PRELIMINARY OFFICIAL STATEMENT

Dated April 27, 2009

Ratings:
Moody's: Applied For
S&P: Applied For
Fitch: Applied For
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Co-Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax.

$110,000,000*
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
(Dallas County, Texas)
GENERAL OBLIGATION BONDS, SERIES 2009

Dated Date: May 1, 2009 **Due: February 15, as shown on page 2**

PAYMENT TERMS . . . Interest on the $110,000,000* Dallas County Community College District General Obligation Bonds, Series 2009 (the "Bonds") will accrue from May 1, 2009 (the "Dated Date"). Interest on the Bonds will be payable on February 15, 2010, and on each August 15 and February 15 until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to the Constitution and general laws of the State of Texas (the "State"), including Section 130.122 of the Texas Education Code, as amended, election held May 15, 2004, and passed by a majority of the participating voters; and the order authorizing the Bonds (the "Order"). The Bonds are the third installment of bonds issued under authority of the May 15, 2004 election (see "THE BONDS - Authority for Issuance" and "DEBT INFORMATION – Table 10 – Authorized But Unissued General Obligation Bonds").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct and voted obligations of the Dallas County Community College District (the "District"), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District (see "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (a) construct and equip school buildings in the District, and (b) pay costs of issuance associated with the sale of the Bonds. (see "THE BONDS –Sources and Uses of Bond Proceeds").

CUSIP PREFIX: 234685

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas and West & Associates L.L.P., Dallas, Texas, Co-Bond Counsel (see Appendix C, "Form of Co-Bond Counsel's Opinion"). Certain matters will be passed upon for the Underwriters by their counsel, Bickerstaff Heath Delgado Acosta LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on June 4, 2009.

SOUTHWEST SECURITIES **RAMIREZ & CO., INC.**

Banc of America Securities LLC **J.P. Morgan**
Morgan Keegan & Company, Inc. **M.R. Beal & Company**
RBC Capital Markets **Siebert Brandford Shank & Co LLC**

* Preliminary, subject to change.

CUSIP Prefix: 234685[1]

MATURITY SCHEDULE*

Principal Amount	Maturity 2/15	Rate	Yield	CUSIP Suffix [1]	Principal Amount	Maturity 2/15	Rate	Yield	CUSIP Suffix [1]
$ 1,780,000	2010				$ 5,485,000	2020			
3,500,000	2011				5,770,000	2021			
3,680,000	2012				6,065,000	2022			
3,865,000	2013				6,375,000	2023			
4,065,000	2014				6,705,000	2024			
4,275,000	2015				7,045,000	2025			
4,495,000	2016				7,410,000	2026			
4,725,000	2017				7,785,000	2027			
4,965,000	2018				8,185,000	2028			
5,220,000	2019				8,605,000	2029			

(Accrued Interest from May 1, 2009 to be added)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). If Term Bonds are to be issued, the terms thereof and the Term Bonds will be subject to mandatory sinking fund redemption as described in the Order.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12(the "Rule" of the United States Securities and Exchange Commission (the "SEC"), this document constitutes an Official Statement of the District with respect to the Bonds that has or will be "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Co-Financial Advisors. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NEITHER THE DISTRICT, THE CO-FINANCIAL ADVISORS, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SEC AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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APPENDICES

The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT .... The Dallas County Community College District is located in Dallas County, Texas and operates as a community college district under the laws of the State of Texas (the "State"). See "APPENDIX A – General Information Regarding the District".

THE BONDS .... The Bonds are issued as $110,000,000* General Obligation Bonds, Series 2009. The Bonds are issued as serial bonds maturing February 15, 2010 through February 15, 2029 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from May 1, 2009, and is payable February 15, 2010 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued and the tax levied for their payment pursuant to the Constitution and general laws of the State of Texas, including Section 130.122 of the Texas Education Code, as amended, an election held May 15, 2004, and passed by a majority of the participating voters; and the Order. The Bonds are the third installment of bonds issued under authority of the May 15, 2004 election (see "THE BONDS - Authority for Issuance" and "DEBT INFORMATION – Table 10 – Authorized But Unissued General Obligation Bonds").

SECURITY FOR THE BONDS.......... The Bonds constitute direct and voted obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District (see "THE BONDS - Security and Source of Payment").

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.............................. The District **will not** designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS").

REDEMPTION............................... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION .... In the opinion of Co-Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax.

USE OF PROCEEDS....................... Proceeds from the sale of the Bonds will be used to (a) construct and equip school buildings in the District, and (b) pay costs of issuance associated with the sale of the Bonds. (see "THE BONDS –Sources and Uses of Bond Proceeds").

RATINGS .... The presently outstanding tax supported debt of the District is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and "AAA" by Fitch Ratings ("Fitch"). Applications for contract ratings on the Bonds have been made to Moody's, S&P and Fitch (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM..................................... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System") .

PAYMENT RECORD...................... The District has never defaulted in payment of its tax supported debt.

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year [3]	Ratio Funded Debt to Net Taxable Assessed Valuation	Funded Debt Per Capita
2005	2,305,454	$ 134,404,944,574	58,299	$ 106,935,000	0.08%	46.38
2006	2,345,815	140,647,666,399	59,957	100,380,000	0.07%	42.79
2007	2,361,354	151,810,313,601	64,290	93,485,000	0.06%	39.59
2008	2,451,800	167,951,236,891	68,501	86,210,000	0.05%	35.16
2009	2,451,800	177,508,750,618	72,399	394,275,000 [4]	0.22% [4]	160.81 [4]

[1] Source: North Central Texas Council of Governments.
[2] As reported by the Dallas Central Appraisal District; subject to change during the ensuing year.
[3] Includes debt payable from maintenance and operations taxes.
[4] Projected. Preliminary, subject to change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Years Ended 8/31				
	2008	2007	2006	2005 [1]	2004 [1]
Beginning Balance	$ 405,280,022	$ 383,493,416	$ 365,247,553	$ 340,964,571	$ 328,492,390
Total Revenue	118,408,758	114,787,657	110,333,807	107,853,678	104,087,557
Total Expenses	(344,927,103)	(330,315,732)	(318,328,133)	(307,392,107)	(294,304,197)
Total Net Non-Operating Revenues	248,189,414	237,314,681	226,240,189	223,821,411	202,688,821
Increase in Net Assets	21,671,069	21,786,606	18,245,863	24,282,982	12,472,181
Ending Balance	$ 426,951,091	$ 405,280,022	$ 383,493,416	$ 365,247,553	$ 340,964,571

[1] Restated for a change in classification of library books from non-depreciable to depreciable assets and certain reclassifications have been made to prior year amounts in order to conform with Fiscal 2007 presentation.

For additional information regarding the District, please contact:

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Dallas County Community
College District
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Mesquite, Texas 75150-2095
(972) 860-7710

or

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325 N. St. Paul
Suite 800
Dallas, Texas 75201
(214) 953-4000

or

Robert A. Estrada
Lawrence E. Jordan
US Williams
Nicole Roberts
Estrada Hinojosa & Company, Inc.
1717 Main Street
Suite 4700
Dallas, Texas 75201
(214) 658-1670

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Term Expires	Length of Service	Occupation
Mr. Jerry Prater, CPA Chair	2010	12 Years	Partner, Huber Prater & Henson, P.C.
Ms. Diana Flores Vice Chair	2014	13 Years	Project Director, Small Business Transportation Resource Center Greater Dallas Hispanic Chamber of Commerce
Ms. Kitty Boyle	2014	13 Years	Administrator, Boyle & Lowry, L.L.P.
Ms. Charletta Compton	2012	9 Years	President, Rogers & Associates Creative Productions
Mr. Robert Ferguson, II	2010	5 Years	Managing Director, TDIndustries
Ms. Martha Sanchez Metzger	2010	5 Years	Owner, Metzger Awards & Promotional Products
Mr. JL "Sonny" Williams	2012	3 Years	President & CEO, Momentum Advertising and Communications

SELECTED ADMINISTRATIVE STAFF

Name	Position
Dr. Wright Lassiter	Chancellor
Dr. Andrew Jones	Executive Vice Chancellor of Educational Affairs
Mr. Edward DesPlas	Executive Vice Chancellor of Business Affairs
Mrs. Kim Green	Associate Vice Chancellor of Business Affairs
Mr. Denys Blell	Vice Chancellor for Human & Organizational Development
Mr. Robb Dean	Director of Finance and Treasury
Mr. Rafael Godinez	Executive District Director of Internal Audit
Dr. Richard McCrary	Interim President, Brookhaven College
Dr. Jennifer Wimbish	President, Cedar Valley College
Dr. Jean Conway	Interim President, Eastfield College
Mr. Paul McCarthy	President, El Centro College
Mr. Felix A. Zamora	President, Mountain View College
Dr. Herlinda M. Glasscock	President, North Lake College
Dr. Steve Mittelstet	President, Richland College
Mrs. Pam Quinn	President, R. Jan LeCroy Center for Educational Telecommunications
Dr. J. William Wenrich	Chancellor Emeritus
Mr. Robert Young	General Counsel

CONSULTANTS AND ADVISORS

Auditors .... Grant Thornton LLP
Dallas, Texas

Co-Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
West & Associates L.L.P.
Dallas, Texas

Financial Advisors .... Estrada Hinojosa & Company, Inc.
First Southwest Company
Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$110,000,000*
DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS, SERIES 2009

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $110,000,000* Dallas County Community College District General Obligation Bonds, Series 2009 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Co-Financial Advisors, Estrada Hinojosa & Company, Inc., Dallas, Texas and First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE DISTRICT . . . The Dallas County Community College District (the "District") is a political subdivision located in Dallas County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered six-year terms with elections being held in May of each even numbered year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Chancellor who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For additional information regarding the District, see "APPENDIX A – General Information Regarding the District."

DISTRICT COMMERCIAL PAPER PROGRAM . . . In April 2007, the District authorized the creation of a general obligation commercial paper program, pursuant to which the District may issue from time to time commercial paper notes in an amount not to exceed at any one time outstanding $150,000,000. The commercial paper notes are issued in the form of bond anticipation notes, payable from bonds to be issued by the District to refund outstanding commercial paper notes, available District funds, and advances to be made under a line of credit issued by Dexia Credit Local, acting through its New York Branch ("Dexia"), pursuant to the terms of a Revolving Credit Agreement between the District and Dexia. Commercial paper notes may be issued to provide interim financing for the projects approved by the voters at the May 15, 2004 bond election. The District has not drawn upon the line of credit issued by Dexia since the general obligation commercial paper note program was initiated. Upon the refunding of the then outstanding commercial paper notes in September 2008, the authority of the District to issue up to $150,000,000 in commercial paper notes was restored, and the District may issue commercial paper notes to provide interim financing for projects approved at the 2004 bond election. No commercial paper notes currently are outstanding. Upon the issuance of the Bonds, the District may not issue commercial paper notes in excess of the remaining amount of authorized but unissued bonds approved by the voters at the 2004 bond election.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2009, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on February 15, 2010, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to the Constitution and general laws of the State of Texas (the "State"), including Section 130.122 of the Texas Education Code, as amended, an election held May 15, 2004, and passed by a majority of the participating voters; and the order authorizing the Bonds (the "Order"). The Bonds are the third installment of bonds issued under authority of the May 15, 2004 election (see "DEBT INFORMATION – Table 10 – Authorized But Unissued General Obligation Bonds").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District on all taxable property sufficient to provide for the payment of principal and interest on the Bonds, which tax must be levied within the limits prescribed by law. The District shall determine the specific amount of, and levy, a tax sufficient to pay current interest on and the maturing principal amount, or maturity amount due, as applicable of the Bonds, with full allowance being made for tax delinquencies and the costs of collection.

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* Preliminary, subject to change.

TAX RATE LIMITATION . . . Section 130.122 of the Texas Education Code limits a community college district's tax rate to $1.00 per $100 taxable assessed valuation (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance to $0.16 per $100 of assessed valuation. The District's outstanding Maintenance Tax Notes, Series 2004, are payable from the maintenance tax levied and collected by the District.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal or reporter of general circulation among securities dealers in The City of New York, New York or in the State of Texas. In addition, not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the 45th day prior to such redemption date. The failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Order specifically provides that the publication of notice as described above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid; provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition, and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia 197 S.W. 3d 325* (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under

Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources:	
Par amount of the Bonds	
Accrued Interest	
Total Sources of Funds	$ -
Uses:	
Deposit to Project Construction Fund	
Deposit to Debt Service Fund	
Total Underwriters' Discount	
Costs of Issuance	
Total Uses of Funds	$ -

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the District is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; and (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Under Section 11.253 of the Texas Tax Code, "goods-in-transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory.

The District and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The District also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Effective Tax Rate and Rollback Tax Rate . . . By each September 1 or as soon thereafter as practicable, the Board adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Board may not adopt a tax rate that exceeds the prior year's levy until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge.

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. **Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.**

DISTRICT APPLICATION OF TAX CODE . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $50,000; the disabled are also granted an exemption of $50,000.

The District has not enacted the freeze on residence homesteads to disabled persons or persons 65 years of age or older.

The District has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; and Dallas County collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District taxes freeport property and goods in transit.

The District has not adopted a formal tax abatement policy.

TAX INCREMENT FINANCING ZONE . . . The District participates in eight tax increment financing ("TIF") districts. In fiscal year 2008, the District's participation in the TIF's resulted in $761,091 of taxes forgone. The District has formal guidelines for determining if participation is warranted. The seven criteria applied to each request are:

1. The TIF district will generate an increase in the District's property tax base within three years of the approval of the TIF district project and financing plan.

2. The additional tax revenue benefits that the TIF district will generate for the District will at least equal, within a reasonable period of time, the cost of the incremental revenue that the District would forgo.

3. The TIF district will enter into a formal agreement with the District to directly and significantly benefit the educational purposes of the District.

4. The TIF district will provide for annual incremental revenues that are at least 125% of the average annual debt service requirements and a debt service reserve fund equivalent to at least the average annual debt service requirement in the event the TIF district anticipates issuing debt.

5. Developers/firms associated with the TIF district may be required to execute a formal agreement with the participating taxing entities and provide these entities, in advance, with acceptable financial security as an offset to the risk that private sector development is not substantially undertaken despite public improvement expenditures undertaken as scheduled.

6. The developers/firms certify that they are Equal Opportunity Employers.

7. The duration of the TIF district may not exceed 15 years.

Table 1 - Valuation, Exemptions and Tax Supported Debt

2008/09 Market Valuation Established by Dallas Central Appraisal District (less totally exempt property)		$ 201,453,960,580
Less Exemptions/Reductions at 100% Market Value		
Homestead Local Option	$ 15,677,070,167	
Over 65 and Disabled	5,305,663,997	
Disabled Veterans Exemptions	70,030,425	
Pollution Control	24,191,561	
Abatements Granted	1,287,030	
Capped Value Loss	2,091,300,195	
Productivity Loss	772,223,222	
Low-Income Housing	3,443,365	$ 23,945,209,962
2008/09 Taxable Assessed Valuation [1]		$ 177,508,750,618
Debt Payable from Ad Valorem Taxes (as of 4/01/09)		
Tax Debt - Interest & Sinking Tax		264,155,000
Tax Debt - Maintenance Tax		20,120,000
The Bonds [2]		110,000,000
2008/09 Net General Purpose Funded Debt Payable from Ad Valorem Taxes [2]		394,275,000
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		0.22%

2009 Estimated Population - 2,451,800
Per Capita Taxable Assessed Valuation - $72,399
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $121.62

(1) As of the certified appraisal report as of FYE 2008.
(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for the Fiscal Year Ending August 31,					
	2009		2008		2007	
Category	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 101,010,115,020	46.31%	$ 96,346,604,650	47.34%	$ 89,852,030,920	50.93%
Real, Residential, Multi-Family	15,601,323,790	7.15%	14,547,968,590	7.15%	12,411,801,100	7.04%
Real, Vacant Lots/Tracts	8,467,741,250	3.88%	6,286,024,000	3.09%	3,905,249,370	2.21%
Real, Acreage (Land Only)	1,171,195,070	0.54%	1,087,269,420	0.53%	802,839,620	0.46%
Real, Farm and Ranch Improvements	82,277,000	0.04%	82,159,190	0.04%	63,404,330	0.04%
Real, Commercial	59,812,802,730	27.42%	55,486,712,110	27.27%	39,648,257,370	22.47%
Real, Industrial	1,160,072,280	0.53%	1,061,329,470	0.52%	922,022,060	0.52%
Real, Oil, Gas and Other Mineral Reserves	15,405,130	0.01%	7,830	0.00%	-	0.00%
Real and Tangible Personal, Utilities	3,175,204,880	1.46%	3,581,162,490	1.76%	3,613,038,050	2.05%
Tangible Personal, Commercial	20,505,015,720	9.40%	18,476,987,780	9.08%	18,046,288,210	10.23%
Tangible Personal, Industrial	6,454,171,360	2.96%	5,903,539,620	2.90%	6,540,436,850	3.71%
Tangible Personal, Other	-	0.00%	-	0.00%	3,104,950	0.00%
Mobile Homes	94,557,450	0.04%	94,701,580	0.05%	93,466,810	0.05%
Special Inventory	552,073,700	0.25%	551,814,080	0.27%	520,984,420	0.30%
Total Appraised Value Before Exemptions	$ 218,101,955,380	100.00%	$ 203,506,280,810	100.00%	$ 176,422,924,060	100.00%
Less: Total Exemptions/Reductions	40,593,205,362		35,555,043,919		21,684,069,205	
Net Taxable Assessed Valuation	$ 177,508,750,018		$ 167,951,236,891		$ 154,738,854,855	

	Taxable Appraised Value for the Fiscal Year Ending August 31,			
	2006		2005	
Category	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 84,020,257,260	49.07%	$ 78,937,307,890	47.78%
Real, Residential, Multi-Family	12,346,951,710	7.21%	12,225,497,940	7.40%
Real, Vacant Lots/Tracts	5,200,987,390	3.04%	4,898,619,600	2.97%
Real, Acreage (Land Only)	895,287,370	0.52%	862,410,550	0.52%
Real, Farm and Ranch Improvements	59,755,550	0.03%	51,008,650	0.03%
Real, Commercial	41,982,040,860	24.52%	40,038,495,700	24.24%
Real, Industrial	825,028,280	0.48%	866,604,690	0.52%
Real, Oil, Gas and Other Mineral Reserves	14,090	0.00%	14,090	0.00%
Real and Tangible Personal, Utilities	3,520,517,110	2.06%	3,330,528,850	2.02%
Tangible Personal, Commercial	16,194,561,270	9.46%	16,803,989,190	10.17%
Tangible Personal, Industrial	5,585,054,620	3.26%	6,129,448,950	3.71%
Tangible Personal, Other	2,159,430	0.00%	478,403,990	0.29%
Mobile Homes	97,608,420	0.06%	96,612,440	0.06%
Special Inventory	486,556,920	0.28%	488,013,490	0.30%
Total Appraised Value Before Exemptions	$ 171,216,780,280	100.00%	$ 165,206,956,020	100.00%
Less: Total Exemptions/Reductions	30,569,113,881		30,802,011,446	
Net Taxable Assessed Valuation	$ 140,647,666,399		$ 134,404,944,574	

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year [3]	Ratio Funded Debt to Net Taxable Assessed Valuation	Funded Debt Per Capita
2005	2,305,454	$ 134,404,944,574	58,299	$ 106,935,000	0.08%	46.38
2006	2,345,815	140,647,666,399	59,957	100,380,000	0.07%	42.79
2007	2,361,354	151,810,313,601	64,290	93,485,000	0.06%	39.59
2008	2,451,800	167,951,236,891	68,501	86,210,000	0.05%	35.16
2009	2,451,800	177,508,750,618	72,399	394,275,000 [4]	0.22% [4]	160.81 [4]

(1) Source: North Central Texas Council of Governments.
(2) As reported by the Dallas Central Appraisal District on District's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes debt payable from maintenance and operations taxes.
(4) Projected. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy [2]	% Current Collections	% Total Collections
2005	$ 0.0803	$ 0.0778	$ 0.0025	$ 107,927,242	98.20%	101.05%
2006	0.0816	0.0778	0.0038	114,957,170	98.83%	101.38%
2007	0.0810	0.0778	0.0032	123,162,321	98.11%	100.75%
2008	0.0804	0.0759	0.0045	135,224,155	97.03%	99.88%
2009 [1]	0.0894	0.0759	0.0135	158,692,823	93.60%	In Process of Collection

(1) Collections for partial year only, through April 1, 2009.
(2) Based on audited figures for all years except 2009, which is calculated from the certified tax base.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2008 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
AT&T/Southwestern Bell	Telephone Utility	$ 1,578,863,000	0.89%
Raytheon/Texas Instruments	Manufacturing	1,469,996,000	0.83%
Texas Utilities	Electric Utility	1,384,673,000	0.78%
Northpark Land Partners	Real Estate	590,682,000	0.33%
Crescent Real Estate	Real Estate	567,651,000	0.32%
Southwest Airlines	Airline	552,440,000	0.31%
Verizon	Telephone Utility	550,663,000	0.31%
Wal Mart	Retail	533,885,000	0.30%
Teachers Insurance	Insurance	488,333,000	0.28%
Galleria Mall Inv LP	Real Estate	418,988,000	0.24%
		$ 8,136,174,000	4.58%

TAX SUPPORTED DEBT LIMITATION . . . Section 130.122 of the Texas Education Code limits a community college district's tax rate to $1.00 per $100 taxable assessed valuation (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance to $0.16 per $100 of assessed valuation. The District's outstanding Maintenance Tax Notes, Series 2004, are payable from the maintenance tax levied and collected by the District.

TABLE 6 - TAX ADEQUACY[(1)]

Debt Payable from Debt Service Tax Rate[(2)]:

Principal and Interest Requirements, 2009	$	22,014,185
$0.0127 Tax Rate at 98% Collection Produces		22,092,739
Average Annual Principal and Interest Requirements, 2009-2029	$	28,611,110
$0.0165 Tax Rate at 98% Collection Produces		28,703,165
Maximum Annual Principal and Interest Requirements, 2010	$	30,848,101
$0.0178 Tax Rate at 98% Collection Produces		30,964,626

Debt Payable from Maintenance & Operations Tax Rate[(3)]:

Principal and Interest Requirements, 2009	$	6,085,081
$0.0035 Tax Rate at 98% Collection Produces		6,088,550
Average Annual Principal and Interest Requirements, 2009-2013	$	5,460,658
$0.0032 Tax Rate at 98% Collection Produces		5,566,674
Maximum Annual Principal and Interest Requirements, 2012	$	6,463,013
$0.0038 Tax Rate at 98% Collection Produces		6,610,426

(1) Tax rate calculations are based off of FYE 2008 Taxable Assessed Valuation.
(2) Includes the Bonds.
(3) Consists of the Maintenance Tax Notes, Series 2004.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional obligations since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	Taxable Assesed Valuation	2008-2009 Tax Rate	Total Net General Obligation Tax Debt as of 3/9/09	Estimated % Applicable	Overlapping GO Tax Debt	Authorized but Unissued Debt as of 3/24/09
Addison, Town of	3,724,826,923	0.4535	57,385,073	100.00	$57,385,073	$15,500,000
Balch Springs, City of	733,076,876	0.6200	9,220,000 *	100.00	9,220,000	0
Carrollton, City of	4,844,006,930	0.6179	150,030,000 *	51.57	77,370,471	94,832,000
Carrollton-Farmers Branch	11,492,984,058	1.3670	382,655,000 *	77.68	297,246,404	70,865,000
Cedar Hill ISD	2,945,440,524	1.5000	104,914,537	100.00	104,914,537	0
Cedar Hill, City of	3,018,277,974	0.6414	70,876,960	94.98	67,318,937	21,965,000
Cockrell Hill, City of	82,567,732	0.7881	0	100.00	0	0
Coppell ISD	7,522,790,359	1.2790	147,787,596 *	100.00	147,787,596	0
Coppell, City of	4,726,928,980	0.6415	83,965,000 *	98.42	82,638,353	31,045,000
Dallas Co	170,582,361,268	0.2281	158,486,552 *	100.00	158,486,552	0
Dallas Co FCD #1	217,340,959	2.8355	31,084,638	100.00	31,084,638	25,705,000
Dallas Co URD	2,185,613,586	1.6260	282,217,655 *	100.00	282,217,655	
Dallas ISD	82,176,569,792	1.1834	1,786,063,482	100.00	1,786,063,482	950,302,078
Dallas, City	84,945,809,476	0.7479	2,022,949,913 *	91.83	1,857,674,905	744,992,600
Denton Co LID # 1	31,463,548	0.1650	3,739,329	0.05	1,870	
Denton Co RUD # 1	3,965	0.3800	10,671,416	0.05	5,336	18,565,000
DeSoto ISD	2,391,322,576	1.5100	154,400,389 *	100.00	154,400,389	36,800,000
DeSoto, City of	3,064,485,872	0.6997	74,300,988	100.00	74,300,988	3,650,000
Duncanville ISD	3,532,437,498	1.4180	167,765,206 *	100.00	167,765,206	5,970
Duncanville, City of	1,902,328,898	0.6960	9,139,195	100.00	9,139,195	1,103,000
Farmers Branch, City of	4,019,807,491	0.4945	8,890,234	100.00	8,890,234	27,985,000
Ferris ISD	17,379,667	1.2772	31,230,530	4.90	1,530,296	11,500,000
Ferris, City of	10,416,750	0.6500	2,309,000	9.73	224,666	0
Garland ISD	14,437,247,075	1.2533	374,263,834 *	100.00	374,263,834	109,989,440
Garland, City of	11,121,794,061	0.6996	246,963,724	99.78	246,420,404	181,364,794
Glenn Heights, City of	295,443,369	0.6944	6,159,189	66.92	4,121,729	0
Grand Prairie ISD	4,982,899,719	1.4650	465,876,169 *	100.00	465,876,169	0
Grand Prairie Metro URD	9,585,810	2.1400	7,902,147	100.00	7,902,147	51,828,500
Grand Prairie, City of	4,902,937,218	0.6700	147,525,897	52.83	77,937,931	14,393,000
Grapevine, City of	138,359,862	0.3500	72,967,120	100.00	72,967,120	0
Grapevine-Colleyville ISD	242,733,505	1.2900	279,533,908	4.23	11,824,284	0
Highland Park ISD	11,378,447,201	1.0900	117,660,000 *	100.00	117,660,000	5,400,000
Hutchins, City of	258,977,659	0.5281	4,661,000 *	100.00	4,661,000	0
Irving FCD Section 1	308,789,577	0.2420	3,643,683	100.00	3,643,683	5,815,000
Irving FCD Section 3	1,468,066,819	0.2634	130,916	100.00	130,916	9,700,000
Irving ISD	10,135,897,746	1.3910	445,402,217 *	100.00	445,402,217	161,975,000
Irving, City of	18,206,358,651	0.5406	196,503,492	100.00	196,503,492	406,150,000
Lancaster ISD	1,711,011,167	1.4127	105,125,453	100.00	105,125,453	665,000
Lancaster MUD # 1	41,146,163	0.9000	3,238,328	100.00	3,238,328	31,665,000
Lancaster, City of	1,710,471,846	0.7775	31,366,613	100.00	31,366,613	0
Lewisville, City of	56,197,292	0.4402	59,781,620	100.00	59,781,620	28,900,000
Mesquite ISD	7,027,772,527	1.4000	423,501,824	100.00	423,501,824	130,000,521
Mesquite, City of	6,592,778,156	0.6400	93,460,000 *	100.00	93,460,000	3,981,600
NW Dallas Co FCD	406,448,886	0.3000	8,316,610	100.00	8,316,610	
Ovilla, City of	23,674,360	0.6680	6,618,350	100.00	6,618,350	0
Richardson ISD	17,722,992,892	1.3401	405,964,988 *	100.00	405,964,988	38,435,099
Richardson, City of	6,709,580,554	0.5752	186,084,888	63.59	118,331,380	3,044,319
Rowlett, City of	2,873,129,813	0.7472	84,184,939	83.68	70,445,957	3,960,000
Sachse, City of	812,439,751	0.5534	10,582,552	69.54	7,359,107	0
Seagoville, City of	486,428,710	0.6350	3,305,433	96.37	3,185,446	0
Sunnyvale ISD	661,541,614	1.3700	43,329,183	100.00	43,329,183	0
Sunnyvale, Town of	662,946,980	0.3780	8,892,622	100.00	8,892,622	0
Valwood Imp Authority	1,623,025,583	0.3125	10,186,000	100.00	10,186,000	20,616,666
Wilmer-Hutchins ISD	0		0	100.00	0	0

Total Net Overlapping Debt			:		$8,804,085,189	
Dallas Co CCD	**177,508,750,618**	**0.0894**	**394,275,000**	**100.00**	**$ 394,275,000**	**50,000,000**

Total Direct and Overlapping Debt					$9,198,360,189	
Total Direct and Overlapping Debt % of A.V.:					5.18%	
Total Direct and Overlapping Debt % of Capita					$3,752	

*Gross Debt

Note: Includes the Bonds which are not expected to deliver until June 4, 2009. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Debt Payable from Debt Service Tax Rate:

Fiscal Year Ended 8/31	Total Outstanding General Obligation Bonds [1]			General Obligation Bonds, Series 2009 [2]			Total Debt Service Requirements	% of Principal Retired	Fiscal Year Ended 8/31
	Principal	Interest	Total	Principal	Interest	Total			
2009	$ 8,555,000	$ 13,459,185	$ 22,014,185	$ -	$ -	$ -	$ 22,014,185		2009
2010	9,275,000	12,748,712	22,023,712	1,780,000	7,044,389	8,824,389	30,848,101		2010
2011	9,680,000	12,338,250	22,018,250	3,500,000	5,323,500	8,823,500	30,841,750		2011
2012	10,180,000	11,841,750	22,021,750	3,680,000	5,144,000	8,824,000	30,845,750		2012
2013	10,660,000	11,359,850	22,019,850	3,865,000	4,955,375	8,820,375	30,840,225	15.98%	2013
2014	11,170,000	10,853,200	22,023,200	4,065,000	4,757,125	8,822,125	30,845,325		2014
2015	11,695,000	10,324,350	22,019,350	4,275,000	4,548,625	8,823,625	30,842,975		2015
2016	12,250,000	9,768,500	22,018,500	4,495,000	4,329,375	8,824,375	30,842,875		2016
2017	12,880,000	9,140,250	22,020,250	4,725,000	4,098,875	8,823,875	30,844,125		2017
2018	13,540,000	8,479,750	22,019,750	4,965,000	3,856,625	8,821,625	30,841,375	37.95%	2018
2019	14,235,000	7,785,375	22,020,375	5,220,000	3,602,000	8,822,000	30,842,375		2019
2020	14,960,000	7,055,500	22,015,500	5,485,000	3,334,375	8,819,375	30,834,875		2020
2021	15,730,000	6,288,250	22,018,250	5,770,000	3,053,000	8,823,000	30,841,250		2021
2022	16,535,000	5,481,625	22,016,625	6,065,000	2,757,125	8,822,125	30,838,750		2022
2023	17,380,000	4,633,750	22,013,750	6,375,000	2,446,125	8,821,125	30,834,875	66.10%	2023
2024	18,275,000	3,742,375	22,017,375	6,705,000	2,119,125	8,824,125	30,841,500		2024
2025	19,120,000	2,807,500	21,927,500	7,045,000	1,775,375	8,820,375	30,747,875		2025
2026	14,760,000	1,960,500	16,720,500	7,410,000	1,414,000	8,824,000	25,544,500		2026
2027	15,515,000	1,203,625	16,718,625	7,785,000	1,034,125	8,819,125	25,537,750		2027
2028	16,315,000	407,875	16,722,875	8,185,000	634,875	8,819,875	25,542,750	97.75%	2028
2029	-	-	-	8,605,000	215,125	8,820,125	8,820,125	100.00%	2029
	$ 272,710,000	$ 151,680,172	$ 424,390,172	$ 110,000,000	$ 66,443,139	$ 176,443,139	$ 600,833,311		

(1) "Outstanding Debt" does not include lease/purchase obligations or maintenance tax notes.

(2) Average life of the issue – 12.018 years. True Interest Cost on the Bonds has been calculated at a rate of 4.383% for purposes of illustration. Preliminary, subject to change.

Debt Payable from Maintenance & Operations Tax Rate:

Fiscal Year Ending 8/31	Outstanding Debt Service [1] Principal	Interest	Total
2009	$ 5,355,000	$ 730,081	$ 6,085,081
2010	5,685,000	525,144	6,210,144
2011	5,975,000	360,722	6,335,722
2012	6,290,000	173,013	6,463,013
2013	2,170,000	39,331	2,209,331
	$ 25,475,000	$ 1,828,291	$ 27,303,291

[1] "Outstanding Debt" does not include lease/purchase obligations.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Obligation Debt Service Requirements, Fiscal Year Ending 2009		$ 22,014,185
Interest and Sinking Fund Balance, August 31, 2008	$ -	
Calculated Interest and Sinking Fund Levy at 98% Collection	23,484,408	23,484,408
Estimated Balance, Fiscal Year Ending 2009		$ 1,470,223

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	Issued To Date	Amount Being Issued	Remaining Unissued
5/15/2004	Land Purchases & Building Construction	$450,000,000	$290,000,000	$110,000,000 [1]	$50,000,000 [1]

[1] Preliminary, subject to change.

ANTICIPATED ISSUANCE OF TAX SUPPORTED DEBT

The District expects to issue the final $50 million of authorized tax-supported debt, either as long-term bonds or commercial paper notes (as interim financing), within the next 8-12 months.

TABLE 11 – OTHER OBLIGATIONS

Included in operating expenses are $2,317,309 and $2,418,007 of rent paid during fiscal years 2008 and 2007, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2008 are as follows:

Fiscal Year Ended August 31,	Future Minimum Lease Payments
2009	$ 1,657,338
2010	1,183,496
2011	212,851
	$ 3,053,685

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 6.4%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by Federally funded programs. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the Dallas County Community College District Annual Financial Report" - Note #7.)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS, via their website at http://www.ers.state.tx.us/. *Funding Policy.* Section 1551.055 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 SRHP for the years ended August 31, 2006, 2007, and 2008, were $3,621,262, $3,793,223 and $3,777,844 respectively, which equaled the required contributions each year.

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FINANCIAL INFORMATION

TABLE 12 - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Fiscal Years Ending August 31,				
	2008	2007	2006	2005 [1]	2004 [1]
Operating Revenues:					
Tuition and Charges					
Credit (net of discounts)	$ 45,989,537	$ 43,667,861	$ 37,455,354	$ 31,521,119	$ 29,605,711
Non-Credit (net of discounts)	7,810,406	8,173,717	8,711,553	12,620,367	13,141,691
Other Sources:					
Federal Grants and Contracts	48,475,078	47,338,433	50,797,207	49,367,191	45,263,873
State Grants and Contracts	3,718,329	2,338,309	1,253,189	1,751,990	2,637,601
Non-governmental Grants and Contracts	4,222,822	4,263,025	3,661,795	4,618,905	5,168,965
Sales and Services of Educational Activities	537,569	543,082	480,644	542,547	545,233
Auxiliary Enterprises -Other Services	5,914,528	6,662,918	6,298,790	5,734,905	6,591,874
Miscellaneous	1,740,489	1,800,312	1,675,275	1,696,654	1,132,609
Total Revenues	$ 118,408,758	$ 114,787,657	$ 110,333,807	$ 107,853,678	$ 104,087,557
Operating Expenses					
Instruction	141,111,698	137,496,559	132,648,124	130,728,211	126,133,776
Public Service	10,838,878	10,580,926	10,335,979	10,406,366	9,716,906
Academic Support	18,712,990	18,310,136	17,321,960	16,585,810	15,124,294
Student Services	32,418,091	31,539,026	29,668,683	29,198,774	27,952,422
Institutional Support	58,215,944	52,890,737	51,123,912	48,189,494	46,289,662
Operation and Maintenance of Plant	30,057,642	27,087,176	26,083,341	24,630,429	22,782,505
Scholarships and Fellowships	26,383,520	24,053,166	26,396,060	26,344,145	25,784,407
Auxiliary Enterprises	10,103,778	10,774,392	10,286,427	9,965,555	10,309,379
Depreciation	17,084,562	17,583,614	14,463,647	11,343,323	10,210,846
Total Current Funds Expenditures	344,927,103	330,315,732	318,328,133	307,392,107	294,304,197
Operating Loss	(226,518,345)	(215,528,075)	(207,994,326)	(199,538,429)	(190,216,640)
Non-operating Revenues(Expenses)					
State Funds					
General Academic	53,698,924	50,851,648	50,830,531	49,831,554	45,975,924
Vocational/Technical	35,799,280	33,901,099	33,922,217	33,221,036	37,078,050
State Group Insurance	16,065,571	15,634,130	14,609,769	12,007,741	10,906,692
State Retirement Matching	9,064,309	7,996,595	7,696,051	7,437,904	7,041,932
Other	3,432,857	2,356,525	982,847	749,788	686,444
Taxes for Current Operations	130,734,095	121,219,567	113,768,873	106,596,307	100,559,482
Private Gifts	204,826	65,255	121,934	137,643	316,618
Interest Income	11,975,670	12,349,476	8,689,241	5,501,142	3,639,583
Gain on Sale of Investment	-	-	-	-	84,757
Contribution in Aid of Construction	-	-	-	-	-
Interest on Capital Related Debt	(6,149,046)	(4,992,086)	(4,145,949)	(4,538,314)	(1,904,536)
Loss on Disposal of Fixed assets	(5,343,392)	(1,736,343)	(145,484)	(122,223)	(155,894)
Accrual for Legal Expense	-	-	-	13,270,961	(1,682,923)
Other Non-Operating Revenue	240,904	50,822	174,812	873,826	182,224
Other Non-Operating Expense	(1,534,584)	(382,007)	(264,653)	(1,145,954)	(39,532)
Total Expenditures and Mandatory Transfers	248,189,414	237,314,681	226,240,189	223,821,411	202,688,821
Increase (Decrease) in Net Assets	21,671,069	21,786,606	18,245,863	24,282,982	12,472,181
Net Assets at Beginning of Year	405,280,022	383,493,416	365,247,553	340,964,571	328,492,390
Net Assets at End of Year	$ 426,951,091	$ 405,280,022	$ 383,493,416	$ 365,247,553	$ 340,964,571

Source: District Audited Financial Statements

[1] Restated for a change in classification of library books from non-depreciable to depreciable assets and certain reclassifications have been made to prior year amounts in order to conform with Fiscal 2007 presentation.

TABLE 13 - STATEMENTS OF NET ASSETS

	Fiscal Year Ending, August 31,				
	2008	2007	2006	2005 [(1)]	2004 [(1)]
Assets:					
Current Assets					
Cash and Cash Equivalents	$ 55,802,575	$ 138,897,479	$ 38,038,396	$ 25,619,264	$ 11,236,793
Short-term Investments	21,006,510	-	9,933,500	9,960,000	-
Accounts Receivable (net)	21,650,742	18,812,128	17,931,683	17,372,111	18,231,419
Tuition and Fees Receivable (net)	7,308,850	6,812,943	6,718,892	5,430,162	4,655,640
Taxes Receivable (net)	845,695	1,432,213	1,412,804	1,280,142	1,239,886
Deferred Charges	15,047,428	14,079,524	12,418,823	12,542,055	13,150,091
Notes Receivable	72,630	35,000	12,546	18,964	36,253
Inventories	458,948	555,835	545,369	492,161	435,762
Prepaid Expenses	1,319,015	1,214,032	1,316,454	1,275,261	1,085,217
Total Current Assets	$ 123,512,393	$ 181,839,154	$ 88,328,467	$ 73,990,120	$ 50,071,061
Noncurrent and Restricted Assets					
Restricted Cash and Cash Equivalents	$ 32,096,655	$ 16,371,029	$ 34,230,128	$ 13,437,612	$ 736,962
Restricted Short-term Investments	-	-	4,976,500	17,320,138	15,577,877
Long-term Investments	149,605,651	52,347,186	130,766,370	165,747,022	156,458,798
Deferred Charges	2,387,172	2,714,615	2,768,386	2,976,369	2,678,166
Deposit with Bond Trustee	-	-	2,139,156	5,110,478	5,051,635
Capital Assets (net)					
Not Subject to Depreciation	162,496,988	78,504,327	81,332,489	106,244,250	101,840,283
Subject to Depreciation	303,884,362	285,455,908	258,567,135	214,868,138	190,127,332
Total Noncurrent Assets	$ 650,470,828	$ 435,393,065	$ 514,780,164	$ 525,704,007	$ 472,471,053
Total Assets	$ 773,983,221	$ 617,232,219	$ 603,108,631	$ 599,694,127	$ 522,542,114
Liabilities:					
Current Liabilities					
Accounts Payable	$ 38,232,867	$ 19,705,243	$ 15,532,680	$ 20,400,430	$ 18,100,267
Accrued Liabilities	3,611,123	3,413,719	4,024,984	5,562,784	20,037,741
Compensable Absences	6,355,237	6,205,931	5,819,722	5,476,747	5,181,377
Funds Held for Others	1,888,203	2,019,561	1,797,703	1,859,543	1,820,864
Deferred Revenues	42,855,498	40,636,396	38,937,840	35,533,174	33,753,624
Notes Payable - Current Portion	51,523	200,731	192,422	184,457	176,821
Bonds Payable - Current Portion	136,763,477	11,210,468	10,797,167	11,307,644	8,006,374
Total Current Liabilities	$ 229,757,928	$ 83,392,049	$ 77,102,518	$ 80,324,779	$ 87,077,068
Noncurrent Liabilities					
Restricted Accrued Liabilities	$ 159,529	$ 172,769	$ 181,832	$ 191,328	$ 681,700
Accrued Compensable Absences	3,152,364	2,610,071	2,624,423	3,234,436	2,185,512
Notes Payable	-	51,523	252,254	444,676	629,133
Bonds Payable	113,962,309	125,725,785	139,454,188	150,251,355	91,004,130
Total Noncurrent Liabilities	$ 117,274,202	$ 128,560,148	$ 142,512,697	$ 154,121,795	$ 94,500,475
Total Liabilities	$ 347,032,130	$ 211,952,197	$ 219,615,215	$ 234,446,574	$ 181,577,543
Net Assets:					
Invested in Capital Assets, Net of Related Debt	$ 237,335,157	$ 236,562,615	$ 238,726,662	$ 231,101,596	$ 236,128,847
Restricted for:					
Unexpended Bond Proceeds	8,020,843	8,798,993	7,940,697	19,477,390	4,142,104
Debt Service	3,541,631	3,664,052	5,708,772	10,522,022	7,394,286
Unrestricted	178,053,460	156,254,362	131,117,285	104,146,545	93,299,334
Total Net Assets	$ 426,951,091	$ 405,280,022	$ 383,493,416	$ 365,247,553	$ 340,964,571

Source: District Audited Financial Statements

[(1)] Restated for a change in classification of library books from non-depreciable to depreciable assets and certain reclassifications have been made to prior year amounts in order to conform with Fiscal 2007 presentation.

FINANCIAL POLICIES

Report Guidelines . . . 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 with 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 . . . The District's tuition discounting is classified as follows:

Texas Public Education Grant: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. The amount awarded to a student for tuition from this grant 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.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of the District. Both state law and the District's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of Chapter 2256, Texas Government Code (the "PFIA") that are issued by an institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph. However, the Board has adopted a more stringent investment policy which only allows investments in (1) treasury bills, treasury notes, and treasury bonds of the United States and other direct obligations of the agencies and instrumentalities of the United States, (2) repurchase agreements and reverse repurchase agreements, (3) certificates of deposit and (4) public funds investment pools entered into in conformity with the PFIA.

A political subdivision such as the District may enter into securities lending programs if: (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

ADDITIONAL PROVISIONS . . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 14 - CURRENT INVESTMENTS

As of February 28, 2009, the District's investable funds were invested in the following categories:

Type of Security	Portfolio %	Book Value	Market Value
Money Market & Investment Pools	26.69%	$ 83,357,125	$ 83,357,125
Treasury Securities	0.00%	-	-
Agency Securities	73.31%	228,100,000	228,947,845
Portfolio Total	100.00%	$ 311,457,125	$ 312,304,970

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P. and West & Associates L.L.P., Dallas, Texas, Co-Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds are obligations described in section 1503 of the American Recovery and Reinvestment Act of 2009 and that accordingly, interest on the Bonds will not be included in an owner's alternative minimum tax preference item under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Co-Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Opinion of Co-Bond Counsel.

In rendering their opinion, Co-Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Co-Bond Counsel is conditioned on compliance by the District with such requirements, and Co-Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Co-Bond Counsel's opinion represents their legal judgment based upon their review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the projects financed with the Bond proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Co-Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2009. The District will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State of Texas and by the SEC staff.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial information and operating data which is customarily prepared by the District by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by March 1 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify each NRMSIR and the SID of the change. Under State law, the District's fiscal year is established as the twelve month period commencing on September 1 and ending on the succeeding August 31.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the District. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The District may utilize DisclosureUSA for the filing of information relating to the Bonds.

MATERIAL EVENT NOTICES . . . The District will also provide timely notices of certain events to certain information vendors. The District will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"). Effective July 1, 2009, all notices the District is required to give in satisfaction of its continuing disclosure undertaking set forth in the Order will be made only to the MSRB. The filings will be made electronically in such format as determined by the MSRB. See "Availability of Information" below.

AVAILABILITY OF INFORMATION. . . The District has agreed to provide the foregoing information only to NRMSIRs and the SID. Prior to July 1, 2009 the information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so. The SEC has approved amendments to the Rule, to become effective July 1, 2009, to designate the MSRB as the sole NRMSIR. To make such continuing disclosure information available to investors free of charge, the MSRB has established the Electronic Municipal Market Access ("EMMA") system. The District will be required to file its continuing disclosure information using the EMMA system beginning on July 1, 2009. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

AMENDMENTS . . . The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS . . . The uninsured tax supported debt of the District is rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch. Applications for contract ratings on this issue have been made to Moody's, S&P and Fitch. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or all of such rating companies, if in the judgment of either or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS . . . Legal matters incident to the authorization, issuance, and sale of the Bonds are subject to the unqualified approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P. and West & Associates L.L.P., Co-Bond Counsel. In their capacity as Co-Bond Counsel, McCall, Parkhurst & Horton L.L.P. and West & Associates L.L.P. have reviewed the information in this Official Statement under the captions "THE BONDS" (excluding the information under the subcaptions "Book-Entry-Only System," "Bondholders' Remedies" and "Sources and Uses of Bond Proceeds"); "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (other than the subcaption "Compliance with Prior Undertakings") and the subcaptions "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," and "OTHER INFORMATION– Legal Investments and Eligibility to Secure Public Funds In Texas," and are of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The legal fees to be paid to Co-Bond Counsel in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bickerstaff Heath Delgado Acosta LLP, Dallas, Texas. The fee of Bickerstaff Heath Delgado Acosta LLP is contingent upon the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR . . .Estrada Hinojosa & Company, Inc. and First Southwest Company are employed as Co-Financial Advisors to the District in connection with the issuance of the Bonds. The Financial Advisors' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc, and First Southwest Company, in their capacity as Co-Financial Advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Co-Financial Advisors may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Co-Financial Advisors to the District have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of such information.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of $________________. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities Inc., one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Order authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

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Chair, Board of Trustees
Dallas County Community College District

ATTEST:

____

Chancellor

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

The Dallas County Community College District (the "District") has enjoyed excellent community support since May 25, 1965, when Dallas County voters approved establishment of the district, authorized a $41,500,000 bond issue and elected a seven-member Board of Trustees (the "Board") to govern the District.

More than 50,000 citizens signed petitions to call that election, which climaxed several years of study and work. The effort was led by a steering committee with representation from each section of the County and from each Chamber of Commerce in the County. The proposal had widespread support from virtually every organized group in the County, plus excellent support from citizens at large.

On August 4, 1965, the Board approved employment of Dr. Bill J. Priest as chief executive officer of the District and he held that position until January 1, 1981, when Dr. R. Jan LeCroy succeeded him as chancellor of the District.

On March 15, 1966, the Board approved the purchase of two adjacent city blocks in downtown Dallas as the site for the District's first college. The site included a one-block eight-story building complex, which formerly housed the Sanger-Harris Department Store and an adjacent one-block parking lot. Purchase price was $2,150,000. A contract in the amount of $3,017,400 for remodeling the El Centro College Building was accepted by the Board of Trustees on May 25, 1966. The college began operation in September 1966. Subsequent remodeling and the addition of furnishings and equipment have boosted the total investment in El Centro to nearly $10 million.

Based on enrollment and population projections developed for a long-range District master plan, a decision was made by the Board in late 1966 to acquire sites for six additional colleges. Sites for the six colleges…Eastfield, Mountain View, Richland, North Lake, Brookhaven, and Cedar Valley…were purchased in 1966. Selection of the sites was the results of studies, which divided the County into six zones and evaluated potential sites against criteria established by the Board.

Eastfield College in Mesquite and Mountain View College in Oak Cliff opened in September 1970. Total costs for the sites, including construction, furnishing, various fees and landscaping, were approximately $16.9 and $16.5 million, respectively. Richland College located in the Garland-Richardson area, opened in September 1972, at a total cost of approximately $18 million.

On September 23, 1972, Dallas County voters reaffirmed their support of the District and its goals by approving an $85,000,000 bond issue requested by the Board of Trustees to finance a 10-year expansion program. The program called for the construction of three new colleges, expansion and new construction at El Centro College, and District-wide expansion as needed.

Cedar Valley College and North Lake College opened in the fall of 1977. Total costs were approximately $19 million and $21.9 million, respectively. Brookhaven College opened in the fall of 1978 at a cost of approximately $16.6 million.

All colleges within the District have been granted the maximum 10-year accreditation by the Southern Association of Colleges and Schools.

The LeCroy Center of Educational Telecommunications (LCET), located just off of the Richland campus, offers a large variety of courses at a distance. The enrollment through the center for internet, video cassette and DVD offerings is growing at an extraordinary rate. LCET has been a leader in marketing courseware internationally for over a decade.

The Bill J. Priest Institute for Economic Development (BJPIED), located just south of downtown Dallas, provides a small business incubator, numerous work force development and small business development programs and resources to support the economy of the Dallas area. The BJPIED is operated by El Centro College.

The Dallas County Community College District's colleges are comprehensive community colleges. The Curriculum includes the first two years of traditional academic study; more than 100 technical-occupational career fields (one and two-year programs); and a variety of non-credit continuing education courses. The occupational programs include such offerings as registered nursing, data processing, drafting, food services, mid-management, mechanics, secretarial careers, animal medical technology, engineering technology and legal assistant training.

The colleges offer Associate in Arts and Sciences degrees in the academic transfer fields, and Associate in Applied Arts and Sciences degrees in the occupational fields, as well as certificates for completion of one year occupational programs.

On May 15, 2004, Dallas County voters reaffirmed their support of the District and its goals by approving a $450,000,000 bond election requested by the Board to finance a capital improvement and expansion program, including the establishment of five community campuses as well as the financing of new buildings at existing college locations. Land purchases for the new community campuses have been completed and construction is close to completion for four of the campuses with the fifth one having opened in August of 2008. Four of the community campuses, located in areas of Dallas County currently underserved and/or which have demonstrated need for educational services, will provide a bridge for students who may be the first in their family to attend a college or perhaps thought they were not college material to eventually attend the college to which each community campus is linked. A fifth community campus will serve as a workforce development center for the area it serves.

Campus Site Locations:

The colleges of the District are geographically located to be within 15 to 30 minutes driving distance from any resident's home or place of employment. The names of the colleges, opening dates, and portion of the county served are listed below:

Brookhaven – Serving Carrollton, Farmers Branch, Addison, and Northwest Dallas, 1978.

Cedar Valley – Serving Lancaster, Cedar Hill, DeSoto, Seagoville, Wilmer, Hutchins and South Dallas, 1977.

Eastfield – Serving Mesquite, South Garland, Balch Springs, Pleasant Grove, Kleberg, East and South Dallas 1977.

Eastfield College – South Campus – Serving Pleasant Grove.

El Centro – Serving the downtown business district, 1966.

El Centro College – West Campus – Serving West Dallas.

El Centro College – Bill J. Priest Center of Economic Development – Serving the Dallas metropolitan area.

North Lake – Serving Irving, Coppell, South Carrollton, Grand Prairie, and Northwest Dallas, 1977.

North Lake College – North Campus – Serving Coppell.

North Lake College – South Campus – Serving South Irving.

Richland – Serving North Garland, Richardson, and Northeast Dallas, 1972.

Richland College - Garland Campus – Serving Garland.

CREDIT HEADCOUNT ENROLLMENT BY SEMESTER – END OF TERM

Fiscal Year Ending 8/31	Fall	Spring	Summer Session First	Summer Session Second
2005	58,359	58,166	27,895	16,342
2006	59,756	56,831	28,115	16,659
2007	60,896	59,637	29,354	17,277
2008	61,227	59,310	31,844	18,152
2009	64,874	N/A	N/A	N/A

Source: District Student Statistics reports as of end of term.

SEMESTER HOURS REGISTERED FOR CREDIT CLASSES – END OF TERM

Fiscal Year Ending 8/31	Fall	Spring	Summer Session First	Summer Session Second
2005	499,482	495,702	124,814	62,633
2006	499,061	470,619	125,202	64,201
2007	501,810	486,666	129,126	66,781
2008	505,552	486,374	142,240	69,539
2009	533,279	N/A	N/A	N/A

Source: District Student Statistics reports as of end of term.

CREDIT HEADCOUNT ENROLLMENT FOR FALL SEMESTERS – END OF TERM

	Fall 2005	Fall 2006	Fall 2007	Fall 2008
Headcount Total	59,756	60,896	61,227	64,874
Full-time Students	18,257	17,510	17,618	18,157
Part-time Students	41,499	43,386	43,609	46,717
Full-time Equivalents	33,271	33,454	33,703	35,536
Residence Status				
Dallas County	48,528	48,851	48,974	51,705
Other Texas Counties	7,615	7,970	8,123	8,390
Outside Texas	1,457	1,599	1,495	1,323
Foreign	2,151	2,475	2,632	3,456

Source: District Student Statistics reports as of end of term.

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ENROLLMENT CONTACT HOURS[1] CREDIT AND NON-CREDIT REIMBURSABLE PROGRAMS

Program Area	FY 2003/04 Hours	FY 2004/05 Hours	FY 2005/06 Hours	FY 2006/07 Hours	FY 2007/08 Hours
GENERAL ACADEMIC PROGRAMS					
Agriculture	15,408	17,088	22,896	23,424	24,096
Architecture & Precision Production Trades	-	140,272	-	-	-
Biology, Physical Sciences & Science Technologies	2,454,720	2,389,792	2,560,542	2,573,456	2,631,552
Business Management, Marketing, & Administrative Services	720,208	702,688	527,488	704,144	592,096
Communications	114,448	94,672	60,576	69,808	81,184
Computer & Information Sciences	696,000	755,712	693,440	782,400	758,048
Physical Education & Fitness	580,928	564,192	564,976	590,272	572,002
Engineering	7,824	16,896	19,152	20,384	19,760
Visual & Performing Arts	1,027,816	1,062,208	1,308,440	1,302,336	1,308,552
Foreign Languages	546,112	610,852	614,016	600,592	570,928
Health Occupations	13,632	11,376	15,696	11,280	21,840
Consumer & Homemaking Education	280,480	290,784	305,963	279,744	257,376
Interdisciplinary	3,857,952	4,135,392	4,012,339	4,247,664	4,586,648
Mathematics	2,687,792	2,474,928	2,391,923	2,383,600	2,409,139
Psychology, Social Sciences & History	3,703,952	3,692,784	3,886,512	3,945,392	4,077,456
Total General Academic	16,707,272	16,959,636	16,983,959	17,534,496	17,910,677
VOCATIONAL/TECHNICAL					
Agricultural Education	104,443	98,565	70,983	68,455	80,069
Consumer & Homemaking Education	395,804	401,835	381,012	434,795	385,444
Business Management, Marketing & Administrative Services	2,024,070	2,323,548	1,757,960	2,427,388	1,689,283
Industrial Education	1,213,998	1,029,189	115,295	833,628	1,607,820
Health Occupations	1,260,681	1,351,601	1,378,396	1,348,749	1,425,528
Technical Education	661,553	574,757	517,371	558,081	549,441
Computer & Information Sciences	1,041,845	829,200	892,535	914,538	932,511
Biology, Physical Science & Science Technologies	411,280	373,520	353,982	360,800	365,120
Communications	608,295	1,002,927	989,331	1,128,070	1,086,468
Interdisciplinary	788,020	50,858	467,901	10,140	14,097
Mathematics	50,258	22,520	18,877	26,112	12,274
Visual & Performing Arts	268,259	226,939	216,358	238,313	232,716
Psychology, Social Services & History	10,112	12,088	10,060	8,329	14,755
Foreign Languages	113,388	89,126	72,462	59,265	32,860
Related Instruction	**	**	**	**	**
Co-op Instruction	**	**	**	**	**
Total Vocational/Technical	8,952,006	8,386,673	7,242,523	8,416,663	8,428,386
Total Credit Programs	25,659,278	25,346,309	24,226,482	25,951,159	26,339,063
Total Non-Credit Programs	**	**	**	**	**
GRAND TOTAL Credit and Non-Credit Contact Hours	25,659,278	25,346,309	24,226,482	25,951,159	26,339,063

[1] A contact hour is defined as one student in a classroom or laboratory situation for one hour.

TUITION RATES (EFFECTIVE SPRING 2009)

Semester Hours	Tuition: District Resident	Out of District	Out of State	Foreign Student
1	$ 41	$ 76	$ 200	$ 200
2	82	152	242	242
3	123	228	363	363
4	164	304	484	484
5	205	380	605	605
6	246	456	726	726
7	287	532	847	847
8	328	608	968	968
9	369	684	1,089	1,089
10	410	760	1,210	1,210
11	451	836	1,331	1,331
12	492	912	1,452	1,452
13	533	988	1,573	1,573
14	574	1,064	1,694	1,694
15	615	1,140	1,815	1,815
16	656	1,216	1,936	1,936
17	697	1,292	2,057	2,057
18	738	1,368	2,178	2,178
19	779	1,444	2,299	2,299
20	820	1,520	2,420	2,420

AVERAGE ATTENDANCE COSTS

	Summer 2008 (6 hours)	Fall 2008 (15 hours)	Summer 2009 (6 hours)	Fall 2009 (15 hours)
Tuition	$ 234	$ 585	$ 246	$ 615
Books (Estimated)	120	500	130	540
TOTAL	$ 354	$ 1,085	$ 376	$ 1,155

IN DISTRICT TUITION COSTS

Semester Hours	2004/05	2005/06	% Inc.	2006/07	% Inc.	2007/08	% Inc.	2008/09	% Inc.
3	$99	$108	9.09%	$117	8.33%	$117	0.00%	$123	5.13%
6	198	216	9.09%	234	8.33%	234	0.00%	246	5.13%
9	297	324	9.09%	351	8.33%	351	0.00%	369	5.13%
12	396	432	9.09%	468	8.33%	468	0.00%	492	5.13%
15	495	540	9.09%	585	8.33%	585	0.00%	615	5.13%
18	594	648	9.09%	702	8.33%	702	0.00%	738	5.13%

<u>APPENDIX B</u>

EXCERPTS FROM THE

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2008

The information contained in this Appendix consists of excerpts from the Dallas County Community College District Annual Financial Report for the Year Ended August 31, 2008, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

Report of Independent Auditors

Audit – Tax – Advisory

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

T 214.561.2300
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Board of Trustees
Dallas County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Dallas County Community College District (the "District") as of and for the years ended August 31, 2008 and 2007, which collectively comprise the District's basic financial statements. 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, 2008 and 2007 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.

The management's discussion and analysis on pages 5 through 16 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.

GRANT THORNTON LLP

Dallas, Texas
December 16, 2008

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, 2008 and 2007. 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 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 $226.5 million.
- Net assets increased $21.7 million.

Financial Highlights for 2007

- The District's net assets at August 31, 2007 are reported at $405.3 million. Approximately 58.4% of the net assets amount reflects the investment in capital assets, net of related debt.
- The District's operating loss is $215.5 million.
- Net assets increased $21.8 million.

Overview of Financial Statements

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

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

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

The Statements of Revenues, Expenses and Changes in Net Assets focuses 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 and determines whether net assets for the year have increased or have decreased. The ending balance of net assets on this statement agrees with that shown on the Statements of Net Assets.

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

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

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. This past year, 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 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, 2006 through 2008 follows.

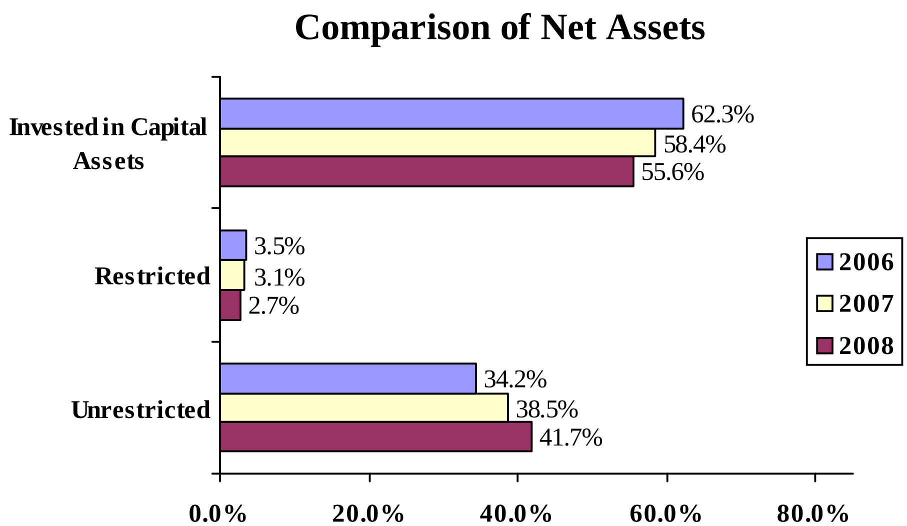
	Fiscal Year 2006	Increase/ (Decrease)	Fiscal Year 2007	Increase/ (Decrease)	Fiscal Year 2008
CURRENT ASSETS:	$ 88,328	$ 93,511	$ 181,839	$ (58,327)	$ 123,512
NON-CURRENT ASSETS:					
Capital assets, net of depreciation	339,899	24,061	363,960	102,421	466,381
Other	174,881	(103,448)	71,433	112,657	184,090
Total assets	603,108	14,124	617,232	156,751	773,983
CURRENT LIABILITIES	77,102	6,290	83,392	146,366	229,758
NON-CURRENT LIABILITIES	142,513	(13,953)	128,560	(11,286)	117,274
Total liabilities	219,615	(7,663)	211,952	135,080	347,032
NET ASSETS:					
Invested in capital assets, net of related debt	238,727	(2,164)	236,563	772	237,335
Restricted	13,649	(1,186)	12,463	(900)	11,563
Unrestricted	131,117	25,137	156,254	21,799	178,053
Total net assets	$ 383,493	$ 21,787	$ 405,280	$ 21,671	$ 426,951

The difference between what the District owns, its assets, and what it owes, its liabilities, are the net assets. At August 31, 2007, the difference in assets and liabilities was $405.3 million while at August 31, 2008, the difference was $427.0 million. As can be seen, the former is an increase from August 31, 2006 of approximately $21.8 million or 5.7% while the more recent year is an increase of $21.7 million or 5.3%.

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, 2007 and August 31, 2006. Current assets went from $88.3 million at August 31, 2006 to $181.8 million at August 31, 2007, an increase of $93.5 million or 105.9% while the non-current "other" assets dropped from $174.9 million to $71.4 million, a decrease of $103.4 million or 59.2%. On the other hand, the change of current assets from the year ended August 31, 2007 to August 31, 2008 was a decrease of $58.3 million or 32.1% but for non-current "other" assets was an increase of $112.7 million or 157.7%. The primary reason for the dramatic shift from 2006 to 2007 in current vs. non-current assets was the changing interest environment over that period. As long term investments matured, the funds were shifted into investment pools, which were earning higher interest rates. Investments in pools are considered cash equivalents because the investments are available on demand. However, the period ended August 31, 2008 reflects both the beginning of a downward trending interest market which allowed some shifting back toward long-term investments from the pools as well as the fact that $125 million of commercial paper was issued in support of capital projects, increasing both restricted cash equivalents and long-term investments. Capital assets show a steady trend upward from 2006 to 2008 but mainly in the latter year as construction continues for the District's major facility expansion program.

Current liabilities increased $6.3 million or 8.2% for the year ended August 31, 2007 over August 31, 2006 while increasing $146.4 million or 175.5% for the year ended August 31, 2008 from August 31, 2007. This unusually large increase 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. Non-current liabilities decreased both years dropping $14.0 million or 9.8% from August 31, 2006 to August 31, 2007 and another $11.3 million or 8.8% for the year ended August 31, 2008. The steady reductions in non-current liabilities indicate payments on outstanding bonds for both years as well as a bond refunding for the year ended August 31, 2007.

The following is a graphic illustration of the breakdown of net assets for the years ended August 31, 2006 through 2008. Restricted net assets has continued decreasing since August 31, 2006 as maintenance tax note and general obligation bond proceeds received in 2004 are spent and bonds are paid. Those assets invested in capital net of related debt have decreased over the same period as issuance of debt against construction projects has increased. A slight increase in unrestricted net assets reflects the increases gained from tax, tuition and state appropriation revenue increases since August 31, 2006.



Operating revenues continue to show a steady increase rising 4.0% to $114.8 million for the period ended August 31, 2007 and an additional 3.2% to $118.4 million for the period ended August 31, 2008. Operating expenses also increased both years, rising by 3.8% to $330.3 million for the period ended August 31, 2007 and 4.4% to $344.9 million for the period ended August 31, 2008. The increase in expenses outpaced the increase in revenue for the latter year resulting in a 5.1% or $11.0 million increase in operating loss for the latter period compared to a 3.6% or $7.5 million operating loss for the prior period.

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, 2006 THROUGH 2008
(In Thousands)

	Fiscal Year 2006	Difference	Fiscal Year 2007	Difference	Fiscal Year 2008
OPERATING REVENUES	$ 110,334	$ 4,454	$ 114,788	$ 3,621	$ 118,409
LESS OPERATING EXPENSES	318,328	11,988	330,316	14,611	344,927
OPERATING LOSS	(207,994)	(7,534)	(215,528)	(10,990)	(226,518)
NON-OPERATING REVENUES AND EXPENSES	226,240	11,075	237,315	10,874	248,189
INCREASE/(DECREASE) IN NET ASSETS	18,246	3,541	21,787	(116)	21,671
NET ASSETS - BEGINNING OF YEAR	365,247	18,246	383,493	21,787	405,280
NET ASSETS - END OF YEAR	$ 383,493	$ 21,787	$ 405,280	$ 21,671	$ 426,951

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 47.0% of operating revenue for the year ended August 31, 2007 increasing only slightly to 47.7% of operating revenue for the year ended August, 31, 2008. Both federal grants and contracts and state grants and contracts revenue contributed to this increase with a 2.4% or $1.1 million increase coming from federal and 59.0% or $1.4 million of the increase coming from state sources. Tuition constituted 45.2% and 45.4% of net operating revenue respectively for the years ended August 31, 2007 and 2008 (see Revenue by Source graph). Since there was no tuition increase in the latter year, the slight increase can be attributed to enrollment growth tempered by increased allowances and discounts.

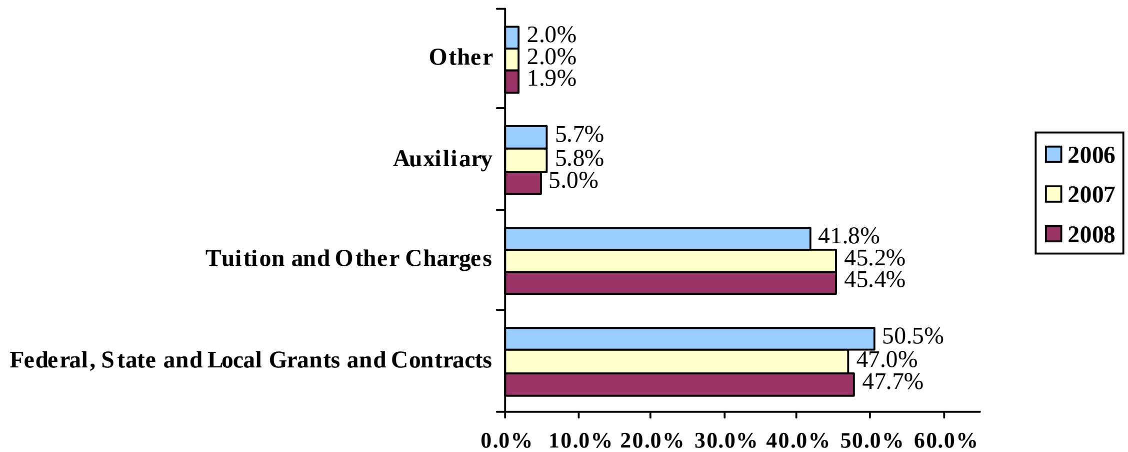
Accounting principles generally accepted in the United States of America prohibit reporting two major sources of revenue of the District as operating revenue —state appropriations and ad valorem tax revenues— on the basis that each represents revenue from non-exchange transactions. Accordingly, state appropriations and revenues recognized from ad valorem taxation are reported as non-operating revenues. State appropriations increased 2.5% or $2.7 million for the period ending August 31, 2007 over that ending August 31, 2006 and an additional 6.6% or $7.3 million for the period ended August 31, 2008. The increase in the earlier year is attributable to additional funding for state group insurance, an increase in Small Business Development Center funding, and $1.0 million generated by RCHS for attendance funding while the more robust increase for the latter year mainly represents 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. 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 assessment of a debt service tax for repayment of general obligation bonds issued in September 2004. A $7.5 million or 6.5% increase was realized between the years ended August 31, 2006 and 2007 compared to $9.5 million or 7.8% between the years ended August 31, 2007 and 2008. The difference in increase is mainly attributable in the earlier year to an increase of the certified tax roll by 7.9% compared to an unprecedented 10.6% in the latter year. Combined with this was an increase to $0.0045 per $100 valuation for debt service from $0.0032 per $100 valuation in the prior year. Tax revenue net of bad debt allowances and collection fees has exceeded state appropriations as the primary funding source in both fiscal year 2007 and 2008, representing 50.0% and 49.6% of total non-operating revenues for the years ended August 31, 2008 and 2007, respectively, compared to 45.2% and 45.3% for state appropriations.

Investment income, another non-operating revenue, increased a significant 42.1% or $3.7 million between August 31, 2006 and 2007 due to increases in interest rates as well as an increased volume of funds to invest resulting from greater revenues during the year. This trend did not continue for the year ended August 31, 2008 as interest rates began dipping, resulting in a 3.0% or $0.4 million decrease in investment income. In the earlier period the District migrated toward investment pools earning higher interest rates than could be obtained for 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. The result was that net non-operating revenues increased only $10.9 million or 4.6% for the year ended August 31, 2008 compared to the $11.1 million or 4.9% for the year ended August 31, 2007 over the year ended August 31, 2006. The change in net assets decreased 0.5% or $0.1 million for the year ended August 31, 2008 as opposed to the 19.4% or $3.5 million increase in net assets for the year ended August 31, 2007 over that ended August 31, 2006.

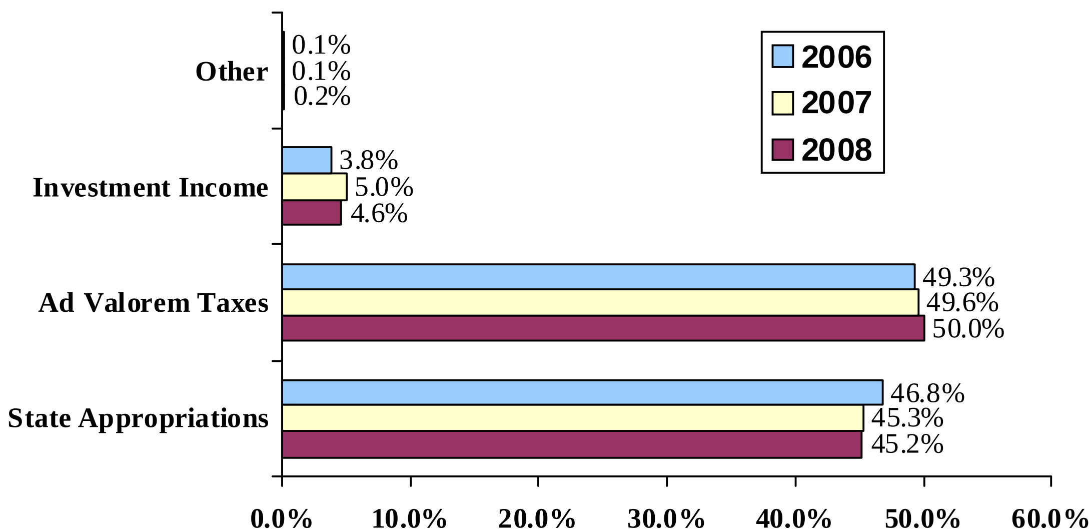
The following are graphic illustrations of revenues by source for the years ended August 31, 2006 through 2008.

Revenue by Source

Operating Revenues



Non-operating Revenues



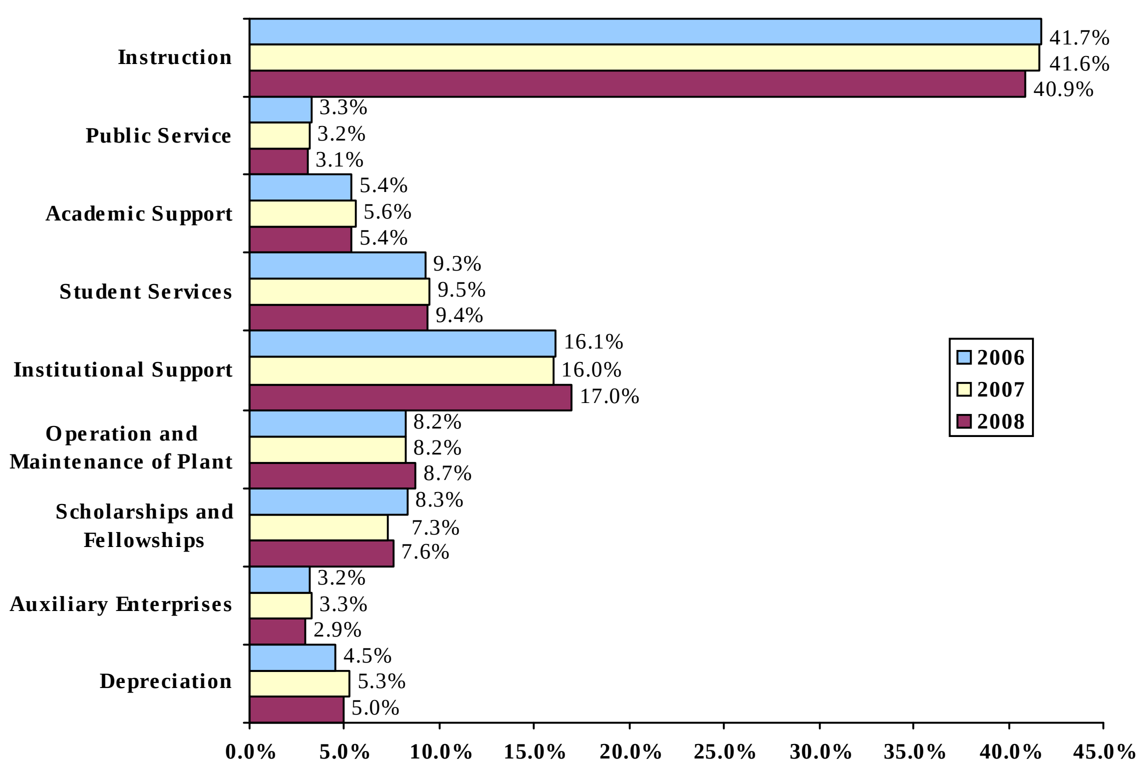
The breakdown of operating expenses by functional area for the years ended August 31, 2006 through 2008 appears in the following table.

OPERATING EXPENSES
YEARS ENDED AUGUST 31, 2006 THROUGH 2008
(In Thousands)

	Fiscal Year 2006	Difference	Fiscal Year 2007	Difference	Fiscal Year 2008
OPERATING EXPENSE					
Instruction	$ 132,648	$ 4,849	$ 137,497	$ 3,615	$ 141,112
Public service	10,336	245	10,581	258	10,839
Academic support	17,322	988	18,310	403	18,713
Student services	29,669	1,870	31,539	879	32,418
Institutional support	51,124	1,767	52,891	5,325	58,216
Operation and maintenance of plant	26,083	1,004	27,087	2,971	30,058
Scholarships and fellowships	26,396	(2,343)	24,053	2,330	26,383
Auxiliary enterprises	10,286	488	10,774	(670)	10,104
Depreciation	14,464	3,120	17,584	(500)	17,084
TOTAL	$ 318,328	$ 11,988	$ 330,316	$ 14,611	$ 344,927

The following is a graphic illustration of operating expenses for fiscal years 2006 through 2008.

Operating Expenses



As would be expected, the bulk of operating expenses are for instruction with a trend of steady growth in keeping with the growth in revenue and shown by an increase of $4.8 million or 3.7% for the period ended August 31, 2007 and $3.6 million or 2.6% for the period ended August 31, 2008. However, the percent of total expenses represented by instructional expenses has declined slightly over the periods ended August 31, 2006 through 2008. The greatest increases in operational expenses for the year ended August 31, 2007 relate to academic support, student services and depreciation offset by a decrease in scholarships and fellowships. Scholarships and fellowships decreased $2.3 million or 8.9% mainly due to a reduction in Title IV funding. For the year ended August 31, 2008 this decrease was reversed with a 9.7% or $2.3 million increase in scholarships and fellowships. Institutional support along with operation and maintenance of plant were the areas of greatest increase in expenses for the year ended August 31, 2008.

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, 2007, the Foundation's net assets were $34.6 million, an amount that represents 8.5% of the District's net assets for the same period. For the fiscal year ended August 31, 2008, the Foundation's net assets were $32.0 million, which represents 7.5% 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 $24.7 million and $25.1 million for the years ended August 31, 2007 and 2008 respectively.

Financial Analysis

For the year ended August 31, 2007 cash and investments were reduced by $12.6 million or 5.8%. The reduction in cash and investments represents the spending associated with the near completion of the maintenance tax note projects started in 2004 and progress on the general obligation bond projects approved by voters in May 2004 netted against increases in cash received as a result of higher tax levies produced as a result of higher property valuations, increased state appropriations, higher tuition and increased investment income. However, for the year ended August 31, 2008, cash and investments had increased a significant $53.1 million or 25.9%. This shift represents the effects of the addition of the commercial paper program netted against increased expenditures for significant progress on constructing bond-funded capital improvements.

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. During the most recent period 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.

The line item "Capital assets not subject to depreciation" shows a $2.8 million or 3.5% decrease from the year ended August 31, 2006 to August 31, 2007 followed by an increase of $84.0 million or 107.0% for the year ended August 31, 2008. There are many factors making up these changes. Land assets have increased as purchases continued for the new community campuses planned as part of the 2004 capital improvement program. The design stage has proceeded for the buildings involved in the 2004 capital improvement program as well as implementation of the final stages of maintenance tax projects, both which appear as increases in the construction in progress section. These increases in construction in progress are more than offset by the shift of many of the maintenance tax note projects to the depreciable capital asset category for the years ended August 31, 2007, resulting in the net decrease cited above. Two buildings from the 2001 long range master plan were also moved from construction in progress to the depreciable section for the year ended August 31, 2007. The large increase for the year ended August 31, 2008 represents the significant progress being made on the capital improvement program. Depreciable capital assets have increased by $26.9 million or 10.4% and $18.4 million or 6.5%, respectively, for the years ended August 31, 2007 and 2008.

Bonds payable for the year ended August 31, 2007 reflects a decrease of $13.3 million or 8.9% but an increase of $113.8 million or 83.1% for the year ended August 31, 2008. In December, 2006, the Series 2001 revenue bonds were refunded resulting in an additional reduction of bonds payable outstanding of $1,775,000 plus unamortized premium less unamortized loss on bond refunding. The larger amount outstanding for the year ended August 31, 2008 is explained by the addition of $125 million in commercial paper.

Net assets, the difference between liabilities and total assets, have increased each year. Compared to the previous year there was a $2.2 million or 0.9% decrease for the year ended August 31, 2007 in the "invested in capital assets, net of related debt. This is a result of debt reduction and capital projects completed. For the year ended August 31, 2008, there was an increase of $0.8 million or 0.3% with the transfer of 2 completed buildings from a prior capital improvement program and the addition of construction on the 2004 bond program. Unrestricted net assets increased $25.1 million or 19.2% for the year ended August 31, 2007 over the prior year but increased only $21.8 million or 14.0% for the year ended August 31, 2008.

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, 2007. Increased local tuition allowances is the greatest cause for the increase for the year ended August 31, 2007 since financial aid discounts actually decreased slightly. Financial aid discounts represented 83.2% of all allowances and discounts for the year ended August 31, 2006 but only 80.2% for that ended August 31, 2007. This was down to 76.3% for the year ended August 31, 2008. Discounts increased overall a total of 8.4% from the year ended August 31, 2007 to the year ended August 31, 2008 but only 2.5% for the year ended August 31, 2007 compared to the year ended August 31, 2006. Net tuition revenue for the year ended August 31, 2007 increased $5.7 million or 12.3% over the year ended August 31, 2006 mainly due to an increase in tuition in the spring of 2007. For the year ended August 31, 2008 there was an increase of only $2.0 million or 3.8%. Because there was no increase in tuition for this year, the increase is attributable to enrollment growth.

Change in two other areas of operating revenues bear mentioning. Federal grant and contract revenue decreased $3.5 million or 6.8% from August 31, 2006 to August 31, 2007. The reduction in that year is mainly attributable to a $2.2 million drop in Department of Education direct grants, primarily from reductions in Pell and other Title IV programs. However, a slight increase in federal grant and contract revenue of $1.1 million or 2.4% occurred for the year ended August 31, 2008. State grant and contract revenue increased $1.0 million or 68.6% for the year ended August 31, 2007. The increase can be tied to increased Texas Higher Education Coordinating Board-provided grants and increased Texas workforce commission skills development grants. Another increase of $1.4 million or 59.0% can be seen for the year ended August 31, 2008 for the same reasons—particularly a doubling of the Texas Grant Program.

The proportionate relationship of operating expenses amongst functional areas has remained fairly constant from 2006 to 2008 (see the graph of operating expenses). However, depreciation grew disproportionately for the year ended August 31, 2007 with a $3.1 million or 21.6% increase tied in part to the addition of 2 buildings to depreciable assets. Salary increases were 3.5% and 2.5% for the years ended August 31, 2007 and 2008, respectively which accounts for part of the increase each year. That operating expenses excluding depreciation increased only 2.9% for the year ended August 31, 2007 indicates reductions in other, non-salary areas occurred and/or positions were not filled for the entire year by the same individuals. Total operating expenses excluding depreciation grew by 4.8% for the year ended August 31, 2008. Instruction, public service, academic support and student services grew proportionate to the salary increase for the latter year. But institutional support and operation and maintenance of plant grew more than can be accounted for by the salary increase. Half of the increase in operation and maintenance of plant relates to special projects at one college. 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 41.6% for the year ended August 31, 2007.

State appropriations for the year ended August 31, 2007 rose $2.7 million or 2.5% due to a slight increase in state group insurance funding, Small Business Development Center state match and the opening of RCHS at Richland. For the year ended August 31, 2008 the state appropriation revenue increased $7.3 million or 6.6%.

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. Net tax revenue increased for the year ended August 31, 2007 by $7.5 million or 6.5% over the previous year because of a 7.9% increase in the certified tax base. The higher tax base allowed the debt service rate to be reduced from $0.0038 to $0.0032 per $100 of valuation. The increase in the certified tax value was an even larger 10.6% for the year ended August 31, 2008 resulting in the District being able to lower its maintenance and operations tax rate from $0.0778 to $0.0759 per $100 of valuation. The debt service 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 net result was a 7.8% or $9.5 million increase in net tax revenue over the prior year. Investment income for the year ended August 31, 2007 increased $3.7 million or 42.1% as interest rates continued the rise started in 2005 and proceeds for general obligation bonds not spent in 2006, along with higher tax and state revenue, increased the amount of funds available for investment. But a shifting market caused a decline to start in 2008 that resulted in a reduction of $0.4 million or 3.0% in investment income by August 31, 2008. Another item to note is that the non-operating loss on disposal of fixed assets increased from $1.7 million for the year ended August 31, 2007 to $5.3 million 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 $21.8 million for the year ended August 31, 2007 and an additional $21.7 million for the year ended August 31, 2008. Increases in state appropriations, the tax base, addition of the charter high school along with conservative spending all contributed to these increases in net assets.

Capital Asset and Non-Current Debt Activity

As of August 31, 2006, the District had recorded $546.4 million in capital assets, and $206.5 million in accumulated depreciation resulting in $340.0 million in net capital assets. For the year ended August 31, 2007, net capital assets increased $24.1 million or 7.1%. By August 31, 2008, the amounts had increased an additional $102.4 million or 28.1%.

On August 6, 2003 the District issued maintenance tax notes for the first time in the amount of $9.9 million followed by a second issue on April 6, 2004 for additional proceeds of $39.8 million, both issues to be financed by the maintenance and operations portion of ad valorem taxes. Texas statute dictates that projects financed by this means cannot include any new construction, but rather only maintenance projects. A somewhat aggressive repayment plan was established for the first set of notes with repayment completed in four years and the bulk in the first two years. The Series 2004 notes were set for repayment to be completed by 2021. The projects associated with the second issue were placed on a schedule designed to complete all projects in 18 months. The construction in progress decrease of $11.6 million for the year ended August 31, 2007, reflects the latter part of this program as these projects were completed and moved into building and building improvements, explaining part of the increase in buildings.

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. This explains the increase in land assets of $8.8 million for the year ended August 31, 2007. 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. The design phase of additional buildings planned in the capital improvement program is underway and selection of most of the construction managers at risk has also been made for the construction phase as well as significant progress on the construction itself. So while completion of maintenance tax note projects decreased construction in progress from 2006 to 2007, initial work on the bond projects offset the reduction in the level of construction in progress. For the year ended August 31, 2008, major construction efforts have significantly increased the construction in progress balance by $82.7 million.

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

CAPITAL ASSETS, NET
YEARS ENDED AUGUST 31, 2006 THROUGH 2008
(In Thousands)

	Fiscal Year 2006	Difference	Fiscal Year 2007	Difference	Fiscal Year 2008
CAPITAL ASSETS:					
Land and improvements	$ 51,632	$ 8,787	$ 60,419	$ 2,296	$ 62,715
Buildings & building improvements	383,554	40,670	424,224	24,611	448,835
Equipment, furniture, and software	47,859	2,401	50,260	7,087	57,347
Library books	9,830	200	10,030	(1)	10,029
Construction in progress	53,509	(11,597)	41,912	82,702	124,614
Total	546,384	40,461	586,845	116,695	703,540
Less accumulated depreciation	(206,485)	(16,399)	(222,884)	(14,275)	(237,159)
Net capital assets	$ 339,899	$ 24,062	$ 363,961	$ 102,420	$ 466,381

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

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% 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.

In January 2006 the board approved a commercial program to be used as an interim financing method for the 2004 general obligation bond projects. The limit outstanding cannot 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. 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. The new community campuses are being located in areas of the county that have previously been underserved and/or have demonstrated need for education services. The first one opened in August 2008 with enrollment exceeding expectations. Two more are expected to be operational by the January 2009 and the final two later 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 District issued $220 million of general obligation bonds, for which the District was again rated AAA by all three credit rating agencies. The proceeds were used to refund the $125 million outstanding in commercial paper and the remainder will be used in support of ongoing construction for the capital improvement program.

After several years in a row of modest tuition hikes, the last one occurring in Spring 2007, the District held the tuition firm in the year ending August 31, 2008. However, the District plans to increase tuition for Spring 2009 and to continue with an every other year pattern for increases in the future. Even with the increases, the District's tuition has been among the four lowest of Texas' 50 community colleges.

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, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,802,575	$ 138,897,479
Short-term investments	21,006,510	-
Accounts receivable (net of allowance for uncollectible accounts)	21,650,742	18,812,128
Tuition and fees receivable (net of allowance for uncollectible accounts)	7,308,850	6,812,943
Taxes receivable (net of allowance for uncollectible accounts)	845,695	1,432,213
Deferred charges, net	15,047,428	14,079,524
Notes receivable	72,630	35,000
Inventories	458,948	555,835
Prepaid expenses	1,319,015	1,214,032
Total current assets	123,512,393	181,839,154
NON-CURRENT AND RESTRICTED ASSETS:		
Restricted cash and cash equivalents	32,096,655	16,371,029
Long-term investments	149,605,651	52,347,186
Deferred charges, net	2,387,172	2,714,615
Capital assets, net		
Not subject to depreciation	162,496,988	78,504,327
Subject to depreciation	303,884,362	285,455,908
Total non-current assets	650,470,828	435,393,065
TOTAL ASSETS	773,983,221	617,232,219
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	38,232,867	19,705,243
Accrued liabilities	3,611,123	3,413,719
Accrued compensable absences	6,355,237	6,205,931
Funds held for others	1,888,203	2,019,561
Deferred revenues	42,855,498	40,636,396
Notes payable—current portion	51,523	200,731
Bonds payable—current portion	136,763,477	11,210,468
Total current liabilities	229,757,928	83,392,049
NON-CURRENT LIABILITIES:		
Restricted liabilities - accrued interest	159,529	172,769
Accrued compensable absences	3,152,364	2,610,071
Notes Payable	-	51,523
Bonds payable	113,962,309	125,725,785
Total non-current liabilities	117,274,202	128,560,148
TOTAL LIABILITIES	347,032,130	211,952,197
NET ASSETS		
Invested in capital assets, net of related debt	237,335,157	236,562,615
Restricted for:		
Unexpended bond proceeds	8,020,843	8,798,993
Debt service	3,541,631	3,664,052
Unrestricted	178,053,460	156,254,362
TOTAL NET ASSETS (Schedule D)	$ 426,951,091	$ 405,280,022

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

EXHIBIT 1A

Dallas County Community College District Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	2008	2007
CASH AND CASH EQUIVALENTS	$ 7,050,797	$ 3,597,034
INVESTMENTS		
Debt securities	3,811,541	3,633,307
Common stocks	16,028,297	18,410,235
Mutual funds	832,609	802,190
Alternative investments	-	2,940,489
Total investments	20,672,447	25,786,221
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	21,424	18,249
CONTRIBUTIONS RECEIVABLE, net	4,716,469	5,786,525
OTHER ASSETS	10,618	10,607
Total assets	$32,471,755	$35,198,636
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE	$ 483,607	$ 622,556
Total liabilities	483,607	622,556
NET ASSETS		
Unrestricted	1,164,965	3,627,114
Temporarily restricted	5,703,548	6,289,040
Permanently restricted	25,119,635	24,659,926
Total net assets	31,988,148	34,576,080
Total liabilities and net assets	$32,471,755	$35,198,636

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT

EXHIBIT 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Tuition and charges (net of discounts of $20,431,339 and $18,852,197, respectively)	$ 53,799,943	$ 51,841,578
Federal grants and contracts	48,475,078	47,338,433
State grants and contracts	3,718,329	2,338,309
Non-governmental grants and contracts	4,222,822	4,263,025
Sales and services of educational activities	537,569	543,082
Auxiliary enterprises	5,914,528	6,662,918
General operating revenues	1,740,489	1,800,312
Total operating revenues (schedule A)	118,408,758	114,787,657
OPERATING EXPENSES:		
Instruction	141,111,698	137,496,559
Public service	10,838,878	10,580,926
Academic support	18,712,990	18,310,136
Student services	32,418,091	31,539,026
Institutional support	58,215,944	52,890,737
Operation and maintenance of plant	30,057,642	27,087,176
Scholarships and fellowships	26,383,520	24,053,166
Auxiliary enterprises	10,103,778	10,774,392
Depreciation	17,084,562	17,583,614
Total operating expenses (schedule B)	344,927,103	330,315,732
OPERATING LOSS	(226,518,345)	(215,528,075)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	118,060,941	110,739,997
Maintenance ad valorem taxes (net of bad debt and collection fee of $4,142,516 and $2,864,134, respectively	130,734,095	121,219,567
Gifts	204,826	65,255
Investment income	11,975,670	12,349,476
Interest on capital related debt	(6,149,046)	(4,992,086)
Loss on disposal of fixed assets	(5,343,392)	(1,736,343)
Other non-operating revenue	240,904	50,822
Other non-operating expense	(1,534,584)	(382,007)
Net non-operating revenues (Schedule C)	248,189,414	237,314,681
INCREASE IN NET ASSETS	21,671,069	21,786,606
NET ASSETS:		
Net Assets—Beginning of Year	405,280,022	383,493,416
Net Assets—End of Year	$ 426,951,091	$ 405,280,022

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

EXHIBIT 2A

Dallas County Community College District Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended August 31,

	2008				2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support								
Contributions	$ 147,484	$ 584,588	$ 484,709	$ 1,216,781	$ 255,626	$ 733,875	$ 526,696	$ 1,516,197
Interest income	119,510	341,166	-	460,676	186,316	341,849	-	528,165
Contributed salaries	247,325	-	-	247,325	199,971	-	-	199,971
Net realized gains (losses) on sale of investments	59,389	(36,180)	-	23,209	439,253	1,233,142	-	1,672,395
Net unrealized losses on investments	(2,442,517)	-	-	(2,442,517)	657,192	-	-	657,192
Net assets released from restrictions	1,500,066	(1,500,066)	-	-	1,628,463	(1,628,463)	-	-
Total revenues, gains and other support	(368,743)	(610,492)	484,709	(494,526)	3,366,821	680,403	526,696	4,573,920
Program and support services								
Grants and scholarships	1,625,556	-	-	1,625,556	1,863,996	-	-	1,863,996
Management and general	361,823	-	-	361,823	340,367	-	-	340,367
Fundraising	106,027	-	-	106,027	37,522	-	-	37,522
Total program and support services	2,093,406	-	-	2,093,406	2,241,885	-	-	2,241,885
Transfers between funds	-	25,000	(25,000)	-	(900)	(105,136)	106,036	-
Change in net assets	(2,462,149)	(585,492)	459,709	(2,587,932)	1,124,036	575,267	632,732	2,332,035
Net assets - beginning of year	3,627,114	6,289,040	24,659,926	34,576,080	2,503,078	5,713,773	24,027,194	32,244,045
Net assets - end 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

See Note 23 of the primary government organization.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT — EXHIBIT 3

STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	$ 64,265,794	$ 58,173,489
Receipts from grants and contracts	54,881,326	54,886,290
Payments to suppliers for goods and services	(54,863,736)	(61,132,345)
Payments to or on behalf of employees	(229,954,679)	(223,447,603)
Payments for scholarships and fellowships	(27,100,786)	(24,908,162)
Loans issued to students	(104,456)	(60,417)
Collection of loans to students	71,340	30,412
Other receipts	1,740,489	1,454,088
Net cash used by operating activities	(191,064,708)	(195,004,248)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from ad valorem taxes	134,749,444	123,683,641
Payments for collection of taxes	(3,428,831)	(2,483,483)
Receipts from state appropriations	118,060,941	110,739,997
Receipts from student organizations and other agency transactions	16,122,264	15,392,591
Payments to student organizations and other agency transactions	(16,253,622)	(15,170,733)
Payments on notes - principal	(200,731)	(192,422)
Payments on notes - interest	(7,550)	(15,859)
Other receipts	240,904	50,822
Other payments	-	37,785
Net cash provided by non-capital financing activities	249,282,819	232,042,339
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds on issuance of capital debt	124,959,759	-
Proceeds from the sale of capital assets	781,251	22,856
Purchases of capital assets	(125,241,430)	(43,244,285)
Payments on capital debt - refunding	-	(2,964,464)
Payments on capital debt - principal	(10,790,000)	(10,255,000)
Payments on capital debt - interest	(7,993,714)	(6,039,918)
Net cash used by capital and related financing activities	(18,284,134)	(62,480,811)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	145,138,000	150,500,000
Interest on investments	8,382,993	9,985,987
Purchase of investments	(260,824,247)	(54,303,792)
Net cash provided by investing activities	(107,303,254)	106,182,195
INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	(67,369,277)	80,739,475
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	155,268,507	72,268,524
CASH AND CASH EQUIVALENTS, AUGUST 31	$ 87,899,230	$ 153,007,999
Reconciliation of net operating loss to net cash provided (used) by operating activities		
Operating loss	$ (226,518,345)	$ (215,528,075)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	17,084,562	17,583,614
Bad debt expense	652,600	822,500
Changes in assets and liabilities:		
Receivables (net)	(2,973,171)	(2,281,949)
Deferred expenses	(773,560)	(1,320,953)
Inventories	96,887	(10,466)
Notes receivable	(37,630)	(22,454)
Prepaid expenses	(104,983)	102,422
Accounts payable	18,527,624	4,172,563
Accrued liabilities	70,607	(591,863)
Compensated absences	691,599	371,857
Deferred revenue	2,219,102	1,698,556
Net cash used by operating activities	$ (191,064,708)	$ (195,004,248)

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

EXHIBIT 3A

Dallas County Community College District Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31,

	2008	2007
Cash flows from operating activities		
Change in net assets	$ (2,587,932)	$ 2,332,035
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes	(484,709)	(526,696)
Net realized gains on sale of investments	(23,209)	(1,672,395)
Net unrealized losses (gains) on investments	2,442,517	(657,192)
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	(3,175)	(8,717)
Contributions receivable	1,070,056	1,314,336
Other assets	(11)	13,241
Accounts payable	(138,949)	(216,964)
Net cash provided by operating activities	274,588	577,648
Cash flows from investing activities		
Proceeds from investment sales	23,495,203	10,740,443
Purchases of investments	(20,800,737)	(11,216,054)
Net cash provided by (used in) investing activities	2,694,466	(475,611)
Cash flows from financing activities		
Contributions restricted for long-term purposes	484,709	526,696
Increase in cash and cash equivalents	3,453,763	628,733
Cash and cash equivalents - beginning of year	3,597,034	2,968,301
Cash and cash equivalents - end of year	$ 7,050,797	$ 3,597,034

See Note 23 of the primary government organization.

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, 2008 and 2007. 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 $14,926,570 and $13,946,425 represent expenses for scholarships and fellowships related to the periods after August 31, 2008 and 2007, respectively, and $120,858 and $133,099 represent bond issue costs to be amortized in the periods after August 31, 2008 and 2007, respectively.

The District defers and amortizes the production costs associated with instructional television programs and other related materials on a straight-line basis over the estimated useful life of such media, which ranges from two to five years. These materials are produced and used both internally for instruction and for lease by the District to other educational institutions. Aggregate deferred production costs, net of accumulated amortization, amounted to approximately $1,621,911 and $1,828,496 at August 31, 2008 and 2007, respectively, and have been included in the accompanying Statements of Net Assets as non-current deferred charges. In addition, $765,261 and $886,119, the non-current portion of bond issue costs being amortized over the life of the bonds, is included for the periods ended August 31, 2008 and 2007, 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 and land improvements. Estimated useful lives of capital assets are established according to the following:

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

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

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

Operating and Non-Operating Revenue and Expense Policy—The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and contracts and grants. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operations of the bookstore and food service are performed by a third party contracted by the District.

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 2008 presentation. TPEG was previously presented as state revenue. THECB has asked that it be reported as local revenue. Therefore, fiscal 2007 amounts have been reclassified for this purpose. In addition, deposit for reserves has been included within restricted cash and cash equivalents in fiscal 2007.

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, 2008 was $(9,227,285), and the bank balance was $(374,281). The carrying amount of the District's deposits with financial institutions as of August 31, 2007 was $(2,708,500), and the bank balance was $242,716. FDIC insures $250,000 of the District's bank balance, and the remaining balance is collateralized with securities.

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

	2008	2007
Bank deposits:		
Local funds - demand	$ (9,235,785)	$ (2,717,000)
Imprest funds	8,500	8,500
	(9,227,285)	(2,708,500)
Cash on hand	24,529	21,683
Cash and cash equivalents:		
Investment in Texpool	127,282	89,524,281
Investment in TexSTAR	96,974,704	68,431,044
	97,101,986	157,955,325
Total cash and cash equivalents	$ 87,899,230	$ 155,268,508

Investments—The District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*, Disclosures are presented accordingly. The District is authorized to invest in obligations and instruments as defined in applicable sections of the current Texas Education Code and the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The investment policies of the District are governed by formally adopted procedures and allow investments as permitted under state laws for public institutions. Permissible investments under policy include U.S. Treasury notes, certificates of deposit purchased from FDIC-insured state or nationally chartered U.S. banks, fully collateralized repurchase agreements, no-load money market mutual funds, and securities issued by U.S. government agencies.

At August 31, 2008 and 2007, 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, 2008, the District had the following cash equivalents and investments and maturities.

	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-4	4-5
U. S. Treasury notes	$ 24,109,640	$ -	$ -	$ -	$ -	$ 24,109,640
U. S. Agency notes and bonds	146,502,521	21,006,510	54,929,400	17,249,187	38,295,524	15,021,900
Investments in Texpool	127,282	127,282	-	-	-	-
Investments in TexSTAR	96,974,704	96,974,704	-	-	-	-
Total cash equivalents and investments	$ 267,714,147	$ 118,108,496	$ 54,929,400	$ 17,249,187	$ 38,295,524	$ 39,131,540

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District policy provides that investment maturities are limited to five years as a means of managing exposure to fair value losses arising from increasing interest rates. The District's philosophy is to hold all investments to their maturity.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District's investment policy limits any one type of investment to 75% of the total portfolio. Investment in U.S. Agency securities comprises 54.72% of the District's total portfolio at August 31, 2008.

Reconciliation of Deposits and Investments to Exhibit 1

	Fair Market Value August 31, 2008	Fair Market Value August 31, 2007
Total cash and cash equivalents	$ 87,899,230	$ 155,268,508
Total investments	170,612,161	52,347,186
Total	$ 258,511,391	$ 207,615,694
Per Exhibit 1:		
Cash and cash equivalents	$ 55,802,575	$ 138,897,479
Restricted cash and cash equivalents	32,096,655	16,371,029
Short-term investments	21,006,510	-
Long-term investments	149,605,651	52,347,186
Total	$ 258,511,391	$ 207,615,694

There were no investments held by broker-dealers under reverse repurchase agreements as of August 31, 2008 or 2007.

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.

4. CURRENT ASSETS AND LIABILITIES

Receivables—Receivables at August 31, 2008 and 2007 were as follows:

	2008	2007
Ad valorem taxes	$ 7,113,757	$ 6,986,590
Student tuition and sales	8,344,785	7,841,970
Federal grants	17,445,681	15,071,902
State grants	868,204	364,309
Local grants	448,355	872,029
Interest on investments	1,209,445	195,496
Other receivables	1,745,911	2,359,841
Total receivables	37,176,138	33,692,137
Less allowances for uncollectible amounts:		
Ad valorem taxes	(6,268,062)	(5,554,377)
Student tuition and sales	(1,035,935)	(1,029,027)
Other receivables	(66,854)	(51,449)
Total allowances	(7,370,851)	(6,634,853)
Total receivables, net of allowances	$29,805,287	$27,057,284

***Payables*—**Accounts Payable at August 31, 2008 and 2007 were as follows:

	2008	2007
Vendors payable	$31,071,014	$12,800,806
Salaries and benefits payable	45,079	41,504
Students payable	7,116,774	6,862,933
Total accounts payable	$38,232,867	$19,705,243

5. CAPITAL ASSETS

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	41,911,973	116,410,473	(33,708,778)	124,613,668
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	10,029,715	485,420	(486,143)	10,028,992
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	(6,714,748)	(629,665)	259,277	(7,085,136)
Total accumulated depreciation	(222,883,961)	(17,084,562)	2,809,636	(237,158,887)
Net capital assets	$ 363,960,235	$ 142,254,536	$ (39,833,421)	$ 466,381,350

Capital assets activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Increases/ Reclassifications	Decreases	Balance August 31, 2007
Capital assets not subject to depreciation:				
Land	$ 27,823,157	$ 10,294,933	$ (1,525,736)	$ 36,592,354
Construction in progress	53,509,332	29,506,468	(41,103,827)	41,911,973
Total not depreciated	81,332,489	39,801,401	(42,629,563)	78,504,327
Capital assets subject to depreciation:				
Buildings and building improvements	383,554,218	40,669,559	-	424,223,777
Land improvements	23,808,289	18,136	-	23,826,425
Furniture, machinery, vehicles, and other equipment	47,859,199	3,530,590	(1,129,837)	50,259,952
Library books	9,830,091	488,909	(289,285)	10,029,715
Total depreciated	465,051,797	44,707,194	(1,419,122)	508,339,869
Accumulated depreciation:				
Buildings and building improvements	(147,929,747)	(13,353,665)	-	(161,283,412)
Land improvements	(15,774,284)	(501,026)	-	(16,275,310)
Furniture, machinery, vehicles, and other equipment	(36,566,938)	(3,092,869)	1,049,316	(38,610,491)
Library books	(6,213,693)	(636,054)	134,999	(6,714,748)
Total accumulated depreciation	(206,484,662)	(17,583,614)	1,184,315	(222,883,961)
Net capital assets	$ 339,899,624	$ 66,924,981	$(42,864,370)	$ 363,960,235

6. NON-CURRENT LIABILITIES

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 Bond	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
Total	$146,177,278	$ 691,599	$ (11,424,438)	$ 135,444,439	$ 18,170,235

Non-current liability activity for the year ended August 31, 2007 was as follows:

	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
Series 1998 Revenue Financing System Refunding Bonds	$ 11,890,000	$ -	$ (1,755,000)	$ 10,135,000	$ 1,840,000
Series 2001 Revenue Financing System Bonds	33,905,000	-	(28,655,000)	5,250,000	1,675,000
Series 2006 Revenue Financing System Refunding Bonds	-	25,275,000	-	25,275,000	-
Series 2003 Maintenance Tax Notes	585,000	-	(585,000)	-	-
Series 2004 Maintenance Tax Notes	34,545,000	-	(4,095,000)	30,450,000	4,975,000
Series 2004 General Obligation Bonds	65,250,000	-	(2,215,000)	63,035,000	2,300,000
Unamortized bond premium	4,076,355	701,692	(934,365)	3,843,682	537,781
Deferred Loss on Bond Refunding	-	(1,130,637)	78,208	(1,052,429)	(117,313)
Accrued interest	181,832	-	(9,063)	172,769	-
Note payable	444,676	-	(192,422)	252,254	200,731
Compensable absences	8,444,145	371,857	-	8,816,002	6,205,931
Total	$ 159,322,008	$ 25,217,912	$ (38,362,642)	$ 146,177,278	$ 17,617,130

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	Maturities Last Year	Maturities 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 2003 Maintenance Tax Notes	9,850,000	2.00%-3.00%	2003	2007	N/A
Series 2004 Maintenance Tax Notes	38,555,000	2.00%-5.00%	2004	2021	2/15/2010
Series 2004 General Obligation Bonds	67,375,000	3.00%-5.00%	2005	2025	2/15/2013

On 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. As additional security, a Bond Reserve fund was established at an amount equal to the average annual principal and interest requirements on the Series 1998 Bonds. At August 31, 2008, the Bond Reserve fund amounted to $2,282,037.

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, 2008 is $3,575,000. 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, 2008, there is no Bond Reserve Fund requirement, due to the in substance defeasance of the bonds maturing between 2011 and 2021.

On August 6, 2003, pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Sections 45.108 and 130.084, Texas Education Code, as amended, the District issued $9,850,000 of Maintenance Tax Notes ("Series 2003 Notes") and on April 6, 2004 $38,555,000 of Maintenance Tax Notes ("Series 2004 Notes"). The proceeds of the notes are being used to pay for planned maintenance expenses associated with various facilities of the District. The notes are direct obligations of the District payable from a continuing direct annual ad valorem tax pursuant to the District's maintenance tax authority, with the limits prescribed by law, on all taxable property in the District. Debt issue costs are being amortized over the life of the notes. As of August 31, 2008 there is no outstanding obligation for the Series 2003 Notes as they have been paid in full. The outstanding amount on the Series 2004 Notes is $25,475,000 at August 31, 2008.

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.

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:			
2009	$ 11,400,000	$ 5,222,866	$ 16,622,866
2010	11,990,000	4,760,854	16,750,854
2011	12,540,000	4,303,399	16,843,399
2012	13,170,000	3,804,658	16,974,658
2013	7,035,000	3,400,014	10,435,014
2014 - 2018	27,910,000	13,037,587	40,947,587
2019 - 2023	29,300,000	5,781,311	35,081,311
2024 - 2025	10,010,000	504,500	10,514,500
	$123,355,000	$40,815,189	$164,170,189

As of August 31, 2008 the District had the following defeased bonds outstanding:

Bond Issue	Year Refunded	Par Value Outstanding
Series 1992 Revenue Financing System Bonds	1998	$ 8,985,000
Series 2001 Revenue Financing System Bonds*	2006	27,050,000
		$ 36,035,000

*The District still has a liability for $3,575,000 in outstanding 2001 Series Bonds.

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

	Principal	Interest	Total
Year ended August 31:			
2009	$ 51,523	$ 547	$ 52,070
	$ 51,523	$ 547	$ 52,070

In 2008 the District incurred $7,568,387 in interest cost, of which $6,149,046 was expensed and $1,419,341 was capitalized. In 2007, the District incurred $5,122,572 in interest cost, of which $4,992,086 was expensed and $130,486 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. At August 31, 2008 the District still had $125,000,000 in 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 "the System".

Teacher Retirement System of Texas –

Plan Description -The District contributes to the System, a cost-sharing multiple-employer defined benefit pension plan. The System 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 the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize the System's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2008 and 2007 and a state contribution rate of 6.58% for the year ended August 31, 2008 and 6.0% for the year ended August 31, 2007. 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 the System. Employees who retire at or after age 65 with 5 years of creditable service or age 60 with 20 years of service or age 55 with 30 years of service are entitled to full retirement benefits. Eligible employees may receive reduced benefits at age 55 with at least 5 years of service or at any age with 30 or more years of service. For 2008, the percentages of participant salaries contributed by the state and by each participant were 6.58% and 6.40%, respectively, of annual compensation and for 2007, the percentages of participant salaries contributed by the state and by each participant were 6.00% and 6.40%, respectively, of annual compensation. The payroll for employees covered by the System for the years ended August 31, 2008 and 2007 was $97,474,055 and $92,621,584, respectively. The total payroll of the

District was $195,168,177 and $188,544,832 for the years ended August 31, 2008 and 2007, respectively.

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 2008, the percentages of participant salaries contributed by the state and by each participant were 6.58% and 6.65%, respectively, of annual compensation and for 2007, the percentages of participant salaries contributed by the state and by each participant were 6.00% and 6.65%, respectively. In addition, the District contributed 1.92% and 2.5% of annual compensation for each participant hired on or before August 31, 1995 for the years ended August 31, 2008 and 2007, respectively. The payroll for employees covered by the optional retirement plan for the years ended August 31, 2008 and 2007 was $60,551,812 and $59,759,241, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the District was $9,064,309 and $7,996,595 for the fiscal years ended August 31, 2008 and 2007, 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, 2008, and August 31, 2007, 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, 2008, the District has 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. As of August 31, 2007, the District had recognized the accrued liability for the unpaid annual leave, including amounts for salary-related payments, for $8,816,002 of which $6,205,931 was recorded as a current liability and $2,610,071 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, 2008 are $193,631,556.

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 $2,317,309 and $2,418,007 of rent paid during fiscal years 2008 and 2007, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2008 are as follows:

Year Ended	Minimum Future Lease Payments
2009	$1,657,338
2010	1,183,496
2011	212,851
Total	$3,053,685

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 2008 for which monies have not been received nor funds expended totaled $32,526,937. Of this amount, $29,718,890 is from federal contract and grant awards, $2,132,093 is from state contract and grant awards and $675,954 is from local contract and grant awards. Contract and grant awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal year 2007 for which monies have not been received nor funds expended totaled $28,011,972. Of this amount, $26,187,138 is from federal contract and grant awards, $1,369,221 is from state contract and grant awards and $455,613 is from local contract and grant awards.

13. SELF-INSURED PLANS

Prior to August 31, 1998 the District was self-insured for workers' compensation. The accrued liability for claims incurred but not yet developed under the self-insured plan is approximately $265,788 and $268,423 as of August 31, 2008 and 2007, respectively, and is included in the accompanying Statements of Net Assets. The accrued liability balance is based upon third party actuarial information. Future payments for the incurred claims will be paid from the accrued liability.

Effective September 1, 1998 the District implemented a guaranteed cost workers' compensation insurance program to handle workers' compensation claims. The District returned to a self-insured plan effective September 1, 2002. Accordingly a liability has been recorded as of August 31, 2008 and 2007, respectively, for $273,574 and $294,864 and is included in accrued liabilities in the accompanying Statements of Net Assets.

Self-insurance activity for the years ended August 31, 2007 and 2008 was as follows:

Accrued Claim Liability for the Year Ended August 31	Balance September 1	Additions	Reductions in Liability/ Claims Paid	Balance August 31
2007	$ 526,951	$ 193,066	$ (425,153)	$ 294,864
2008	294,864	410,164	(431,454)	273,574

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, 2008, 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 those benefits for the year was $4,106,646 for 823 retirees and $15,580,187 for 3,111 active employees.

The state's maximum contribution per full-time employee for the year ended August 31, 2007 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 those benefits for the year was $3,930,446 for 789 retirees and $15,496,907 for 3,032 active employees.

The health insurance expense to the state for the District was $16,065,571 and $15,634,130 for the fiscal years ended August 31, 2008 and 2007 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 is 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, 2008, 2007 and 2006 were $3,621,262, $3,793,223 and $3,777,844, 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.

The Richland Collegiate High School is a charter school operated by the District and is reported in the financial statements as a blended unit with the District.

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, 2008 and 2007 were $135,224,155 and $123,162,321, 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 2008 and 2007 to finance the operations and maintenance as well as debt service was $.0804 and $.0810, respectively, per $100 of assessed valuation on real property, leaving a tax margin of $.5796 and $.5790, respectively, per $100 of assessed valuation on real and personal property. Approximately $965,396,658 of additional taxes could be raised per year based on the 2008 assessed value of $166,562,570,326 for real property before the limit is reached. In 2007 approximately $883,690,753 of additional taxes could have been raised per year based on the 2007 assessed value of $152,623,618,757 for real property before the limit would have been reached.

At August 31, 2008 and 2007:

	2008	2007
Assessed valuation of the District	$202,897,588,900	$186,011,810,850
Less exemptions	36,335,018,574	33,388,192,093
Net assessed valuation of the District	$166,562,570,326	$152,623,618,757

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

Gross Taxes Collected - 2008	Current Operations	Debt Service	Total
Current	$ 117,701,128	$ 13,322,580	$ 131,023,708
Delinquent	1,704,592	59,965	1,764,557
Penalties and interest	2,088,346	-	2,088,346
Total collections	$ 121,494,066	$ 13,382,545	$ 134,876,611

Gross Taxes Collected - 2007	Current Operations	Debt Service	Total
Current	$ 110,137,308	$10,692,098	$ 120,829,406
Delinquent	1,938,318	42,420	1,980,738
Penalties and interest	1,273,557	-	1,273,557
Total collections	$ 113,349,183	$10,734,518	$ 124,083,701

Tax collections for the years ended August 31, 2008 and 2007 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, 2008 and 2007 are as follows:

	2008	2007
Deferred revenues related to students and other customers	$27,915,755	$26,440,937
Deferred revenues related to grants and contracts	14,939,743	14,195,459
Total deferred revenues	$42,855,498	$40,636,396

18. BUDGETARY DATA

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

19. INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, “Income of States, Municipalities, Etc.,” although unrelated income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), “Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations.” The District had no material unrelated business income tax liability for the years ended August 31, 2008 or 2007.

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 2008	Taxes Forgone in 2007
Cityplace	100%	$ 325,693	$ 272,003
Oak Cliff Gateway	100	27,649	16,077
City of Irving	100	267,820	148,117
City of Farmers Branch Mercer Crossing	35	26,537	12,094
City of Farmers Branch Old Farmers Branch	100	3,169	1,922
City of Grand Prairie #1	100	44,893	17,374
City of Grand Prairie #2	100	57,346	53,487
City of Grand Prairie #3	100	7,984	5,803
Total taxes forgone		$ 761,091	$ 526,877

21. GENERAL OPERATING REVENUES

General operating revenues of $1,740,489 and $1,800,312 for the years ended August 31, 2008 and 2007, 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.

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 $7,050,797 and $3,597,034 as of August 31, 2008 and 2007, respectively. The Foundation maintains cash and cash equivalents at financial institutions, which at times may not be federally insured or may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such accounts.

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.

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

The Foundation maintains an investment management agreement with Smith Asset Management Group, L.P.; Snow Capital Management; and Barrow Henley, Mewhinney and Strauss whereby they manage the Foundation's investments in a manner consistent with the investment goals and policies established by the Board of Directors.

Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using the risk-free rate. Amortization of discounts is recorded as additional contributions in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged-off are credited to expenses. Management believes that all outstanding pledges are collectible and no allowance is necessary as of August 31, 2008 and 2007.

Contributed Services

The salaries of certain Foundation employees have been donated by the District. The estimated fair value of these contributed services is $247,325 and $199,971 for 2008 and 2007, respectively, and has been included in revenues, gains, and other support and management and general expenses in the accompanying statement of activities.

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

Federal Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code 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, 2008 and 2007. The Foundation is not considered a private foundation under Section 509(a) of the IRC.

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

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.

Reclassifications

In order to conform to the current year presentation, the Foundation reclassified $802,109 related to fiscal year 2007, respectively, from cash and cash equivalents to investments, as these amounts represented mutual funds with a maturity of greater than three months.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Corporate bonds	$ 3,288,778	$ 3,811,541	$ 3,325,525	$ 3,633,307
Corporate stocks	12,334,727	16,028,297	12,032,655	18,410,235
Mutual funds	859,053	832,609	818,844	802,190
Alternative investments	-	-	3,000,000	2,940,489
	$16,482,558	$20,672,447	$19,177,024	$25,786,221

[1]

Through most of 2007, the alternative investments consisted of an investment in Clover Partners, LP, which in turn invested in Shamrock Market Neutral Fund, LP. On August 31, 2007 the alternative investment was in the process of being liquidated and the investment consisted solely of money market funds as of this date. In 2008, these funds were distributed to the Foundation.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system, often referred to as the “Sub-Prime Lending Crisis,” has resulted in substantial volatility in world financial markets and the banking system. These and other events have had a significant negative impact on foreign and domestic financial markets. As a result, the Foundation’s investment portfolio has incurred volatility in fair value since September 30, 2008. However, because the values of the Foundation’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that may be recognized in subsequent periods, if any, cannot be determined.

1

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	August 31, 2008	August 31, 2007
Contributions receivable	$5,391,000	$6,705,100
Less unamortized discount ranging from 3.84% to 5.07% at August 31, 2008 and 3.84% at August 31, 2007	(674,531)	(918,575)
	$4,716,469	$5,786,525

The maturity of contributions receivable as of August 31, 2008 is as follows:

Less than one year	$ 991,000
One to five years	3,700,000
More than five years	700,000
	$5,391,000

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows:

	August 31, 2008	August 31, 2007
Grants and Scholarships	$5,703,548	$6,289,040

NOTE E - PERMANENTLY RESTRICTED NET ASSETS

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

	August 31, 2008	August 31, 2007
Grants and Scholarships	$25,119,635	$24,659,926

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 RELEASE 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:

	August 31, 2008	August 31, 2007
Grants and Scholarships	$1,500,066	$1,628,463

NOTE G - TRANSACTIONS WITH RELATED PARTIES

Contributions 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, 2008 and 2007 the remaining receivable for the pledges from a Foundation board member and an entity controlled by a Foundation board member were $200,000 and $40,000, respectively and $200,000 and $40,000, respectively.

Due to Affiliate

At August 31, 2008 and 2007, the Foundation owed the District $422,432 and $617,571, respectively for scholarships and grants, which is reflected in accounts payable in the accompanying statement of financial condition.

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 and the Statement of Revenues, Expenses and Changes in Net Assets for the years ended August 31, 2008 and 2007 for Richland Collegiate High School alone are presented below.

RICHLAND COLLEGIATE HIGH SCHOOL **EXHIBIT 1**

With TEA Classifications

STATEMENTS OF NET ASSETS

AUGUST 31, 2008 AND 2007

Data Control Codes	ASSETS	2008	2007
	CURRENT ASSETS:		
1100	Cash and cash equivalents	$ 181,161	$ 65,784
1240	Accounts Receivable (net) -Due from TEA	-	249,730
	Total current assets	181,161	315,514
	NON-CURRENT AND RESTRICTED ASSETS:		
1800	Total non-current assets	-	-
1000	TOTAL ASSETS	181,161	315,514
	LIABILITIES		
	CURRENT LIABILITIES:		
2501	Due to District (parent organization)	$ -	$ 249,730
	Total current liabilities	-	249,730
	NON-CURRENT LIABILITIES:		
2502	Loan payable to Richland College	-	380,678
	Total non-current liabilities	-	380,678
2000	TOTAL LIABILITIES	-	630,408
	NET ASSETS		
3200	Invested in capital assets, net of related debt	-	-
3900	Unrestricted	181,161	(314,894)
3000	TOTAL NET ASSETS	$ 181,161	$ (314,894)

RICHLAND COLLEGIATE HIGH SCHOOL

EXHIBIT 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED AUGUST 31, 2008 AND 2007

District Presentation

	2008	2007
OPERATING REVENUES:		
Federal grants and contracts	68,372	285,487
Total operating revenues	68,372	285,487
OPERATING EXPENSES:		
Instruction	1,032,513	378,103
Public Service	89,420	-
Academic support	12,518	98,912
Student services	150,512	391,238
Institutional support	401,990	314,487
Total operating expenses	1,686,953	1,182,740
OPERATING LOSS	(1,618,581)	(897,253)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	2,099,889	1,047,146
Investment income	14,747	9,682
Net non-operating revenues	2,114,636	1,056,828
INCREASE IN NET ASSETS	496,055	159,575
NET ASSETS:		
Net Assets—Beginning of Year	(314,894)	(474,469)
Net Assets—End of Year	$ 181,161	$ (314,894)

TEA Classifications

Data Control Codes		2008	2007
	OPERATING REVENUES:		
5929	Federal grants revenue distributed by TEA	68,372	285,487
5020	Total operating revenues	68,372	285,487
	OPERATING EXPENSES:		
0011	Instruction	1,121,933	474,064
0012	Instructional resources and media services	538	237,670
0013	Curriculum Development & Instructional	11,980	-
0031	Guidance, counseling and evaluation services	131,717	106,886
0033	Health services	8,448	7,595
0035	Food service	3,314	962
0036	Extracurricular Activities	7,033	-
0023	School leadership	242,673	235,543
0041	General administration	122,792	88,009
0052	Security and monitoring services	36,525	32,011
6030	Total operating expenses	1,686,953	1,182,740
1100	OPERATING LOSS	(1,618,581)	(897,253)
	NON-OPERATING REVENUES (EXPENSES):		
5800	State appropriations	2,099,889	1,047,146
5742	Investment income	14,747	9,682
	Net non-operating revenues	2,114,636	1,056,828
1200	INCREASE IN NET ASSETS	496,055	159,575
	NET ASSETS:		
0100	Net Assets—Beginning of Year	(314,894)	(474,469)
3000	Net Assets—End of Year	$ 181,161	$ (314,894)

25. SUBSEQUENT EVENTS

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 2006 Bonds") were sold with a reoffering premium of $9,629,583 and accrued interest of $938,667. 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 $1,603,773. 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.

Due to the refunding of the outstanding commercial paper notes, the authority of the District to issue up to $150,000,000 in commercial paper notes has been restored and the District may issue commercial paper notes to provide interim financing in the year subsequent to that ended August 31, 2008 for projects approved at the 2004 bond election.

APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and West & Associates, L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS, SERIES 2009
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_______________

AS BOND COUNSEL for the Dallas County Community College District (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date, and mature on the dates, all as specified on the face of the Bonds, all in accordance with the bond order of the Board of Trustees of the Issuer authorizing the issuance of the Bonds (the "Order"). Terms used herein and not otherwise defined shall have the meaning given in the Order.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond R-1).

BASED ON SAID EXAMINATION, **IT IS OUR OPINION** that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, constitute valid and legally binding obligations of the Issuer, and that a continuing ad valorem debt tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Bonds has been levied and pledged for such purpose, within the limits prescribed by law, as provided in the Order.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are obligations described in section 1503 of the American Recovery and Reinvestment Act and that, accordingly, interest on the Bonds will not be included as an owner's alternative minimum tax under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the boundaries of the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,