

Persons who address the board are reminded that the board may not take formal action on matters that are not part of the meeting agenda, and, may not discuss or deliberate on any topic that is not specifically named in the agenda that was posted 72 hours in advance of the meeting today. For any non-agenda topic that is introduced during this meeting, there are only three permissible responses: 1) to provide a factual answer to a question, 2) to cite specific Board of Trustees policy relevant to the topic, or 3) to place the topic on the agenda of a subsequent meeting.

Speakers shall direct their presentations *ONLY* to the Board Chair or the Board as a whole.

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

**District Office
1601 South Lamar Street
Lower Level, Room 007
Dallas, TX 75215
Tuesday, December 15, 2009
3:00 PM**

AGENDA

1. Certification of posting of notice of meeting Wright Lassiter

2. *Communications Related to the Audit*, a presentation by Ben Kohnle/
Jim Forson
Grant Thornton
Committee action: Review

3. *Financial Statements and Office of Management and Budget Circular A-133 Supplemental Financial and Compliance Report Together with Reports of Independent Auditors, August 31, 2009 and 2008*, and, internal controls letter to the Board of Trustees (as provided by Board of Trustees policy CDC-LOCAL) Ed DesPlas
Committee action: Review and recommend for presentation to Board of Trustees at the special meeting on December 15, 2009

4. *Quarterly Summary of Activities for the Quarter Ended November 30, 2009* (as provided by Board of Trustees policy CDC-Local) Rafael Godinez
Committee action: Review

5. *1st Quarter Report* from Internal Audit (as provided by Board of Trustees policy CDA-LOCAL) Ed DesPlas
Committee action: Review and recommend for

presentation to Board of Trustees at the regular meeting on
January 5, 2010

6. Review of Chancellor's Travel
Committee Action: No action required

Kathryn Tucker

7. Adjournment of Audit Committee

**CERTIFICATION OF POSTING OF NOTICE DECEMBER 15, 2009
AUDIT COMMITTEE MEETING OF THE
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOLS
BOARD OF TRUSTEES**

I, Wright L. Lassiter, Jr., Secretary of the Board of Trustees of the Dallas County Community College District, do certify that a copy of this notice was posted on the 11th day of December, 2009, in a place convenient to the public in the District Office Administration Building, and a copy of this notice was provided on the 11th day of December, 2009, to John F. Warren, County Clerk of Dallas County, Texas, and the notice was posted on the bulletin board at the George Allen Sr. Courts Building, all as required by the Texas Government Code, §551.054.



Wright L. Lassiter, Jr., Secretary



Grant Thornton

2009 Meeting with the Board of Trustees Dallas County Community College District

Communications Related to the Audit

December 15, 2009

**Grant Thornton LLP Attendees:
Ben Kohnle, Partner
Fulya Bayolken, Manager**

Agenda

- Responsibilities
- Audit approach and focus
- Review of reports issued
- Results of audit and single audit
- Financial highlights
- Required auditor communications
- Grant Thornton's Commitment to Ethical and Professional Excellence
- Committee questions and answers

Our responsibilities

- Perform an audit
 - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
 - Are materially correct
 - Are fairly presented
 - Conform with generally accepted accounting principles
- Communicate specific matters to you

An audit does not relieve you or management of your responsibilities.

Management's responsibilities

- Preparing and fairly presenting the financial statements
- Establishing and maintaining effective internal control over financial reporting
- Providing us with written representations
 - A copy of the representations is being provided to you

We approach your audit by...

- Understanding your business and the environment you operate in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas

Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmark
 - We believe total assets is the appropriate benchmark for the District
- Financial statement items $>$ materiality are in scope
- Other areas $<$ materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk)

Areas of audit focus

- Governance
- State appropriations
- Maintenance ad valorem taxes
- Federal, state and non-governmental grants and contracts
- Tuition revenue and related receivable or deferral
- Investments/treasury
- Payroll and related liabilities
- Operating expenses and related payables
- LT debt
- Fixed assets
- Net assets
- Fraud inquiries and procedures

We worked with internal audit...

- Perform detail control and compliance tests for single audit major programs
- Perform control testing on cash disbursements
- Prepare tuition reasonableness test

Review of reports issued

- Financial Statements for Dallas County Community College District
- Schedule of Federal and State Expenditures for Dallas County Community College District
- Review of Schedule of Current Funds Expenses by Individual Campus and Central Administrative Function
- Richland Collegiate High School (footnote)

Results of audit and single audit

- Unqualified “clean” opinion/reports on compliance and internal control
- No scope limitations
- No unresolved audit issues
- Open and effective communication with management

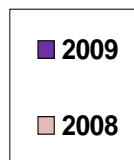
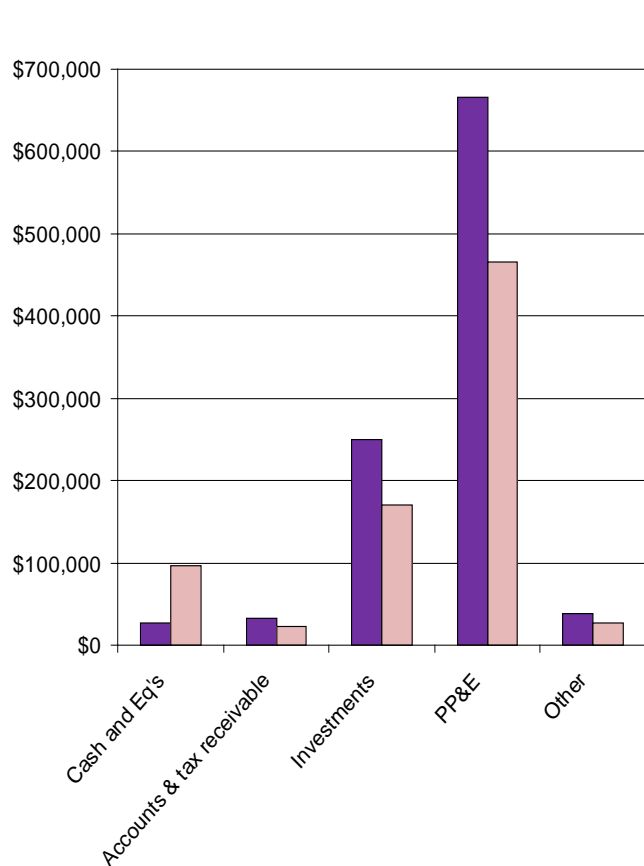
Single Audit Findings

- Nursing Shortage Reduction
 - Report filed with incorrect expenditures

- TEXAS Grant
 - Funds disbursed to two ineligible students

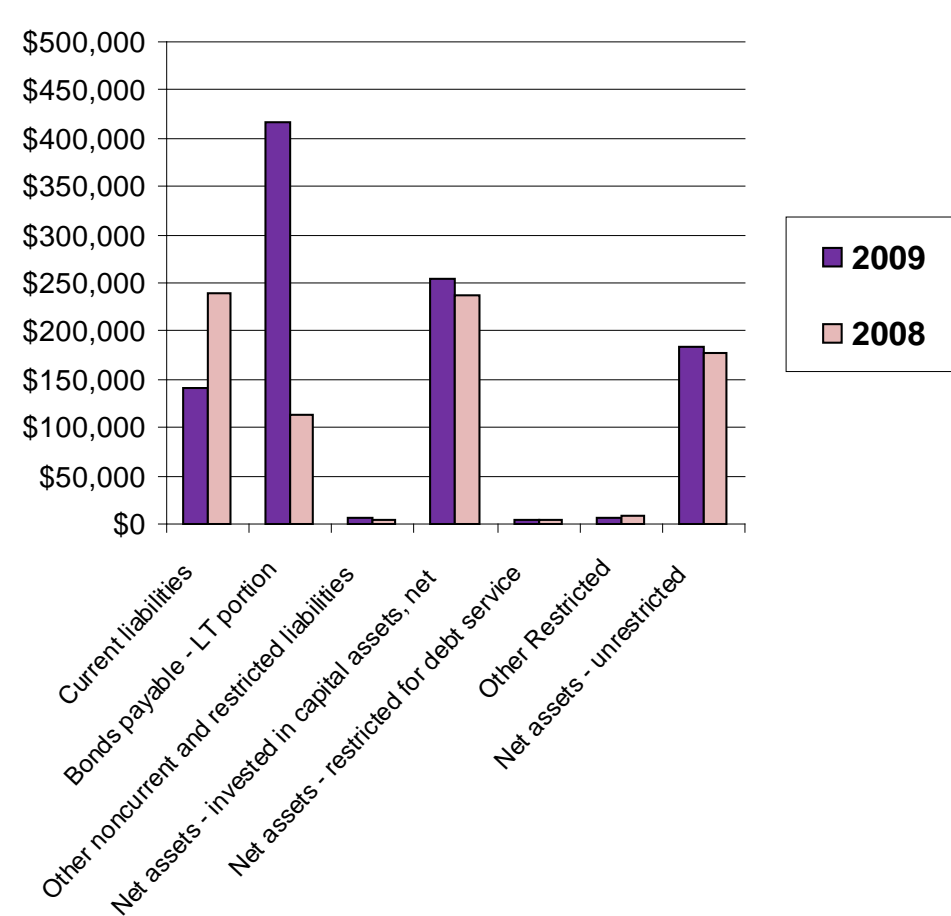
- Student Financial Aid Cluster
 - FFEL funds were not disbursed within allowed time frame
 - Report filed with incorrect expenditures

Financial highlights – assets



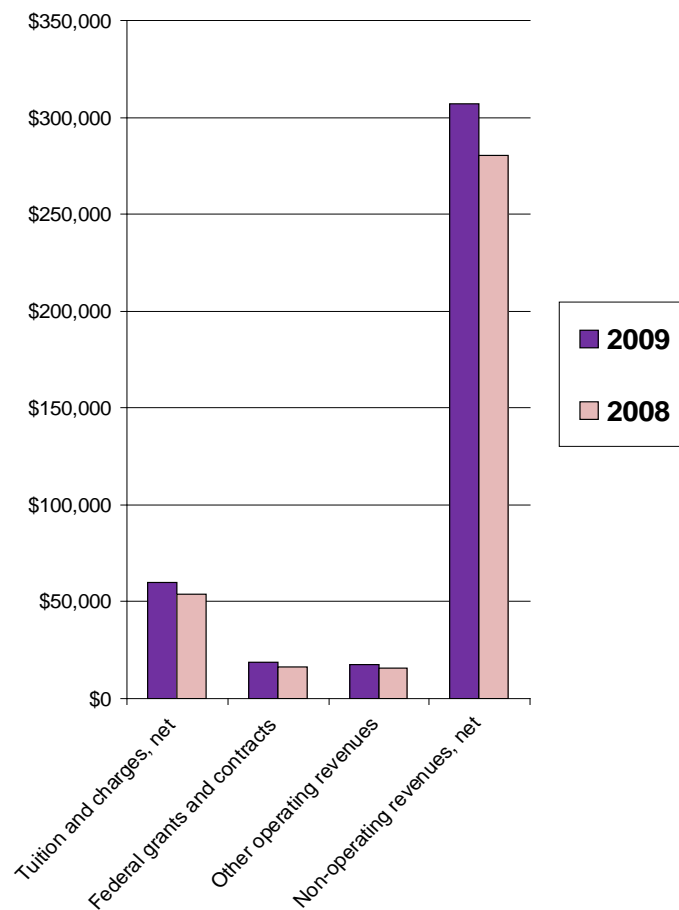
	(In Thousands)	
	2009	2008
Cash and cash equivalents	\$ 27,555	\$ 97,127
Accounts & Tax receivable	32,137	22,496
Investments	250,249	170,612
PP&E	665,995	466,381
Other	39,002	26,594
Total assets	<u>\$1,014,938</u>	<u>\$783,210</u>

Financial highlights – liabilities and net assets



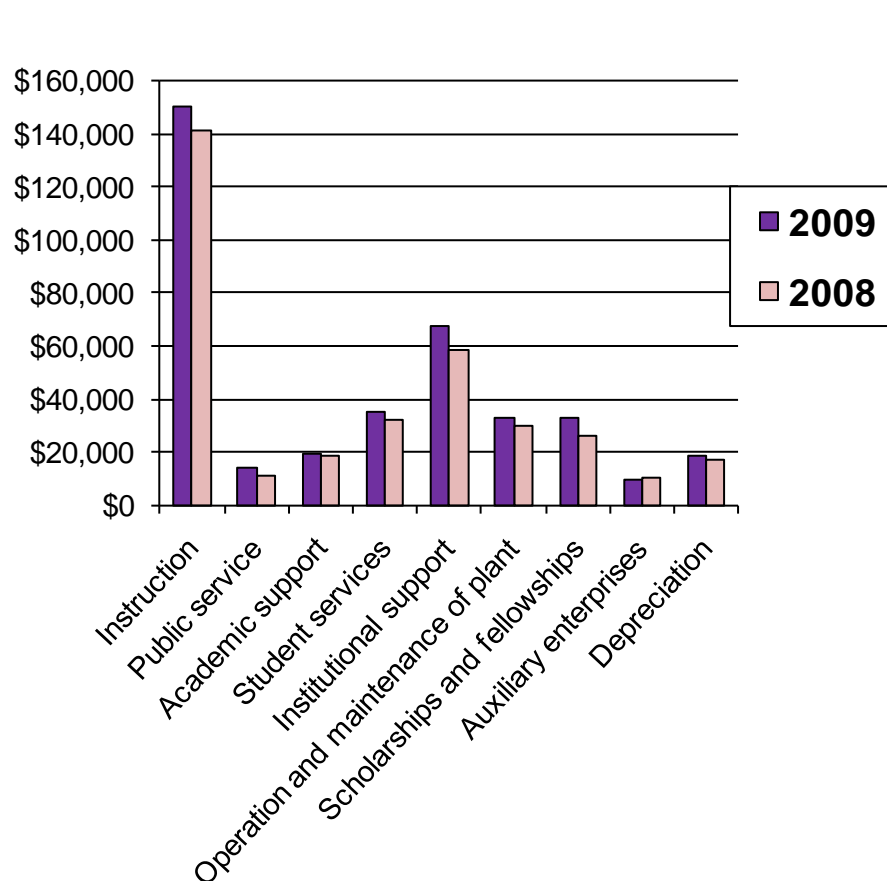
	(In Thousands)	
	2009	2008
Current liabilities	\$ 141,467	\$238,985
Bonds payable – LT portion	416,761	113,962
Other noncurrent liabilities	6,230	3,312
Net assets:		
Invested in capital assets, net	252,511	237,335
Restricted for debt service	5,018	3,542
Other restricted	6,689	8,021
Unrestricted	186,262	178,053
Total liabilities and net assets	<u>\$1,014,938</u>	<u>\$783,210</u>

Financial highlights – revenues



	(In Thousands)	
	2009	2008
Tuition and charges, net	\$ 59,918	\$ 53,800
Federal grants and contracts	18,842	16,245
Other operating revenues	17,283	15,998
Non-operating revenues, net	<u>307,777</u>	<u>280,555</u>
Total revenue	<u><u>\$403,820</u></u>	<u><u>\$366,598</u></u>

Financial highlights – operating expenses



	(In Thousands)	
	2009	2008
Instruction	\$150,414	\$141,112
Public service	13,954	10,839
Academic support	19,363	18,713
Student services	35,151	32,418
Institutional support	67,196	58,216
Operation and maintenance of plant	33,000	30,058
Scholarships and fellowships	33,144	26,383
Auxiliary enterprises	9,539	10,104
Depreciation	<u>18,530</u>	<u>17,084</u>
Total operating expenses	<u>\$380,291</u>	<u>\$344,927</u>

Required auditor communications

- Our responsibility under GAAS and GAGAS
 - *We are not aware of any fraud or potential illegal acts that would cause a material misstatement of the financial statements.*
- Significant accounting policies
 - *No new accounting policies were adopted during the period.*

Required auditor communications (continued)

- Other information in documents containing audited financial statements
 - *Our responsibility for other information in documents containing the District's audited financial statements and our auditors' report thereon does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate such other information contained in those documents. However, in accordance with US GAAS, we are required to read those documents, if applicable, and consider whether such information, or the manner of its presentation, is materially inconsistent with information appearing in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact.*

Required auditor communications (continued)

- Particularly sensitive accounting estimates
 - *No significant items were noted.*
- Significant audit adjustments
 - *There were no significant audit adjustments.*
- Uncorrected financial statement misstatements
 - *There were no uncorrected misstatements related to the financial statements or disclosures.*

Required auditor communications (continued)

- Disagreements with management
 - *We are pleased to report that no such disagreements arose during the course of our audit.*
- Consultations with other accountants
 - *We are not aware of any consultations with other accountants during the year about auditing or accounting matters.*
- Difficulties encountered in performing the audit
 - *We encountered no significant difficulties in performing our audit.*

Required auditor communications (continued)

- Major issues discussed with management prior to our retention
 - *No major issues were discussed with management prior to our being retained as auditors for the current fiscal year, including the application of US GAAP or US GAAS.*
- Going concern uncertainties
 - *None*
- Modifications to the auditors' report
 - *None*
- Management consulting fees
 - *There were no consulting fees paid to Grant Thornton in fiscal year 2009.*

Grant Thornton's Commitment to Ethical and Professional Excellence

- Grant Thornton is committed to promoting ethical behavior and professional excellence
- EthicsPoint is a phone and Internet-based hotline system that was put in place to advance this commitment
- Grant Thornton maintains an Ethics Hotline (1.866.739.4134) where individuals can call and report ethical concerns
- A link to the EthicsPoint site can also be found on the Firm's intranet and external Web site, and can be used by our clients to report ethical concerns to us as well
(https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.

Committee questions and answers



Grant Thornton

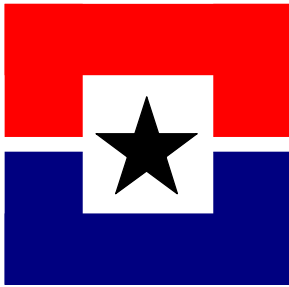
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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT



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

Together With Reports of
Independent Auditors

**August 31, 2009
and 2008**

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

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DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

ORGANIZATIONAL DATA

FISCAL YEAR 2008 - 2009

Board of Trustees

Officers

Jerry Prater
Diana Flores
Wright L. Lassiter, Jr.

Chair
Vice-Chair
Secretary

Members

Marion K. Boyle
Charletta Rogers Compton
Bob Ferguson
Diana Flores
Martha Sanchez Metzger
Jerry Prater
JL Sonny Williams

Irving, Texas
Dallas, Texas
Farmers Branch, Texas
Dallas, Texas
Mesquite, Texas
Garland, Texas
Dallas, Texas

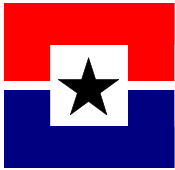
Term Expires

2014
2012
2010
2014
2010
2010
2012

Key Officers

Wright L. Lassiter, Jr.
Edward M. DesPlas
Andrew Jones
Denys Blell

Chancellor
Executive Vice Chancellor, Business Affairs
Executive Vice Chancellor, Educational Affairs
Executive Vice Chancellor, Human & Organizational Development



Letter to the Community

Dear Friends and Stakeholders:

Since our last letter to the community, the Dallas County Community College District has literally changed the landscape at our seven colleges in the implementation of the 2004 Bond Program. We are in the final stages of completing all of the projects that were a part of the \$450 million capital improvement program. We now have opened these community campuses: Richland/Garland community campus that also houses the Garland Chamber of Commerce; the South Irving community campus and the North Campus (Coppell) operated by North Lake College; the Eastfield/ Pleasant Grove community campus that also houses the Southeast Dallas Chamber of Commerce and the Southeast Dallas Hispanic Chamber of Commerce; and the West Dallas community campus operated by El Centro College.



In December 2008 the District Administrative Offices relocated from the R.L. Thornton Building (701 Elm Street) to the newly renovated complex at 1601 S. Lamar. In the summer of 2009 El Centro College began operations out of the former District Office Building.

The primary purpose of the capital improvement program was to help the District prepare for meeting the goals of *Closing the Gaps by 2015*, a statewide plan to meet higher education needs within Texas. This document issued by the Texas Higher Education Coordinating Board, provides a plan to close the gaps in student participation, student success, excellence, and research. The plan has been revised with new, higher goals as the colleges throughout the state have exceeded the target numbers for student enrollment increases in the first five years of the plan.

The District continues to be the largest undergraduate institution, and the largest community college district in the State. Registration for the spring '09 reflected an increase of 10.19% over the previous spring term. The District continues to have a tuition level that is among the lowest of the state's community colleges (the District ranks #47 out of the 50 districts). Having a tuition that is affordable helps attract students.

The District is proud of its students. Each Friday a memorandum is circulated to the trustees and employees that describe the many student achievements at each of the District's colleges. This communication medium includes reports of honors, awards, national athletic championships, and the many other activities in which students participate.

A distinction of the District is that we have outstanding alternative high schools at several colleges. The Richland Collegiate High School has achieved an "exemplary" rating for each of the three years that it has been in operation. There are now Early College High Schools at Brookhaven, Cedar Valley and Mountain View Colleges. The Early College High School model enables students to obtain a high school diploma and

an associate degree at the end of five years. The first of the alternative high schools, the El Centro Middle College High School, continues to have one of the highest performance rates among alternative high schools in the DISD.

One of the Board of Trustees' responsibilities is to maintain the public's trust by being fiscally responsible and accountable at all times. One way to accomplish that is to ensure that the public is regularly informed of the District's 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, which is helpful in fulfilling that objective. The report as of and for the years ended August 31, 2009 and 2008 follows this letter.

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, 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 single audit are included as the last section of the annual financial report.

The District continues to maintain the highest rating of the three credit rating agencies – Standard & Poors, Inc., Moody's Investors Service, Inc. and Fitch Ratings. In their most recent report they each cited the District's strong fiscal responsibility, flexibility in revenue streams, and strong enrollment as reasons for the rating. We think that as you read the attached report, you will see evidence that supports their reasons for this high rating.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Edward M. DesPlas".

Edward M. DesPlas
Executive Vice Chancellor, Business Affairs

A handwritten signature in black ink, appearing to read "Wright L. Lassiter, Jr.".

Wright L. Lassiter, Jr.
Chancellor



Report of Independent Certified Public Accountants

Board of Trustees
Dallas County Community College District

Audit • Tax • Advisory

Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-9436

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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, 2009 and 2008, 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, 2009 and 2008 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 December 8, 2009 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 on pages 6 through 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying introductory section, supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and are not a required part of the basic financial statements of the District. 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 introductory section 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.

Dallas, Texas
December 8, 2009

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, 2009 and 2008. This section is designed to help readers understand some of the conditions and events contributing to the current financial position of the District as well as to point out trends and changes in the results of operations. Please read it in conjunction with the Letter to the Community, the District's basic financial statements and the footnotes (see Table of Contents). Responsibility for the completeness and fairness of this information rests with the District.

Financial Highlights for 2009

- The District's net assets at August 31, 2009 are reported at \$450.5 million. Approximately 56.1% of the net assets amount reflects the investment in capital assets, net of related debt.
- The District's operating loss is \$284.2 million.
- Net assets increased \$23.5 million.

Financial Highlights for 2008

- The District's net assets at August 31, 2008 are reported at \$427.0 million. Approximately 55.6% of the net assets amount reflects the investment in capital assets, net of related debt.
- The District's operating loss is \$258.9 million.
- Net assets increased \$21.7 million.

Overview of Financial Statements

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

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

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

The Statements of Revenues, Expenses and Changes in Net Assets places focus on the costs of District activities and show what revenue supports those costs. 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 increase or net decrease in net assets is created. The ending balance of net assets on this statement agrees with that shown on the Statements of Net Assets.

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

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

Having met all three criteria, the Dallas County Community College District Foundation, Inc. (the "Foundation") has been discretely presented in the District's statements as a component unit by inclusion of the statements and footnotes of the Foundation in the District's statements and footnotes. Because the financial statements of the Foundation are presented in a different format from the District and are incompatible with the District financial statements, the Foundation financial statements are presented on separate pages from the District financial statements. The Foundation is a non-profit organization established in 1973 with its sole purpose being to provide benefits such as scholarships and grants to the District. In recent years, a large part of its focus has been to build an endowment for the Rising Star Scholarship program. This program is designed to encourage and assist recent high school graduates, who might not otherwise feel they can afford a college degree and often whose families have never had a member attend college, to continue their education. In 2008 another focus was added—to elicit additional financial support for the building and operations of the new buildings being erected under the District's capital improvement program.

A new operating unit of the District began its first full year of operations in the year ended August 31, 2007. This operating unit is a high school for which the Texas Education Agency (TEA) granted a charter in October 2005. The Board of Trustees of the District subsequently approved the charter in May 2006, to be in effect through July 31, 2010. Operated under Richland College, one of the seven colleges of the District, the Richland Collegiate High School of Mathematics, Science, and Engineering ("RCHS") opened in August 2006 with 176 students at the junior level. Those students moved up to senior level and a new class of juniors began studies in August 2007. Students take college courses for which they concurrently receive high school credit. At the end of two years, students can graduate from high school while having also earned an associate degree at the college level. The school produced two such graduates in its first year of operation and in May 2008 graduated its first full class, almost all of whom received both a high school diploma and an associate's degree. While the high school receives state reimbursement based on average daily attendance, the college also receives state funding dollars for the contact hours. TEA requirements necessitate tracking RCHS revenues and expenses separately from those of the college. But because the high school "contracts" with the college for instructional and administrative services, the legal identity is the same as the District, and the high school shares the same Board of Trustees with the District, the RCHS is included as an operating unit in the

District's financial statements. More information can be found in Footnote 24, including a Statements of Net Assets and a Statements of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and other schedules for the RCHS alone.

Comparative Financial Information

In order to show the trends for the two years shown in the Statements of Net Assets (Exhibit 1), a summary of three years of data for the years ended August 31, 2007 through 2009 follows.

	Fiscal Year 2007	Increase/ (Decrease)	Fiscal Year 2008	Increase/ (Decrease)	Fiscal Year 2009
CURRENT ASSETS:	\$ 181,839	\$ (63,599)	\$ 118,240	\$ (36,333)	\$ 81,907
NON-CURRENT ASSETS:					
Capital assets, net of depreciation	363,960	102,421	466,381	199,614	665,995
Other	71,433	127,157	198,590	68,446	267,036
Total assets	<u>617,232</u>	<u>165,979</u>	<u>783,211</u>	<u>231,727</u>	<u>1,014,938</u>
CURRENT LIABILITIES	83,392	155,593	238,985	(97,518)	141,467
NON-CURRENT LIABILITIES	<u>128,560</u>	<u>(11,286)</u>	<u>117,274</u>	<u>305,717</u>	<u>422,991</u>
Total liabilities	211,952	144,307	356,259	208,199	564,458
NET ASSETS:					
Invested in capital assets, net of related debt	236,563	772	237,335	15,176	252,511
Restricted	12,463	(900)	11,563	145	11,708
Unrestricted	<u>156,254</u>	<u>21,799</u>	<u>178,053</u>	<u>8,208</u>	<u>186,261</u>
Total net assets	<u>\$ 405,280</u>	<u>\$ 21,671</u>	<u>\$ 426,951</u>	<u>\$ 23,529</u>	<u>\$ 450,480</u>

The difference between what the District owns, its assets, and what it owes, its liabilities, are the net assets. At August 31, 2008, the difference in assets and liabilities was \$427.0 million while at August 31, 2009, the difference was \$450.5 million. As can be seen, the former is an increase from August 31, 2007 of approximately \$21.7 million or 5.3% while the more recent year is an increase of \$23.5 million or 5.5%.

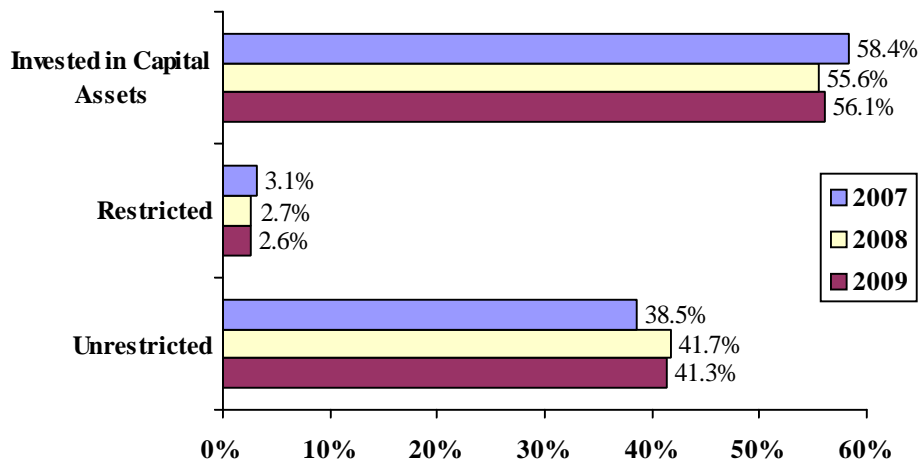
A review of the assets on the preceding table reveals a notable shift between current assets and non-current "other" assets for the years ended August 31, 2008 and August 31, 2007. Current assets went from \$181.8 million at August 31, 2007 to \$118.2 million at August 31, 2008, a decrease of \$63.6 million or 35.0% while the non-current "other" assets increased from \$71.4 million to \$198.6 million, an increase of \$127.1 million or 178.0%. Continuing this trend, the change of current assets from the year ended August 31, 2008 to August 31, 2009 was a decrease of \$36.3 million or 30.7% but for non-current "other" assets was an increase of \$68.4 million or 34.5%. One reason for the shift from 2007 to 2008 in current vs. non-current assets was the changing interest environment over that period. Investments in pools, considered cash equivalents because the investments are available on demand, were shifted to longer term investments as interest rates fell for the pools. In addition issuance of \$125 million of commercial paper, issued in support of capital projects, increased both restricted cash equivalents and long-term investments. Issuance of two additional tranches of general obligation bonds, used in part to pay off the commercial paper, further increased long-term investments, since they continued to be more lucrative than the pools. Capital assets show a steady trend upward from 2007 to 2009 as construction continues towards completion for the District's major facility expansion program.

Current liabilities increased \$155.6 million or 186.6% for the year ended August 31, 2008 over August 31, 2007 while decreasing \$97.5 million or 40.8% for the year ended August 31, 2009 from August 31, 2008. The unusually large increase in the earlier fiscal year is primarily related to the issuance of commercial paper

which has outstanding periods up to a maximum of only 270 days before being required to be paid or rolled over into new paper. The commercial paper was repaid in September 2009. Non-current liabilities decreased \$11.3 million or 8.8% from August 31, 2007 to August 31, 2008 but increased a significant \$305.7 million or 260.7% for the year ended August 31, 2009. This is attributable to the issuance of the two tranches of general obligation bonds during the fiscal year--\$220 million in September 2009 and \$110 million in May 2009.

The following is a graphic illustration of the breakdown of net assets for the years ended August 31, 2007 through 2009. Restricted net assets has decreased slightly since August 31, 2007 as maintenance tax note and general obligation bond proceeds received in 2004 were spent and bonds were paid through the year ended August 31, 2008 with an offset of new debt slowing the trend slightly for the year ended August 31, 2009. Those assets invested in capital net of related debt have increased steadily over the same period as construction of the bond program projects is completed. An upward trend in unrestricted net assets reflects the increases gained from tax, tuition and state appropriation revenue since August 31, 2007.

Comparison of Net Assets



Operating revenues continue to show a steady increase rising 3.2% to \$86.4 million for the period ended August 31, 2008 and an additional 11.6% to \$96.0 million for the period ended August 31, 2009. Operating expenses also increased both years, rising by 4.4% to \$344.9 million for the period ended August 31, 2008 and 10.3% to \$380.3 million for the period ended August 31, 2009. The increase in expenses outpaced the increase in revenue for both years resulting in a 4.8% or \$12.0 million increase in operating loss for the period ended August 31, 2008 and a 9.8% or \$25.4 million increase in operating loss for the period ended August 31, 2009.

Results of operations and non-operating activities are 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, 2007 THROUGH 2009
(In Thousands)

	Fiscal Year 2007	Difference	Fiscal Year 2008	Difference	Fiscal Year 2009
OPERATING REVENUES	\$ 83,383	\$ 2,660	\$ 86,043	\$ 10,000	\$ 96,043
LESS OPERATING EXPENSES	<u>330,316</u>	<u>14,611</u>	<u>344,927</u>	<u>35,364</u>	<u>380,291</u>
NET OPERATING LOSS	(246,933)	(11,951)	(258,884)	(25,364)	(284,248)
NON-OPERATING REVENUES AND EXPENSES	<u>268,720</u>	<u>11,835</u>	<u>280,555</u>	<u>27,222</u>	<u>307,777</u>
INCREASE/(DECREASE) IN NET ASSETS	21,787	(116)	21,671	1,858	23,529
NET ASSETS - BEGINNING OF YEAR	<u>383,493</u>	<u>21,787</u>	<u>405,280</u>	<u>21,671</u>	<u>426,951</u>
NET ASSETS - END OF YEAR	<u>\$ 405,280</u>	<u>\$ 21,671</u>	<u>\$ 426,951</u>	<u>\$ 23,529</u>	<u>\$ 450,480</u>

The two major sources of operating revenues are tuition and various grants and contracts. Tuition revenue is reported net of discounts for tuition paid by various federal, state and local grants, including those associated with the Title IV Higher Education Administration Program. Additionally, state mandated or locally approved remissions and exemptions are reported as discounts against tuition. Grants and contracts provided 28.0% of operating revenue for the year ended August 31, 2008 increasing only slightly to 29.6% of operating revenue for the year ended August, 31, 2009. Both federal grants and contracts and state grants and contracts revenue contributed to this increase with a 16% or \$2.6 million increase coming from federal and 110.5% or \$3.8 million of the increase coming from state sources. Tuition constituted 62.5% and 62.4% of net operating revenue respectively for the years ended August 31, 2008 and 2009 (see Revenue by Source graph). Although there was a significant increase in tuition due to an approximately 5% hike in tuition in Spring 2009 and enrollment growth offset in part by an increase in tuition discounts, the increase in grants was enough to keep tuition, as a percent of total operating revenues, fairly flat.

Generally accepted accounting principles, under pronouncements of the Governmental Accounting Standards Board, prohibit reporting two major sources of revenue of the District as operating revenue —state appropriations and ad valorem tax revenues—on the basis that each represents revenue from non-exchange transactions. Accordingly, state appropriations and revenues recognized from ad valorem taxation are reported as non-operating revenues. This results in reporting large operating losses which are significantly decreased after inclusion of these non-operating revenues and others that really are intended to contribute to operations. State appropriations are restricted by law to be used only for the educational and general expenses of the institution, which are its prime operations. Ad valorem tax revenues are broken into two types—those for maintenance and operations and those for debt service. The maintenance and operations portion is specifically designed to apply to operations, although a portion can be used for paying maintenance tax notes. Interest revenue is obtained through pooled investments, a large portion of which is attributable to operations. Also federal financial aid was recently reclassified to non-operating revenue even though the portion that relates to tuition is required to be reported as a tuition discount against operations. If those non-exchange

transactions that really apply to operations were reported as such, the Statements of Revenues, Expenses and Changes in Net Assets would look more like the following.

ALTERNATIVE REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2007 THROUGH 2009
(In Thousands)

	Fiscal Year 2007	Difference	Fiscal Year 2008	Difference	Fiscal Year 2009
OPERATING REVENUES	\$ 83,383	\$ 2,660	\$ 86,043	\$ 10,000	\$ 96,043
OTHER SUPPORT FOR OPERATIONS	265,122	15,101	280,223	14,033	294,256
LESS OPERATING EXPENSES	<u>330,316</u>	<u>14,611</u>	<u>344,927</u>	<u>35,364</u>	<u>380,291</u>
NET OPERATING INCOME	18,189	3,150	21,339	(11,331)	10,008
NON-OPERATING REVENUES AND EXPENSES	<u>3,598</u>	<u>(3,266)</u>	<u>332</u>	<u>13,189</u>	<u>13,521</u>
INCREASE/(DECREASE) IN NET ASSETS	21,787	(116)	21,671	1,858	23,529
NET ASSETS - BEGINNING OF YEAR	<u>383,493</u>	<u>21,787</u>	<u>405,280</u>	<u>21,671</u>	<u>426,951</u>
NET ASSETS - END OF YEAR	<u>\$ 405,280</u>	<u>\$ 21,671</u>	<u>\$ 426,951</u>	<u>\$ 23,529</u>	<u>\$ 450,480</u>

State appropriations increased 6.7 % or \$7.5 million for the period ending August 31, 2008 over that ending August 31, 2007 and an additional 1.0% or \$1.2 million for the period ended August 31, 2009. The increase in the earlier year is attributable to the increase in funding for the new biennium granted by the 80th legislative session along with a doubling of RCHS attendance funding as a result of adding a new junior class. The latter year mainly represents an increase in the Small Business Development Center revenue along with a modest increase in funding for the Richland Collegiate High School.

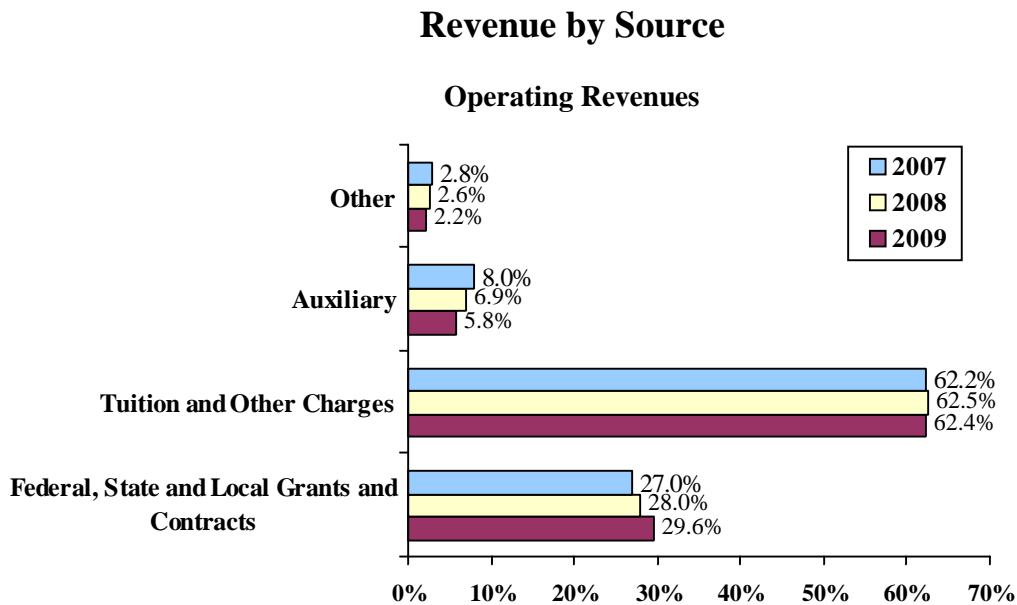
Tax revenue, net of collection fees and bad debt, has steadily increased, in part due to continued growth in the tax base and in part due to an increase in the assessment of a debt service tax for repayment of general obligation bonds issued in September 2004. A \$9.5 million or 7.8% increase was realized between the years ended August 31, 2007 and 2008 compared to \$22.3 million or 17.1% between the years ended August 31, 2008 and 2009. In the earlier year the certified tax roll increased a noteworthy 10.6% compared to 5.7% in the latter year. But there was an increase from \$0.0045 per \$100 valuation for debt service to \$0.0135 per \$100 valuation—a 200% increase over the prior year—which, combined with the tax valuation increase, increased tax revenues significantly in the latter year. Tax revenue net of bad debt allowances and collection fees has exceeded state appropriations as the primary funding source in both fiscal year 2008 and 2009, representing 44.5% and 47.5% of total non-operating revenues for the years ended August 31, 2008 and 2009, respectively, compared to 40.2% and 37.1% for state appropriations.

Federal scholarship revenue net of discounts has been increasing steadily with a 2.6% or \$0.8 million increase from August 31, 2007 to 2008 and another 25.5% or \$8.2 million increase at August 31, 2009. Investment income, another non-operating revenue, decreased 3.0% or \$0.4 million between August 31, 2007 and 2008 as market interest rates began dipping. This trend continued in a significant way with a further decrease of 30.3% or \$3.6 million for the year ended August 31, 2009. Investment pools, which had been earning higher

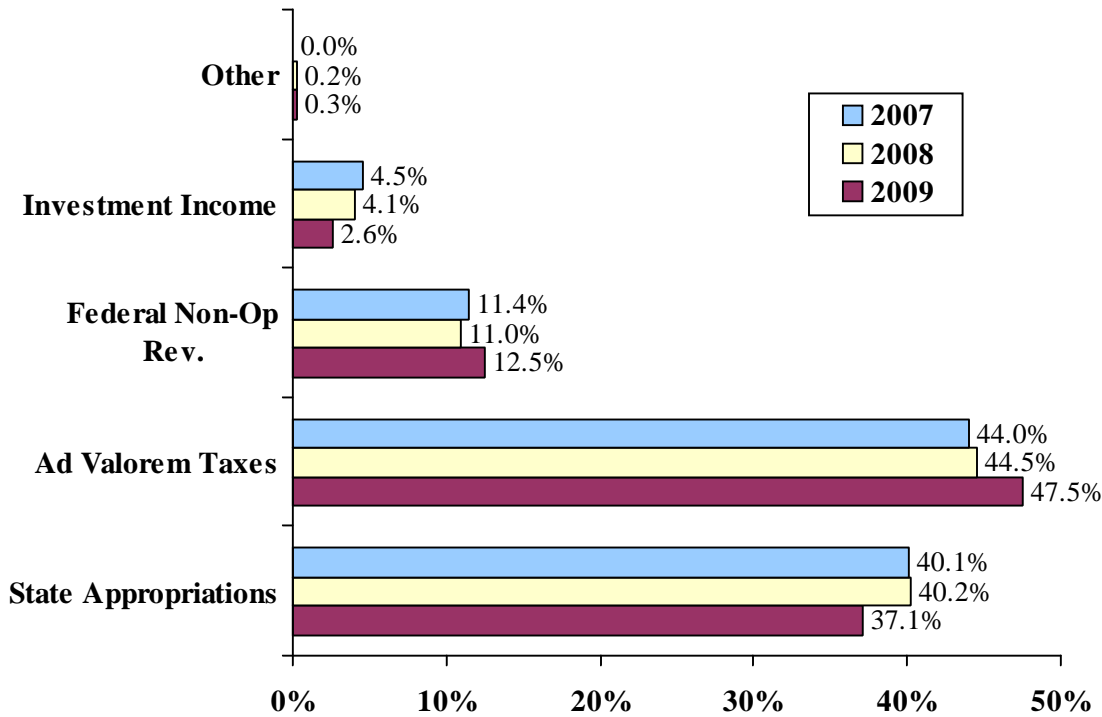
interest rates than could be obtained for longer term investments in earlier periods, were suddenly no longer palatable, causing a shift back to longer-term investments. Total net non-operating revenues were reduced further in the year ended August 31, 2008 by an increase in losses on disposal of fixed assets, due to the sale of a building, over the prior year as well as a small increase in other non-operating expense. This was not true for the year ended August 31, 2009. However, there was a 126.2% or \$7.8 million increase in interest on capital related debt due to \$315.0 million in general obligation bonds issued during the year.

The result of all these changes was that net non-operating revenues increased only \$11.8 million or 4.4% for the year ended August 31, 2008 compared to the \$27.2 million or 9.7% for the year ended August 31, 2009 over the year ended August 31, 2008. The change in net assets decreased 0.5% or \$0.1 million for the year ended August 31, 2008 as opposed to the 8.6% or \$1.9 million increase in net assets for the year ended August 31, 2009 over that ended August 31, 2008.

The following are graphic illustrations of revenues by source for the years ended August 31, 2007 through 2009.



Non-operating Revenues



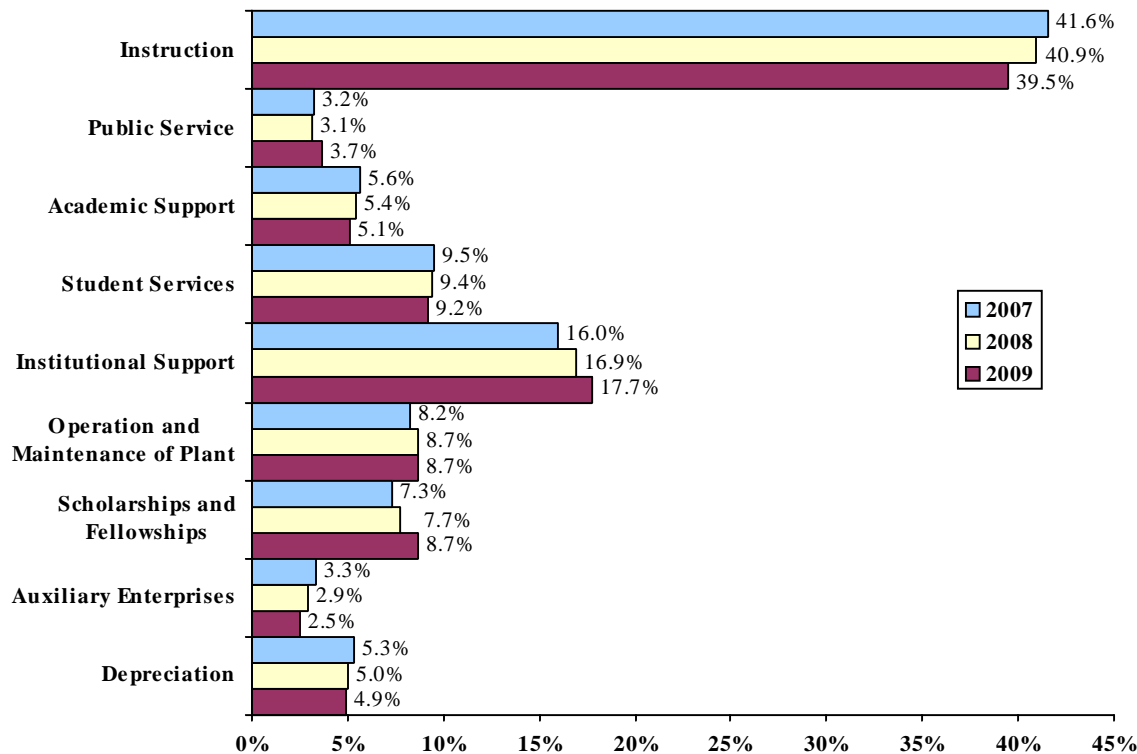
The breakdown of operating expenses by functional area for the years ended August 31, 2007 through 2009 appears in the following table.

**OPERATING EXPENSES
YEARS ENDED AUGUST 31, 2007 THROUGH 2009
(In Thousands)**

	Fiscal Year 2007	Difference	Fiscal Year 2008	Difference	Fiscal Year 2009
OPERATING EXPENSE					
Instruction	\$ 137,497	\$ 3,615	\$ 141,112	\$ 9,302	\$ 150,414
Public service	10,581	258	10,839	3,115	13,954
Academic support	18,310	403	18,713	650	19,363
Student services	31,539	879	32,418	2,733	35,151
Institutional support	52,891	5,325	58,216	8,980	67,196
Operation and maintenance of plant	27,087	2,971	30,058	2,942	33,000
Scholarships and fellowships	24,053	2,330	26,383	6,761	33,144
Auxiliary enterprises	10,774	(670)	10,104	(565)	9,539
Depreciation	17,584	(500)	17,084	1,446	18,530
TOTAL	\$ 330,316	\$ 14,611	\$ 344,927	\$ 35,364	\$ 380,291

The following is a graphic illustration of operating expenses for fiscal years 2007 through 2009.

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 \$3.6 million or 2.6% for the period ended August 31, 2008 and \$9.3 million or 6.6% for the period ended August 31, 2009. However, the percent of total expenses represented by instructional expenses has declined slightly over the periods ended August 31, 2007 through 2009 due to increases in other functional areas although for fiscal year 2009 the dollar expenditure increase was greater than any other functional area as enrollment grew. The greatest increases in operational expenses for the year ended August 31, 2008 relate to institutional support and operation and maintenance of plant. Institutional support for the year ended August 31, 2009 increased even further as new community campuses opened and information technology expenditures increased. Public service grew \$3.1 million or 28.7% with many of the RCHS students taking continuing education classes and the addition of several classes in support of new grants. Scholarships and fellowships increased \$6.8 million or 25.6% as Title IV awards increased significantly over the prior year.

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, 2008, the Foundation’s net assets were \$32.0 million, an amount that represents 7.5% of the District’s net assets for the same period. For the fiscal year ended August 31, 2009, the Foundation’s net assets were \$29.0 million, which represents 6.4% 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 \$25.1 million and \$26.0 million for the years ended August 31, 2008 and 2009 respectively.

Financial Analysis

For the year ended August 31, 2008, cash and investments had increased a significant \$62.4 million or 30.4%. For the year ended August 31, 2009 cash and investments increased another \$10.1 million or 3.8%. The

earlier year change represents the effects of the addition of the commercial paper program netted against increased expenditures for significant progress on constructing bond-funded capital improvements. The latter year increase represents issuance of \$315.0 million of general obligation bonds netted against payment of the outstanding commercial paper as well as significant payments on construction.

Short-term investments and investment pools, which act as cash equivalents, provided higher interest rates for the year ended August 31, 2007 than the long-term investments available on the market. Therefore the District kept more of its money in cash equivalents during this period both to maximize investment revenue earnings as well as to have cash readily available for the fast-paced completion of the maintenance tax note projects begun in 2003 and 2004 and the purchase of land for five new community campuses approved in the 2004 general obligation bond capital improvement program. But for the year ended August 31, 2008, market conditions changed to the point where the District found it advantageous to revert back to longer term investments. By the year ended August 31, 2009, investments in the pools were kept at a level to maintain some liquidity and meet investment policy requirements as the interest rates were even lower.

The line item "Capital assets not subject to depreciation" shows a \$84.0 million or 107.0% increase from the year ended August 31, 2007 to August 31, 2008 followed by an increase of \$25.6 million or 15.8% for the year ended August 31, 2009. This is attributable to land assets increasing as purchases continued for the new community campuses planned as part of the 2004 capital improvement program. Increases in construction in progress grew rapidly in both years, but a large number of projects were completed and moved to depreciable assets in the latter year. Depreciable capital assets increased by \$18.4 million or 6.5% and \$174.0 million or 57.3%, respectively, for the years ended August 31, 2008 and 2009.

Bonds payable for the year ended August 31, 2008 reflects an increase of \$113.8 million or 83.1% but an increase of \$188.6 million or 75.2% for the year ended August 31, 2009. The amount outstanding for the year ended August 31, 2008 is explained by the addition of \$125 million in commercial paper used as interim financing for the bond program projects whereas the latter year shows the addition of \$315.0 million in general obligation bonds after repayment of the outstanding commercial paper. Issuance of a revenue bond refunding of Series 1998 revenue bonds was also accomplished through a private placement.

Net assets, the difference between liabilities and total assets, have increased each year. Compared to the previous year there was a \$0.8 million or 0.3% increase for the year ended August 31, 2008 in the "invested in capital assets, net of related debt" with the transfer of 2 completed buildings from a prior capital improvement program and the addition of construction on the 2004 bond program while increasing \$15.2 million or 6.4% for the year ended August 31, 2009 as multiple capital projects were completed. Unrestricted net assets increased \$21.8 million or 14.0% for the year ended August 31, 2008 over the prior year but increased only \$8.2 million or 4.6% for the year ended August 31, 2009.

As tuition revenue has increased over the past two fiscal years, so have allowances and discounts, although not significantly for the year ended August 31, 2008. Financial aid discounts represented 80.2% for the year ended August 31, 2007. This was down to 76.3% for the year ended August 31, 2008, which means that state and local remissions and exemptions were increased a proportionate amount. Financial aid discounts as a proportion of total discounts remained relatively flat for the year ended August 31, 2009, representing 76.8% of total discounts. Discounts increased overall a total of 8.4% from the year ended August 31, 2007 to the year ended August 31, 2008 but 24.9% for the year ended August 31, 2009 compared to the year ended August 31, 2008, mainly because of a jump in financial aid of 25.7% due to increased numbers of eligible students applying. Gross tuition revenue for the year ended August 31, 2008 increased \$3.5 million or 5.0% over the year ended August 31, 2007 mainly due to enrollment growth as there was no increase in tuition. For the year ended August 31, 2009 there was an increase in gross tuition of \$11.1 million or 15.1% in part because of an increase in tuition in Spring 2009 but mainly because of about 5% enrollment increase in Fall 2008 and over 10% in Spring 2009.

Both federal and state grants and contracts have been increasing. Federal grant and contract revenue increased mainly in the year ended August 31, 2009 with a 16% or \$2.6 million change with the addition of two or three new, large grants, i.e. from the National Science Foundation and the Department of Education. State grant and contract revenue increased \$1.1 million or 47.0% for the year ended August 31, 2008. The increase can be tied to increased Texas Higher Education Coordinating Board-provided grants, increased Texas workforce commission skills development grants and a doubling of the Texas Grant Program. Another increase was seen for the year ended August 31, 2009 of \$3.8 million or 110.5% as additional skills development grants were added along with nursing grants.

The proportionate relationship of operating expenses amongst functional areas has remained fairly constant from 2007 to 2009 (see the graph of operating expenses). Salary increases were 2.5% and 5.0% for the years ended August 31, 2008 and 2009, respectively, which accounts for part of the increase in expenses for each function both years. But institutional support and operation and maintenance of plant grew more than can be accounted for by the salary increase for the year ended August 31, 2008. Institutional support grew in part because of the addition of staff. Half of the increase in operation and maintenance of plant relates to special projects at one college. But the greatest percent of increases in expenses for the year ended August 31, 2009 were in public information and scholarships which increased 28.7% and 25.6%, respectively. Auxiliary services revenue and expenses have been steadily decreasing since August 31, 2007 because of decreased television course sales, the sale of an auxiliary services building at the end of fiscal year 2008, and decreased activity in the Business Incubation center. Depreciation increased 8.5% for the year ended August 31, 2009 as two completed bond projects began being depreciated. Instruction continues to be the highest proportion of the operating expenses accounting for 40.9% of the total for the year ended August 31, 2008 and 39.6% for the year ended August 31, 2009.

State appropriations for the year ended August 31, 2008 increased \$7.5 million or 6.7%. The largest share was due to the increased funding voted by the legislature for the new biennium for base funding and for state insurance and retirement benefits. Also the size of RCHS doubled creating double the state attendance funding. A modest increase of \$1.2 million or 1.0% occurred for the year ended August 31, 2009 with only slight increases in state retirement matching, small business development grant state matching, and increased enrollment for the RCHS.

Net tax revenue increased for the year ended August 31, 2008 by \$9.5 million or 7.8% over the previous year because of a 10.6% increase in the tax base resulting in the District being able to lower its maintenance and operations (M&O) tax rate from \$0.0778 to \$0.0759 per \$100 of valuation. The debt service (I&S) rate increased from \$0.0032 to \$0.0045 per \$100 valuation because of the issuance of commercial paper as interim financing for the capital improvement program general obligation bonds. The M&O rate was maintained for the year ended August 31, 2009 as the certified tax base grew another 5.7%. However the I&S rate increased to \$.0135 per \$100 valuation to provide for the additional debt service for \$315.0 million of general obligation bonds. Investment income for the year ended August 31, 2008 reflects a shifting market showing a decline of \$0.4 million or 3.0% in investment income by August 31, 2008 and grew to an additional \$3.6 million or 30.3% further deterioration by August 31, 2009. Another item to note is that the non-operating loss on disposal of fixed assets increased \$3.6 million or 207.7% for the year ended August 31, 2008. The biggest portion of the increased loss relates to the sale of the Universities Center of Dallas building owned by the District for approximately 10 years.

As a result of all of the activity described above, the net assets of the District increased \$21.7 million for the year ended August 31, 2008 and an additional \$23.5 million for the year ended August 31, 2009. Increases in state appropriations, the tax base, and enrollment growth along with conservative spending all contributed to these increases in net assets.

Capital Asset and Non-Current Debt Activity

As of August 31, 2007, the District had recorded \$586.8 million in capital assets, and \$222.9 million in accumulated depreciation resulting in \$364.0 million in net capital assets. For the year ended August 31, 2008, net capital assets increased \$102.4 million or 28.1%. By August 31, 2009, the amounts had increased an additional \$200.2 million or 42.9%. This is indicative of the rapid movement toward completion of a large number of capital construction projects under the bond program approved in May 2004.

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. Land for five new community campuses were to be purchased with part of the proceeds. Proceeds were also used to buy two buildings, one of which was subsequently traded in the fiscal year ended August 31, 2007 for another that more closely meets the needs for a new centralized administration office. Using a construction manager at risk for most of the projects, significant headway was made by the year ended August 31, 2008, reflected in the increase in the construction in progress balance by \$82.7 million. The fact that a significant number of the projects have been completed is demonstrated by the movement for the year ended August 31, 2009 of \$184.8 million of construction in progress into buildings and building improvements and land improvements while the increase of \$209.0 million of construction in progress over the year illustrates the continued forward movement of remaining projects.

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

CAPITAL ASSETS, NET
YEARS ENDED AUGUST 31, 2007 THROUGH 2009
(In Thousands)

	Fiscal Year 2007	Difference	Fiscal Year 2008	Difference	Fiscal Year 2009
CAPITAL ASSETS:					
Land and improvements	\$ 60,419	\$ 2,296	\$ 62,715	\$ 1,568	\$ 64,283
Buildings & building improvements	424,224	24,611	448,835	184,610	633,445
Equipment, furniture, and software	50,260	7,087	57,347	5,342	62,689
Library books	10,029	-	10,029	31	10,060
Construction in progress	<u>41,912</u>	<u>82,702</u>	<u>124,614</u>	<u>24,237</u>	<u>148,851</u>
Total	586,844	116,696	703,540	215,788	919,328
Less accumulated depreciation	<u>(222,884)</u>	<u>(14,275)</u>	<u>(237,159)</u>	<u>(16,173)</u>	<u>(253,332)</u>
Net capital assets	<u>\$ 363,960</u>	<u>\$ 102,421</u>	<u>\$ 466,381</u>	<u>\$ 199,615</u>	<u>\$ 665,996</u>

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 rating agencies provides an advantage to the District as issues are sold, three of which have occurred through the year ended August 31, 2009. There are only a handful of community colleges in the country that have the highest rating from all three rating agencies.

Taking advantage of the interest rate environment, the District refunded its Series 2001 revenue bonds in December, 2006. The board set guidelines for the refunding in terms of savings of at least 3% and selling not more than \$30 million of refunding bonds for the callable portions of the debt. The sale exceeded the savings target and only \$25.3 million of bonds were sold to refund \$27.1 million of callable bonds. Another refunding occurred with the issuance of Series 2009 Refunding Bonds to refund the Series 1998 revenue bonds. For this refunding the board set guidelines in terms of savings of at least 2.5% and selling not more than \$7 million of refunding bonds for the callable portions of the debt. The refunding bonds were sold in a private placement for \$6.4 million with a District cash contribution of \$0.1 million and met the savings target.

In January 2006 the board approved a commercial paper program to be used as an interim financing method for the 2004 general obligation bond projects. The limit outstanding was not to exceed \$150.0 million at any given time. Authority for community colleges to issue commercial paper was approved by the legislature in 2006. The first tranche of \$25 million was issued in September 2007 followed by an additional \$100 million in November 2007. The full amount was refunded by a new issue of general obligation bonds issued a few days subsequent to August 31, 2008. While outstanding, an RFP for flex repos for the commercial paper was issued and a vendor selected. The result was additional savings on interest expense based on arbitrage earnings expected.

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. New community campuses were located in areas of the county that have previously been underserved and/or have demonstrated need for education services. The first one opened in August 2008 with enrollment exceeding expectations. The remainder opened in 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.

Subsequent to the end of the year, the board voted to end its commercial paper program. Due to market conditions, the program was no longer considered useful as an interim financing method for the bond program projects. The remaining \$50 million in voter-approved bonds needed to complete the bond program projects is expected to be issued in January, 2010.

The District is currently working with a contractor to create a performance contracting program of energy-saving projects expected to be paid for out of energy cost savings guaranteed by the contractor.

The certified tax base decreased by 2.9% for the fiscal year ending August 31, 2010. This created some budgeting challenges for fiscal year 2010. No salary increase was given for the new fiscal year. The tax base is projected to decrease again for the next fiscal year by an amount not yet known.

Contacting the District's Financial Management

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

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 1

STATEMENTS OF NET ASSETS AUGUST 31, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 15,398,650	\$ 50,529,843
Short-term investments	-	21,006,510
Accounts receivable (net of allowance for uncollectible accounts)	30,531,698	21,650,742
Tuition and charges receivable (net of allowance for uncollectible accounts)	8,316,552	7,308,850
Taxes receivable (net of allowance for uncollectible accounts)	1,604,990	845,695
Deferred charges, net	23,751,867	15,047,428
Notes receivable	53,456	72,630
Inventories	746,822	458,948
Prepaid expenses	<u>1,503,040</u>	<u>1,319,015</u>
Total current assets	81,907,075	118,239,661
NON-CURRENT AND RESTRICTED ASSETS:		
Restricted cash and cash equivalents	12,155,928	46,596,672
Long-term investments	250,249,129	149,605,651
Deferred charges, net	4,630,920	2,387,172
Capital assets, net		
Not subject to depreciation	188,120,515	162,496,988
Subject to depreciation	<u>477,875,082</u>	<u>303,884,362</u>
Total non-current assets	<u>933,031,574</u>	<u>664,970,845</u>
TOTAL ASSETS	1,014,938,649	783,210,506
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	49,788,640	47,460,152
Accrued liabilities	4,948,220	3,611,123
Accrued compensable absences	6,521,019	6,355,237
Funds held for others	1,820,688	1,888,203
Deferred revenues	55,800,236	42,855,498
Notes payable—current portion	-	51,523
Bonds payable—current portion	<u>22,588,467</u>	<u>136,763,477</u>
Total current liabilities	141,467,270	238,985,213
NON-CURRENT LIABILITIES:		
Restricted accrued liabilities	2,179,480	159,529
Accrued compensable absences	4,050,572	3,152,364
Bonds payable	<u>416,761,225</u>	<u>113,962,309</u>
Total non-current liabilities	<u>422,991,277</u>	<u>117,274,202</u>
TOTAL LIABILITIES	564,458,547	356,259,415
NET ASSETS		
Invested in capital assets, net of related debt	252,510,597	237,335,157
Restricted for:		
Unexpended bond proceeds	6,689,882	8,020,843
Debt service	5,018,095	3,541,631
Unrestricted	<u>186,261,528</u>	<u>178,053,460</u>
TOTAL NET ASSETS (Schedule D)	<u>\$ 450,480,102</u>	<u>\$ 426,951,091</u>

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

Dallas County Community College District Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS	\$ 6,374,481	\$ 7,050,797
INVESTMENTS		
Debt securities	5,096,807	3,811,541
Equity investments	7,065,090	16,028,297
Mutual funds	<u>6,669,281</u>	<u>832,609</u>
Total investments	18,831,178	20,672,447
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	40,370	21,424
CONTRIBUTIONS RECEIVABLE, net	4,422,158	4,716,469
OTHER ASSETS	<u>10,619</u>	<u>10,618</u>
Total assets	<u>\$29,678,806</u>	<u>\$32,471,755</u>
LIABILITIES AND NET ASSETS		
DUE TO AFFILIATE	\$ 542,922	\$ 422,432
ACCOUNTS PAYABLE	<u>100,788</u>	<u>61,175</u>
Total liabilities	643,710	483,607
NET ASSETS		
Unrestricted	1,050,107	1,164,965
Temporarily restricted	1,970,866	5,703,548
Permanently restricted	<u>26,014,123</u>	<u>25,119,635</u>
Total net assets	<u>29,035,096</u>	<u>31,988,148</u>
Total liabilities and net assets	<u>\$29,678,806</u>	<u>\$32,471,755</u>

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2009 AND 2008**

	2009	2008
OPERATING REVENUES:		
Tuition and charges (net of discounts of \$25,519,120 and \$20,431,339, respectively)	\$ 59,917,657	\$ 53,799,943
Federal grants and contracts	18,842,353	16,244,784
State grants and contracts	7,236,934	3,437,495
Non-governmental grants and contracts	2,318,137	4,368,100
Sales and services of educational activities	508,939	537,569
Auxiliary enterprises	5,576,146	5,914,528
General operating revenues	<u>1,642,434</u>	<u>1,740,489</u>
 Total operating revenues (schedule A)	 96,042,600	 86,042,908
OPERATING EXPENSES:		
Instruction	150,414,206	141,111,698
Public service	13,954,101	10,838,878
Academic support	19,363,342	18,712,990
Student services	35,150,464	32,418,091
Institutional support	67,196,381	58,215,944
Operation and maintenance of plant	32,999,568	30,057,642
Scholarships and fellowships	33,143,575	26,383,520
Auxiliary enterprises	9,538,990	10,103,778
Depreciation	<u>18,530,152</u>	<u>17,084,562</u>
 Total operating expenses (schedule B)	 <u>380,290,779</u>	 <u>344,927,103</u>
 OPERATING LOSS	 (284,248,179)	 (258,884,195)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	119,414,714	118,196,497
Maintenance ad valorem taxes (net of bad debt and collection fee of \$4,646,189 and \$4,142,516, respectively)	153,057,043	130,734,095
Federal revenue, non-operating	40,457,843	32,230,294
Gifts	779,475	204,826
Investment income	8,343,123	11,975,670
Gain on sale of investment	153,269	-
Contribution in aid of construction	75,157	-
Interest on capital related debt	(13,907,095)	(6,149,046)
Loss on disposal of fixed assets	(270,547)	(5,343,392)
Other non-operating revenue	49,897	240,904
Other non-operating expense	<u>(375,689)</u>	<u>(1,534,584)</u>
 Net non-operating revenues (Schedule C)	 <u>307,777,190</u>	 <u>280,555,264</u>
 INCREASE IN NET ASSETS	 23,529,011	 21,671,069
NET ASSETS:		
Net Assets—Beginning of Year	<u>426,951,091</u>	<u>405,280,022</u>
 Net Assets—End of Year	 <u>\$ 450,480,102</u>	 <u>\$ 426,951,091</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,

	2009				2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support								
Contributions	\$ 124,007	\$ 1,378,082	\$ 885,388	\$ 2,387,477	\$ 147,484	\$ 584,588	\$ 484,709	\$ 1,216,781
Interest income	46,556	377,735	-	424,291	119,510	341,166	-	460,676
Contributed salaries	290,256	-	-	290,256	247,325	-	-	247,325
Net realized gains (losses) on sale of investments	(388,600)	(3,897,528)	-	(4,286,128)	59,389	(36,180)	-	23,209
Net unrealized gains (losses) on investments	377,511	-	-	377,511	(2,442,517)	-	-	(2,442,517)
Net assets released from restrictions	1,581,871	(1,581,871)	-	-	1,500,066	(1,500,066)	-	-
Total revenues, gains and other support	2,031,601	(3,723,582)	885,388	(806,593)	(368,743)	(610,492)	484,709	(494,526)
Program and support services								
Grants and scholarships	1,670,522	-	-	1,670,522	1,625,556	-	-	1,625,556
Management and general	338,533	-	-	338,533	361,823	-	-	361,823
Fundraising	137,404	-	-	137,404	106,027	-	-	106,027
Total program and support services	2,146,459	-	-	2,146,459	2,093,406	-	-	2,093,406
Transfers between funds	-	(9,100)	9,100	-	-	25,000	(25,000)	-
Change in net assets	(114,858)	(3,732,682)	894,488	(2,953,052)	(2,462,149)	(585,492)	459,709	(2,587,932)
Net assets - beginning of year	1,164,965	5,703,548	25,119,635	31,988,148	3,627,114	6,289,040	24,659,926	34,576,080
Net assets - end of year	\$ 1,050,107	\$ 1,970,866	\$ 26,014,123	\$ 29,035,096	\$ 1,164,965	\$ 5,703,548	\$ 25,119,635	\$ 31,988,148

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 3

STATEMENT OF CASH FLOWS YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 74,730,737	\$ 64,265,794
Receipts from grants and contracts	36,121,021	23,963,284
Payments to suppliers for goods and services	(87,632,781)	(45,636,451)
Payments to or on behalf of employees	(247,210,558)	(229,954,679)
Payments for scholarships and fellowships	(36,324,108)	(27,100,786)
Loans issued to students	(43,617)	(104,456)
Collection of loans to students	72,276	71,340
Other receipts	1,642,434	1,740,489
Net cash used by operating activities	<u>(258,644,596)</u>	<u>(212,755,465)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from ad valorem taxes	156,216,505	134,749,444
Payments for collection of taxes	(3,918,757)	(3,428,831)
Receipts from state appropriations	119,414,714	118,196,497
Receipts from federal grants for non operating activities	32,642,093	30,782,486
Receipts from student organizations and other agency transactions	18,103,675	16,122,264
Payments to student organizations and other agency transactions	(18,171,190)	(16,253,622)
Payments on notes - principal	(51,523)	(200,731)
Payments on notes - interest	(135)	(7,550)
Other receipts	49,897	240,904
Net cash provided by non-capital financing activities	<u>304,285,279</u>	<u>280,200,861</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	330,284,624	124,959,759
Contribution received in aid of construction	75,157	-
Proceeds from the sale of capital assets	16,962	781,251
Purchases of capital assets	(216,612,876)	(125,241,430)
Payments on capital debt - refunding	(124,931)	-
Payments on capital debt - principal	(142,585,000)	(10,790,000)
Payments on capital debt - interest	(14,617,270)	(7,993,714)
Net cash used by capital and related financing activities	<u>(43,563,334)</u>	<u>(18,284,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	461,948,269	145,138,000
Interest on investments	7,237,814	8,382,993
Purchase of investments	(540,835,369)	(260,824,247)
Net cash used by investing activities	<u>(71,649,286)</u>	<u>(107,303,254)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(69,571,937)	(58,141,992)
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>97,126,515</u>	<u>155,268,507</u>
CASH AND CASH EQUIVALENTS, AUGUST 31	<u>\$ 27,554,578</u>	<u>\$ 97,126,515</u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (284,248,179)	\$ (258,884,195)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	18,530,152	17,084,562
Bad debt expense	674,300	652,600
Changes in assets and liabilities:		
Receivables (net)	(2,171,187)	(1,525,363)
Deferred expenses	(8,796,670)	(773,560)
Inventories	(287,874)	96,887
Notes receivable	19,174	(37,630)
Prepaid expenses	(184,025)	(104,983)
Accounts payable	2,328,488	27,754,909
Accrued liabilities	1,482,497	70,607
Compensated absences	1,063,990	691,599
Deferred revenue	12,944,738	2,219,102
Net cash used by operating activities	<u>\$ (258,644,596)</u>	<u>\$ (212,755,465)</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>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (2,953,052)	\$ (2,587,932)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes	(885,388)	(484,709)
Net realized losses (gains) on sale of investments	4,286,128	(23,209)
Net unrealized losses (gains) on investments	(377,511)	2,442,517
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	(18,946)	(3,175)
Contributions receivable	294,311	1,070,056
Other assets	(1)	(11)
Due to affiliate	120,490	(195,139)
Accounts payable	<u>39,613</u>	<u>56,190</u>
Net cash provided by operating activities	505,644	274,588
Cash flows from investing activities		
Proceeds from investment sales	15,220,788	23,495,203
Purchases of investments	<u>(17,288,136)</u>	<u>(20,800,737)</u>
Net cash provided by/(used in) investing activities	(2,067,348)	2,694,466
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>885,388</u>	<u>484,709</u>
Increase/(decrease) in cash and cash equivalents	(676,316)	3,453,763
Cash and cash equivalents - beginning of year	<u>7,050,797</u>	<u>3,597,034</u>
Cash and cash equivalents - end of year	<u>\$ 6,374,481</u>	<u>\$ 7,050,797</u>

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT**NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

1. REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines— In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, the District is classified as a special purpose government with all financial data of the District reflected as one business-type activity. The Statements of Net Assets display the financial position of the District at the end of each fiscal year and the Statements of Revenues, Expenses, and Changes in Net Assets display the operations of the District for the years ended August 31, 2009 and 2008. 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 and grant funds to students who qualify. When these amounts are transferred to the student for tuition, the amounts are recorded as tuition revenue and a corresponding amount is recorded as a tuition discount.

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

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

Investments—In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair 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 \$23,416,549 and \$14,926,570 represent expenses for scholarships and fellowships related to the periods after August 31, 2009 and 2008, respectively, and \$335,318 and \$120,858 represent bond issue costs to be amortized in the periods after August 31, 2009 and 2008, 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 \$1,928,602 and \$1,621,911 at August 31, 2009 and 2008, respectively, and have been included in the accompanying Statements of Net Assets as non-current deferred charges. In addition, \$2,702,318 and \$765,261, the non-current portion of bond issue costs being amortized over the life of the bonds, is included for the periods ended August 31, 2009 and 2008, 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. Library materials purchased during the fiscal year in an aggregate amount of \$5,000 or more are subject to capitalization and depreciation. Buildings, land and land improvements that exceed \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Equipment, furniture, telecommunications and peripheral equipment apply depreciation on a half-month convention. A full-year convention is applied for buildings, facilities, land improvements and library books. Estimated useful lives of capital assets are established according to the following:

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

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

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

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

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

Reclassifications—Certain reclassifications have been made to prior year amounts in order to conform with Fiscal 2009 presentation. Title IV federal revenue was previously reported as operating revenue. GASB has indicated that it should be reported as non-operating revenue for portions not discounted against tuition. Therefore, Fiscal 2008 amounts have been reclassified for this purpose.

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, 2009 was \$(3,500,502), and the bank balance was \$1,638,192. The carrying amount of the District’s deposits with financial institutions as of August 31, 2008 was \$(9,227,285), and the bank balance was \$(374,281). FDIC insures \$250,000 of the District’s bank balance, and the remaining balance is collateralized with securities.

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

	2009	2008
Bank deposits:		
Local funds - demand	\$ (3,509,002)	\$ (9,235,785)
Imprest funds	<u>8,500</u>	<u>8,500</u>
	(3,500,502)	(9,227,285)
Cash on hand	24,301	24,529
Cash and cash equivalents:		
Investment in Texpool	15,374,332	127,282
Investment in TexSTAR	<u>12,155,945</u>	<u>96,974,704</u>
	<u>27,530,277</u>	<u>97,101,986</u>
Total cash and cash equivalents	<u>\$ 24,054,076</u>	<u>\$ 87,899,230</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 District policy include U.S. Treasury notes, certificates of deposit purchased from FDIC-insured state or nationally chartered U.S. banks, fully collateralized repurchase agreements and reverse repurchase agreements, investment pools, and securities issued by U.S. government agencies.

At August 31, 2009 and 2008, 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, 2009, the District had the following cash equivalents and investments and maturities.

	Fair Value	Investment Maturities (in Years)					
		Less than 1	1-2	2-3	3-4	4-5	5-6
U. S. Agency notes and bonds	\$ 250,249,129	\$ -	\$ 5,143,400	\$ 23,750,833	\$ 68,303,287	\$ 100,074,309	\$ 52,977,300
Investments in Texpool	15,374,332	15,374,332	-	-	-	-	-
Investments in TexSTAR	12,155,945	12,155,945	-	-	-	-	-
Total cash equivalents and investments	<u>\$ 277,779,406</u>	<u>\$ 27,530,277</u>	<u>\$ 5,143,400</u>	<u>\$ 23,750,833</u>	<u>\$ 68,303,287</u>	<u>\$ 100,074,309</u>	<u>\$ 52,977,300</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 six years with the average maturity of no more than five years as a means of managing exposure to fair value losses arising from increasing interest rates. The District's philosophy is to hold all investments to 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. However, all the District's investments are backed by the U.S. Government so are not subject to concentration of credit risk. Investment in U.S. Agency securities comprises 90.07% of the District's total portfolio at August 31, 2009.

Reconciliation of Deposits and Investments to Exhibit 1

	<u>Fair Market Value</u> <u>August 31, 2009</u>	<u>Fair Market Value</u> <u>August 31, 2008</u>
Total cash and cash equivalents	\$ 24,054,076	\$ 87,899,230
Total investments	<u>250,249,129</u>	<u>170,612,161</u>
 Total	 <u>\$ 274,303,205</u>	 <u>\$ 258,511,391</u>
 <u>Per Exhibit 1:</u>		
Cash and cash equivalents	\$ 15,398,650	\$ 50,529,843
Restricted cash and cash equivalents	12,155,928	46,596,672
Short-term investments	-	21,006,510
Long-term investments	250,249,129	149,605,651
Accounts payable	<u>(3,500,502)</u>	<u>(9,227,285)</u>
 Total	 <u>\$ 274,303,205</u>	 <u>\$ 258,511,391</u>

There were no investments held by broker-dealers under reverse repurchase agreements as of August 31, 2009 or 2008.

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

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

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

4. CURRENT ASSETS AND LIABILITIES

Receivables—Receivables at August 31, 2009 and 2008 were as follows:

	2009	2008
Ad valorem taxes	\$ 8,600,484	\$ 7,113,757
Student tuition and charges	9,766,128	8,344,785
Federal grants	24,695,505	17,445,681
State grants	2,041,861	868,204
Local grants	608,806	448,355
Interest on investments	1,718,153	1,209,445
Other receivables	<u>1,557,492</u>	<u>1,745,911</u>
Total receivables	48,988,429	37,176,138
Less allowances for uncollectible amounts:		
Ad valorem taxes	(6,995,494)	(6,268,062)
Student tuition and charges	(1,449,576)	(1,035,935)
Other receivables	<u>(90,119)</u>	<u>(66,854)</u>
Total allowances	<u>(8,535,189)</u>	<u>(7,370,851)</u>
Total receivables, net of allowances	<u>\$ 40,453,240</u>	<u>\$ 29,805,287</u>

Payables—Accounts Payable at August 31, 2009 and 2008 were as follows:

	2009	2008
Vendors payable	\$ 37,303,943	\$ 40,298,299
Salaries and benefits payable	59,677	45,079
Students payable	<u>12,425,020</u>	<u>7,116,774</u>
Total accounts payable	<u>\$ 49,788,640</u>	<u>\$ 47,460,152</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Increases/ Reclassifications	Decreases	Balance August 31, 2009
Capital assets not subject to depreciation:				
Land	\$ 37,883,320	\$ 1,385,837	\$ -	\$ 39,269,157
Construction in progress	<u>124,613,668</u>	<u>209,028,965</u>	<u>(184,791,275)</u>	<u>148,851,358</u>
Total not depreciated	162,496,988	210,414,802	(184,791,275)	188,120,515
Capital assets subject to depreciation:				
Buildings and building improvements	448,835,422	184,609,440	-	633,444,862
Land improvements	24,831,982	181,786	-	25,013,768
Furniture, machinery, vehicles, and other equipment	57,346,853	7,545,548	(2,203,873)	62,688,528
Library books	<u>10,028,992</u>	<u>471,608</u>	<u>(440,494)</u>	<u>10,060,106</u>
Total depreciated	541,043,249	192,808,382	(2,644,367)	731,207,264
Accumulated depreciation:				
Buildings and building improvements	(172,969,886)	(13,614,174)	-	(186,584,060)
Land improvements	(16,763,855)	(483,729)	-	(17,247,584)
Furniture, machinery, vehicles, and other equipment	(40,340,010)	(4,160,482)	2,121,927	(42,378,565)
Library books	<u>(7,085,136)</u>	<u>(271,766)</u>	<u>234,929</u>	<u>(7,121,973)</u>
Total accumulated depreciation	<u>(237,158,887)</u>	<u>(18,530,151)</u>	<u>2,356,856</u>	<u>(253,332,182)</u>
Net capital assets	<u>\$ 466,381,350</u>	<u>\$ 384,693,033</u>	<u>\$ (185,078,786)</u>	<u>\$ 665,995,597</u>

Capital assets activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Increases/ Reclassifications	Decreases	Balance August 31, 2008
Capital assets not subject to depreciation:				
Land	\$ 36,592,354	\$ 1,290,966	\$ -	\$ 37,883,320
Construction in progress	<u>41,911,973</u>	<u>116,410,473</u>	<u>(33,708,778)</u>	<u>124,613,668</u>
Total not depreciated	78,504,327	117,701,439	(33,708,778)	162,496,988
Capital assets subject to depreciation:				
Buildings and building improvements	424,223,777	31,547,802	(6,936,157)	448,835,422
Land improvements	23,826,425	1,005,557	-	24,831,982
Furniture, machinery, vehicles, and other equipment	50,259,952	8,598,880	(1,511,979)	57,346,853
Library books	<u>10,029,715</u>	<u>485,420</u>	<u>(486,143)</u>	<u>10,028,992</u>
Total depreciated	508,339,869	41,637,659	(8,934,279)	541,043,249
Accumulated depreciation:				
Buildings and building improvements	(161,283,412)	(12,826,318)	1,139,844	(172,969,886)
Land improvements	(16,275,310)	(488,545)	-	(16,763,855)
Furniture, machinery, vehicles, and other equipment	(38,610,491)	(3,140,034)	1,410,515	(40,340,010)
Library books	<u>(6,714,748)</u>	<u>(629,665)</u>	<u>259,277</u>	<u>(7,085,136)</u>
Total accumulated depreciation	<u>(222,883,961)</u>	<u>(17,084,562)</u>	<u>2,809,636</u>	<u>(237,158,887)</u>
Net capital assets	<u>\$ 363,960,235</u>	<u>\$ 142,254,536</u>	<u>\$ (39,833,421)</u>	<u>\$ 466,381,350</u>

6. NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
Series 1998 Revenue Financing					
System Refunding Bonds	\$ 8,295,000	\$ -	\$ (8,295,000)	\$ -	\$ -
Series 2001 Revenue Financing					
System Bonds	3,575,000	-	(1,750,000)	1,825,000	1,825,000
Series 2006 Revenue Financing					
System Refunding Bonds	25,275,000	-	-	25,275,000	-
Series 2009 Revenue Financing					
System Refunding Bonds	-	6,460,000	-	6,460,000	2,115,000
Series 2004 Maintenance Tax Notes	25,475,000	-	(5,355,000)	20,120,000	5,685,000
Series 2004 General Obligation Bonds	60,735,000	-	(2,370,000)	58,365,000	2,460,000
Series 2008 General Obligation Bonds	-	211,975,000	(6,185,000)	205,790,000	6,815,000
Series 2009 General Obligation Bonds	-	102,985,000	-	102,985,000	1,975,000
Unamortized bond premium	3,305,900	17,534,233	(1,492,638)	19,347,495	1,830,780
Deferred Loss on Bond Refunding	(935,114)	-	117,311	(817,803)	(117,313)
Accrued interest	159,529	2,019,951	-	2,179,480	-
Note payable	51,523	-	(51,523)	-	-
Compensable absences	9,507,601	1,063,990	-	10,571,591	6,521,019
	<u>\$ 135,444,439</u>	<u>\$ 342,038,174</u>	<u>\$ (25,381,850)</u>	<u>\$ 452,100,763</u>	<u>\$ 29,109,486</u>
Total	<u>\$ 135,444,439</u>	<u>\$ 342,038,174</u>	<u>\$ (25,381,850)</u>	<u>\$ 452,100,763</u>	<u>\$ 29,109,486</u>

Non-current liability activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Current Portion
Series 1998 Revenue Financing					
System Refunding Bonds	\$ 10,135,000	\$ -	\$ (1,840,000)	\$ 8,295,000	\$ 1,925,000
Series 2001 Revenue Financing					
System Bonds	5,250,000	-	(1,675,000)	3,575,000	1,750,000
Series 2006 Revenue Financing					
System Refunding Bonds	25,275,000	-	-	25,275,000	-
Series 2004 Maintenance Tax Notes	30,450,000	-	(4,975,000)	25,475,000	5,355,000
Series 2004 General Obligation Bonds	63,035,000	-	(2,300,000)	60,735,000	2,370,000
Unamortized bond premium	3,843,682	-	(537,782)	3,305,900	480,790
Deferred Loss on Bond Refunding	(1,052,429)	-	117,315	(935,114)	(117,315)
Accrued interest	172,769	-	(13,240)	159,529	-
Note payable	252,254	-	(200,731)	51,523	51,523
Compensable absences	8,816,002	691,599	-	9,507,601	6,355,237
	<u>\$ 146,177,278</u>	<u>\$ 691,599</u>	<u>\$ (11,424,438)</u>	<u>\$ 135,444,439</u>	<u>\$ 18,170,235</u>
Total	<u>\$ 146,177,278</u>	<u>\$ 691,599</u>	<u>\$ (11,424,438)</u>	<u>\$ 135,444,439</u>	<u>\$ 18,170,235</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 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 2006 Revenue Financing System Refunding Bonds	25,275,000	4.00%-5.00%	2011	2021	2/15/2017
Series 2009 Revenue Financing System Refunding Bonds	6,460,000	1.30%-2.30%	2010	2012	N/A
Series 2004 Maintenance Tax Notes	38,555,000	2.00%-5.00%	2004	2021	2/15/2010
Series 2004 General Obligation Bonds	67,375,000	3.00%-5.00%	2005	2025	2/15/2013
Series 2008 General Obligation Bonds	211,975,000	3.00%-5.00%	2010	2029	2/15/2020
Series 2009 General Obligation Bonds	102,985,000	1.50%-5.00%	2010	2029	2/15/2020

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. 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. On June 22, 2009, the bonds were recalled and refunded by Series 2009 Revenue Financing System Refunding Bonds. At August 31, 2009 there is no Bond Reserve Fund requirement due to payment in full of the Series 1998 Bonds.

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%. On December 15, 2006 revenue financing system refunding bonds were issued to advance refund \$27,050,000 of the Series 2001 Bonds due from 2011 through 2021. The portion of the Series 2001 Bonds that remains outstanding as of August 31, 2009 is \$1,825,000. 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. At August 31, 2009, there is no

Bond Reserve Fund requirement, due to the in substance defeasance of the bonds maturing between 2011 and 2021.

On April 6, 2004, pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.108 and 130.084, Texas Education Code, as amended, the District issued \$38,555,000 of Maintenance Tax Notes (“Series 2004 Notes”). The proceeds of the notes are being used to pay for planned maintenance expenses associated with various facilities of the District. The notes are direct obligations of the District payable from a continuing direct annual ad valorem tax pursuant to the District’s maintenance tax authority, with the limits prescribed by law, on all taxable property in the District. Debt issue costs are being amortized over the life of the notes. As of August 31, 2009, the outstanding amount on the Series 2004 Notes is \$20,120,000.

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

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

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

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

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

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:			
2010	\$ 20,875,000	\$ 19,298,295	\$ 40,173,295
2011	23,145,000	18,507,414	41,652,414
2012	24,230,000	17,550,077	41,780,077
2013	18,610,000	16,691,388	35,301,388
2014	17,155,000	15,919,845	33,074,845
2015 - 2019	98,620,000	66,588,412	165,208,412
2020 - 2024	116,435,000	40,095,329	156,530,329
2025 - 2029	<u>101,750,000</u>	<u>11,064,500</u>	<u>112,814,500</u>
	<u>\$ 420,820,000</u>	<u>\$ 205,715,260</u>	<u>\$ 626,535,260</u>

As of August 31, 2009 the District had the following defeased bonds outstanding:

Bond Issue	Year Refunded	Par Value Outstanding
Series 1992 Revenue Financing System Bonds	1998	\$ 6,935,000
Series 2001 Revenue Financing System Bonds*	2006	<u>27,050,000</u>
		<u>\$ 33,985,000</u>

*The District still has a liability for \$1,825,000 in outstanding 2001 Series Bonds.

The note payable accrued interest at 4.25% and was payable in quarterly installments beginning on November 30, 2002. As of August 31, 2009 there is no outstanding obligation as the note has been paid in full.

In 2009, the District incurred \$15,023,619 in interest cost, of which \$13,907,095 was expensed and \$1,116,524 was capitalized. In 2008, the District incurred \$7,568,387 in interest cost, of which \$6,149,046 was expensed and \$1,419,341 was capitalized.

At its April 3, 2007 meeting, the Board of Trustees of the Dallas County Community College District passed a resolution approving the use of a Commercial Paper Program for use as an interim financing tool for the \$450 million, voter-approved, capital improvement program ultimately financed by Interest and Sinking ad valorem taxes. Commercial paper was approved under Texas Government Code Chapter 1371 as a financing instrument available to junior colleges with a headcount of greater than 40,000 by legislative action during a special session in 2006. The Board set the limit for the commercial paper program line of credit to be no more than \$150 million at any given time. The first \$25 million of commercial paper was issued on September 26, 2007 and an additional \$100 million on November 6, 2007. Due dates can vary from 1 to 270 days. The paper was rolled over several times during the year ended August 31, 2008. At August 31, 2009 the District had no commercial paper outstanding.

7. RETIREMENT PLAN

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

Teacher Retirement System of Texas –

Plan Description -The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems, colleges and university employees and state employees. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us under the TRS Publications heading.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of TRS; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% and a state contribution rate of 6.58% for fiscal years 2009 and 2008. In certain instances, the reporting district is required to make all or a portion of the state's contribution amounts.

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

may receive reduced benefits at age 55 with at least 5 years of service or at any age with 30 or more years of service.

Optional Retirement Plan –

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

Funding Policy – Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. For both 2009 and 2008, the percentages of participant salaries contributed by the state and by each participant were 6.58% and 6.65%, respectively, of annual compensation. In addition, the District contributed 1.92% of annual compensation for each participant hired on or before August 31, 1995 for the years ended August 31, 2009 and 2008. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

For the years ended August 31, 2009 and 2008 the total payroll of the District was \$211,154,152 and \$195,168,177, the payroll for employees covered by TRS was \$109,148,204 and \$97,474,055, and the payroll for employees covered by the optional retirement plan was \$61,378,500 and \$60,551,812, respectively. The retirement expense to the State for the District was \$9,813,928 and \$9,064,309 for the fiscal years ended August 31, 2009 and 2008, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

8. DEFERRED COMPENSATION PLAN

The District has established a deferred compensation plan under which selected executives may elect to defer a portion of their earnings for tax and investment purposes pursuant to authority granted in Government Code §609.001. For the years ended August 31, 2009, and August 31, 2008, the District had one employee participating in the program.

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

9. COMPENSABLE ABSENCES

Full-time professional support staff and administrators earn annual leave from one to two days per month depending on the length of employment with the District. The policy of the District is that an employee may carry his or her accrued leave forward from one fiscal year to another fiscal year with a maximum number of days 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, 2009, the District has recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for \$10,571,591, of which \$6,521,019 was recorded as a current liability and \$4,050,572 was recorded as a non-current liability. As of August 31, 2008, the District had recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for \$9,507,601 of which \$6,355,237 was recorded as a current liability and \$3,152,364 was recorded as a non-current liability. Sick leave, which can be accumulated up to 66 days, is earned at the rate of one day per month. It is used by an employee who misses work because of illness. The policy of the District is to recognize the cost of sick leave when paid. Employees are not entitled to be paid for sick leave accrued but not taken upon termination. Accordingly, no liability for sick leave is reflected in the accompanying Statements of Net Assets. The same applies to extenuating circumstance leave which accrues at a rate of 2 days per year to a maximum of 4 days but is not payable on termination.

10. COMMITMENTS AND CONTINGENCIES

Commitments—The District has entered into contracts for the planning and construction of new facilities, as well as for the renovation and repair of existing campuses within the District. Commitments remaining under such contracts at August 31, 2009 are \$28,829,150.

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

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

On August 25, 2008 the District sold a building to the University of North Texas. A clause in the original deed requires that the District remain in the line of guarantors on two ground leases, which are in effect through 2047 and 2048. The probability of having to pay the ground leases is remote since University of North Texas will be the owner and the District follows them or any future owners in the line of priority for the guarantee. The potential amount owed through the end of the leases is in excess of \$3.5 million. However, because the probability of having to pay is remote, the District does not plan to accrue a liability.

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENTS

Included in operating expenses is \$2,380,178 and \$2,317,309 of rent paid during fiscal years 2009 and 2008, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2009 are as follows:

Year Ended	Minimum Future Lease Payments
2010	\$ 1,454,666
2011	<u>272,010</u>
Total	<u>\$ 1,726,676</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 2009 for which

monies have not been received nor funds expended totaled \$37,567,393. Of this amount, \$35,734,275 is from federal contract and grant awards, \$1,361,485 is from state contract and grant awards and \$471,633 is from local contract and grant awards. Contract and grant awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal year 2008 for which monies had not been received nor funds expended totaled \$32,526,937. Of this amount, \$29,718,890 was from federal contract and grant awards, \$2,132,093 was from state contract and grant awards and \$675,954 was from local contract and grant awards.

13. SELF-INSURED PLANS

Prior to August 31, 1998 the District was self-insured for workers’ compensation. Effective September 1, 1998 the District implemented a guaranteed cost workers’ compensation insurance program to handle workers’ compensation claims. The District returned to a self-insured plan effective September 1, 2002. The accrued liability balance is based upon third party actuarial information. Future payments for the incurred claims will be paid from the accrued liability.

Self-insurance activity for the plan prior to 1998 for the years ended August 31, 2008 and 2009 was as follows:

Accrued Claim Liability for the Year Ended August 31	Balance September 1	Additions	Reductions in Liability/ Claims Paid	Balance August 31
2008	\$ 268,423	\$ -	\$ (2,635)	\$ 265,788
2009	265,788	-	(2,610)	263,178

Self-insurance activity for the current plan for the years ended August 31, 2008 and 2009 was as follows:

Accrued Claim Liability for the Year Ended August 31	Balance September 1	Additions	Reductions in Liability/ Claims Paid	Balance August 31
2008	\$ 294,864	\$ 410,164	\$ (431,454)	\$ 273,574
2009	273,574	501,090	(395,259)	379,405

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, 2009, the state’s maximum contribution per full-time employee was \$360.54 per month for the year and totaled \$4,326.48 per employee for the year. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$566.57, \$498.49, and \$704.52 per month, respectively. The cost of providing all health benefits for the year was \$4,185,944 for 839 retirees and \$15,916,230 for 3,248 active employees.

The state's maximum contribution per full-time employee for the year ended August 31, 2008 was \$360.54 per month for an annualized cost of \$4,326.48 per employee. The state also paid an additional amount for a spouse, child(ren), or both for a maximum amount of \$566.57, \$498.49, and \$704.52 per month respectively. The actual cost of providing all health benefits for the year was \$4,106,646 for 823 retirees and \$15,580,187 for 3,111 active employees.

The health insurance expense to the state for the District was \$15,930,773 and \$16,065,571 for the fiscal years ended August 31, 2009 and 2008 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 was effective for the fiscal year ending August 31, 2008. The following information is provided to comply with the requirements of the new statement.

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution. The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement 45. The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to the plan for the years ended August 31, 2009, 2008 and 2007 were \$4,171,402, \$3,621,262 and \$3,793,223, respectively, which equaled the required contributions each year.

15. RELATED PARTIES

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

16. AD VALOREM TAX

Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Taxes levied for the years ended August 31, 2009 and 2008 were \$158,942,985 and \$135,224,155, 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 2009 and 2008 to finance the operations and maintenance as well as debt service was \$.0894 and \$.0804, respectively, per \$100 of assessed valuation on real property, leaving a tax margin of \$.5706 and \$.5796, respectively, per \$100 of assessed valuation on real and personal property. Approximately \$1,015,116,049 of additional taxes could be raised per year based on the 2009 assessed value of \$177,903,268,187 for real property before the limit is reached. In 2008, approximately \$965,396,658 of additional taxes could have been raised per year based on the 2008 assessed value of \$166,562,570,326 for real property before the limit would have been reached.

At August 31, 2009 and 2008:

	2009	2008
Assessed valuation of the District	\$ 215,856,678,528	\$ 202,897,588,900
Less exemptions	<u>37,953,410,341</u>	<u>36,335,018,574</u>
Net assessed valuation of the District	<u>\$ 177,903,268,187</u>	<u>\$ 166,562,570,326</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.

	Maintenance & Operations		Interest & Sinking	
	Current Operations	Maintenance Tax Notes	Debt Service	
Gross Taxes Collected - 2009				Total
Current	\$ 123,750,368	\$ 6,136,004	\$ 23,337,213	\$ 153,223,585
Delinquent	2,003,220	28,150	373,886	2,405,256
Penalties and interest	<u>2,074,391</u>	<u>-</u>	<u>-</u>	<u>2,074,391</u>
Total collections	<u>\$ 127,827,979</u>	<u>\$ 6,164,154</u>	<u>\$ 23,711,099</u>	<u>\$ 157,703,232</u>

	Maintenance & Operations		Interest & Sinking	
	Current Operations	Maintenance Tax Notes	Debt Service	
Gross Taxes Collected - 2008				Total
Current	\$ 117,701,128	\$ 5,891,098	\$ 7,431,482	\$ 131,023,708
Delinquent	1,704,592	7,567	52,398	1,764,557
Penalties and interest	<u>2,088,346</u>	<u>-</u>	<u>-</u>	<u>2,088,346</u>
Total collections	<u>\$ 121,494,066</u>	<u>\$ 5,898,665</u>	<u>\$ 7,483,880</u>	<u>\$ 134,876,611</u>

Tax collections for the years ended August 31, 2009 and 2008 were approximately 98% of the current tax levy for both years. Allowances for uncollectible taxes (see Note 4) are based upon historical experience in collecting ad valorem taxes.

Under GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, ad valorem taxes are an imposed non-exchange revenue. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset or when the entity receives

resources, whichever comes first. The enforceable legal claim date for ad valorem taxes is the assessment date. Accordingly, the District has recognized all assessed taxes in the current year and recorded a receivable for uncollected taxes.

17. DEFERRED REVENUES

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

Deferred revenue balances at August 31, 2009 and 2008 are as follows:

	2009	2008
Deferred revenues related to students and other customers	\$ 32,368,715	\$ 27,915,755
Deferred revenues related to grants and contracts	<u>23,431,521</u>	<u>14,939,743</u>
Total deferred revenues	<u>\$ 55,800,236</u>	<u>\$ 42,855,498</u>

18. BUDGETARY DATA

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

19. INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.," although unrelated income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations." The District had no material unrelated business income tax liability for the years ended August 31, 2009 or 2008.

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 2009	Taxes Forgone in 2008
Cityplace	100%	\$ 237,785	\$ 325,693
Oak Cliff Gateway	100	53,118	27,649
City of Irving	100	389,828	267,820
City of Farmers Branch Mercer Crossing	35	36,589	26,537
City of Farmers Branch Old Farmers Branch	100	4,407	3,169
City of Grand Prairie #1	100	75,766	44,893
City of Grand Prairie #2	100	62,487	57,346
City of Grand Prairie #3	100	<u>12,680</u>	<u>7,984</u>
Total taxes forgone		<u>\$ 872,660</u>	<u>\$ 761,091</u>

21. GENERAL OPERATING REVENUES

General operating revenues of \$1,642,434 and \$1,740,489 for the years ended August 31, 2009 and 2008, 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. Revenue for other categories are generally smaller and range from less than a dollar on up.

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 \$6,374,481 and \$7,050,797 as of August 31, 2009 and 2008, respectively. The Foundation maintains cash and cash equivalents at financial institutions, which are either federally insured by the FDIC or Security Investor Protection Corporation (SIPC) and Lloyds of London. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant 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. 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.; The Fairholme Fund; Janus Investment Fund; 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, 2009 and 2008.

Contributed Services

The salaries of certain Foundation employees have been donated by the District. The estimated fair value of these contributed services is \$290,256 and \$247,325 for 2009 and 2008, 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 Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any unrelated business income for the years ended August 31, 2009 and 2008. The Foundation is not considered a private foundation under Section 509(a) of the IRC.

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

Reclassifications

Certain reclassifications have been made to prior year amounts in order to conform with Fiscal 2009 presentation. Amounts due to affiliate have been included within accounts payable in the Statement of Financial Position in 2008.

New Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board issued Statement 165, Subsequent Events, to incorporate the accounting and disclosure requirements for subsequent events into U.S. generally accepted accounting principles. Statement 165 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance-sheet date. The Foundation adopted Statement 165 as of June 30, 2009, which was the required effective date.

The Foundation evaluated its August 31, 2009 financial statements for subsequent events through November 23, 2009, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

	2009		2008	
	Cost	Fair value	Cost	Fair value
Corporate bonds	\$ 4,147,139	\$ 5,096,807	\$ 3,288,778	\$ 3,811,541
Corporate stocks	6,553,800	7,065,090	16,910,059	16,028,297
Mutual funds	<u>7,240,574</u>	<u>6,669,281</u>	<u>859,053</u>	<u>832,609</u>
	<u>\$17,941,513</u>	<u>\$18,831,178</u>	<u>\$21,057,890</u>	<u>\$20,672,447</u>

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	August 31,	
	2009	2008
Contributions receivable	\$4,801,000	\$5,391,000
Less unamortized discount ranging from 1.04% to 4.82% at August 31, 2009 and 3.84% to 5.07% at August 31, 2008	<u>(378,842)</u>	<u>(674,531)</u>
	<u>\$4,422,158</u>	<u>\$4,716,469</u>

NOTE C - CONTRIBUTIONS RECEIVABLE - Continued

The maturity of contributions receivable as of August 31, 2009 is as follows:

Less than one year	\$1,051,000
One to five years	<u>3,750,000</u>
	<u>\$4,801,000</u>

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows:

	<u>August 31,</u>	
	<u>2009</u>	<u>2008</u>
Grants and Scholarships	\$1,970,866	\$5,703,548

NOTE E - PERMANENTLY RESTRICTED NET ASSETS

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

	<u>August 31,</u>	
	<u>2009</u>	<u>2008</u>
Grants and Scholarships	\$26,014,123	\$25,119,635

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

NOTE F - NET ASSETS RELEASED FROM RESTRICTIONS

The source of net assets released from restrictions by incurring expense satisfying the restricted purpose or occurrence of events specified by the donor were as follows:

	<u>August 31,</u>	
	<u>2009</u>	<u>2008</u>
Grants and Scholarships	\$1,670,522	\$1,500,066

NOTE G - TRANSACTIONS WITH RELATED PARTIESContributions Receivable

In 2006, the Foundation received multi-year contribution pledges from a Foundation board member and an entity controlled by a Foundation board member in the amount of \$500,000 and \$120,000, respectively. At August 31, 2009 and 2008 the remaining receivable for the pledges from a Foundation board member and an entity controlled by a Foundation board member were \$100,000 and \$-0- respectively and \$200,000 and \$40,000, respectively.

NOTE G - TRANSACTIONS WITH RELATED PARTIES - Continued

Due to Affiliate

At August 31, 2009 and 2008, the Foundation owed the District \$542,922 and \$422,432, respectively for scholarships and grants.

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the Financial Accounting Standard Board (“FASB”) issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”). Effective September 1, 2008, the Foundation adopted SFAS 157 which requires enhanced disclosures about financial instruments that are measured and reported at fair value. In accordance with SFAS 157, fair value is defined as the price the Foundation would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in the principal market. SFAS 157 establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Foundation’s investments and liabilities. The inputs are summarized in three levels as outlined below:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Foundation’s publicly traded securities and mutual fund investments. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs include quoted prices for similar investments, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 - Unobservable inputs that reflect the reporting entities own assumptions market participants would use in pricing an asset or liability based upon the best information available in the circumstances.

The schedule below classifies the Foundation’s assets and liabilities based upon the three-tier hierarchy discussed above:

		<u>Fair Value Measurements at August 31, 2009 Using</u>		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Description</u>	<u>8/31/09</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Publicly Traded Securities	\$18,831,178	\$18,831,178	\$ -	\$ -

NOTE I - ENDOWMENTS

The Foundation's endowment consists of 135 individual funds established for a variety of purposes. These individual funds consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The staff of the Foundation has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of August 31, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$26,014,123	\$26,014,123
Board restricted endowment funds	6,216	-	6,216
Changes in Endowment Net Assets for the year ended August 31, 2009:			
Endowment net assets, beginning of year	\$ 7,521	\$25,119,635	\$25,127,156
Contributions	-	885,388	885,388
Investment income			
Dividends and interest	122	-	122
Net realized and unrealized losses on investments	(1,427)	-	(1,427)
Transfer between funds	<u>-</u>	<u>9,100</u>	<u>9,100</u>
Endowment net assets, end of year	<u>\$ 6,216</u>	<u>\$26,014,123</u>	<u>\$26,020,339</u>

NOTE I - ENDOWMENTS - ContinuedReturn Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating two-thirds (67%) of accumulated earnings for distribution each year. One third (33%) of the accumulated earnings are retained to ensure adequate funds are available to distribute in years with little to no earnings. This attempts to provide a predictable stream of funding to programs supported by its endowment

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow.

This is consistent with the Foundation's objectives to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation's benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk.

24. RICHLAND COLLEGIATE HIGH SCHOOL OF MATHEMATICS, SCIENCE AND ENGINEERING--CHARTER HIGH SCHOOL OPERATED BY THE DISTRICT

In January 2005, the District's Board of Trustees approved application to the Texas Education Agency (TEA) for a charter to operate the Richland Collegiate High School of Mathematics, Science, and Engineering, designed to enroll students only at the junior and senior levels. TEA approved the application in October 2005. In May 2006, the Board approved the contract with TEA for operating a charter through July 31, 2010. The charter high school opened in August 2006 with its first class of 176 students at the junior level. Students receive high school and college credit concurrently. Funding is received from the State of Texas for the charter high school based on average daily attendance. Expenses consist of contracted services for instruction and other functions provided through Richland College as well as direct expenses for equipment and supplies. The high school has no direct employees.

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

The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows, and a Schedule of Expenditures for the years ended August 31, 2009 and 2008 for Richland Collegiate High School alone are presented below followed by a Budgetary Comparison Schedule for 2009.

RICHLAND COLLEGIATE HIGH SCHOOL
With TEA Classifications
STATEMENTS OF NET ASSETS
AUGUST 31, 2009 AND 2008

EXHIBIT 1

Data Control Codes	ASSETS	2009	2008
	CURRENT ASSETS:		
1100	Cash and cash equivalents	\$ 500,296	\$ 181,161
1240	Accounts Receivable (net) -Due from TEA	<u>10,685</u>	<u>68,372</u>
	Total current assets	510,981	249,533
	NON-CURRENT AND RESTRICTED ASSETS:		
1800	Total non-current assets	<u>-</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 510,981</u>	<u>\$ 249,533</u>
	LIABILITIES		
	CURRENT LIABILITIES:		
2501	Due to District (parent organization)	<u>\$ 10,685</u>	<u>\$ 68,372</u>
	Total current liabilities	10,685	68,372
	NON-CURRENT LIABILITIES:		
2502	Loan payable to Richland College	<u>-</u>	<u>-</u>
	Total non-current liabilities	-	-
2000	TOTAL LIABILITIES	10,685	68,372
	NET ASSETS		
3200	Invested in capital assets, net of related debt	-	-
3900	Unrestricted	<u>500,296</u>	<u>181,161</u>
3000	TOTAL NET ASSETS	<u>\$ 500,296</u>	<u>\$ 181,161</u>

RICHLAND COLLEGIATE HIGH SCHOOL

EXHIBIT 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED AUGUST 31, 2009 AND 2008

District Presentation			TEA Classifications			
	2009	2008	Data Control Codes		2009	2008
OPERATING REVENUES:			OPERATING REVENUES:			
Federal grants and contracts	\$ 10,685	\$ 68,372	5929	Federal grants revenue distributed by TEA	\$ 10,685	\$ 68,372
Total operating revenues	10,685	68,372	5020	Total operating revenues	10,685	68,372
OPERATING EXPENSES:			OPERATING EXPENSES:			
Instruction	912,449	1,032,513	0011	Instruction	1,043,398	1,121,933
Public service	130,949	89,420	0012	Instructional resources and media services	281,166	538
Academic support	296,733	12,518	0013	Curriculum Development & Instructional	15,567	11,980
Student services	265,308	150,512	0031	Guidance, counseling and evaluation services	185,936	131,717
			0033	Health services	7,662	8,448
			0035	Food service	3,793	3,314
			0036	Extracurricular Activities	-	7,033
Institutional support	421,595	401,990	0023	School leadership	356,407	242,673
			0041	General administration	91,792	122,792
			0052	Security and monitoring services	41,313	36,525
Total operating expenses	2,027,034	1,686,953	6030	Total operating expenses	2,027,034	1,686,953
OPERATING LOSS	(2,016,349)	(1,618,581)	1100	OPERATING LOSS	(2,016,349)	(1,618,581)
NON-OPERATING REVENUES (EXPENSES):			NON-OPERATING REVENUES (EXPENSES):			
State appropriations	2,320,236	2,099,889	5800	State appropriations	2,320,236	2,099,889
Investment income	15,248	14,747	5742	Investment income	15,248	14,747
Net non-operating revenues	2,335,484	2,114,636		Net non-operating revenues	2,335,484	2,114,636
INCREASE IN NET ASSETS	319,135	496,055	1200	INCREASE IN NET ASSETS	319,135	496,055
NET ASSETS:			NET ASSETS:			
Net Assets—Beginning of Year	181,161	(314,894)	0100	Net Assets—Beginning of Year	181,161	(314,894)
Net Assets—End of Year	\$ 500,296	\$ 181,161	3000	Net Assets—End of Year	\$ 500,296	\$ 181,161

Richland Collegiate High School

EXHIBIT 3

**CASH FLOW WORKSHEET
FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants and contracts	\$ 68,372	\$ 249,730
Payments to suppliers for goods and services	<u>(2,084,721)</u>	<u>(1,868,311)</u>
Net cash used in operating activities	(2,016,349)	(1,618,581)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	2,320,236	2,099,889
Payments on loan	<u>-</u>	<u>(380,678)</u>
Net cash provided by non-capital financing activities	2,320,236	1,719,211
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Net cash provided by capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	<u>15,248</u>	<u>14,747</u>
Net cash provided by investing activities	15,248	14,747
Increase in cash and cash equivalents	319,135	115,377
Cash and cash equivalents- September 1, 2008	<u>181,161</u>	<u>65,784</u>
Cash and cash equivalents- August 31, 2009	<u>\$ 500,296</u>	<u>\$ 181,161</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (2,016,349)	\$ (1,618,581)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Receivables (net)	57,687	181,358
Accounts payable	<u>(57,687)</u>	<u>(181,358)</u>
Net cash used in operating activities	<u>\$ (2,016,349)</u>	<u>\$ (1,618,581)</u>

RICHLAND COLLEGIATE HIGH SCHOOL

SCHEDULE OF EXPENSES FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

Expenses		
Object	2009	2008
6100 Payroll Cost	\$ 1	\$ 1
6200 Professional/Contracted Services	1,569,430	1,271,269
6300 Supplies/Material	419,046	381,554
6400 Other Operating	<u>38,557</u>	<u>34,129</u>
	<u>\$ 2,027,034</u>	<u>\$ 1,686,953</u>

RICHLAND COLLEGIATE HIGH SCHOOL

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2009

		<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>		
REVENUES					
Local Support:					
5740	Local and intermediate sources	\$ 19,530	\$ 17,000	\$ 15,248	\$ 1,752
State program revenues:					
5810	Foundation School Program Act Revenues	2,142,321	2,157,608	2,222,782	(65,174)
5810	High school allotment	-	83,290	83,290	-
5820	Technology allotment	9,698	9,469	9,469	-
	Total state revenues	<u>2,152,019</u>	<u>2,250,367</u>	<u>2,315,541</u>	<u>(65,174)</u>
Federal program revenues:					
5900	5900 Federal program revenues	-	-	10,685	(10,685)
	Total revenues	<u>2,171,549</u>	<u>2,267,367</u>	<u>2,341,474</u>	<u>(74,107)</u>
EXPENDITURES					
State program expenditures					
0011	11 Instruction (tech allotment incl)	1,065,071	1,144,413	1,043,398	101,015
0012	12 Instructional resources and media services	246,807	305,589	281,166	24,423
0013	13 Curriculum and staff development	10,000	10,000	15,567	(5,567)
0023	23 School leadership	345,995	370,991	356,407	14,584
0031	31 Guidance, counseling, and evaluation services	198,500	187,700	185,935	1,765
0033	33 Health services	22,131	12,131	7,662	4,469
0035	35 Food Service	4,500	4,500	3,793	707
0036	36 Extracurricular activities	20,000	1,000	-	1,000
0041	41 General administration	215,545	192,738	91,792	100,946
0051	51 Facilities maintenance and operations	-	-	1	(1)
0052	52 Security and monitoring services	43,000	43,000	41,313	1,687
	Total expenditures	<u>2,171,549</u>	<u>2,272,062</u>	<u>2,027,034</u>	<u>245,028</u>
1200	Net change in fund balances	-	(4,695)	314,440	(319,135)
0100	Fund balances--beginning	181,161	181,161	181,161	-
3000	Fund balances--ending	<u>\$ 181,161</u>	<u>\$ 176,466</u>	<u>\$ 495,601</u>	<u>\$ (319,135)</u>

25. SUBSEQUENT EVENTS

At its November 3, 2009 meeting the District's Board of Trustees passed a resolution discontinuing its commercial paper program.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPERATING REVENUES

YEAR ENDED AUGUST 31, 2009 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2009	2008
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 39,918,579	\$ -	\$ 39,918,579	\$ -	\$ 39,918,579	\$ 36,300,372
Out-of-district resident tuition	11,548,548	-	11,548,548	-	11,548,548	10,540,040
Non-resident tuition	12,361,579	-	12,361,579	-	12,361,579	9,576,948
TPEG - credit (set aside) *	3,192,174	-	3,192,174	-	3,192,174	2,929,883
State-funded continuing education	12,468,906	-	12,468,906	-	12,468,906	9,380,660
TPEG - non-credit (set aside) *	791,911	-	791,911	-	791,911	595,515
Non-state funded educational programs	4,298,240	-	4,298,240	-	4,298,240	4,186,436
Total tuition	84,579,937	-	84,579,937	-	84,579,937	73,509,854
Charges:						
Installment plan charges	818,950	-	818,950	-	818,950	702,715
Prior year tuition and charges	37,890	-	37,890	-	37,890	18,713
Total charges	856,840	-	856,840	-	856,840	721,428
Scholarship allowances and discounts:						
Remissions and exemptions - state	(1,365,341)	-	(1,365,341)	-	(1,365,341)	(979,622)
Remissions and exemptions - local	(4,561,846)	-	(4,561,846)	-	(4,561,846)	(3,866,932)
Title IV federal grants	(11,540,293)	-	(11,540,293)	-	(11,540,293)	(9,706,115)
Other federal grants	(2,348,343)	-	(2,348,343)	-	(2,348,343)	(2,619,664)
State grants	(3,720,680)	-	(3,720,680)	-	(3,720,680)	(1,077,891)
TPEG awards	(1,404,818)	-	(1,404,818)	-	(1,404,818)	(1,632,334)
Rising Star program	(574,299)	-	(574,299)	-	(574,299)	(548,781)
Other local grants	(3,500)	-	(3,500)	-	(3,500)	-
Total scholarship allowances	(25,519,120)	-	(25,519,120)	-	(25,519,120)	(20,431,339)
Total net tuition and charges	59,917,657	-	59,917,657	-	59,917,657	53,799,943
Additional operating revenues:						
Federal grants and contracts	158,662	18,683,691	18,842,353	-	18,842,353	16,244,784
State grants and contracts	157,320	7,078,494	7,235,814	1,120	7,236,934	3,437,495
Non-governmental grants and contracts	1,855	2,316,282	2,318,137	-	2,318,137	4,368,100
Sales and services of educational activities	508,939	-	508,939	-	508,939	537,569
Other operating revenues	1,642,434	-	1,642,434	-	1,642,434	1,740,489
Total additional operating revenues	2,469,210	28,078,467	30,547,677	1,120	30,548,797	26,328,437
Auxiliary Enterprises:						
Bookstore	-	-	-	2,311,555	2,311,555	2,166,066
Food service	-	-	-	505,912	505,912	562,901
Center for Educational Telecommunications	-	-	-	1,871,101	1,871,101	2,075,255
Business Incubation Center	-	-	-	153,853	153,853	178,137
Universities Center of Dallas	-	-	-	-	-	329,841
Student programs	-	-	-	733,725	733,725	602,328
Total net auxiliary enterprises	-	-	-	5,576,146	5,576,146	5,914,528
Total Operating Revenues	\$ 62,386,867	\$ 28,078,467	\$ 90,465,334	\$ 5,577,266	\$ 96,042,600	\$ 86,042,908
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$3,984,085 and \$3,525,398 for years August 31, 2009 and 2008, respectively, of tuition was set aside for Texas Public Education grants (TPEG)

DALLAS COMMUNITY COLLEGE DISTRICT

SCHEDULE B

**SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2009 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)**

	Operating Expenses				2009	2008
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
UNRESTRICTED - Educational Activities						
Instruction	\$ 109,704,231	\$ -	\$ 5,539,435	\$ 16,010,084	\$ 131,253,750	\$ 121,521,729
Public Service	4,187,052	-	221,090	3,614,776	8,022,918	6,041,795
Academic Support	12,418,434	-	629,772	4,303,466	17,351,672	16,541,892
Student Services	22,207,715	-	1,209,656	4,033,201	27,450,572	25,193,940
Institutional Support	40,344,468	-	2,932,540	11,941,313	55,218,321	48,535,166
Operation and Maintenance of Plant	8,419,994	-	477,566	24,102,008	32,999,568	30,057,642
Scholarships and Fellowships	-	-	-	-	-	-
Total unrestricted educational activities	<u>197,281,894</u>	<u>-</u>	<u>11,010,059</u>	<u>64,004,848</u>	<u>272,296,801</u>	<u>247,892,164</u>
RESTRICTED - Educational Activities						
Instruction	\$ 1,274,099	\$ 15,293,380	\$ 186,363	\$ 2,406,614	\$ 19,160,456	\$ 19,589,969
Public Service	1,390,905	-	224,413	4,315,865	5,931,183	4,797,083
Academic Support	242,110	1,731,199	43,060	(4,699)	2,011,670	2,171,098
Student Services	3,026,470	3,095,879	500,562	1,076,981	7,699,892	7,224,151
Institutional Support	2,584,739	5,624,243	420,827	3,348,251	11,978,060	9,680,778
Scholarships and Fellowships	-	-	-	33,143,575	33,143,575	26,383,520
Total restricted educational activities	<u>8,518,323</u>	<u>25,744,701</u>	<u>1,375,225</u>	<u>44,286,587</u>	<u>79,924,836</u>	<u>69,846,599</u>
TOTAL EDUCATIONAL ACTIVITIES	205,800,217	25,744,701	12,385,284	108,291,435	352,221,637	317,738,763
AUXILIARY ENTERPRISES	4,341,995	-	805,569	4,391,426	9,538,990	10,103,778
DEPRECIATION EXPENSE - Buildings and other real estate improvements	-	-	-	14,097,904	14,097,904	13,314,862
DEPRECIATION EXPENSE - Equipment and furniture	-	-	-	4,432,248	4,432,248	3,769,700
TOTAL OPERATING EXPENSES	<u>\$ 210,142,212</u>	<u>\$ 25,744,701</u>	<u>\$ 13,190,853</u>	<u>\$ 131,213,013</u>	<u>\$ 380,290,779</u> (Exhibit 2)	<u>\$ 344,927,103</u> (Exhibit 2)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2009 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)

	Unrestricted	Restricted	Auxiliary Enterprises	2009	2008
NON-OPERATING REVENUES:					
State Appropriations:					
Education and general state support	\$ 89,498,205	\$ -	\$ -	\$ 89,498,205	\$ 89,498,204
State group insurance	-	15,930,773	-	15,930,773	16,065,571
State retirement matching	-	9,813,928	-	9,813,928	9,064,309
SBDC state match	-	1,716,016	-	1,716,016	1,332,968
Starlink	-	135,556	-	135,556	135,556
Foundation school program	2,320,236	-	-	2,320,236	2,099,889
Total state appropriations	<u>91,818,441</u>	<u>27,596,273</u>	<u>-</u>	<u>119,414,714</u>	<u>118,196,497</u>
Maintenance ad valorem taxes	153,057,043	-	-	153,057,043	130,734,095
Federal revenue, non-operating	855,189	39,595,573	7,081	40,457,843	32,230,294
Gifts	779,475	-	-	779,475	204,826
Investment income	7,915,836	-	427,287	8,343,123	11,975,670
Gain on sale of investment	141,420	-	11,849	153,269	-
Contribution in aid of construction	75,157	-	-	75,157	-
Other non-operating revenue	49,897	-	-	49,897	240,904
Total non-operating revenues	<u>254,692,458</u>	<u>67,191,846</u>	<u>446,217</u>	<u>322,330,521</u>	<u>293,582,286</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	13,907,095	-	-	13,907,095	6,149,046
Loss on disposal of capital assets	270,547	-	-	270,547	5,343,392
Other non-operating expense	375,689	-	-	375,689	1,534,584
Total non-operating expenses	<u>14,553,331</u>	<u>-</u>	<u>-</u>	<u>14,553,331</u>	<u>13,027,022</u>
NET NON-OPERATING REVENUES	<u>\$ 240,139,127</u>	<u>\$ 67,191,846</u>	<u>\$ 446,217</u>	<u>\$ 307,777,190</u>	<u>\$ 280,555,264</u>
				(Exhibit 2)	(Exhibit 2)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE D

SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
 YEAR ENDED AUGUST 31, 2009 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)

	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	\$ 145,242,217	\$ -	\$ -	\$ -	\$ 145,242,217	\$ 145,242,217	\$ -
Auxiliary enterprises	19,866,215	-	-	-	19,866,215	19,866,215	-
Restricted	-	-	-	-	-	-	-
Loan	459,118	-	-	-	459,118	-	459,118
Endowment:							
Quasi:							
Unrestricted	5,357,498	-	-	-	5,357,498	-	5,357,498
Restricted	-	-	-	-	-	-	-
Plant:							
Unexpended	15,336,480	6,689,882	-	-	22,026,362	-	22,026,362
Debt Service	-	5,018,095	-	-	5,018,095	-	5,018,095
Investment in Plant	-	-	-	252,510,597	252,510,597	-	252,510,597
TOTAL NET ASSETS--							
August 31, 2009	186,261,528	11,707,977	-	252,510,597	450,480,102	165,108,432	285,371,670
					(Exhibit 1)		
TOTAL NET ASSETS--							
August 31, 2008	178,053,460	11,562,474	-	237,335,157	426,951,091	157,282,974	269,668,117
					(Exhibit 1)		
NET INCREASE							
IN NET ASSETS	<u>\$ 8,208,068</u>	<u>\$ 145,503</u>	<u>\$ -</u>	<u>\$ 15,175,440</u>	<u>\$ 23,529,011</u>	<u>\$ 7,825,458</u>	<u>\$ 15,703,553</u>
					(Exhibit 2)		

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 2009
(unaudited)
(amounts expressed in thousands)

	For the Year Ended August 31,							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	\$ 252,511	\$ 237,335	\$ 236,563	\$ 238,727	\$ 231,102	\$ 236,129	\$ 210,803	\$ 183,972
Restricted - expendable	11,708	11,563	12,463	13,649	29,999	11,536	6,487	10,044
Unrestricted	186,261	178,053	156,254	131,117	104,147	93,299	111,202	139,390
Total net assets	<u>\$ 450,480</u>	<u>\$ 426,951</u>	<u>\$ 405,280</u>	<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 2002-2009 are available.

Dallas County Community College District
 Statistical Supplement 2
 Revenues by Source
 Fiscal Years 2002 to 2009
 (unaudited)

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

For the Year Ended August 31,								
	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and charges (net of discounts)	14.32%	14.17%	14.41%	13.51%	13.62%	13.76%	14.21%	15.33%
Federal grants and contracts	4.50%	4.28%	4.44%	4.76%	4.82%	4.31%	4.56%	4.77%
State grants and contracts	1.74%	0.91%	0.65%	0.41%	0.54%	0.85%	1.66%	1.23%
Non-governmental grants and contracts	0.55%	1.15%	1.19%	1.03%	1.42%	1.66%	1.48%	0.89%
Sales and services of educational activities	0.12%	0.14%	0.15%	0.14%	0.17%	0.18%	0.16%	0.17%
Auxiliary enterprises	1.33%	1.56%	1.85%	1.85%	1.77%	2.12%	2.49%	2.45%
General operating revenues	0.39%	0.46%	0.50%	0.49%	0.52%	0.37%	0.42%	0.35%
Total Operating Revenues	22.95%	22.67%	23.19%	22.19%	22.86%	23.25%	24.98%	25.19%
State appropriations	28.54%	31.14%	30.84%	31.68%	31.85%	32.75%	35.95%	37.03%
Maintenance ad valorem taxes	36.58%	34.44%	33.75%	33.36%	32.88%	32.38%	27.48%	26.82%
Federal revenue, non-operating	9.68%	8.49%	8.75%	10.13%	10.40%	10.26%	10.00%	7.48%
Gifts	0.19%	0.05%	0.02%	0.04%	0.04%	0.10%	0.26%	0.10%
Investment income	1.99%	3.15%	3.44%	2.55%	1.70%	1.17%	1.10%	3.35%
Gain on sale of investment	0.04%	0.00%	0.00%	0.00%	0.00%	0.03%	0.03%	0.00%
Contributions in aid of construction	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.18%	0.00%
Other non-operating revenue	0.01%	0.06%	0.01%	0.05%	0.27%	0.06%	0.02%	0.03%
Total Nonoperating Revenues	77.05%	77.33%	76.81%	77.81%	77.14%	76.75%	75.02%	74.81%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Dallas County Community College District
 Statistical Supplement 3
 Program Expenses by Function
 Fiscal Years 2002 to 2009
 (unaudited)

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

For the Year Ended August 31,								
	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	38.10%	39.41%	40.73%	41.07%	43.59%	42.31%	42.65%	41.21%
Public service	3.53%	3.03%	3.14%	3.20%	3.47%	3.26%	3.50%	3.37%
Academic support	4.90%	5.23%	5.43%	5.36%	5.53%	5.07%	5.21%	5.21%
Student services	8.90%	9.06%	9.35%	9.19%	9.75%	9.38%	9.35%	8.71%
Institutional support	17.02%	16.26%	15.68%	15.84%	16.07%	15.53%	15.24%	15.43%
Operation and maintenance of plant	8.36%	8.40%	8.03%	8.08%	8.21%	7.64%	7.40%	6.88%
Scholarships and fellowships	8.39%	7.37%	7.13%	8.18%	8.78%	8.65%	8.78%	7.62%
Auxiliary enterprises	2.42%	2.82%	3.19%	3.19%	3.32%	3.46%	3.67%	3.56%
Depreciation	4.69%	4.77%	5.21%	4.48%	3.78%	3.43%	3.74%	3.31%
Total Operating Expenses	96.31%	96.35%	97.89%	98.59%	102.49%	98.73%	99.54%	95.30%
Interest on capital debt	3.52%	1.72%	1.48%	1.28%	1.51%	0.64%	0.25%	0.69%
Loss on disposal of capital assets	0.07%	1.50%	0.52%	0.05%	0.04%	0.05%	0.05%	0.66%
Accrual for legal expense	0.00%	0.00%	0.00%	0.00%	-4.42%	0.57%	0.00%	3.34%
Other non-operating expense	0.10%	0.43%	0.11%	0.08%	0.38%	0.01%	0.16%	0.01%
Total Nonoperating Expenses	3.69%	3.65%	2.11%	1.41%	-2.49%	1.27%	0.46%	4.70%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

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**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		
2008-09	\$ 39	\$ 72	\$ -	\$ -	\$ -	\$ 468	\$ 864	0.00%	0.00%
2007-08	39	72	-	-	-	468	864	8.33%	9.09%
2006-07	36	66	-	-	-	432	792	9.09%	10.00%
2005-06	33	60	-	-	-	396	720	10.00%	20.00%
2004-05	30	50	-	-	-	360	600	0.00%	0.00%
2003-04	30	50	-	-	-	360	600	15.38%	8.70%
2002-03	26	46	-	-	-	312	552	0.00%	0.00%
2001-02	26	46	-	-	-	312	552	11.03%	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%

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		
2008-09	\$ 115	\$ 115	\$ -	\$ -	\$ -	\$ 1,380	\$ 1,380	0.00%	0.00%
2007-08	115	115	-	-	-	1,380	1,380	8.49%	8.49%
2006-07	106	106	-	-	-	1,272	1,272	10.42%	10.42%
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%

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)

(amounts expressed in thousands)				Direct Rate			
Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2008-09	\$215,856,678	\$37,953,410	\$177,903,268	82.42%	\$ 0.07590	\$ 0.01350	\$ 0.08940
2007-08	202,897,589	36,335,019	166,562,570	82.09%	0.07590	0.00450	0.08040
2006-07	186,011,811	33,388,192	152,623,619	82.05%	0.07780	0.00320	0.08100
2005-06	173,396,321	31,196,654	142,199,667	82.01%	0.07780	0.00380	0.08160
2004-05	164,428,457	29,418,622	135,009,835	82.11%	0.07780	0.00250	0.08030
2003-04	160,837,174	27,825,511	133,011,663	82.70%	0.07780	0.00000	0.07780
2002-03	159,130,757	27,293,383	131,837,374	82.85%	0.06000	0.00000	0.06000
2001-02	150,143,446	22,201,699	127,941,747	85.21%	0.06000	0.00000	0.06000
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

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)
 (amounts expressed in thousands)

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

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

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**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)									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
ATT/Southwestern Bell/Cingular	Telephone Utility	\$ 1,337,588	\$ 1,578,863	\$ 1,694,723	\$ 1,702,249	\$ 1,590,414	\$ 1,505,448	\$ 1,605,116	\$ 1,631,836	\$ 1,593,285	\$ 1,280,131
Texas Utilities	Electric Utility	1,226,132	1,384,673	1,380,524	1,381,599	1,322,938	1,376,066	1,315,833	1,293,507	1,388,807	1,156,027
Raytheon/Texas Instruments	Manufacturing	1,075,514	1,469,996	1,692,476	1,056,013	1,164,396	1,272,884	1,438,159	1,465,722	1,765,643	1,422,511
Crescent Real Estate	Real Estate Development	703,343	567,651	748,339	773,627	781,402	793,480	869,249	991,604	1,080,569	1,142,586
Aviall Inc	Aviation	592,642	-	-	-	-	-	-	-	-	-
Wal-Mart	Retail	545,857	533,885	475,048	485,283	471,872	431,497	326,838	-	-	-
Northpark Land Partners	Real Estate Development	545,522	590,682	569,402	-	-	-	-	-	-	-
Southwest Airlines	Airline	532,463	552,440	600,667	512,039	537,242	476,922	510,029	500,357	565,343	544,714
Verizon/GTE	Telephone Utility	508,920	550,663	510,897	527,007	549,021	536,833	535,798	762,900	380,788	263,142
Gulfstream Aerospace	Aerospace Manufacturing	398,458	-	-	-	-	-	-	-	-	-
Teachers Insurance	Insurance	-	488,333	-	368,709	-	-	-	-	-	-
Galleria Mall Inv LP	Real Estate Development	-	418,988	431,782	-	-	-	-	-	-	-
YPI Thanksgiving Tower/Central	Real Estate Development	-	-	402,989	-	-	-	-	-	-	-
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
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	-
MCI	Telephone Utility	-	-	-	-	-	-	-	266,498	341,555	322,265
Vought/Loral/Grumman	Aerospace Manufacturing	-	-	-	-	-	-	182,856	-	-	-
Dallas Main LP	Real Estate Development	-	-	-	-	-	-	-	-	-	277,303
IBM Credit Corp.	Finance	-	-	-	-	-	-	-	-	-	289,499
Totals		\$ 7,466,439	\$ 8,136,174	\$ 8,506,847	\$ 7,540,964	\$ 7,280,251	\$ 7,261,982	\$ 7,425,977	\$ 7,947,194	\$ 8,140,312	\$ 7,069,305
Total Taxable Assessed Value		\$ 177,903,268	\$ 166,562,570	\$ 152,623,619	\$ 142,199,667	\$ 135,009,835	\$ 133,011,663	\$ 131,837,374	\$ 127,941,747	\$ 118,042,106	\$ 109,402,235

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
ATT/Southwestern Bell/Cingular	Telephone Utility	0.75%	0.95%	1.11%	1.20%	1.18%	1.13%	1.22%	1.27%	1.35%	1.17%
Texas Utilities	Electric Utility	0.69%	0.83%	0.90%	0.97%	0.98%	1.04%	1.00%	1.01%	1.18%	1.06%
Raytheon/Texas Instruments	Manufacturing	0.60%	0.88%	1.11%	0.74%	0.86%	0.96%	1.09%	1.15%	1.50%	1.30%
Crescent Real Estate	Real Estate Development	0.40%	0.34%	0.49%	0.54%	0.58%	0.60%	0.66%	0.77%	0.91%	1.04%
Aviall Inc	Aviation	0.33%	-	-	-	-	-	-	-	-	-
Wal-Mart	Retail	0.31%	0.32%	0.31%	0.34%	0.35%	0.32%	0.25%	-	-	-
Northpark Land Partners	Real Estate Development	0.31%	0.35%	0.37%	-	-	-	-	-	-	-
Southwest Airlines	Airline	0.30%	0.33%	0.39%	0.36%	0.40%	0.36%	0.38%	0.39%	0.48%	0.50%
Verizon/GTE	Telephone Utility	0.29%	0.33%	0.33%	0.37%	0.41%	0.40%	0.40%	0.60%	0.32%	0.24%
Gulfstream Aerospace	Aerospace Manufacturing	0.22%	-	-	-	-	-	-	-	-	-
Teachers Insurance	Insurance	-	0.29%	-	0.26%	-	-	-	-	-	-
Galleria Mall Inv LP	Real Estate Development	-	0.25%	0.28%	-	-	-	-	-	-	-
YPI Thanksgiving Tower/Central	Real Estate Development	-	-	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%
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%	-
MCI	Telephone Utility	-	-	-	-	-	-	-	0.21%	0.29%	0.29%
Vought/Loral/Grumman	Aerospace Manufacturing	-	-	-	-	-	-	0.14%	-	-	-
Dallas Main LP	Real Estate Development	-	-	-	-	-	-	-	-	-	0.25%
IBM Credit Corp.	Finance	-	-	-	-	-	-	-	-	-	0.27%
Totals		4.20%	4.88%	5.57%	5.31%	5.37%	5.49%	5.63%	6.20%	6.88%	6.20%

Source:
Dallas Central Appraisal District

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**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
2009	\$ 158,943	\$ (1,661)	\$ 157,282	\$ 154,096	97.97%	\$ -	\$ -	\$ 154,096	97.97%
2008	135,224	(1,473)	133,751	131,785	98.53%	-	837	132,622	99.16%
2007	123,162	297	123,459	121,356	98.30%	1,108	268	122,732	99.41%
2006	114,957	841	115,798	113,740	98.22%	1,271	157	115,168	99.46%
2005	107,927	143	108,070	106,249	98.31%	1,224	75	107,548	99.52%
2004	103,074	(310)	102,764	100,788	98.08%	1,416	55	102,259	99.51%
2003	79,860	(1,154)	78,706	77,110	97.97%	1,205	17	78,332	99.52%
2002	76,722	(372)	76,350	75,018	98.26%	1,058	10	76,086	99.65%
2001	58,701	89	58,790	57,858	98.41%	697	6	58,561	99.61%
2000	54,679	(155)	54,524	53,740	98.56%	633	4	54,377	99.73%

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.

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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)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Bonded Debt										
General obligation bonds	\$ 367,140	\$ 60,735	\$ 63,035	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 367,140	\$ 60,735	\$ 63,035	\$ 65,250	\$ 67,375	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 33,560	\$ 37,145	\$ 40,660	\$ 45,795	\$ 49,975	\$ 53,955	\$ 57,755	\$ 61,390	\$ 63,860	\$ 25,920
Tax notes	20,120	25,475	30,450	35,130	39,560	43,125	9,850	-	-	-
Notes	-	51	252	445	630	806	975	1,137	-	-
Commercial paper	-	125,000	-	-	-	-	-	-	-	-
Total outstanding debt	\$ 420,820	\$ 248,406	\$ 134,397	\$ 146,620	\$ 157,540	\$ 97,886	\$ 68,580	\$ 62,527	\$ 63,860	\$ 25,920
General Bonded Debt Ratios										
Per Capita	\$ 148.58	\$ 24.77	\$ 26.69	\$ 27.38	\$ 29.22	-	-	-	-	-
Per FTSE	7,750	1,389	1,466	1,567	1,569	-	-	-	-	-
As a percentage of Taxable Assessed Value	0.21%	0.04%	0.04%	0.05%	0.05%	-	-	-	-	-
Total Outstanding Debt Ratios										
Per Capita	\$ 170.30	\$ 101.32	\$ 56.92	\$ 61.53	\$ 68.33	\$ 42.72	\$ 30.06	\$ 27.51	\$ 28.23	\$ 11.65
Per FTSE	8,883	5,680	3,126	3,520	3,669	2,316	1,652	1,541	1,775	756
As a percentage of Taxable Assessed Value	0.24%	0.15%	0.09%	0.10%	0.12%	0.07%	0.05%	0.05%	0.05%	0.02%

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

Source: District Business Affairs

DRAFT

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)									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Taxable Assessed Value	\$ 177,903,268	\$ 166,562,570	\$ 152,623,619	\$ 142,199,667	\$ 135,009,835	\$ 133,011,663	\$ 131,837,374	\$ 127,941,747	\$ 118,042,106	\$ 109,402,235
General Bonded Debt										
Statutory Tax Levy Limit for Debt Service	\$ 889,516	\$ 832,813	\$ 762,637	\$ 710,998	\$ 675,049	\$ 665,058	\$ 659,187	\$ 639,709	\$ 590,211	\$ 547,011
Less: Funds Restricted for Payment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	889,516	832,813	762,637	710,998	675,049	665,058	659,187	639,709	590,211	547,011
Current Year Debt Service Requirements	22,997	7,463	5,304	5,301	3,208	-	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 866,519	\$ 825,350	\$ 757,333	\$ 705,697	\$ 671,841	\$ 665,058	\$ 659,187	\$ 639,709	\$ 590,211	\$ 547,011
Net Current Requirements as a % of Statutory Limit	2.59%	0.90%	0.70%	0.75%	0.48%	-	-	-	-	-

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.
 Source: Taxable Assessed Value from Dallas County Appraisal District

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**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)			
	Tuition	Course Fees	Other Class Fees	Bookstore Commissions	Food Service Commissions	Lease Revenues	Interest Income	Total	Principal	Interest	Total	Coverage Ratio
2009	\$ 18,531	\$ -	\$ 857	\$ 2,311	\$ 506	\$ 400	\$ 4,901	\$ 27,506	\$ 3,675	\$ 1,564	\$ 5,239	5.25
2008	15,200	-	897	2,166	563	400	6,650	25,876	3,515	1,720	5,235	4.94
2007	14,765	-	880	1,935	575	400	6,967	25,522	3,360	2,182	5,542	4.61
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

Source: District Business Affairs

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

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income (a) (thousands of dollars)</u>	<u>District Personal Income per Capita</u>	<u>District Unemployment Rate</u>
2009	2,471,000	*	*	8.3%
2008	2,451,800	*	*	5.7%
2007	2,361,354	\$ 107,556,419	\$ 45,131	4.3%
2006	2,345,815	101,746,870	43,520	5.5%
2005	2,305,454	93,073,435	40,317	5.6%
2004	2,291,071	88,336,598	38,563	6.7%
2003	2,281,411	84,278,228	36,927	7.8%
2002	2,273,205	82,983,080	36,452	7.7%
2001	2,262,154	82,271,558	36,335	6.1%
2000	2,218,899	80,217,322	36,037	4.2%

Source: Population from U. S. Bureau of the Census and North Central Texas Council of Governments

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
Fiscal Years 2004 to 2009
(Unaudited)

Employer	Number of Employees						Percentage of Total Employment					
	2009	2008	2007	2006	2005	2004	2009	2008	2007	2006	2005	2004
Wal-Mart Stores, Inc.	*	32,800	32,100	29,237	*	23,000	n/a	1.13%	1.15%	1.02%	n/a	0.85%
AMR Corporation	*	25,150	25,225	25,000	*	28,000	n/a	0.86%	0.90%	0.87%	n/a	1.04%
Dallas Independent School District	*	20,000	19,871	19,359	*	19,691	n/a	0.69%	0.71%	0.68%	n/a	0.73%
Texas Health Resources	*	18,000	17,000	17,000	*	17,000	n/a	0.62%	0.61%	0.59%	n/a	0.63%
AT&T/SBC Communications Inc.	*	16,600	15,650	12,500	*	14,000	n/a	0.57%	0.56%	0.44%	n/a	0.52%
Baylor Health Resources	*	16,000	16,250	14,572	*	15,000	n/a	0.55%	0.58%	0.51%	n/a	0.56%
Verizon Communications Inc.	*	14,000	-	15,900	*	12,500	n/a	0.48%	n/a	0.56%	n/a	0.46%
Lockheed Martin Aeronautics Co.	*	13,647	15,379	15,000	*	16,442	n/a	0.47%	0.55%	0.52%	n/a	0.61%
City of Dallas	*	12,575	12,311	-	*	-	n/a	0.43%	0.44%	n/a	n/a	n/a
U.S. Postal Service	*	12,200	13,850	-	*	-	n/a	0.42%	0.49%	n/a	n/a	n/a
HCA North Texas	*	-	12,130	-	*	-	n/a	n/a	0.43%	n/a	n/a	n/a
Raytheon Co.	*	-	-	16,250	*	-	n/a	n/a	n/a	0.57%	n/a	n/a
Albertson's Inc.	*	-	-	12,240	*	11,200	n/a	n/a	n/a	0.43%	n/a	0.42%
Texas Instruments Inc.	*	-	-	-	*	10,600	n/a	n/a	n/a	0.00%	n/a	0.39%
Total	*	180,972	179,766	177,058	*	167,433	n/a	6.22%	6.42%	6.19%	0.00%	6.21%

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Source: Dallas Regional Chamber of Commerce
*Information not available

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

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Faculty										
Full-Time	765	733	699	725	736	719	678	646	631	617
Part-Time	2,335	2,254	2,384	2,608	2,855	2,557	2,272	2,347	2,086	2,093
Total	3,100	2,987	3,083	3,333	3,591	3,276	2,950	2,993	2,717	2,710
Percent										
Full-Time	24.7%	24.5%	22.7%	21.8%	20.5%	21.9%	23.0%	21.6%	23.2%	22.8%
Part-Time	75.3%	75.5%	77.3%	78.2%	79.5%	78.1%	77.0%	78.4%	76.8%	77.2%
Staff and Administrators										
Full-Time	2,426	2,284	2,193	2,177	2,174	2,147	2,014	2,010	1,916	1,759
Part-Time	1,655	1,516	1,463	1,449	1,736	2,155	1,780	1,804	1,508	1,265
Total	4,081	3,800	3,656	3,626	3,910	4,302	3,794	3,814	3,424	3,024
Percent										
Full-Time	59.4%	60.1%	60.0%	60.0%	55.6%	49.9%	53.1%	52.7%	56.0%	58.2%
Part-Time	40.6%	39.9%	40.0%	40.0%	44.4%	50.1%	46.9%	47.3%	44.0%	41.8%
FTSE per Full-time Faculty	61.9	59.7	61.5	57.4	58.3	58.8	61.2	62.8	57.0	55.5
FTSE per Full-time Staff Member	19.5	19.1	19.6	19.1	19.7	19.7	20.6	20.2	18.8	19.5
Average Annual Faculty Salary	\$75,532	\$74,931	\$76,186	\$71,042	\$68,366	\$66,195	\$65,636	\$66,859	\$64,483	\$62,108

Source: District Business Affairs

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

Gender	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	43,030	55.07%	41,130	56.06%	41,004	55.23%	40,607	56.79%	39,555	55.62%
Male	35,103	44.93%	32,243	43.94%	33,238	44.77%	30,898	43.21%	31,567	44.38%
Total	78,133	100.00%	73,373	100.00%	74,242	100.00%	71,505	100.00%	71,122	100.00%

Ethnic Origin	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	25,465	32.59%	25,498	34.75%	26,924	36.27%	26,896	37.61%	27,528	38.71%
Hispanic	21,411	27.40%	19,695	26.84%	19,556	26.34%	17,770	24.85%	16,900	23.76%
African American	16,655	21.32%	15,858	21.61%	15,962	21.50%	15,528	21.72%	14,967	21.04%
Asian	5,435	6.96%	5,108	6.96%	5,180	6.98%	5,179	7.24%	5,020	7.06%
Foreign	4,045	5.18%	3,270	4.46%	3,229	4.35%	2,647	3.70%	2,889	4.06%
Native American	347	0.44%	317	0.43%	345	0.46%	592	0.83%	473	0.67%
Other	4,775	6.11%	3,627	4.95%	3,046	4.10%	2,893	4.05%	3,345	4.70%
Total	78,133	100.00%	73,373	100.00%	74,242	100.00%	71,505	100.00%	71,122	100.00%

Age	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	3,766	4.82%	3,360	4.58%	3,559	4.79%	2,356	3.29%	1,881	2.64%
18-21	25,690	32.88%	23,854	32.51%	23,286	31.37%	23,410	32.74%	22,571	31.74%
22-24	10,736	13.74%	10,375	14.14%	10,119	13.63%	10,364	14.49%	10,100	14.20%
25-30	13,165	16.85%	12,598	17.17%	12,773	17.21%	12,553	17.56%	12,623	17.75%
31-35	7,157	9.16%	6,809	9.28%	7,361	9.91%	6,953	9.72%	7,263	10.21%
36-50	12,829	16.42%	11,879	16.19%	12,397	16.70%	11,588	16.21%	12,269	17.25%
51 and over	4,790	6.13%	4,498	6.13%	4,747	6.39%	4,281	5.99%	4,415	6.21%
Total	78,133	100.00%	73,373	100.00%	74,242	100.00%	71,505	100.00%	71,122	100.00%

Average Age	29	28	28	28	28
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Source: District Business Affairs

**Dallas County Community College District
 Statistical Supplement 17
 Transfers to Senior Institutions
 2006 Fall Students as of Fall 2007
 (Includes only public senior colleges in Texas)**

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all DCCCD Transfer Students	% of all DCCCD Transfer Students
	Academic	Technical	Tech-Prep		
1 University of North Texas	2520	698	86	3,304	24.53%
2 University of Texas - Arlington	1637	485	106	2,228	16.54%
3 University of Texas - Dallas	1606	463	77	2,146	15.93%
4 Texas Woman's University	724	245	68	1,037	7.70%
5 University of Texas - Austin	763	183	7	953	7.07%
6 Texas A&M University - College Station	722	151	5	878	6.52%
7 Texas A&M University - Commerce	446	144	19	609	4.52%
8 Texas Tech University	436	100	6	542	4.02%
9 Stephen F. Austin State University	207	64	6	277	2.06%
10 Texas State University	201	37	4	242	1.80%
11 Midwestern State University	145	49	12	206	1.53%
12 University of Houston	126	38	2	166	1.23%
13 Sam Houston State University	91	39	0	130	0.97%
14 Prairie View A&M University	67	37	6	110	0.82%
15 University of Texas - Tyler	60	16	5	81	0.60%
16 Tarleton State University	54	11	3	68	0.50%
17 University of Texas - San Antonio	54	9	1	64	0.48%
18 University of Texas Southwestern Medical Center - Dallas	37	13	0	50	0.37%
19 Texas Southern University	37	10	2	49	0.36%
20 Texas Tech University Health Science Center	30	9	2	41	0.30%
21 University of Texas Medical Branch Galveston	20	1	10	31	0.23%
22 Texas A&M University - Corpus Christi	17	13	0	30	0.22%
23 Texas A&M University System Health Science Center	25	3	0	28	0.21%
24 Angelo State University	21	6	0	27	0.20%
25 Texas A&M University - Galveston	21	3	0	24	0.18%
26 Lamar University Institute of Technology	17	3	2	22	0.16%
27 University of Texas M.D. Anderson Cancer Center	8	2	5	15	0.11%
28 West Texas A&M University	9	3	3	15	0.11%
29 University of Houston - Downtown	6	5	3	14	0.10%
30 University of Texas Health Science Center - San Antonio	6	7	0	13	0.10%
31 University of Texas - Permian Basin	7	4	1	12	0.09%
32 Texas A&M University - Kingsville	7	2	0	9	0.07%
33 University of Texas - El Paso	9	0	0	9	0.07%
34 University of Texas Health Science Center - Houston	4	4	0	8	0.06%
35 University of Houston - Victoria	6	1	0	7	0.05%
36 University of North Texas Health Science Center - Forth Worth	3	4	0	7	0.05%
37 Sul Ross State University	4	2	0	6	0.04%
38 Texas A&M University -Texarkana	4	2	0	6	0.04%
39 University of Texas - Pan American	3	0	0	3	0.02%
40 Baylor College of Medicine	1	0	0	1	0.01%
41 Texas A&M International University	0	1	0	1	0.01%
42 University of Houston - Clear Lake	0	1	0	1	0.01%
43 University of Texas - Brownsville	0	1	0	1	0.01%
Totals	10,161	2,869	441	13,471	100.00%

Source:

THECB "Students Pursuing Additional Education" report for Academic Year 2007-08

**Dallas County Community College District
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2004 to 2009**

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

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

Source: District Business Affairs

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

OMB CIRCULAR A-133

SUPPLEMENTAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2009

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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 in Accordance with *Government Auditing Standards***

The Board of Trustees
Dallas County Community College District

Audit • Tax • Advisory

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We have audited the financial statements of Dallas County Community College District (the District) as of and for the year ended August 31, 2009, and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

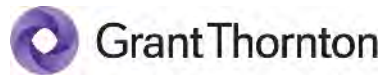
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally acceptable accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

**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.

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

Dallas, Texas
December 8, 2009



**Report of Independent Auditors on
Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State of Texas Single Audit Circular**

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The 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* that are applicable to each of its major federal and state programs for the year ended August 31, 2009. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3, and 2009-4.

**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 the federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

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

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

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

Dallas, Texas
December 8, 2009

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2009

<u>Federal Grantor/Pass-Through Grantor Program Name</u>	<u>CFDA</u>	<u>Grant #</u>	<u>Expenditures</u>
U.S. Department of Education			
Direct Programs:			
Supplemental Educational Opportunity Grant	84.007A (1)		\$ 679,272
Strengthening Institutions - Title III	84.031A	P031A0 / 50074 / 40037 / 80120	766,107
Strengthening Institutions - Title V	84.031S	P031S0500 / 10 / 05 / 26	2,885,976
College Work Study Program	84.033A (1)		\$ 765,894
Job Locator Development	84.033A (1)		34,876
TRIO	84.042A (2)	P042A / 050181 / 50711 / 51047	800,770
Talent Search	84.044A (2)	P044A070331	1,954,608
Upward Bound	84.047A (2)	P047A0 / 71018 / 70678 / 81100	184,417
PELL	84.063P (1)		1,758,393
FIPSE	84.116B	P116B060021-07	46,055,440
Academic Competiveness Grant	84.375A(1)		163,182
Child Care Access	84.335A	P335A0 / 60150 / 60063 / 60404	514,105
CCRAA STEM	84.031C	P031C0 / 80006 / 80182	149,413
			1,226,151
Total Direct from U. S. Department of Education			57,137,834
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	84214 / 91214 / 94402	1,912,617
Starlink	84.048	81104-9120	89,650
21st Century	84.048	81103	92,811
Texas Career Clusters	84.048	91102	221,717
The Leveraging Educational Assistance Partnership	84.069A	N/A	47,136
The Special Leveraging Educational Assistance Partnership	84.069B	N/A	61,359
TECH PREP	84.243	81707 / 91707	734,163
College Connection	84.378	1159	43,826
Total Pass Through From Texas Higher Education Coordinating Board			3,113,623
Pass-Through From:			
Austin Community College			
Tx Network for Teaching Excellence	84.048	91101	1,430
Stephen F. Austin State University			
Articulated Internet Teacher Education Program for Multilingual Elementary Classrooms	84.116	P116B060283	2,427
Pass-Through From:			
Texas Education Agency			
TEA-Safe & Drug Free Schools	84.186A	9691001057840	637
TEA-Teacher & Principal Training	84.367A	9694501057840	10,048
Total pass-through from Texas Education Agency			10,685
Total U. S. Department of Education			60,265,999
U.S. Department of Agriculture			
Pass-Through From:			
Texas Health and Human Services Commission			
Child and Adult Food Program	10.558	UCN75N3055	15,413
Sul Ross University			
TexPrep	10.223	2007-38422-18081	57,640
Total U.S. Department of Agriculture			73,053

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

See notes to Schedules of Expenditures of Federal and State Awards

(Continued)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2009

<u>Federal Grantor/Pass-Through Grantor Program Name</u>	<u>CFDA</u>	<u>Grant #</u>	<u>Expenditures</u>
U. S. Department of Commerce			
Direct Programs:			
Malcolm Baldrige Nat'l Quality Award Outreach Activities	11.609	60NANB6D6008	18,835
Total U. S. Department of Commerce			18,835
U.S. Department of State			
Pass-Through From:			
Kirkwood Community College			
CCI Egypt/S-ECAAS-07-CA-039	19.000	DCCC2008-12EGYPT	403,073
CCI Egyptian Students	19.009		15,605
CCI Multinational Students	19.009		19,280
Total pass-through from Kirkwood Community College			437,958
Total U.S. Department of State			437,958
U.S. Department of Labor			
Direct Programs:			
Automotive Technologies	17.261	AF-14573-05-60	20,999
Rock On	17.261	YF-14843-05-60	524,768
Total Direct from U. S. Department of Labor			545,767
Pass-Through From:			
Dallas County Local Workforce Development Board			
Unified Youth Services (07-08)	17.259(3)	328-Out of School-7	-50
Unified Youth Services (08-09)	17.259(3)	328-Out of School-8	1,489,976
Univied Youth Services ITA (09-10)	17.259(3)	328-In School/Out School-9	16,246
Statewide Activity Program	17.260(3)	625-Statewide Local Activity-6	19,764
Statewide Activity Program	17.259(3)	656-Statewide Local Activity	243,549
Child Care Quality Enhancement Initiative	93.596	Pending	4,229
WIA Veterans Employment Initiative	17.260(3)	464	19,580
DCLWDB-AARA Worksite Mgmt	17.259-ARRA(3)	ARRA-RLC#1	130,666
DCLWDB-ARRA/ATC	17.259-ARRA(3)	ARRA-DCCCD#1	50,100
DCLWDB-ARRA/SYP	17.259-ARRA(3)	ARRA-DCCCD#1	89,738
DCLWDB-ARRA/Administration	17.260-ARRA(3)	ARRA-DCCCD#1	2,416
Total Pass-through From Dallas County Local Workforce Development Board			2,066,214
Arlington Chamber of Commerce			
Advanced Manufacturing Program	17.258(3)	0507WSW000	51,114
Texas Workforce Commission			
Texas Youth in Technology	17.260(3)	0609WSW000	4,078
University of Texas at Arlington			
Advance Manufacturing and Logistics	17.268	26-3903-86-63	1,482
Total U.S. Department of Labor:			2,668,655

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2009

<u>Federal Grantor/Pass-Through Grantor Program Name</u>	<u>CFDA</u>	<u>Grant #</u>	<u>Expenditures</u>
National Science Foundation			
Direct Programs:			
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0422381	60,930
Computer Science, Engineering and Mathematics Scholarship Program	47.076	0422445	36,554
Broadening Access for Science, Technology, Engineering & Math	47.076	0525536	323,529
Total Direct from the National Science Foundation			421,013
Pass-Through From:			
Collin County Community College:			
North Dallas Texas Regional Technologies Center Convergence	47.076	402356	42,562
University of Tulsa	47.076	14-2-1203284-94827	10,998
Total National Science Foundation:			474,573
 Small Business Administration			
Direct Programs:			
Small Business Development Center:			
Drug Free Workplace	59.037	9-603001-Z-0047-25	2,568,777
	59.037	SBAHQ-058-0005	92,974
Total Small Business Administration:			2,661,751
 U.S. Department of Health & Human Services			
Direct Programs:			
Head Start Program	93.600	90YP0018 / 05	31,885
Total Direct from U.S. Department of Health & Human Services			31,885
Pass-Through From:			
University of Texas, at Austin			
Substance Abuse & Mental Health	93.000	U-UTA02-161	16,239
Texas Workforce Commission			
Self Sufficiency Fund-Trucking Consortium Training	93.558	06/07SSF000	276,084
Total Texas Workforce Commission:			276,084
Total U.S. Department of Health & Human Services:			324,208
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 66,925,032

See notes to Schedules of Expenditures of Federal and State Awards

(Concluded)

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE F

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Period Ending August 31, 2009

State Agency/ Program Name	Grant #	Expenditures
Texas Higher Education Coordinating Board		
Texas Grant Program		\$ 2,304,925
Texas Education Opportunity Grant		782,396
Texas College Work Study		153,642
Nursing Scholarship		22,655
Nursing Shortage Reduction Program (Allocation)		254,497
P16 College Readiness	P16ColRed	40,792
College for All Texans - G Force	931/932/933/934/935	141,638
College Connection		17,928
Intensive Summer Program	1418 / 1422	27,547
Developmental Education Summer Bridge Program	71401	268
Texas Course Redesign Project (TCRP)	70048/70035/70033/	166,798
Dallas M.A.L.E. Program	833	5,484
Vertical Teams	99597	3,660
5th Year Accounting		5,000
Total Direct Texas Higher Education Coordinating Board:		<u>3,927,230</u>
 Pass-Through From:		
University of Texas at Arlington		
Texas Manufacturing Assistance Center	26-4200-46-83	<u>18,000</u>
Total Texas Higher Education Coordinating Board:		3,945,230
 University of Texas at San Antonio		
TexPrep Program	N/A	6,083
 Texas Education Agency		
TEA-Dropout Recovery	81045477110009	90,927
 Texas Workforce Commission		
Skills Development Funds		
Authentix Inc.	0608SDF000	72,126
AMTA	0607SDF001	553,993
Frito Lay	0608SDF001	131,118
AMTEC Manufacturing	0608SDF002	634,521
SDF/HMS Business Services	0608SDF006	256,284
SDF-Trucking Co	0608SDF005	525,000
SDF Air Systems Components	0608SDF004	173,941
SDF/CLAM	0609SDF001	1,306,993
Partnership w/Manufacturing Consortitum	0609SDF000	193,635
SDF/WNA Cups Illustrated, Inc.	0609SDF002	53,488
Total Texas Workforce Commission:		<u>3,901,099</u>
 TOTAL EXPENDITURES OF STATE AWARDS		 \$ 7,943,339

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AUGUST 31, 2009**

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, 2009. 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, 2009, as follows:

	<u>Federal</u>	<u>State</u>
Total revenues per Schedule A	\$ 18,842,353	\$ 7,236,934
Federal revenue, non-operating per Exhibit 2	40,457,843	-
Fall tuition-related grants deferred to next fiscal year	<u>7,624,836</u>	<u>706,405</u>
Total Expenditures for Federal/State Awards	<u>\$ 66,925,032</u>	<u>\$ 7,943,339</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	\$ 78,354
Grayson Community College	45,747
Kilgore College	93,108
McLennan Community College	119,346
Navarro College	62,654
North Central Texas College	82,105
Northeast Texas Community College	11,926
TAMU	32,284
Paris Junior College	101,936
Tarrant County Junior College	148,659
Trinity Valley Community College	91,176
Tyler Junior College	68,136
UTA Enterprise Excellence	<u>80,907</u>
Total Amount Passed Through	<u>\$ 1,016,338</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	\$ 148,072
Tarrant County Community College	<u>193,215</u>
Total Amount Passed Through	<u>\$ 341,287</u>

The District passed through \$203,278 to Texas Tech University subrecipient of the CCRAA STEM program CFDA 84.031C from the U. S. Department of Education.

The District passed through \$19,585 to Johnson Community College subrecipient of the Automotive Technologies program CFDA 17.261 from the U. S. Department of Labor.

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	\$ 74,217
Grayson Community College	97,452
Kilgore College	135,062
McLennan Community College	128,343
Navarro College	58,156
North Central Texas College	81,739
Northeast Texas Community College	23,235
TAMU	14,412
Paris Junior College	32,043
Tarrant County Junior College	61,666
Trinity Valley Community College	91,243
Tyler Junior College	67,933
UTA Enterprise Excellence	50,000
Total Amount Passed Through	\$ 915,501

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>\$ 15,065,575</u>	<u>\$ -</u>	<u>\$ 15,065,575</u>
Total Department of Education	<u>\$ 15,065,575</u>	<u>\$ -</u>	<u>\$ 15,065,575</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, 2009

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, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS - Continued

Identification of major programs:

CFDA/Grant Numbers

Name of Federal Programs

84.007, 84.032, 84.033, 84.063, 84.375
17.258, 17.259, 17.260
84.042A, 84.044A, 84.047A

Student Financial Aid Cluster
WIA Cluster
TRIO Cluster

Name of State Programs

n/a
n/a

TEXAS Grant
Nursing Shortage Reduction

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

\$2,007,751 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, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

The results of our procedures disclosed no findings to be reported for the year ended August 31, 2009.

SECTION III - FEDERAL AND STATE AWARD FINDINGS*Finding 2009-1*

Program:	Federal Supplemental Educational Opportunity Grants (FSEOG) and Federal Work-Study Program (FWS) (Student Financial Assistance Cluster)
CFDA:	84.007, 84.033
Federal Award Number:	N/A
Federal Award Year:	2008-2009
Federal Agency:	U.S. Department of Education
Pass-through Entity:	N/A
Type of Finding:	Noncompliance related to Reporting
Criteria:	The District is required to report accurate information in the Fiscal Operations Report and Application to Participate (FISAP).
Condition and Context:	The reported amounts relating to community service earned compensation and earned compensation for FWS students employed as reading tutors or employed in family literacy activities were incorrectly calculated.
Questioned Costs:	None
Cause:	The calculation mistakes were human errors. The figures in the report were traced to supporting documentation in review; however, mathematical accuracy was not checked.
Effect:	Information reported in the FISAP is inaccurate.
Recommendations:	We recommend that the District recalculate the information reported in the FISAP and resubmit the corrected report, if possible. Also, we recommend the District strengthen its review process of the FISAP to include checking mathematical accuracy of supporting schedules relating to information reported in the FISAP.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2009

SECTION III - FEDERAL AND STATE AWARD FINDINGS - ContinuedFinding 2009-2

Program: Federal Family Education Loans (Student Financial Assistance Cluster)

CFDA: 84.032

Federal Award Number: N/A

Federal Award Year: 2008-2009

Federal Agency: U.S. Department of Education

Pass-through Entity: N/A

Type of Finding: Noncompliance related to Special Tests and Provisions - Disbursements To or On Behalf of Students

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

Condition and Context: Out of 42 SFA Cluster students judgmentally tested for the various disbursement requirements, 24 had received FFEL. For one of these students, the FFEL funds were not disbursed to the student within three business days of being received by the District. The funds were also not returned to the lender.

Questioned Costs: None

Cause: The disbursement process is highly automated; however, the District's policy states that every other day the campus Financial Aid offices must review a system generated report for any FFEL funds that have been received but not disbursed. This policy was not followed in this particular case.

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

Recommendations: We recommend the District adhere to its policy which requires the Financial Aid office to review the system generated report listing the date FFEL disbursements were received and disbursed to students every other day. Therefore, any necessary manual changes to a student's status in the system are identified and executed so the student receives his/her disbursement within the allowed three day time frame.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2009

SECTION III - FEDERAL AND STATE AWARD FINDINGS - Continued

Finding 2009-3

Program:	TEXAS Grant Program
State Award Number:	N/A
State Award Year:	2008-2009
State Agency:	Texas Higher Education Coordinating Board
Pass-through Entity:	N/A
Type of Finding:	Noncompliance related to Eligibility
Criteria:	Per the Texas Education Code, §56.304, a student must have graduated from an accredited high school and must have no more than 30 semester credit hours when he/she is initially awarded the TEXAS Grant.
Condition and Context:	Out of 42 TEXAS Grant recipients judgmentally tested, one student received an initial TEXAS Grant even though he had earned more than 30 credit hours at another institution. One other student out of the 42 tested received a TEXAS Grant even though she had graduated from an unaccredited home school.
Questioned Costs:	None
Cause:	In both instances, the District's system rules were not complete to check all aspects of eligibility. The transfer student's transcript was received after his award was made, but the system was not programmed to detect this fact. In the other case, the rules did not check the accreditation of a student's high school (though this information is in the system).
Effect:	Ineligible students have received the TEXAS Grant.
Recommendations:	We recommend that the District modify its system eligibility checks to re-evaluate transfer students' eligibility when new transcripts are received. We also recommend that the District modify its system to check for an accreditation code relating to a student's high school.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended August 31, 2009

SECTION III - FEDERAL AND STATE AWARD FINDINGS - Continued*Finding 2009-4*

Program: Nursing Shortage Reduction

State Award Number: N/A

State Award Year: 2008-2009

State Agency: Texas Higher Education Coordinating Board

Pass-through Entity: N/A

Type of Finding: Noncompliance related to Reporting

Criteria: Grantees are required to submit accurate financial reports.

Condition and Context: The annual report for FY 2008 reported an incorrect amount of total expenditures for that year. It reported its entire allocation amount, which was higher than the amount actually spent according to the general ledger.

Questioned Costs: None

Cause: The report was filed without review by the District Department of Contracts and Grants.

Effect: The District reported more expenditures than it incurred.

Recommendations: We recommend that all financial grant reports be prepared by or at least reviewed by the District Department of Contracts and Grants.

SECTION IV - CORRECTIVE ACTION PLAN (UNAUDITED)*Finding 2009-1*

Management agrees with the finding and will be submitting a corrected FISAP report during December 2009, as allowed by the Department of Education. Additional attention will be given to ensure that FISAP reports will have all backup documents reviewed for correct calculations.

Finding 2009-2

By February 2010, the District Director of Financial Aid will hold a district-wide training session for campus financial aid staff to reiterate the district's loan disbursement policies and to review the system reporting tools used to identify students needing review to ensure Federal Family Education Loan (FFEL) funds are disbursed or returned within the required time limit of 72 hours.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended August 31, 2009

SECTION IV - CORRECTIVE ACTION PLAN (UNAUDITED) - Continued*Finding 2009-3*

At the end of each term, starting December 2009, a report will be generated of any current Initial Texas Grant recipient that in the system is showing to exceed the 30 hour maximum regulation, including new transfer hours from another institution. These students will have their award pulled back and replaced with either a Renewal Texas Grant award, if allowable, or TPEG award to prevent awarding an ineligible student. In addition, a system rule will be added in December 2009 to the Texas Grant award to prevent payout of any student not graduating from an Accredited High School.

Finding 2009-4

By February 2010, the District Director of Contracts and Grants Accounting and District Comptroller will hold district-wide training sessions with grant program management and financial management personnel designated with signature authority to reiterate District signature authority and financial reporting responsibilities on grants.

SECTION V - SUMMARY OF PRIOR FINDINGS

The results of our procedures disclosed no federal or state award findings to be reported for the year ending August 31, 2008.

TO: Audit Committee of the Board of Trustees

FROM: Rafael J. Godinez, CPA

DATE: December 2, 2009

RE: Quarterly Summary of Activities
For the 1st Quarter Ended November 30, 2009

The following is a summary of activities by the DCCCD Internal Audit Department since the Audit Committee meeting of September 15, 2009.

AUDITS COMPLETED – Reports Pending Issuance

- National Junior College Athletic Association Compliance

The purpose of the audit was to test compliance with eligibility requirements set by the NJCAA for student participation in the various athletic programs. This included recruiting, scholarship, enrollment level, academic progress, and other rules for continued eligibility. There were no findings pertaining to eligibility of the student athletes. However, we reported one expense item to management at Cedar Valley for an end of year banquet for the soccer team. The expenditure was not properly submitted for approval and was classified in the wrong account.

- Richland Collegiate High School

The purpose of the audit was to ensure compliance with all rules and regulations promulgated by the Texas Education Agency pertaining to the operations of charter high schools. These included admissions requirements, attendance reporting, counseling needs, curriculum, and graduation standards. No significant findings were noted. However, we reported three minor discrepancies pertaining to attendance documentation which the principal is currently researching.

- Mandatory Vacation

The purpose of the audit was to test for compliance with the policy requiring certain employees to take five consecutive vacation days during the fiscal year. The policy covers a wide variety of employees who have access to security sensitive information such as credit card numbers and social security numbers. The policy also covers employees with financial responsibilities as well as employees who have purchasing and other legally binding authority on behalf of the district. No significant findings were noted during the audit. However, the audit noted several minor discrepancies pertaining to part-time employees and

New job titles not currently covered in policy. These are issues that should be addressed and updated in the policy.

- Colleague System Access

The purpose of the audit was to ensure that employees who currently have access to the Colleague System with the capability to change and update student grades have been properly authorized. We also tested to ensure that such employees are currently in positions that require this level of access in order to perform their duties. During the course of the audit, update access to these screens was removed from a number of employees who no longer required the access due to transfers or changes in job responsibilities. No significant findings were noted.

AUDITS IN PROGRESS

The following audits are currently in progress:

- Colleague System Access – Financial Modules
- Surplus Property Disposal
- Upward Bound – Cedar Valley College

OTHER

Internal Audit completed the assistance to Grant Thornton on the District's financial statement and A-133 audits. This consisted of work in the areas of payroll testing, disbursement testing, student financial aid, and grant compliance testing.

cc Wright Lassiter
Ed DesPlas

INFORMATIVE REPORT NO. 5

Presentation of 1st Quarter Financial Statements

The 1st quarter financial statements are presented as provided by Board Policy CDA (Local) which states: *Periodic financial reports shall be submitted to the Board outlining the progress of the budget to that date and reporting on the status of all District funds and District accounts.*

Background

The 1st quarter financial statements are typical for this phase of the annual financial cycle.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT



Financial Statements

As of November 30, 2009

**Dallas County Community College District
1st Quarter Financial Report
Executive Summary**

There have been no significant changes or transactions affecting the financial position of the District for the period September 1, 2009 through November 30, 2009. A brief analysis of each of the primary statements follows.

Balance Sheet

The schedule *Combined Balance Sheet* presents the unaudited Combined Balance Sheet by fund group as of November 30, 2009. The assets of the District continue to consist primarily of cash, investments, and plant assets (approximately 97.2% of total assets). Cash, cash equivalents, and investments decreased approximately \$47.5 million (17.0%) from November 30, 2008. This decrease is primarily due to payment of construction expenditures related to the voter-approved capital improvement projects. Receivables increased approximately \$2.0 million (12.0%) from November 30, 2008. This increase is primarily due to an increase in State grant receivables. Inventories and other assets are relatively unchanged from November 30, 2008. Property, plant and equipment increased approximately \$199.4 million (43.1%) from November 30, 2008. This increase is primarily related to the capitalization of assets for major repairs and rehabilitation projects, construction projects and other capital equipment expenditures, net of asset disposals and depreciation. Total combined assets have increased from November 2008 by about \$153.9 million (20.1%). The District's Combined Assets, Liabilities and Fund Balances are depicted graphically in Figures 1-2.

District assets are funded approximately 48.8% by fund balances, and 51.2% by liabilities. Isolating the effects of interfund payables, total liabilities of the District have increased about \$94.4 million (25.1%) when compared to November 2008. This increase is mainly attributable to the issuance of the \$102.9 million of 2009 General Obligation Bonds in June 2009.

Schedule of Fund Balances

The *Schedule of Fund Balances* presents the total fund balances of the District by fund and by type (i.e. Restricted, Designated, etc.). The largest components of fund balance are the investment in plant assets (\$248.7 million, 55.3%) and current operating funds (\$145.8 million, 32.4%). Total current fund balances increased by approximately \$4.7 million (2.9%) for the year to date. The change in fund balance is cyclical in nature over the course of the fiscal year. The components of the fund balances are depicted graphically in Figure 3.

Statement of Current Funds Revenues, Expenditures, and Other Changes

The results of operations for the current funds are summarized in the *Combined Current Funds Revenues, Expenditures and Transfers* table. This table presents a comparison for the first quarter ended November 30, 2009, 2008 and 2007.

Current revenues have increased from the same period in the prior year. Although state appropriations in the first year of the new biennium increased approximately \$8.5 million, unrestricted state appropriations to date decreased approximately \$1.7 million (4.9%) from November 2008 as a result of payments from the state being paid in advance of the scheduled time in the prior year until vetoed funds for insurance benefits were restored by the legislature. Total tuition and charges have increased approximately \$7.0 million (18.1%) from November 2008 primarily due to an enrollment increase and a tuition increase that became effective in Spring 2009. Ad valorem tax revenue in the current funds increased approximately \$3.7 million (83.5%) from November 2008 primarily due to an increase in the collection rate and the inclusion of \$1.6 million (36.4%) of taxes not yet transferred to the debt service fund. Investment revenue decreased approximately \$0.7 million (27.8%) from November 2008 as a result of decreased interest rates in the District's investment portfolio. Contracts and grants revenue increased approximately \$6.1 million (65.5%) from November 2008 as a result of increased Federal financial aid from the Department of Education. Auxiliary Enterprises revenue decreased approximately \$0.1 million (10.4%) from November 2008 as a result of a decrease in external support revenue. The District's Current Unrestricted Revenues are depicted graphically in Figure 4.

Current unrestricted funds expenditures are relatively unchanged from those from the same period in the prior year. Instruction and Academic Support grew proportionately larger than other expenditures due to increased enrollments. Current Unrestricted Expenditures are shown in Figure 5.

Restricted expenditures are approximately \$6.3 million (66.2%) ahead of those from the same period in the prior year primarily due to corresponding increases in expenditures resulting from the increased revenues for financial aid described above.

In summary, the net difference between total expenditures and transfers and total revenues results in an increase to fund balance of approximately \$4.7 million for the first three months of the 2009-10 fiscal year. This change is due primarily to the increase in tuition revenues and taxes.

Note: See Glossary for fund groups, functional areas and financial terms at the end of the report.

*Dallas County Community College District
 Combined Balance Sheet (Unaudited)
 November 30, 2009
 With Comparative Totals (000's)*

	<i>Current Funds</i>	<i>Plant Funds</i>	<i>Loan and Agency Funds</i>	<i>Quasi- Endowment Fund</i>	<i>Total Current Year</i>	<i>Total As Of 08/31/09</i>	<i>Total November 2008</i>
<u>ASSETS:</u>							
Cash and Cash Equivalents	\$7,537	\$32,315	\$2,171	\$1,184	\$43,207	\$24,054	\$28,580
Receivables, Net	17,894	312	21		18,227	38,789	16,276
Inventories and Other Assets	4,804	3,068			7,872	8,934	7,886
Due From Other Funds	94	16	1	10	121	113	34
Investments	165,280	19,210		4,303	188,793	250,249	250,906
Property, Plant, and Equipment		662,169			662,169	665,995	462,773
TOTAL ASSETS	\$195,609	\$717,090	\$2,193	\$5,497	\$920,389	\$988,134	\$766,455
<u>LIABILITIES:</u>							
Accounts Payable and Accrued Liabilities	\$21,056	\$22,397	\$108		\$43,561	\$82,517	35,673
Due to Other Funds		121			121	113	34
Deposits and Deferred Revenues	4,721		1,626	133	6,480	34,204	5,420
Notes Payable					-		
Bonds Payable		420,820			420,820	420,820	335,330
TOTAL LIABILITIES	\$25,777	\$443,338	\$1,734	\$133	\$470,982	\$537,654	\$376,457
<u>FUND BALANCES:</u>							
<u>Current Funds:</u>							
Operating	\$145,817				\$145,817	\$144,742	\$134,733
Auxiliary	23,572				23,572	19,866	22,324
Restricted	-				-	-	
Richland Collegiate High School	443				443	500	268
<u>Plant Funds:</u>							
Unexpended		18,061			18,061	22,026	30,687
Retirement of Indebtedness		7,007			7,007	5,018	6,147
Investment in Plant		248,684			248,684	252,511	190,025
Loan Fund			459		459	459	465
Quasi-Endowment Fund				5,364	5,364	5,358	5,349
TOTAL FUND BALANCES	\$169,832	\$273,752	\$459	\$5,364	\$449,407	\$450,480	\$389,998
TOTAL LIABILITIES & FUND BALANCES	\$195,609	\$717,090	\$2,193	\$5,497	\$920,389	\$988,134	\$766,455

Combined Assets
As of November 30, 2009

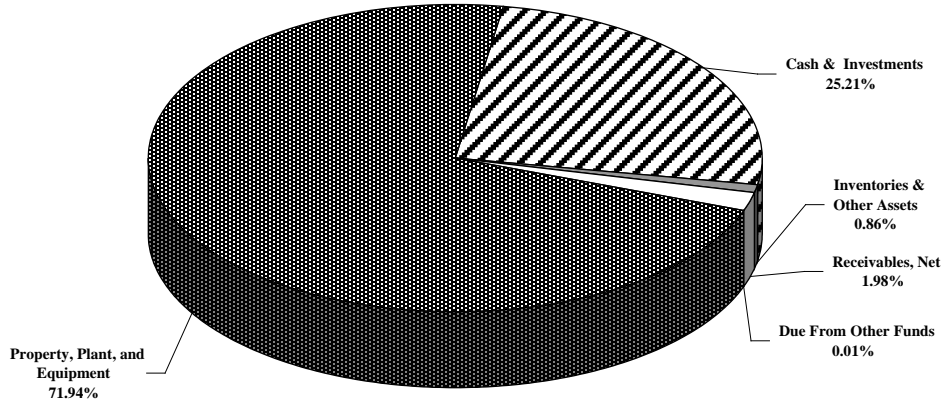


Figure 1 - Combined Assets

Combined Liabilities and Fund Balances
As of November 30, 2009

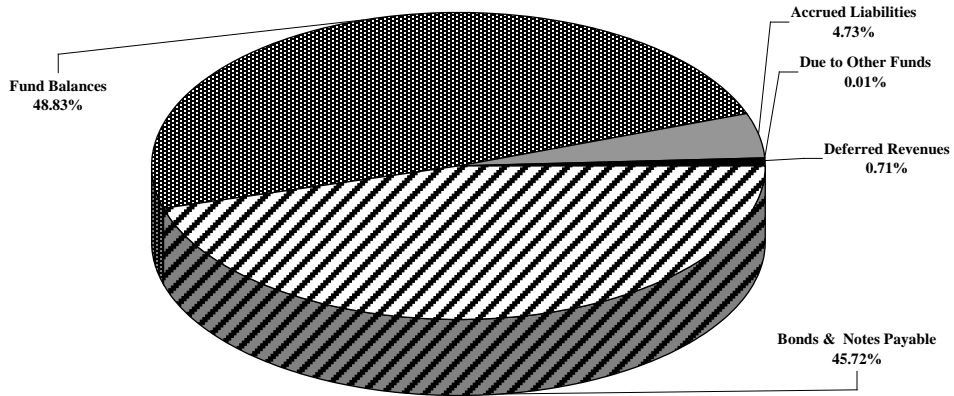


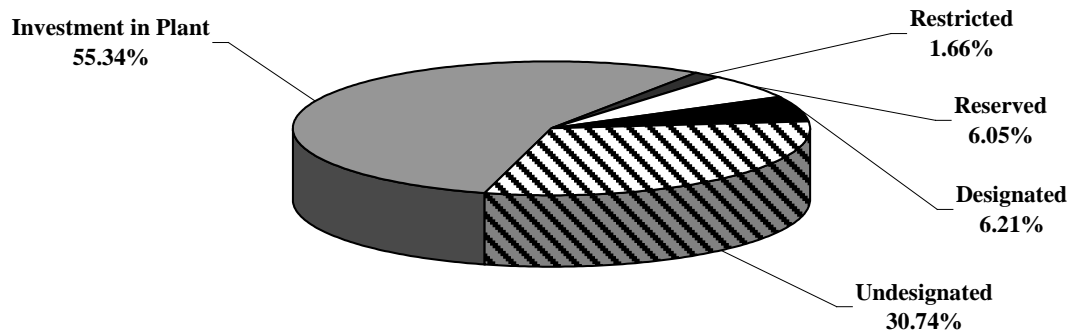
Figure 2 - Combined Liabilities and Fund Balances

Dallas County Community College District
Schedule of Fund Balances (Unaudited)
November 30, 2009
With Comparative Totals (000's)

	<i>Unrestricted</i>			<i>Restricted</i>		<i>Net Investment in Plant</i>	<i>Total-Current Month</i>	<i>Fiscal Year Ending 08/31/09</i>	<i>Net Change Increase/(Decrease)</i>
	<i>Reserved</i>	<i>Designated</i>	<i>Undesignated</i>	<i>Debt Service</i>	<i>Other</i>				
<i>FUND BALANCES:</i>									
<i>Current Funds:</i>									
Operating	\$25,874	\$4,484	\$115,459				\$145,817	\$144,742	\$1,075
Auxiliary	1,304	2	22,266				23,572	19,866	3,706
Restricted							-	-	-
Richland Collegiate High School	5		438				443	500	(57)
<i>Subtotal:</i>	27,183	4,486	138,163				169,832	165,108	4,724
<i>Plant Funds:</i>									
Unexpended		18,061					18,061	22,026	(3,965)
Retirement of Indebtedness				7,007			7,007	5,018	1,989
Investment in Plant						248,684	248,684	252,511	(3,827)
Loan Fund					459		459	459	
Quasi-Endowment Fund		5,364					5,364	5,358	6
TOTAL FUND BALANCES	\$27,183	\$27,911	\$138,163	\$7,007	\$459	\$248,684	\$449,407	\$450,480	(\$1,073)

Fund Balances by Type - All Funds

November 30, 2009



Fund Balances by Fund Group - All Funds

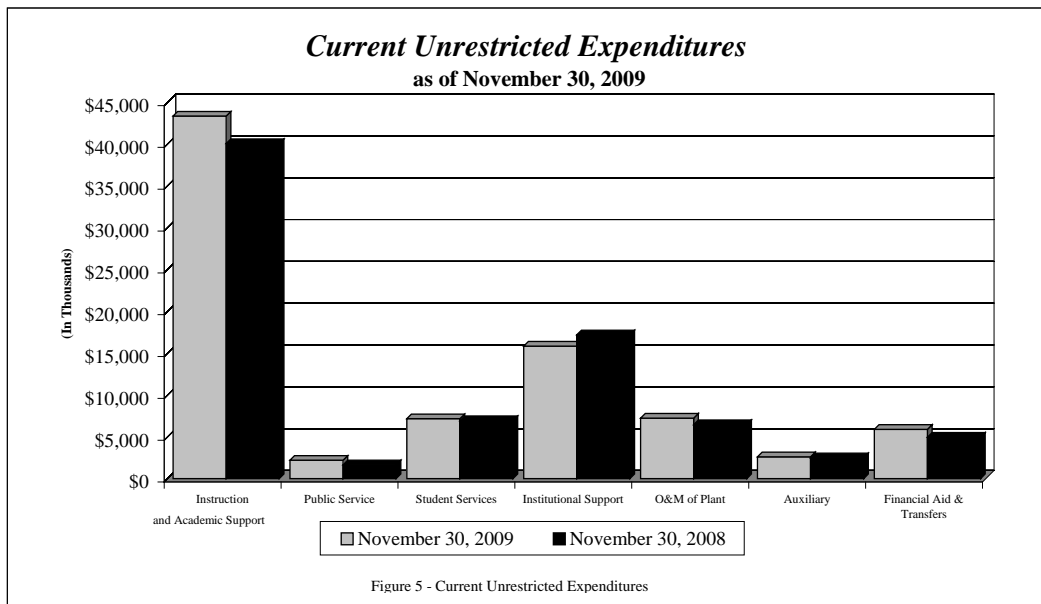
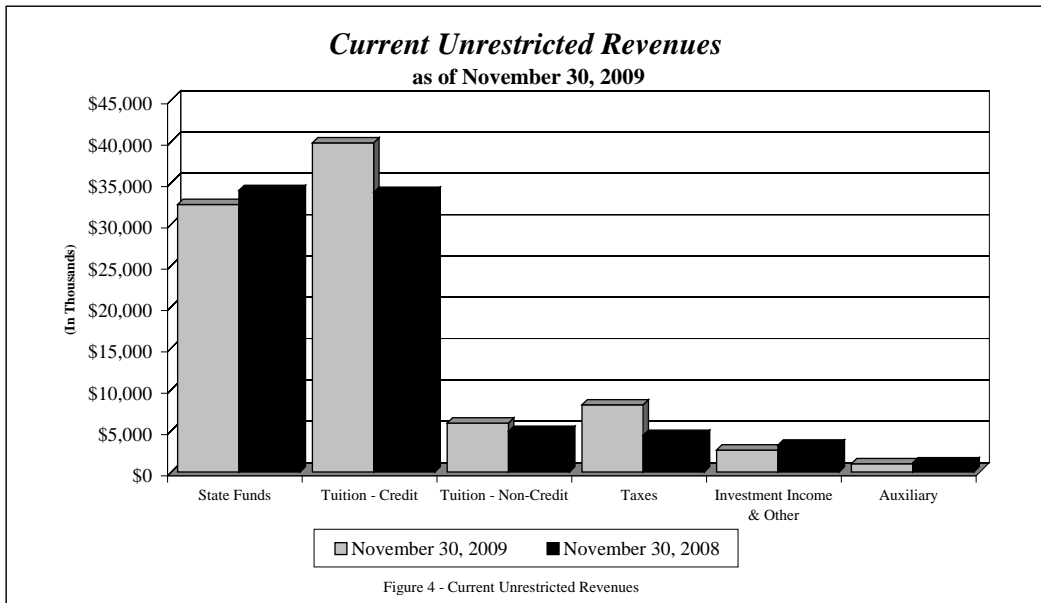
November 30, 2009



Figure 3 - Fund Balances By Type & Fund Group

*Dallas County Community College District
 Combined Current Funds Revenues, Expenditures, and Transfers (Unaudited)
 For the Three Months Ending November 30, 2009
 With Comparative Totals (000's)*

	<i>Operating</i>	<i>Auxiliary</i>	<i>Restricted</i>	<i>RCHS</i>	<i>Total Current Year</i>	<i>Total November 2008</i>	<i>Total November 2007</i>
<u>REVENUES:</u>							
State Appropriations	\$32,355		\$6,987	\$459	\$39,801	\$37,163	\$36,486
Tuition & Charges - Credit	39,798				39,798	33,803	31,128
Tuition & Charges - Non-Credit	5,901				5,901	4,898	4,692
Total Tuition & Charges	45,699				45,699	38,701	35,820
Ad Valorem Taxes	8,108				8,108	4,418	4,914
Investment Income	1,611	155		3	1,769	2,449	2,490
Contracts & Grants	332		15,133		15,465	9,343	8,340
Other	548				548	533	540
Auxiliary Enterprises		980			980	1,094	891
TOTAL REVENUES	\$88,653	\$1,135	\$22,120	\$462	\$112,370	\$93,701	\$89,481
<u>EXPENDITURES:</u>							
Instruction and Academic Support	\$43,332		\$7,081	\$283	\$50,696	\$43,575	\$43,868
Public Service	2,195		1,403	67	3,665	3,156	1,914
Student Services	7,154		1,933	64	9,151	8,229	8,356
Institutional Support	15,832		3,312	105	19,249	18,912	13,762
Operation and Maintenance of Plant	7,228				7,228	6,451	5,850
Financial Aid	3,382		8,694		12,076	7,187	5,864
Auxiliary Enterprises		2,605			2,605	2,486	2,642
Mandatory Transfers	(2,508)		257		(2,251)	(1,887)	(1,916)
TOTAL EXPENDITURES & MANDATORY TRANSFERS	\$81,631	\$2,605	\$22,166	\$519	\$106,921	\$91,883	\$84,172
<u>Other Transfers and Additions, net</u>	(5,947)	5,176	46		(725)	(1,776)	(4,550)
NET INCR/(DECR) in FUND BALANCE	\$1,075	\$3,706	-	(\$57)	\$4,724	\$42	\$759



GLOSSARY

FUND GROUPS

Current funds: Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separately balanced fund groups.

Unrestricted current funds: Funds that have no limitation or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of the District, i.e., educational, student services, extension, administration and maintenance of facilities.

Fund 08 – Richland Collegiate High School

Fund 11 – general unrestricted funds

Fund 14 – unrestricted fund used to track services charged back to locations

Fund 16 – unrestricted fund used to track non-capital projects funded by the District for the locations

Auxiliary enterprises: Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are food services and bookstores. The state of Texas expects auxiliary enterprises to be self-supporting on a perpetual basis. Fund 12

Restricted current funds: Funds available for current purposes but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Fund 13 – restricted funds

Fund 17 – restricted funds related to program income

Plant funds: Plant funds are divided into three separately balanced fund groups.

Unexpended: Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Fund 45 – general unexpended plant fund

Fund 40 – GO Bond projects

Fund 91 – 2003 Maintenance Tax Note projects

Fund 92 – 2004 Maintenance Tax Note projects

Retirement of indebtedness: Funds accumulated to meet debt service charges and the retirement of indebtedness. Fund 46

Investment in plant: Funds already expended for plant properties. Physical properties are stated at cost at the date of acquisition or fair market value at the date of donation for gifts. Depreciation on physical plant and equipment is recorded.

Fund 47

Loan funds: Funds available for loan to students. Fund 34

Agency funds: Funds held by the District as custodial or fiscal agent for students, faculty members, and/or others. Fund 24

Quasi-endowment and similar funds: Funds subject to certain Board-designated restrictions. Fund 58

FUNCTIONAL AREAS OF EXPENDITURES

Instruction: Salaries, wages, supplies, travel, office furniture, equipment and other expenses for the operation of general academic and technical/vocational instructional departments.

Public service: All costs of activities designed primarily to serve the general public, including correspondence courses, adult study courses, public lectures, workshops, institutes, and similar activities.

Academic support: Library – Salaries, wages, library materials (including books, journals, audiovisual media, computer-based information, manuscripts and other information sources), binding costs, equipment and other operating costs of the library. Also, Instructional Administration Expense – Salaries, wages, supplies, travel, equipment and other operating expense of the offices of academic deans or directors of major teaching department groupings.

Student services: Salaries, wages and all other costs associated with admissions and registration, student financial services (including financial aid), student recruitment and retention, testing and guidance, career placement services and other student services.

Institutional support: Salaries, wages and all other costs for the governance of the institution, executive direction and control, business and fiscal management, campus security, administrative data processing, central support services, purchasing and other general institutional activities.

Operation and maintenance of plant: Salaries, wages, supplies, travel, equipment, services and other operating expenses for physical plant administration services, building maintenance, custodial services, grounds maintenance, utilities and major repairs and rehabilitation of buildings and facilities.

Staff benefits: Premiums and costs toward staff benefit programs for employees. Examples of authorized staff benefits are group insurance premiums, workers' compensation insurance, Medicare, retirement contributions and parking stipends. For reporting purposes, staff benefits are allocated over the functional areas based on salaries.

Scholarships and fellowships: Expenditures for student financial aid including waivers, scholarships, and state and federal financial assistance.

Auxiliary enterprises: Expenditures related to bookstore, food service, intercollegiate athletics, and Center for Educational Telecommunications operations.

OTHER FINANCIAL TERMS

Audit of financial statements: Generally the expression of an opinion by the auditor that the financial statements present fairly in accord with certain standards, in all material respects the financial position of the organization being audited. It is not a determination of the presence or absence of fraud or deliberate misrepresentation.

Fraud: A false representation of a matter of fact that should have been disclosed, which deceives another so that he/she acts upon it to his/her injury.

GAAP: Generally accepted accounting principles. Rules, conventions, standards, and procedures that are widely accepted among accountants. GAAP doctrine is established by a combination of authoritative standards set by policy boards such as the Governmental Accounting Standards Board (GASB), an independent, self-regulating organization, and accounting practices developed over time that have become universally accepted as appropriate.

GASB 31: A pronouncement by the Governmental Accounting Standards Board that provided for dissolution of distinct differences between book and market values. It caused there to be a “mark to market” on a regular basis, with recognition of gains or losses contemporaneously by booking an unrealized gain or loss.

GASB 34 and 35: Pronouncements by the Governmental Accounting Standards Board that were implemented beginning with the August 31, 2002 audited financial statements. Implementation of the pronouncements changed wording of the auditor's opinion, added a management's discussion and analysis section, reformatted financial statement line items, presented a single consolidated funds column, added a cash flow statement, and made various changes to the footnotes.

Internal control: The system of business procedures that limits and may prevent access of individuals to misappropriate the funds of an organization. One example is a separation of duties between execution and recording of transactions.

Management letter: A letter, generally issued by external auditors, pointing out various findings that were noted in connection with the audit engagement. Often these items involve observed weaknesses in internal control.

Materiality: A state of relative importance. Strict adherence to any accounting principle is not required when the lack of adherence does not produce an error or misstatement sufficiently large as to influence a financial statement reader's judgment of a given situation.

OMB Circular A-133: The U.S. Office of Management and Budget's pronouncement that established the process of auditing all government grants of a specified threshold size, to be included in the regular annual audit of the grantee.

Repurchase agreement: Agreement between a seller and a buyer, usually of agency or treasury securities, where the seller agrees to repurchase the securities at an agreed upon price and date. A “flex-repo” allows periodic draws against the overall value without a complete repurchase of all principal values.

Unrealized gain or loss: The amount of difference between market value and book value of securities recorded on the financial records of an entity. The amount is an unrealized gain if market value is higher than book value. If the market value is lower than the book value, an unrealized loss is recorded. The amount is unrealized until such time as the security or asset is actually sold by the investor, at which time the amount of difference between market and book values is realized. A security held to maturity will not ever realize a gain or loss.