



January 8, 2015

Mr. Ralph Hall  
Vice President and CFO  
Collin County Community College District  
3452 Spur 399  
McKinney, Texas 75069

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Dear Mr. Hall:

Thank you for discussing with us the requirements of our forthcoming engagement. This letter (the "Engagement Letter") documents our mutual understanding of the arrangements for the services described herein

#### **Scope of services**

Grant Thornton LLP ("Grant Thornton") will audit the financial statements of the business-type activities of the Collin County Community College District (the "District"), as of and for the year ended August 31, 2015.

Our financial statement audit will be conducted in accordance with auditing standards generally accepted in the United States of America ("US GAAS") established by the American Institute of Certified Public Accountants ("AICPA") and the standards for financial audits of the U.S. Government Accountability Office's ("GAO") *Government Auditing Standards* ("GAGAS") issued by the Comptroller General of the United States. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In assessing the risks of material misstatement, an auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance. GAGAS further requires us to perform tests of the District's compliance with laws, regulations, and provisions of contracts or grant agreements, in which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, a financial statement audit is not designed to provide assurance on compliance or internal control over financial reporting or to identify immaterial instances of noncompliance or internal control deficiencies.

When conducting an audit, the auditor is required to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, to enable the auditor to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Although not absolute assurance, reasonable assurance is, nevertheless, a high level of assurance. However, an audit is not a guarantee of the accuracy of the financial statements. Even though the audit is properly planned and performed in accordance with professional standards, an unavoidable risk exists that some material misstatements or noncompliance with laws, regulations, and provisions of contracts or grant agreements may not be detected due to the inherent limitations of an audit, together with the inherent limitations of internal control. Also, an audit is not designed to detect errors or fraud that is immaterial to the financial statements.

It should be noted that because the determination of abuse is subjective, we have no responsibility to design the audit to provide reasonable assurance of detecting abuse. Abuse is distinct from fraud and noncompliance. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.

Pursuant to the Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (“OMB Circular A-133”), we will also audit the District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. We will conduct our compliance audit in accordance with US GAAS, GAGAS, OMB Circular A-133 and the State of Texas Single Audit Circular. Those standards and OMB Circular A-133 require the auditor to plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on each major federal program occurred, to enable the auditor to express an opinion on the District’s compliance with these requirements in all material respects. A compliance audit includes determining major programs, examining, on a test basis, evidence about the District’s compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances, including performing tests of internal control to evaluate the effectiveness of the design and operation of controls considered relevant to preventing, or detecting and correcting material noncompliance with requirements applicable to major programs. Absolute assurance is not attainable because the compliance audit is conducted on a test basis and compliance with the specific program requirements is subject to the inherent limitations of internal control over compliance, which may not prevent or detect intentional or unintentional noncompliance. Accordingly, material noncompliance may remain undetected. Also, a compliance audit is not designed to detect noncompliance, whether intentional or unintentional, that is immaterial. Our compliance audit does not provide a legal determination of the District’s compliance with those requirements.

Upon the completion of the foregoing financial statement and compliance audits and subject to their findings, we will render our reports on the District’s financial statements and on the District’s compliance with the requirements referred to above that are applicable to each of its major federal programs and will communicate our findings in accordance with US GAAS, GAGAS, OMB Circular A-133 and the State of Texas Single Audit Circular. Our report on the District’s compliance will include our findings on internal control over compliance; however, no opinion will be expressed on internal control over compliance.

As required by GAGAS, we will also render a report that includes our findings on the District's internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements, and other matters based on our financial statement audit. Such report will be considered integral to the basic financial statements and will be referred to in our report thereon. However, providing an opinion on internal control over financial reporting or on compliance with those provisions is not an objective of our financial statement audit, and accordingly, we will not express such an opinion.

It is possible that circumstances may arise in which our reports may differ from their expected form and content, resulting in a modified report or disclaimer of opinion. Further, if in our professional judgment the circumstances necessitate, we may resign from the engagement prior to completion.

### **Required supplementary information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We will apply certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures will not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other information**

Management is responsible for providing us with other information that will be included in an annual report or similar document containing audited financial statements and our auditor's report thereon, including the introductory and statistical sections presented to fulfill the requirements of the Government Finance Officers' Association Comprehensive Annual Financial Report ("CAFR"). Management should provide the information prior to the release of our auditor's report. Our responsibility for such information does not extend beyond the financial information identified in our report. We do not perform any procedures to corroborate the other information contained in these documents. Professional standards require us to read the other information and consider whether the other information, or the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We will bring to management's attention any information that we believe is a material misstatement of fact.

### **Responsibilities of those charged with governance**

Effective two-way communication with the Board of Trustees (referred to as "those charged with governance") assists us in obtaining information relevant to the audit and also assists those charged with governance in fulfilling their responsibility to oversee the financial reporting process. Those charged with governance play an important role in the District's internal control over financial reporting by setting a positive tone at the top and challenging the District's activities in the financial arena. Accordingly, it is important for those charged with governance to communicate to us matters they believe are relevant to our engagement. As indicated below, management also has a responsibility to communicate certain matters to those charged with governance and to Grant Thornton.

In connection with our engagement, professional standards require us to communicate certain matters that come to our attention to those charged with governance, such as the following:

- fraud involving senior management and fraud that causes a material misstatement
- illegal acts, unless clearly inconsequential
- violations of provisions of contracts or grant agreements and abuse that causes a material misstatement
- non-compliance with the provisions of a major federal financial assistance program
- failure to report fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to specified external parties when required by law or regulation. We may also be required to report such matters directly to the external party.
- significant deficiencies and material weaknesses in internal control over financial reporting and federal financial assistance
- disagreements with management and other serious difficulties encountered
- qualitative aspects of significant accounting practices, including accounting policies, estimates, and disclosures
- audit adjustments and uncorrected misstatements, including missing disclosures.

### **Management responsibilities**

As you are aware, the financial statements are the responsibility of management. Management is responsible for preparing and fairly presenting the financial statements in accordance with accounting principles generally accepted in the United States of America, which includes adopting sound accounting practices and complying with changes in accounting principles and related guidance. Management is also responsible for:

- providing us with access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, including all financial records, documentation of internal control over financial reporting and federal financial assistance and related information, and any additional information that we may request for audit purposes
- providing us with unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence
- making us aware of any significant vendor relationships in which the vendor has the responsibility for program compliance
- ensuring that the District identifies and complies with all laws, regulations, provisions of contracts and grant agreements applicable to its activities and for informing us of any known violations. The District should identify and disclose to us all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other significant financial data.
- taking timely and appropriate steps to remedy fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report
- designing, implementing, and maintaining effective internal control over financial reporting and federal financial assistance, which includes adequate accounting records and procedures to safeguard the District's assets, and for informing us of all known significant deficiencies and material weaknesses in, and significant changes in, internal control over financial reporting and federal financial assistance

- informing us of their views about the risk of fraud within the District and their awareness of any known or suspected fraud and the related corrective action proposed
- adjusting the financial statements, including disclosures, to correct material misstatements and for affirming to us in a representation letter that the effects of any uncorrected misstatements, including missing disclosures, aggregated by us during the current engagement, including those pertaining to the latest period presented, are immaterial, both individually and in the aggregate, to the financial statements as a whole
- establishing and maintaining a process to address and track the status of our findings, conclusions, and recommendations, including providing management's views on such matters as well as planned corrective actions to be included in the report, in a timely manner. This includes informing us of findings and recommendations from previous audits, attestation engagements, or other studies that could have a material effect on the financial statements and whether any related recommendations were implemented.
- informing us of any events occurring subsequent to the date of the financial statements through the date of our auditor's report that may affect the financial statements or the related disclosures
- informing us of any subsequent discovery of facts that may have existed at the date of our auditor's report that may have affected the financial statements or the related disclosures
- taking corrective action on any reported findings or questioned costs reported to them and preparing a summary schedule of prior audit findings and a corrective action plan, if applicable, as required by OMB Circular A-133
- submitting the reporting package (including financial statements, schedule of expenditures of federal awards, auditor's reports and, if applicable, a summary schedule of prior audit findings and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.
- distributing the report(s), including the financial statements, any supplementary information, and the report(s) thereon, to those officials and organizations requiring them.

To assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process, management should discuss with those charged with governance the:

- adequacy of internal control over financial reporting and federal financial assistance and the identification of any significant deficiencies or material weaknesses, including the related corrective action proposed
- significant accounting policies, alternative treatments, and the reasons for the initial selection or change in significant accounting policies
- process used by management in formulating particularly sensitive accounting judgments and estimates and whether the possibility exists that future events affecting these estimates may differ markedly from current judgments

- basis used by management in determining that uncorrected misstatements, including missing disclosures, are immaterial, both individually and in the aggregate, including whether any of these uncorrected misstatements could potentially cause future financial statements to be materially misstated.

We will require management's cooperation to complete our services. In addition, we will obtain, in accordance with professional standards, certain written representations from management, which we will rely upon.

### **Use of our reports**

The inclusion, publication, or reproduction by the District of any of our reports in documents such as bond offerings, regulatory filings, and OMB Circular A-133 Data Collection Forms containing information in addition to financial statements may require us to perform additional procedures to fulfill our professional or legal responsibilities. Accordingly, our reports should not be used for any such purposes without our prior permission. In addition, to avoid unnecessary delay or misunderstanding, it is important that the District give us timely notice of its intention to issue any such document.

The report on compliance with laws, regulations, and provisions of contracts or grant agreements and internal control over financial reporting and the report on compliance and internal control over compliance related to major programs issued in accordance with OMB Circular A-133 will each include a statement that describes the purpose of the communication, which is to describe the scope of our testing of internal control over financial reporting, internal control over compliance, and the result of that testing. Accordingly, these reports are not suitable for any other purpose.

### **Other services**

#### **Supplementary information**

Management is responsible for separately preparing the schedule of expenditures of federal awards for the year ended August 31, 2015 in accordance with OMB Circular A-133 and the State of Texas *Single Audit Circular* and the Texas Higher Education Coordinating Board (THECB) supplemental schedules. Such supplementary information, which will be presented for purposes of additional analysis and is not a required part of the financial statements, will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These procedures will include comparing and reconciling the supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. The purpose of our procedures will be to form and express an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In connection with our procedures, management is responsible for informing us about:

- the methods of measurement and presentation of the supplementary information
- whether those methods have changed from the methods used in the prior period and the reasons for the change, if any

- any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management will present the supplementary information with the audited financial statements. Management is responsible for including our report on the supplementary information in any document that contains the supplementary information and that indicates we reported on it.

We will require management to provide us with certain written representations related to their responsibilities described above, including whether management believes the supplementary information (including its form and content) is fairly presented in accordance with OMB Circular A-133, the State of Texas Single Audit Circular and THECB.

### **Other services**

Any other services that you request will constitute a separate engagement that will be subject to our acceptance procedures. Professional standards, laws, and regulations may prescribe limitations on non-audit services we may perform without impairing our independence.

### **Fees**

#### **Standard billings**

Our billings for the services set forth in this Engagement Letter which we have estimated will total \$94,170, \$96,995 and \$99,905 (inclusive of \$2,500 for Inventory Observation fees) for the next three starting in 2015. They will be rendered in accordance with the below schedule and are payable within 20 days of receipt.

<u>Billing date</u>	<u>Fees 2015</u>	<u>Fees 2016</u>	<u>Fees 2017</u>
September 30	\$22,000	\$22,000	\$23,000
November 15	\$52,000	\$52,000	\$53,000
November 30	\$20,170	\$22,995	\$23,905

The above fees assume that we will audit three major programs. If it appears that the estimated fee will be exceeded, we will bring this to your attention.

#### **Additional billings**

Of course, circumstances may arise that will require us to do more work. Some of the more common circumstances include: changing auditing, accounting, and reporting requirements from professional and regulatory bodies; incorrect accounting applications or errors in District records; restatements; failure to furnish accurate and complete information to us on a timely basis; and unforeseen events, including legal and regulatory changes. We are enclosing an explanation of various matters that can cause us to perform work in excess of that contemplated by our fee estimate.

At Grant Thornton, we pride ourselves on our ability to provide outstanding service and meet our clients' deadlines. To help accomplish this goal, we work hard to have the right professionals available. This involves complex scheduling models to balance the needs of our clients and the utilization of our people, particularly during peak periods of the year. Last minute client requested scheduling changes result in costly downtime due to our inability to make alternate arrangements for our professional staff.

We will coordinate a convenient time for Grant Thornton to begin work. If, after scheduling our work, you do not provide proper notice, which we consider to be one week, of your inability to meet the agreed-upon date(s) for any reason, or do not provide us with sufficient information required to complete the work in a timely manner, additional billings will be rendered for any downtime of our professional staff.

#### **Adoption of new accounting standards**

Professional and regulatory bodies frequently issue new accounting standards and guidance. Sometimes, standards are issued and become effective in the same period, providing a limited implementation phase and preventing us from including the impact in our estimated fees. In such circumstances, we will discuss with you the additional audit procedures and related fees, including matters such as the retrospective application of accounting changes and changes in classification.

#### **Other costs**

Except with respect to a dispute or litigation between Grant Thornton and the District, our costs and time spent in legal and regulatory matters or proceedings arising from our engagement, such as subpoenas, testimony, or consultation involving private litigation, arbitration, industry or government regulatory inquiries, whether made at the District's request or by subpoena, will be billed to the District separately.

Professional standards impose additional responsibilities regarding the reporting of illegal acts that have or may have occurred. To fulfill our responsibilities, we may need to consult with District counsel or counsel of our choosing about any illegal acts that we become aware of. Additional fees, including legal fees, will be billed to the District. The District agrees to ensure full cooperation with any procedures that we may deem necessary to perform.

#### **Right to terminate services for nonpayment**

In the event of nonpayment, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this Engagement Letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid as agreed. Alternatively, if we elect to terminate our services for nonpayment, the District will be obligated to compensate us for all time expended and to reimburse us for all expenses through the date of termination.

#### **Other matters**

##### **Relationship to Grant Thornton International Ltd**

Grant Thornton is the U.S. member firm of Grant Thornton International Ltd ("GTIL"), an organization of independently owned and managed accounting and consulting firms. References to GTIL are to Grant Thornton International Ltd. GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms. These firms are not members of one international partnership or otherwise legal partners with each other internationally, nor is any one firm responsible for the services or activities of any other firm.



**Use of third-party service providers and affiliates**

Grant Thornton may use third-party service providers, such as independent contractors, specialists, or vendors, to assist in providing our professional services. We may also use GTIL member firms, other affiliates, or other accounting firms. Such entities may be located within or outside the United States.

Grant Thornton intends to use the technology and resources of the following entities to assist us as follows:

- Capital Confirmation, Inc. – electronic bank confirmation services
- Webb Watch- data analysis

You hereby consent and authorize us to disclose District information to the above named entities for the purpose(s) described above.

**Use of automated data gathering tools**

Grant Thornton may use automated data gathering tools developed by us, our affiliates, or third-party service providers, such as SQL scripts to extract data for further analysis for purposes of our engagement. These tools are designed to be executed by the District's information technology professionals within the District's information systems environment. You hereby consent and authorize us to use these tools only for the purpose of performing our engagement.

**Peer review report**

GAGAS requires that we provide you with a copy of our most recent triennial quality control review report. Accordingly, our May 31, 2011 Peer Review Report accompanies the Engagement Letter.

**Employment of Grant Thornton personnel**

When we lose a valued member of our engagement team, we not only incur significant expenses in hiring and training replacement personnel, but employment by the District may raise independence threats, which could cause us to terminate our engagement. During the term of this engagement and for one year after the services are completed, the District agrees not to solicit, directly or indirectly, or hire any of our personnel participating in the engagement without our express written consent. If the District violates this provision, the District will pay Grant Thornton a fee equal to the hired person's annual salary in effect at the time of the violation to reimburse us for the estimated costs of hiring and training replacement personnel.

**Privacy**

Grant Thornton is committed to protecting personal information. We will maintain such information in confidence in accordance with professional standards and governing laws. Therefore, any personal information provided to us by the District will be kept confidential and not disclosed to any third party unless expressly permitted by the District or required by law, regulation, legal process, or professional standards. The District is responsible for obtaining, pursuant to law or regulation, consents from parties that provided the District with their personal information, which will be obtained, used, and disclosed by Grant Thornton for its required purposes.

**Documentation**

The documentation for this engagement is the property of Grant Thornton and constitutes confidential information. We have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention.

Pursuant to law or regulation, we may be requested to make certain documentation available to regulators, governmental agencies, or their representatives (“Regulators”). If requested, access to the documentation will be provided to the Regulators under our supervision. We may also provide copies of selected documentation, which the Regulators may distribute to other governmental agencies or third parties. You hereby acknowledge we will allow and authorize us to allow the Regulators access to, and copies of, the documentation in this manner.

**Electronic communications**

During the course of our engagement, we may need to electronically transmit confidential information to each other and to third-party service providers or other entities engaged by either Grant Thornton or the District. Electronic methods include telephones, cell phones, e-mail, and fax. These technologies provide a fast and convenient way to communicate. However, all forms of electronic communication have inherent security weaknesses, and the risk of compromised confidentiality cannot be eliminated. The District agrees to the use of electronic methods to transmit and receive information, including confidential information.

**Standards of performance**

We will perform our services in conformity with the terms expressly set forth in this Engagement letter, including all applicable professional standards. Accordingly, our services shall be evaluated solely on our substantial conformance with such terms and standards. Any claim of nonconformance must be clearly and convincingly shown.

With respect to the services and this Engagement Letter, in no event shall the liability of Grant Thornton and its present, future, and former partners, principals, directors, employees, agents, and contractors for any claim, including but not limited to Grant Thornton’s own negligence, exceed the fees it receives for the portion of the work giving rise to such liability. This limitation shall not apply to the extent that it is finally determined that any claims, losses, or damages are the result of Grant Thornton’s gross negligence or willful misconduct. In addition, Grant Thornton shall not be liable for any special, consequential, incidental, or exemplary damages or loss (nor any lost profits, interest, taxes, penalties, loss of savings, or lost business opportunity) even if Grant Thornton was advised in advance of such potential damages. This paragraph and the paragraph directly below shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by the District, Grant Thornton, or others.

Further, the District shall, upon receipt of written notice, indemnify, defend, and hold harmless Grant Thornton and its present, future, and former partners, principals, directors, employees, agents, and contractors from and against any liability and damages (including punitive damages), fees, expenses, losses, demands, and costs (including defense costs) associated with any claim arising from or relating to the District’s knowing misrepresentations or false or incomplete information provided to Grant Thornton. In the event of any controversy or claim against Grant Thornton arising from or related to the services described herein, Grant Thornton shall be entitled, at its option, to defend itself from such controversy or claim and to participate in any settlement, administrative, or judicial proceedings.

If because of a change in the District's status or due to any other reason, any provision in this Engagement letter would be prohibited by, or would impair our independence under, laws, regulations, or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and the Engagement Letter shall consist of the remaining portions.

### **Dispute resolution**

Any controversy or claim arising out of or relating to the services, related fees, or this Engagement Letter shall first be submitted to mediation. A mediator will be selected by agreement of the parties, or if the parties cannot agree, a mediator acceptable to all parties will be appointed by the American Arbitration Association ("AAA"). The mediation will proceed in accordance with the customary practice of mediation. In the unlikely event that any dispute or claim cannot be resolved by mediation, we both recognize that the matter will probably involve complex business or accounting issues that would be decided most equitably to us both by a judge hearing the evidence without a jury. Accordingly, to the extent now or hereafter permitted by applicable law, the District and Grant Thornton agree to waive any right to a trial by jury in any action, proceeding, or counterclaim arising out of or relating to our services or this Engagement Letter.

If the above jury trial waiver is determined to be prohibited by applicable law, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Grant Thornton office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act ("FAA") and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, JAMS, the Center for Public Resources, or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within 15 days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non-monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

### **Authorization**

This Engagement Letter sets forth the entire understanding between the District and Grant Thornton regarding the services described herein and supersedes any previous proposals, correspondence, and understandings, whether written or oral. If any portion of this Engagement Letter is held invalid, it is agreed that such invalidity shall not affect any of the remaining portions.

Please confirm your acceptance of this Engagement Letter by signing below and returning one copy to us in the enclosed self-addressed envelope. We appreciate the opportunity to continue to work with the District and assure you that this engagement will be given our closest attention.

Sincerely,

GRANT THORNTON LLP



Ben Kohnle  
Partner

Enc: Matters that can cause work in excess of fee estimate

**Agreed and accepted by:**

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT

\_\_\_\_\_  
Ralph G. Hall  
Vice President of Administration and CFO

Date: \_\_\_\_\_

## MATTERS THAT CAN CAUSE WORK IN EXCESS OF FEE ESTIMATE

We want you to receive the maximum value for our professional services and to perceive that our fees are reasonable and fair. However, in seeking to provide you with such value, we find there are various matters that can cause us to perform work in excess of that contemplated by our fee estimate. The following explains the matters that arise most frequently.

### **Changing requirements**

Today, there are numerous governmental or rule-making bodies that regularly add or change various requirements. Although we attempt to plan our work to anticipate the requirements that will affect our engagement, three types of situations make this difficult. Sometimes, these new requirements are not communicated in time for us to anticipate their effects in our preliminary planning. Secondly, in spite of our anticipation and planning, the work necessary to comply with new requirements may be underestimated. Finally, in some instances, you may decide that it is advantageous to you to have the new requirements applied immediately.

### **Incorrect accounting applications or errors in your records**

We generally form our fee estimates on the expectation that your accounting records are in good order so that our work can be completed based upon our normal testing and other procedures. However, should we find numerous errors, incomplete records, or disorganized bookkeeping methods, we will have to do additional work to determine that the necessary corrections have been made and properly reflected in the financial statements.

### **Lack of audit facilitation or timely preparation**

To minimize your costs, we plan the means by which your personnel can facilitate the audit (for example, what schedules they will prepare, how to prepare them, the supporting documents that need to be provided, and so forth). We also discuss matters such as availability of your key personnel, deadlines, and working conditions. Indeed, the information concerning these matters that you furnish to us is a key element in our fee quotation. Therefore, if your personnel are unable, for whatever reasons, to provide these materials on a timely basis, it may substantially increase the work we must do to complete the engagement within the established deadlines. Moreover, in some circumstances, this may require a staff withdrawal, as discussed below.

### **Staff withdrawal**

A staff withdrawal consists of our removing one or all staff because the condition of your records, or the inability of your personnel to provide agreed upon materials within the established timetable, makes it impossible for us to perform our work in a timely, efficient manner, as established by our engagement plan. Sometimes, a complete staff withdrawal is necessary to permit an orderly audit approach. A staff withdrawal is not necessarily an adverse reflection on your personnel. However, it involves additional costs, as we must reschedule our personnel, incur additional start-up costs, and so forth, to prevent total engagement costs from increasing significantly.

**Unforeseen events**

Even though we communicate frequently with clients and plan our engagement with management and their staff, unforeseen events can occur. Examples include accounting problems, litigation, changes in your business or business environment, contractual or other difficulties with suppliers, third-party service providers, or customers, and so forth. When those circumstances occur, additional time is needed to provide you with assistance and to complete our engagement in accordance with professional standards.

**New award programs or program non-compliance**

Our fee estimates assume that award programs audited as major will remain relatively consistent with prior years. When new awards are received, it may require us to audit additional programs to achieve the appropriate testing coverage. In such circumstances, additional fees may be incurred beyond what was previously contemplated. Furthermore, if the results of our procedures identify material program noncompliance or internal control deficiencies, which require extensive research or discussions with the cognizant, oversight agency or funding agency, an expansion of our audit scope and additional audit fees may result.

Again, we emphasize that we strive to give you optimum value for our professional services. Fee quotations are provided based upon the facts and circumstances that you describe to us. However, unlike the sale of products, the performance of professional services is affected by many variables, such as the foregoing, which may cause fee estimates to change.

## System Review Report

To the Partners of  
Grant Thornton LLP  
and the National Peer Review Committee  
of the American Institute of Certified  
Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of Grant Thornton LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations [Service Organizations Control (SOC) 1 engagements.]

In our opinion, the system of quality control for the accounting and auditing practice of Grant Thornton LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Grant Thornton LLP has received a peer review rating of *pass*.

*BKD, LLP*

December 1, 2014