

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

R.L. Thornton, Jr. Administration Building

701 Elm Street

Dallas, TX 75202

Board Room (4th floor)

Tuesday, March 27, 2007

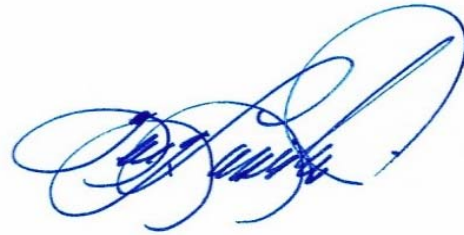
2:00 PM

AGENDA

1. Certification of posting of notice of the meeting Wright Lassiter
2. 2nd Quarter Report from Internal Audit Rafael Godinez
Committee Action: Review as required by Board Policy CDC (LOCAL)
3. 2nd Quarter Report of Investment Transactions Ed DesPlas
Committee Action: Motion to recommend approval by the Board of Trustees at its regular meeting on April 3, 2007, as provided by Board Policy CAK (LEGAL)
4. 2nd Quarter Financial Report Ed DesPlas
Committee Action: Motion to recommend approval by the Board of Trustees at its regular meeting on April 3, 2007, provided by Board Policy CDA (LOCAL)
5. 2nd Quarter M/WBE Report Ed DesPlas
Committee Action: No action required.
6. Chancellor's Travel Report Kathryn Tucker
Committee Action: No action required.

**CERTIFICATION OF POSTING OF NOTICE MARCH 27, 2007
AUDIT COMMITTEE MEETING OF THE
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
AND RICHLAND COLLEGIATE HIGH SCHOOL
BOARD OF TRUSTEES**

I, Wright L. Lassiter, Jr., Secretary of the Board of Trustees of the Dallas County Community College District, do certify that a copy of this notice was posted on the 23rd day of March, 2007 in a place convenient to the public in the R.L. Thornton, Jr. Administration Building, and a copy of this notice was provided on the 23rd day of March, 2007 to John F. Warren, County Clerk of Dallas County, Texas, and the notice was posted on the bulletin board at the Frank Crowley Courts Building, all as required by the Texas Government Code, §551.054.



Wright L. Lassiter, Jr., Secretary



MEMORANDUM

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
SERVICE CENTER

TO: Audit Committee of the Board of Trustees

FROM: Rafael J. Godinez, CPA

DATE: March 9, 2007

RE: Quarterly Summary of Activities
For the Quarter Ended February 28, 2007

The following is a summary of activities by the DCCCD Internal Audit Department since the previous Audit Committee meeting of January 16, 2007.

AUDITS COMPLETED – Reports Issued

- Vacation and Sick Leave Compliance – District Wide

The purpose of the audit was to determine compliance with reporting requirements of vacation and sick leave taken by employees. Special reports and queries were run to determine vacation and sick leave taken by the approximately 445 administrators and 1700 professional support staff during the 2005-06 fiscal year. Statistical analyses were run to help identify unusual circumstances. Finally, an attempt was made to identify controls that ensure that all leave taken is accurately and completely reported and recorded into the Colleague system. (*A separate schedule showing various analytical results is attached to this report.*) The audit concluded that there are insufficient documented controls to ensure that all leave taken by employees is fully and accurately reported and recorded.

- Audit of Sponsored Billings – District Wide

The purpose of the audit was to determine the adequacy of controls over the billing of sponsors for credit and noncredit students in accordance with Business Procedures. This included the invoicing, recording, reconciling, and collecting on accounts as well as the writing off of accounts deemed to be uncollectible. Minor discrepancies were noted and reported to the appropriate campus management for corrective action. These included not writing off uncollectible accounts after six months from invoicing; outstanding credit balances not being refunded to sponsors; and, allowing students with outstanding balances to re-enroll.

- Veterinary Technology Program – Cedar Valley College

The purpose of the audit was to review the adequacy of controls within the veterinary technology program at Cedar Valley College. This included expenditures for travel, treatment of animals, acquisition of medical and other supplies, adequacy of security and documentation of controlled substances, and proper labeling and handling of hazardous materials. No exceptions were noted.

- Colleague Access – Human Resources System

The purpose of the audit was to ensure that controls are in place to safeguard the integrity of the system and that update access to critical human resources and payroll system screens is restricted to only those needed by employees to perform their duties. We commend the Manager of Operational Support for diligence in implementing previously recommended controls to identify and delete from the system access any terminated employees. An analysis of terminated employees is run on a weekly basis and any access is deleted. However, there is still a need to improve the process of identifying and reporting by the campuses any employees whose access should be deleted or modified due to transfers or promotions.

- Payroll System Control – Zero Enrollment Courses

This was a follow-up review and testing of controls pertaining to the payment of Special Employment Agreements – Teaching awarded to District employees for teaching on an extra service basis and to adjunct faculty under teaching agreements. Instructors are assigned to courses in the Colleague Student system but payments for services are generated by the Colleague Payroll system. A special control was implemented several years ago that required the “active” status of a course and the verification of enrollment of students in the course prior to the processing of the payroll each month. No exceptions were noted.

AUDIT COMPLETED – Report in Process

- Criminal Background Policy Compliance

AUDITS IN PROGRESS

The following audits are currently in progress:

- Pay Plan Audit
- Instructor Load – I.T. Review
- Enrollment Compliance Audit

Audit Committee Report
March 9, 2007
Page 3

OTHER

The Control Self-Assessment questionnaire for this year has been completed and sent to all location supervisory personnel. The areas of interest are: purchasing/petty cash/professional service contracts – information security – copyrights. A separate survey dealing with grant related issues was also sent to a limited number of employees who deal primarily with grants.

cc Wright Lassiter
Ed DesPlas

**Audit of Vacation and Sick Leave Compliance
Analyses of Results**

Administrators

Vacation

- 102 (23%) have accrued the maximum 48 days vacation
- 123 (27%) are within 10 or less of the maximum vacation accrual
- 42 (10%) took 5 or less days vacation during 2005-06 fiscal year

Sick Leave

- 107 (24%) have accrued the maximum 66 days sick leave
- 40 (9%) had no sick time taken during 2005-06 fiscal year
- 66 (15%) had 2 days or less of sick time during 2005-06 fiscal year

One administrator had no sick time and only one day vacation taken since his hire date of September 5, 2001.

Professional Support Staff

Vacation

- 128 (7.5%) have accrued the maximum 48 days vacation
- 154 (9%) are within 10 or less of the maximum vacation accrual
- 189 (11.1%) took 2 or less days vacation during 2005-06 fiscal year

Sick Leave

- 119 (7%) have accrued the maximum 66 days sick leave
- 97 (5.7%) had no sick time taken during 2005-06 fiscal year
- 195 (11.4%) had 2 days or less of sick time during 2005-06 fiscal year

These results from the analytical reviews do not indicate any large or unexpected trends given the District's allowance for vacation and sick leave, and the longevity of the employee population. However, it should be noted that only the data reported and recorded in the Colleague system was used in the analyses. Due to the nature of the leave reporting process, there is no documentation available that would either prove or disprove any allegations of unreported leave time.

INFORMATIVE REPORT NO. 3

Presentation of 2nd Quarter Investment Transactions

The 2nd quarter investment transactions are presented as provided by Board Policy CAK (LEGAL), which states: *Not less than quarterly, the investment officer shall prepare and submit to the Board a written report of investment transactions for all funds covered by the Public Funds Investment Act.*

Background

Trustees who serve on the Audit Committee are Ms. Charletta Compton (chair), Mrs. Kitty Boyle and Mr. Bob Ferguson. The Audit Committee reviewed the report of 2nd quarter investment transactions on March 27, 2007. If indicated, Audit Committee members will discuss the statements with the Board during the meeting on April 3, 2007.

Analysis

The 2nd quarter investment transaction report is typical for this phase of the annual financial cycle.

Resource: Edward M. DesPlas
Vice Chancellor of Business Affairs
District Service Center
(972) 860-7752

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT



Investment Portfolio

As of February 28, 2007

**Dallas County Community College District
2nd Quarter Report of Investment Transactions
Executive Summary**

The investment portfolio of the District is summarized in the table *Investment Portfolio Summary Report*. The purchase date, maturity date, yield to maturity, book value, and market value are shown for each of the investment securities of the District as of February 2007. The configuration of the portfolio is shown for both the quarters ended November 30, 2006 and February 28, 2007, see Figures 1 and 2. The portfolio is invested 43.04% in U.S. Agency securities and 9.08% is invested in U.S. Treasury securities. The remaining 47.88% is invested in TexPool and TexSTAR. Of the portfolio, 75.09 % will mature in one year or less. No security has a maturity of more than three years from February 2007. An analysis of the portfolio maturity is shown in Figure 3. The portfolio has coupons that range from 2.60% to 5.30% and the District is earning 5.29% average return on the short-term investment pools. Because of a rising interest environment, the portfolio yield is currently underperforming the Treasury yield curve as of February 28, 2007 from a minimum of 69 basis points (3 years or less) to a maximum of 137 basis points (1 year or less). An analysis of the District's portfolio yield compared with the Treasury yield at February 28, 2007 and February 28, 2006 is shown in Figure 4.

Note: There is a *Glossary of Investment Terms* at the end of this report.

*Dallas County Community College District
Investment Portfolio Summary Report
Activity for the 2nd Quarter Ended February 28, 2007*

INVESTMENTS:		MARKET	ACCRUED INTEREST	WEIGHTED AVERAGE MATURITY	YIELD TO MATURITY
Beginning of Period	November 30, 2006	\$ 199,228,291	\$ 870,141	422	4.15%
Purchases		\$ 215,922,508			
Maturities / Sold		\$ (158,790,562)			
Market Value Change		\$ 8,853			
End of Period	February 28, 2007	\$ 256,369,090	\$ 282,122	410	4.62%

This report is prepared in compliance with generally accepted accounting principles, the investment strategy expressed in the Investment Policy of the DCCCD Board of Trustees, and the Public Funds Investment Act, as amended.

/s/ Edward M. DesPlas

Edward M. DesPlas, Vice Chancellor of Business Affairs

/s/ Kim Green

Kim Green, Associate Vice Chancellor of Business Affairs

/s/ Robb Dean

Robb Dean, Director of Finance and Treasury

Dallas County Community College District
Investment Portfolio Transaction Summary Report
Activity for the 2nd Quarter Ended February 28, 2007
By Type of Investment

	Face Amount <u>2/28/2007</u>	Market Transactions					Market Value 2/28/2007
		Market Value 11/30/2006	Securities Purchased	Securities Matured /Sold	Market Value Change		
SUMMARY:							
MONEY MARKET FUNDS / INVESTMENT POOLS	\$ 122,733,866	\$ 85,601,920	\$ 160,922,508	\$ (123,790,562)	\$ 0	\$ 122,733,866	
TREASURY SECURITIES	24,000,000	23,244,200	-	-	44,160	23,288,360	
AGENCY SECURITIES	146,600,000	90,382,171	55,000,000	(35,000,000)	(35,307)	110,346,864	
PORTFOLIO TOTAL	\$ 293,333,866	\$ 199,228,291	\$ 215,922,508	\$ (158,790,562)	\$ 8,853	\$ 256,369,090	

	Face Amount <u>2/28/2007</u>	Book Transaction Excludes Unrealized Gain and Loss					Book Value 2/28/2007
		Book Value 11/30/2006	Securities Purchased	Securities Matured / Sold	Securities (Disc.)/Prem.		
SUMMARY:							
MONEY MARKET FUNDS / INVESTMENT POOLS	\$ 122,733,866	\$ 85,601,920	\$ 160,922,508	\$ (123,790,562)	\$ 0	\$ 122,733,866	
TREASURY SECURITIES	24,000,000	24,013,135	-	-	(1,471)	24,011,664	
AGENCY SECURITIES	146,600,000	91,576,208	55,000,000	(35,000,000)	(320,125)	111,256,083	
PORTFOLIO TOTAL	\$ 293,333,866	\$ 201,191,263	\$ 215,922,508	\$ (158,790,562)	\$ (321,596)	\$ 258,001,613	

*Dallas County Community College District
Investment Portfolio Transaction Summary Report
Activity for the 2nd Quarter Ended February 28, 2007*

Invest. ID	Cusip Number	Description	Purchase Date	Call Date	Maturity Date	Face Amount	Yield
MONEY MARKET FUNDS / INVESTMENT POOLS							
73190		TEXPOOL	30-Jul-90		N/A	\$ 45,729,988	(1)
1111		TEXSTAR	23-Jun-03		N/A	37,689,066	(2)
2003		TEXSTAR (TAX NOTE)	06-Aug-03		N/A	1,771,209	(2)
2004		TEXSTAR (TAX NOTE)	06-Apr-04		N/A	13,646,699	(2)
40		TEXSTAR (GO)	14-Sep-04		N/A	23,896,904	(2)
REPURCHASE AGREEMENTS							
None							
TREASURY SECURITIES							
13081	T912828BV1	U. S. Treasury	29-Jan-04		15-Jan-09	4,000,000	3.23%
13082	T912828BZ2	U. S. Treasury	25-Feb-04		15-Feb-09	20,000,000	2.97%
AGENCY SECURITIES							
16202	3128XOF87	FHLMC Notes	28-Feb-03		28-Feb-07	10,000,000	3.20%
16215	3128X2NSO	FHLMC Notes	28-Jan-04		28-Jan-08	3,000,000	3.25%
16216	3133ITQU8	FFCB Notes	28-Jan-04		28-Jul-08	3,000,000	3.55%
16217	3136F3Y59	FNMA Notes	30-Jan-04		30-Jul-07	7,500,000	3.00%
16218	3128X2UG8	FHLMC Notes	13-Feb-04		13-Aug-07	2,500,000	3.09%
16219	3128X2WC5	FHLMC Notes	23-Feb-04		23-Aug-07	7,500,000	3.15%
16220	3128X2TX3	FHLMC Notes	11-Feb-04		9-Feb-07	10,000,000	2.93%
16221	3128X2ZK4	FHLMC Notes	27-Feb-04		27-Aug-07	10,000,000	3.00%
16222	3128X2D28	FHLMC Notes	4-Mar-04		4-Sep-07	5,000,000	3.01%
16223	3128X2F34	FHLMC Notes	27-Feb-04	27-Feb-07	27-Feb-09	15,000,000	3.40%
16236	313588GA7	FNDN	15-Dec-06		25-May-07	20,000,000	5.26%
16237	313588EG6	FNDN	20-Dec-06		13-Apr-07	15,000,000	5.27%
16238	3133XJK80	FHLB Notes	16-Jan-07		16-Jan-09	20,000,000	5.30%
40-3	3128X37L1	FHLMC Notes	11-Apr-05		11-Jan-07	15,000,000	4.05%
45-1	3128X3WY5	FHLMC Notes	1-Feb-06	22-Sep-06	22-Sep-09	1,300,000	4.00%
45-2	31359MWP4	FNMA Notes	1-Feb-06		21-Oct-09	1,800,000	4.01%
PORTFOLIO TOTAL						<u>\$ 293,333,866</u>	

(1) The TexPool yield varies daily. The yield as of November 30, 2006 was 5.2780% and February 28, 2007 was 5.2802%.

(2) The TexSTAR yield varies daily. The yield as of November 30, 2006 was 5.2785% and February 28, 2007 was 5.2903%.

Market Transactions

Invest. ID	Market Value 11/30/2006	Securities Purchased	Securities Matured / Sold	Market Value Change	Market Value 2/28/2007
MONEY MARKET FUNDS / INVESTMENT POOLS					
73190	\$ 27,926,817	\$ 119,875,336	\$ (102,072,165)		\$ 45,729,988
1111	25,067,773	25,426,293	(12,805,000)		37,689,066
2003	2,052,505	24,249	(305,545)		1,771,209
2004	14,032,311	179,053	(564,665)		13,646,699
40	16,522,514	15,417,577	(8,043,187)		23,896,904
REPURCHASE AGREEMENTS					
None					
TREASURY SECURITIES					
13081	3,895,000			5,160	3,900,160
13082	19,349,200			39,000	19,388,200
AGENCY SECURITIES					
16202	9,951,200		(10,000,000)	48,800	-
16215	2,942,820			8,670	2,951,490
16216	2,939,070			7,500	2,946,570
16217	7,375,800			42,150	7,417,950
16218	2,463,600			11,400	2,475,000
16219	7,395,000			30,150	7,425,150
16220	9,953,700		(10,000,000)	46,300	-
16221	9,847,400			43,200	9,890,600
16222	4,922,000			21,200	4,943,200
16223	14,571,900			20,400	14,592,300
16236	-	20,000,000		(242,000)	19,758,000
16237	-	15,000,000		(91,500)	14,908,500
16238	-	20,000,000			20,000,000
40-3	14,979,900		(15,000,000)	20,100	-
45-1	1,275,781			(1,677)	1,274,104
45-2	1,764,000				1,764,000
PORTFOLIO TOTAL	\$ 199,228,291	\$ 215,922,508	\$ (158,790,562)	\$ 8,853	\$ 256,369,090

(1) The TexPool yield varies daily. The yield as of November 30, 2006 was 5.2780% and February 28, 2007 was 5.2802%.

(2) The TexSTAR yield varies daily. The yield as of November 30, 2006 was 5.2785% and February 28, 2007 was 5.2903%.

Book Transaction Excludes Unrealized Gain

Invest. ID	Book Value 11/30/2006	Securities Purchased	Securities Matured / Sold	Securities (Disc.)/Prem.	Book Value 2/28/2007
MONEY MARKET FUNDS / INVESTMENT POOLS					
73190	\$ 27,926,817	\$ 119,875,336	\$ (102,072,165)		\$ 45,729,988
1111	25,067,773	25,426,293	(12,805,000)		37,689,066
2003	2,052,505	24,249	(305,545)		1,771,209
2004	14,032,311	179,053	(564,665)		13,646,699
40	16,522,514	15,417,577	(8,043,187)		23,896,904
REPURCHASE AGREEMENTS					
None					
TREASURY SECURITIES					
13081	4,001,338			(156)	4,001,182
13082	20,011,797			(1,315)	20,010,482
AGENCY SECURITIES					
16202	10,000,000		(10,000,000)		-
16215	3,000,000				3,000,000
16216	3,000,000				3,000,000
16217	7,481,175			7,030	7,488,205
16218	2,498,502			529	2,499,031
16219	7,500,000				7,500,000
16220	9,996,801		(10,000,000)	3,199	-
16221	10,000,000				10,000,000
16222	4,999,730			88	4,999,818
16223	15,000,000				15,000,000
16236	-	20,000,000		(239,417)	19,760,583
16237	-	15,000,000		(91,554)	14,908,446
16238	-	20,000,000			20,000,000
40-3	15,000,000		(15,000,000)		-
45-1	1,300,000				1,300,000
45-2	1,800,000				1,800,000
PORTFOLIO TOTAL	\$ 201,191,263	\$ 215,922,508	\$ (158,790,562)	\$ (321,596)	\$ 258,001,613

(1) The TexPool yield varies daily. The yield as of November 30, 2006 was 5.2780% and February 28, 2007 was 5.2802%.

(2) The TexSTAR yield varies daily. The yield as of November 30, 2006 was 5.2785% and February 28, 2007 was 5.2903%.

*Dallas County Community College District
Investment Portfolio Percentage Report
Activity for the 2nd Quarter Ended February 28, 2007*

Type of Security	Portfolio Pct 11/30/2006	Market Value 11/30/2006	Portfolio Pct 2/28/2007	Market Value 2/28/2007
MONEY MKT FUNDS & INVESTMENT POOLS	42.96%	\$ 85,601,920	47.88%	\$ 122,733,866
TREASURY SECURITIES	11.67%	23,244,200	9.08%	23,288,360
AGENCY SECURITIES	45.37%	90,382,171	43.04%	110,346,864
PORTFOLIO TOTAL	100.00%	\$ 199,228,291	100.00%	\$ 256,369,090

Portfolio Percent by Investment Type

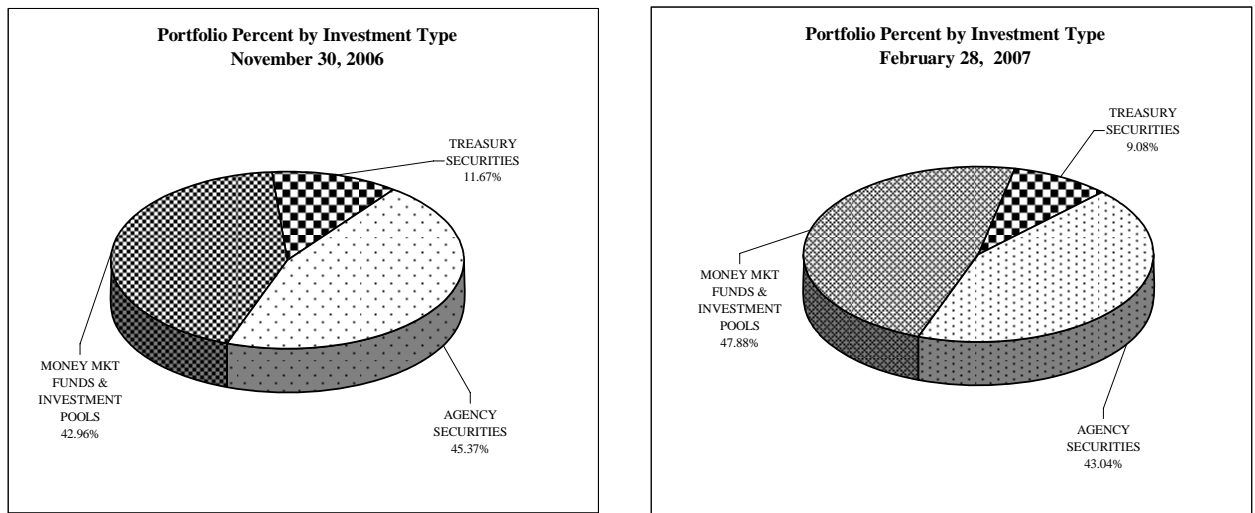


Figure 1 - Investment Portfolio Percentage Report

Dallas County Community College District
Investment Pool Report by Fund Type
Activity for the 2nd Quarter Ended February 28, 2007

Fund Description	Portfolio Pct 11/30/2006	Market Value 11/30/2006	Portfolio Pct 2/28/2007	Market Value 2/28/2007
Unrestricted Fund	63.88%	\$ 127,262,839	71.27%	\$ 182,707,749
Auxiliary Fund	6.93%	13,803,095	8.29%	21,248,292
Unexpended Plant Fund	26.86%	53,514,229	17.64%	45,240,134
Quasi - Endowment Fund	2.33%	4,648,128	2.80%	7,172,915
PORTFOLIO TOTAL	100.00%	\$ 199,228,291	100.00%	\$ 256,369,090

Portfolio Pool Allocation Percent by Fund Type

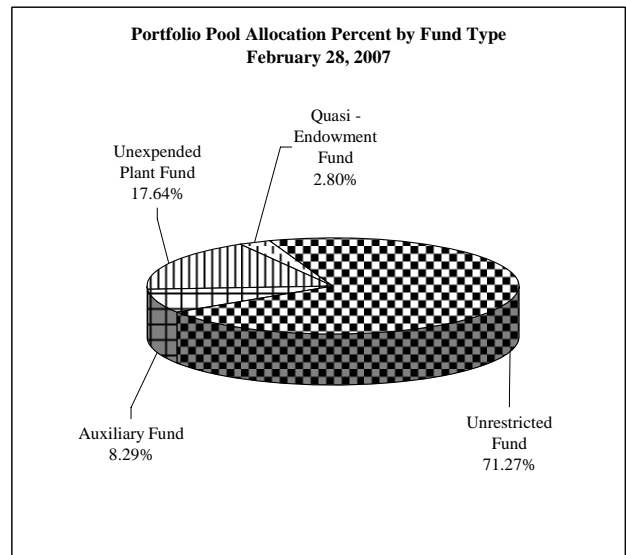
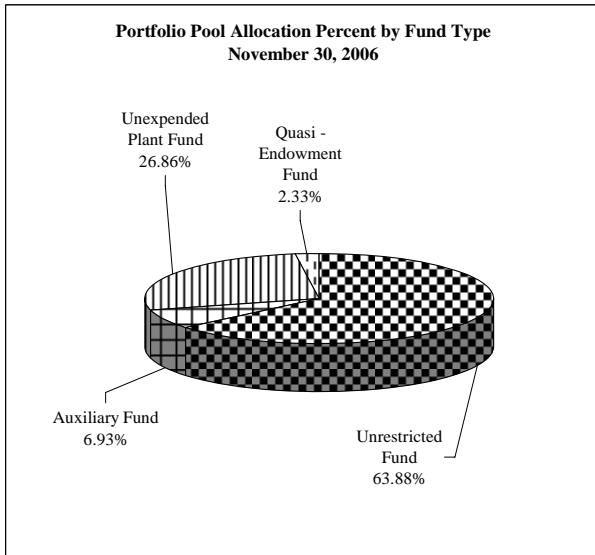
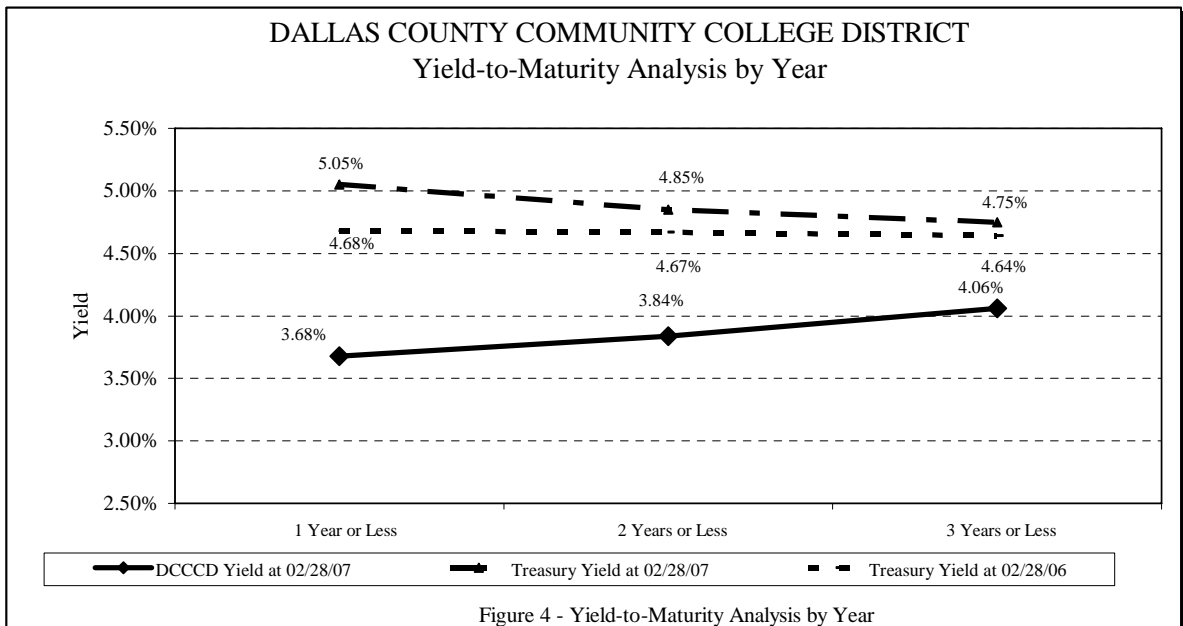
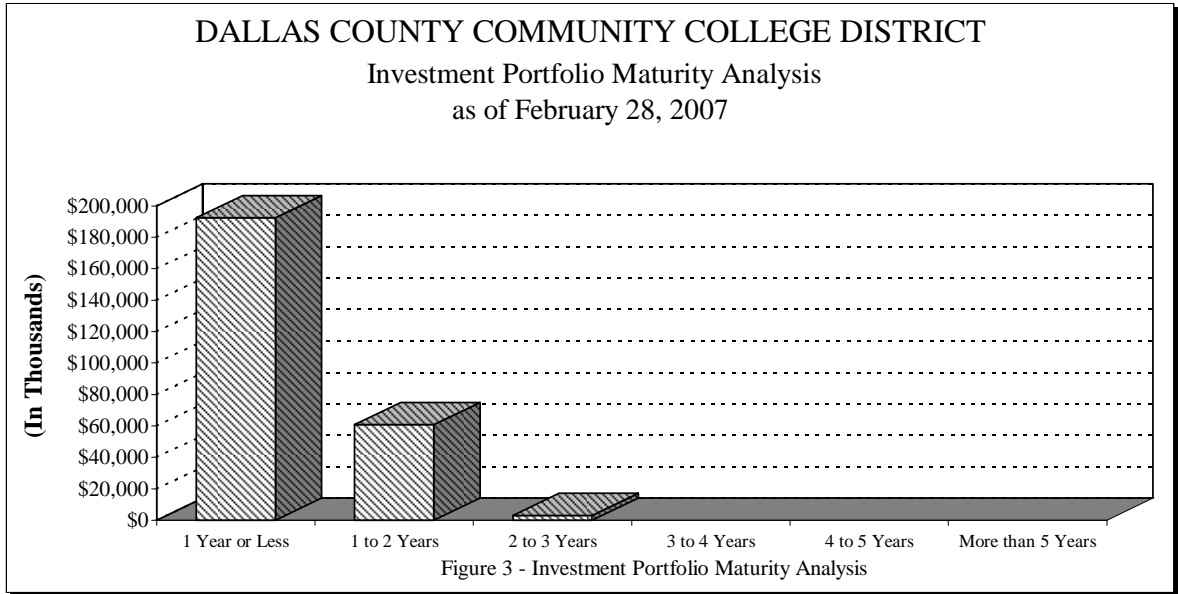


Figure 2 - Investment Portfolio Fund Report



GLOSSARY OF INVESTMENT TERMS

Agency: A security that is issued with an implied or actual pledge of the credit of the U.S. government. The agency is a department of the government or a pseudo-agency that is providing a governmental function (e.g., SLMA, FHLB).

Arbitrage: Arbitrage involves the simultaneous purchase of a security in one market and the sale of it or a derivative product in another market to profit from price differentials between the two markets. As used in municipal finance, it represents the spread between bond interest rates and the interest rate on investments of proceeds. Generally these earnings are limited by IRS requirements to spend proceeds quickly, usually within 24 months.

Basis point: 1/100th of a point (i.e., 50 basis points = .50 % or one half of one percent).

Bond: A long-term promissory note in which the issuer agrees to pay the owner the amount of the face value on a future date and to pay interest at a specified rate at regular intervals.

Broker/dealer: An individual or firm who acts as an intermediary between a buyer and seller, usually charging a commission.

Call: The right to redeem outstanding bonds before their scheduled maturity.

Coupon: The stated interest payment that is based on the face amount of a fixed income security. This amount is usually redeemable at a specific date for a specific payment.

Delivery vs. payment: The control feature that will not allow a security to be paid unless the security is delivered in the exact amount of value as the payment. This transaction usually involves a third party, usually the safekeeping department of a bank.

Discount: The amount of reduction from the face of a fixed income security to compensate for the difference in coupon price and the market value.

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

GO bond: A bond which is supported by general obligation tax revenues of a governmental entity.

Liquidity: The liquidity of a security is the ease with which the market can absorb volume buying or selling without dramatic fluctuation in price, i.e., ease of entry/exit into/from a market.

Market value: The market value of a security is the last-sale price multiplied by total units outstanding. It is calculated throughout the trading day and is related to the total value of the index.

Maturity: The date that a security comes due. The issuer must pay the holder the face amount of the security.

Municipal bonds: Bonds issued by states, cities, counties, and towns to fund public capital projects like roads, schools, sanitation facilities, bridges, as well as operating budgets. These bonds are exempt from federal taxation and from state and local taxes for the investors who reside in the state where the bond is issued.

Premium: The amount of extra price that is added above the face of a fixed income security to compensate for the difference in coupon price and the market value (which takes into consideration the current interest market compared to the stated coupon).

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.

Revenue bond: A bond which is supported by pledged revenues of the entity.

Settlement: The conclusion of a securities transaction; a broker/dealer buying securities pays for them; a selling broker delivers the securities to the buyer's broker.

Treasury: A security that is issued with the full faith and credit of the United States government.

Underwriter: An investment banker who assumes the risk of bringing a new securities issue to market. The underwriter will buy the issue from the issuer and guarantee sale of a certain number of shares to investors; this is firm-commitment underwriting. To spread the risk of purchasing the issue, the underwriter often will form a syndicate (underwriting group, purchase group) among other investment firms. If the investment firm is unwilling to buy the issue outright, other underwriting forms may be used.

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.

INFORMATIVE REPORT NO. 4

Presentation of 2nd Quarter Financial Statements

The 2nd 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

Trustees who serve on the Audit Committee are Ms. Compton (chair), Mrs. Boyle and Mr. Ferguson. The Audit Committee reviewed the 2nd quarter financial statements on March 27, 2007. If indicated, Audit Committee members will discuss the statements with the Board during the meeting on April 3, 2007.

Analysis

The Audit Committee accepted the financial statements and recommended they be presented to the full Board of Trustees at the April 3, 2007, meeting.

Resource: Edward M. DesPlas
Vice Chancellor of Business Affairs
District Service Center
(972) 860-7752

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT



Financial Statements

As of February 28, 2007

**Dallas County Community College District
2nd 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, 2006 through February 28, 2007, with the exception of the issuance of \$25.3 million in revenue bonds to refund \$27.1 million of 2001 Revenue Bonds. 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 February 28, 2007. The assets of the District continue to consist primarily of cash, investments, and plant assets (approximately 95.2% of total assets). Cash, cash equivalents, and investments decreased approximately \$6.4 million (2.4%) from February 28, 2006. The decrease is primarily due to expenditures for land and building purchases and for construction costs for planned projects. Receivables decreased approximately \$3.9 million (22.8%) from February 28, 2006. This decrease is primarily due to decreased Federal receivables related to student financial aid. Inventories and other assets increased approximately \$1.3 million (17.8%) from February 28, 2006. This increase is mainly attributable to the capitalization of bond issue costs for the Series 2006 Revenue Refunding Bonds and the deferred gain on the refunding of the Series 2001 Revenue Bonds. Property, plant and equipment increased approximately \$8.9 million (2.8%) from February 28, 2006. The increase is primarily related to the capitalization of assets for maintenance tax note and construction projects and is net of asset disposals and depreciation. Total combined assets are relatively unchanged from February 2006. The District's Combined Assets, Liabilities and Fund Balances are depicted graphically in Figures 1-2.

District assets are funded approximately 71.9% by fund balances, and 28.1% by liabilities. Isolating the effects of interfund payables, total liabilities of the District have decreased about 8.2% when compared to February 2006. This decrease is mainly attributable to a reduction in bonds payable due to making semi-annual principal payments.

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 (\$224.5 million, 50.8%) and current operating funds (\$166.7 million, 37.7%). Total current fund balances increased by approximately \$66.1 million 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 second quarter ended February 28, 2007, 2006 and 2005.

Current revenues have increased from the same period in the prior year. Unrestricted state appropriations to date are relatively unchanged from February 2006. Total tuition and charges have increased approximately \$5.1 million (10.2%) from February 2006 primarily due to a \$3 per credit hour tuition increase that began in the Spring 2007 semester combined with a spring enrollment increase and to additional tuition for students taking a class for the third or more time. Ad valorem tax revenue in the current funds increased approximately \$9.0 million (9.2%) from February 2006 primarily due to an increase in property valuation. Investment revenues increased approximately \$2.9 million (198.0%) from February 2006 as a result of increased interest rates in the District's investment portfolio. Contracts and grants revenue decreased approximately \$1.4 million (4.7%) from February 2006 as a result of decreased federal grants from the Department of Education. Auxiliary Enterprises revenue decreased approximately \$0.8 million (24.2%) from February 2006 as a result of a decrease in telecourse revenue and bookstore commissions. 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 except for institutional support, which showed an increase of \$2.8 million (11.2%) primarily due to increases in advertising, legal expense and tax collection fees. Current Unrestricted Expenditures are shown in Figure 5.

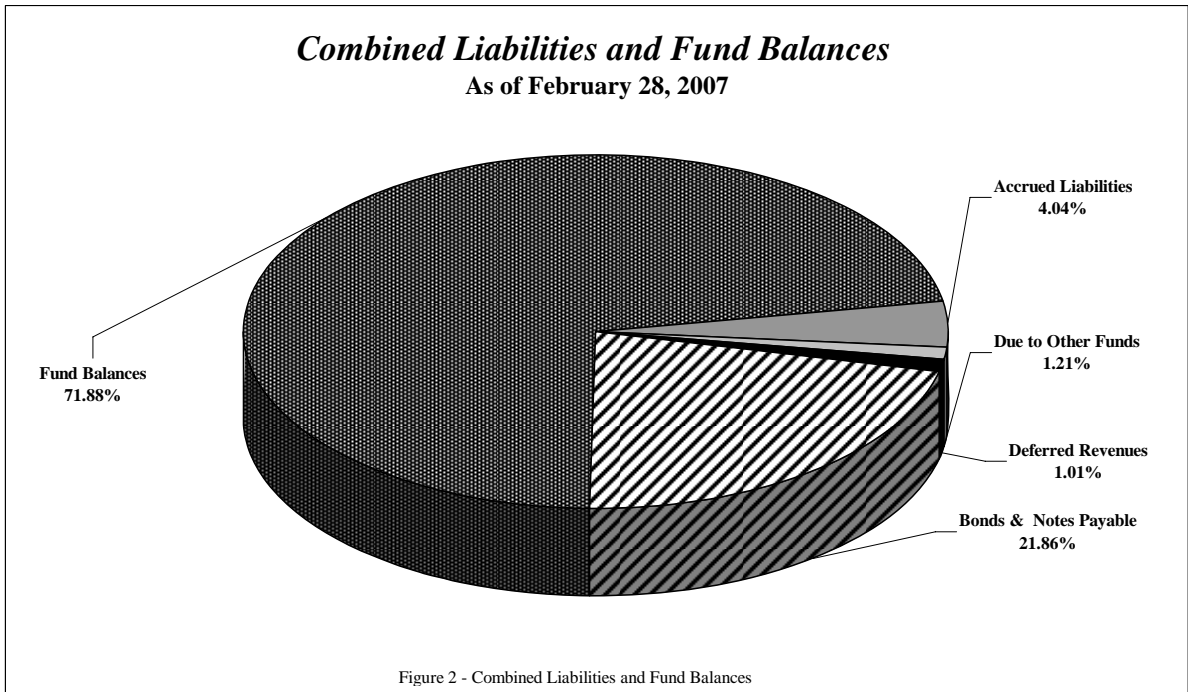
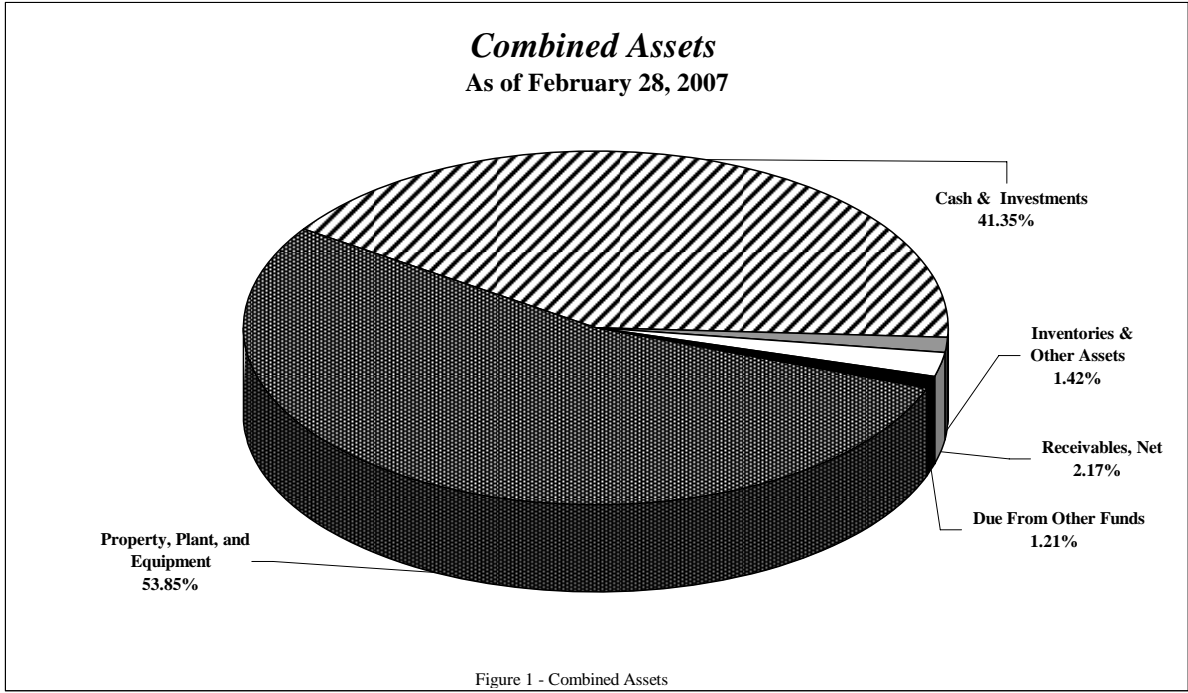
Restricted expenditures are approximately \$0.9 million (2.2%) behind those from the same period in the prior year primarily due to decreases in student financial aid.

In summary, the net difference between total expenditures and transfers and total revenues results in an increase to fund balance of approximately \$66.1 million for the first six months of the 2006-07 fiscal year. This change is due primarily to the increase in investment income, taxes and tuition revenues.

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)
 February 28, 2007
 With Comparative Totals (000's)*

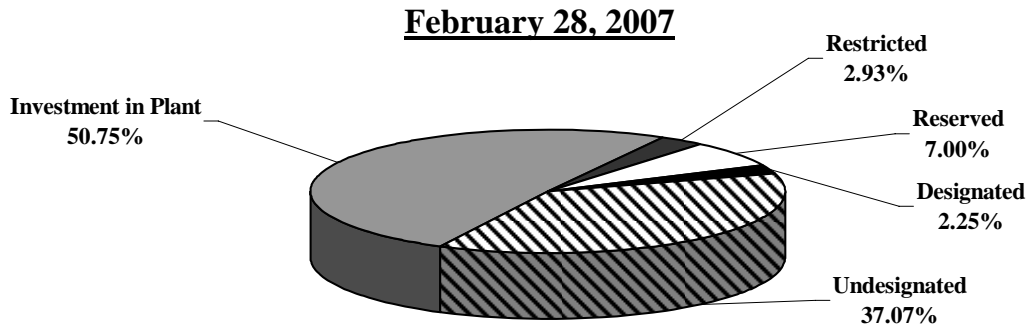
	<i>Current Funds</i>	<i>Plant Funds</i>	<i>Loan and Agency Funds</i>	<i>Quasi- Endowment Fund</i>	<i>Total Current Year</i>	<i>Total As Of 08/31/06</i>	<i>Total February 2006</i>
<u>ASSETS:</u>							
Cash and Cash Equivalents	\$75,497	\$42,871	\$1,499	\$916	\$120,783	\$87,178	\$62,378
Receivables, Net	12,850	157	17	300	13,324	25,395	17,267
Inventories and Other Assets	4,196	4,547			8,743	7,549	7,422
Due From Other Funds		7,462			7,462	2,303	7,720
Investments	124,458	4,800		4,377	133,635	130,766	198,393
Property, Plant, and Equipment		331,340			331,340	339,900	322,403
TOTAL ASSETS	\$217,001	\$391,177	\$1,516	\$5,593	\$615,287	\$593,091	\$615,583
<u>LIABILITIES:</u>							
Accounts Payable and Accrued Liabilities	\$19,588	\$5,317	(\$37)		\$24,868	\$32,260	\$28,831
Due to Other Funds	7,462				7,462	2,303	7,720
Deposits and Deferred Revenues	4,647		1,421	133	6,201	28,416	4,767
Notes Payable		349			349	444	584
Bonds Payable		134,145			134,145	146,175	146,175
TOTAL LIABILITIES	\$31,697	\$139,811	\$1,384	\$133	\$173,025	\$209,598	\$188,077
<u>FUND BALANCES:</u>							
<i>Current Funds:</i>							
Operating	\$166,716				\$166,716	\$102,286	\$147,755
Auxiliary	18,588				18,588	16,879	19,178
Restricted	-				-	-	-
<i>Plant Funds:</i>							
Unexpended		14,057			14,057	6,893	13,806
Retirement of Indebtedness		12,847			12,847	13,320	10,069
Investment in Plant		224,462			224,462	238,726	231,266
Loan Fund			132		132	131	129
Quasi-Endowment Fund				5,460	5,460	5,258	5,303
TOTAL FUND BALANCES	\$185,304	\$251,366	\$132	\$5,460	\$442,262	\$383,493	\$427,506
TOTAL LIABILITIES & FUND BALANCES	\$217,001	\$391,177	\$1,516	\$5,593	\$615,287	\$593,091	\$615,583



Dallas County Community College District
Schedule of Fund Balances (Unaudited)
February 28, 2007
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 08/31/06</i>	<i>Net Change Increase/ (Decrease)</i>
	<i>Reserved</i>	<i>Designated</i>	<i>Undesignated</i>	<i>Debt Service</i>	<i>Other</i>				
<u>FUND BALANCES:</u>									
<i>Current Funds:</i>									
Operating	\$14,484	\$4,484	\$147,748				\$166,716	\$102,286	\$64,430
Auxiliary	2,398	2	16,188				18,588	16,879	1,709
Restricted									
<i>Subtotal:</i>	16,882	4,486	163,936				185,304	119,165	66,139
<i>Plant Funds:</i>									
Unexpended	14,057						14,057	6,893	7,164
Retirement of Indebtedness				12,847			12,847	13,320	(473)
Investment in Plant						224,462	224,462	238,726	(14,264)
Loan Fund					132		132	131	1
Quasi-Endowment Fund		5,460					5,460	5,258	202
TOTAL FUND BALANCES	\$30,939	\$9,946	\$163,936	\$12,847	\$132	\$224,462	\$442,262	\$383,493	\$58,769

Fund Balances by Type - All Funds



Fund Balances by Fund Group - All Funds

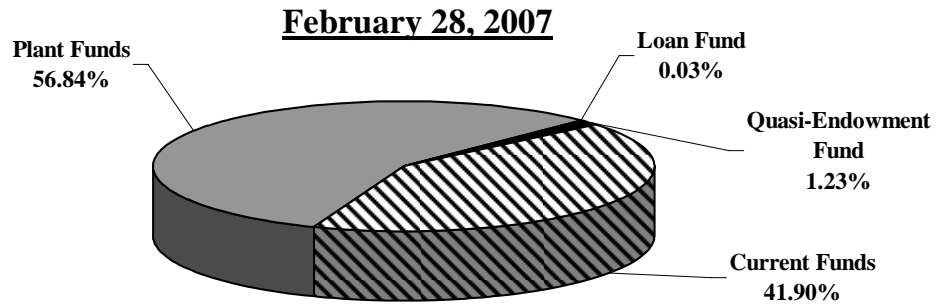
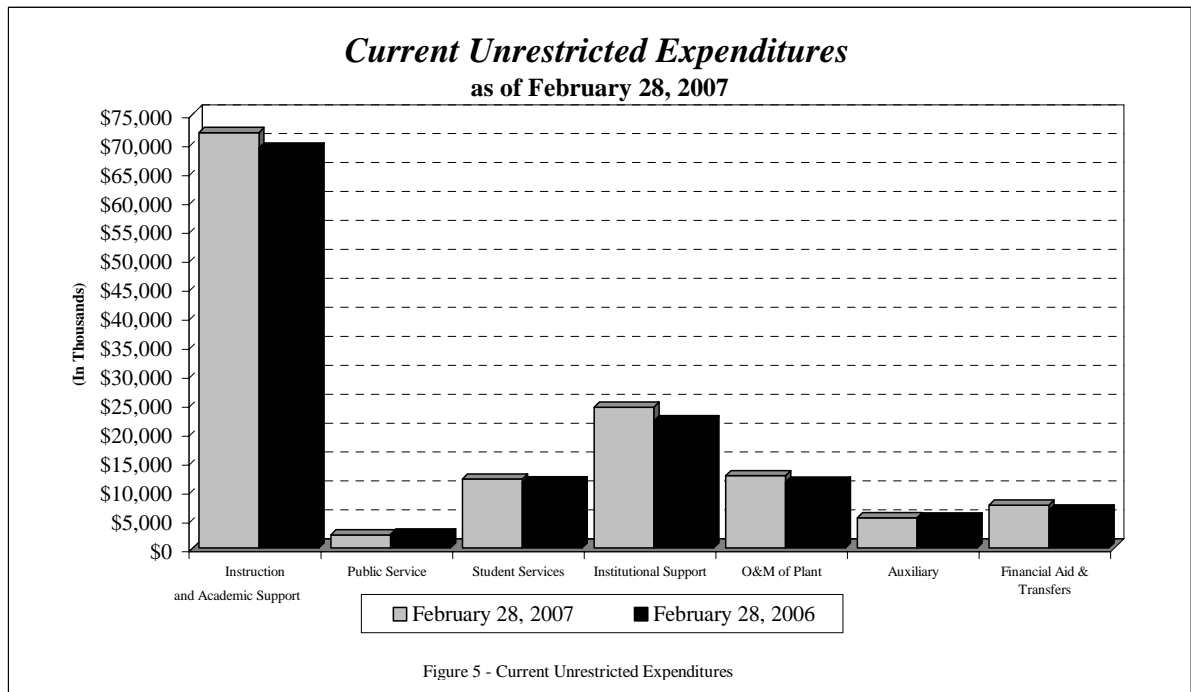
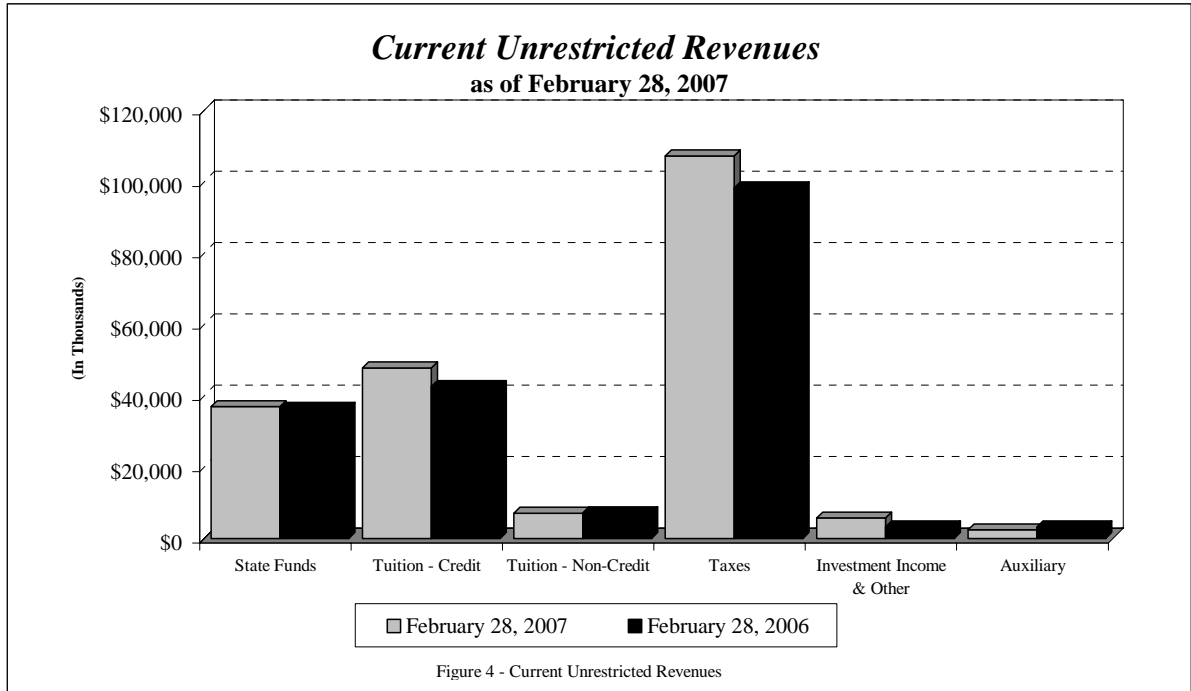


Figure 3 - Fund Balances By Type & Fund Group

*Dallas County Community College District
 Combined Current Funds Revenues, Expenditures, and Transfers (Unaudited)
 For the Six Months Ending February 28, 2007
 With Comparative Totals (000's)*

	<i>Operating</i>	<i>Auxiliary</i>	<i>Restricted</i>	<i>Total Current Year</i>	<i>Total February 2006</i>	<i>Total February 2005</i>
<u>REVENUES:</u>						
State Appropriations	\$36,970		\$11,789	\$48,759	\$47,956	\$45,595
Tuition & Charges - Credit	47,816			47,816	42,627	38,468
Tuition & Charges - Non-Credit	7,062			7,062	7,186	7,982
Total Tuition & Charges	54,878			54,878	49,813	46,450
Ad Valorem Taxes	107,242			107,242	98,250	92,994
Investment Income	3,903	492		4,395	1,475	85
Contracts & Grants	569		26,672	27,241	28,592	27,534
Other	781			781	994	990
Auxiliary Enterprises		2,432		2,432	3,208	2,344
TOTAL REVENUES	\$204,343	\$2,924	\$38,461	\$245,728	\$230,288	\$215,992
<u>EXPENDITURES:</u>						
Instruction and Academic Support	\$71,760		\$10,302	\$82,062	\$79,628	\$77,908
Public Service	2,273		2,868	5,141	4,639	4,772
Student Services	11,910		3,017	14,927	14,186	14,221
Institutional Support	24,338		3,817	28,155	25,319	24,334
Operation and Maintenance of Plant	12,511		446	12,957	11,827	12,031
Financial Aid	3,002		19,960	22,962	24,566	21,679
Auxiliary Enterprises		5,214		5,214	5,195	5,004
Mandatory Transfers	(4,420)		1,571	(2,849)	(2,315)	(2,595)
TOTAL EXPENDITURES & MANDATORY TRANSFERS	\$130,214	\$5,214	\$38,839	\$174,267	\$167,675	\$162,544
<u>Other Transfers and Additions, net</u>	(9,699)	3,999	378	(5,322)	(1,756)	(2,357)
NET INCREASE in FUND BALANCE	\$64,430	\$1,709	-	\$66,139	\$60,857	\$51,091



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.

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.

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.

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.

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

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.

Loan funds: Funds available for loan to students.

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

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

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.

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.



MEMORANDUM

Dallas County Community College District Office of the Vice Chancellor of Business Affairs

TO: Dr. Wright Lassiter

FROM: John Lopez, District Director of Business Diversity

DATE: March 9, 2007

SUBJECT: 2nd Quarter FY 06/07 M/WBE Report

I am pleased to advise that administration is continuing in its efforts toward increasing accessibility for minority and women owned business enterprises (M/WBEs) to the District's procurement opportunities.

Payments to M/WBEs

For the 2nd quarter of FY 06/07 (26.99%) payments to M/WBE for goods and services dramatically increased by 8.81% in comparison to the 1st quarter of the fiscal year (18.18%) and by 3.45% for the same time period of the previous fiscal year (19.39%).

The 2nd quarter M/WBE amount includes nearly \$1.3 million in payments to subcontractors and sub-consultants, which are due largely to the Bond Office, Facilities Management, Purchasing and the Business Diversity departments' efforts to ensure prime contractors and consultants are aware of the District's commitment to diversity.

One detailed report is attached.

Bond Program

The Business Diversity staff continues to work closely with the Bond Program Management Team and the Facilities Management department to assist with the development of the bond architect selection process, reporting system, website and outreach efforts to share information on the bond and non-bond projects and procurement opportunities.

A Construction Networker was held on March 8, 2007 at the Bill J. Priest Center which allowed the Construction Managers at Risk (CMAR), who were selected for the first twelve (12) bond projects to distribute detail information on the possible

subcontracting opportunities on those projects. This provided the more than 200 potential subcontractors an occasion to introduce themselves and their companies to the construction managers, months in advance to subcontractors being sought for the projects. As construction managers are selected for other projects, similar events will be held.

Additionally, presentations were made at the February 20, 2007 Black Contractors Association meeting to more than 60 contractors and at the March 6, 2007 Hispanic Contractors Association meeting to more than 200 contractors. All 12 contractor managers attended both events to discuss the projects with the contractors.

Steve Park, Clyde Porter and John Lopez continue to meet on a regular basis with representatives of the Black, Hispanic and Asian American Contractors Associations to ensure they are being kept informed of the progress on the bond and non-bond projects to obtain their continued input on the outreach efforts and other issues, such as bonding.

Regarding bonding, some of the construction managers will be utilizing the “sub guard” program which is an insurance type policy that replaces the need for payment and performance bonds from the project subcontractors. The Bond Project Management Team will encourage the other construction managers to do the same, thereby, eliminating a barrier for small businesses while still protecting the District.

Minority Chambers of Commerce Partnership

The District Business Diversity department continues to meet on a regular basis with the Black, Hispanic and Asian American chambers to continue effort to meet the goals of the partnership agreement.

On March 12, 2007, a meeting was held with the chambers and the District Corporate Training Council to discuss the results and determine the best methods to meet the training needs of the business community and seek grant opportunities to fund the training.

Additionally, the three chambers and the Business Diversity Department have combined efforts with the Dallas Independent School District to more effectively implement a mentor/protégé and student internship program as required by the partnership agreement.

Other efforts

The Business Diversity Department is helping to coordinate a “summit” type meeting with other Dallas public entities, the minority contractors associations and chambers of commerce to address similar issues/problems that have limited the growth of

minority businesses in doing business with the public entities and to take advantage of the opportunities to help with the growth of those business with the upcoming bond programs that are or will be available from those entities.

Community Meetings

The business diversity program staff represented DCCCD at a number of community meetings during the past quarter, including the following:

Staff Activities	2006-2007		
	Dec	Jan	Feb
Asian American Contractors Association Meeting		*	
Black Contractor's Association Awards Banquet	*		
Black Contractors Association Meeting		*	*
City of Dallas Goods/Professional Other Services Forum			*
Dallas Black Chamber of Commerce Business/Economic Development Meeting		*	
Dallas Black Chamber of Commerce Board of Directors Installation Ceremony		*	
Dallas Black Chamber of Commerce Quest for Success Luncheon			*
DFW Minority Business Council MBE Construction Showcase	*		
DCCCD Construction Manager at Risk Interviews		*	
Greater Dallas Asian American Chamber of Commerce Holiday Mixer	*		
Hispanic Contractor's Association Holiday Party	*		
Hispanic Contractor's Association Meeting		*	
Hispanic Contractor's Association Pillars Breakfast		*	
MCompany Awards	*		
Minority Business Development Committee Meeting		*	
TXDOT Protégé and Networking Meeting			*

**Dallas County Community College District
M/WBE Financial Activity
FY 2006 - 2007 Annual Report**

Ethnicity/Gender	2005-06 Year-to-Date		1st Quarter 06-07 09/01/2006-11/30/2006		2nd Quarter 06-07 12/01/2006-02/28/2007		2006-07 Year-to-Date	
	Amount-\$	Percent	Amount-\$	Percent	Amount-\$	Percent	Amount-\$	Percent
Amer Indian/Alaskan Native, Female	\$11,176.45	0.03%	\$16,107.36	0.11%	\$9,385.50	0.06%	\$25,492.86	0.08%
Amer Indian/Alaskan Native, Male	\$305,649.61	0.82%	\$127,112.88	0.85%	\$892,521.27	5.28%	\$1,019,634.15	3.19%
Black/African-American, Female	\$181,197.54	0.49%	\$29,590.23	0.20%	\$84,608.34	0.50%	\$114,198.57	0.36%
Black/African-American, Male	\$1,427,412.63	3.84%	\$777,592.92	5.18%	\$601,351.38	3.56%	\$1,378,944.30	4.32%
Asian Indian, Female	\$1,359.40	0.00%	\$704.46	0.00%	\$382.98	0.00%	\$1,087.44	0.00%
Asian Indian, Male	\$670,338.00	1.80%	\$186,868.20	1.24%	\$875,020.31	5.17%	\$1,061,888.51	3.33%
Anglo-American, Female	\$1,755,434.56	4.72%	\$1,171,962.32	7.81%	\$1,214,888.93	7.18%	\$2,386,851.25	7.48%
Asian Pacific, Female	\$21,209.59	0.06%	\$3,163.48	0.02%		0.00%	\$3,163.48	0.01%
Asian Pacific, Male	\$0.00		\$1,274.03		\$285.00		\$1,559.03	
Hispanic/Latino/Mex-American, Female	\$245,412.56	0.66%	\$154,721.77	1.03%	\$371,117.69	2.19%	\$525,839.46	1.65%
Hispanic/Latino/Mex-American, Male	\$2,081,964.62	5.60%	\$159,157.86	1.06%	\$366,910.26	2.17%	\$526,068.12	1.65%
Other, Female	\$506,403.89	1.36%	\$100,968.03	0.67%	\$149,211.70	0.88%	\$250,179.73	0.78%
Other, Male								
Total M/WBE	\$7,207,558.85	19.39%	\$2,729,223.54	18.18%	\$4,565,683.36	26.99%	\$7,294,906.90	22.84%
Not Classified	\$29,954,624.02	80.61%	\$12,282,338.01	81.82%	\$12,348,944.35	73.01%	\$24,631,282.36	77.15%
Sub-total for Discretionary Payments	\$37,162,182.87	100.00%	\$15,011,561.55	100.00%	\$16,914,627.71	100.00%	\$31,926,189.26	100.00%
Non-discretionary Payments	8,939,320.44		\$5,657,225.66		\$5,582,619.94		\$11,239,845.60	
Total Payments	\$46,101,503.31		\$20,668,787.21		\$22,497,247.65		\$43,166,034.86	