-
AT&T	Telephone Utility	-	-	270,849	-	351,490	-	-	-	-	-
Metropolitan	Insurance	-	-	-	-	289,976	271,943	-	268,136	348,637	368,398
MCI	Telephone Utility	-	-	-	-	266,498	341,555	322,265	-	-	238,847
Vought/Loral/Grumman	Aerospace Manufacturing	-	-	-	182,856	-	-	-	-	237,476	286,650
Dallas Main LP	Real Estate Development	-	-	-	-	-	-	277,303	320,187	238,260	-
IBM Credit Corp.	Finance	-	-	-	-	-	-	289,499	-	-	-
Totals		\$ 7,540,964	\$ 7,280,251	\$ 7,261,982	\$ 7,425,977	\$ 7,947,194	\$ 8,140,312	\$ 7,069,305	\$ 6,647,843	\$ 7,202,056	\$ 6,655,316
Total Taxable Assessed Value		\$ 142,199,667	\$ 135,009,835	\$ 133,011,663	\$ 131,837,374	\$ 127,941,747	\$ 118,042,106	\$ 109,402,235	\$ 100,369,432	\$ 91,835,439	\$ 84,668,565

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Southwestern Bell/Cingular	Telephone Utility	1.20%	1.18%	1.13%	1.22%	1.27%	1.35%	1.17%	1.17%	1.48%	1.47%
Texas Utilities	Electric Utility	0.97%	0.98%	1.04%	1.00%	1.01%	1.18%	1.06%	1.07%	1.14%	1.28%
Raytheon/Texas Instruments	Manufacturing	0.74%	0.86%	0.96%	1.09%	1.15%	1.50%	1.30%	1.26%	1.56%	1.68%
Crescent Real Estate	Real Estate Development	0.54%	0.58%	0.60%	0.66%	0.77%	0.91%	1.04%	1.19%	1.19%	0.90%
Verizon/GTE	Telephone Utility	0.37%	0.41%	0.40%	0.40%	0.60%	0.32%	0.24%	0.26%	0.68%	0.64%
Southwest Airlines	Airline	0.36%	0.40%	0.36%	0.38%	0.39%	0.48%	0.50%	0.50%	0.51%	0.54%
Wal-Mart	Retail	0.34%	0.35%	0.32%	0.25%	-	-	-	-	-	-
Teachers Insurance	Insurance	0.26%	-	-	-	-	-	-	-	-	-
Trammell Crow/Anatole	Real Estate Development	0.26%	0.24%	0.24%	0.28%	0.31%	0.31%	-	-	-	-
Trizec Renaissance	Real Estate Development	0.26%	-	-	-	-	-	-	-	-	-
Post Apartment Homes LP/ Columbus Realty Trust	Real Estate Development	-	0.20%	-	-	-	0.33%	0.34%	0.34%	0.33%	0.32%
Exxon/Mobil	Oil & Gas Exploration	-	0.19%	0.21%	0.21%	-	-	-	-	-	-
AT&T	Telephone Utility	-	-	0.20%	-	0.27%	-	-	-	-	-
Metropolitan	Insurance	-	-	-	-	0.23%	0.23%	-	0.27%	0.38%	0.43%
MCI	Telephone Utility	-	-	-	-	0.21%	0.29%	0.29%	-	-	0.28%
Vought/Loral/Grumman	Aerospace Manufacturing	-	-	-	0.14%	-	-	-	0.24%	0.31%	0.32%
Dallas Main LP	Real Estate Development	-	-	-	-	-	-	0.25%	0.32%	0.26%	-
IBM Credit Corp.	Finance	-	-	-	-	-	-	0.27%	-	-	-
Totals		5.30%	5.39%	5.46%	5.63%	6.21%	6.90%	6.46%	6.62%	7.84%	7.86%

Source:
 Dallas Central Appraisal District

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
2006	\$ 114,957	\$ 1,298	\$ 116,255	\$ 113,740	97.84%	\$ -	\$ -	\$ 113,740	97.84%
2005	107,927	170	108,097	106,249	98.29%	-	938	107,187	99.16%
2004	103,074	(325)	102,749	100,788	98.09%	1,019	201	102,008	99.28%
2003	79,860	(1,164)	78,696	77,110	97.98%	1,018	79	78,207	99.38%
2002	76,722	(375)	76,347	75,018	98.26%	936	49	76,003	99.55%
2001	58,701	94	58,795	57,858	98.41%	640	26	58,524	99.54%
2000	54,679	(152)	54,527	53,740	98.56%	601	17	54,358	99.69%
1999	50,166	*	50,166	*	0.00%	*	*	*	0.00%
1998	45,877	*	45,877	*	0.00%	*	*	*	0.00%
1997	44,062	*	44,062	*	0.00%	*	*	*	0.00%

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.

* Information is unavailable

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

	For the Year Ended August 31 (amounts expressed in thousands)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Bonded Debt										
General obligation bonds	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 45,795	\$ 49,975	\$ 53,955	\$ 57,755	\$ 61,390	\$ 63,860	\$ 25,920	\$ 29,025	\$ 31,995	\$ 36,635
Tax notes	35,130	39,560	43,125	9,850	-	-	-	-	-	-
Notes	445	630	806	975	1,137	-	-	-	-	-
Total outstanding debt	\$ 146,620	\$ 157,540	\$ 97,886	\$ 68,580	\$ 62,527	\$ 63,860	\$ 25,920	\$ 29,025	\$ 31,995	\$ 36,635
General Bonded Debt Ratios										
Per Capita	\$ 27.38	\$ 29.22	-	-	-	-	-	-	-	-
Per FTSE	1,567	1,569	-	-	-	-	-	-	-	-
As a percentage of Taxable Assessed Value	0.05%	0.05%	-	-	-	-	-	-	-	-
Total Outstanding Debt Ratios										
Per Capita	\$ 61.53	\$ 68.33	\$ 42.72	\$ 30.06	\$ 27.51	\$ 28.23	\$ 11.65	\$ 13.21	\$ 14.79	\$ 17.29
Per FTSE	3,520	3,669	2,316	1,652	1,541	1,775	756	976	1,027	1,147
As a percentage of Taxable Assessed Value	0.10%	0.12%	0.07%	0.05%	0.05%	0.05%	0.02%	0.03%	0.03%	0.04%

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)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Taxable Assessed Value	\$ 142,199,667	\$ 135,009,835	\$ 133,011,663	\$ 131,837,374	\$ 127,941,747	\$ 118,042,106	\$ 109,402,235	\$ 100,369,432	\$ 91,835,439	\$ 84,668,565
General Bonded Debt										
Statutory Tax Levy Limit for Debt Service	\$ 710,998	\$ 675,049	\$ 665,058	\$ 659,187	\$ 639,709	\$ 590,211	\$ 547,011	\$ 501,847	\$ 459,177	\$ 423,343
Less: Funds Restricted for Payment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	710,998	675,049	665,058	659,187	639,709	590,211	547,011	501,847	459,177	423,343
Current Year Debt Service Requirements	5,301	3,208	-	-	-	-	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 705,697	\$ 671,841	\$ 665,058	\$ 659,187	\$ 639,709	\$ 590,211	\$ 547,011	\$ 501,847	\$ 459,177	\$ 423,343
Net Current Requirements as a % of Statutory Limit	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	Course Fees	Other Class Fees	Bookstore Commissions	Food Service Commissions	Lease Revenues	Interest Income	Total	Principal	Interest	Total	
2006	\$ 15,033	\$ -	\$ 661	\$ 1,689	\$ 544	\$ 400	\$ 5,429	\$ 23,756	\$ 4,180	\$ 2,328	\$ 6,508	3.65
2005	14,899	-	662	1,502	602	400	4,104	22,169	3,980	2,417	6,397	3.47
2004	15,091	-	801	1,568	634	400	3,809	22,303	3,800	2,487	6,287	3.55
2003	15,044	-	553	1,492	620	400	4,729	22,838	3,635	2,613	6,248	3.66
2002	15,483	-	466	1,339	547	400	4,919	23,154	2,470	3,809	6,279	3.69
2001	16,551	1,489	1,144	1,229	614	400	5,698	27,125	2,060	1,112	3,172	8.55
2000	14,268	2,274	988	1,201	509	400	5,178	24,818	3,105	1,097	4,202	5.91
1999	1,615	3,437	959	1,170	569	400	4,338	12,488	2,970	1,197	4,167	3.00
1998	1,360	3,147	577	913	648	400	5,331	12,376	2,435	1,770	4,205	2.94
1997	1,641	3,079	570	879	652	400	3,831	11,052	2,295	1,937	4,232	2.61

Source: District Business Affairs

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
2006	2,383,300	*	*	5.5%
2005	2,305,454	*	*	5.6%
2004	2,291,071	88,450,084	38,606	6.7%
2003	2,281,411	84,040,368	36,837	7.8%
2002	2,273,205	82,983,080	36,505	7.7%
2001	2,262,154	82,271,558	36,369	6.1%
2000	2,225,439	80,217,322	36,046	4.2%
1999	2,197,658	71,648,038	32,602	*
1998	2,163,082	68,574,854	31,702	*
1997	2,118,835	62,908,268	29,690	*

Source: Population from U. S. Bureau of the Census
Personal Income from U. S. Bureau of Economic Analysis
Unemployment rate from Texas Workforce Commission
Real Estate Center, Texas A&M University

* Information is unavailable

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

Employer	Number of Employees	Percentage of Total Employment
AMR Corporation	28,000	1.04%
Wal-Mart Stores, Inc.	23,000	0.85%
Dallas Independent School District	19,691	0.73%
Texas Health Resources	17,000	0.63%
Lockheed Martin Aeronautics Co.	16,442	0.61%
Baylor Health Resources	15,000	0.56%
SBC Communications Inc.	14,000	0.52%
Verizon Communications Inc.	12,500	0.46%
Albertson's Inc.	11,200	0.42%
Texas Instruments Inc.	10,600	0.39%
Total	167,433	6.21%

Source:
Greater Dallas Chamber of Commerce

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

The year shown is the most recent available.

Dallas County Community College District
Statistical Supplement 14
Faculty, Staff and Administrative Statistics
Fiscal Years 1999 to 2006
(unaudited)

	Fiscal Year							
	2006	2005	2004	2003	2002	2001	2000	1999
Faculty								
Full-Time	725	736	719	678	646	631	617	598
Part-Time	2,608	2,855	2,557	2,272	2,347	2,086	2,093	2,075
Total	3,333	3,591	3,276	2,950	2,993	2,717	2,710	2,673
Percent								
Full-Time	21.8%	20.5%	21.9%	23.0%	21.6%	23.2%	22.8%	22.4%
Part-Time	78.2%	79.5%	78.1%	77.0%	78.4%	76.8%	77.2%	77.6%
Staff and Administrators								
Full-Time	2,177	2,174	2,147	2,014	2,010	1,916	1,759	1,614
Part-Time	1,449	1,736	2,155	1,780	1,804	1,508	1,265	1,377
Total	3,626	3,910	4,302	3,794	3,814	3,424	3,024	2,991
Percent								
Full-Time	60.0%	55.6%	49.9%	53.1%	52.7%	56.0%	58.2%	54.0%
Part-Time	40.0%	44.4%	50.1%	46.9%	47.3%	44.0%	41.8%	46.0%
FTSE per Full-time Faculty	57.4	58.3	58.8	61.2	62.8	57.0	55.5	54.8
FTSE per Full-time Staff Member	19.1	19.7	19.7	20.6	20.2	18.8	19.5	20.3
Average Annual Faculty Salary	\$ 71,042	\$ 68,366	\$ 66,195	\$ 65,636	\$ 66,859	\$ 64,483	\$ 62,108	\$ 61,975

Note:

Due to a change in computer accounting software, only fiscal years 1999-2006 are available.

Source: District Business Affairs

Dallas County Community College District
Statistical Supplement 17
Transfers to Senior Institutions
2001 Fall Students as of Fall 2002
(Includes only public senior colleges in Texas)
(unaudited)

	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 - Dallas	1234	813	48	2,095	19.13%
2 University of North Texas	1084	794	33	1,911	17.45%
3 University of Texas - Arlington	1032	768	33	1,833	16.74%
4 Texas A&M University - College Station	636	328	0	964	8.80%
5 University of Texas - Austin	563	308	2	873	7.97%
6 Texas Woman's University	390	371	16	777	7.10%
7 Texas A&M University - Commerce	325	282	14	621	5.67%
8 Texas Tech University	354	163	4	521	4.76%
9 Southwest Texas State University	162	78	1	241	2.20%
10 Stephen F. Austin State University	133	81	1	215	1.96%
11 Prairie View A&M University	69	98	1	168	1.53%
12 University of Houston - University Park	95	54	1	150	1.37%
13 Midwestern State University	43	37	3	83	0.76%
14 University of Texas Southwestern Medical Center - Dallas	39	38	0	77	0.70%
15 Sam Houston State University	41	32	1	74	0.68%
16 Texas Southern University	28	44	1	73	0.67%
17 Tarleton State University	29	20	0	49	0.45%
18 Texas A&M University - Corpus Christi	17	12	0	29	0.26%
19 University of Texas - San Antonio	11	16	0	27	0.25%
20 Texas A&M University - Galveston	9	10	0	19	0.17%
21 University of Texas - Tyler	10	9	0	19	0.17%
22 Angelo State University	10	6	0	16	0.15%
23 West Texas A&M University	10	6	0	16	0.15%
24 Texas A&M University System Health Science Center	10	6	0	16	0.15%
25 University of Texas - Pan American	8	4	0	12	0.11%
26 Lamar University Institute of Technology	6	4	0	10	0.09%
27 University of North Texas Health Science Center - Forth Worth	3	7	0	10	0.09%
28 University of Houston - Downtown	4	4	0	8	0.07%
29 Texas A&M University - Kingsville	5	2	0	7	0.06%
30 University of Texas - El Paso	3	3	0	6	0.05%
31 Texas Tech University Health Science Center	5	1	0	6	0.05%
32 University of Texas Health Science Center - San Antonio	2	4	0	6	0.05%
33 University of Texas Medial Branch Galveston	2	3	0	5	0.05%
34 Sul Ross State University	1	2	0	3	0.03%
35 University of Houston - Clear Lake	3	0	0	3	0.03%
36 University of Houston - Victoria	0	3	0	3	0.03%
37 University of Texas Health Science Center - Houston	1	2	0	3	0.03%
38 Texas A&M University -Texarkana	0	1	0	1	0.01%
39 University of Texas - Permian Basin	0	1	0	1	0.01%
Totals	6,377	4,415	159	10,951	100.00%

Source:

THECB "Students Pursuing Additional Education" report for Academic Year 2001-02

Note: The year shown is the most recent available.

**Dallas County Community College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2004 to 2006
(unaudited)**

	Fiscal Year		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Academic buildings	67	67	65
Square footage	2,918,794	2,918,794	2,780,423
Libraries	2	2	2
Square footage	222,765	222,765	222,765
Number of volumes	529,952	504,977	428,815
Administrative and support buildings	7	7	7
Square footage	242,832	242,832	242,832
Dining Facilities	-	-	-
Square footage	60,069	60,069	60,069
Athletic Facilities	6	6	6
Square footage	177,050	177,050	177,050
Athletic fields	42	42	42
Gymnasiums	8	8	8
Fitness centers	10	10	10
Tennis courts	36	36	36
Plant facilities	3	3	3
Square footage	81,332	81,332	81,332
Transportation			
Cars	24	23	22
Light trucks/vans	80	75	70
Buses	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

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

OMB CIRCULAR A-133

SUPPLEMENTAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2006

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**Report of Independent Certified Public Accountants on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Dallas County Community College District

We have audited the basic financial statements of Dallas County Community College District (the “District”) as of and for the year ended August 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we express no such opinion. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

Texas Public Funds Investment Act

We also performed tests of the District’s compliance with the requirements of the Texas Public Funds Investment Act (the “Act”). The results of our tests disclosed no instances of non-compliance with 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.

We noted certain matters that we have reported to management of the District in a separate letter dated November 29, 2006.

This report is intended solely for the information and use of the board of trustees, audit committee, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GRANT THORNTON LLP

Dallas, Texas
November 29, 2006

**Report of Independent Certified Public Accountants on Compliance
with Requirements Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Trustees
Dallas County Community College District

Compliance

We have audited the compliance of Dallas County Community College District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that are applicable to each of its major federal and state programs for the year ended August 31, 2006. 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 as established by the American Institute of Certified Public Accountants; 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, OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2006. 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 which are described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2, 2006-3 and 2006-4.

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and not to provide an opinion on the internal control over compliance. Accordingly, we express no such opinion.

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

This report is intended solely for the information and use of the board of trustees, audit committee, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GRANT THORNTON LLP

Dallas, Texas
November 29, 2006

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2006**

Federal Grantor/Pass-Through Grantor Program Name	<u>CFDA</u>	<u>Grant #</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Supplemental Educational Opportunity Grant	84.007 (1)		\$ 1,640,926
Strengthening Institutions - Title III	84.031A		361,828
Strengthening Institutions - Title V	84.031S		1,434,537
College Work Study Program	84.033 (1)	\$1,098,629	
Job Locator Development	84.033 (1)	<u>41,143</u>	1,139,772
TRIO	84.042A (2)		1,973,714
Talent Search	84.044A (2)		183,425
Upward Bound	84.047A (2)		1,289,169
PELL	84.063 (1)		31,472,486
FIPSE	84.116B		31,965
Fulbright-Hays Group Projects Abroad Program	84.021A		28,000
Child Care Access	84.335A		37,511
Early Childhood Educator Professional Development	84.349A		52,948
Katrina Relief Funds	84.938E		<u>277,912</u>
Total Direct from U. S. Department of Education			39,924,193
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048		2,710,760
The Leveraging Educational Assistance Partnership	84.151	47,221	
The Special Leveraging Educational Assistance Partnership	84.151	<u>75,240</u>	122,461
TECH PREP	84.243		<u>710,235</u>
Total Pass Through From Texas Higher Education Coordinating Board			<u>3,543,456</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			43,467,649
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through From:			
Texas Health and Human Services Commission			
Child and Adult Food Program	10.558	UCN75N3055	<u>25,639</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			25,639
U. S. DEPARTMENT OF COMMERCE			
Direct Programs:			
Malcolm Baldrige Nat'l Quality Award Outreach Activities	11.609	60NANB6D6008	<u>90,099</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			90,099

(1) Clustered Student Financial Aid Programs

(2) Clustered TRIO Programs

See notes to Schedules of Expenditures of Federal and State Awards

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2006**

Federal Grantor/Pass-Through Grantor Program Name	CFDA	Grant #	Expenditures	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
COPS	16.710	2003UMWX0140	37,600	<u>37,600</u>
TOTAL U. S. DEPARTMENT OF JUSTICE				37,600
U.S. DEPARTMENT OF LABOR				
Direct Programs:				
Automotive Technologies	17.261	AF-14573-05-60	353,135	
Rock On	17.261	YF-14843-05-60	323,373	<u>676,508</u>
Total Direct from U.S. Department of Labor				676,508
Pass-Through From:				
Dallas County Local Workforce Development Board				
Unified Youth Services	17.259	328 & 347 Out of School -5	642,736	
Unified Youth Services	17.259	328-Out of School	10,910	
Economic Enhancement	17.259	305 Statewide Activity	12,874	
Statewide Activity Program	17.259	615 Statewide/Local Activity-5	550,436	
Statewide Activity Program	17.259	625 Statewide/Local Activity-5	304,697	
Statewide Activity Program	17.259	328 Statewide Activity	244,640	
Statewide Activity Program	17.259	616-Statewide/Local Activity-5	677,999	
Statewide Activity Program	17.259	624 Statewide Local Activity-5	136,466	
First Generation	17.259	19-FGCS Pilot Project Services-5	123,542	2,704,300
H1B Technical Skills Training Program	17.261	2003-H-1B-367	<u>581,080</u>	
Total Pass Through From DCLWDB				3,285,380
Texas Higher Education Coordinating Board				
First Generation College Students Grants Program	17.259		<u>162,518</u>	
TOTAL U.S. DEPARTMENT OF LABOR				4,124,406
NATIONAL SCIENCE FOUNDATION				
Direct Programs:				
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0220854	55,080	
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0324032	15,000	
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0422381	43,097	
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0422445	38,244	
Broadening Access for Science, Technology, Engineering & Math	47.076	525536	68,410	<u>219,831</u>
Total Direct from the National Science Foundation				219,831
Pass-Through From:				
Collin County Community College				
North Dallas Texas Regional Technologies Center	47.076	202408	36,719	
Texas Engineering Experiment Station Cyber Security/Computer Forensics Program	47.076	53861	23,128	<u>59,847</u>
TOTAL NATIONAL SCIENCE FOUNDATION				279,678

See notes to Schedules of Expenditures of Federal and State Awards

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2006**

Federal Grantor/Pass-Through Grantor Program Name	<u>CFDA</u>	<u>Grant #</u>	<u>Expenditures</u>	
SMALL BUSINESS ADMINISTRATION				
Direct Programs:				
Small Business Development Center:	59.037		1,989,072	
Drug Free Workplace	59.037		62,514	2,051,586
TOTAL SMALL BUSINESS ADMINISTRATION			2,051,586	
U.S. DEPARTMENT OF HEALTH & HUMAN RESOURCES				
Direct Programs:				
Head Start Program	93.600	90YP0018/01 & 03		107,115
Pass-Through From:				
University of Texas, at Austin				
Substance Abuse & Mental Health	93.000	U-UTA02-161		19,605
Texas Workforce Commission				
Self Sufficiency Fund-Revive the Dream	93.558	0605SSF000	307,123	
Self Sufficiency Fund-Mortgage & Medical	93.558	0604SSF001	4,177	311,300
Total Texas Workforce Commission:			311,300	
Dallas County Local Workforce Development Board				
Quality Child Care Initiative	93.575	03080C26B	11,121	
Quality Child Care	93.575	03080C28B	14,917	26,038
Total Dallas County Local Workforce Development Board			26,038	
The National Youth Sports Program Fund				
Summer Youth Sports Program	93.570	NYSPF 05:1022	29,634	
Summer Youth Sports Program	93.570	NYSPF 05:1085	1,111	30,745
Total National Youth Sports Program			30,745	
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			494,803	
Corporation for National & Community Service				
Pass-Through From:				
American Association of Community Colleges				
AACC-Community Colleges Broadening Horizons				
Through Service Learning	94.005	03LHHDC001		11,667
Total Corporation for National & Community Services:			11,667	
Department of Homeland Security				
Pass-Through From:				
Dallas County				
Urban Area Security Initiative	97.008			14,495
Total Department of Homeland Security			14,495	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 50,597,622	

(Concluded)

See notes to Schedules of Expenditures of Federal and State Awards

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED AUGUST 31, 2006**

State Agency/ Program Name	Grant #	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD:		
Texas Public Education Grant		\$ 2,862,965
Texas Grant Program		458,331
Texas Grant Program II		169,304
Texas College Work Study		134,056
Nursing Scholarship		18,636
Nursing Innovation Program		7,794
Starlink State		204,607
College for All Texans		<u>17,530</u>
Total Texas Higher Education Coordinating Board		3,873,223
NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS:	FY06-NCTEDF-08	22,584
UNIVERSITY OF TEXAS AT SAN ANTONIO:		
TexPREP Program		4,740
TEXAS EDUCATION AGENCY:		
Public Charter Schools Start Up Grant	55900057110022	96,139
TEXAS WORKFORCE COMMISSION:		
Skills Development Funds		
Jefferson Group PA	0606SDF000	211,235
Texwood Industries	0606SDF001	<u>22,787</u>
Total Texas Workforce Commission		<u>234,022</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u><u>\$ 4,230,708</u></u>

See notes to Schedules of Expenditures of Federal and State Awards

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS AUGUST 31, 2006

1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards 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, 2006. 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 award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the 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 entities 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, 2006, as follows:

	Federal	State
Total revenues per Schedule A	\$ 50,797,207	\$ 1,253,189
Texas Public Education Grants	-	3,107,647
Fall tuition-related grants deferred to next fiscal year	<u>(199,585)</u>	<u>(130,128)</u>
Total Expenditures of Federal/State Awards	<u>\$ 50,597,622</u>	<u>\$ 4,230,708</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 from the Small Business Development Center program CFDA 59.037 from the Small Business Administration.

Collin County Community College	68,686
Grayson Community College	47,268
Kilgore College	99,699
McLennan Community College	106,097
Navarro College	54,781
North Central Texas College	77,083
Northeast Texas Community College	61,835
Paris Junior College	90,132
Tarrant County Junior College	137,130
Trinity Valley Community College	74,650
Tyler Junior College	46,319
University of Texas at Arlington Enterprise Excellence	<u>33,136</u>
Total Amount Passed Through	<u>\$ 896,816</u>

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

Navarro Junior College	\$ 140,036
Tarrant County Junior College	<u>201,252</u>
Total Amount Passed Through	<u>\$ 341,288</u>

Amounts Passed Through by the District - State:

The following amounts were passed-through to the listed subrecipients by the District. These amounts were from the Small Business Development Center program from the Dallas County Community College District State Appropriation funds.

Collin County Community College	\$ 37,358
Grayson Community College	40,787
Kilgore College	85,307
McLennan Community College	42,337
Navarro College	29,371
North Central Texas College	49,810
Northeast Texas Community College	26,474
Paris Junior College	28,188
Tarrant County Junior College	49,819
Trinity Valley Community College	63,844
Tyler Junior College	<u>26,508</u>
Total Amount Passed Through	<u>\$ 479,803</u>

5. STUDENT LOANS PROCESSED AND ADMINISTRATIVE COST RECOVERED - NOT INCLUDED IN SCHEDULE

Federal Grantor CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed and Administrative Cost Recovered
Department of Education - 84.032 Federal Family Education Loan	<u>\$ 13,036,560</u>	<u>\$ -</u>	<u>\$ 13,036,560</u>
Total Department of Education	<u>\$ 13,036,560</u>	<u>\$ -</u>	<u>\$ 13,036,560</u>

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, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

- Material weakness identified? yes no
- Reportable condition identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

Identification of major programs:

CFDA/Grant Numbers

84.007, 84.033, 84.063, 84.032
84.042, 84.044, 84.047

Name of Federal Programs

Student Financial Aid Cluster
TRIO Cluster

Name of State Programs

n/a

Texas Public Education Grant
Texas Grant

Dollar threshold used to distinguish between type A
and type B programs:

\$1,517,929 for federal programs
\$300,000 for state programs

Auditee qualified as low-risk auditee?

X yes ___no

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

The results of our procedures disclosed no findings to be reported for the year ended August 31, 2006. However, we noted other matters involving the design and operation of the internal control over financial reporting, which we have reported to management of the organization in a separate letter dated November 29, 2006.

SECTION III - FEDERAL AWARD FINDINGS

The results of our procedures disclosed the following federal award findings to be reported for the year ending August 31, 2006.

Finding 2006-1

Program: Student Financial Aid Cluster

CFDA: 84.032, 84.063

Criteria: When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs within 30 days.

Condition: For three students out of thirty judgmentally selected for testing, we noted that the District calculated the proper refund. However, the refunds were not returned timely to the Department of Education or the Federal Family Education Loans (FFEL) lender.

Effect: The District is retaining funds that are required to be returned to the Department of Education or the lender longer than allowed.

Recommendations: We recommend that the District implement procedures to ensure that return of Title IV worksheets are completed timely and the check request process for FFEL returns is completed within the required timeframe.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

SECTION III - FEDERAL AWARD FINDINGS – Continued

Finding 2006-2

Program: Student Financial Aid Cluster

CFDA: 84.032

Criteria: When Federal Family Education Loan (FFEL) funds are received by electronic funds transfer (EFT) from the lender, they must be disbursed to the student's account within three business days. If they are not, they must be returned to the lender within 10 business days.

Condition: Nine students out of thirty judgmentally selected for testing received FFEL disbursements. For one student out of the nine, the funds were neither disbursed nor returned within the required timeframes.

Effect: The District is retaining funds that are required to be returned to the lender longer than allowed.

Recommendations: We recommend that the District implement a process to ensure that funds not disbursed timely are returned.

Finding 2006-3

Program: Student Financial Aid Cluster

CFDA: 84.032

Criteria: When a recipient of Title IV loan assistance withdraws or falls below half time enrollment, the institution is required to notify the National Student Loan Data System (NSLDS) within 30 days, unless the institution intends to submit its next roster file within 60 days.

Condition: Due to an error in programming logic, two out of seven roster files submitted during the year reported students' statuses as of an incorrect date.

Effect: NSLDS was not properly updated.

Recommendations: We recommend that the District more fully test updates to its student information system before implementation.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

SECTION III - FEDERAL AWARD FINDINGS – Continued

Finding 2006-4

Program:	TRIO Cluster
CFDA:	84.042
Criteria:	Of the students served by a TRIO Student Support Services program, at least two-thirds must be either low-income individuals who are first generation college students or disabled. No less than one-third of disabled students served must also be low-income individuals.
Condition:	One out of seven Student Support Services programs did not meet the earmarking criteria for the 2004-2005 program year.
Effect:	Grant funds were used to provide services to students outside of required earmarking percentages.
Recommendations:	We recommend that the District review its procedures for ensuring compliance with earmarking requirements.

SECTION IV - CORRECTIVE ACTION PLAN (UNAUDITED)

Finding 2006-1

In Fall 2006, the District established a centralized dedicated three staff member department under the direction of the District Director of Financial Aid and General Accounting to identify potentially affected students requiring a Return of Title IV Fund calculation. This new centralized processing department will be responsible for processing the return of funds computations and assuring the timely return of all required Title IV funds determined needing to be returned to the appropriate Title IV fund or lender.

Finding 2006-2

By February 2007, the District Director of Financial Aid and the District Director of Financial Aid and General Accounting will direct a review of the District's processes for returning Federal Family Education Loan (FEEL) funds back to the lender within the required time limit.

Finding 2006-3

The processing error has been identified and the most current enrollment level records for financial aid students have been forwarded to the Clearinghouse system to be distributed to the National Student Loan Data System. By February 2007, a new staff person in District Information Technology will be designated to assist in testing software updates as part of a partial centralization plan for financial aid processing. In addition, the testing parameters for system updates have been enhanced in order to prevent future problems with the student information system.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

SECTION III - FEDERAL AWARD FINDINGS – Continued

Finding 2006-4

The District Grants Management and Compliance Department conducts quarterly USDE TRIO Network meetings with all TRIO Grant Managers and Program Officers, where program compliance issues are addressed. At a quarterly USDE TRIO Network meeting in the fiscal year 2006-2007, the District Grants Management and Compliance Specialist will provide training in meeting earmarking requirements regarding students participating in TRIO projects.

SECTION V – SUMMARY OF PRIOR FINDINGS

The results of our procedures disclosed the following federal award findings to be reported for the year ending August 31, 2005.

Finding 2005-1

Program:	Student Financial Aid Cluster
CFDA:	84.032
Criteria:	When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.
Condition:	For one student out of thirty judgmentally selected for testing, we noted that the student withdrew and the District calculated the proper refund. However, the refund was not returned to the Federal Family Education Loans (FFEL) lender.
Effect:	While the amount that should have been returned was less than \$600, the effect is that the District is retaining funds that are required to be returned to the lender.
Recommendations:	We recommend that the District implement procedures to ensure all refunds from student withdrawals are both calculated properly and returned to Title IV programs or FFEL lenders promptly.
Corrective Action Plan:	By February 2006, the District Director of Financial Aid will review the computation and return of funds processes with each of the college's Director of Financial Aid through their council meeting. He will also ensure that refresher training related to return of funds computations and processing is conducted for appropriate personnel responsible for handling return of funds.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2006

Current Year Status: The refresher training was completed.

Management Status: A training session on return of funds procedures was conducted on November 17, 2005 by the District for college financial aid staff with responsibility for processing return of funds transactions.

On January 23, 2006, another training session was conducted to provide financial aid directors with the knowledge necessary to monitor the accuracy and completeness of return of funds procedures.

During the course of the year multiple discussions took place at several levels in the organization culminating in the decision to create a centralized department for processing return of funds. The intent is that a department having a single mission will better be able to monitor return of funds activity.

Finding 2005-2

Program: WIA Cluster

CFDA: 17.259

Criteria: Tuition should be charged at established rates.

Condition: For one class, we noted that the grant was charged less than the established rate.

Effect: Although the grant was undercharged and not overcharged, the District is not charging the appropriate amount to the grant.

Recommendations: We recommend that the District implement a review process to ensure appropriate amounts are charged to federal grants.

Corrective Action Plan: The Vice-Chancellor of Educational Affairs, Associate Vice Chancellor of Business Affairs and Director of Resource Development will direct a review of the District's current policies and procedures for establishing tuition charges on grant-related classes by April 2006 and make recommendation for any improvements. Refresher training related to the assignment and review of class tuition will also be provided to appropriate grant and continuing education personnel after the review is complete and prior to the end of the fiscal year.

Current Year Status: The District is more cognizant of the rates of tuition being charged to grants.

Management Status: On October 6, 2006, instructions were sent to all resource development officers and grant managers on properly setting up courses. A review of the processes showed that the error discovered last year was human rather than systematic. As the last line of review, grant managers were instructed to make sure that the tuition rate matches the board approved rate for workforce education reimbursable courses and to follow up by requesting a list of courses set-up for the grant and compare to amounts charged to students in accounting records.