OFFICIAL STATEMENT

New Issue | **Rating**
(Book-Entry Only) | **Standard & Poor's: "AAA"**

Subject to compliance by the District with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX MATTERS" herein for a more complete discussion. Interest on the Bonds is not exempt from current State of Illinois income taxes. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986. See "QUALIFIED TAX-EXEMPT OBLIGATIONS."

COMMUNITY COLLEGE DISTRICT NO. 502
Counties of DuPage, Cook and Will
and State of Illinois
$7,890,000 General Obligation Refunding Bonds
(Alternate Revenue Source), Series 2006

Dated: November 1, 2006 | **Due: January 1, as shown on the inside cover hereof**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read this entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page not otherwise defined have the meanings set forth herein.

The $7,890,000 General Obligation Refunding Bonds (Alternate Revenue Source), Series 2006 (the "Bonds") will be issued by Community College District No. 502, Counties of DuPage, Cook and Will and State of Illinois (the "District"), as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry only form, in denominations of $5,000 principal amount and integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. Principal and interest on the Bonds will be paid directly to DTC by Cole Taylor Bank, Chicago, Illinois, as bond registrar and paying agent (the "Bond Registrar") for the Bonds.

The Bonds bear interest payable semiannually on January 1 and July 1 of each year, commencing July 1, 2007, until maturity or earlier redemption. The Bonds will be subject to redemption prior to maturity as described herein. See "THE BONDS" herein.

The Bonds are "alternate bonds" as described in the Local Government Debt Reform Act of the State of Illinois, as amended. The Bonds will constitute valid and legally binding general obligations of the District, payable as to principal and interest (i) together with the District's outstanding General Obligation Bonds (Alternate Revenue Source), Series 2003B, from student tuition and fees, and (ii) from *ad valorem* taxes levied against all the taxable property in the District without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. See "SECURITY FOR THE BONDS" herein.

The Bonds are being issued to refund outstanding alternate bonds of the District and to pay costs of issuing the Bonds.

The Bonds are being offered when, as and if issued by the District and received and accepted by the Underwriter, subject to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the District by its counsel Robbins, Schwartz, Nicholas, Lifton & Taylor LTD, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery to DTC in Chicago, Illinois, on or about November 15, 2006.

Morgan Keegan and Co., Inc.

William Blair & Company
As Financial Advisor

THE DATE OF THIS OFFICIAL STATEMENT IS OCTOBER 31, 2006

MATURITY DATES, AMOUNTS, INTEREST RATES AND YIELDS

JANUARY 1	AMOUNT	INTEREST RATE	YIELD	JANUARY 1	AMOUNT	INTEREST RATE	YIELD
2009	$40,000	4.000%	3.500%	2015	$55,000	4.000%	3.700%
2010	45,000	4.000	3.550	2016	55,000	4.000	3.750
2011	45,000	4.000	3.550	2017	1,770,000	4.000	3.730
2012	45,000	4.000	3.600	2018	1,840,000	3.750	3.780
2013	50,000	4.000	3.625	2019	1,910,000	3.800	3.830
2014	50,000	4.000	3.650	2020	1,985,000	3.800	3.850

(Plus accrued interest from November 1, 2006.)

No dealer, broker, salesperson, or other person has been authorized by Community College District No. 502, Counties of DuPage, Cook and Will and State of Illinois (the "District"), to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the District and include information from other sources which the District believes to be reliable. Such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. Such information and expressions of opinion 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 since the date hereof.

This Official Statement should be considered in its entirety. Where statutes, ordinances, resolutions, reports or other documents are referred to herein, references should be made to such statutes, ordinances, resolutions, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds offered hereby at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT No. 502
Counties of DuPage, Cook and Will
and State of Illinois

PRESIDENT
Sunil Chand

VICE PRESIDENT STUDENT AFFAIRS
Kay A. Nielsen

VICE PRESIDENT ACADEMIC AFFAIRS
Christopher Picard

VICE PRESIDENT ADMINISTRATIVE AFFAIRS AND TREASURER
Thomas E. Ryan

VICE PRESIDENT INFORMATION TECHNOLOGY
Gary E. Wenger

BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

FINANCIAL ADVISOR
William Blair & Company, L.L.C.
Chicago, Illinois

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COMMUNITY COLLEGE DISTRICT NO. 502
COUNTIES OF DUPAGE, COOK AND WILL
AND STATE OF ILLINOIS

$7,890,000
GENERAL OBLIGATION REFUNDING BONDS
(ALTERNATE REVENUE SOURCE), SERIES 2006

INTRODUCTION

The Bonds

This Official Statement, including the Appendices, sets forth certain information concerning the issuance and sale by Community College District No. 502, Counties of DuPage, Cook and Will and State of Illinois (the "District" or the "Issuer"), of its General Obligation Refunding Bonds (Alternate Revenue Source), Series 2006, in the aggregate principal amount of $7,890,000 (the "Bonds").

The Bonds are being issued under and pursuant to a resolution providing for the issuance of the Bonds duly adopted by the Board of Trustees of the District on October 19, 2006 (the "Bond Resolution").

Cole Taylor Bank, Chicago, Illinois, has been appointed bond registrar and paying agent for the Bonds (the "Bond Registrar") pursuant to the Bond Resolution.

Security for the Bonds

The Bonds are "alternate bonds" as described in the Local Government Debt Reform Act of the State of Illinois, as amended (the "Debt Reform Act"). The Bonds will constitute valid and legally binding general obligations of the District, payable as to principal and interest (i) together with the hereinafter-defined Prior Bonds from student tuition and fees, and (ii) from *ad valorem* taxes levied against all the taxable property in the District without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. See "SECURITY FOR THE BONDS" herein.

The District

The District encompasses an area of approximately 357 square miles in DuPage, Cook, and Will Counties in Illinois. The District operates the College of DuPage (the "College"), a comprehensive community college located in the Village of Glen Ellyn, approximately 35 miles west of Chicago, with various satellite sites in DuPage and Will Counties. The College facilities are situated on approximately 297 acres and the College offers two-year associate degree programs and other courses. The population of the District in 2006 was approximately 946,000. See "THE DISTRICT" herein.

General

The descriptions and summaries of the various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein regarding any such document are qualified in their entirety by reference to such document.

THE REFUNDING

The District is issuing the Bonds to refund certain maturities (the *"Refunded Bonds"*) of its General Obligation Bonds (Alternate Revenue Source) Series 2003B (the "*Prior Bonds"*). The proceeds of the Bonds are being used (i) to provide for an escrow account (the *"Escrow Account"*) to make the principal and interest payments on the Refunded Bonds when due at maturity and upon redemption prior to maturity and (ii) to pay costs of issuance of the Bonds.

To provide for the refunding of the Refunded Bonds, the District will use $200,000 of funds on hand and $7,845,203.96 of the proceeds of the Bonds to purchase direct obligations of the United States America (the *"Treasury Securities"*) and to provide a beginning cash balance. The Treasury Securities and beginning cash balance will be held by Cole Taylor Bank, Chicago, Illinois, as Escrow Agent. The principal of the Treasury Securities and the interest earned thereon, together with the beginning cash balance will be used, together with proceeds from the reinvestment thereof, to pay the principal of and interest on the Refunded Bonds when due at maturity and upon redemption prior to maturity.

The following are the Refunded Bonds.

January 1 Maturity	Amount	Coupon	Refunded
2017	$1,710,000	5.00%	$1,710,000
2018	1,795,000	5.00%	1,795,000
2020	3,870,000	5.25%	3,870,000

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations as to the adequacy of the maturing principal amounts of and interest on the Treasury Securities, together with proceeds from the reinvestment thereof, and any cash held in the Escrow Account to pay the Refunded Bonds in the manner described herein under the caption "THE REFUNDING" and (b) the mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the *"Code"*) will be verified at the time of delivery of the Bonds by Causey Demgen & Moore Inc., Certified Public Accountants, Denver, Colorado (the *"Verifier"*). Such verification will be based, among other things, upon mathematical computations supplied by the Underwriter in connection with the matters set forth above.

THE BONDS

General

The Bonds will bear interest at the respective rates per annum and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be paid as described in "Appendix C – BOOK-ENTRY-ONLY SYSTEM", attached hereto. The Bonds will be issued in denominations of $5,000 and any integral multiples thereof. The Bonds will bear interest (based on a 360-day year of twelve 30-day months) from their date and will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2007, until maturity or earlier redemption. The Bonds will be dated November 1, 2006.

The Bonds Redemption Provisions

Optional Redemption of the Bonds. The Bonds due on and after January 1, 2017, are subject to redemption prior to maturity at the option of the District from any available funds, in whole or in part on any date on or after January 1, 2016, and if in part, from such maturity or maturities as the District may determine, and if less than an entire maturity, in integral multiples of $5,000 selected by lot by the Bond Registrar, at a redemption price of par, plus accrued interest to the redemption date.

Redemption Notice and Procedures

The Bonds will be redeemed only in the principal amount of $5,000 and integral multiples thereof. The District will, at least forty-five (45) days prior to any optional redemption date (unless a shorter time period is satisfactory to the Bond Registrar) notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed will be selected by lot not more than sixty (60) days prior to the redemption date in denominations of $5,000 by the Bond Registrar.

Notice of the call for any such redemption will be given by the Bond Registrar on behalf of the District by mailing the redemption notice by first class mail at least thirty (30) days (but not more than sixty (60) days) prior to the date fixed for redemption to the registered owners of the Bonds at the addresses shown on the books for the registration and transfer of the Bonds maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. During the period in which the Bonds are registered in the name of Cede & Co., and in addition to the preceding notice requirements, notice of any redemption will be given by the Bond Registrar on behalf of the District by mailing a copy of the notice by certified mail, return receipt requested, to DTC. Notice of redemption to DTC will be given by certified mail in sufficient time so that such notice is received at least two days before the giving of the general notice of redemption. The failure to mail notice to the registered owner of any Bond will not affect the validity of the redemption of any other Bond.

So long as notice of redemption is given as described above, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District defaults in the payment of the redemption price) such Bonds or portions of Bonds will cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, the principal amount will be paid by the Bond Registrar at the redemption price. Interest due on or prior to the redemption date will be payable as provided for the payment of principal. Upon surrender for any partial redemption of the Bonds, there will be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal.

If any Bond or portion of a Bond called for redemption will not be so paid upon surrender thereof for redemption, the principal will, until paid, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed will be canceled and destroyed by the Bond Registrar and will not be reissued.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the issuance of the Bonds:

Sources:	
Principal Amount of the Bonds	$7,890,000.00
Funds on Hand	200,000.00
Net Original Issue Premium/Discount	22,668.70
Accrued Interest	11,791.50
Total Sources	$8,124,460.20
Uses:	
Escrow Account	$8,045,203.96
Costs of Issuance, including Underwriters' Discount	67,464.74
Accrued Interest	11,791.50
Total Uses	$8,124,460.20

SECURITY FOR THE BONDS

General. The Bonds are "alternate bonds" ("Alternate Bonds") as described in the Debt Reform Act. The Bonds will constitute valid and legally binding general obligations of the District, payable as to principal and interest (i) together with the Prior Bonds from student tuition and fees (the "Pledged Revenues"), and (ii) from *ad valorem* taxes levied against all the taxable property in the District without limitation as to rate or amount (the "Pledged Taxes"), except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The Bonds are being issued on a parity with the Prior Bonds to the extent the Bonds and the Prior Bonds are payable from the Pledged Revenues. The District is authorized to issue from time to time additional obligations payable from the Pledged Revenues as permitted by law and to establish the lien priority thereof.

Pledged Revenues. The Bonds and the Prior Bonds are secured by the Pledged Revenues and the Bonds are secured by the Pledged Taxes, as described below. The Pledged Revenues consist of student tuition and fees. For more information concerning student tuition and fees, see "THE DISTRICT – District Revenue – *Student Tuition and Fees*" herein.

The following chart compares actual Pledged Revenues for the fiscal year ended June 30, 2006 (student tuition only; excludes fees) with debt service on the Prior Bonds and the Bonds.

Levy Year	Fiscal Year Ending June 30	Pledged Revenues*	Series 2003B Bonds	Refunded Debt Service	Series 2006 Bonds	Total Debt Service
2005	2007	$44,378,178	$2,398,335			$2,398,335
2006	2008	44,378,178	2,401,223	($378,425)	$353,745	2,376,543
2007	2009	44,378,178	2,397,260	(378,425)	343,210	2,362,045
2008	2010	44,378,178	2,399,310	(378,425)	346,610	2,367,495
2009	2011	44,378,178	2,399,810	(378,425)	344,810	2,366,195
2010	2012	44,378,178	2,398,885	(378,425)	343,010	2,363,470
2011	2013	44,378,178	2,397,685	(378,425)	346,210	2,365,470
2012	2014	44,378,178	2,396,475	(378,425)	344,210	2,362,260
2013	2015	44,378,178	2,400,875	(378,425)	347,210	2,369,660
2014	2016	44,378,178	2,397,675	(378,425)	345,010	2,364,260
2015	2017	44,378,178	2,400,025	(2,088,425)	2,057,810	2,369,410
2016	2018	44,378,178	2,399,525	(2,087,925)	2,057,010	2,368,610
2017	2019	44,378,178	2,399,775	(2,088,175)	2,058,010	2,369,610
2018	2020	44,378,178	2,400,813	(2,089,213)	2,060,430	2,372,030
2019	2021	44,378,178	2,396,600			2,396,600
2020	2022	44,378,178	2,397,563			2,397,563
2021	2023	44,378,178	2,398,775			2,398,775

* Student tuition for the year ended June 30, 2006

Pledged Taxes. The Bonds will be general obligations of the District to the payment of which the District will pledge its full faith and credit. The Bond Resolution provides for the levy of *ad valorem* property taxes in amounts sufficient to pay, as and when due, all principal of and the interest on the Bonds. The Bond Resolution will be filed with the Country Clerks of DuPage County, Cook County and Will County and will serve as authorization to said County Clerks to extend and collect such property taxes. The District may only direct abatement of such taxes in any year if and to the extent that it has Pledged Revenues or other funds irrevocably set aside in the Bond Fund established pursuant to the Bond Resolution to pay the principal of and interest on the Bonds.

In accordance with the Debt Reform Act, the Bonds will be excluded from statutory limitations on indebtedness unless *ad valorem* property taxes are extended for the payment of the Bonds pursuant to the general obligation, full faith and credit pledge supporting the Bonds. In such case, the outstanding Bonds will be included in computing all statutory limitations on indebtedness of the District until an audit shows that the Bonds have been paid from the Pledged Revenues for one complete fiscal year. It is the District's intention to use the Pledged Revenues for the payment of the Bonds so that it will not be necessary to extend the Pledged Taxes levied by the Bond Resolution.

Other Provisions. The Debt Reform Act requires that the Pledged Revenues must be pledged to the payment of the Prior Bonds and the Bonds and that the District must covenant to provide for, collect and apply such Pledged Revenues to the payment of the Prior Bonds and the Bonds and the provision of not less than an additional .25 times debt service. This pledge and covenant is contained in the Bond Resolution. The covenant and pledge constitute continuing obligations of the District and a continuing appropriation of the Pledged Revenues received.

No later than the last date on which property tax abatements may be filed with respect to *ad valorem* taxes to be extended and collected for each Tax Year (defined below), the District intends to abate the Pledged Taxes in such Tax Year in an amount equal to the amount then on deposit in the Bond Fund and available for such payment. To the extent that sufficient Pledged Revenues are not deposited by the District in the Bond Fund on or prior to the last date on which property tax abatements may be filed with respect to *ad valorem* taxes to be extended and collected for each Tax Year, and other funds are not so deposited, the Pledged Taxes are required to be extended, collected and deposited in the Bond Fund in such tax year for payment of debt service due on the Bonds. The term "Tax Year" means for any year for which taxes are levied in the Bond Resolution, the year in which such taxes are to be extended for collection.

Bond Fund. The Bond Resolution creates the "Alternate Bond and Interest Fund of 2006" (the "Bond Fund"). On the date of issuance and delivery of the Bonds, accrued interest received upon such issuance and delivery will be deposited in the Bond Fund. In the Bond Resolution, the District covenants to provide for, collect, budget and apply the Pledged Revenues to the payment of the Prior Bonds and the Bonds and the provision of not less than an additional .25 times debt service on the Prior Bonds and the Bonds and deposit in the Bond Fund and in the Alternate Bond and Interest Fund of 2003 for the Prior Bonds all Pledged Revenues so budgeted and collected.

In addition, if Pledged Taxes are extended to pay the Bonds, the District will deposit in the Bond Fund all Pledged Taxes for the purpose of paying principal of and interest on the Bonds. Pursuant to the Bond Resolution, the Pledged Taxes are irrevocably pledged to the purpose of paying principal of and interest on the Bonds when due.

OUTSTANDING DEBT SERVICE

The District currently has outstanding its General Obligation Bonds, Series 2003A, and General Obligation Bonds (Alternate Revenue Source), Series 2003B. The debt service on the Series 2003A Bonds is shown below.

Levy Year	Debt Service
2005	$8,274,163
2006	8,796,350
2007	9,340,100
2008	9,912,350
2009	10,516,600
2010	11,143,600
2011	11,724,850
2012	12,320,850
2013	11,559,913
2014	6,293,950
	$99,882,725

Debt service on the Series 2003B Bonds and the Bonds is shown below:

Debt Service on Outstanding Alternate Bonds

Levy Year	Series 2003B Bonds	Refunded Debt Service	Series 2006 Bonds	Total Debt Service
2005	$2,398,335			$2,398,335
2006	2,401,223	($378,425)	$353,745	2,376,543
2007	2,397,260	(378,425)	343,210	2,362,045
2008	2,399,310	(378,425)	346,610	2,367,495
2009	2,399,810	(378,425)	344,810	2,366,195
2010	2,398,885	(378,425)	343,010	2,363,470
2011	2,397,685	(378,425)	346,210	2,365,470
2012	2,396,475	(378,425)	344,210	2,362,260
2013	2,400,875	(378,425)	347,210	2,369,660
2014	2,397,675	(378,425)	345,010	2,364,260
2015	2,400,025	(2,088,425)	2,057,810	2,369,410
2016	2,399,525	(2,087,925)	2,057,010	2,368,610
2017	2,399,775	(2,088,175)	2,058,010	2,369,610
2018	2,400,813	(2,089,213)	2,060,430	2,372,030
2019	2,396,600			2,396,600
2020	2,397,563			2,397,563
2021	2,398,775			2,398,775
	$40,780,608	($11,759,563)	$11,347,285	$40,368,330

THE DISTRICT

Introduction

The District was organized in 1966 and is governed under the Public Community College Act of the State of Illinois, as amended. The District is governed by the seven-member Board, elected at large for overlapping six-year terms, with one non-voting student member. The day-to-day affairs of the District are conducted by a full-time administrative staff appointed by the Board. The principal policy and budget decisions are also made by the Board.

The District includes Lyons Township in Cook County, a small portion of Will County and all of DuPage County except Wayne Township. It encompasses an area of approximately 357 square miles and DuPage County accounts for over 90 percent of the District's service area.

The District includes the townships of Addison, Bloomingdale, Downers Grove, DuPage, Lemont, Lisle, Lyons, Milton, Naperville, Wheatland, Winfield and York.

The District operates the College, a comprehensive, publicly-supported, community college serving the District. The College now enrolls over 30,000 students and has 2,500 employees, including 337 full-time faculty-staff members and 694 part-time faculty-staff members.

The District's offices are located at 425 Fawell Boulevard, Glen Ellyn, Illinois. The campus of the College is in the same location in Glen Ellyn, approximately 35 miles west of Chicago in the center of DuPage County. The College consists of a main campus and a portion located on the west side of Lambert Street and referred to as the Glen Ellyn west campus. The College's campus facilities are situated on approximately 297 acres and include nine on-campus buildings, including resource centers, instructional centers, computing centers and recreational centers. District-owned regional centers are located in Westmont and Naperville and three leased regional centers are located in Addison, Bloomingdale and Lombard. In addition, the College provides classes at approximately 80 locations within the District's boundaries.

The College offers a variety of degrees and programs and gives students the choice of enrolling on a full or part-time basis. The College offers its students six associate's degrees through more than 45 pre-baccalaureate programs and 45 occupational programs, in addition to a variety of continuing education courses. The College is accredited by the North Central Association of Colleges and Schools.

The academic divisions of the College include Academic Alternatives and Instructional Support; Business and Technology; Community Affairs; Health, Social and Behavioral Sciences; Liberal Arts; and Natural and Applied Sciences. The College also offers local businesses and organizations training and assistance through its Business and Professional Institute. In addition, the College conducts specialized programs such as English as a Second Language, GED and Citizenship. The College also offers a variety of courses and other services over the Internet through C.O.D Online. The College's library maintains a collection of over 170,000 books, 930 periodicals, and many non-print materials such as videos, CDs, and tapes. In addition, the College provides a variety of extracurricular activities for its students, such as athletics, band, choir, a variety of clubs and organizations, student leadership council and theater.

The District's location primarily in DuPage County has placed it directly in the path of much of the westward movement of population, commerce and industry out of Chicago in recent decades. This westward movement has contributed to significant growth in DuPage County and the District.

In the 1970s, DuPage County showed the highest population growth rate of any county north of the Sunbelt—an increase of 33 percent. During the 1980s, DuPage County's population increased by 122,808. As reported in the 1990 census, the population of the County was 781,666. During the 1990's, DuPage County's population increased by 122,495 and in the year 2000, according to the 2000 census, reached 904,161. The County's population is expected to grow to 1,000,000 by the year 2010. The population of the District was 970,512 in 2000 and is expected to reach 1,000,000 by 2008, making the District slightly more populous than DuPage County, which is the second most populous county in the State of Illinois (the "State").

Transportation and other services have developed accordingly. Three interstate highways cross the area, putting residents within 45 minutes of Chicago's central business district. O'Hare International Airport is located along the District's northern border.

Situated in the hub of the nation's mail, air, freight and trucking systems, DuPage County has attracted a variety of industries. A fast growing high tech research and development corridor stretches the width of DuPage County, flanked on the east by Argonne National Laboratory and on the west by Fermi National Accelerator Laboratory. In addition to the high tech businesses located along this corridor, the County is also home to more than 100 active industrial parks and more than 30,000 businesses.

Due to the fact that 90 percent of the District lies in DuPage County, much of the financial, statistical and socioeconomic data discussed below relates to DuPage County and does not describe Cook or Will Counties.

General. The District has three primary sources of revenue: local taxes, student tuition and fees and state funding. The following chart shows the revenue of the District by source for the fiscal year ended June 30, 2006.

District Revenue

Revenue Source	**Amount (000's)**	**Percent of Total**	**Increase (Decrease) From FY05 (000's)**	**Percent Increase (Decrease) From FY05**
Local Government	$ 72,457	38.4%	$ 2,121	3.0%
Student Tuition & Fees	56,736	30.1	13,607	31.5
State Government	22,707	12.0	935	4.3
Federal Government	8,856	4.7	642	14.0
Sales & Service Fees	5,224	2.8	642	14.0
Income on Investments	8,186	4.3	3,049	59.4
All Other	14,579	7.7	9,184	170.2
TOTAL	$188,745	100.0%	$29,242	18.3%

Source: District records for fiscal year ended June 30, 2006

The following chart shows revenue in the operating funds of the District over the past five years.

Total Operating Funds Revenue of District

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
$101,957,140	$109,657,127	$113,417,005	$135,044,587	$126,993,155

Source: District records

Tax Revenues. Local taxes are raised from property taxes levied on District residents in the portions of DuPage, Cook and Will Counties that comprise the District. The following chart shows the assessed valuation of all property in the District over the past five years.

History of Assessed Valuation of District

Assessment Year	DuPage County	Cook County	Will County	Total
2005	$33,462,991,322	$3,180,333,360	$2,048,262,019	$38,691,586,701
2004	31,151,154,721	2,529,008,117	1,869,441,637	35,549,604,475
2003	28,876,986,380	2,393,940,805	1,715,299,114	32,986,226,299
2002	26,748,869,388	2,371,458,718	1,541,413,520	30,661,741,626
2001	24,505,400,849	1,856,353,710	1,356,686,213	27,718,440,772

Source: District records
Assessed value is equal to one-third of estimated actual value.

Property taxes are levied based on the assessed value and the tax levy amount is filed with each County Clerk for each fund. Each County Clerk calculates the actual tax levy for each fund based upon the maximum tax rates allowed for each fund and the tax extension limits allowed under the Tax Extension Limitation Law (as defined below). Those taxes may be allocated to separate funds of the District, subject to legal levy limits imposed upon them by State statutes. The following chart shows the separate funds of the District and the applicable legal levy limits.

District Funds and Levy Limits

Fund Type	Max. Auth.	2005	2004	2003	State Avg. 2004(1)
	Levy Rates (per $100 of equalized assessed valuation)				
Education	$.1750	$.1388	$.1422	$.1474	$.1990
Operations & Maintenance	.0300	.0235	.0243	.0252	.0575
Liability, Protection and Settlement	none	.0021	.0006	.0001	.0552
Social Security/Medicare	none	.0031	.0041	.0047	--
Audit	.0050	.0002	.0001	.0002	.0021
Bond and Interest	none	.0220	.0277	.0324	.0531
Working Cash Bonds	.1682	.0000	.0000	.0000	.0415
Life Safety	.0500	.0000	.0000	.0000	.0296
Total		$.1897	$.1990	$.2100	

(1) State average for community college district taxes levied in 2004 and collected in 2005 which is the latest data available.

*State Average data combines Liability, Protection, & Settlement Fund levy rates with those of Social Security/Medicare.
Source: District records

The following chart shows the total tax levies and collections of the District for the past ten years, current as of October 2, 2006.

District Property Tax Levies and Collections

Year of Levy	Tax Collection Year	Total Tax Levy*	Tax Collections	Percent of Levy Collected
2005	2006	$73,030,949	$60,719,956	83.1%
2004	2005	70,122,555	70,320,855	100.3
2003	2004	68,877,744	69,185,756	100.4
2002	2003	67,271,095	66,545,364	98.9
2001	2002	54,013,158	53,896,438	99.8
2000	2001	51,224,624	51,101,875	99.8
1999	2000	49,123,526	48,970,554	99.7
1998	1999	46,663,354	46,813,932	100.3
1997	1998	44,895,063	44,755,441	99.7
1996	1997	42,646,681	42,783,165	100.3

* Total tax levy amounts are shown net of the .5% allowance for uncollectible taxes.
Source: District records

Student Tuition and Fees. Student tuition and fees are determined by the Board. The total tuition and fees cannot exceed one third of the per capita costs. Per capita cost at June 30, 2006 was $350, one third of which is $117. The in District tuition and fee rate for fiscal year 2006 is $96 per semester credit hour. The chart below shows the tuition and fee rates at the College and the total tuition revenues and fee revenues from fiscal years 1997 through 2007.

District Tuition Rates and Tuition and Fee Revenues

Fiscal Year	Total Tuition and Fees in District per Semester Hour	Total Tuition and Fees Out of District per Semester Hour	Total Tuition and Fees Out of State per Semester Hour	Operating Funds Tuition Revenue(1)	Operating Funds Fee Revenue(1)	Operating Funds Tuition and Fee Revenue(1)	Total Tuition and Fee Revenue(2)
2007	$96.00	$223.00	$280.00	---	---	$49,720,942 (3)	$64,283,095 (3)
2006	87.00 (4)	243.00	286.00	$44,378,178	$2,247,206	46,625,384	56,736,214
2005	50.00	135.00	181.00	42,413,314	2,357,836	44,771,150	54,837,003
2004	46.00	126.00	173.00	37,515,119	2,381,633	39,896,752	51,150,656
2003	43.00	124.00	171.00	34,457,274	2,263,649	36,720,923	47,707,542
2002	37.00	120.00	163.00	28,971,036	1,640,500	30,611,536	39,615,200
2001	35.00	113.00	156.00	26,049,784	1,225,400	27,275,184	36,583,629
2000	32.00	113.00	156.00	23,103,703	831,795	23,935,498	32,267,255
1999	30.00	108.00	149.00	21,030,569	704,431	21,735,000	29,041,764
1998	30.00	104.00	141.00	21,432,104	812,885	22,244,989	28,385,158
1997	29.33	92.00	129.00	20,662,747	722,911	21,385,658	27,076,773

Source: District records

(1) Includes only tuition and fee revenue deposited in the education and operation and maintenance funds of the District. Does not include tuition and fee revenue deposited in special revenue funds, capital projects fund and expendable trust fund.

(2) Includes all tuition and fee revenue.

(3) Budgeted.

(4) In fiscal year 2006, the District changed from the quarter system to semesters.

State Funding. State funding is based upon enrollment levels and reimbursement rates established by the State. These funds are appropriated to the Illinois Community College Board and then distributed to the various community colleges. The District has experienced recent declines in State funding as compared to other revenue sources. Due to the fact that the State is facing financial shortfalls and challenges to balancing the State budget, the District is uncertain as to future levels of State funding.

The following chart shows actual enrollments of the College for the past five years and projected enrollments for the next five years.

College Enrollment

Five Year History			**Five Year Projection**		
Fiscal Year	**Fall Semester Head Count**	**Annualized FTE***	**Fiscal Year**	**Fall Semester Head Count**	**Annualized FTE***
2001-02	34,310	17,609	2006-07	30,092	17,000
2002-03	34,535	18,448	2007-08	30,634	17,300
2003-04	34,535	18,986	2008-09	30,634	17,300
2004-05	33,732	18,970	2009-10	31,155	17,600
2005-06	30,092	17,000	2010-11	31,155	17,600

* Full-time equivalency.
Source: District records

Financial Operations. The District's Treasurer is the custodian for all District funds. The Treasurer receives receipts directly from the county collectors of the District's various counties and from the Treasurer of the State.

Student tuition and fees are payable by students upon registration for classes and must be paid no later than the start of the semester to which the student tuition and fees apply or students will be dropped from classes. The District makes deferred payment arrangements with approximately 12% of students, allowing them to pay student tuition and fees prior to the beginning of the succeeding semester.

Budgeting Process. The District's budget process and system of budgetary controls works as follows:

- All financial operations for the District are implemented according to a running, five year financial plan (the "Plan"). The Plan is updated each year between September and December. Historical data, trends in the District's financial condition, state funding, and economic indicators are used to formulate a base forecast, which is reviewed by the District's cabinet level officers during this period.

- The Plan is presented to the Board for review in January. Thereupon, the Board and the District's staff develop a set of financial goals consistent with the Plan and from which the budget (the "Budget") is formulated.

- The Budget and all department goals are reviewed monthly by cabinet level officers until budgetary expenditures for the coming year are fully matched against total institutional resources. This process is completed in May.

The Budget is published and available for public inspection in June. A budget hearing for public comment is held at a Board meeting each July with the final Budget being adopted at this meeting.

Commencing with its adoption in July, the Budget, on a line by the line basis, is entered on the District's fully computerized encumbrance reporting system. This on-line system monitors all District's expenditures during the year, allowing for expenditures to be controlled within the limits established in the Budget. The system also summarizes the year-to-date performance of each department relative to the Budget and the above-mentioned financial goals.

Socioeconomic Information

Employment. Following are the unemployment rates in DuPage County, the State and the United States for the past five years.

Historical Unemployment Rates

	2006*	2005	2004	2003	2002
DuPage County	3.4%	4.7%	4.9%	5.5%	5.5%
State of Illinois	4.6	5.7	6.2	6.7	6.5
United States	4.6	5.1	5.5	6.0	5.8

* August 2006 Unemployment figures
Source: Illinois Department of Employment Security. Ninety percent (90%) of the District lies in DuPage County.

The chart below shows the ten largest employers in DuPage County in 2006.

DuPage County, Illinois
Ten Largest Employers

Employer	Business Product	Employees
Lucent Technologies	Technology	4,600
BP America	Oil and Gas Producer	4,000
Central DuPage Hospital	General Hospital	4,000
Edward Hospital	Health Care	3,800
Elmhurst Hospital	General Hospital	3,156
DuPage County	Government Services	2,944
Argonne National Laboratory	Research	2,900
McDonalds	Fast Food Restaurant Chain Franchiser	2,800
College of DuPage	Higher Education	2,600
Good Samaritan Hospital	General Hospital	2,525

Source: DuPage County Economic Profile – Major Employers 2006.
Ninety percent (90%) of the District lies in DuPage County.

The following chart classifies DuPage County and State employment figures by occupation.

Employment by Occupation

Classification	DuPage County Number	DuPage County Percent	State of Illinois Number	State of Illinois Percent
Management, professional, and related occupations	208,257	43.74%	1,993,671	34.18%
Service occupations	44,807	9.41	813,479	13.95
Sales and office occupations	143,957	30.23	1,609,939	27.60
Farming, fishing, and forestry occupations	264	.06	17,862	0.30
Construction, extraction, and maintenance occupations	30,743	6.46	480,418	8.24
Production, transportation, and material moving occupations	48,144	10.10	917,816	15.73
Total	476,172	100.00%*	5,833,185	100.00%*

Source: U.S. Bureau of the Census (2000 Census)
Ninety percent (90%) of the District is in DuPage County.
* Numbers may not add due to rounding.

The following chart presents DuPage County and State employment figures by industry.

Employment by Industry

Classification	DuPage County Number	DuPage County Percent	State of Illinois Number	State of Illinois Percent
Agriculture, forestry, fishing and hunting, and mining	800	.17%	66,481	1.14%
Construction	25,308	5.31	334,176	5.73
Manufacturing	71,402	15.00	931,162	15.96
Wholesale trade	25,410	5.34	222,990	3.82
Retail trade	55,298	11.61	643,472	11.03
Transportation and warehousing, and utilities	26,374	5.54	352,193	6.04
Information	19,161	4.02	172,629	2.96
Finance, insurance, real estate, and rental and leasing	46,314	9.73	462,169	7.92
Professional, scientific, management, administrative, and waste management services	63,254	13.28	590,913	10.13
Educational, health and social services	81,608	17.14	1,131,987	19.41
Arts, entertainment, recreation, accommodation and food services	29,678	6.23	417,406	7.16
Other services (except public administration)	20,541	4.31	275,901	4.73
Public administration	11,024	2.32	231,706	3.97
Total	476,172	100.00%*	5,833,185	100.00%*

Source: U.S. Bureau of the Census (2000 Census)
Ninety percent (90%) of the District is in DuPage County.
* Numbers may not add to due rounding.

Sales Tax. The following table shows amounts of the municipal share of sales tax receipts reported by retailers in DuPage County for calendar years 2001-2005 and through the first quarter of 2006. Such sales tax receipt amounts provide an indication of consumer spending by individuals and companies only.

DuPage County, Illinois
Sales Tax Receipts

Calendar Year*	Taxable Sales	Percent Change
2006 **	$178,564,245	N.A.
2005	749,764,137	4.27%
2004	719,057,755	4.32
2003	689,308,617	0.55
2002	693,134,266	4.10
2001	722,760,083	0.45

* Calendar year reports ending December 31.
** Through the first quarter of 2006.
Source: State of Illinois, Department of Revenue
Ninety percent (90%) of the District is in DuPage County.

Household Income. According to the 2000 census, DuPage County had a median household income of $67,887. This compares to $46,590 for the State. The following table shows the distribution of household incomes for the County and the State at the time of the 2000 census.

Median Household Income

	DuPage County		State of Illinois	
Income	Number	Percent	Number	Percent
Under $10,000	9,716	2.98%	383,299	8.34%
$10,000 to $14,999	8,540	2.62	252,485	5.50
$15,000 to $24,999	19,578	6.01	517,812	11.27
$25,000 to $34,999	26,702	8.19	545,962	11.89
$35,000 to $49,999	43,786	13.43	745,180	16.23
$50,000 to $74,999	73,339	22.50	952,940	20.75
$75,000 to $99,999	54,538	16.73	531,760	11.58
$100,000 to $149,999	53,930	16.54	415,348	9.04
$150,000 or more	35,882	11.00	247,954	5.40
Total	326,011	100.00%	4,592,740	100.00%

Source: U.S. Bureau of the Census (2000 Census)
Ninety percent (90%) of the District is in DuPage County.

Population Trends. Since the 1970's, DuPage County has experienced significant growth, becoming the second most populous county in the State. As ninety percent (90%) of the District lies in DuPage County, the District has also grown rapidly in recent decades. In 2006, the population of the District was approximately 946,000.

Population Trends

	1980	**1990**	**2000**	**% Change 1990-2000**
DuPage County	658,835	781,666	904,161	15.67%
State of Illinois	11,427,409	11,430,602	12,419,293	8.65

Source: U.S. Census Bureau (2000 Census)
Ninety percent (90%) of the District is in DuPage County.

Housing. The following chart shows the value of owner-occupied homes in DuPage County and the State as of 2000.

Owner-Occupied Units

	DuPage County		**State of Illinois**	
Value	**Number**	**Percent**	**Number**	**Percent**
Under $50,000	901	.41%	230,049	9.31%
$50,000 to $99,999	5,891	2.68	651,605	26.38
$100,000 to $149,999	41,867	19.06	583,409	23.62
$150,000 to $199,999	67,059	30.52	429,311	17.38
$200,000 to $299,999	64,209	29.22	344,651	13.95
$300,000 or more	39,784	18.11	231,313	9.36
Total	219,711	100.00%*	2,470,338	100.00%*

Source: U.S. Census Bureau (2000 Census)
Ninety percent (90%) of the District is in DuPage County.
* May not total due to rounding.

The chart below shows building permit and construction data for the County for the past five years.

DuPage County, Illinois
Residential Building Permits
(Excludes the Value of Land)

		Single Family		Multi-Family		
Calendar Year	**Number of Permits**	**Number of Buildings**	**Number of Units**	**Number of Buildings**	**Number of Units**	**Total Construction Value**
2006*	1,409	1,384	1,384	25	552	$539,818,069
2005	2,840	2,781	2,781	59	808	1,015,916,584
2004	2,766	2,743	2,743	23	478	869,459,090
2003	2,505	2,479	2,479	26	430	733,681,232
2002	2,981	2,944	2,944	37	637	704,738,017

Source: Northeastern Illinois Planning Commission
Ninety percent (90%) of the District lies in DuPage County.
* Through August 2006.

Largest Taxpayers. The following chart lists the largest taxpayers in DuPage County for the year 2005.

DuPage County, Illinois
Largest Taxpayers

Taxpayer	**Type of Business**	**Assessed Valuation (000's)**	**Percentage of Total Assessed Valuation**
Hamilton Partners Inc.	Commercial Development	$146,573	0.379%
Oakbrook Shopping Center	Shopping Center Property	109,028	0.282
AIMCO	Property Development	83,709	0.216
Lucent Industries	Communications Research and Development	82,520	0.213
Duke Realty Ltd.	Commercial Development	63,683	0.165
AMB Prop RE Tax CO	Commercial Property	60,547	0.156
Commonwealth Edison	Utility	54,465	0.141
Centerpoint Properties	Industrial Property Development	51,531	0.133
National Tax Search	Property Tax Consulting	44,037	0.114
McDonald's Corporation	Food Service	41,549	0.107
Total		$737,642	1.906%

Source: DuPage County Statement of Principal Taxpayers, dated November 30, 2005
Ninety percent (90%) of the District lies in DuPage County.

Employee Relations and Collective Bargaining

The District has over 2,500 employees, 1,747 of which are full-time equivalent staff. The 337 full-time faculty-staff members are represented by the College of DuPage Faculty Association IEA/NEA, pursuant to a contract expiring on June 30, 2007. The 401 part-time faculty-staff members are represented by the College of DuPage Adjunct Association IEA/NEA, pursuant to a contract expiring on June 30, 2009. The District's 15 operating engineers are represented by the International Union of Operating Engineers Local 399, pursuant to a contract expiring on June 30, 2007. In addition, the District's 15 public safety officers are represented by the Illinois Council of Police and Sheriffs Local 7, pursuant to a contract expiring on June 30, 2006. The District is currently in negotiations with the public safety officers. The District characterizes relations with all bargaining units as generally positive.

The District is a member of the Illinois Community College Risk Management Consortium (the "Consortium"). The Consortium is a public entity risk pool operating as a common risk management and insurance program for eight community colleges in Illinois. Each college pays an annual premium to the Consortium as its pro rata share for property and casualty insurance coverage. The Agreement for Formation of the Consortium provides that the Consortium will be self-sustaining through member premiums and will reinsure through commercial companies. The District continues to carry commercial insurance coverage for directors' and offers' liability and sports accident insurance.

Settled claims resulting from these risks have not exceeded commercial insurance limits in any of the past three fiscal years. Therefore, the District has not recorded an accrual for any liabilities related to property, liability or student nurse's malpractice insurance.

The District maintains self-insurance coverage through a third-party administrator for its employee health insurance. The District currently allocates all expenses associated with the employee health plan to each of the individual subfunds. Claims and expenses are reported when incurred. To limit its exposure of risk, the District maintains a specific excess policy that provides coverage in excess of $125,000 per employee.

The District's estimate of liability for claims incurred but not reported is as follows:

Estimated claims incurred but not reported June 30, 2006	$736,000
Estimated FY 2006 claims incurred	(8,038,830)
FY 2006 claims paid	7,959,830
Estimated claims incurred but not reported June 30, 2005	$657,000
Estimated claims incurred but not reported June 30, 2005	$657,000
Estimated FY 2005 claims incurred	(7,420,191)
FY 2005 claims paid	7,449,191
Estimated claims incurred but not reported June 30, 2004	$686,000

The District includes this liability in the amount reported for accrued salaries and benefits, within current liabilities, on the Statement of Net Assets.

Outstanding Debt

District Debt. The District has not defaulted on any of its prior indebtedness. The chart below shows the direct general obligation debt of the District after the issuance of the Bonds.

Direct General Obligation
Bonded Indebtedness of the District

Estimated Full Value of Taxable Property [(1)]	$116,074,760,103
Equalized Assessed Valuation of Taxable Property [(1)]	$38,691,586,701
General Obligation Bonded Debt:	$104,710,000
Percentage to Full Value of Taxable Property:	.09%
Percentage to Equalized Assessed Valuation:	.27%
Percentage of Debt Limit (2.875% of EAV): [(2)]	6.86%
Per Capita	$110.687
Population Estimate: [(3)]	946,000

(1) As of assessment year 2005.
(2) Does not include the Series 2003B Bonds and the Bonds, which do not count against the legal debt limitation of the District unless taxes are extended to pay debt service thereon.
(3) Estimate of population for 2006.

Source: District records

Overlapping Debt. The following shows the overlapping debt of the District as of October 1, 2006.

	Estimated Percentage Applicable	Amount Applicable	
DuPage County	96.182%	$52,125,835	(1)
DuPage County Forest Preserve	96.182%	215,285,432	(1)(3)
DuPage Water Commission	98.716%	55,754,797	(4)
Townships	100.000%	0	(1)
Municipalities	41.118%	387,666,742	(1)(2)(3)(5)
Special service Areas	100.000%	20,754,800	
Park Districts	82.790%	141,876,716	(1)(2)(3)
Fire Protection Districts	84.135%	7,475,396	(2)
Library Districts	55.448%	4,078,176	(1)
Grade School Districts	92.723%	333,106,347	(1)(2)(3)
High School Districts	83.884%	226,852,392	(1)(3)
Unit School Districts	79.808%	480,164,663	
Total Overlapping General Obligation Bonded Debt		$1,925,141,296	

(1) Excludes outstanding principal amounts of General Obligation (Alternate Revenue Source) Bonds which are expected to be paid from sources other than general taxation.
(2) Excludes installment contracts, tax anticipation notes and/or warrants and debt certificates
(3) Includes original principal amounts of General Obligation Capital Appreciation Bonds.
(4) Includes self-supporting bonds.
(5) Includes TIF bonds.

Sources: Office DuPage County Clerk

Future Financings

On November 5, 2002 the voters of the District approved a referendum for the issuance of $183 million of general obligation bonds to build and equip new buildings and renovate existing facilities of the District. In February of 2003, the District issued $92,815,000 of the referendum approved amount. The remaining referendum approved general obligation bonds are expected to be issued prior to November 5, 2007.

TAX COLLECTION INFORMATION FOR DUPAGE COUNTY, ILLINOIS

Tax Levy and Collection Procedures

Local Assessment Officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Illinois Department of Revenue (the "*Department*") assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local Assessment Officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest, and costs, constitute a lien against the property subject to the tax.

Exemptions

Public Act 93-0715, effective July 12, 2004, made changes to a number of property tax exemptions taken by residential property owners. These changes are discussed below.

An annual General Homestead Exemption provides that the Equalized Assessed Valuation ("*EAV*") of certain property owned and used for residential purposes ("*Residential Property*") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $4,500 for taxable years prior to tax year 2004 in counties with 3,000,000 or more inhabitants, and $3,500 in all other counties, and a maximum reduction of $5,000 for taxable year 2004 and thereafter (the "*General Homestead Exemption*").

The new law creates the Alternative General Homestead Exemption (the "*Alternative General Homestead Exemption*") which caps property tax assessment increases for homeowners at 7% a year for a total of three years in counties that choose to adopt the provision by ordinance. Such ordinance must have been adopted prior to January 12, 2005. If counties did not adopt such ordinance, the General Homestead Exemption will apply. In counties with fewer than 3,000,000 inhabitants, the Alternative General Homestead Exemption will apply for taxable years 2003, 2004 and 2005 if 2002 is the designated base year or 2004, 2005 and 2006 if 2003 is the designated base year. Specifically, the amount of the Alternative General Homestead Exemption is the EAV of the Residential Property for the current tax year minus the Adjusted Homestead Value with the following exception: the exemption shall not exceed $20,000 for any taxable year. Assessors calculate the Adjusted Homestead Value by determining the lesser of (i) the homestead property's Base Homestead Value increased by 7% for each tax year after the base year (2002 or 2003) through and including the current tax year or (ii) the EAV of the homestead property for the current tax year minus $3,500 in all counties in tax year 2003 or $5,000 in all counties in tax year 2004 and thereafter. The Base Homestead Value equals the EAV of the homestead property for the base year prior to exemptions, minus $3,500 in all counties in tax year 2003 or $5,000 in all counties in tax year 2004 and thereafter. Furthermore, for the first tax year that the Alternative General Homestead Exemption no longer applies, there shall be an Additional General Homestead Exemption of $5,000 awarded to Residential Property owners (i) who have not been granted a Senior Citizens Assessment Freeze Exemption for the taxable year, (ii) whose Residential Property has increased by more than 20% over the previous assessed valuation and (iii) who have a household income of $30,000 or less. In 2006, the General Assembly will reevaluate the expanded exemption and decide if the Alternative General Homestead Exemption will expire or be renewed.

Additional exemptions exist for (i) senior citizens, with the exemption operating annually to reduce the EAV on a senior citizen's home for taxable years prior to 2004 by $2,000 in all counties, and for taxable year 2004 and thereafter, the maximum reduction shall be $3,000 in all counties; and (ii) disabled veterans, with the exemption operating annually to exempt up to $70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Residential Properties that have been improved or rebuilt following a catastrophic event are entitled to the Homestead Improvement Exemption limited to $45,000 through December 31, 2003, and $75,000 per year beginning January 1, 2004 to the extent the assessed value is attributable solely to such improvements or rebuilding. A Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older and have annual incomes of $35,000 or less prior to taxable year 1999, annual incomes of $40,000 or less in taxable years 1999 through 2003 and $45,000 or less in taxable year 2004 and thereafter. In general, the Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. The exempt amount is the difference between the current EAV of their residence and the EAV of their residence for the year prior to the year in which the senior citizen first qualifies and applies for the Exemption (plus the EAV of improvements since such year). Beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro-rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption. In addition, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit and public schools, churches, and not-for-profit and public hospitals.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law of the State of Illinois, as amended (the "*Limitation Law*") limits the annual growth in the amount of property taxes to be extended for certain Illinois non-home rule units, including the Issuer. In general, the annual growth permitted under the Limitation Law is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes can also be increased due to new construction, referendum approval of tax rate increases, mergers and consolidations.

The District has the authority to levy taxes for many different purposes. See "THE DISTRICT – District Funds and Levy Limits." The ceiling at any particular time on the rate at which these taxes may be extended by District is either (i) unlimited (as provided by statute), (ii) initially set by statute but permitted to be increased by referendum, (iii) capped by statute, or (iv) limited to the rate approved by referendum. Public Act 94-0976, effective June 30, 2006, provides that the only ceiling on a particular tax rate is the ceiling set by statute above which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the District) now have increased flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Limitation Law, however, will not be allowed to exceed the District's limiting rate computed in accordance with the provisions of the Limitation Law.

The effect of the Limitation Law is to limit the amount of property taxes that can be extended for a taxing body. In addition, general obligation bonds, notes and installment contracts payable from ad valorem taxes unlimited as to rate and amount cannot be issued by the affected taxing bodies unless they are approved by referendum, are alternate bonds or are for certain refunding purposes.

The District has the authority to levy taxes for many different purposes. See "THE DISTRICT – District Funds and Levy Limits." The ceiling at any particular time on the rate at which these taxes may be extended by District is either (i) unlimited (as provided by statute), (ii) initially set by statute but permitted to be increased by referendum, (iii) capped by statute, or (iv) limited to the rate approved by referendum. Public Act 94-0976, effective June 30, 2006, provides that the only ceiling on a particular tax rate is the ceiling set by statute above which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the District) now have increased flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Tax Extension Limitation Law, however, will not be allowed to exceed the District's limiting rate computed in accordance with the provisions of the Tax Extension Limitation Law.

Local governments, including the Issuer, can issue limited tax bonds in lieu of general obligation bonds that have otherwise been authorized by applicable law.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the *"Law*") limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

FINANCIAL INFORMATION

The accounting policies of the District conform to generally accepted accounting principles as applicable to units of government. The District uses a modified accrual basis of accounting for all governmental funds. Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Copies of complete audit reports for the fiscal years 2002 through 2006 are available for inspection at the District's office in Glen Ellyn, Illinois. Extracts of the audit report of the District for the fiscal year ended June 30, 2006, with the notes thereto, are in Appendix A hereto and have been audited by Sikich LLP, Certified Public Accountants, Aurora, Illinois, certified public accountants.

LITIGATION

The District is not engaged in and, to the best of its knowledge and belief has not been threatened with, any litigation of any nature which seeks to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or which in any way contests the validity of the Bonds or any proceedings of the District taken with respect to their issuance or sale or the pledge or application of any moneys or the security provided for the payment of the Bonds, or which contests the creation, organization or existence of the District or the title of any of the present members or other officials of the District to their respective offices. Upon the delivery of the Bonds, the District will deliver a certificate, in form satisfactory to Bond Counsel, to the effect of the foregoing.

TAX MATTERS

Tax Exemption

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by the Verified. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the *"Issue Price"*) for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the *"OID Bonds"*) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the *"Service"*) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

State Tax Opinion

Interest on the Bonds is not exempt from Illinois state income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the

Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

CONTINUING DISCLOSURE UNDERTAKING

The District will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

The District is in compliance with each and every undertaking previously entered into pursuant to the Rule. A failure by the District to comply with the Undertaking will not constitute a default under the Bond Resolution and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "– Consequences of Failure of the District to Provide Information" below. A failure by the District to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the District and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the District.

Annual Financial Information Disclosure

The District covenants that it will disseminate its Annual Financial Information no later than 210 days after the end of each fiscal year and its Audited Financial Statements, if any (as described below), no later than 30 days after its receipt of the same, to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") then recognized by the Securities and Exchange Commission for purposes of the Rule and to the repository, if any, designated by the State as the state depository (the "SID") and recognized as such by the Commission for purposes of the Rule.

"*Annual Financial Information*" means an annual update of the information set forth in this Official Statement in the tables under "SECURITY FOR THE BONDS" and "OUTSTANDING DEBT SERVICE" and in the following tables under the caption "THE DISTRICT": "District Revenue," "Total Operating Funds Revenue of District," "History of Assessed Valuation of District," "District Funds and Levy Limits," "District Property Tax Levies and Collections," "District Tuition Rates and Tuition and Fee Revenues," "College Enrollment" and "Direct General Obligation Bonded Indebtedness of the District," to the extent such information is not contained in the Audited Financial Statements.

"*Audited Financial Statements*" means the Comprehensive Annual Financial Report of the District prepared in accordance with generally accepted accounting principles.

Material Events Disclosure

The District covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The "Events" are:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exempt status of the security
- Modification to the rights of security holders
- Bond calls
- Defeasances
- Release, substitution or sale of property securing repayment of the securities
- Rating changes

Consequences of Failure of the District to Provide Information

The District will give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the District to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the District to comply with its obligations under the Undertaking. A default under the Undertaking will not be deemed a default under the Bond Resolution, and the sole remedy under the Undertaking in the event of any failure of the District to comply with the Undertaking will be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the District may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District or type of business conducted;

(b) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds as determined by parties unaffiliated with the District (such as the Bond Counsel).

Termination of Undertaking

The Undertaking will be terminated if the District shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Resolution. The District will give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking will be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the District chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the District shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence.

Dissemination Agent

The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the *"Bond Counsel"*) who has been retained by, and acts as, Bond Counsel to the District. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the District supplied the information under the headings "TAX MATTERS" and "QUALIFIED TAX-EXEMPT OBLIGATIONS." Certain legal matters will be passed upon for the District by its counsel, Robbins, Schwartz, Nicholas, Lifton & Taylor LTD, Chicago, Illinois.

RATING

Standard & Poor's Ratings Group has assigned their municipal bond rating of "AAA" to the Bonds. The rating assigned to the Bonds reflects only the views of the rating agency, and an explanation of the significance of such rating may be obtained only from the rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely, if, in the sole judgment of the rating agency, circumstances so warrant. Any downward revision or withdrawal of any of the rating may have an adverse effect on the trading value and market price of the Bonds.

UNDERWRITING

The Bonds were offered for sale by the District at a public competitive sale on October 31, 2006. The best bid submitted at the sale for the Bonds was by Morgan Keegan & Company, Incorporated (the "Underwriter"). The District awarded the contract for sale of the Bonds to the Underwriter at a price of $7,892,466.45 (reflecting a net reoffering premium of $22,668.70 and an underwriting discount of $31,993.75 plus accrued interest.) The Underwriter has represented to the District that the Bonds have been subsequently reoffered to the public at the yields set forth on the inside cover page of this Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT

Upon the delivery of the Bonds, the District will deliver a certificate executed by proper officers acting in their official capacities, to the effect that, among other things, to the best of their knowledge and belief, the Official Statement was, as of its date, and is, as of the date of delivery of the Bonds, true and correct in all material respects and did not, and does not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

The foregoing references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and they are qualified in their entirety by reference to the complete provisions of such documents and other materials summarized or described. Copies of the Bond Resolution are available for inspection at the office of the District at 425 Fawell Boulevard, Glen Ellyn, Illinois 60137.

Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized.

The execution and delivery of this Official Statement has been authorized by the District.

COMMUNITY COLLEGE DISTRICT NO. 502,
COUNTIES OF DUPAGE, COOK AND WILL AND
STATE OF ILLINOIS

/s/ Michael E. McKinnon
Chairman of the Board of Trustees

APPENDIX A

EXTRACTS OF AUDIT REPORT
OF THE DISTRICT FOR
FISCAL YEAR ENDED JUNE 30, 2006

This Appendix contains the audited general purpose financial statements of the District, but does not contain combining, individual fund and account group financial statements and schedules and supplemental information contained in the District's complete audit report for the fiscal year ended June 30, 2006. Copies of the complete audit report are available from the District upon request.

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Certified Public Accountants & Advisors

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Professional Services & Support
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Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
College of DuPage
Community College District Number 502
Glen Ellyn, Illinois

We have audited the accompanying basic financial statements of the College of DuPage - Community College District Number 502 (the College) as of and for the years ended June 30, 2006 and June 30, 2005 as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the College of DuPage - Community College District Number 502 as of June 30, 2006 and June 30, 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2006 on our consideration of the College of DuPage - Community College District Number 502 internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information and the other supplemental financial information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of College of DuPage - Community College District Number 502. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

The information contained in the introductory and statistical section as listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

Aurora, Illinois
August 24, 2006

Crowe Chizek and Company LLC

COLLEGE OF DuPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502

JUNE 30, 2006

BASIC FINANCIAL STATEMENTS

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STATEMENT 1

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

ASSETS	2006	2005
Current Assets		
Cash and cash equivalents	$ 9,712,965	$ 14,436,918
Current investments	71,900,000	67,145,594
Property taxes receivable	32,542,073	30,015,962
Federal and state government claims receivable	-	3,357
Tuition and fees receivable	3,952,995	2,406,572
Interest receivable	1,079,078	602,177
Other accounts receivable	970,469	1,012,919
Inventory	25,242	29,840
Prepaid expenses	3,193,525	2,342,103
Restricted Assets		
Restricted cash and cash equivalents	6,620,488	731,219
Restricted investments	135,484,152	147,786,687
Property taxes receivable	5,433,498	5,803,026
Federal and state government claims receivable	1,641,834	2,155,689
Restricted interest receivable	3,515,335	2,389,133
Other accounts receivable	192,165	156,312
Prepaid expenses	527,832	492,348
Total Current Assets	276,791,651	277,509,856
Non Current Assets		
Capital assets not being depreciated	24,300,032	15,127,623
Capital assets being depreciated,	177,314,709	171,301,875
Less allowance for depreciation	(99,089,001)	(94,966,418)
Bond issuance costs	647,086	712,186
Total Non Current Assets	103,172,826	92,175,266
Total Assets	379,964,477	369,685,122

The accompanying notes are an integral part of this statement.

STATEMENT 1

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005
(CONTINUED)

	2006	2005
LIABILITIES		
Current Liabilities		
Accounts payable	$ 1,803,932	$ 1,346,744
Accrued salaries and benefits	5,418,061	5,410,928
Accrued compensated absences	2,359,759	2,134,851
Unearned property tax revenues	31,359,532	29,464,894
Unearned tuition and fee revenues	17,429,729	14,079,859
Bonds payable - current	6,315,097	7,420,097
Bond interest payable	316,180	339,555
Termination benefits payable	865,520	649,423
Deposits held in custody for others	-	30
Other current liabilities	71,468	71,509
Liabilities Payable from Restricted Assets		
Accounts payable	3,263,799	1,182,731
Accrued salaries and benefits	90,012	121,727
Unearned property tax revenues	5,339,441	5,754,864
Unearned tuition and fee revenues	407,248	448,553
Other unearned revenues	538,464	932,016
Bond interest payable	596,668	608,468
Deposits held in custody for others	303,996	393,409
Other current liabilities	2,055	110,151
Total Current Liabilities	76,480,961	70,469,809
Non Current Liabilities		
Bonds payable - non current	104,274,719	110,589,816
Termination benefits payable	1,428,120	1,126,640
Total Non Current Liabilities	105,702,839	111,716,456
Total Liabilities	182,183,800	182,186,265
NET ASSETS		
Invested in Capital Assets, net of related debt	102,525,740	91,463,080
Restricted for:		
Debt service	9,601,782	9,616,450
Working cash	8,034,976	8,034,976
Other purposes	1,382,294	1,204,593
Unrestricted	76,235,885	77,179,758
Total Net Assets	$ 197,780,677	$ 187,498,857

The accompanying notes are an integral part of this statement.

STATEMENT 2

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
REVENUES		
Operating Revenues:		
Student tuition and fees	$ 42,488,260	$ 43,128,495
Chargeback revenue	349,820	457,817
Auxiliary enterprises revenues	5,365,823	6,443,135
Other operating revenues	192,701	37,392
Total Operating Revenues	48,396,604	50,066,839
EXPENSES		
Operating Expenses:		
Instruction	69,669,411	68,639,277
Academic support	8,989,952	8,827,676
Student services	11,860,003	12,295,833
Public service	2,286,215	2,947,607
Independent operations	59,504	211,008
Operation and maintenance of plant	14,199,441	13,288,096
General administration	10,240,114	10,483,733
General institutional	11,896,955	11,848,961
Auxiliary enterprises	12,852,677	11,511,965
Scholarship expense	3,528,618	5,155,093
Depreciation expense	5,506,434	6,032,853
Total Operating Expenses	151,089,324	151,242,102
Operating Income (Loss)	(102,692,720)	(101,175,263)
NON-OPERATING REVENUES (EXPENSES)		
Real estate taxes	72,106,710	69,879,209
Corporate Personal Property Replacement Taxes	1,464,917	1,140,989
State appropriations	25,857,848	27,906,061
Federal grants and contracts	8,856,466	9,152,295
Non-governmental gifts and grants	1,089,689	328,920
Investment income	8,486,658	5,135,012
Interest on capital asset-related debt	(5,256,422)	(5,498,273)
Gain (loss) on sale of capital assets	(69,356)	1,569,343
Net Non-Operating Revenues (Expenses)	112,536,510	109,613,556
Net Income Before Capital Contributions	9,843,790	8,438,293
CAPITAL CONTRIBUTIONS		
Capital gifts and grants	128,000	785,499
Total Capital Contributions	128,000	785,499
Increase in Net Assets	9,971,790	9,223,792
NET ASSETS		
Net Assets at Beginning of Year	187,498,857	178,275,065
Restatement	310,030	-
Net Assets at Beginning of Year, as Restated	187,808,887	-
Net Assets at End of Year	$ 197,780,677	$ 187,498,857

The accompanying notes are an integral part of this statement.

STATEMENT 3

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

		2006		2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$	44,291,707	$	47,876,242
Payment to suppliers		(19,068,653)		(26,394,002)
Payment to employees		(120,287,449)		(115,001,595)
Auxiliary enterprise charges		5,365,823		7,151,230
Other		114,261		715,757
Net Cash from Operating Activities		(89,584,311)		(85,652,368)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Real estate taxes		71,429,342		70,170,297
State appropriations		23,224,463		22,250,933
Grants and contracts		9,946,155		9,481,215
Net Cash from Non-Capital Financing Activities		104,599,960		101,902,445
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets		(16,200,420)		(7,650,314)
Proceeds from sale of capital assets		-		2,261,284
Bond principal payments		(6,790,000)		(7,420,000)
Interest paid on capital debt		(5,291,597)		(5,529,448)
Net Cash from Capital and Related Financing Activities		(28,282,017)		(18,338,478)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments		210,084,983		166,289,143
Interest on investments		6,883,555		4,478,896
Purchase of investments		(202,536,854)		(167,172,373)
Net Cash from Investing Activities		14,431,684		3,595,666
Net Increase (Decrease) in Cash		1,165,316		1,507,265
Cash at Beginning of Year		15,168,137		13,660,872
Cash at End of the Year	$	16,333,453	$	15,168,137

The accompanying notes are an integral part of this statement.

STATEMENT 3

COLLEGE OF DUPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

	2006	2005
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (102,692,720)	$ (101,175,263)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation and amortization expense	5,571,534	6,097,954
Amortization of bond premium	(630,097)	(630,097)
State Uniform Retirement System On-Behalf Payments	4,615,514	6,949,011
Changes in Assets and Liabilities:		
Receivables (net)	(1,539,826)	(1,194,120)
Inventories	4,598	(15,015)
Prepaid expenses	(886,906)	(1,695,611)
Other assets	-	650
Accounts payable	2,538,256	(1,182,848)
Accrued salaries and benefits	200,326	371,301
Other accrued liabilities	(108,137)	(121,947)
Unearned tuition and fees	3,349,870	6,121,735
Termination benefits payable	517,577	75,203
Other unearned revenues - restricted	(434,857)	662,961
Deposits held in custody for others	(89,443)	83,718
Net Cash from Operating Activities	$ (89,584,311)	$ (85,652,368)
Schedule of Noncash Transactions		
Donated capital assets	$ 128,000	$ 785,499
RECONCILIATION OF CASH		
Cash and cash equivalents	9,712,965	14,436,918
Restricted cash and cash equivalents	6,620,488	731,219
Total Cash	$ 16,333,453	$ 15,168,137

The accompanying notes are an integral part of this statement.

STATEMENT 4

COLLEGE OF DuPAGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2006
(With Summarized Financial Information for June 30, 2005)

ASSETS	2006 Unrestricted Undesignated	2006 Unrestricted Designated	2006 Unrestricted Total	2006 Temporarily Restricted	2006 Permanently Restricted	2006 Total	2005 Total
ASSETS							
Cash and cash equivalents							
Cash in bank	$ 442,453	$ -	$ 442,453	$ -	$ -	$ 442,453	$ 75,752
Money market	223,910	-	223,910	-	-	223,910	696,214
Total cash and cash equivalents	666,363	-	666,363	-	-	666,363	771,966
Investments	1,078,108	1,153,639	2,231,747	2,285,362	1,549,352	6,066,461	5,239,949
Cash surrender value of life insurance policies	-	-	-	-	26,514	26,514	26,107
Other assets	1,940	5,418	7,358	-	-	7,358	24,780
TOTAL ASSETS	$ 1,746,411	$ 1,159,057	$ 2,905,468	$ 2,285,362	$ 1,575,866	$ 6,766,696	$ 6,062,802
LIABILITIES AND NET ASSETS							
LIABILITIES							
Due to College of DuPage	$ -	$ 72,299	$ 72,299	$ -	$ -	$ 72,299	$ 41,544
Other liabilities	-	56,417	56,417	60,433	-	116,850	110,327
Total liabilities	-	128,716	128,716	60,433	-	189,149	151,871
NET ASSETS							
Unrestricted	1,746,411	1,030,341	2,776,752	-	-	2,776,752	2,775,009
Temporarily restricted	-	-	-	2,224,929	-	2,224,929	1,678,186
Permanently restricted	-	-	-	-	1,575,866	1,575,866	1,457,736
Total net assets	1,746,411	1,030,341	2,776,752	2,224,929	1,575,866	6,577,547	5,910,931
TOTAL LIABILITIES AND NET ASSETS	$ 1,746,411	$ 1,159,057	$ 2,905,468	$ 2,285,362	$ 1,575,866	$ 6,766,696	$ 6,062,802

See accompanying notes to financial statements.

COLLEGE OF DuPAGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006
(With Summarized Financial Information for the Year Ended June 30, 2005)

	2006						2005
	Unrestricted			Temporarily	Permanently		
	Undesignated	Designated	Total	Restricted	Restricted	Total	Total
REVENUES							
Gifts and contributions	$ 244,536	$ 212,662	$ 457,198	$ 194,286	$ 89,072	$ 740,556	$ 782,424
Net investment income	42,904	19,306	62,210	66,508	(356)	128,362	100,167
Net realized gain on sale of investments	(451,037)	205,084	(245,953)	418,323	21,484	193,854	39,357
Net unrealized gain on investments	12,368	3,826	16,194	5,660	7,523	29,377	124,907
Noncash contributions	440,890	16,860	457,750	-	-	457,750	380,766
Change in value of split-interest agreement	-	-	-	(2,752)	-	(2,752)	(8,947)
Change in cash surrender value of life insurance	-	-	-	-	407	407	(5,335)
Miscellaneous	-	95,616	95,616	-	-	95,616	108,022
Net assets released from restrictions	135,282	-	135,282	(135,282)	-	-	-
Total revenues	424,943	553,354	978,297	546,743	118,130	1,643,170	1,521,361
EXPENSES							
Program							
Scholarships granted	114,507	92,997	207,504	-	-	207,504	196,078
Awards granted	5,700	15,668	21,368	-	-	21,368	18,591
Cash gifts to College of DuPage	89,207	140,123	229,330	-	-	229,330	140,221
Noncash gifts to College of DuPage	22,355	989	23,344	-	-	23,344	25,457
Other	-	7,202	7,202	-	-	7,202	12,913
Fundraising	4,410	44,559	48,969	-	-	48,969	49,679
Management and general	438,642	195	438,837	-	-	438,837	368,533
Total expenses	674,821	301,733	976,554	-	-	976,554	811,472
CHANGE IN NET ASSETS	(249,878)	251,621	1,743	546,743	118,130	666,616	709,889
NET ASSETS, BEGINNING OF YEAR	1,996,289	778,720	2,775,009	1,678,186	1,457,736	5,910,931	5,201,042
NET ASSETS, END OF YEAR	$1,746,411	$1,030,341	$2,776,752	$2,224,929	$1,575,866	$6,577,547	$5,910,931

See accompanying notes to financial statements.

STATEMENT 6

COLLEGE OF DuPAGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2006
(With Summarized Financial Information for the Year Ended June 30, 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 666,616	$ 709,889
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions of investment securities	(5,606)	-
Contributions of endowments	(83,466)	(58,551)
Net investment (income) expense restricted for endowments	356	(612)
Net realized (gain) on sale of investments	(193,854)	(39,357)
Net unrealized (gain) on sale of investments	(29,377)	(124,907)
Net (gain) restricted for endowment principal	(21,484)	(235)
(Increase) decrease in		
Cash surrender value of life insurance policies	(407)	5,335
Other assets	17,422	569
Increase (decrease) in		
Due to College of DuPage	30,755	(14,967)
Other liabilities	6,523	45,421
Total adjustments	(279,138)	(187,304)
Net cash from operating activities	387,478	522,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	6,427,247	880,971
Distribution of gain on short-term and long-term investments	-	4,872
Purchase of investments	(7,024,922)	(1,196,871)
Net cash from investing activities	(597,675)	(311,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment principal	83,466	58,551
Net gain restricted for endowment principal	21,484	235
Net investment income (loss) restricted for endowments	(356)	612
Net cash from financing activities	104,594	59,398
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(105,603)	270,955
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	771,966	501,011
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 666,363	$ 771,966

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of College of DuPage - Community College District Number 502 (the College) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to government units and Illinois community colleges, as well as those prescribed by the Illinois Community College Board (ICCB), as set forth in the ICCB Fiscal Management Manual. The College's reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The College is a municipal corporation governed by an elected seven member Board of Trustees. The College is fiscally independent and is considered a primary government pursuant to GASB Statement No. 14, *The Financial Reporting Entity*. The College has determined that the College of DuPage Foundation meets the requirements of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14,* which has resulted in the College of DuPage Foundation being reported as a discretely presented component unit of the College. The College of DuPage Foundation is a legally separate not-for-profit established under Internal Revenue Code Section 501 C(3). Separate financial statements of the Foundation are available from the Foundation's Executive Director, 425 Fawell Boulevard, SRC 2073, Glen Ellyn, Illinois 60137-6599.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return, include: property taxes; federal, state, and local grants; state appropriations; and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Property Taxes

The College's property taxes are levied each year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. Pursuant to guidance from the Illinois Community College Board, and the College Board of Trustees resolution, property tax levies are allocated fifty percent for each of the two fiscal years after the levy year.

Each County Assessor is responsible for assessment of all taxable real property within each county except for certain railroad property that is assessed directly by the state. Reassessment is on a three-year schedule for Cook County and on a four-year schedule for DuPage and Will Counties, as established by their respective Assessors.

Each County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the taxing bodies their respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year, generally on June 1st and September 1st. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1, immediately following the levy year.

The statutory maximum tax rates and the respective final rates for the 2005 tax levy payable in calendar year 2006, per $100 of assessed valuation are as follows:

	Statutory Maximum Rate	Final Rate
Education	$.1750	$.1388
Operations and Maintenance	.0300	.0235
Liability, Protection & Settlement	none	.0021
Social Security/Medicare	none	.0031
Audit	.0050	.0002
Bond and Interest	none	.0220
Life Safety	.0500	none
Working Cash	(1)	none
TOTAL		$.1897

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Property Taxes (continued)

The statutory maximum tax rates and the respective final rates for the 2004 tax levy payable in calendar year 2005, per $100 of assessed valuation are as follows:

	Statutory Maximum Rate	Final Rate
Education	$.1750	$.1422
Operations and Maintenance	.0300	.0243
Liability, Protection & Settlement	none	.0006
Social Security/Medicare	none	.0041
Audit	.0050	.0001
Bond and Interest	none	.0277
Life Safety	.0500	none
Working Cash	(1)	none
TOTAL		$.1990

(1) Subject to limitation of bonds at 75% of property tax base.

The 2006 tax levy, which attached as an enforceable lien on property as of January 1, 2006, has not been recorded as a receivable as of June 30, 2006 as the tax has not yet been levied by the counties within the College's district and will not be levied until December 2006 and, therefore, the levy is not measurable at June 30, 2006.

D. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets, such as roads, parking lots, and sidewalks. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the assets or materially extend their useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are defined by the College as assets with an initial unit cost greater than defined capitalization thresholds, and having an estimated useful life of at least one year. Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives. See Note 3 for further detail.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets (continued)

Assets	Capitalization Threshold	Years
Buildings	$500,000	50
Building improvements	500,000	20
Temporary buildings	100,000	20
Original land improvements	-	20
Renovations of original land improvements	100,000	10
Original infrastructure	-	20
Renovations of original infrastructure	500,000	10
Equipment	2,500	6
Vehicles	2,500	4
Computers and related equipment	2,500	4
Library materials	-	12

E. Cash Equivalents

Cash includes deposits held at banks, and small amounts maintained for change and petty cash funds. Cash equivalents are defined as highly liquid investments readily converted to cash with original maturities of three months or less; they include amounts held in Illinois Funds (ILFUNDS) and amounts held in banks as Trust Assets.

F. Investments

Investments with a maturity less than one year when purchased and all non-negotiable certificates of deposit are reported at cost or amortized cost. Investments with a maturity greater than one year when purchased are reported at fair value. Fair value is determined at quoted market prices. Interest income is reported at the stated interest rate, and any premiums or discounts on debt securities are not amortized.

G. Inventories

Inventories consist of items purchased for resale in the automotive services, IT special services and student activities areas, and are stated at lower of cost (first-in, first-out) or market. The cost is recorded as expenses as the inventory is consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

Restricted assets are primarily $126,000,000 in bond – funded construction accounts, the use of which is restricted by the bond covenants, $14,000,000 in debt service funds, the use of which is restricted by the bond covenants, and $8,000,000 in working cash funds, the use of which is restricted by Illinois Compiled Statutes (ILCS).

I. Unearned Tuition and Fee Revenue

Tuition and fee revenues related to the periods after June 30, 2006 and June 30, 2005 have been classified as unearned.

J. Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt – this represents the College's total investment in capital assets, net of accumulated depreciation and net of any debt issued to acquire the capital asset.

Restricted for:

Debt service – this represents the amount of net assets that have been set aside for payments of bond principal and interest.

Working cash – this represents the principal balance of the Working Cash subfund, which pursuant to College Board of Trustees resolution and ILCS, is held in perpetuity.

Other purposes – this includes primarily unspent property tax receipts in the Audit and Liability Protection and Settlement subfunds.

None of the College's restricted net assets result from enabling legislation adopted by the College.

Unrestricted net assets – This includes resources from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose.

K. Long-Term Obligations

Long-term obligations are reported as liabilities in the applicable financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Classification of Revenues and Expenses

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, and (2) sales and services of auxiliary enterprises. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions. Operating expenses are those expenses directly attributable to the operations of the College. Incidental expenses are classified as non-operating expenses.

M. Federal Financial Assistance Programs

The College participates in federally funded programs providing Pell Grants, SEOG Grants, Federal Work-Study, Federal Family Education Loans and Perkins Loans. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

N. On-Behalf Payments for Fringe Benefits and Salaries

The College recognizes as revenues and expenses contributions made by the State of Illinois to the State Universities Retirement System on behalf of the College's employees. See Note 4 for further detail.

O. Compensated Absences

The College records a liability for employees' vacation leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. The College has no commitment for accumulated sick leave and no liability is recorded. Employees who retire are given credit for unused sick leave towards years of service in the State Universities Retirement System pension plan. See Note 5 for further detail.

P. Use of Estimates

In order to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America, management has made a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and gains and losses during the reporting period. Actual results could differ from those estimates.

2. CASH DEPOSITS AND INVESTMENTS

The Illinois Public Community College Act and the Investment of the Public Funds Act authorize the College to invest in obligations issued by the United States Government, investments constituting direct obligations of any bank, short-term commercial paper of U.S. corporations with assets exceeding $500 million, short-term obligations issued by the Federal National Mortgage Association, shares or other securities issued by savings and loan associations, share accounts of credit unions chartered in the United States with its principal office located in Illinois, and securities issued by the Illinois Funds.

In addition, the College of DuPage Board of Trustees has adopted an investment policy (Policy 6610) which provides further restrictions on the investment of College funds. It is the policy of the College to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the College and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy, in order of priority are; legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

The Board of Trustees policy permits deposits without collateralization in financial institutions with capital and surplus in excess of $100,000,000. The total deposits not collateralized at any one institution may not exceed $5,000,000. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold. These investments are not required to be categorized based on custodial risk in accordance with GASB Statement No. 40 because they are not securities. The relationship between the College and the agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership. For the College's reporting purposes, Illinois Funds are considered cash equivalents.

A. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the College's deposits may not be returned to it. As previously noted, the College's investment policy allows up to $5,000,000 of uninsured and uncollateralized deposits at one financial institution that meets certain criteria. At June 30, 2006 and 2005, the College had bank balances on deposit of $24,763,790 and $12,798,453, respectively, which were uninsured and uncollateralized, out of total bank balances of $210,270,459 and $213,147,963, respectively. At June 30, 2006 uninsured and uncollateralized deposits exceeded the $5,000,000 threshold allowable by the College's investment policy at two financial institutions due to bank errors by $576,336 and $9,945,595 which is not in accordance with the College's investment policy.

2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The following table presents the investment in debt securities of the College as of June 30, 2006 and 2005 by type of investment.

June 30, 2006

Investment	Fair Value	Duration
Repurchase Agreement	$7,050,723	Overnight (or <1 year)
IL Funds	6,708,623	<1 year
ISDLAF	10,018	<1 year

June 30, 2005

Investment	Fair Value	Duration
U.S. Agency Securities (Federal Home Loan Bank)	$5,633,794	2-3 years
IL Funds	11,307,399	<1 year
ISDLAF	113	<1 year

The College limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government, limiting its investments in commercial paper to no more than 33% or the overall portfolio and no more than 10% in one corporation and limiting investments in mutual funds to the ten highest classifications established by a recognized rating service with no more than 5% of the portfolio invested in this fashion. The U.S. Agency Securities, Repurchase Agreements and Illinois Funds listed above are rated AAA by Standard & Poor's. ISDLAF Money Market investments are not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the College will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the College's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the College's agent separated from where the investment was purchased. At June 30, 2006 the College was exposed to custodial credit risk related to the Repurchase Agreement noted above as the securities underlying the repurchase agreement were held by the counterparty's agent in the College's name. Illinois Funds and the ISDLAF Money Market investments are not subject to custodial credit risk.

The College had no investment in one investment vehicle greater than five percent of its overall portfolio.

3. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2006 is as follows:

	Restated Balance July 1, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$4,786,881	$ -	$ -	$ -	$4,786,881
Construction in progress	10,340,742	13,792,476	(47,258)	(4,572,809)	19,513,151
Total capital assets not being depreciated	15,127,623	13,792,476	(47,258)	(4,572,809)	24,300,032
Capital assets being depreciated:					
Land improvements	5,266,740	-	-	2,022,718	7,289,458
Buildings	91,148,218	-	-	-	91,148,218
Building improvements	27,621,364	-	-	2,550,091	30,171,455
Equipment	33,049,053	1,780,194	(1,095,919)	-	33,733,328
Library materials	14,216,500	755,750	-	-	14,972,250
Total capital assets being depreciated	171,301,875	2,535,944	(1,095,919)	4,572,809	177,314,709
Total cost	186,429,498	16,328,420	(1,143,177)	-	201,614,741
Less: accumulated depreciation					
Land improvements	(4,238,575)	(385,165)	-	-	(4,623,740)
Buildings	(36,593,631)	(1,718,842)	-	-	(38,312,473)
Building improvements	(13,629,457)	(1,243,063)	-	-	(14,872,520)
Equipment	(28,155,005)	(1,782,008)	1,073,821	-	(28,863,192)
Library materials	(12,039,720)	(377,356)	-	-	(12,417,076)
Total accumulated depreciation	(94,656,388)	(5,506,434)	1,073,821	-	(99,089,001)
Net Capital Assets	$91,773,110	$10,821,986	$ (69,356)	$ -	$102,525,740

Accumulated depreciation at July 1, 2005 has been restated by a total of $310,030. This adjustment results from changes in the calculation of prior year depreciation expense due to the new financial system placed into operation on July 1, 2005.

COLLEGE OF DuPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(CONTINUED)

3. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the fiscal year ended June 30, 2005 is as follows:

	Balance July 1, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Capital assets not being depreciated:					
Land	$5,233,382	$ 203,499	$(650,000)	$ -	$4,786,881
Construction in progress	6,643,047	5,253,375	-	(1,555,680)	10,340,742
Total capital assets not being depreciated	11,876,429	5,456,874	(650,000)	(1,555,680)	15,127,623
Capital assets being depreciated:					
Land improvements	5,266,740	-	-	-	5,266,740
Buildings	90,588,218	560,000	-	-	91,148,218
Building improvements	26,336,185	-	-	1,285,179	27,621,364
Equipment	32,654,680	1,921,339	(1,797,467)	270,501	33,049,053
Library materials	13,718,900	497,600	-	-	14,216,500
Total capital assets being depreciated	168,564,723	2,978,939	(1,797,467)	1,555,680	171,301,875
Total cost	180,441,152	8,435,813	(2,447,467)	-	186,429,498
Less accumulated depreciation:					
Land improvements	(3,925,825)	(411,869)	-	-	(4,337,694)
Buildings	(34,906,642)	(1,741,291)	-	-	(36,647,933)
Building improvements	(12,603,588)	(1,115,559)	-	-	(13,719,147)
Equipment	(27,521,132)	(2,391,921)	1,755,526	-	(28,157,527)
Library materials	(11,731,903)	(372,214)	-	-	(12,104,117)
Total accumulated depreciation	(90,689,090)	(6,032,854)	1,755,526	-	(94,966,418)
Net Capital Assets	$89,752,062	$2,402,959	$(691,941)	$ -	$91,463,080

4. RETIREMENT, TERMINATION AND POST EMPLOYMENT RELATED BENEFITS

The College contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined pension plan with a special funding situation whereby the State of Illinois makes substantially all contributions on behalf of the participating employers (albeit at less than the actuarially required amounts). SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.

4. RETIREMENT, TERMINATION AND POST EMPLOYMENT RELATED BENEFITS (CONTINUED)

SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at a rate different than the actuarially determined rate with the College funding employer contributions for those employees paid from restricted grant funds. The rate for 2006 and 2005 was 10.18% and 11.12%, respectively, of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

The employer contributions to SURS made by the College and the State are as follows:

Years Ending June 30,	College	State of Illinois
2006	$123,691	$4,268,294
2005	120,125	6,949,011
2004	134,502	43,246,727
2003	111,262	6,361,037

The College contributed 100% of the actuarially determined amounts. The State contributions were substantially less than the actuarially determined requirement in 2003, 2005 and 2006 and substantially in excess of the actuarially required contribution in fiscal year 2004, due to a one time on-behalf payment in 2004. On July 2, 2003, the State University Retirement System (SURS) received a proportionate share of the proceeds from House Bill 3759 (PA 93-002), allocation of an additional $1.432 billion to be applied against the unfunded liability. This payment was in addition to the regular state appropriation received each year and is the direct cause of the significant increase in funding in 2004 displayed above.

The College provides compensation payments to its eligible benefited employees. To encourage early retirement, payments are available to administrators, classified and faculty. The long term liability for the payments, which is payable in installments up to a maximum of three years subsequent to retirement, is recorded at present value in the fiscal year of election for retirement.

4. RETIREMENT, TERMINATION AND POST EMPLOYMENT RELATED BENEFITS (CONTINUED)

The expected future payments for faculty, administrators and classified at June 30, 2006 and 2005 are as follows:

Fiscal year 2007 payments	$ 865,520
Present value of payments beyond fiscal year 2007	1,428,120
Fiscal year 2006 payments	$ 649,423
Present value of payments beyond fiscal year 2006	1,126,640

At June 30, 2006 and 2005, respectively, there were 56 and 45 participants in the early retirement program. The College began fiscal year 2005 with 56 participants. Nineteen new participants joined the program in Fiscal 2006 and thirteen new participants joined the program in Fiscal 2005, and 8 and 24 participants received their final payments during Fiscal 2006 and 2005, respectively.

The College also provides eligible faculty, administrators, and classified retirees with a health benefit program. There are a variety of health care arrangements depending on when an individual retired from the College. The College has gradually moved from providing health care coverage to the provision of annual fixed dollar allocations in lieu of health coverage. The cost of health care coverage for retirees is recorded annually as incurred, and was $458,608 and $430,879 for Fiscal 2006 and 2005, respectively. There are approximately 293 and 239 participants eligible to receive benefits at June 30, 2006 and 2005, respectively. Health coverage is currently available to eligible retirees through a state program – The College Insurance Plan. Active College employees pay .5% of their salary to participate in the program subsequent to retirement. The College, as well as the State of Illinois, provides matching contributions. For Fiscal 2006 and 2005, the College and the State each provided a matching contribution of $347,220 and $326,983, respectively.

5. COMPENSATED ABSENCES

As of June 30, 2006 and 2005, employees had earned but not taken annual vacation leave which at salary rates then in effect aggregated approximately $2,359,759 and $2,134,851, respectively. The College has no commitment for accumulated sick leave and no liability is recorded. Employees who retire are given credit for unused sick leave towards years of service in the State Universities Retirement System.

6. LONG TERM DEBT

A. A summary of long term debt transactions for the years ended June 30, 2006 and 2005 is as follows.

June 30, 2006

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006	Current Portion
General Obligation Bonds - Series 2003A	$81,905,000	$ -	$5,610,000	$76,295,000	$4,480,000
General Obligation Bonds - Series 2003B (Alternate Revenue Source)	29,080,000	-	1,180,000	27,900,000	1,205,000
General Obligation Bonds - Series 2003A-Bond Premium	6,651,652	-	608,789	6,042,863	608,789
General Obligation Bonds - Series 2003B-Bond Premium (Alternate Revenue Source)	373,260	-	21,308	351,952	21,308
Termination Benefits	1,126,640	1,071,761	770,281	1,428,120 *	865,520
Total	$119,136,552	$1,071,761	$8,190,378	$112,017,935	$7,180,617

* Exclusive of current portion

June 30, 2005

	Balance July 1, 2004	Issuances	Retirements	Balance June 30, 2005	Current Portion
General Obligation Bonds - Series 2003A	$88,170,000	$ -	$6,265,000	$81,905,000	$5,610,000
General Obligation Bonds – Series 2003B (Alternate Revenue Source)	30,235,000	-	1,155,000	29,080,000	1,180,000
General Obligation Bonds - Series 2003A-Bond Premium	7,260,442	-	608,790	6,651,652	608,790
General Obligation Bonds - Series 2003B-Bond Premium (Alternate Revenue Source)	394,568	-	21,308	373,260	21,307
Termination Benefits	1,107,000	730,288	710,648	1,126,640 *	649,423
Total	$127,167,010	$730,288	$8,760,746	$119,136,552	$8,069,520

* Exclusive of current portion

6. LONG TERM DEBT (CONTINUED)

B. The long term debt of the College outstanding at June 30, 2006 is as follows:

General Obligation Bonds – Series 2003A

On February 20, 2003 the College issued the Series 2003A bonds in the amount of $92,815,000. The proceeds derived from the issuance of these bonds will be used by the College to build and equip new buildings and renovate existing facilities of the College and to pay the cost of issuing the bonds.

Bond issue date	February 20, 2003
Current portion	$ 4,480,000
Long – term portion	$ 71,815,000
Interest rates	2.0% to 5.25%
Final payment date	June 1, 2016
Payment dates	June 1 and December 1

GENERAL OBLIGATION BONDS – SERIES 2003A

Year ended June 30	Principal	Interest	Total
2007	$4,480,000	$3,794,163	$8,274,163
2008	5,175,000	3,621,350	8,796,350
2009	5,955,000	3,385,100	9,340,100
2010	6,815,000	3,097,350	9,912,350
2011	7,760,000	2,756,600	10,516,600
2012 - 2016	46,110,000	6,933,163	53,043,163
Total	$76,295,000	$23,587,726	$99,882,726

6. LONG TERM DEBT (CONTINUED)

B. The long term debt of the College outstanding at June 30, 2006 is as follows (continued):

General Obligation Bonds (Alternate Revenue Source) – Series 2003B

On February 20, 2003 the College issued the Series 2003B bonds in the amount of $31,580,000. The proceeds derived from the issuance of these bonds will be used by the College to construct parking facilities and related site improvements and to pay the cost of issuing the bonds.

Bond issue date	February 20, 2003
Current portion	$ 1,205,000
Long – term portion	$ 26,695,000
Interest rates	2.0% to 5.25%
Final payment date	January 1, 2023
Payment dates	July 1 and January 1

GENERAL OBLIGATION BONDS – SERIES 2003B
(ALTERNATE REVENUE SOURCE)

Year Ended June 30	Principal	Interest	Total
2007	$1,205,000	$1,193,335	$2,398,335
2008	1,235,000	1,166,223	2,401,223
2009	1,265,000	1,132,260	2,397,260
2010	1,305,000	1,094,310	2,399,310
2011	1,355,000	1,044,810	2,399,810
2012 – 2016	7,600,000	4,391,595	11,991,595
2017 – 2021	9,460,000	2,536,738	11,996,738
2022 – 2023	4,475,000	321,337	4,796,337
Total	$27,900,000	$12,880,608	$40,780,608

6. LONG TERM DEBT (CONTINUED)

B. The long term debt of the College outstanding at June 30, 2006 is as follows (continued):

Total General Obligation Bonds – Series 2003A and
General Obligation Bonds (Alternate Revenue Source) – Series 2003B

	Year Ended June 30	Principal	Interest	Total
	2007	$5,685,000	$4,987,498	$10,672,498
	2008	6,410,000	4,787,573	11,197,573
	2009	7,220,000	4,517,360	11,737,360
	2010	8,120,000	4,191,660	12,311,660
	2011	9,115,000	3,801,410	12,916,410
	2012 – 2016	53,710,000	11,324,758	65,034,758
	2017 – 2021	9,460,000	2,536,738	11,996,738
	2022 – 2023	4,475,000	321,337	4,796,337
Total		$104,195,000	$36,468,334	$140,663,334

Termination Benefits

A long term liability is recorded at present value in the amount of $1,428,120 and $1,126,640 at June 30, 2006 and 2005, respectively, for expected future retirement benefit payments to administrators, classified, and faculty.

7. BOOKSTORE LEASE

The College's bookstore facility is leased to Follett Higher Education Group of Oak Brook, Illinois through March 13, 2009. Under the terms of this agreement dated August 1, 2003, the service provider agrees to operate the bookstore facility with a total minimum rental guarantee of $4,250,000 or an annual minimum of $850,000. For the years ended June 30, 2006 and 2005, the College recognized income under this agreement of $971,551 and $1,040,396 respectively.

8. DINING SERVICES LEASE AND VENDING

The College's Dining Services program consists of manual operations and vending throughout the campus. The College has a lease for manual services with Eurest Dining Services of Elmhurst, Illinois through August 17, 2007. Under the terms of this agreement, the service provider agrees to operate the manual operations without a direct subsidy from the College.

The College also has agreements with two firms to provide vending program services. The agreement for food vending is with Aramark Corporation of Lansing, Illinois, for a five-year period commencing on or about September 1, 2004 and ending December 31, 2009. Under the terms of this agreement, the service provider agrees to pay commissions at an average rate of 23.3%, payable monthly, for the term of the agreement. For the years ended June 30, 2006 and 2005, the College recognized income under these agreements of $66,780 and $83,734 respectively.

The agreement for beverage vending is with Pepsi Americas (PAS) of Chicago, Illinois, for a five and one-half-year period ending December 31, 2009, as amended on July 1, 2004. Under the terms of this agreement, the service provider agrees to pay minimum commissions annually in the amount of $155,000 for each full year of the agreement and $77,500 in the final partial year of the agreement for a total minimum level of $852,500. The annual commission is approximately 46% of annual gross sales. The College will receive the greater of these two calculations each year. For the years ended June 30, 2006 and 2005, the College recognized income of $169,422 and $174,702 respectively. In accordance with the beverage vending agreement, PAS also agrees to pay an annual sponsorship fee of $75,000 for each full year of the agreement and $37,500 in the final partial year of the agreement.

9. FACILITIES LEASE

The College has operating leases for eight off-campus facilities expiring through July 31, 2016. Current year rental cost on these eight facilities approximated $407,635, exclusive of assessed common area maintenance charges and real estate taxes. The future minimum rental payments on these leases are as follows:

Fiscal Year	Minimum Rental Payments
2007	$ 711,964
2008	717,258
2009	657,321
2010	540,761
2011	532,693
2012-2016	2,768,438

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, or destruction of property, injuries to employees and natural disasters. The College is a member of the Illinois Community College Risk Management Consortium (the "Consortium"). The Consortium is a public entity risk pool operating as a common risk management and insurance program for eight local community colleges. Each college pays an annual premium to the Consortium as its pro rata share for property and casualty insurance coverage. The Agreement for Formation of the Consortium provides that the Consortium will be self-sustaining through member premiums and will reinsure through commercial companies. The College continues to carry commercial insurance coverage for directors' and officers' liability and sports accident insurance.

Settled claims resulting from these risks have not exceeded commercial insurance limits in any of the past three fiscal years. Therefore, the College has not recorded an accrual for any liabilities related to property, liability or student nurse's malpractice insurance.

The College maintains self-insurance coverage through a third-party administrator for its employee health insurance. The College currently allocates all expenses associated with the employee health plan to each of the individual subfunds. Claims and expenses are reported when incurred. To limit its exposure of risk, the College maintains a specific excess policy that provides coverage in excess of $125,000 per employee."

The College's estimate of liability for claims incurred but not reported is as follows:

Estimated claims incurred but not reported June 30, 2006	$736,000
Estimated FY2006 claims incurred	(8,038,830)
FY2006 claims paid	7,959,830
Estimated claims incurred but not reported June 30, 2005	$657,000
Estimated claims incurred but not reported June 30, 2005	$657,000
Estimated FY2005 claims incurred	(7,420,191)
FY2005 claims paid	7,449,191
Estimated claims incurred but not reported June 30, 2004	$686,000

The College includes this liability in the amount reported for accrued salaries and benefits, within current liabilities, on the Statement of Net Assets.

11. LITIGATION

From time to time, the College is party to various pending claims and legal proceedings. Although the outcome cannot be forecast with certainty, it is the opinion of management and appropriate legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the College's financial position or results of operations.

12. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* is effective for the College's fiscal year ending June 30, 2007 and may require the College to measure and report the cost of post-employment benefits (e.g., retiree health care) as they are earned over the service life of the employee.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* is effective for the College's fiscal year ending June 30, 2008. This new standard addresses how employers should account for and report costs and obligations for post-employment health care and other nonpension post-employment benefits promised to employees.

TB2004-2, *Recognition of Pension and Other Postemployment Benefit [OPEB] Expenditures/ Expense and Liabilities by Cost-Sharing Employers.* The Technical Bulletin clarifies the application of requirements regarding accounting for employers' contractually required contributions to cost-sharing pension and OPEB plans issued in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* respectively and is effective for the College's fiscal year ending June 30, 2009.

13. DISCRETELY PRESENTED COMPONENT UNIT

A. Nature of Activities

The College of DuPage Foundation (the Foundation) is a not-for-profit organization which was formed to promote the educational development and general educational welfare of the College of DuPage, Community College District Number 502 (College).

B. Summary of Significant Accounting Policies

Basis of Presentation

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting established by the Financial Accounting Standards Board (FASB). Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

13. DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

B. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets - permanently restricted, temporarily restricted, or unrestricted. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Undesignated Net Assets - Net assets not subject to donor-imposed restrictions.

Unrestricted Designated Net Assets - Net assets not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in either unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted undesignated or unrestricted designated net assets and reported in the statement of activities as net assets released from restrictions.

13. DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

B. Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value. Contributions, from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate; based on the Federal Funds rate at the date the promise is made. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions if any, on the contributions. An allowance for uncollectible contributions is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Income from Permanently Restricted Net Assets

Contributions, investment income, realized, and unrealized net gains on investments of permanently restricted net assets are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or the Foundation's Board's interpretation of relevant state law requires that they be added to the principal of permanently restricted net assets;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets in all other cases.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investment securities are reported in the statement of financial position at fair value based on quoted market prices.

13. DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

B. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material to these financial statements.

APPENDIX B

FORM OF APPROVING OPINION OF BOND COUNSEL

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings of the Board of Trustees of Community College District No. 502, Counties of DuPage, Cook and Will and State of Illinois (the *"District"*), passed preliminary to the issue by the District of its fully registered General Obligation Refunding Bonds (Alternate Revenue Source), Series 2006 (the *"Bonds"*), to the amount of $7,890,000, dated November 1, 2006, due serially on January 1 of the years and in the amounts and bearing interest as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2009	$ 40,000	4.00%
2010	45,000	4.00%
2011	45,000	4.00%
2012	45,000	4.00%
2013	50,000	4.00%
2014	50,000	4.00%
2015	55,000	4.00%
2016	55,000	4.00%
2017	1,770,000	4.00%
2018	1,840,000	3.75%
2019	1,910,000	3.80%
2020	1,985,000	3.80%

the Bonds due on or after January 1, 2017, being subject to redemption prior to maturity at the option of the District as a whole or in part in any order of their maturity as determined by the District (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on January 1, 2016, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in such proceedings, and we are of the opinion that such proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the District, and is payable (i) together with the District's outstanding

General Obligation Bonds (Alternate Revenue Source), Series 2003B, dated February 1, 2003, from student tuition and fees and (ii) ad valorem property taxes levied upon all taxable property in the District without limitation as to rate or amount, and all taxable property in the District is subject to the levy of such taxes, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the District's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the Bonds and the yield on certain investments by Causey Demgen & Moore Inc., Certified Public Accountants, Denver, Colorado.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE DISTRICT OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE DISTRICT OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS AS DESCRIBED HEREIN. NEITHER THE DISTRICT NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON.

The Depository Trust Company (*"DTC"*), New York, New York, 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of 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, as amended (the *"1934 Act"*). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 and Clearing Corporation (*"DTCC"*). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission (the *"SEC"*). (Direct Participants and Indirect Participants are collectively referred to herein as "*Participants."*) More information about DTC can be found at **www.dtcc.com**.

Purchases of the 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests 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 certificates representing their ownership interests in 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 Participants to whose accounts 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.

Redemption Notices are to be sent to Cede & Co. by the Bond Registrar. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed. Neither the Bond Registrar nor the District is responsible for sending notices to Beneficial Owners. 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.

Neither DTC nor Cede & Co. will consent or vote with respect to 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).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of 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 Bond Registrar on payment 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 is 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 DTC, the Bond Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Bond Registrar, disbursement of such payments to

Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

For every transfer and exchange of the Bonds, the Bond Registrar may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

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

NEITHER THE DISTRICT NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; OR THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to Bondholders or owners of the Bonds will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners of the Bonds.

In the event that the Book-Entry Only System is discontinued, the Bond Registrar shall keep the registration books for the Bonds at its principal corporate trust office. Thereafter, payment, redemption, exchanges and transfers of the Bonds shall be effected as described herein, exclusive of the book entry procedures.

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