OFFICIAL STATEMENT DATED JUNE 28, 2012

RATINGS: Moody's: "Aa1"
(See "OTHER INFORMATION – RATINGS" herein)

NEW ISSUE - BOOK-ENTRY ONLY

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel, interest on the Obligations will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

Dallas County Schools
Strengthening Education Through Servi

$20,890,000
DALLAS COUNTY SCHOOLS
(A political subdivision located in Dallas County, Texas)
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2012-A

Dated Date: June 15, 2012 **Due: As shown on page i**

Interest accrues from Delivery Date

Interest on the $20,890,000 Dallas County Schools Public Property Finance Contractual Obligations, Series 2012-A (the "Obligations") will accrue from July 24, 2012 (the "Delivery Date") and will be payable June 1 and December 1 of each year commencing December 1, 2012, as shown on page i, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Obligations will be issued as fully registered obligations in denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Obligations may be acquired in authorized denominations thereof. **No physical delivery of the Obligations will be made to the beneficial owners thereof**. The principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS – Book-Entry Only System"). The initial Paying Agent/Registrar is U.S. Bank, National Association, Dallas, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar"). The Obligations are not subject to redemption prior to their stated maturity.

The Obligations are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended, and an order (the "Order") adopted by the Board of Trustees (the "Board") of Dallas County Schools (the "Issuer"). The Obligations are direct obligations of the Issuer, payable from an annual ad valorem tax levied, for maintenance and operations purposes, within the limits prescribed by law, on all taxable property located within the Issuer, as provided in the Order (see "THE OBLIGATIONS – Authority for Issuance").

Proceeds from the sale of the Obligations will be used to purchase school buses; acquire and install technology equipment for buses; and to pay the costs associated with the issuance of the Obligations. (See "PLAN OF FINANCING").

The Obligations are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Issuer by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Disclosure Counsel for the Issuer. It is expected that the Obligations will be available for delivery in definitive form to DTC on July 24, 2012.

CREWS & ASSOCIATES

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP [(1)]
Dec. 1, 2012	$1,270,000.00	2.00%	0.40%	234830AN7
June 1, 2013	$1,175,000.00	2.00%	0.55%	234830AP2
Dec. 1, 2013	$1,185,000.00	2.00%	0.60%	234830AQ0
June 1, 2014	$1,195,000.00	2.00%	0.70%	234830AR8
Dec. 1, 2014	$1,210,000.00	2.00%	0.75%	234830AS6
June 1, 2015	$1,220,000.00	3.00%	0.85%	234830AT4
Dec. 1, 2015	$1,240,000.00	3.00%	0.90%	234830AU1
June 1, 2016	$1,260,000.00	5.00%	1.11%	234830AV9
Dec. 1, 2016	$1,290,000.00	5.00%	1.19%	234830AW7
June 1, 2017	$1,320,000.00	4.00%	1.30%	234830AX5
Dec. 1, 2017	$1,350,000.00	4.00%	1.40%	234830AY3
June 1, 2018	$1,375,000.00	5.00%	1.59%	234830AZ0
Dec. 1, 2018	$1,410,000.00	4.00%	1.65%	234830BA4
June 1, 2019	$1,440,000.00	3.00%	1.75%	234830BB2
Dec. 1, 2019	$1,460,000.00	4.00%	1.90%	234830BC0
June 1, 2020	$1,490,000.00	4.00%	2.05%	234830BD8

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer nor the Underwriter take any responsibility for the accuracy of CUSIP numbers.

[*Remainder of page intentionally left blank*]

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information, or to make any representations 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 the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Issuer, respectively, to provide certain information on a continuing basis.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

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

NEITHER THE ISSUER NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

[*Remainder of page intentionally left blank*]

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OFFICIAL STATEMENT SUMMARY

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

THE ISSUER .... The Issuer is a political subdivision located in Dallas County, Texas. The Issuer is a county-unit school district located in Dallas County, Texas. The boundaries of the Issuer are coterminous with Dallas County. The Issuer supports the operations of independent school districts in Dallas County and other independent school districts located outside Dallas County. Under this arrangement, the independent school districts are responsible for their classroom and administrative functions, while the Issuer provides various support services pursuant to contracts with the school districts. (See "INTRODUCTION - Description of the Issuer").

THE OBLIGATIONS................ The $20,890,000 Public Property Finance Contractual Obligations, Series 2012-A (the "Obligations") are issued as obligations maturing on December 1, 2012 and June 1 and December 1 in each year thereafter from 2013 through and including June 1, 2020 (see "THE OBLIGATIONS - Description of the Obligations").

PAYMENT OF INTEREST...... Interest on the Obligations accrues from July 24, 2012 (the "Delivery Date") and is payable on December 1, 2012 and each June 1 and December 1 thereafter until maturity.

AUTHORITY FOR ISSUANCE................................ The Obligations are being issued pursuant to the Constitution and general laws of the State of Texas, particularly the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended, and an order (the "Order") adopted by the Board. (See "THE OBLIGATIONS - Authority for Issuance").

SECURITY FOR THE OBLIGATIONS......................... The Obligations are direct obligations of the Issuer payable as to principal and interest from and secured by the proceeds of an annual ad valorem tax levied for maintenance and operations purposes by the Issuer, within the limit of $0.01 per $100 of taxable valuation, as prescribed by law, on all taxable property located within the Issuer. See "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT" and "RISK FACTORS" herein.

NO REDEMPTION.................. The Obligations are not subject to redemption prior to their stated maturity. (see "THE BONDS – No Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Obligations will be used to purchase school buses; acquire and install technology equipment for buses; and to pay the costs associated with the issuance of the Obligations. (See "PLAN OF FINANCING").

RATINGS.................................. Moody's Investors Service, Inc. has assigned a rating of "Aa1" on the Obligations. See "RATINGS" herein.

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

PAYMENT RECORD.............. The Issuer has not defaulted in the prompt payment of its tax supported debt.

DALLAS COUNTY SCHOOLS

BOARD OF TRUSTEES, APPOINTED OFFICIALS AND CONSULTANTS

BOARD OF TRUSTEES

Name and Title	Length of Service	Occupation	Board Term Expires
Larry Duncan, President	9 Years	Computer Consultant	May 2015
Dr. Paul A. Freeman, Vice President	1 Year	Minister	May 2017
Pauline K. Dixon, Member	5 Years	Retired School Teacher	May 2013
James Hubener, Member	1 Year	College Financial Aid Director	May 2017
Maricela Siewczynski-Moore, Member	1 Year, 5 Months	Attorney	May 2015
B.J. Smith, Member	11 Years	Attorney	May 2013
Edna Dean Pemberton, Member	1 Month	Community Activist	May 2013

APPOINTED OFFICIALS

Name	Position	Length of Service with the Issuer
Rick Sorrells, Ed.D.	Superintendent	11.5 Years
Wesley Scott	Assistant Superintendent, CFO	3.5 Years
Susan Falvo	Chief of Staff	2.5 Years
Ashley Wilson	In-House General Counsel	2.5 Years

CONSULTANTS

McCall, Parkhurst & Horton L.L.P.	Bond Counsel
Strasburger & Price, LLP	General Counsel
Weaver L.L.P.	Auditors

For additional information, contact:

Wesley Scott,
Assistant Superintendent, CFO
Dallas County Schools
612 North Zang Boulevard
Dallas, Texas 75208
(214) 944-4545
info@dcschools.com

OFFICIAL STATEMENT
RELATING TO

$20,890,000
DALLAS COUNTY SCHOOLS
(A political subdivision located in Dallas County, Texas)
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2012-A

INTRODUCTION

This Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of $20,890,000 Dallas County Schools Public Property Finance Contractual Obligations, Series 2012-A (the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (hereinafter defined) authorizing the issuance and sale of the Obligations, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding Dallas County Schools (the "Issuer") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Issuer at the contact information found on page iv hereof.

THE ISSUER

The Issuer is a county-unit school district and political subdivision located in Dallas County, Texas. The Issuer supports the operations of independent school districts in Dallas County and other independent school districts located outside Dallas County. Under this arrangement, the independent school districts are responsible for their classroom and administrative functions, while the Issuer provides various support services pursuant to contracts with the school districts. The Issuer provides services such as Transportation (est. 1927), Instructional Media Services (est. 1928), Psychology (est. prior to 1967), and Technology (est. 1997).

Texas Education Code chapters 17 and 18 originally authorized county school systems. County-unit agencies are now authorized by Education Code 11.301(a) to "continue to operate under the applicable chapter [17 and 18] as that chapter existed on May 1, 1995." Two countywide school districts exist in Texas: Dallas County Schools and The Harris County Department of Education (Houston).

The Issuer has the fifth largest student transportation fleet in the United States. Consisting of a fleet of approximately 1,700 buses, the Issuer transports approximately 94,000 students each year and travels 13,750,000 miles each year. The Issuer operates its Instructional Media Services, which contains more than 10,000 titles and provides twelve school districts with a wide spectrum of educational services such as videos on demand, on-line test assessment and on-line continuing education. The Issuer's School Psychological Services provides five school districts with services tailored to special needs students as well as critical case support, continuing education and staff development. The Technology Department integrates modern technology to the serviced school districts and provides managed technology services such as infrastructure, software, and internet services.

The most significant service provided to school districts by the Issuer is transportation. The Issuer provides transportation services to the following area school districts: Aledo ISD, Carrollton/Farmers Branch ISD, Cedar Hill ISD, Coppell ISD, DeSoto ISD, Dallas ISD, Highland Park ISD, Irving ISD, Lancaster ISD, Richardson ISD, and White Settlement ISD. The Issuer provides technology services to twenty-three school districts; media services to twelve schools districts; and psychological services to five districts.

The Issuer is governed by a seven-member Board of Trustees (the "Board"), three of whom are elected from Dallas County at-large and one from each of the four Dallas County Commissioners Precincts. Each Board member serves for a six year term, with either two or three members elected every two years, the number depending upon that needed to bring the Board to seven members. The Board delegates administrative responsibilities to the Superintendent who is the chief administrative officer of the Issuer. Support services are supplied by the Issuer's staff, and any outside consultants and advisors. The boundaries of the Issuer are coterminous with those of Dallas County and encompass approximately 909.37 square miles.

The Issuer's revenues are derived from three primary sources: a local property tax, the rate of which may not exceed the legal limit of $0.01 per $100 of taxable valuation (unless a higher rate is approved by voters), State aid for funding, and charges for services rendered to the Issuer's client school districts. See "RISK FACTORS" herein for a discussion of the limitations on the Issuer's ability to raise its property tax rate.

The Issuer's transportation contracts require that the Issuer provide school transportation to the contracting districts in accordance with the rules set forth by the Texas Education Agency. The Issuer assumes all responsibility for employing, assigning, managing and disciplining all drivers and transportation employees. The transportation contracts are typically for an initial term of three years with a renewal option, but the total term may not exceed six years. Upon the expiration of the contracts, the Issuer and the individual districts may enter into a new contract. The contracts are terminable by either party with or without cause by giving ninety days notice, although no district has ever terminated the contract. Each year, the Issuer meets with individual districts to discuss the estimated expenses and proposed budget associated with providing transportation services to that district for the following school year. The estimated expenses for each district include the estimated actual costs of operations, estimated overhead and estimated general and administrative expenses. The proposed budget for each district includes revenue from the State Transportation Allotment attributable to providing transportation for the particular district and a subsidy payment from the Issuer to the particular district in the form of a "property tax allocation". (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - The Current School Finance System as it Applies to the Issuer" for a discussion of the State Transportation Allotment). The property tax allocation is provided only to those districts located in Dallas County, and is provided only at the discretion of the Board of Trustees of the Issuer. The districts located outside Dallas County that contract with the Issuer for transportation do receive their pro-rata share of the State Transportation Allotment but the Issuer does not provide a property tax allocation subsidy to those districts as the property tax allocation is raised from taxes levied on taxable property located in Dallas County. The property tax allocation is essentially a subsidy provided to the Dallas County districts and is allocated to the districts on either a per-mile basis or as an amount equal to the ratio of the particular district's taxable valuation to total Dallas County taxable valuation. The districts are invoiced on the first of each month, September through June, for the total budgeted net operating expenses evenly spread over a ten-month period. The districts must pay the Issuer such amounts within thirty days after receipt of the invoice. At the end of each year, the Issuer adjusts the operational cost from estimates to actual, which results in credits to or from the districts for the final adjusted actual operations costs for the year. The obligations of each district under its respective contract are contingent upon the availability of funding. The Issuer is not provided with a right of action against a district in the event the district is unable to fulfill its obligations under the transportation contract as a result of lack of sufficient funding or failure to budget or authorize funding for the contractual costs, but each district may provide funds from a separate source of funding or may terminate the contract and pay for services already received.

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PLAN OF FINANCING

Purpose

Proceeds from the sale of the Obligations will be used to purchase school buses; acquire and install technology equipment for buses; and to pay the costs associated with the issuance of the Obligations.

Sources and Uses of Proceeds

The proceeds from the sale of the Obligations will be applied approximately as follows:

Sources of Funds	
Par Amount of Obligations	$20,890,000.00
Original Issue Premium	$2,001,801.25
Total	$22,891,801.25
Uses of Funds	
Deposit to Project Fund	$22,705,000.00
Total Underwriters' Discount	$135,576.10
Rounding Amount (1)	$4,085.15
Costs of Issuance	$47,140.00
Total	$22,891,801.25

(1) To be applied to 12/1/ 2012 debt payment

RISK FACTORS PERTAINING TO THE ISSUER'S SOURCES OF REVENUES

The purchase of the Obligations is subject to certain risks. Each prospective investor in the Obligations should read this Official Statement in its entirety including its appendices. Particular attention should be given to the factors described herein which, among others, could affect the payment of debt service on the Obligations, and which could also affect the marketability of the Obligations to an extent that cannot be determined.

The majority of the Issuer's operating revenues are derived from charges for services rendered to its client school districts. On average for the past five fiscal years, charges for services have provided approximately 52.4% of the Issuer's operating revenues. See "APPENDIX A – Table 12". A disruption in the Issuer's operations which reduces the Issuer's revenues from services could adversely affect the financial condition of the Issuer, as the Issuer is not able to increase its property tax rate to offset reduced revenues, as discussed below. Although the Obligations are secured by and payable from the Issuer's property tax revenues, the revenues generated from services are a critical component of the Issuer's financial condition, and such operations are dependent upon certain factors which are beyond the control of the Issuer, including State laws affecting funding for public schools, economic and demographic conditions within the service area of the Issuer and the continuing need by the client school districts for the Issuer's services. Additionally, funds paid by the client school districts to the Issuer for services rendered may be subject to annual appropriation by the related school district. The ability of such districts to appropriate funds could be impacted by the extent of legislative appropriations to the districts. Further, the districts may enter into other contractual obligations which may be prior in right and constitute additional charges against the funds from which the payments due to the Issuer may be appropriated. The Issuer believes its relationships with its serviced school districts are good, and the Issuer is not aware of any impending or threatened termination of any contracts which would have a materially adverse impact on its operations or revenues.

On average for the past five fiscal years, the Issuer's has received approximately 27.6% of its operating revenues from the State in accordance with the State's public school finance system. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Because the Issuer does not provide classroom education for students, all of the Issuer's state funding is derived from the "Transportation Allotment" of the Foundation School Program. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – The Current School Finance System as it Applies to the Issuer" for a discussion of the

Transportation Allotment. In the past, State funding of public education has been challenged on constitutional grounds requiring the State Legislature to enact several funding programs, each of which has differed in the manner in which State and local funds have been allocated to school districts. Recently, several lawsuits against the State have been filed challenging the constitutionality of the Texas school finance system. There is no assurance that the State Legislature will not change the current system of funding for school districts in Texas which could adversely affect, not only the Issuer's anticipated funding from the Transportation Allotment, but the manner in which the Issuer's client districts are funded. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS -- Current Litigation Related to the Texas Public School Finance System."

On average for the past five fiscal years, the Issuer's local tax revenues have provided approximately 13.2% of the Issuer's operating revenues. The local property tax revenues became more significant to the Issuer for fiscal year 2011 (in which 16% of revenues were derived from local property taxes) when the Issuer doubled its tax rate from $0.00521 in fiscal year 2010 to the maximum authorized tax rate of the Issuer of $0.010 per $100 of taxable valuation for fiscal year 2011. The Issuer doubled its tax rate in fiscal year 2011 to generate additional revenues to purchase new buses for its aging bus fleet. (See "TAX RATE LIMITATIONS" herein). Consequently, the Issuer does not have the authority to raise its local tax rate above $0.010 per $100 taxable valuation in the future, without voter approval, to offset a decrease in taxable assessed valuation or decrease in operating revenues, if they occur. Under State law, the maximum tax rate that could be authorized by voters, if the Issuer held an election for such purpose, could not exceed $1.00 per $100 taxable assessed valuation. As shown in "APPENDIX A - Table 1", taxable values in the Issuer have decreased over the past three years as a result of the general economic slowdown affecting the United States; however, preliminary values for the 2012 tax year show an increase in total assessed value.

THE OBLIGATIONS

Description of the Obligations

The Obligations will be dated June 15, 2012 and will accrue interest from July 24, 2012 (the "Delivery Date"), which is the date of their delivery to the Underwriter, and such interest is payable on December 1, 2012 and each June 1 and December 1 thereafter, until maturity. The Obligations will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on the cover page of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Obligations is payable to the registered owner appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Obligations is payable only at maturity, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry Only System" herein. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Obligations will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry Only System described herein. The Obligations will be issued in denominations of $5,000 of principal amount or any integral thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. The principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry Only System" herein.

Authority for Issuance

The Obligations are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, particularly the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended, and by the order (the "Order") adopted by the Board.

Security and Source of Payment

During each year while any Obligation is outstanding and unpaid, the Obligations will be payable from and secured by the proceeds of an annual ad valorem tax levied for maintenance and operations purposes by the Issuer, within the limits prescribed by law, on all taxable property located within the Issuer. See " TAX RATE LIMITATIONS" herein.

No Redemption

The Obligations are not subject to redemption prior to their stated maturity.

Notices by Paying Agent/Registrar

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry Only System is used for the Obligations, will send any notice with respect to the Obligations, notice of proposed amendment to the Order or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the action premised on any such notice. (See "THE OBLIGATIONS - Book-Entry Only System").

Defeasance

The Order provides for the defeasance of the Obligations when payment of the principal amount of the Obligations, plus interest accrued on the Obligations to their due date, is provided by irrevocably depositing with a paying agent; or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The Issuer has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Issuer moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the Issuer adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such defeased Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of Obligations have been made as described above, all rights of the Issuer to take any action amending the terms of such Obligations are extinguished.

Amendments

The Issuer may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including to (i) cure any ambiguity, defect or omission in the Order that does not materially adversely affect the interests of the registered owners, (ii) grant additional rights or security for the benefit of the registered owners, (iii) add events of default as shall not be inconsistent with the provisions of the Order and that shall not materially adversely affect the interests of the registered owners, (iv) qualify the Order under the Trust Indenture Act of 1939 or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Order as shall not be materially inconsistent with the provisions of the Order and that shall not, in the opinion of nationally-recognized bond counsel, materially adversely affect the interests of the registered owners. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Obligations then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Obligations affected, no such amendment, addition or rescission may (i) make any change in the maturity of any of the outstanding Obligations; (ii) reduce the rate of interest borne by any of the outstanding Obligations; (iii) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations; (iv) modify the terms of payment of principal or of interest or redemption premium on outstanding Obligations or any of them or impose any condition with respect to such payment; or (v) change the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment.

Book-Entry Only System

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Obligations. The Obligations 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 Obligation will be issued for each maturity of the Obligations in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations 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 Issuer or the Paying Agent/Registrar, on payable date 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 of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Obligations to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or the Paying Agent/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 Direct and Indirect Participants.

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

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

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

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

Paying Agent/Registrar

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

In the event the Book-Entry Only System should be discontinued, interest on the Obligations will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at the stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or another DTC nominee) is the registered owner of the Obligations, payments of principal of the Obligations and interest on the Obligations will be made as described in "THE OBLIGATIONS - Book-Entry Only System," above.

Transfer, Exchange and Registration

In the event the Book-Entry Only System should be discontinued, printed Obligation certificates will be delivered to registered owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS – Book-Entry Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the Issuer nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation during the period commencing with the close of business on any Record Date and ending on the next following principal or interest payment date.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

TAX RATE LIMITATIONS

Pursuant to Article VII, Section 3 of the Texas Constitution, the Issuer may levy an ad valorem tax only if such tax has been approved by the voters within the Issuer. The Issuer's ad valorem tax was authorized pursuant to Chapter 182, Acts of the 44th Legislature, (1935) and Article 2790e, Vernon's Texas Civil Statutes (as codified as Chapter 18, Texas Education Code), and an election held within Dallas County on August 24, 1940. **Such tax is limited to $.01 per $100 of assessed valuation and limited to operations and maintenance purposes. The Issuer is prohibited from levying a tax above $0.01 per $100 of assessed valuation unless voters of Dallas County approve a higher tax rate, within the limits prescribed by law.**

The Issuer is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support of school district bonded indebtedness.

DEFAULT AND REMEDIES

The Order provides that if the Issuer defaults in the payment of the Obligations when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the Issuer, the registered owners may seek a writ of mandamus to compel Issuer officials to carry out their legally imposed duties with respect to the Obligations. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the Issuer to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Issuer's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the Issuer for breach of the Obligations or Order covenants in the absence of Issuer action. Even if a judgment against the Issuer could be obtained, it could not be enforced by direct levy and execution against the Issuer's property. Further, the registered owners cannot themselves foreclose on property within the Issuer or sell property within the Issuer to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the Issuer is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the Issuer avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of another federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On April 9, 2001, four property wealthy districts filed suit in the 250th District Court of Travis County, Texas (the "District Court") against the Texas Education Agency, the Texas State Board of Education, the Texas Commissioner of Education (the "Commissioner") and the Texas Comptroller of Public Accounts in a case styled *West Orange-Cove Consolidated Independent School District, et al. v. Neeley, et al.* The plaintiffs alleged that the $1.50 maximum maintenance and operations ("M&O") tax rate had become in effect a state property tax, in violation of Article VIII, Section 1-e of the Texas Constitution, because it precluded them and other school districts from having meaningful discretion to tax at a lower rate. Forty school districts intervened alleging that the Texas public school finance system (the "Finance System") was inefficient, inadequate, and unsuitable, in violation of Article VII, Section 1 of the Texas Constitution, because the State of Texas (the "State") did not provide adequate funding. As described below, this case has twice reached the Texas Supreme Court (the "Supreme Court"), which rendered decisions in the case on May 29, 2003 ("West Orange-Cove I"), and November 22, 2005 ("West Orange-Cove II"). After the remand by the Supreme Court back to the District Court in West Orange-Cove I, 285 other school districts were added as plaintiffs or intervenors. The plaintiffs joined the intervenors in their Article VII, Section 1 claims that the Finance System was inadequate and unsuitable, but not in their claims that the Finance System was inefficient.

On November 30, 2004, the final judgment of the District Court was released in connection with its reconsideration of the issues remanded to it by the Supreme Court in West Orange-Cove I. In that case, the District Court rendered judgment for the plaintiffs on all of their claims and for the intervenors on all but one of their claims, finding that (1) the Finance System was unconstitutional in that the Finance System violated Article VIII, Section 1-e of the Texas Constitution because the statutory limit of $1.50 per $100 of taxable assessed valuation on property taxes levied by school districts for maintenance and operation purposes had become both a floor and a ceiling, denying school districts meaningful discretion in setting their tax rates; (2) the constitutional mandate of adequacy set forth in Article VII, Section 1, of the Texas Constitution exceeded the maximum amount of funding available under the funding formulas administered by the State; and (3) the Finance System was financially inefficient, inadequate, and unsuitable in that it failed to provide sufficient access to revenue to provide for a general diffusion of knowledge as required by Article VII, Section 1, of the Texas Constitution.

The intervening school district groups contended that funding for school operations and facilities was inefficient in violation of Article VII, Section 1 of the Texas Constitution, because children in property-poor districts did not have substantially equal access to education revenue. All of the plaintiff and intervenor school districts asserted that the Finance System could not achieve "a general diffusion of knowledge" as required by Article VII, Section 1 of the Texas Constitution, because the Finance System was underfunded. The State, represented by the Texas Attorney General, made a number of arguments opposing the positions of the school districts, as well as asserting that school districts did not have standing to challenge the State in these matters.

In West Orange-Cove II, the Supreme Court's holding was twofold: (1) that the local M&O tax had become a state property tax in violation of Article VIII, Section 1-e of the Texas Constitution and (2) the deficiencies in the Finance System did not amount to a violation of Article VII, Section 1 of the Texas Constitution. In reaching its first holding, the Supreme Court relied on evidence presented in the District Court to conclude that school districts did not have meaningful discretion in levying the M&O tax. In reaching its second holding, the Supreme Court, using a test of arbitrariness determined that: the public education system was "adequate," since it is capable of accomplishing a general diffusion of knowledge; the Finance System was not "inefficient," because school districts have substantially equal access to similar revenues per pupil at similar levels of tax effort, and efficiency does not preclude supplementation of revenues with local funds by school districts; and the Finance System does not violate the constitutional requirement of "suitability," since the Finance System was suitable for adequately and efficiently providing a public education.

In reversing the District Court's holding that the Finance System was unconstitutional under Article VII, Section 1 of the Texas Constitution, the Supreme Court stated:

> Although the districts have offered evidence of deficiencies in the public school finance system, we conclude that those deficiencies do not amount to a violation of Article VII, Section 1. We remain convinced, however, as we were sixteen years ago, that defects in the structure of the public school finance system expose the system to constitutional challenge. Pouring more money into the system may forestall those challenges, but only for a time. They will repeat until the system is overhauled.

In response to the intervenor districts' contention that the Finance System was constitutionally inefficient, the West Orange-Cove II decision states that the Texas Constitution does not prevent the Finance System from being structured in a manner that results in gaps between the amount of funding per student that is available to the richest districts as compared to the poorest district, but reiterated its statements in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995) ("Edgewood IV") that such funding variances may not be unreasonable. The Supreme Court further stated that "the standards of Article VII, Section 1 - adequacy, efficiency, and suitability - do not dictate a particular structure that a system of free public schools must have." The Supreme Court also noted that "efficiency requires only substantially equal access to revenue for facilities necessary for an adequate system," and the Supreme Court agreed with arguments put forth by the State that the plaintiffs had failed to present sufficient evidence to prove that there was an inability to provide for a "general diffusion of knowledge" without additional facilities.

Funding Changes in Response to West Orange-Cove II

In response to the decision in West Orange-Cove II, the Texas Legislature (the "Legislature") enacted House Bill 1 ("HB 1"), which made substantive changes in the way the Finance System is funded, as well as other legislation which, among other things, established a special fund in the State treasury to be used to collect new tax revenues that are dedicated under certain conditions for appropriation by the Legislature to reduce M&O tax rates, broadened the State business franchise tax, modified the procedures for assessing the State motor vehicle sales and use tax and increased the State tax on tobacco products (HB 1 and other described legislation are collectively referred to herein as the "Reform Legislation"). The Reform Legislation generally became effective at the beginning of the 2006–07 fiscal year of each district.

Possible Effects of Litigation and Changes in Law on Issuer Bonds

The Reform Legislation and the changes made by the State Legislature to the Reform Legislation since its enactment did not alter the provisions of Chapter 45, Texas Education Code, as amended, that authorize districts to secure their bonds by pledging the receipts of an unlimited ad valorem debt service tax as security for payment of such bonds (including the Bonds). Reference is made, in particular, to the information under the heading "THE BONDS - Security and Source for Payment".

In the future, the Legislature could enact additional changes to the Finance System which could benefit or be a detriment to a school district depending upon a variety of factors, including the financial strategies that the district has implemented in light of past State funding systems. Among other possibilities, a district's boundaries could be redrawn, taxing powers restricted, State funding reallocated, or local ad valorem taxes replaced with State funding subject to biennial appropriation. In Edgewood IV, the Supreme Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"). Consistent with the Contract Clauses, in the exercise of its police powers, the State may make such modifications in the terms and conditions of contractual covenants related to the payment of the Bonds as are reasonable and necessary for the attainment of important public purposes.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation or litigation, or how such legislation or future court orders may affect the District's financial condition, revenues or operations. While the disposition of any possible future litigation or the enactment of future legislation to address school funding in Texas could substantially adversely affect the financial condition, revenues or operations of the District, as noted herein, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax would be adversely affected by any such litigation or legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

Current Litigation Related to the Texas Public School Finance System

Several lawsuits have been filed in District Courts of Travis County, Texas, which allege that the Finance System, as modified by legislation enacted by the Legislature since the decision in West Orange Cove II, and in particular, as modified by Senate Bill 1 in 2011 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2011 Legislation"), has resulted in a funding system that violates principles established in West Orange Cove I and West Orange Cove II, and prior decisions of the Supreme Court relating to the constitutionality of the Finance System and several provisions of the Texas Constitution. In general, each suit presents the legal perspectives and arguments of the different coalitions of school districts represented, but as a general matter, each group has challenged the adequacy of funding provided by the Legislature for the Finance System, and the plaintiffs in each suit are seeking to have an injunction issued to the State and its officials to prevent the distribution of any funds under the current Finance System until a constitutional system is created and seek a declaration that changes in funding for the Finance System since the enactment of HB 1 have effectively converted the local M&O Tax into a state property tax in violation of the Texas Constitution. The defendants in the suits include State officials and the State Board of Education (the "State Defendants"). The first suit was filed on October 10, 2011, styled "The Texas Taxpayer & Student Fairness Coalition, et al. v. Robert Scott, Commissioner of Education et al." A second suit was filed on December 9, 2011, styled "Calhoun County Independent School District, et al. v. Robert Scott, Commissioner of Education, et al." A third suit was filed on December 13, 2011, styled "Edgewood Independent School District, et al. v. Robert Scott, Commissioner of Education, et al." A fourth suit was filed on December 23, 2011, styled "Fort Bend Independent School District, et al. v. Robert Scott, Commissioner of Education, et al." (the "Fort Bend Suit"). The State Defendants have filed an answer with respect to the each of the first four suits filed, denying the plaintiff's allegations, and all of such suits have been assigned to the 250th District Court of Travis County for the handling of all pre-trial, trial and post-judgment proceedings. On February 24, 2012 a plea of intervention to the Fort Bend Suit was filed by seven parents and a group named "Texans for Real Efficiency and Equity in Education." The intervenors assert that the Finance System is qualitatively inefficient, and that the Finance System is unconstitutional, in part based on arguments made by other plaintiffs. A fifth suit was filed on June 26, 2012 by individuals and the Texas Charter School Association, styled "Flores, et al. v. Robert Scott, Commissioner of Education, et al." (the "Charter School Suit"). The petition for the Charter School Suit agrees with the arguments of the school districts in the first four suits filed that the Finance System is unconstitutional and seeks to have an injunction issued against the State Defendants in the same manner as the first four suits. The Charter School Suit also adds additional grounds that relate to the circumstances of charter schools as a basis for holding the Finance System unconstitutional, including that charter schools receive no funding for facilities and that the statutory cap on charter schools is unconstitutionally arbitrary. The first four suits have been consolidated by the 250th District Court of Travis County, and trial has been scheduled for October 22, 2012. It is possible that the Charter School Suit will be consolidated into that matter. It is also possible that additional plaintiffs will join the suits and that other, independent lawsuits may be filed challenging various aspects of the Finance System, and that any such additional legal challenges may be consolidated with the suits referenced above.

The Issuer can make no representations or predictions concerning the effect that this litigation may have on the Issuer's financial condition, revenues or operations. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS – Possible Effects of Litigation and Changes in Law on Issuer Bonds.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

The information in this section is a general description of the State and local funding system for school districts in Texas. Although these programs apply to the Issuer, the Issuer's voted maximum maintenance and operations tax rate of $0.01 effectively limits the applicability of the funding programs described below. See "TAX RATE LIMITATIONS" herein. Additionally, because the Issuer does not provide primary classroom education for students, the State funding formulas that allocate funds based on student attendance will not yield funds for the Issuer.

Overview

The following description of the Finance System is a summary of the Reform Legislation and the changes made by the State Legislature to the Reform Legislation since its enactment, including modifications made during the regular through third called sessions of the 79th Texas Legislature (collectively, the "2006 Legislative Session"), the regular session of the 81st Texas Legislature (the "2009 Legislative Session") and the regular and first called sessions of the 82nd Texas Legislature (collectively, the "2011 Legislative Session"). For a more complete description of school finance and fiscal management in the State, reference is made to Vernon's Texas Codes Annotated, Education Code, Chapters 41 through 46, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program," as well as two facilities financing programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase its State funding. A similar equalization system exists for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities was not appropriated by the 82nd Texas Legislature for the 2012–13 fiscal biennium.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited maintenance and operations ("M&O") tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

The Reform Legislation, which generally became effective at the beginning of the 2006–07 fiscal year of each school district in the State, made substantive changes to the Finance System, which are summarized below. While each school district's funding entitlement was calculated based on the same formulas that were used prior to the 2006–07 fiscal year, the Reform Legislation effected changes to the manner in which school districts are funded that were intended to reduce local M&O tax rates by one-third over two years through the introduction of the "State Compression Percentage," with M&O tax levies declining by approximately 11% in fiscal year 2006–07 and approximately another 22% in fiscal year 2007–08. (Prior to the Reform Legislation, the maximum M&O tax rate for most school districts was $1.50 per $100 of taxable assessed valuation.) Subject to local referenda, a district may increase its local M&O tax levy up to $0.17 above the district's compressed tax rate. Based on the current State Compression Percentage, the maximum M&O tax rate is $1.17 per $100 of taxable value for most school districts (see "TAX RATE LIMITATIONS" herein).

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against the taxable property located in each school district. As noted above, prior to the Reform Legislation, the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value, and the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value at the time the Reform Legislation was enacted. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage." For fiscal years 2007–08 through 2012–13, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve the tax rate increase, districts may, in general, increase their M&O tax rate by an additional two or more cents and receive State equalization funds for such taxing effort up to a maximum M&O tax rate of $1.17 per $100 of taxable value (see "TAX INFORMATION – Public Hearing and Rollback Tax Rate" herein). Elections held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments. This basic level of funding is referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds and an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds. IFA primarily addresses the debt service needs of property-poor school districts. A New Instructional Facilities Allotment ("NIFA") also is available to help pay operational expenses associated with the opening of a new instructional facility. Future-year IFA and NIFA awards, however, were not funded by the Legislature for the 2012–13 fiscal biennium, although funding awards for IFA made in prior years will continue to be funded (but not the second year for NIFA for the 2012–13 fiscal biennium for districts that first became eligible for NIFA in the 2010–11 fiscal year).

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature. Since future-year IFA awards were not funded by the Legislature for the 2012–13 fiscal biennium, and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes. State funding allotments may be adjusted in certain circumstances to account for shortages in State appropriations or to allocate available funds in accordance with wealth equalization goals.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

The cost of the basic program is based on an allotment per student known as the "Basic Allotment". The Basic Allotment is adjusted for all districts by a cost adjustment factor intended to address competitive labor markets for teachers known as the "cost of education index." In addition, district-size adjustments are made for small- and mid-size districts. The cost of education index and district-size adjustments applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment," as well as various other allotments associated with educating students with other specified educational needs. For fiscal year 2007–08, the Basic Allotment was $3,135, and for fiscal year 2008–09, the Basic Allotment was increased to $3,218. For a discussion of the Basic Allotment in fiscal years 2009–10 and beyond, see "2009 Legislation" below.

Tier Two currently provides two levels of enrichment with different guaranteed yields depending on the district's local tax effort. For the 2012–13 State fiscal biennium, the first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.01 to $1.06 per $100 of taxable value) will, for most districts, generate a guaranteed yield of $59.97 per cent per weighted student in average daily attendance ("WADA"). The second level of Tier Two is generated by tax effort that exceeds the compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.07 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95. Property-wealthy school districts are subject to recapture at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below). For school districts that adopted an M&O tax rate of $1.17 per $100 in taxable value for the 2010–11 fiscal year, the $31.95 guaranteed yield is increased to $33.95, but only for the 2011–12 fiscal year.

The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began. To receive an IFA award, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2012–13 State biennium, however, no funds are appropriated for new IFA awards, although all current obligations are funded through the biennium.

State financial assistance is provided for certain existing eligible debt issued by school districts (referred to herein as EDA). The EDA guaranteed yield (the "EDA Yield") is the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA), subject to adjustment as described below. For bonds that became eligible for EDA funding after August 31, 2001, and prior to August 31, 2005, EDA assistance was less than $35 in revenue per student for each cent of debt service tax, as a result of certain administrative delegations granted to the Commissioner under State law. Effective September 1, 2003, the portion of the local debt service rate that has qualified for EDA assistance is limited to the first 29 cents of debt service tax or a greater amount for any year provided by appropriation by the Legislature. In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennia, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

Prior to the 2012–13 biennium, a district could also qualify for a NIFA allotment, which provided assistance to districts for operational expenses associated with opening new instructional facilities. As previously mentioned, this program was not funded for the 2012–13 State fiscal biennium.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. As noted above, the Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. Under the Target Revenue system, each school district is generally entitled to receive the same amount of revenue per student as it did in either the 2005–2006 or 2006–07 fiscal year (under existing laws prior to the enactment of the Reform Legislation), as long as the district adopted an M&O tax rate that was at least equal to its compressed rate. The reduction in local M&O taxes resulting from the mandatory compression of M&O tax rates under the Reform Legislation, by itself, would have significantly reduced the amount of local revenue available to fund the Finance System. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level.

2009 Legislation

During the 2009 Legislative Session, legislation was enacted that increased the Basic Allotment for the 2009–10 fiscal year from $3,218 to $4,765. In addition, each district's Target Revenue was increased by $120 per WADA. Target Revenue amounts were also adjusted to provide for mandatory employee pay raises and to account for changes in transportation and NIFA costs since the original Target Revenues were set. Overall, the Legislature allocated approximately $1.9 billion in new State aid for school districts.

2011 Legislation

During the 2011 Legislative Session, the Legislature enacted a budget that cut $4 billion from the Foundation School Program for the 2012–13 State fiscal biennium, as compared to the funding level school districts were entitled to under the current formulas, including Target Revenue, and also cut approximately $1.3 billion in various grants (i.e., pre-kindergarten grant program, student success initiative, etc.) that were previously available. Such cuts were made in light of a projected State deficit of up to $27 billion for the 2012–13 State fiscal biennium. In order to reduce formula funding, a Regular Program Adjustment Factor ("RPAF") was applied to the formula that determines a district's regular program allotment. RPAF is multiplied by a school district's count of students in ADA (not counting the time a student spends in special education and career & technology education) and its Adjusted Allotment, which is the $4,765 Basic Allotment adjusted for the cost of education index and the small- and mid-sized district adjustments. The RPAF is set at 0.9239 for the 2011–12 fiscal year and 0.98 for the 2012–13 fiscal year. In order to balance these reductions across the two years for formula funded districts, such districts have the option to request that an RPAF value of 0.95195 be applied for both the 2011–12 and 2012–13 fiscal years. In order to be granted the request by the Commissioner, the district must demonstrate that using the 0.9239 RPAF will cause the district a financial hardship in 2011–12. By applying the RPAF only to the Adjusted Allotment, other Tier One allotments, such as special education, career and technology, gifted and talented, bilingual and compensatory education, were not affected. The State Board of Education however, was directed to decrease funding for these programs in proportion to the reductions to the Basic Allotment. The Legislature also established an RPAF value of 0.98 for the 2013–15 State fiscal biennium, subject to increases by subsequent legislative appropriation not to exceed an RPAF value of 1.0. The RPAF factor and its related provisions are scheduled to expire on September 1, 2015.

The RPAF is the primary mechanism for formula reductions in the 2011–12 fiscal year. In the 2012–13 fiscal year, the RPAF of 0.98 is combined with a percentage reduction in each school district's Target Revenue per WADA to 92.35% of its formula amount. For the 2013–14 and subsequent fiscal years, the percentage reduction will be set by legislative appropriation. With regard to this adjustment, the ASATR relief that funds the Target Revenue system is phased out between the 2013–14 and 2017–18 fiscal years.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code, as amended. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program, as well as receiving ASATR until their overall funding meets or exceeds their Target Revenue level of funding. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain options in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding; a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to wealth equalization measures for fiscal year 2011–12 are set at (i) $476,500 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). M&O taxes levied above $1.00 but below $1.07 per $100 of taxable value are not subject to the wealth equalization provisions of Chapter 41. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Chapter 41 districts may be entitled to receive ASATR from the State in excess of their recapture liability, and such districts may use their ASATR funds to offset their recapture liability.

Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the transferring district's voters; however, Chapter 41 districts may apply ASATR funds to offset recapture and to achieve the statutory wealth equalization requirements, as described above, without approval from voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

The Current School Finance System as it Applies to the Issuer

As described above, State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance. Because the Issuer does not provide classroom education for any students, the Issuer derives no State funding from the funding formulas that take into account student attendance. Consequently, all of the Issuer's State funding is derived from the Transportation Allotment (as defined below).

The Texas Education Code authorizes the board of trustees of each school district, county-unit system (such as the Issuer), charter school, or other local education agency to establish and operate (or alternatively contract with a mass transit authority, commercial transportation company, or county juvenile board) to provide an economical public school transportation system and provides for the allotment of State Foundation School Program funds (the "Transportation Allotment") for eligible student transportation. The Transportation Allotment is one of seven programs funded through the Tier 1 category of the Foundation School Program. The Transportation Allotment is reimbursed to school districts based on the number of miles driven on different categories of routes. The reimbursable routes are (1) Regular Education Program, (2) Special Education, (3) career and technology education (CTE) and (4) Private Transportation.

The Transportation Allotment for the Regular Education Program is derived from the daily cost of operating and maintaining the regular transportation system per regular eligible student, and the "linear density" of that system. Linear density is the average number of regular eligible students transported daily, divided by the approved daily route miles traveled in the district. A "regular eligible student" means a student who resides two or more miles from the student's campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as a student eligible for Special Education services. Eligible route miles do not include extracurricular miles (which are school activity trips and other non-instructional purposes such as field trips, athletics practice, sporting events, school club meetings, band/cheer competitions, animal shows or competitions, or between-campus transportation for meals). The allotments per mile of approved Regular Education Program routes is set by appropriation by the Legislature in the General Appropriations Act and have not changed since 1984. If the allotments remain unchanged, the only method to increase State funding revenues is to drive more eligible miles, which may not be practical or possible.

For the 2011-12 and 2012-13 school years, the appropriation for funding Regular Education Program route miles is calculated on the following basis:

Linear Density Grouping	Allocation per mile of Approved Route
2.40 and above	$1.43
1.65 to 2.399	$1.25
1.15 to 1.649	$1.11
0.90 to 1.149	$0.97
0.65 to 0.899	$0.88
0.40 to 0.649	$0.79
Up to 0.399	$0.68

The Issuer is in the fourth-highest linear density group, qualifying for a reimbursement of $0.97 per mile for Regular Education Program route miles. The linear density is calculated each year using the Issuer's preceding school year's effective linear density and costs per mile. The effective linear density is applied to the legislative linear density groupings shown in the table above to determine a rate per mile.

Each school district that is provided student transportation by the Issuer is reimbursed based on the linear density for the Issuer's total. The Issuer receives the Transportation Allotment from the State and credits the funds to the cost of transportation for each district; the total funds received by the Issuer from the State are credited to each school district based upon the route miles allocable to each district divided by the total eligible route miles driven by the Issuer. These funds are used to offset the amount owed to the Issuer by each district for transportation services.

Transportation for Special Education students is not based on the linear density allocation but rather is based on the cost per mile for the Issuer's preceding school year, not to exceed the legislated maximum, which is $1.08 per mile. The cost per mile of transporting Special Education students exceeds $3.00 per mile, therefore the Issuer is reimbursed the maximum $1.08 per mile. Transportation for CTE students is based on the actual number of miles traveled and the travel rate per mile for extracurricular activities as determined by the school district board of trustees and approved by TEA.

Under TEA guidelines, a district may provide a Private Transportation program, which reimburses eligible students for transportation provided by a parent or public transit. To be eligible, students must live in geographically isolated areas two or more miles from their home school and from the nearest available school bus route. By law, determining eligibility for reimbursement for Private Transportation must be made on a case-by-case basis, and only approved in extreme hardship cases. Private Transportation is funded at the rate of $0.25 per mile, with a maximum annual amount of $816 per student.

State funding received from the Transportation Allotment must be used to provide transportation services. The Issuer does not administer Private Transportation for its client school districts; each district administers its own Private Transportation program.

Additionally, as discussed above under the subcaption "Wealth Transfer Provisions" some districts have sufficient property wealth per student in WADA to generate their statutory level of funding through collections of local property taxes alone, and those districts are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code, as amended. Because the Issuer does not have provide classroom education for students, it does not have a WADA calculation and, under current law, cannot be a Chapter 41 district.

This Issuer also makes available private transportation rentals to public and non-profit private entities. These rentals are established by the Issuer and governed by the Issuer's policies regarding the extent to which the Issuer will provide private rental transportation. Costs of private rentals are paid by the renter, and the TEA provides no State aid for such activities.

See "APPENDIX A – Table 12" for a listing of the Issuer's revenue sources which shows a line-item for State funding revenues of the Transportation Allotment.

TAX INFORMATION

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxing units within the county. The Dallas Central Appraisal District (the "Appraisal District") is responsible for appraising property within the Issuer, generally, as of January 1 of each year. The appraised values set by the Appraisal District are subject to review and change by an Appraisal Review Board (the "Appraisal Review Board"), whose members are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

Property Subject to Taxation by the Issuer

Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within each respective Appraisal District is subject to review by an Appraisal Review Board within each respective Appraisal District, consisting of members appointed by the Board of Directors of each Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The Issuer may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the Issuer by petition filed with the appropriate Appraisal Review Board.

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

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

Certain residence homestead exemptions from ad valorem taxes for public school purposes are mandated by Section 1-b, Article VIII, and State law and apply to the market value of residence homesteads in the following sequence: (i) $15,000 and an additional $10,000 for those 65 years of age or older, or the disabled. A person over 65 and disabled may receive only one $10,000 exemption, and only one such exemption may be received per family, per residence homestead. State law also mandates a freeze on taxes paid on residence homesteads of persons who are 65 years of age or older or disabled, to the extent that such persons are eligible for the $10,000 exemption. Such residence homesteads shall be appraised and taxes calculated as on any other property, but taxes shall never exceed the amount imposed in the first year in which the property received the $10,000 exemption. The freeze on ad valorem taxes on the homesteads of persons who are 65 years of age or older or disabled is also transferable to a different residence homestead. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. A "disabled" person is one who is "under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance". Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

In addition, under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant either or both of the following: (i) an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; and (ii) an exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000. After the exemption described in (i) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value. The surviving spouse of an individual who qualifies for the exemption listed in (i) above for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Effective January 1, 2012, the surviving spouses of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemption or the goods-in-transit exemption for items of personal property.

A city or county may create a tax increment financing district (“TIF”) within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the “incremental value” (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district’s property value wealth per student for (1) the appraised value, in excess of the “frozen” value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the municipality creating the tax increment financing zone gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999), or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993. Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district’s rollback tax rate (see “AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate”).

Valuation of Property for Taxation

Generally, property in the Issuer must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal or the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Issuer in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, (b) the appraised value of the property for the preceding tax year; and (c) the market value of all new improvements to the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Issuer can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The Issuer, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the Issuer or an estimate of any new property or improvements within the Issuer. While such current estimate of appraisal values may serve to indicate the rate and extent of growth of taxable values within the Issuer, it cannot be used for establishing a tax rate within the Issuer until such time as the Appraisal District choose to formally include such values on their appraisal roll.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills.

A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

Levy and Collection of Taxes

The Issuer is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Before the later of September 30 or the 60th day after the date that the certified appraisal role is received by the Issuer, the rate of taxation must be set by the Board of Trustees of the Issuer based upon the valuation of property within the Issuer as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may, under certain circumstances, be imposed by the Issuer. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer are a personal obligation of the owner of the property. The Issuer has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes on real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The Issuer's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post- petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Property Assessment and Tax Payment

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

Penalties and Interest

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

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

(a) After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

Issuer Application of Tax Code

The Issuer grants the optional homestead exemption of $69,000 for persons over 65 and disabled persons.

The Issuer grants an additional exemption of 20% of the market value of residence homesteads; the minimum exemption that could be received being $5,000.

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

The Issuer does not tax non-business personal property; and the Dallas County Tax Assessor/Collector collects taxes for the Issuer.

The Issuer does permit split payments of taxes, and discounts for early payment of taxes are allowed for taxpayers over age 65 or disabled.

The Issuer does tax freeport property.

INVESTMENT AUTHORITY OF THE ISSUER AND INVESTMENT OF PUBLIC FUNDS

Legal Investments

Available Issuer funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Trustees. Both State law and the Issuer’s investment policies are subject to change. Under Texas law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Issuer deposits; or (ii) where (a) the funds are invested by the Issuer through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Issuer as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Issuer; (b) the broker or the depository institution selected by the Issuer arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Issuer; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Issuer appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Issuer with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Issuer, held in the Issuer's name, and deposited at the time the investment is made with the Issuer or with a third party selected and approved by the Issuer and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Issuer, held in the Issuer's name and deposited at the time the investment is made with the Issuer or a third party designated by the Issuer; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and, (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

Investment Policies

Under Texas law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Issuer funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

Under Texas law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the Issuer to: (a) receive and review the Issuer's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Issuer and the business organization that are not authorized by the Issuer's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Issuer's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Issuer and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Issuer's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Issuer's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Issuer.

Current Investments

As of April 30, 2012, the Issuer's investable funds were invested in the following categories:

Investment Instrument	Book Value	Percentage
Demand deposits with financial institutions	$37,277,378	100%

TAX MATTERS

Opinion

On the date of initial delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer ("Bond Counsel"), will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See "Appendix C - Form of Bond Counsel's Opinion."

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

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Obligations or the property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Obligationholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under Tables numbered 1 through 4, 6 through 13, and Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2013.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission ("SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Audited financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year following the end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notices of Certain Events

The Issuer will provide notice to the MSRB of any of the following events with respect to the Obligations, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of Obligationholders; (3) Obligation calls; (4) release, substitution, or sale of property securing repayment of the Obligations; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer will also provide notice to the MSRB of any of the following events with respect to the Obligations without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person.

The Issuer will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

Availability of Information From MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Obligations at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Obligations may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Obligations in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Obligations consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Obligations. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

The Issuer is in compliance in material respects under its prior continuing disclosure agreements under the Rule.

OTHER INFORMATION

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" on the Obligations. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating, may have an adverse effect on the market price of the Obligations.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and developments arising from deliberations of the Joint Select Committee on Deficit Reduction, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Obligations, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Obligations.

Litigation

The Issuer is a defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the Issuer's management, the outcome of these lawsuits will not have a materially adverse effect on the financial condition of the Issuer. At the time of the initial delivery of the Obligations, the Issuer will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Obligations or that affects the payment and security of the Obligations or in any other manner questioning the issuance, sale or delivery of the Obligations.

Registration and Qualification of Obligations for Sale

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, the Obligations must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Obligations, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Obligations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The Issuer has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The Issuer has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

Legal Matters

The Issuer will furnish the Underwriter a complete transcript of proceedings relating to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Obligations are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton, L.L.P. Bond Counsel to the Issuer ("Bond Counsel") to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, a form of which opinion is attached to this Official Statement as Appendix C. Bond Counsel has been engaged by and only represents the Issuer in connection with the issuance of the Obligations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished. Bond Counsel has not undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING" (excluding the information under the subcaption "Sources and Uses of Proceeds"), "THE OBLIGATIONS" (excluding the information under the subcaptions "Book-Entry Only System" and "Default and Remedies"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS", "TAX MATTERS", "CONTINUING DISCLOSURE INFORMATION", "OTHER INFORMATION - Registration and Qualification of Obligations for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the provisions of the Order. All legal fees to be paid to McCall, Parkhurst & Horton, L.L.P. for services rendered as Bond Counsel and Disclosure Counsel to the Issuer in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Issuer by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, as Disclosure Counsel to the Issuer.

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

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Obligations from the Issuer, at an underwriting discount of $135,576.10. The Underwriter will be obligated to purchase all of the Obligations if any Obligations are purchased. The Obligations to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriter.

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

Forward-Looking Statements Disclaimer

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

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

Miscellaneous

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

The Order will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Obligations by the Underwriter.

/s/ Larry Duncan
President, Board of Trustees
Dallas County Schools

/s/ Rick D. Sorrells
Ex-Officio Secretary, Board of Trustees
Dallas County Schools

APPENDIX A

FINANCIAL INFORMATION REGARDING THE ISSUER

FINANCIAL INFORMATION REGARDING THE ISSUER

TABLE 1 – TAXABLE ASSESSED VALUATION HISTORY

Fiscal Year Ended	Real Property[1] Market Value	Real Property[1] Taxable Value	Business Personal Property[1] Market Value	Business Personal Property[1] Taxable Value	Total Taxable Value[1]
2008	175,182,702,180	137,740,834,723	28,323,578,630	23,507,249,622	161,248,084,345
2009	187,638,529,130	145,129,940,694	30,463,426,250	25,452,420,574	170,582,361,268
2010	182,554,759,580	139,987,088,713	30,712,195,850	25,330,587,768	165,317,676,481
2011	176,061,193,540	133,906,122,387	28,685,037,400	24,273,360,575	158,179,482,962
2012	173,819,493,730	131,296,860,611	28,953,511,130	24,217,720,099	155,514,580,710
2013	181,216,000,040	137,630,365,533	31,436,216,880	25,909,499,263	163,539,864,796

Total Principal of Debt Payable from Ad Valorem Taxes (as of 08-1-2012)[2] — $45,300,000

Ratio Tax Supported Debt to Taxable Assessed Valuation[2] — 0.0277%.

2012 Estimated Population[3] — 2,492,850

Per Capita Taxable Assessed Valuation[2] — $65,603

Per Capita Total Tax Supported Debt[2] — $18.17

[1] As reported by Dallas Central Appraisal District; subject to change during the ensuing year as property protests are decided.
[2] Includes the Obligations.
[3] Source: North Central Texas Council of Governments

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended*	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2008	2,452,000	$161,248,084,345	65,761	$0	0.00%	$0
2009	2,471,000	170,582,361,268	69,033	0	0.00	0
2010	2,368,139	165,317,676,481	69,809	0	0.00	0
2011	2,374,175	158,179,482,962	66,625	0	0.00	0
2012	2,492,850	155,514,580,710	63,384	24,410,000	0.016	9.79
2013	2,492,850	163,539,864,796	65,603	38,735,000 [3]	0.024 [3]	15.54

[1] Source: North Central Texas Council of Governments
[2] As reported by the Dallas Central Appraisal District; subject to change during the year as valuation protests are decided.
[3] Includes the Obligations.

* Fiscal year 2010 represents a 10-month transitional year for the period from September 1, 2009, through June 30, 2010 during which the Issuer changed its fiscal year from an August 31 ending date to a June 30 ending date. Years preceding 2010 are from September 1 through August 31. The Issuer changed its fiscal year in order that it would not overlap with two different school years.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended*	Tax Rate		Tax Levy [1]	% of Total Collections
2008	$0.004714		$7,612,054	99.23%
2009	0.004928		8,419,037	99.11
2010	0.005212		8,627,760	97.78
2011	0.010000	[2]	15,841,180	97.60
2012	0.010000		15,551,458	97.71 [3]

[1] Source: Issuer's annual financial statements.
[2] The Issuer doubled its tax rate in fiscal year 2011 to generate additional revenues to purchase new buses for its aging bus fleet.
[3] In process of collection.

* Fiscal year 2010 represents a 10-month transitional year for the period from September 1, 2009, through June 30, 2010 during which the Issuer changed its fiscal year from an August 31 ending date to a June 30 ending date. Years preceding 2010 are from September 1 through August 31. The Issuer changed its fiscal year in order that it would not overlap with two different school years.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2011-12 Taxable Assessed Valuation	% Total Taxable Assessed Valuation
AT&T/Southwestern Bell/Cingular	Telephone Utility	$1,277,149,713	0.77%
Oncor Electric / Texas Utilities	Electric Utility	1,244,176,170	0.75%
Texas Instruments/Raytheon	Electronics Manufacturer	712,476,933	0.43%
Crescent TC Investors, LP	Real Estate	645,300,810	0.39%
Wal-Mart Retail Stores	Retail	605,195,670	0.37%
Northpark Land Partners	Real Estate	536,260,000	0.32%
Verizon/GTE	Telephone Utility	476,426,275	0.29%
Southwest Airlines	Airline	420,792,608	0.25%
SP Millenium Center, LP	Real Estate	385,594,660	0.23%
YPI Central Expressway, LP	Real Estate	332,131,130	0.20%
		$6,635,503,969	4.01%

Source: Dallas Central Appraisal District. Figures for the 2012-2013 tax year are not yet available.

TABLE 5 – ESTIMATED OVERLAPPING DEBT

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

Entity	2011-12 Taxable Assessed Valuation (2)	Gross GO Tax Debt Outstanding As of 4/30/2012	Percent of debt Applicable to Issuer	Issuer's Overlapping Debt
Dallas County Schools	$155,514,580,710	$24,410,000 (1)	100%	$24,410,0000 (1)
Dallas County	155,514,580,710	131,330,000	100	131,330,000
Dallas County Hosp Dist	161,907,911,382	705,000,000	100	705,000,000
Dallas County CCD	161,907,911,382	524,265,000	100	524,265,000
Carrollton-Farm. Branch ISD	10,991,324,500	297,605,000	80.88	240,702,924
Cedar Hill ISD	2,573,868,016	122,953,993	100	122,953,993
Coppell ISD	7,073,590,381	152,355,822	100	152,355,822
Dallas ISD	74,661,069,947	2,568,295,000	100	2,568,295,000
DeSoto ISD	2,096,688,182	137,070,943	100	137,070,943
Duncanville ISD	3,197,348,376	150,482,126	100	150,482,126
Ferris ISD	17,126,613	33,004,380	3.97	1,310,274
Garland ISD	13,338,176,947	386,164,638	100	386,164,638
Grand Prairie ISD	4,804,370,282	467,960,394	100	467,960,394
Grapevine-Colleyville ISD	287,759,660	338,449,287	7.00	23,691,450
Highland Park ISD	11,069,317,404	108,785,000	100	108,785,000
Irving ISD	8,971,398,639	540,106,600	100	540,106,600
Lancaster ISD	1,525,036,775	96,537,203	100	96,537,203
Mesquite ISD	6,155,321,252	425,595,979	100	425,595,979
Richardson ISD	16,165,411,712	390,244,988	100	390,244,988
Sunnyvale ISD	791,016,498	58,686,802	100	58,686,802
Addison, Town of	3,028,042,568	58,795,000	100	58,795,000
Balch Springs, City of	646,124,686	7,890,000	100	7,890,000
Carrollton, City of	4,490,988,705	172,530,000	48.93	84,418,929
Cedar Hill, City of	2,654,921,301	81,515,000	96.57	78,719,035
Cockrell Hill, City of	88,332,788	1,815,000	100	1,815,000
Coppell, City of	4,659,858,428	81,875,000	98.09	80,311,188
Dallas, City of	77,295,235,801	1,669,462,336	100	1,669,462,336
DeSoto, City of	2,795,486,741	88,730,000	100	88,730,000
Duncanville, City of	1,687,526,045	16,229,230	100	16,229,230
Farmers Branch, City of	3,631,789,854	23,000,000	100	23,000,000
Ferris, City of	10,033,740	3,780,000	7.20	272,160
Garland, City of	10,120,032,899	590,684,750	99.79	589,444,312
Glenn Heights, City of	278,876,791	5,640,000	67.06	3,782,184
Grand Prairie, City of	4,631,087,586	228,705,000	52.18	119,338,269

Grapevine, City of	105,710,684	109,261,051	1.58	1,726,324
Hutchins, City of	263,283,680	8,430,000	100	8,430,000
Irving, City of	16,531,748,675	334,420,000	100	334,420,000
Lancaster, City of	1,497,549,787	88,825,000	100	88,825,000
Lewisville, City of	61,430,475	90,570,000	0.83	751,731
Mesquite, City of	5,739,820,930	111,510,000	99.68	111,153,168
Ovilla, City of	22,650,888	7,330,000	9.26	678,758
Richardson, City of	6,327,440,184	285,945,000	62.21	177,886,384
Rowlett, City of	2,696,439,521	77,660,758	85.30	62,244,626
Sachse, City of	799,006,146	40,325,000	66.57	26,844,352
Seagoville, City of	426,836,256	5,917,459	98.47	5,826,922
Sunnyvale, Town of	768,957,535	11,175,000	100	11,175,000
Wilmer, City of	162,211,241	0	100	0
Wylie, City of	8,821,302	111,321,517	0.40	445,286

Total Direct and Overlapping Debt	$10,825,359,330
Ratio of Direct & Overlapping Tax Supported Debt to 2012-2012 Preliminary Taxable Assessed Valuation ($163,539,864,796)	6.62%
Per Capita Direct and Overlapping Tax Supported Debt	$4,342.56

(1) Excludes the Obligations.
(2) Source: Dallas Central Appraisal District. Includes the taxable value for only the portion of the entity located in Dallas County.

TABLE 6 – ISSUER'S GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 6-30	Outstanding Debt Service	The Obligations			Total Debt Service Requirements [1]
		Principal	Interest	Total	
2012	$2,411,797.64	—	—	—	$2,411,797.64
2013	4,805,450.00	$2,445,000.00	$597,164.03	$3,042,164.03	7,847,614.03
2014	4,811,275.00	2,380,000.00	654,400.00	3,034,400.00	7,845,675.00
2015	4,810,700.00	2,430,000.00	606,550.00	3,036,550.00	7,847,250.00
2016	4,808,000.00	2,500,000.00	539,250.00	3,039,250.00	7,847,250.00
2017	4,813,150.00	2,610,000.00	425,400.00	3,035,400.00	7,848,550.00
2018	2,403,800.00	2,725,000.00	313,350.00	3,038,350.00	5,442,150.00
2019	—	2,850,000.00	189,400.00	3,039,400.00	3,039,400.00
2020	—	2,950,000.00	88,800.00	3,038,800.00	3,038,800.00
	$28,864,172.64	$20,890,000.00	$3,414,314.03	$24,304,314.03	$53,168,486.67

(1) Does not include obligations described under "Table 9 – Other Obligations" herein. The issuer has no outstanding bond indebtedness.

TABLE 7 – TAX ADEQUACY

2012-13 Principal and Interest Requirements	$7,847,614.03
$0.01 Tax Rate at 97% Collection Produces [1]	$15,863,367
Maximum Principal and Interest Requirements, 2017	$7,848,550.00
$0.01 Tax Rate at 97% Collection Produces [1]	$15,863,367

[1] Based upon a 2012-13 preliminary taxable assessed valuation of $163,539,864,796.00.

TABLE 8 – AUTHORIZED BUT UNISSUED TAX BONDS

The Issuer has no authorized but unissued bonding capacity, and has no current plans to order a bond election for such purpose.

In addition to issuing unlimited tax bonds, which require voter approval, the Issuer may incur other financial obligations payable from its collection of maintenance taxes and other sources of revenue, including maintenance tax notes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

ANTICIPATED ISSUANCE OF ADDITIONAL TAX DEBT . . . The Issuer anticipates the issuance of approximately $10 million of public property finance contractual obligations in fiscal year 2013-14 (or other) for fleet purchases.

TABLE 9 – OTHER OBLIGATIONS

As of the date of this Official Statement, the Issuer's outstanding bond debt, excluding the Obligations, include the Issuer's Public Property Finance Contractual Obligations, Series 2012, with an outstanding principal amount of $24,410,000.00.

CAPITAL LEASES…..The Issuer is obligated under various capital leases. The leases call for monthly principal and interest payments over the life of the leases. The Issuer owes $297,449 on all capital leases for fiscal years ending 2013 and 2014. All current capital leases are scheduled to be fully paid in fiscal year ending 2014.

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 6.4%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any Issuer personnel paid by Federally funded programs. More detailed information about the Issuer's general long-term liabilities is presented in Note 6 to the financial statements.

State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010, and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of Issuer employees for the year ended June 30, 2011, the ten months ended June 30, 2010, and the fiscal year ended August 31, 2009, were $2,914,249, $2,530,965, and $2,690,263, respectively. No additional state contributions were made in 2011, 2010, and 2009 by the Issuer because no Issuer employee salary exceeded the statutory minimum. Contributions to the retirement plan for the Issuer's employees represent 100% of the annual required contributions for the fiscal periods presented. The contributions made by the State on behalf of the Issuer have been recorded in the financial statements as both State revenues and payroll expenditures. These contributions are the legal responsibility of the State. (For more detailed information concerning the retirement plan, see Appendix D, "Excerpts from Dallas County Schools Annual Financial Report" - Notes 6 and 7.)

RETIREE HEALTH CARE . . . In addition to its participation in the System, the Issuer contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2011, 2010, and 2009. For the fiscal year ended June 30, 2011, the ten months ended June 30, 2010, and the fiscal year ended August 31, 2009, respectively, the State's contributions to TRS-Care were $443,101, $391,883, and $402,249, the active members' contributions were $287,916, $253,513, and $261,461, and the Issuer's contributions were $243,641, $215,993, and $221,234. Actual contributions equaled the required contributions for the fiscal periods presented. For more information concerning the Issuer's funding policy and contributions in connection with the TRS-Care Retired Plan, see Appendix D, "Excerpts from Dallas County Schools Annual Financial Report", Note 8.

COMPENSATED ABSENCES…Amounts included for compensated absences include accrued earned but unused State personal days according to Issuer employment leave policies. Employees who retire from the Issuer through the System are eligible to receive a lump-sum payment for accrued State personal leave days upon retirement. Employees hired on or after August 1, 2010, will only be eligible for reimbursement for a maximum of 60 total State personal leave days, whether earned at the Issuer or brought over from another district. More detailed information about the Issuer's general long-term liabilities is presented in Note 6 to the financial statements.

OTHER POST-EMPLOYMENT BENEFITS…As a result of its participation in the System and the TRS-Care Retired Plan and having no other post-employment benefit plans, the Issuer has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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TABLE 10 – SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ending 2011	Fiscal Year Ending 2010*	Fiscal Year Ending 2009	Fiscal Year Ending 2008	Fiscal Year Ending 2007
Revenues					
Property Taxes	$15,865,860	$8,490,778	$8,375,104	$7,608,572	$7,454,384
Investment Earnings	61,131	65,779	196,317	560,336	877,427
Charges for Services	54,442,609	42,815,363	44,099,829	45,121,902	41,156,134
Operating Grants and Contributions	721,653	1,031,479	—	—	—
Capital Grants and Contributions	2,086,136	2,253,760	2,259,226	3,633,279	1,513,674
State Aid	21,793,481	22,262,484	22,641,569	17,460,450	15,999,541
Miscellaneous	607,654	704,115	339,036	727,166	2,402,336
Total Revenues	95,578,524	77,623,758	77,911,081	75,111,705	69,403,496
Expenses					
Instructional Resources and Media Services	471,971	252,040	413,379	362,013	684,648
Guidance, Counseling, and Evaluation	566,408	597,557	652,399	685,067	764,782
Student Transportation	62,737,517	57,755,463	58,036,682	54,303,229	50,336,506
Extracurricular Activities	6,512,359	6,699,102	6,217,451	6,305,463	6,306,601
General Administration	6,967,163	5,196,329	6,443,497	5,074,572	5,589,449
Plant Maintenance and Operations	2,039,999	950,020	962,022	1,276,159	1,151,940
Data Processing Services	1,891,954	2,451,112	3,096,834	2,886,247	2,309,569
Community Services	26,580	602,520	509,429	276,238	466,099
Debt Service	47,291	11,417	69,506	—	13,688
Facilities Acquisition and Construction	—	238,847	163,953	—	—
Total Expenses	81,261,242	74,754,407	76,565,152	71,168,988	67,623,282
Changes in Net Assets	14,317,282	2,869,351	1,345,929	3,942,717	1,780,214
Prior Period Adjustment	—	—	—	156,185	854,682
Beginning Net Assets	61,020,111	58,150,760	56,804,831	52,705,929	50,071,033
Ending Net Assets	$75,337,393	$61,020,111	$58,150,760	$56,804,831	$52,705,929

* Fiscal year 2010 represents a 10-month transitional year for the period from September 1, 2009, through June 30, 2010 during which the Issuer changed its fiscal year from an August 31 ending date to a June 30 ending date. Years preceding 2010 are from September 1 through August 31. The Issuer changed its fiscal year in order that it would not overlap with two different school years.

TABLE 11 – SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE

	Fiscal Year Ending 2011		Fiscal Year Ending 2010*	Fiscal Year Ending 2009	Fiscal Year Ending 2008	Fiscal Year Ending 2007
Revenues						
Local and operational sources	$68,513,181		$52,107,840	$55,453,114	$48,639,480	$49,085,677
State program revenues	20,964,786		21,467,546	21,760,921	20,121,001	18,774,734
Federal program revenues	721,653		1,031,476	431,004	719,040	—
Total Revenues	90,199,620		74,606,865	77,645,039	69,479,521	67,860,411
Expenditures						
Instruction	48,554		9,062	45,400	62,190	65,686
Instructional resources & media services	369,203		294,426	430,350	511,976	632,706
Guidance, counseling & evaluation services	566,408		597,557	652,399	685,067	764,782
Student transportation (1)	70,671,955		55,943,961	57,176,685	56,347,444	46,573,510
Extracurricular activities (2)	6,512,359		5,405,552	5,131,556	5,714,424	5,517,653
General administration	7,002,590		5,204,869	6,443,497	5,074,572	4,628,161
Plant maintenance & operations	1,339,369		977,422	1,349,050	1,276,159	1,151,940
Date processing services	4,288,624		2,550,389	3,439,489	3,439,409	2,309,569
Community services	—		—	—	—	—
Principal on long-term debt	652,751		379,123	721,480	—	387,690
Interest on long-term debt	47,291		11,417	—	—	—
Facilities acquisition & construction	2,499,945		735,854	498,750	277,385	—
Total Expenditures	93,999,049		72,109,632	75,888,656	73,388,626	62,273,482
Excess (Deficiency) of revenues over expenditures	(3,799,429)	(2)	2,497,233	1,756,383	(3,909,105)	5,586,929
Other Sources	—		10,000	1,373,639	1,613,587	501,744
Net change in fund balance	(3,799,429)		2,507,233	3,130,022	(2,295,518)	6,088,673
Beginning Fund Balance	16,396,286		13,889,053	10,759,031	15,525,978	9,939,049
Prior Period Adjustment	—		—	—	(2,471,429)	—
ENDING FUND BALANCE	$12,596,857		$16,396,286	$13,889,053	$10,759,031	$16,027,722

(1) Bus purchases are recorded as an expense under the Student Transportation fund.
(2) Extracurricular activities include school activity trips and other non-instructional purposes such as field trips, athletics practice, sporting events, school club meetings, band/cheer competitions, animal shows or competitions, or between-campus transportation for meals.
(3) The deficiency for fiscal year 2010-11 is due to land acquisition of approximately $2,000,000 and advertising revenues that were received in an amount approximately $1,000,000 less than budgeted.

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TABLE 12 – LOCAL REVENUE SOURCES

Source of Revenue	Fiscal Year Ending 2011	Fiscal Year Ending 2010	Fiscal Year Ending 2009	Fiscal Year Ending 2008	Fiscal Year Ending 2007
Property taxes	$15,724,534	$8,413,371	$8,481,423	$7,605,073	$7,445,915
Operational charges to schools for transportation (1)	33,892,276	27,097,789	27,613,468	23,829,108	23,751,147
Contributions from schools for capital purchases	2,086,136	2,031,130	1,141,505	987,985	1,675,437
Charges for psychological services (1)	410,962	487,868	448,489	16,237	526,201
Charges for school district monitors (1)	4,853,258	4,590,329	5,535,559	5,217,549	4,251,682
Charges for summer school transportation	1,219,080	617,085	804,798	474,383	255,303
Charges to others for transportation services	317,839	344,129	179,679	375,536	475,375
Charges for extracurricular transportation services	8,000,486	7,210,800	10,259,231	8,604,747	8,104,467
Charges for technology services (1)	1,275,409	544,791	386,076	—	—
Publications workshop	64,416	10,654	67,534	68,275	—
Investment income	61,131	65,779	196,317	560,336	719,658
Other income	607,654	694,115	339,035	1,678,751	1,313,238
Total	$68,513,181	$52,107,840	$55,453,114	$49,417,980	$48,583,933

(1) These revenues are generated pursuant to the intergovernmental contracts between the Issuer and the independent school districts under which the Issuer provides the indicated service.

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TABLE 13 – STATEMENT OF NET ASSETS

	Fiscal Year Ending 2011	Fiscal Year Ending 2010*	Fiscal Year Ending 2009	Fiscal Year Ending 2008	Fiscal Year Ending 2007
Assets:					
Cash and cash equivalents	$12,560,246	$20,180,482	$17,797,642	$15,490,321	$17,506,930
Investments - current	—	—	3,534,222	—	—
Property taxes - delinquent	707,540	572,461	570,343	533,855	494,162
Allowance for uncollectible taxes	(81,142)	(124,371)	(71,590)	(71,590)	(74,124)
Due from other governments (net)	7,371,008	6,250,673	4,068,872	8,378,880	4,211,815
Other Receivables	331,446	250,000	98,000	38,046	209,954
Inventories	1,542,317	1,374,512	1,114,582	1,023,126	924,238
Capital Assets:					
Land	1,477,962	949,062	842,737	842,737	962,714
Building and improvements	23,361,298	21,495,068	20,176,102	19,789,074	19,648,230
Accumulated depreciation - buildings	(6,171,654)	(5,575,839)	(5,146,187)	(4,645,747)	(6,254,605)
Vehicles	95,208,614	85,110,349	79,000,127	76,430,850	66,853,837
Accumulated depreciation - vehicles	(58,999,742)	(59,762,305)	(52,711,519)	(51,592,561)	(46,651,240)
Furniture and equipment	8,526,241	5,426,718	4,997,122	4,319,670	5,433,321
Accumulated amortization - furniture and equipment	(4,726,734)	(4,082,577)	(3,796,136)	(3,533,902)	(3,734,785)
Duplication rights	802,675	638,712	474,719	244,922	140,967
Accumulated amortization - duplication rights	(553,211)	(335,034)	(222,489)	(55,063)	(39,091)
Total Assets	81,356,864	72,367,911	70,726,547	67,192,618	59,632,323
Liabilities					
Accounts payable	373,106	352,357	377,430	1,852,154	372,949
Accrued payroll deductions and withholdings	1,024,006	1,032,649	159,455	98,754	55,967
Accrued wages payable	225,176	615,261	1,132,721	1,269,992	1,224,154
Unearned revenue	—	3,824,030	5,096,090	2,372,063	—
Accrued expenses	2,740,723	3,178,871	3,103,216	2,958,006	3,530,047
Due to other governments	—	—	—	—	1,532,034
Long-Term Liabilities					
Due within one year	354,369	762,392	769,071	483,704	63,373
Due in more than one year	1,302,085	1,582,240	1,937,804	1,353,114	147,870
Total Liabilities	6,019,465	11,347,800	12,575,787	10,387,787	6,926,394
Net Assets					
Invested in capital assets, net of related debt	58,087,570	42,373,525	41,744,724	40,651,893	36,359,348
Unrestricted	17,249,823	18,646,586	16,406,036	16,152,938	16,346,581
Total Net Assets	75,337,393	61,020,111	58,150,760	56,804,831	52,705,929

* Fiscal year 2010 represents a 10-month transitional year for the period from September 1, 2009, through June 30, 2010 during which the Issuer changed its fiscal year from an August 31 ending date to a June 30 ending date. Years preceding 2010 are from September 1 through August 31. The Issuer changed its fiscal year in order that it would not overlap with two different school years.

APPENDIX B

GENERAL INFORMATION REGARDING THE LOCAL ECONOMY

GENERAL INFORMATION REGARDING THE LOCAL ECONOMY

The Issuer and the Local Economy

Dallas County Schools (the "Issuer") is a political subdivision of the State of Texas, located in Dallas County, Texas.

Dallas County is located in north central Texas, and is strategically central to the economic region including the states of Texas, Louisiana, Arkansas, Oklahoma and New Mexico. Dallas County is also centrally located within the United States. The County encompasses an area of 909 square miles. The 2000 Census reported a population of 2,218,899. The County had an estimated 2010 population of 2,492,850 and is the ninth largest county in the United States.

The City of Dallas is the second largest city in Texas and the ninth largest city in the United States. The City of Dallas, the county seat of Dallas County, has an incorporated land area of approximately 378 square miles and is the major component of the largest Consolidated Metropolitan Statistical Area ("CMSA") in Texas and the ninth largest CMSA in the country.

The Dallas Metropolitan area is headquarters for many Fortune 500 companies and represents a diversified economy that includes technology, retail, manufacturing, and services. The area also reflects art, fashion, and entertainment. It is the site of a district Federal Reserve Bank. Together with the Fort Worth Metropolitan area, Dallas-Fort Worth (DFW) comprises the nation's fourth largest urban economy. The area enjoys relatively low taxes with no personal or corporate state income tax and a maximum combined state and city sales tax of 8.25%.

Compensation costs increased in the DFW metropolitan area according to U.S. Bureau of Labor Statistics. Unemployment rates rose but returned to 8.0% at year's end for the metropolitan area. In response to the economic downturn, firms continued wage and hiring freezes or reduced hours and benefits costs. The home buyer tax credit of 2009 did not stabilize the drop in new home sales. Home prices in Dallas fell 3.1% from a year earlier, according to S&P/Case Shiller Home Price Index. Commercial construction remains at very low levels. Expecting financial market conditions to become more supportive of economic growth with subdued inflation, the Federal Open Market Committee has maintained the target range for federal funds rates at 0% to .25%, for the last 12 months.

Employment Data

Year	Population[1]	Disposable Personal Income[2]		Per Capital Personal Income[3]		Median Age[4]	Unemployment Rate[5]	
2002	2,245,398	$82,983		$36,205		31.8	6.4	(b)
2003	2,283,953	84,278		36,617		31.9	6.6	(b)
2004	2,284,096	89,692	(a)	39,766		32.2	5.5	(b)
2005	2,330,050	95,652	(a)	40,959		32.6	5.2	(b)
2006	2,383,300	101,747	(a)	41,321		32.4	4.6	(b)
2007	2,417,650	104,705		42,174		32.8	4.3	(b)
2008	2,451,800	109,053		44,060		33.1	5.3	(b)
2009	2,471,000	107,337		45,422		33.2	8.7	(b)
2010	2,492,850	107,915		47,351		31.7	8.4	(b)
2011	2,373,870	107,915	(c)	47,351	(c)	31.6	8.7	(b)

Source:
(1) North Texas Commission (http://www.ntc-dfw.org/northtexas/popest.html).
(2) Bureau of Economic Analysis - U.S. Department of Commerce (www.bea.gov) for amounts through fiscal year 2005. After 2005, personal income estimated using CPI South-Urban available from U.S. Department of Labor.
(3) U.S. Department of Commerce - Bureau of Economic Analysis for Dallas County, TX
(http://www.bea.gov/regional/reis/crius.cfm).
(4) U.S. Census Bureau - ACS Survey (factfinder.census.gov) for Dallas County, TX.
(5) North Texas Commission (http://www.ntc-dfw.org/northtexas/empunemprates.html).

Note:

(a) Adjusted personal income figures reflect Bureau of Labor Statistics estimates for 2006 and revisions for 2004-2005.
(b) The unemployment rate is reported as of the month of August of each year.
(c) 2010 Figure (2011 figure not available).

	2011	2010	2009	2008	2007
Dallas County					
Total Civilian Labor Force	1,176,200	1,185,620	1,152,946	1,137,970	1,136,204
Total Unemployment	98,479	100,501	95,089	62,250	52,732
Percent Unemployed	8.40%	8.50%	8.20%	5.50%	4.60%
Total Employment	1,077,721	1,085,119	1,057,857	1,075,720	1,083,472
State of Texas (Actual)					
Total Civilian Labor Force	12,451,504	12,201,405	11,930,847	11,635,095	11,421,105
Total Unemployment	986,979	977,623	910,621	575,797	499,399
Percent Unemployed	7.90%	8.00%	7.60%	4.90%	4.40%
Total Employment	11,464,525	11,223,782	11,020,226	11,059,298	10,921,706

Top Employers

Listed below are the major public and private employers located within the Dallas/Fort Worth area and the estimated number of employees.

Company	Type of Business	No. of Employees
Wal-Mart Inc.	Retail/Grocery	34,698
AMR Corp. [1]	Airline	20,684
Dallas Independent School District	Public Education	20,554
Bank of America	Financial Services	20,000
Baylor Health Care System	Healthcare Provider	19,677
Texas Health Resources	Healthcare Provider	18,672
AT&T Inc.	Telecommunications	17,482
Lockheed Martin Aeronautics Co.	Military Aircraft Design & Production	14,902
City of Dallas	City Government	13,427
JPMorgan Chase	Financial Services	13,000
UT Southwestern Medical Center	Health Sciences University/Medical Center	12,671
HCA Inc.	Healthcare Provider	12,300
Fort Worth Independent School District	Public Education	11,000
Verizon Communications	Telecommunications	11,000
Unites State Postal Service	Federal Government	11,000
Raytheon Co.	Aircraft Manufacturing and Design	9,900
Kroger Co.	Retail Grocery	9,717
Parkland Hospital	Healthcare Provider	9,405
Energy Future Holdings Inc.	Energy	9,342
Texas Instruments	Semiconductor Manufacturing	8,900
Target Corp.	Retail/Grocery	8,882
Arlington Independent School District	Public Education	8,500
University of North Texas	Public Higher Education	8,415
United Parcel Service, Inc	Transportation/Shipping	8,094
J.C. Penny Company, Inc.	Retail	7,827
Garland Independent School District	Public Education	7,400
Dallas County Community College District	Public Higher Education	7,230

Citigroup	Financial Services	7,000
J.C. Penny Company, Inc.	Retail	7,300
Lewisville Independent School District	Public Education	6,636
Bell Helicopter Textron Inc.	Professional/Scientific/Technical	6,500
Plano Independent School District	Public Education	6,480
Southwest Airlines	Airline	6,458
City of Fort Worth	City Government	6,289
Dallas County	County Government	6,150
Albertsons	Retail Grocery	6,100
Tom Thumb Food & Pharmacy	Retail Grocery	5,855
University of Texas at Arlington	Public Higher Education	5,811
Children's Medical Center	Healthcare Provider	5,358

Source: The Dallas Business Journal 2011 Book of Lists.

(1) AMR Corp., parent company of American Airlines, filed Chapter 11 bankruptcy proceedings on November 28, 2011.

Education

Dallas-Fort Worth has extensive education and training resources. According to the Economic Development Department of the City of Dallas, 29.6% of the Dallas-Fort Worth area population holds a bachelor's degree or higher. The Dallas-Fort Worth area is served by 205 independent school districts with nearly 2,000 schools enrolling over 1.2 million students. Another 66,000 DFW students attend 197 local, accredited private schools. The Dallas Independent School District is the 12th largest school district in the nation with 217 schools, enrollment of over 161,000 students, and covers most of Dallas County in a 351 square mile area. There are also 27 colleges and universities in the Dallas/Fort Worth area, plus six community college districts with 17 campuses, enrolling approximately 260,000 students. The following list includes some of those institutions of higher education.

Private Colleges and University	Public Higher Education
Art Institute of Dallas	Dallas County Community College System
Austin College	Texas Women's University
Baylor College of Dentistry	Tarrant County College System
Baylor University School of Nursing	University of North Texas
Dallas Baptist University	University of Texas at Arlington
Paul Quinn College	University of Texas at Dallas
Southern Methodist University	University of Texas Health Sciences Center
Southwestern Baptist Theological Seminary	Southwestern Medical Center at Dallas
Texas Christian University	
Texas College of Osteopathic Medicine	
Texas Wesleyan University	

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

LAW OFFICES
MCCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
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717 NORTH HARWOOD
SUITE 900
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700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

Proposed Form of Opinion of Bond Counsel

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

DALLAS COUNTY SCHOOLS
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2012-A
IN THE AGGREGATE PRINCIPAL AMOUNT OF $20,890,000

AS BOND COUNSEL for Dallas County Schools (the "Issuer"), the issuer of the Obligations described above (the "Obligations"), we have examined into the legality and validity of the Obligations, which bear interest from the dates, and mature on the dates, specified in the text of the Obligations, at the rates and payable on the dates as stated in the text of the Obligations, all in accordance with the terms and conditions stated in the text of the Obligations.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Obligations have been authorized and issued and the Obligations delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Obligations issued in exchange therefore will have been duly delivered, in accordance with law, and that the Obligations, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Obligations have been levied and pledged for such purpose, within the limit prescribed by law.

IN EXPRESSING SUCH OPINION, we have considered the effect of the November 22, 2005 decision by the Texas Supreme Court in *West Orange-Cove Consolidated Independent School District, et al. v. Neeley, et al.*, upholding, in part, a lower court judgment concluding that the local ad valorem maintenance and operation tax authorized under the school finance system then in effect had become a State property tax in violation of article VIII, section 1-e of the Texas Constitution, in that school districts did not have meaningful discretion in levying the tax. The Court's opinion further noted that the court "...remain convinced...that defects in the structure of the public school finance system expose the system to constitutional challenge. . . . [Such challenges] will repeat until the system is overhauled." Subsequent to such decision, legislation was enacted by the Texas Legislature to address the constitutional issues raised in the court's ruling. Reference is made to the Official Statement for the Obligations for a further description of the rulings and the legislation enacted by the Texas Legislature.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Obligations is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Obligations are not "specified private activity bonds" and that, accordingly, interest on the Obligations will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Obligations.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Obligations, relating to, among other matters, the use of the project being financed and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Obligations. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Obligations may become includable in gross income retroactively to the date of issuance of the Obligations.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Obligations, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

Respectfully,

APPENDIX D

EXCERPTS FROM THE DALLAS COUNTY SCHOOLS ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

The information contained in this Appendix consists of excerpts from the Dallas County Schools Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011, and is not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Report for further information.

DALLAS COUNTY SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

Prepared by:
The Business Department
612 N. Zang Blvd.
Dallas, Texas 75208

DALLAS COUNTY SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

INTRODUCTORY SECTION

Dallas County Schools

Strengthening Education Through Service

Dallas County Schools

Strengthening Education Through Service

November 17, 2011

To the Citizens of Dallas County
and Board of Trustees of Dallas County Schools:

State law requires that all general-purpose local governments publish, within 150 days of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of Dallas County Schools ("DCS") for the fiscal year ended June 30, 2011.

This report was prepared by DCS' Business Department and consists of management's representations concerning the finances of DCS. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, DCS has established a comprehensive internal control framework that is designed to protect both DCS' assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal control should not outweigh their benefits, DCS' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the basic financial statements will be free from material misstatement. Responsibility for internal control is shared by the Board of Trustees and management. We believe that DCS' internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

DCS' basic financial statements have been audited by Weaver and Tidwell, L.L.P. The goal of the independent audit was to provide reasonable assurance that the basic financial statements as of and for the year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that DCS' financial statements for the year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is presented in three sections: introductory section, financial section, and statistical section. GAAP requires a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. DCS' MD&A can be found immediately following the report of the independent auditors.

PROFILE OF DALLAS COUNTY SCHOOLS

DCS is a governmental agency that services 14 independent public school districts within Dallas County, Texas (the "County") and two independent school districts outside of the County. Under this system, the independent school districts handle their respective classroom functions, while DCS provides unified, efficient, and cost-effective support services.

Formalized education in the County goes back as far as 1850 when Abner Nash became the first official teacher in the County and told Dallas County Commissioners that his top priority would be to maintain good discipline. Four years later, the County began recording the names and ages of every child enrolled in its one-room schoolhouses.

By 1855, a survey outlined the "school lands" of the County, and, at some later unknown time, the first unofficial superintendent, W.L. Cabell, began serving the County. W.L. Cabell is believed to have served in an unofficial capacity because no record has been found that describes his appointment, and County Commissioners had not yet decided how school superintendents should be chosen.

J.G. Stevens served as the County's first official superintendent of public education beginning May 10, 1887. Little is known about the school system in those early days other than the names of the superintendents who served. The seventh superintendent, Thomas E. Henry, became the first to purchase school books. At the turn of the century, more than 115 school districts were operating in the County.

Between 1915 and 1927, the County School Board began consolidating school districts in order to make more efficient use of educational funding provided by the State of Texas. Around that same time, school districts began petitioning the County School Board for permission to build high schools. In 1927, the School Board approved three bus routes, which laid the cornerstone for DCS' modern transportation division.

From 1928 forward, the County School Board focused on expanded transportation services for the deaf, improved fleet maintenance, the creation of an audio-visual division, and support for the Dallas County Community College network and public television's Channel 13. The County School Board also began hiring educational consultants and psychologists. In the 1930s, County trustees took over supervision of the Southwest Vocational School, fielded a mobile library, and mandated that school districts employ only teachers who held at least a bachelor's degree.

The DCS Media Center came into existence in 1938 when the then Superintendent Joe P. Harris suggested that the possibilities of visual education should be explored. DCS played an integral role in launching Channel 13, a public television station in the City of Dallas. Superintendent L.A. Roberts joined 17 other leaders from the City of Dallas in signing Channel 13's incorporation papers. In addition, DCS' Board of Trustees later supported the creation of a county-wide junior college district, and Superintendent Coy Tindel led the way in 1967 by writing a grant that provided funding to create what is today the Region 10 Education Service Center.

Today, under the leadership of Superintendent Rick Sorrells, four separate divisions – Transportation, Information Technology, Instructional Media Services, and Psychological Services - work together to fulfill DCS' mission to strengthen education through service. DCS' facilities located throughout the County provide an array of services to the 16 independent public school districts served.

DCS' Information Technology Department seeks to bring the world to the desktops of teachers, students, parents, and community members. Several programs that comprise the building blocks that help DCS achieve its vision are internet-based solutions for transportation and fleet maintenance and digital delivery of instructional media titles. Information Technology also maintains DCS' website (www.dcschools.com), which contains a variety of information and programs designed to facilitate the use of technology to its fullest potential.

Instructional Media Services offers member districts full access to its library of more than 13,000 titles of videos accessed from a user's desktop via a digital delivery system. Titles are correlated to Texas Essential Knowledge and Skills (TEKS) objectives with a searchable TEKS Catalog link available on DCS' website.

Psychological Services conduct psychological testing, write psychological reports, and serve as a professional resource for classroom teachers and administrators. These professionals participate in Admission, Review, and Dismissal Committee meetings and provide individual and group counseling. The Psychological Services portion of DCS' website offers many useful links for parents, teachers, and administrators.

The Transportation Department operates one of the five largest pupil transportation fleets in the nation. More than 1,700 buses transport 60,000 students to and from school. Buses travel more than 16 million miles each year to provide regular, special education, and extracurricular transportation to the students of Dallas County. More than 2,000 drivers, monitors, and maintenance personnel work in DCS' transportation department. DCS also provides these services to school districts outside of Dallas County under fee-for-service contractual arrangements.

DCS' Board of Trustees serves as a support system for the organization. Members of the Board of Trustees are elected to a six-year term in office. On a rotating basis, Board seats are filled during elections held in May of odd years. These elected officials play a role in the decision-making process as well as adopt important rules, regulations, and policies that govern the operations of DCS. The current members of the Board are: President Larry Duncan, Vice President Jordan R. Blair, Pauline K. Dixon, B.J. Smith, James Hubener, Maricela Siewczynksi, and Dr. Paul A. Freeman.

DCS strives each and every day to strengthen education through service. Along with sponsoring several special events such as the Gloria Shields All-American Publications Workshop and the Dallas County Spelling Bee, DCS is also at the forefront of many cutting edge developments such as Global Positioning Systems and Radio Frequency Identification for school buses and Online Continuing Education for educational professionals.

From a one-room schoolhouse to one of the most modern school systems in the nation, DCS has grown and will continue to grow and evolve to better serve the students, parents, teachers, and community of the County.

LOCAL ECONOMY

The Dallas Metropolitan area is headquarters for many Fortune 500 companies and represents a diversified economy that includes technology, retail, manufacturing, and services. The area also reflects art, fashion, and entertainment. It is the site of a district Federal Reserve Bank. Together with the Ft. Worth Metropolitan area, Dallas-Ft. Worth (DFW) comprises the nation's fourth largest urban economy. The area enjoys relatively low taxes with no personal or corporate state income tax and a maximum combined state and city sales tax of 8.25%.

Compensation costs increased in the DFW metropolitan area according to U.S. Bureau of Labor Statistics. Unemployment rates rose but returned to 8.0% at year's end for the metropolitan area. In response to the economic downturn, firms continued wage and hiring freezes or reduced hours and benefits costs. The home buyer tax credit of 2009 did not stabilize the drop in new home sales. Home prices in Dallas fell 3.1% from a year earlier, according to S&P/Case Shiller Home Price Index. Commercial construction remains at very low levels. Expecting financial market conditions to become more supportive of economic growth with subdued inflation, the Federal Open Market Committee has maintained the target range for federal funds rates at 0% to .25%, for the last 12 months.

RELEVANT FINANCIAL POLICY

Budget planning is an integral part of overall program planning so that the budget effectively reflects DCS' operations and activities and provides the resources to implement them. It is the practice of DCS to project conservatively for budget purposes both in revenues and expenditures. This practice continues to help DCS stay in a healthy financial condition. Budget planning and evaluation are continuous processes and are a part of DCS' monthly activities.

DCS' budget initiatives reflect a district-wide effort to reduce expenditures and operate more efficiently and cost-effectively, while continuing to support current projects and pursue ways to improve our operations and expand our services.

Budget initiatives include:

- The roll-out of digital video recorders in the school buses and the replacement of previously existing obsolete technology in the process.
- Continued implementation of alternative fuel program including purchase of propane buses and development of our own bio-fuel manufacturing facilities.
- Expansion of technology services offered to member districts.

AWARDS AND ACKNOWLEGEMENTS

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Dallas County Schools for its CAFR for the ten months ended June 30, 2010. A Certificate of Achievement for Excellence in Financial Reporting is awarded to participating governments whose CAFR meets the requirements of the program. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program standards. The CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, ASBO awarded a Certificate of Excellence in Financial Reporting to Dallas County Schools for its CAFR for the ten months ended June 30, 2010. The award certifies that a recipient school system has presented its CAFR to the ASBO Panel of Review for critical review and evaluation and that the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO. We believe that our current report continues to conform to the high standards of the certificate of excellence program, and we are submitting it to ASBO for review.

The preparation of the CAFR on a timely basis could not have been accomplished without the efficient and dedicated service of the staff of the Business Department as well as the technical support provided by the independent auditing firm of Weaver and Tidwell, L.L.P. Sincere appreciation is extended to all personnel who assisted and contributed to the preparation of the Comprehensive Annual Financial Report.

We also thank the members of the Board of Trustees and all other DCS officials and employees who have given their support in planning and conducting the financial operations of DCS in a responsible manner.

Respectfully submitted,

Wesley Scott, CPA
Assistant Superintendent/CFO

Certificate of Board

Dallas County Schools	Dallas	. 057-000 .
Name of School District	County	County-District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and

(check one) ____X____Approved ______________Disapproved

for the year ended June 30, 2011, at a meeting of the Board of Trustees of such school district on thc 17th day of November, 2011.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

Dallas County Schools

Strengthening Education Through Service

DALLAS COUNTY SCHOOLS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Dallas County Schools for its Comprehensive Annual Financial Report for the ten months ended June 30, 2010.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Receiving the award is recognition that a school system has met the highest standards of excellence in government accounting and financial reporting.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Dallas County Schools
Texas

For its Comprehensive Annual
Financial Report
for the Ten Months Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

DALLAS COUNTY SCHOOLS

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Dallas County Schools for its Comprehensive Annual Financial Report for the ten months ended June 30, 2010.

The Certificate of Excellence in Financial Reporting is an award of recognition granted by ASBO. The award certifies that the recipient school system has presented its Comprehensive Annual Financial Report to the ASBO Panel of Review for critical review and evaluation and that the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO.

Receiving the award is recognition that a school system has met the highest standards of excellence in school financial reporting.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

DALLAS COUNTY SCHOOLS

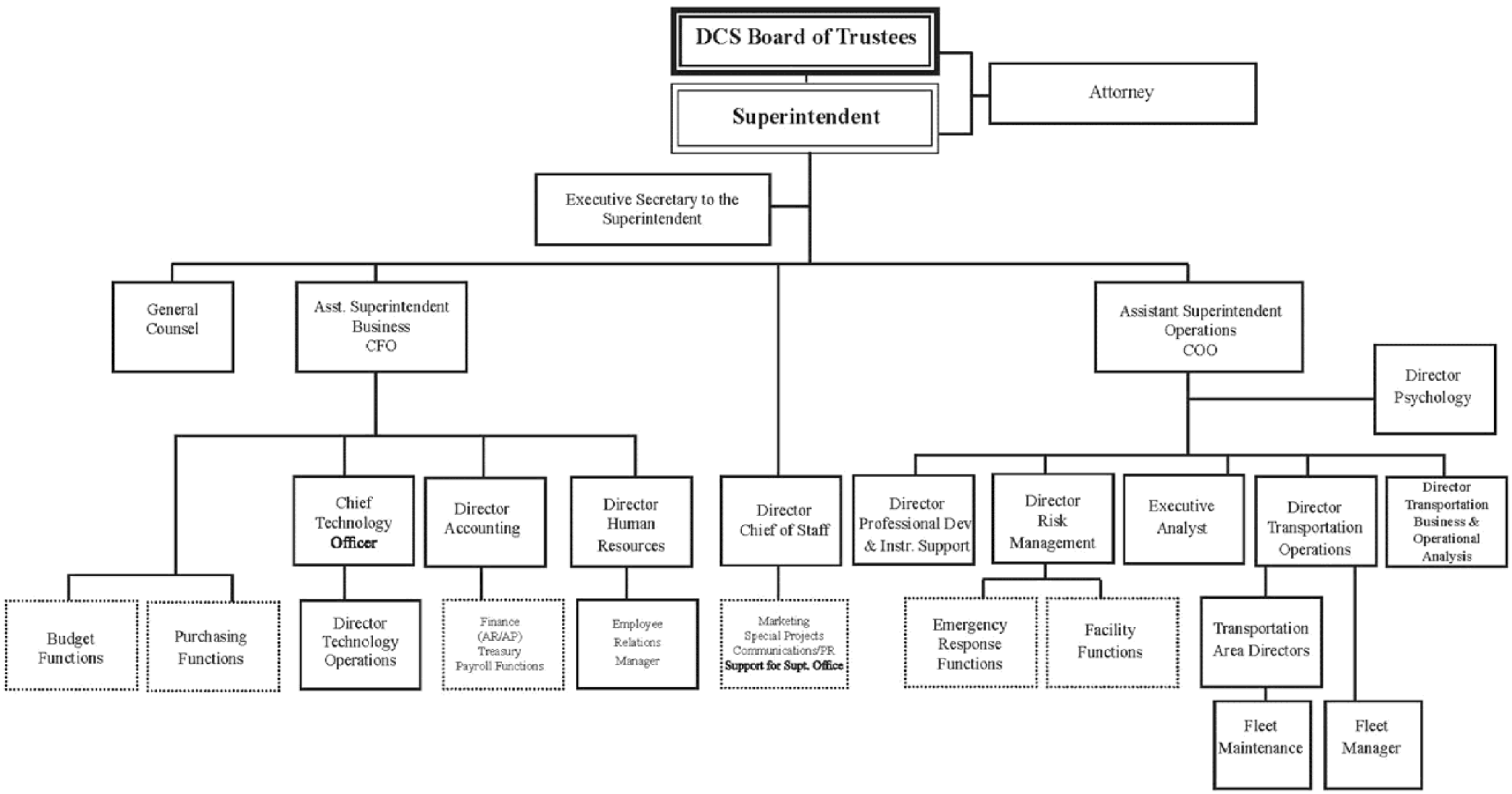
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Dallas County Schools Organizational Chart Effective 3/1/11



Updated 6/8/11

Dallas County Schools

Strengthening Education Through Service

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dallas County Schools
612 North Zang Boulevard
Dallas, Texas 75208

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Dallas County Schools ("DCS") as of and for the year ended June 30, 2011, which collectively comprise DCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of DCS' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Dallas County Schools, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 17, 2011, which is available under separate cover, on our consideration of Dallas County School's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 51 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we didn't audit the information and express no opinion on it.

MIDLAND
400 W. ILLINOIS, SUITE 1550, MIDLAND, TX 79701
P: (432) 683 5226 F: (432) 683 9182

WEAVER AND TIDWELL LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
WWW.WEAVERLLP.COM

LOCATIONS THROUGHOUT TEXAS:
AUSTIN ★ DALLAS ★ FORT WORTH ★ HOUSTON
MIDLAND ★ ODESSA ★ SAN ANTONIO

Board of Trustees
Dallas County Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DCS' basic financial statements. The Texas Education Agency (TEA) required and other schedules 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 Dallas County Schools. The TEA required and other schedules, excluding the statistical section with tables 1 through 11 which is marked UNAUDITED and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
November 17, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

DALLAS COUNTY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

This section of Dallas County Schools' ("DCS") comprehensive annual financial report presents our discussion and analysis of DCS' financial performance during the year ended June 30, 2011. Please read it in conjunction with DCS' financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- DCS' total combined net assets, as presented on the Government-Wide Statement of Net Assets, was $75,337,393 at June 30, 2011
- DCS' revenues totaled $95,578,524 for the year ended June 30, 2011.
- DCS' expenditures/expenses totaled $81,261,242 for the year ended June 30, 2011.
- The general fund reported a fund balance of $12,596,857 at June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section consists of three parts 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two kinds of statements that present different views of DCS.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about DCS' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting DCS' operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that provide more detailed data or full disclosure. The statements are followed by a section of required supplementary information that supports the financial statements.

Figure A-1 summarizes the major features of DCS' financial statements, including the portion of government they cover, and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each statement.

Figure A-1
Major Features of the District's Government-wide and Fund Financial Statements

Type of Statement	**Government-Wide**	**Fund Statements**	
		Governmental Funds	**Proprietary Fund**
Scope	Entire District's government and the District's component units	The activities of the district that are not proprietary	The activities of the district that are not governmental activities
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of Net Assets * Statement of Revenues, Expenses, and Changes in Fund Net Assets * Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Full Accrual basis accounting and current economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter with no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or when cash is paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about DCS using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report DCS' net assets and how they have changed. Net assets– the difference between DCS' assets and liabilities– is one way to measure DCS' financial health or position.

- Over time, increases or decreases in DCS' net assets may serve as a useful indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of DCS, one needs to consider additional non-financial factors such as changes in DCS' tax base.

The government-wide financial statements of DCS include the category *Governmental Activities*. DCS' operational functions include transportation services; instructional and media services; guidance, counseling, and evaluation services; extracurricular activities; technology services; plant maintenance and operations; and general administration. Charges for Services accounted for approximately 57% of the revenues that financed those activities; support from state aid provided another 23%; property taxes accounted for 16%; and grants, contributions, investment earnings, and other revenues comprise the remaining 4%.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about DCS' most significant funds – not DCS as a whole. Funds are accounting devices that DCS uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and/or by bond covenants.
- The Board of Trustees established other funds to control and manage money for particular purposes or to show that it is properly using resources or grants.

DCS has two kinds of funds:

Governmental Funds – DCS' basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources available to finance services. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements, or on subsequent pages, to explain the relationship (or differences) between them.

Proprietary Funds – Proprietary funds are used to report the same functions presented as the business-type activities in the government-wide financial statements. DCS uses a single proprietary fund, the *Enterprise Fund*, to report services to school districts that reside outside of Dallas County.

FINANCIAL ANALYSIS OF DCS AS A WHOLE

Net Assets. As noted earlier, increases or decreases in net assets may serve over time as a useful indicator of DCS' financial position. DCS' *combined* net assets at June 30, 2011, was $75,337,393. DCS' combined net assets increased by $14,317,282 or 23% during the year ended June 30, 2011. (See Table A-1).

Table A-1
DCS' Net Assets

	Governmental Activities As of June 30, 2010	Governmental Activities As of June 30, 2011	Business-Type Activities As of June 30, 2010	Business-Type Activities As of June 30, 2011
Current and Other Assets	$ 27,415,863	$ 21,367,217	$ 1,087,894	$ 1,064,198
Capital Assets	42,808,295	57,911,187	1,055,859	1,014,261
Total Assets	70,224,158	79,278,404	2,143,753	2,078,459
Current Liabilities	9,728,288	4,703,523	37,272	13,862
Long-Term Liabilities	1,582,240	1,302,085	-	-
Total Liabilities	11,310,528	6,005,608	37,272	13,862
Net Assets:				
Invested in Capital Assets, Net	41,317,666	57,073,309	1,055,859	1,014,261
Unrestricted Net Assets	17,595,964	16,199,487	1,050,622	1,050,336
Total Net Assets	$ 58,913,630	$ 73,272,796	$ 2,106,481	$ 2,064,597

Changes in Net Assets. DCS' revenues totaled $95,578,524 for the year ended June 30, 2011. (See Table A-2). A significant portion, approximately 57%, of the revenues derived from operational payments received from client school districts, and State aid and property taxes accounted for 23% and 16%, respectively. Revenues from other sources include grants and contributions, interest, and miscellaneous local revenue. (See Figure A-2).

The total cost of all programs and services was $81,261,242. 77% of these costs were expensed for student transportation services, and the remainder for various other services. (See Figure A-3).

**Figure A-2
Dallas County Schools
Sources of Revenue for the Year Ended June 30, 2011**

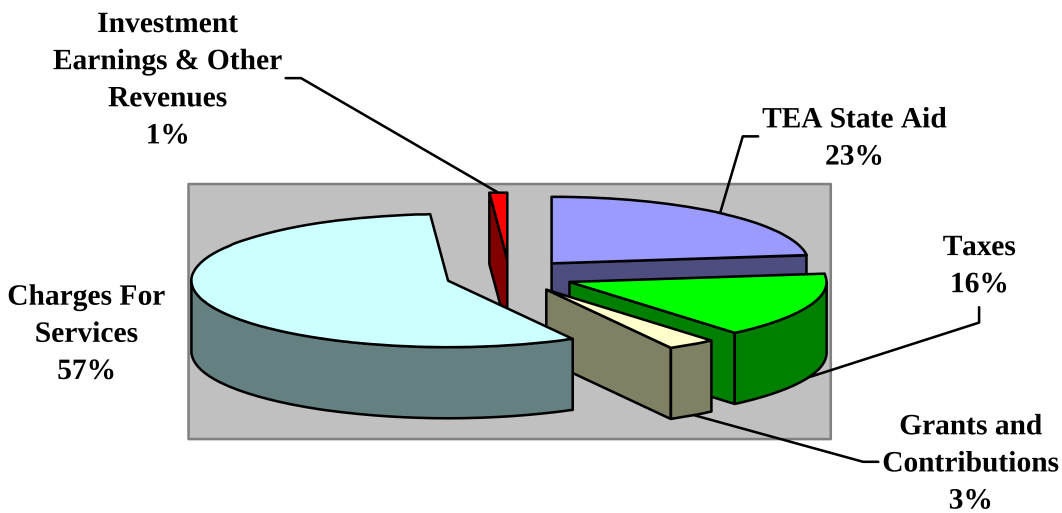
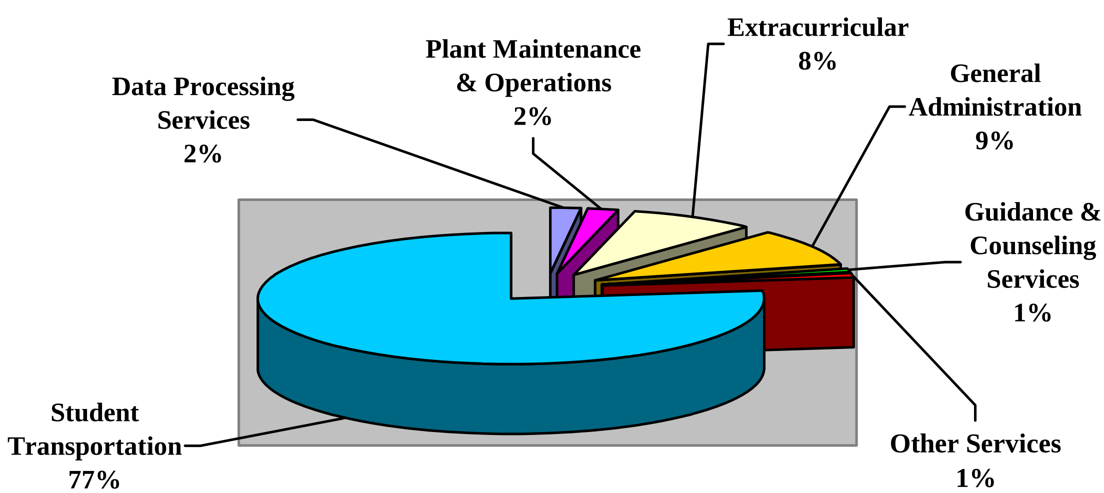


**Figure A-3
Dallas County Schools
Functional Expenses for the Year Ended June 30, 2011**



Governmental Activities

- Property tax rates increased from $0.005212 for 2010 to $0.010000 for 2011. The assessed value of taxable property decreased by 4.32% for the year ended June 30, 2011. The decrease in property values and the increase in the tax rate resulted in an increase in property tax revenues of $7,375,082 for the year.

Table A-2
Changes in DCS' Net Assets

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2011	Business-type Activities 2011	Total 2010	Total 2011
Property Taxes	$ 8,490,778	$ -	$ 15,865,860	$ -	$ 8,490,778	$ 15,865,860
Investment Earnings	65,779	-	61,131	-	65,779	61,131
Charges for Services	40,450,902	2,364,461	52,286,505	2,156,104	42,815,363	54,442,609
Operating Grants and Contributions	1,031,479	-	721,653	-	1,031,479	721,653
Capital Grants and Contributions	2,253,760	-	2,086,136	-	2,253,760	2,086,136
State Aid	21,467,546	794,938	20,964,786	828,695	22,262,484	21,793,481
Miscellaneous	704,115	-	607,654	-	704,115	607,654
Total Revenues	74,464,359	3,159,399	92,593,725	2,984,799	77,623,758	95,578,524
Instructional Resources and Media Services	252,040	-	471,971	-	252,040	471,971
Guidance, Counseling, and Evaluation	597,557	-	566,408	-	597,557	566,408
Student Transportation	54,943,526	2,811,937	59,710,834	3,026,683	57,755,463	62,737,517
Extracurricular Activities	6,699,102	-	6,512,359	-	6,699,102	6,512,359
General Administration	5,196,329	-	6,967,163	-	5,196,329	6,967,163
Plant Maintenance and Operations	950,020	-	2,039,999	-	950,020	2,039,999
Data Processing Services	2,451,112	-	1,891,954	-	2,451,112	1,891,954
Community Services	602,520	-	26,580	-	602,520	26,580
Debt Service	11,417	-	47,291	-	11,417	47,291
Facilities Acquisition and Construction	238,847	-	-	-	238,847	-
Total Expenses	71,942,470	2,811,937	78,234,559	3,026,683	74,754,407	81,261,242
Changes in Net Assets	2,521,889	347,462	14,359,166	(41,884)	2,869,351	14,317,282
Beginning Net Assets	56,391,741	1,759,019	58,913,630	2,106,481	58,150,760	61,020,111
Ending Net Assets	$ 58,913,630	$ 2,106,481	$ 73,272,796	$ 2,064,597	$ 61,020,111	$ 75,337,393

Table A-3 presents the costs for each of DCS' major functions and each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues are as well as the local tax dollars funded.

- The total cost of all governmental activities for the year ended June 30, 2011 was $78,234,559.
- The amount that DCS' taxpayers paid for these activities through property taxes was $15,865,860.
- Those who benefited directly from the programs paid $52,286,505 or 66.6% of those costs.

Table A-3
Net Cost of DCS' Governmental Activities

	Total Cost of Services		Net Cost of Services	
	10 Months Ended June 30, 2010	Year Ended June 30, 2011	10 Months Ended June 30, 2010	Year Ended June 30, 2011
Instructional Resources and Media Services	$ 252,040	$ 471,971	$ 241,386	$ 407,555
Guidance, Counseling, and Evaluation	597,557	566,408	109,689	155,446
Student Transportation	54,943,526	59,710,834	19,688,950	14,367,813
Extracurricular Activities	6,699,102	6,512,359	(511,698)	(1,488,127)
General Administration	5,196,329	6,967,163	5,196,329	6,967,163
Plant Maintenance and Operations	950,020	2,039,999	950,020	2,039,999
Data Processing Services	2,451,112	1,891,954	1,906,321	616,545
Community Services	602,520	26,580	375,068	26,580
Debt Service	11,417	47,291	11,417	47,291
Facilities Acquisition and Construction	238,847	-	238,847	-
	$ 71,942,470	$ 78,234,559	$ 28,206,329	$ 23,140,265

Business-type Activities

DCS' business-type activities reflects charges for services of $2,156,104 and state aid of $828,695. With a total cost of $3,026,683, the change in net assets for business-type activities was a decrease of $41,884, which resulted in ending net assets of $2,064,597.

FINANCIAL ANALYSIS OF DCS' FUNDS

DCS' accounting records for general governmental operations are maintained on a modified accrual basis as prescribed by the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide*, with revenues being recorded when available and measurable to finance expenditures of the fiscal period. Expenditures are recorded when services or goods are received and the fund liabilities are incurred, except for unmatured long-term debt. As noted earlier, the focus of DCS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Governmental funds report the differences between their assets and liabilities as fund balance. Effective July 1, 2010, DCS adopted GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions,"* the objective of which is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. The fund balance classifications that depict the relative strength of spending constraint placed on the purpose for which resources can be used are discussed in more detail in the notes to the financial statements.

Revenues from governmental fund types totaled $90,199,620, which represents an increase of $15,365,303 or 20.5% from the prior year, primarily due to the increase in property tax revenue that resulted from an increase in the tax rate and an increase in operational cost reimbursements. As of the end of the current fiscal year, DCS' governmental funds reported combined ending fund balances of $12,924,258, a decrease of $3,826,009 over the prior year. There was a net increase in capital assets of $15,606,910, which is attributable to purchases of buses equipped with video cameras and seatbelts plus the purchase of a building and land. The offsetting decrease is due to the use of fund balance to finance a portion of current-year expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures for the year ended June 30, 2011, were $3,046,084 below the final budgeted amount. The most significant variance resulted from expenditures for student transportation, data processing services, general administration, and facilities acquisition and construction. Resources available were $4,068,973 below the final budgeted amount. The unfavorable revenues variance was due primarily to the following factors:

- The process of charges for monitor services allowed for profits to be given back to the client districts as contributions.
- Fuel costs were less than budgeted, which resulted in the decrease in operational expenditures incurred in providing transportation to client districts.
- Decreases in extracurricular activities and the demand for field trips taken by the districts.

CAPITAL ASSETS

As of June 30, 2011, DCS had $129,376,790 invested in a broad range of capital assets, including land, buildings, equipment, and vehicles. (See Table A-4). This amount represents a net increase of $15,756,881 or 13.9% over last year, due largely to the net addition of $10,098,265 in vehicles during the fiscal year.

Table A-4
DCS' Capital Assets

	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2011	Business-type Activities 2011
Land	$ 949,062	$ -	$ 1,477,962	$ -
Buildings and Improvements	21,495,068	-	23,361,298	-
Furniture and Equipment	5,426,718	-	8,466,551	59,690
Vehicles	83,493,218	1,617,131	93,501,202	1,707,412
Duplication Rights	638,712	-	802,675	-
Total at Historical Cost	112,002,778	1,617,131	127,609,688	1,767,102
Less Accumulated Depreciation for:				
Buildings and Improvements	5,575,839	-	6,171,654	-
Vehicles	59,201,033	-	58,247,896	995
Furniture and Equipment	4,082,577	-	4,725,740	751,846
Duplication Rights	335,034	-	553,211	-
Total Accumulated Depreciation	69,194,483	-	69,698,501	752,841
Net Capital Assets	$ 42,808,295	$ 1,617,131	$ 57,911,187	$ 1,014,261

For the year ended June 30, 2011, $3,015,000 was budgeted for facilities acquisition and construction principally for the purchase of additional buses equipped with video cameras and seatbelts. Please reference Note 4 to the financial statements for more detailed information on DCS' capital assets.

DEBT

DCS is currently obligated under various lease arrangements that are classified as capital leases. The leases call for monthly principal and interest payments over the life of the leases. As of June 30, 2011, the net present value of the future minimum lease payments required under the capital leases was $837,878.

Amounts included for compensated absences include accrued earned but unused State personal days according to DCS' employment leave policies. Employees who retire from DCS through the Teacher Retirement System of Texas ("TRS") are eligible to receive a lump-sum payment for accrued State personal leave days upon retirement. Employees hired on or after August 1, 2010, will only be eligible for reimbursement for a maximum of 60 total State personal leave days, whether earned at DCS or brought over from another district. More detailed information about DCS' general long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

DCS' budget is developed annually and intended to provide efficient, effective and controlled usage of the entity's resources. Factors affecting the economy were considered while adopting the 2012 budget. Appropriations in the general fund were budgeted at $93,967,605, a decrease of $31,444 from the actual 2011 expenditures of $93,999,049. Expenditures for facilities acquisitions and for the purchase of new buses were budgeted to decrease by $5.3 million.

For the 2011/2012 fiscal year, DCS adopted a tax rate on $100.00 valuation in the amount of $.010000. The 2011 effective tax rate of $0.010228 per $100 of value, compared to 2010, would increase taxes by $78,026. Despite the sustained 8.8% average unemployment rate in Dallas County in 2011, tax collections in 2011, as a percentage of the current levy, was 97.7%, which matched the trend from the prior two fiscal years.

CONTACTING DCS' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of DCS' finances and to demonstrate DCS' accountability for the funding it receives. If you have questions about this report or need additional financial information, contact DCS' business office at 612 N. Zang Blvd., Dallas, Texas 75208, or call (214) 944-4545.

Dallas County Schools

Strengthening Education Through Service

BASIC FINANCIAL STATEMENTS

Dallas County Schools

Strengthening Education Through Service

EXHIBIT A-1

DALLAS COUNTY SCHOOLS
STATEMENT OF NET ASSETS
GOVERNMENT-WIDE
JUNE 30, 2011

Data Control Codes		Primary Government: Governmental Activities	Primary Government: Business Type Activities	Primary Government: Total
	ASSETS			
1110	Cash and cash equivalents	$ 11,717,522	$ 842,724	$ 12,560,246
1220	Property taxes - delinquent	707,540	-	707,540
1230	Allowance for uncollectible taxes	(81,142)	-	(81,142)
1240	Due from other governments (net)	7,245,518	125,490	7,371,008
1260	Other receivables	331,446	-	331,446
1300	Inventories	1,446,333	95,984	1,542,317
	Capital Assets:			
1510	Land	1,477,962	-	1,477,962
1520	Buildings and improvements	23,361,298	-	23,361,298
1571	Accumulated depreciation - buildings	(6,171,654)	-	(6,171,654)
1531	Vehicles	93,501,202	1,707,412	95,208,614
1572	Accumulated depreciation - vehicles	(58,247,896)	(751,846)	(58,999,742)
1539	Furniture and equipment	8,466,551	59,690	8,526,241
1573	Accumulated amortization - furniture and equipment	(4,725,740)	(995)	(4,726,735)
1990	Duplication rights	802,675	-	802,675
1991	Accumulated amortization - duplication rights	(553,211)	-	(553,211)
1000	**TOTAL ASSETS**	79,278,404	2,078,459	81,356,863
	LIABILITIES			
2110	Accounts payable	367,973	5,133	373,106
2150	Accrued payroll deductions and withholdings	1,024,008	-	1,024,008
2160	Accrued wages payable	216,450	8,729	225,179
2210	Accrued expenses	2,740,723	-	2,740,723
	Long-Term Liabilities:			
2501	Due within one year	354,369	-	354,369
2502	Due in more than one year	1,302,085	-	1,302,085
2000	**TOTAL LIABILITIES**	6,005,608	13,862	6,019,470
	NET ASSETS			
3200	Invested in capital assets, net of related debt	57,073,309	1,014,261	58,087,570
3900	Unrestricted	16,199,487	1,050,336	17,249,823
3000	**TOTAL NET ASSETS**	$ 73,272,796	$ 2,064,597	$ 75,337,393

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT B-1

DALLAS COUNTY SCHOOLS
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		Expenses	Program Revenues: 3 Charges for Services	Program Revenues: 4 Operating Grants and Contributions	Program Revenues: 5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: 6 Governmental Activities	7 Business-type Activities	8 Total
	GOVERNMENTAL ACTIVITIES							
0011	Instruction	$ 48,554	$ 64,416	$ -	$ -	$ 15,862	$ -	$ 15,862
0012	Instructional resources and media services	423,417	-	-	-	(423,417)	-	(423,417)
0031	Guidance, counseling, and evaluation services	566,408	410,962	-	-	(155,446)	-	(155,446)
0034	Student transportation	59,710,834	42,535,232	721,653	2,086,136	(14,367,813)	-	(14,367,813)
0036	Extracurricular activities	6,512,359	8,000,486	-	-	1,488,127	-	1,488,127
0041	General administration	6,967,163	-	-	-	(6,967,163)	-	(6,967,163)
0051	Plant maintenance and operations	2,039,999	-	-	-	(2,039,999)	-	(2,039,999)
0053	Data processing services	1,891,954	1,275,409	-	-	(616,545)	-	(616,545)
0061	Community services	26,580	-	-	-	(26,580)	-	(26,580)
0072	Interest on long-term debt	47,291	-	-	-	(47,291)	-	(47,291)
	Total governmental activities	78,234,559	52,286,505	721,653	2,086,136	(23,140,265)	-	(23,140,265)
	BUSINESS-TYPE ACTIVITIES							
	Out of County School Districts	3,026,683	2,156,104	-	-	-	(870,579)	(870,579)
	TOTAL PRIMARY GOVERNMENT	$ 81,261,242	$ 54,442,609	$ 721,653	$ 2,086,136	(23,140,265)	(870,579)	(24,010,844)
	General Revenues							
	Property taxes					15,865,860	-	15,865,860
	Investment earnings					61,131	-	61,131
	State aid - formula grants					20,964,786	828,695	21,793,481
	Miscellaneous					607,654	-	607,654
	Total general revenues					37,499,431	828,695	38,328,126
	Change in net assets					14,359,166	(41,884)	14,317,282
	Net assets - beginning					58,913,630	2,106,481	61,020,111
	Net assets - ending					$ 73,272,796	$ 2,064,597	$ 75,337,393

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-1

DALLAS COUNTY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes		General Fund	Special Revenue Fund	Total Governmental Funds
	ASSETS			
1110	Cash and cash equivalents	$ 11,389,741	$ 327,781	$ 11,717,522
1220	Property taxes - delinquent	707,540	-	707,540
1230	Allowance for uncollectible taxes	(81,142)	-	(81,142)
1240	Due from other governments, net	7,245,518	-	7,245,518
1290	Other receivables	331,446	-	331,446
1310	Inventories	1,446,333	-	1,446,333
1000	**TOTAL ASSETS**	$ 21,039,436	$ 327,781	$ 21,367,217
	LIABILITIES			
2110	Accounts payable	$ 367,593	$ 380	$ 367,973
2150	Accrued payroll deductions and withholdings	1,024,008	-	1,024,008
2160	Accrued wages payable	216,450	-	216,450
2210	Accrued expenditures	2,740,723	-	2,740,723
2300	Deferred revenue - taxes	535,952	-	535,952
2300	Deferred revenue - other governments	3,557,853	-	3,557,853
2000	**TOTAL LIABILITIES**	$ 8,442,579	$ 380	$ 8,442,959
	FUND BALANCES			
3410	Nonspendable - inventories	$ 1,446,333	$ -	$ 1,446,333
3500	Assigned	9,072,387	327,401	9,399,788
3600	Unassigned	2,078,137	-	2,078,137
3000	**TOTAL FUND BALANCES**	$ 12,596,857	$ 327,401	$ 12,924,258
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 21,039,436	$ 327,781	$ 21,367,217

The Notes to Financial Statements are
an integral part of this statement.

EXHIBIT C-2

DALLAS COUNTY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$	12,924,258
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		57,911,187
The net book value of property tax receivables is deferred under the modified accrual basis of accounting in the fund statements, but is recognized as revenue under the accrual basis accounting in the government-wide statements.		535,952
Long-term liabilities, including compensated absences and capital lease liability, are not due and payable in the current period and, therefore, have not been reflected in the governmental fund financial statements.		(1,656,454)
Revenue that is not measurable and available at year end is deferred in the governmental funds but is recognized on the accrual basis of accounting in the government-wide statements.		3,557,853
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	$	73,272,796

The Notes to Financial Statements are
an integral part of this statement.

EXHIBIT C-3

DALLAS COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		General Fund	Special Revenue Fund	Total Governmental Funds
	REVENUES			
5700	Local and operational sources	$ 68,513,181	$ -	$ 68,513,181
5800	State program revenues	20,964,786	-	20,964,786
5900	Federal program revenues	721,653	-	721,653
5020	**TOTAL REVENUES**	90,199,620	-	90,199,620
	EXPENDITURES			
	Current:			
0011	Instruction	48,554	-	48,554
0012	Instructional resources and media services	369,203	-	369,203
0031	Guidance, counseling, and evaluation services	566,408	-	566,408
0034	Student transportation	70,671,955	-	70,671,955
0036	Extracurricular activities	6,512,359	-	6,512,359
0041	General administration	7,002,590	-	7,002,590
0051	Plant maintenance and operations	1,339,369	-	1,339,369
0053	Data processing services	4,288,624	-	4,288,624
0061	Community services	-	26,580	26,580
	Debt service:			
0071	Principal on long-term debt	652,751	-	652,751
0072	Interest on long-term debt	47,291	-	47,291
0081	Facilities acquisition and construction	2,499,945	-	2,499,945
6030	**TOTAL EXPENDITURES**	93,999,049	26,580	94,025,629
1100	**DEFICIENCY OF REVENUES OVER EXPENDITURES**	(3,799,429)	(26,580)	(3,826,009)
	NET CHANGE IN FUND BALANCES	(3,799,429)	(26,580)	(3,826,009)
0100	**FUND BALANCES - BEGINNING**	16,396,286	353,981	16,750,267
3000	**FUND BALANCES - ENDING**	$ 12,596,857	$ 327,401	$ 12,924,258

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-4

DALLAS COUNTY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$	(3,826,009)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. Certain expenditures reported in the facilities acquisition and construction functional category are below the capitalization threshold of $5,000 and, therefore, are not considered capital outlay.		19,213,825
Disposals of capital assets are not recorded in the fund financial statements. The net book value of disposed assets results in a decrease in net assets.		(35,054)
The difference between property tax revenues earned but not available in prior periods ($394,626) and property tax revenues earned but not available in the current year ($535,952) is recognized as an increase/(decrease) in net assets in the government-wide financial statements.		141,326
Changes in the liability for compensated absences do not require the use of current financial resources and, therefore, are not reflected in the governmental fund financial statements but are shown as (increases)/decreases in long-term liabilities in the government-wide financial statements.		35,427
Depreciation expense on capital assets is not recognized in the governmental fund statements under the modified accrual basis of accounting but is recognized in the government-wide statements under the accrual basis of accounting.		(4,075,879)
Changes in deferred revenues derived from delayed collections of user charges reflected in the fund financial statements are shown as increases/(decreases) in net assets in the government-wide financial statements.		2,252,779
Current payments of the principal on capital lease liability are shown as a reduction of long-term liabilities in the government-wide financial statements.		652,751
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	$	14,359,166

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT D-1

DALLAS COUNTY SCHOOLS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

ASSETS		
Current assets:		
Cash and cash equivalents	$	842,724
Due from other governments		125,490
Inventories		95,984
Total current assets		1,064,198
Noncurrent assets:		
Furniture and equipment		59,690
Vehicles		1,707,412
Accumulated depreciation		(752,841)
Total noncurrent assets		1,014,261
TOTAL ASSETS		2,078,459
LIABILITIES		
Current liabilities:		
Accounts payable		5,133
Accrued wages		8,729
TOTAL LIABILITIES		13,862
NET ASSETS		
Invested in capital assets, net of related debt		1,014,261
Unrestricted		1,050,336
TOTAL NET ASSETS	$	2,064,597

The Notes to Financial Statements are
an integral part of this statement.

EXHIBIT D-2

DALLAS COUNTY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES		
Charges for services	$	2,156,104
State aid		828,695
TOTAL OPERATING REVENUES		2,984,799
OPERATING EXPENSES:		
Payroll costs		2,190,717
Professional and contracted services		16,050
Supplies and materials		405,901
Depreciation expense		191,569
Other operating costs		222,446
TOTAL OPERATING EXPENSES		3,026,683
OPERATING LOSS		(41,884)
TOTAL NET ASSETS - BEGINNING		2,106,481
TOTAL NET ASSETS - ENDING	$	2,064,597

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT D-3

DALLAS COUNTY SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for user charges	$	3,263,066
Cash payments to employees for services		(2,207,042)
Cash payments to suppliers and contractors		(449,182)
Cash payments for other operating expenses		(216,470)
NET CASH PROVIDED BY OPERATING ACTIVITIES		390,372
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		(149,971)
NET CASH USED IN INVESTING ACTIVITIES		(149,971)
NET INCREASE IN CASH AND CASH EQUIVALENTS		240,401
CASH AND CASH EQUIVALENTS, BEGINNING		602,323
CASH AND CASH EQUIVALENTS, ENDING	$	842,724

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$	(41,884)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		191,569
Decrease in due from other governments		278,267
Increase in inventories		(14,170)
Decrease in accrued wages		(16,325)
Decrease in accounts payable		(7,085)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	390,372

The Notes to Financial Statements are
an integral part of this statement.

Dallas County Schools

Strengthening Education Through Service

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dallas County Schools (DCS) operates under the Texas Education Code Subchapter G, Sec. 11.301 formerly Subchapter 17.62 of the Texas Education Code. DCS prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* issued by the American Institute of Certified Public Accountants. Additionally, DCS complies with the requirements of the appropriate version of the Texas Education Agency (TEA*) Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

DCS operates under a Superintendent-Board form of government and provides the following services as authorized by its charter: transportation, audio visual aids, technology and other services. The Board of Trustees is elected by the public for six-year terms; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, DCS is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB), Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB 39, "*Determining Whether Certain Organizations are Component Units*." The financial statements of DCS consist only of the funds of DCS. There are no component units included within the reporting entity.

DCS received funding from federal and state government sources and must comply with the requirements of the funding entities.

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about DCS as a whole. Those statements report information on all of DCS' non-fiduciary activities with most of the inter-fund activities removed. *Governmental Activities* – include programs supported primarily by taxes, state transportation funds, and other intergovernmental revenues. *Business-Type Activities* – include operations that rely to a significant extent on fees and charges for support.

The government-wide statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of DCS' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of DCS.

Amounts reported as program revenues include: 1) fees and charges paid by Texas independent school districts and other recipients of goods and services offered by a given function, 2) operating grants and contributions, and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are presented as general revenues and include property taxes, investment earnings, and state aid.

Fund Financial Statements **–** Fund financial statements report detailed information about DCS. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

The Proprietary Fund is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred. DCS applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt and unrestricted net assets.

Inter-fund activities between governmental funds and proprietary funds appear as other resources and other uses on the governmental funds statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All inter-fund transactions between governmental funds and business-type funds are eliminated on the district-wide statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting – Continued

DCS uses fund groups to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain DCS functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of DCS are grouped into governmental and proprietary fund types.

Governmental Funds **–** This group focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental fund according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are DCS' major governmental funds:

General Fund **–** This fund type is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund financial statements.

Special Revenue Fund – This fund is used to account for DCS' Evacuation/Ground Support Transportation Program. Resources used in the program derive from compensation received for providing emergency ground transportation and evacuation services.

Additionally, DCS reports the following proprietary fund.

Enterprise Fund **–** This fund accounts for DCS' activities outside of Dallas County for which users are charged a fee for goods or services provided.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and are reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds are accounted for under the modified accrual basis of accounting. Proprietary funds utilize the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting – Continued

Revenues **–** Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For DCS, available means expected to be received within 60 days of the end of the fiscal period.

Revenues from local sources include property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grants funds are considered to be earned and are recognized as revenue to the extent of expenditures made unless otherwise stipulated by the provisions of the grant. Accordingly, when grant funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made and all grant stipulations fulfilled.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Expenses/Expenditures **–** On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when obligations are expected to be liquidated with expendable available financial resources.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by DCS are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allowance for Doubtful Accounts

Management performs an evaluation of the collectability of accounts receivable annually based upon factors such as credit history, general economic factors and the age of receivables. As of June 30, 2011, management has established an allowance in the General Fund for uncollectible taxes of $81,142 and an allowance for amounts due from other governments of $91,652. DCS is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories

Inventories are stated at cost and consist of expendable vehicle parts and supplies held for consumption. Inventories of governmental funds are recorded as expenditures when the parts and supplies are used or consumed (consumption method) rather than when purchased. Inventories on hand at year's end are accounted for using the First-In-First-Out (FIFO) method.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the governmental fund financial statements.

All capital assets are reported at cost (or estimated historical cost) and updated for additions and/or retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. DCS maintains a capitalization threshold of $5,000. The costs of improvements are capitalized, while the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

The costs of all reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Duplication rights of less than three years are being depreciated monthly based on the period of the agreement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	40 Years
Furniture and equipment	5 Years
Vehicles	5 Years
Buses	10 Years
Duplication rights	3 - 7 Years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accumulated State and Personal Leave

It is DCS' policy to permit employees to accumulate earned but unused State personal days to use as determined by the employer. DCS' Board Policy contains a provision to compensate employees that are eligible for Teacher Retirement System ("TRS") of Texas retirement for accrued State personal leave days upon retirement. This policy allows an employee who retires from DCS through TRS to receive, following termination of employment, a lump-sum payment for accrued leave days. Employees hired on or after August 1, 2010, however, are only eligible for reimbursement up to a maximum of 60 total State personal leave days, whether earned at DCS or brought over from another district.

Use of Estimates

The preparation of the 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, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses/expenditures. Actual results could differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities on the government-wide and proprietary fund statements. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for this acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by DCS or through external restrictions imposed by creditors/grantors or laws/regulations of other governments.

Data Control Codes

Data Control codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the *Financial Accountability System Resource Guide.* TEA requires school districts to display these codes in the financial statements filed with TEA in order to insure accuracy in building a state-wide database for policy development and funding plans.

Subsequent Events

The District has evaluated events subsequent to the date of the statement of net assets (June 30, 2011) through November 17, 2011, the date the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

The funds of DCS must be deposited and invested under the terms of a depository contract, the contents of which are set out in the depository contract law. The depository bank places approved pledged securities for safekeeping and trust with DCS' agent bank in an amount sufficient to protect DCS' funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance coverage.

At June 30, 2011, the carrying amount of DCS' deposits (cash and certificates of deposit) was $11,433,122 and the banks' balance was $15,610,731. DCS' cash deposits as of and for the year ended June 30, 2011, were entirely covered by FDIC insurance and by pledged collateral held by DCS' agent banks in DCS' name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

a. Name of banks: Bank of America, N.A., Comerica Bank, and JPMorgan Chase, N.A.
b. The market value of securities pledged as of the date of the highest combined balance on deposit was $17,928,026.
c. The highest combined balances of cash, savings, and time deposit accounts amounted to $17,736,833 which occurred during the month of August 2010.
d. Total amount of FDIC coverage at the time of the largest balance on deposit was $250,000 at each bank.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires DCS to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Legal and Contractual Provisions Governing Deposits and Investments – Continued

Statutes and DCS' investment policy authorized DCS to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	10 Years	None	None
U.S. Agencies Securities	10 Years	None	None
Letters of Credit	10 Years	None	None
Certificates of Deposit	-	None	None
Repurchase Agreements	90 Days	None	None
Securities Lending Program	1 Year	None	None
Banker's Acceptance	270 Days	None	None
Commercial Paper	270 Days	None	None
No-load Money Market Mutual Funds	90 Days	None	None
No-load Mutual Funds	2 Years	None	None
Guaranteed Investment Contracts	5 Years	None	None
Investment Pools	-	None	None

The Act also required DCS to have independent auditors perform test procedures related to investment practices as provided by the Act. DCS is in substantial compliance with the requirements of the Act and with local policies.

Cash and cash equivalents at June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets		
Governmental activities	$	11,717,522
Business-type activities		842,724
Total cash and cash equivalents	$	12,560,246

Cash and cash equivalents at June 30, 2011, consisted of the following:

Demand deposits with financial institutions	$	11,433,122
2A-7 like local government pools		1,127,124
Total cash and cash equivalents	$	12,560,246

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

The risk that changes in market interest rates will adversely affect the fair market value of an investment is known as interest rate risk. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

As of June 30, 2011, DCS had the following investments:

Investment Type	Amount	Interest Rate	Maturity Date
2A-7 like Local Government Pools	$ 1,127,124	0.16%	6/30/2011

As of June 30, 2011, DCS did not invest in any securities that are highly sensitive to interest rate fluctuations. All investments held at June 30, 2011, matured in less than one year.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. All investment pools policies require a rating of AA or better from a nationally recognized rating organization. Government agency securities are not considered to have credit risk in that the U.S. government explicitly guarantees them.

Concentration of Credit Risk

The investment policy of DCS contains no limitations on the amount that can be invested in any one issuer. At June 30, 2011, DCS' investments were in external investment pools, which did not expose DCS to concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and DCS' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Custodial Credit Risk – Continued

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal to at least the bank balance less FDIC insurance at all times. As of June 30, 2011, DCS deposits and certificates of deposit with financial institutions in excess of federal depository insurance limits were fully collateralized.

The investment pool in which DCS participates operates in a manner consistent with the U.S. Securities and Exchange Commission's ("SEC") Rule 2A-7 of the Investment Company Act of 1940 to the extent such rule is applicable to its operations. Accordingly, the investment pool uses the amortized cost method permitted by SEC Rule 2A-7 to report net assets and share prices since that amount approximates fair value. A Board of Directors comprised of local government officers, including participants of the investment pool, performs regulatory oversight in the external investment pool.

NOTE 3. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll upon which the levy for the 2011 fiscal year was based on was $158,179,482,962 (on January 1, 2010), which resulted in a tax levy of $15,841,180 for the year ended June 30, 2011. The 2010 tax levy reflects a net penalty adjustment of $23,232. The tax rate levied for the year ended June 30, 2011, to finance General Fund operations was $0.010000 per $100 valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. (Property tax revenues are considered available when they become due and are received within the current period).

Delinquent Taxes Receivable

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but DCS is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 4. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2011, were as follows:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 949,062	$ 528,900	$ -	$ 1,477,962
Total capital assets, not being depreciated	949,062	528,900	-	1,477,962
Capital assets, being depreciated:				
Buildings	21,495,068	1,866,230	-	23,361,298
Vehicles	83,493,218	13,614,899	(3,606,915)	93,501,202
Furniture and equipment	5,426,718	3,039,833	-	8,466,551
Duplication rights	638,712	163,963	-	802,675
Total capital assets, being depreciated	111,053,716	18,684,925	(3,606,915)	126,131,726
Less accumulated depreciation for:				
Buildings	(5,575,839)	(595,815)	-	(6,171,654)
Vehicles	(59,201,033)	(2,618,724)	3,571,861	(58,247,896)
Furniture and equipment	(4,082,577)	(643,163)	-	(4,725,740)
Duplication rights	(335,034)	(218,177)	-	(553,211)
Total accumulated depreciation	(69,194,483)	(4,075,879)	3,571,861	(69,698,501)
Total capital assets being depreciated - net	41,859,233	14,609,046	(35,054)	56,433,225
Governmental activities capital assets - net	$ 42,808,295	$ 15,137,946	$ (35,054)	$ 57,911,187
Business-type activities:				
Capital assets, being depreciated:				
Vehicles	$ 1,617,131	$ 90,281	$ -	$ 1,707,412
Furniture and equipment	-	59,690		59,690
Total capital assets being depreciated	1,617,131	149,971	-	1,767,102
Less accumulated depreciation for:				
Vehicles	(561,272)	(190,574)	-	(751,846)
Furniture and equipment	-	(995)	-	(995)
Total accumulated depreciation	(561,272)	(191,569)	-	(752,841)
Business-type activities capital assets - net	$ 1,055,859	$ (41,598)	$ -	$ 1,014,261

NOTE 4. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:		
Student transportation	$	2,618,724
Plant maintenance and operations		595,815
Data processing services		643,163
Instructional resources and media services		218,177
Total depreciation expense	$	4,075,879
Business-type activities:		
Enterprise fund	$	191,569

NOTE 5. FUND BALANCES—GOVERNMENTAL FUNDS

Effective July 1, 2010, DCS adopted GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions,"* the objective of which is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Under GASB Statement No. 54, Fund balances are classified as follows:

Nonspendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact, such as fund balance associated with inventories.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the highest level of decision-making authority for DCS.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under DCS' adopted policy, only the Board of Trustees or the budget and finance committee may assign amounts for specific purposes. However, all assignments can be made only with unanimous approval of all committee members.

Unassigned — all amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, DCS considers restricted funds to have been spent first.

NOTE 5. FUND BALANCES—GOVERNMENTAL FUNDS - CONTINUED

When expenditure is incurred for which assigned or unassigned fund balances are available, DCS considers amounts to have been spent first out of assigned funds and then unassigned funds, as needed, unless the Board or the budget and finance committee provided otherwise.

As of June 30, 2011, assigned fund balance components consist of the following:

	General Fund	Special Revenue Fund	Total Governmental Funds
Assigned to:			
Vehicle replacement	$ 4,500,000	$ -	$ 4,500,000
Plant maintenance	1,500,000	-	1,500,000
Personnel units	1,400,000	-	1,400,000
Workers' compensation	1,000,000	-	1,000,000
Technology contingencies	672,387	-	672,387
Emergency management	-	327,401	327,401
Total	$ 9,072,387	$ 327,401	$ 9,399,788

NOTE 6. LONG-TERM LIABILITIES

DCS acquired vehicles and equipment under various leases accounted for as capital leases. These leases meet the criteria of a capital lease as defined under current accounting guidance, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The terms of the leases range from three to five years and call for monthly payments over the life of the leases. The assets leased by DCS are capitalized under vehicles and equipment in general capital assets and, as of June 30, 2011, carry a stated value at cost of $2,427,547 and accumulated depreciation of $922,214. For governmental activities, long-term liabilities are liquidated by the general fund.

A summary of changes in the long-term liabilities for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities:					
Capital leases	$ 1,490,629	$ -	$ 652,751	$ 837,878	$ 270,499
Compensated absences	854,003	138,862	174,289	818,576	83,870
Total long-term liabilities	$ 2,344,632	$ 138,862	$ 827,040	$ 1,656,454	$ 354,369

NOTE 6. LONG-TERM LIABILITIES - CONTINUED

The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments at June 30, 2011, are as follows:

Year Ending, June 30,	Governmental Activities
2012	$ 297,449
2013	297,449
2014	297,449
Total minimum lease payments	892,347
Less: amount representing interest	(54,469)
Net present value of minimum lease payments	$ 837,878

NOTE 7. DEFINED BENEFIT PENSION PLAN

Plan Description

DCS contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. It is a cost-sharing public employee retirement system (PERS), with one exception: all risk and costs are not shared by the employer. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during the fiscal year. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

For members of the retirement system entitled to the minimum salary for certain school personnel under § 21.402 of the Texas Education Code, and for members who would have been entitled to the state minimum salary under § 16.056, Texas Education Code, DCS shall pay the State's contribution on the portion of the member's salary that exceeds the statutory minimum if DCS' effective tax rate for maintenance and operations is less than 125 percent of the statewide average for the tax year that ended in the preceding school year.

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Types of Employees Covered

All employees of public, state-supported educational institutes in Texas who are employed for half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C § 822.022 are covered by TRS membership.

Benefit Provisions

TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

Service Retirement

1) Normal Age Service Retirement

If one becomes a member of TRS prior to September 1, 2009, and maintains membership until retirement, one will meet the age and service requirements for normal-age service retirement when reaching:

a. Age 65 with 5 years of service
b. Any combination of age plus years of service that equals 80 with at least 5 years of service

If one first became a member of TRS, or returned to membership on or after September 1, 2009, one will meet the age and service requirements for normal-age service retirement when reaching:

a. Age 65 with 5 years of service
b. Age 60 and any combination of age plus years of service which equals 80 with at least 5 years of service

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Service Retirement - continued

2) Early-Age Service Retirement Reductions:

If one became a member of TRS prior to September 1, 2009, and maintains membership until retirement, one is entitled to early-age service retirement when the total of one's age and service credit is less than 80, and one of the following conditions is met:

a. Age 55 with at least 5 years of service
b. Any age below 50 with 30 years of service

If one became a member of TRS, or returned to membership on or after September 1, 2009, one is entitled to early-age service retirement when one of the following conditions is met:

a. Age 55 with at least 5 years if service
b. Age and years of service total 80 but age is less than 60
c. At least 30 years of service but age is less than 60

Members who establish at least five years of membership service credit are eligible to retire at a future date and receive a lifetime monthly annuity.

Funding Policy

State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010, and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of DCS' employees for the year ended June 30, 2011, the ten months ended June 30, 2010, and the fiscal year ended August 31, 2009, were $2,914,249, $2,530,965, and $2,690,263, respectively. No additional state contributions were made in 2011, 2010, and 2009 by DCS, since none of the salaries of any DCS employee exceeded the statutory minimum.

Contributions to the retirement plan for the employees of DCS represent 100% of the annual required contributions for the fiscal periods presented. The contributions made by the State on behalf of DCS have been recorded in the financial statements as both State revenues and payroll expenditures. These contributions are the legal responsibility of the State.

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Funding Policy - continued

Contribution requirements are not actuarially determined but are legally established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

NOTE 8. RETIREE HEALTH PLAN

Plan Description

DCS contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at (800)-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2011, 2010, and 2009.

NOTE 8. RETIREE HEALTH PLAN – CONTINUED

Funding policy – Continued

Per Texas Insurance Code, chapter 1575, the public school contribution may not be less than 0.25%, or greater than 0.75%, of the salary of each active employee of the public school. For the fiscal year ended June 30, 2011, the ten months ended June 30, 2010, and the fiscal year ended August 31, 2009, respectively, the State's contributions to TRS-Care were $443,101, $391,883, and $402,249, the active members' contributions were $287,916, $253,513, and $261,461, and DCS' contributions were $243,641, $215,993, and $221,234. Actual contributions equaled the required contributions for the fiscal periods presented.

NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2011, general fund revenues from local and intermediate sources consisted of the following:

Property taxes	$ 15,724,534
Operational charges to local districts for transportation services	33,892,276
Contributions from local districts for capital purchases	2,086,136
Charges for psychological services	410,962
Charges for monitors	4,853,258
Charges for summer school transportation	1,219,080
Charges for transportation services	317,839
Charges for extracurricular transportation services	8,000,486
Charges for technology services	1,275,409
Publications workshop	64,416
Investment income	61,131
Other income	607,654
Total	$ 68,513,181

NOTE 10. RISK MANAGEMENT

DCS is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2011, DCS maintained commercial insurance to cover liabilities. There were no significant reductions in coverage during the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. Effective September 1, 2001, DCS changed its vehicle liability coverage from fully-insured to partially-self-insured.

DALLAS COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT - CONTINUED

Beginning September 1, 1999, DCS established its partial self-funding Workers' Compensation Program. Through its historical review of the Workers' Compensation Partial Self-Insurance Program, DCS projected a liability of $2,136,794 as of June 30, 2011, for the ultimate loss reserve of the program.

Effective September 1, 2005, DCS chose to eliminate the purchase of an aggregate retention for its partially self-funded Workers' Compensation Program. After review of claims trends and exposure risks, management determined that an ultimate specific attachment point of $500,000 per occurrence would better manage the potential for loss. Within this attachment point there is a "cash flow" yearly limit per occurrence over a three year period. In year one, the cash flow limit is $200,000, in year two, the limit is $150,000 and in year three, the limit is $150,000. If a claim reaches $500,000 prior to the beginning of the third year, the carrier will begin paying the claim for the remaining life of the claim. DCS currently purchases excess coverage to statutory limits through the Safety National Insurance Company. Claims administration is provided by Alternative Service Concepts, LLP.

The accrued liability for Workers' Compensation self-insurance of $2,136,794 includes incurred but not reported claims. This liability reported in the General Fund as of June 30, 2011, is based on the requirements of GASB Statement 10, "*Accounting and Reporting for Risk Financing and Related Insurance Issues*." Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

	10 Months Ended June 30, 2010	Year Ended June 30, 2011
Claims payable, beginning of year	$ 2,376,993	$ 2,543,298
Claims incurred and changes in estimate	1,142,682	465,550
Claims payments	(976,377)	(872,054)
Claims payable, end of year	$ 2,543,298	$ 2,136,794

Beginning September 1, 2001, DCS established its self-funding vehicle liability program. Through its historical review of the vehicle liability self-insurance program, DCS projected a liability of $603,929 as of June 30, 2011, for the ultimate loss reserve of the program.

DCS' statutory limits of legal liability as it pertains to vehicle liability is $100,000 per person for bodily injury, $300,000 per occurrence of bodily injury, and $100,000 per occurrence of property damage as of June 30, 2011. Claims administration is provided by Sedgwick CMS.

NOTE 10. RISK MANAGEMENT – CONTINUED

The accrued liability for vehicle liability self-insurance of $603,929 includes incurred but not reported claims. This liability reported in the General Fund as of June 30, 2011, is based on the requirements of GASB Statement 10. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

	10 Months Ended June 30, 2010	Year Ended June 30, 2011
Claims payable, beginning of year	$ 726,223	$ 635,573
Claims incurred and changes in estimate	827,336	915,007
Claims payments	(917,986)	(946,651)
Claims payable, end of year	$ 635,573	$ 603,929

These liabilities are based on requirements of GASB Statement No. 10, which requires a liability for claims to be reported if information obtained prior to the issuance of the financial statements indicates that it is probable a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

NOTE 11. CONTINGENCIES

DCS has intergovernmental agreements with several independent school districts under which DCS transports students to and from schools within each client district for the purpose of the instructional day and for extracurricular activities. In the event of dissolution of an agreement by either party, title to the buses purchased by the client district, or previously owned by the client district, would revert to the client district.

DCS is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and, accordingly, DCS has not recorded provisions for any losses.

DCS participates in federal and state programs whereby DCS receives financial resources from numerous federal and state governmental agencies in the form of grants. In connection with these grants, DCS is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantor agencies and their representatives, including audits under the "Single Audit" concept and compliance examinations that build upon such audits.

NOTE 12. NEW PRONOUNCEMENTS

The GASB has issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This statement is intended to improve the usefulness of information provided to the users of financial reports about fund balance by providing clearer and more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. The requirements of this statement are effective for financial statements for fiscal periods beginning after June 15, 2010.

The GASB has issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,*" in December 2009. This statement is intended to address issues related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple employer other postemployment benefit (OPEB) plans (that is, agent employers). This statement amends Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,*" and Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The statement becomes effective for fiscal years beginning after June 15, 2011. DCS will evaluate this statement and the impact on its financial statements and take the necessary steps to implement it.

The GASB has issued Statement No. 59, "*Financial Instruments Omnibus,*" in June 2010. Statement No. 59 contains a variety of provisions that modify existing financial reporting requirements for certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for fiscal periods beginning after June 15, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

Dallas County Schools

Strengthening Education Through Service

EXHIBIT E-1

DALLAS COUNTY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes		Budget Original	Budget Final	Actual	Variance With Final Budget
	REVENUES				
5700	Local and operational sources	$ 71,153,630	$ 72,299,130	$ 68,513,181	$ (3,785,949)
5800	State program revenues	21,969,463	21,969,463	20,964,786	(1,004,677)
5900	Federal program revenues	-	-	721,653	721,653
5020	**TOTAL REVENUES**	93,123,093	94,268,593	90,199,620	(4,068,973)
	EXPENDITURES				
	Current:				
0011	Instruction	80,000	80,000	48,554	31,446
0012	Instructional resources and media services	500,259	500,259	369,203	131,056
0031	Guidance, counseling, and evaluation services	553,133	603,633	566,408	37,225
0034	Student transportation	71,234,733	71,652,464	70,671,955	980,509
0036	Extracurricular activities	6,728,345	6,728,345	6,512,359	215,986
0041	General administration	7,103,450	7,395,039	7,002,590	392,449
0051	Plant maintenance and operations	1,513,679	1,546,679	1,339,369	207,310
0053	Data processing services	4,300,420	4,762,420	4,288,624	473,796
	Debt service:				
0071	Principal on long-term debt	761,294	761,294	652,751	108,543
0072	Interest on long-term debt			47,291	(47,291)
0081	Facilities acquisition and construction	500,000	3,015,000	2,499,945	515,055
6030	**TOTAL EXPENDITURES**	93,275,313	97,045,133	93,999,049	3,046,084
1100	**DEFICIENCY OF REVENUES OVER EXPENDITURES**	(152,220)	(2,776,540)	(3,799,429)	(1,022,889)
	NET CHANGE IN FUND BALANCES	(152,220)	(2,776,540)	(3,799,429)	(1,022,889)
0100	**FUND BALANCES - BEGINNING**	16,396,286	16,396,286	16,396,286	-
3000	**FUND BALANCES - ENDING**	$ 16,244,066	$ 13,619,746	$ 12,596,857	$ (1,022,889)

DALLAS COUNTY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY DATA

The Board of Trustees (the "Board") adopts an "appropriated budget" on a GAAP basis for the General Fund. DCS is required to present the adopted and final amended budgeted revenues and expenditures for this fund. DCS compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

1. Prior to the end of each fiscal period, DCS prepares a budget for the next succeeding fiscal period that begins July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to July 1 each period, the budget is legally enacted through resolution by the Board. Once the budget is approved, it can only be amended at the function and fund level with the approval of a majority of the members of the Board. Amendments are approved before the fact, are reflected in the official minutes of the Board, and are not made after the end of the fiscal period. Because DCS has a policy of careful budgetary control, several budget amendments were necessary during the period. However, none of the amendments were significant.

4. Budgeted amounts are amended by the Board. All budget appropriations lapse at the end of each fiscal period.

OTHER SCHEDULES

DALLAS COUNTY SCHOOLS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2011

Fiscal Year *	1 Tax Rate	3 Assessed/Appraised Value for School Tax Purposes	10 Beginning Balance July 1, 2010
2002 and prior years	$ 0.005525	$ 123,366,850,136	$ 89,765
2003	0.005500	127,660,272,727	19,244
2004	0.005460	129,011,446,886	18,862
2005	0.005460	129,617,575,725	21,128
2006	0.005300	135,431,139,922	24,254
2007	0.005034	146,317,744,795	36,868
2008	0.004714	161,248,084,345	47,126
2009	0.004928	170,582,361,268	86,065
2010	0.005212	165,317,676,481	229,149
2011	0.010000	158,179,482,962	
1000 Totals			$ 572,461

* Fiscal year 2010 represents a 10-month transitional year for the period from September 1, 2009, through June 30, 2010. Years preceding 2010 are from September 1 through August 31.

EXHIBIT F-1

20 Current Year's Total Levy	31 Total Collections	40 Entire Year's Adjustments	50 Ending Balance June 30, 2011
$ -	$ 1,410	$ (9,917)	$ 78,438
-	537	(1,061)	17,646
-	605	(718)	17,539
-	1,269	(1,013)	18,846
-	1,885	(1,698)	20,671
-	3,119	(1,896)	31,853
-	4,561	(5,088)	37,477
	15,507	(13,164)	57,394
-	30,846	(114,214)	84,089
15,841,180	15,422,822	(74,771)	343,587
$ 15,841,180	$ 15,482,561	$ (223,540)	$ 707,540

Dallas County Schools

Strengthening Education Through Service

STATISTICAL SECTION

Dallas County Schools

Strengthening Education Through Service

STATISTICAL SECTION

The statistical section of the comprehensive annual financial report provides detailed data on the physical, economic, and social characteristics of DCS. This data (both current and historical) is provided so that users of the financial report will have a broader and more complete understanding of the governmental unit and its financial affairs than is possible to achieve from the basic financial statements alone.

Contents	**Page**
Financial Trends	60
These schedules contain trend information to aid in understanding how DCS's financial performance and well being have changed over time.	
Revenue Capacity	68
These schedules contain information to aid in assessing DCS's most significant local revenue source - property tax.	
Demographic and Economic Information	72
These schedules offer demographic and economic indicators to aid in understanding the environment within which DCS's financial activities take place.	

DALLAS COUNTY SCHOOLS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS ACCOUNTING)
(UNAUDITED)

	Fiscal Year *			
	2002	**2003**	**2004**	**2005**
Governmental activities				
Invested in capital assets, net of related debt	$ 38,048,427	$ 39,115,365	$ 40,919,472	$ 40,258,605
Unrestricted	19,954,486	17,709,042	16,718,000	12,210,932
Total government activities net assets	58,002,913	56,824,407	57,637,472	52,469,537
Business-type activities				
Invested in capital assets, net of related debt	-	-	-	-
Unrestricted (deficit)	-	-	-	-
Total business-type activities net assets	-	-	-	-
Total primary government net assets	$ 58,002,913	$ 56,824,407	$ 57,637,472	$ 52,469,537

Source: Dallas County Schools' Financial Records

***** Fiscal year 2010 represents a ten-month transitional year for the period from September 1, 2009, through June 30, 2010. Years preceding 2010 are from September 1 through August 31. Fiscal year 2011 is from July 1, 2010, to June 30, 2011.

TABLE 1

2006	2007	2008	2009	2010	2011
$ 37,838,755	$ 36,359,348	$ 39,225,050	$ 40,531,104	$ 41,317,666	$ 57,073,309
12,231,278	16,346,581	16,157,659	15,860,637	17,595,964	16,199,487
50,070,033	52,705,929	55,382,709	56,391,741	58,913,630	73,272,796
-	-	1,427,843	1,213,620	1,055,859	1,014,261
-	-	(5,721)	545,399	1,050,622	1,050,336
-	-	1,422,122	1,759,019	2,106,481	2,064,597
$ 50,070,033	$ 52,705,929	$ 56,804,831	$ 58,150,760	$ 61,020,111	$ 75,337,393

DALLAS COUNTY SCHOOLS
GOVERNMENT-WIDE EXPENSES, REVENUES, AND CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year *			
Expenses	**2002**	**2003**	**2004**	**2005**
Governmental activities:				
Instruction	$ -	$ -	$ -	$ -
Instructional resources and media services	583,768	880,795	840,824	975,351
Guidance, counseling, and evaluation services	587,719	624,397	684,278	689,718
Social work services	-	-	-	248,078
Student transportation	35,460,226	42,835,991	43,988,422	52,069,437
Extracurricular activities	3,510,921	3,952,505	5,550,068	6,564,830
General administration	-	-	-	-
Plant maintenance and operations	-	-	-	-
Data processing services	1,185,708	1,319,060	836,032	1,197,298
Community services	-	-	-	-
Interest on long-term debt	-	-	-	-
Facilities acquisition and construction	399,769	828,492	-	-
Total governmental activities expenses	41,728,111	50,441,240	51,899,624	61,744,712
Business-type activities:				
Non-Dallas County Schools District activities	-	-	-	-
Total primary government expenses	41,728,111	50,441,240	51,899,624	61,744,712
Program Revenues				
Governmental activities:				
Charges for services:				
Instructional resources and media services	239,212	-	3,145	120
Guidance, counseling, and evaluation services	318,359	-	295,637	279,705
Student transportation	14,846,973	19,207,167	17,879,545	24,070,185
Extracurricular activities	3,999,457	4,503,454	4,727,979	5,522,202
Data processing services	-	-	2,050	-
Community services	-	-	-	-
Operating grants and contributions:				
Instructional resources and media services	-	-	29,359	22,516
Guidance, counseling, and evaluation services	-	-	34,925	30,133
Social work services	-	-	-	248,078
Student transportation	-	-	1,932,283	1,690,063
Extracurricular activities	-	-	216,210	246,316
Data processing services	-	-	60,248	203,413
Capital grants and contributions:				
Student transportation	-	-	5,858,995	1,148,806
Community service	-	-	-	-
Total governmental activities program revenues	19,404,001	23,710,621	31,040,376	33,461,537
Business-type activities:				
Charges for services	-	-	-	-
Capital grants and contributions:	-	-	-	-
Total business-type activities program revenues	-	-	-	-
Total primary government program revenues	19,404,001	23,710,621	31,040,376	33,461,537
Net (Expense) Revenue				
Governmental activities	(22,324,110)	(26,730,619)	(20,859,248)	(28,283,175)
Business-type activities	-	-	-	-
Total primary government net (expense) revenue	(22,324,110)	(26,730,619)	(20,859,248)	(28,283,175)
General Revenues and Changes in Net Assets				
General Revenues - primary government				
Property taxes	6,713,055	6,851,813	6,931,507	6,895,871
Investment earnings	442,731	286,609	180,354	366,811
State aid - formula grants	15,483,744	18,413,691	14,334,909	15,326,399
Gain on the sale of property	-	-	-	-
Miscellaneous	-	-	44,746	526,159
Total general revenues - primary government	22,639,530	25,552,113	21,491,516	23,115,240
Change in Net Assets - primary government	315,420	(1,178,506)	632,268	(5,167,935)
Net assets - beginning	57,822,244	58,002,913	56,824,407	57,637,472
Prior-period adjustment	(134,751)	-	180,797	-
Net assets - ending	$ 58,002,913	$ 56,824,407	$ 57,637,472	$ 52,469,537

Source: Dallas County Schools' Financial Records

***** Fiscal year 2010 represents a ten-month transitional year for the period from September 1, 2009, through June 30, 2010. Years preceding 2010 are from September 1 through August 31. Fiscal year 2011 is from July 1, 2010, to June 30, 2011.

TABLE 2

2006	2007	2008	2009	2010	2011
$ 55,635	$ 65,686	$ 62,190	$ 45,400	$ 9,062	$ 48,554
679,664	618,962	299,823	367,979	242,978	423,417
783,748	764,782	685,067	652,399	597,557	566,408
-	-	-	-	-	-
56,164,042	50,336,506	53,989,341	55,337,314	54,943,526	59,710,834
6,676,497	6,306,601	6,305,463	6,217,451	6,699,102	6,512,359
-	5,589,449	5,074,572	6,443,497	5,196,329	6,967,163
38,564	1,151,940	1,276,159	962,022	950,020	2,039,999
1,356,547	2,309,569	2,886,247	3,096,834	2,451,112	1,891,954
294,030	466,099	276,238	509,429	602,520	26,580
26,893	13,688	-	69,506	11,417	47,291
-	-	-	163,953	238,847	-
66,075,620	67,623,282	70,855,100	73,865,784	71,942,470	78,234,559
-	-	313,888	2,699,368	2,811,937	3,026,683
66,075,620	67,623,282	71,168,988	76,565,152	74,754,407	81,261,242
-	-	-	67,534	10,654	64,416
307,885	792,734	16,237	448,489	487,868	410,962
30,095,647	32,258,933	33,613,387	32,441,818	32,191,967	42,535,232
6,269,900	8,104,467	11,373,399	7,944,669	7,210,800	8,000,486
-	-	-	386,076	544,791	1,275,409
-	-	-	645,499	4,822	-
24,827	-	-	-	-	-
34,647	-	-	-	-	-
-	-	-	-	-	-
1,850,342	-	-	431,004	1,031,479	721,653
-	-	-	-	-	-
-	-	-	-	-	-
513,325	1,513,674	2,016,148	1,720,852	2,031,130	2,086,136
-	-	-	107,370	222,630	-
39,096,573	42,669,808	47,019,171	44,193,311	43,736,141	55,094,294
-	-	118,879	2,165,744	2,364,461	2,156,104
-	-	1,617,131	-	-	-
-	-	1,736,010	2,165,744	2,364,461	2,156,104
39,096,573	42,669,808	48,755,181	46,359,055	46,100,602	57,250,398
(26,979,047)	(24,953,474)	(23,835,929)	(29,672,473)	(28,206,329)	(23,140,265)
-	-	1,422,122	(533,624)	(447,476)	(870,579)
(26,979,047)	(24,953,474)	(22,413,807)	(30,206,097)	(28,653,805)	(24,010,844)
7,243,296	7,454,384	7,608,572	8,375,104	8,490,778	15,865,860
466,733	877,427	560,336	196,317	65,779	61,131
16,559,976	15,999,541	17,460,450	22,641,569	22,262,484	21,793,481
-	-	345,523	-	-	-
310,538	2,402,336	381,643	339,036	704,115	607,654
24,580,543	26,733,688	26,356,524	31,552,026	31,523,156	38,328,126
(2,398,504)	1,780,214	3,942,717	1,345,929	2,869,351	14,317,282
52,469,537	50,071,033	52,705,929	56,804,831	58,150,760	61,020,111
-	854,682	156,185	-	-	-
$ 50,071,033	$ 52,705,929	$ 56,804,831	$ 58,150,760	$ 61,020,111	$ 75,337,393

DALLAS COUNTY SCHOOLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCURAL BASIS)
(UNAUDITED)

	Fiscal Year *				
	2002	2003	2004	2005	2006
General Fund					
Nonspendable - Inventories	$ 992,999	$ 929,168	$ 759,023	$ 686,934	$ 866,662
Assigned	16,800,000	16,800,000	10,000,000	10,000,000	9,072,387
Unassigned	2,161,487	909,042	5,666,666	674,335	-
Total General Fund	19,954,486	18,638,210	16,425,689	11,361,269	9,939,049
Special Revenue Fund					
Assigned to:					
Emergency management	-	-	-	-	5,406
Total Special Revenue Fund	-	-	-	-	5,406
Total Governmental Funds	$ 19,954,486	$ 18,638,210	$ 16,425,689	$ 11,361,269	$ 9,944,455

Source: Dallas County Schools' Financial Records

***** Fiscal year 2010 represents a ten-month transitional year for the period from September 1, 2009, through June 30, 2010. Years preceding 2010 are from September 1 through August 31. Fiscal year 2011 is from July 1, 2010, to June 30, 2011.

TABLE 3

2007	2008	2009	2010	2011
$ 924,238	$ 999,619	$ 1,055,553	$ 1,292,698	$ 1,446,333
9,072,387	9,072,387	9,072,387	9,072,387	9,072,387
6,031,097	9,759,412	3,761,113	6,031,201	2,078,137
16,027,722	19,831,418	13,889,053	16,396,286	12,596,857
317,807	41,569	729,049	353,981	327,401
317,807	41,569	729,049	353,981	327,401
$ 16,345,529	$ 19,872,987	$ 14,618,102	$ 16,750,267	$ 12,924,258

DALLAS COUNTY SCHOOLS
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year *			
	2002	2003	2004	2005
Revenues				
Local and operational sources	$ 26,559,787	$ 30,849,043	$ 33,015,099	$ 38,648,154
State program revenues	15,483,744	18,413,691	16,474,706	17,111,870
Federal program revenues	-	-	-	248,078
Total revenues	42,043,531	49,262,734	49,489,805	56,008,102
Expenditures				
Current:				
Instruction (a)	-	-	-	-
Instructional resources and media services (a)	656,168	862,402	962,771	897,919
Guidance, counseling, and evaluation services (a)	587,719	624,397	684,278	664,755
Social work services (a)	-	-	-	248,078
Student transportation (a)	36,325,670	42,805,119	43,221,803	49,524,930
Extracurricular activities (a)	3,510,921	3,952,505	4,359,093	5,144,428
General administration (a)	-	-	-	-
Plant maintenance and operations (a)	-	-	-	-
Data processing services (a)	720,254	792,332	836,032	1,194,552
Community services (a)	-	-	-	-
Debt service:				
Principal on long-term debt	-	-	-	387,690
Interest on long-term debt	-	-	-	-
Facilities acquisition and construction (a)	1,354,173	1,542,255	1,461,514	2,597,302
Total expenditures	43,154,905	50,579,010	51,525,491	60,659,654
Excess (deficiency) of revenues over expenditures	(1,111,374)	(1,316,276)	(2,035,686)	(4,651,552)
Other financing sources (uses)				
Proceeds from capital leases	-	-	-	1,122,489
Sale of capital assets	-	-	-	-
Other resources	-	-	-	-
Transfers in/out (uses)	-	-	-	(1,535,357)
Total other financing sources (uses)	-	-	-	(412,868)
Net change in fund balances	(1,111,374)	(1,316,276)	(2,035,686)	(5,064,420)
Sum of expenditures (a)	43,154,905	50,579,010	51,525,491	60,271,964
Less: Expenditures capitalized for government-wide statement of net assets	(6,627,954)	(5,818,477)	(5,402,599)	(7,086,894)
Non-capital expenditures	$ 36,526,951	$ 44,760,533	$ 46,122,892	$ 53,185,070
Debt service as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.73%

Source: Dallas County Schools' Financial Records

***** Fiscal year 2010 represents a ten-month transitional year for the period from September 1, 2009, through June 30, 2010. Years preceding 2010 are from September 1 through August 31. Fiscal year 2011 is from July 1, 2010, to June 30, 2011.

TABLE 4

2006	2007	2008	2009	2010	2011
$ 43,568,405	$ 49,864,177	$ 49,417,980	$ 56,532,526	$ 52,112,662	$ 68,513,181
18,932,956	18,849,974	20,121,001	21,771,048	21,467,546	20,964,786
50,160	-	719,040	538,374	1,254,109	721,653
62,551,521	68,714,151	70,258,021	78,841,948	74,834,317	90,199,620
55,635	65,686	62,190	45,400	9,062	48,554
941,488	632,706	511,976	430,350	294,426	369,203
727,342	764,782	685,067	652,399	597,557	566,408
-	-	-	-	-	-
54,334,753	46,573,510	56,347,444	57,176,685	55,943,961	70,671,955
5,443,303	5,592,893	5,714,424	5,131,556	5,405,552	6,512,359
-	4,628,161	5,074,572	6,443,497	5,204,869	7,002,590
38,564	1,151,940	1,276,159	1,349,050	977,422	1,339,369
1,373,206	2,309,569	3,439,409	3,439,489	2,550,389	4,288,624
294,030	466,099	276,238	509,429	602,520	26,580
360,797	374,002	-	651,974	379,123	652,751
26,893	13,688	-	69,506	11,417	47,291
372,324	241,785	277,385	498,750	735,854	2,499,945
63,968,335	62,814,821	73,664,864	76,398,085	72,712,152	94,025,629
(1,416,814)	5,899,330	(3,406,843)	2,443,863	2,122,165	(3,826,009)
-	-	1,148,087	1,373,639	-	-
-	-	465,500	-	-	-
-	-	-	-	10,000	-
-	501,744	-	-	-	-
-	501,744	1,613,587	1,373,639	10,000	-
(1,416,814)	6,401,074	(1,793,256)	3,817,502	2,132,165	(3,826,009)
63,607,538	62,440,819	73,664,864	75,746,111	72,333,029	93,372,878
(4,574,731)	(3,436,937)	(8,911,907)	(7,625,622)	(8,129,102)	(19,213,825)
$ 59,032,807	$ 59,003,882	$ 64,752,957	$ 68,120,489	$ 64,203,927	$ 74,159,053
0.61%	0.63%	0.00%	1.06%	0.6%	0.9%

TABLE 5

DALLAS COUNTY SCHOOLS
GENERAL GOVERNMENTAL TAX REVENUES
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year *	Property Taxes
2002	$ 6,713,055
2003	6,851,813
2004	6,931,507
2005	6,895,871
2006	7,243,296
2007	7,454,384
2008	7,608,572
2009	8,375,104
2010	8,490,778
2011	15,724,534

Source: Dallas County Schools' Financial Records

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TABLE 6

DALLAS COUNTY SCHOOLS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

	Estimated Market Value				
Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total District Tax Rate
2002	$ 123,179,760,210	$ 28,560,277,880	$ 28,078,565,877	$ 123,661,472,213	$ 0.005525
2003	131,079,232,990	28,898,480,550	31,561,199,700	128,416,513,840	0.005500
2004	132,656,480,228	27,047,926,280	32,043,965,445	127,660,441,063	0.005460
2005	137,621,645,190	25,506,282,780	33,510,436,922	129,617,491,048	0.005460
2006	145,602,935,450	25,613,844,830	35,808,717,821	135,408,062,459	0.005300
2007	158,340,996,450	25,992,417,100	38,015,668,755	146,317,744,795	0.005034
2008	175,182,702,180	28,323,578,630	42,258,196,465	161,248,084,345	0.004714
2009	187,638,529,130	30,463,426,250	47,519,594,112	170,582,361,268	0.004928
2010	182,554,759,580	30,712,195,850	47,949,278,949	165,317,676,481	0.005212
2011	176,061,193,540	28,685,037,400	46,566,747,978	158,179,482,962	0.010000

Source: Dallas Central Appraisal District

TABLE 7

DALLAS COUNTY SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN TAX YEARS
(UNAUDITED)

			Collected within the fiscal year of the Tax levy			Total Collections	
Tax Year	Direct Tax Rates	Taxes levied for the Fiscal Year *	Amount	Percentage of levy	Delinquent Tax Collections	Amount	Percentage of levy
2002	$ 0.005525	$ 6,816,018	$ 6,651,893	97.59%	89,342	6,741,235	98.90%
2003	0.005500	7,021,315	6,807,443	96.95%	69,539	6,876,982	97.94%
2004	0.005460	7,077,120	6,796,228	96.03%	101,758	6,897,986	97.47%
2005	0.005460	7,077,120	6,927,920	97.89%	113,191	7,041,111	99.49%
2006	0.005300	7,189,980	7,064,861	98.26%	96,257	7,161,118	99.60%
2007	0.005034	7,377,485	7,213,029	97.77%	107,644	7,320,673	99.23%
2008	0.004714	7,612,054	7,172,973	94.23%	371,055	7,544,028	99.11%
2009	0.004928	8,419,037	8,134,429	96.62%	97,355	8,231,784	97.78%
2010	0.005212	8,627,760	8,353,544	96.82%	66,804	8,420,348	97.60%
2011	0.010000	15,841,180	15,422,822	97.36%	59,739	15,482,561	97.74%

Source: Dallas Central Appraisal District

Note: Tax levy figures are shown net of exemptions.
Tax rates shown are amounts per hundred dollars of net assessed value.

***** Fiscal year 2010 represents a ten-month transitional year for the period from September 1, 2009, through June 30, 2010.
Years preceding 2010 are from September 1 through August 31. Fiscal year 2011 is from July 1, 2010, to June 30, 2011.

Dallas County Schools

Strengthening Education Through Service

DALLAS COUNTY SCHOOLS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN TAX YEARS

Taxing Authority	2002	2003	2004	2005
Dallas County Schools				
Maintenance & Operations	0.00553	0.00550	0.00546	0.00546
Interest & Sinking Fund	0.00000	0.00000	0.00000	0.00000
Total District Direct Rates	0.00553	0.00550	0.00546	0.00546
Countywide				
Hospital District	0.25400	0.25400	0.25400	0.25400
Community College District	0.06000	0.06000	0.07780	0.08030
Dallas County	0.19600	0.19600	0.20390	0.20390
School Districts				
Carrollton-Farmers Branch	1.72420	1.72240	1.73580	1.78240
Cedar Hill	1.63000	1.68000	1.70160	1.74130
Coppell	1.65500	1.70500	1.73500	1.73500
Dallas	1.54753	1.58753	1.63950	1.66940
Desoto	1.68000	1.71000	1.71000	1.74000
Duncanville	1.67000	1.75000	1.85500	1.83600
Ferris	1.51000	1.53950	1.53700	1.77190
Garland	1.47170	1.45860	1.55850	1.62140
Grand Prairie	1.66710	1.66710	1.72710	1.75110
Grapevine-Colleyville	1.58200	1.65979	1.70100	1.70105
Highland Park	1.61000	1.61000	1.61000	1.61000
Irving	1.69500	1.77060	1.81500	1.83700
Lancaster	1.67000	1.67000	1.64915	7.85446
Mesquite	1.58000	1.62000	1.67000	1.76000
Richardson	1.79930	1.80810	1.82000	1.82000
Sunnyvale	1.30000	1.34947	1.46600	1.44600
Wilmer/Hutchins*	1.55840	1.54820	1.54820	1.58000
Cities and Towns				
Addison	0.38480	0.39990	0.42280	0.47600
Balch Springs	0.62900	0.61700	0.54000	0.52550
Carrollton	0.59930	0.59930	0.59930	0.59930
Cedar Hill	0.64140	0.64140	0.64140	0.64140
Cockrell Hill	0.74507	0.74036	0.77349	0.73379
Combine**	0.00000	0.00000	0.00000	0.00000
Coppell	0.64860	0.64860	0.64860	0.64860
Dallas	0.66750	0.69980	0.69980	0.71970
Desoto	0.63639	0.65921	0.65879	0.66689
Duncanville	0.71800	0.71800	0.71800	0.71800
Farmers Branch	0.44000	0.44000	0.46000	0.49450
Garland	0.64110	0.64110	0.64110	0.64110
Glenn Heights	0.72840	0.70990	0.69576	0.65310
Grand Prairie	0.67000	0.67000	0.67000	0.67000
Highland Park	0.22900	0.22080	0.23000	0.23000
Hutchins	0.48165	0.50882	0.52917	0.53300
Irving	0.48800	0.49800	0.53280	0.54790
Lancaster	0.67170	0.67170	0.67170	0.67170
Mesquite	0.54148	0.54148	0.54148	0.58148
Richardson	0.44385	0.47785	0.47785	0.52516
Rowlett	0.64000	0.64000	0.64000	0.67695
Sachse	0.58882	0.57540	0.56006	0.55832
Seagoville	0.58000	0.65000	0.65000	0.63500
Sunnyvale	0.37997	0.37997	0.37997	0.37997
University Park	0.33999	0.32932	0.32601	0.32539
Wilmer	0.66000	0.66000	0.66000	0.66000
Wylie***	0.00000	0.00000	0.00000	0.00000

Source: Dallas Central Appraisal District.

* Wilmer/Hutchins ISD was absorbed by Dallas ISD beginning in 2006.

** The City of Combine was not a taxing entity until 2007.

*** The City of Wylie was once solely located in Collin County but extended into Dallas County in 2008.

TABLE 8

2006	2007	2008	2009	2010	2011
0.00530	0.00503	0.00471	0.00493	0.00521	0.01000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00530	0.00503	0.00471	0.00493	0.00521	0.01000
0.25400	0.25400	0.25400	0.25400	0.27400	0.27100
0.08160	0.08100	0.80400	0.08940	0.09490	0.09923
0.21390	0.21390	0.22810	0.22810	0.22810	0.24310
1.82590	1.68300	1.36700	1.36230	1.34220	1.34690
1.84843	1.74330	1.40000	1.50000	1.40000	1.44000
1.72900	1.59900	1.26900	1.27900	1.28340	1.42420
1.68836	1.50264	1.19964	1.18340	1.27134	1.23781
1.79000	1.76000	1.49000	1.51000	1.49000	1.49000
1.86600	1.73600	1.41800	1.41800	1.41800	1.41800
1.77190	1.57070	1.26970	1.27720	1.27720	1.31785
1.67010	1.54490	1.25330	1.25330	1.25330	1.25330
1.75860	1.62970	1.46500	1.46500	1.46500	1.46500
1.70000	1.57430	1.29000	1.29000	1.29000	1.29000
1.53000	1.35570	1.03670	1.09000	1.11000	1.11500
1.81400	1.64400	1.34850	1.39100	1.42500	1.46500
1.85446	1.72600	1.40770	1.41270	1.41270	1.41270
1.76240	1.66800	1.37670	1.40000	1.42000	1.42000
1.82000	1.63005	1.34005	1.34005	1.34005	1.34005
1.66590	1.51905	1.38005	1.37000	1.36000	1.35100
1.28540	0.00000	0.00000	0.00000	0.00000	0.00000
0.47600	0.46400	0.43370	0.45350	0.49600	0.53000
0.55571	0.57728	0.62098	0.62000	0.76000	0.76000
0.63288	0.63288	0.61788	0.61788	0.61788	0.61788
0.64140	0.64140	0.64140	0.64140	0.64140	0.67000
0.76159	0.76853	0.78811	0.78811	0.78811	0.81109
0.00000	0.00000	0.21000	0.21000	0.23000	0.23000
0.64860	0.64146	0.64146	0.64146	0.64146	0.69046
0.74170	0.72920	0.74790	0.74790	0.74790	0.79700
0.68499	0.69835	0.70973	0.69973	0.69973	0.73512
0.71800	0.69600	0.69600	0.69600	0.69600	0.73769
0.49450	0.49450	0.49450	0.49450	0.51950	0.52950
0.66610	0.67860	0.68860	0.69960	0.70460	0.70460
0.65310	0.69617	0.68404	0.69436	0.73932	0.79500
0.67000	0.67000	0.67000	0.67000	0.67000	0.67000
0.23000	0.22500	0.22000	0.22000	0.22000	0.22000
0.54000	0.54190	0.53755	0.52810	0.56300	0.58100
0.54790	0.54790	0.54060	0.54060	0.54060	0.57610
0.67170	0.67170	0.73750	0.77750	0.77750	0.86750
0.60148	0.62000	0.64000	0.64000	0.64000	0.64000
0.52516	0.57516	0.57516	0.57516	0.57516	0.63516
0.74717	0.74717	0.74717	0.74717	0.74717	0.74717
0.55832	0.55341	0.55341	0.61000	0.70582	0.70582
0.63500	0.63500	0.63500	0.63500	0.65000	0.66500
0.37997	0.37997	0.37997	0.37796	0.40796	0.40796
0.30958	0.29272	0.26836	0.26548	0.26548	0.27845
0.66000	0.61000	0.61000	0.48566	0.43599	0.43599
0.00000	0.00000	0.00000	0.89890	0.89890	0.89890

TABLE 9

DALLAS COUNTY SCHOOLS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

		2011			2002		
Name of Taxpayer	**Type of Property**	**Total Assessed Valuation**	**Rank**	**Percent of Total Assessed Valuation**	**Taxable Assessed Valuation**	**Rank**	**Percent of Total Assessed Valuation**
AT&T/Southwestern Bell/Cingluar	Telephone Utility	$ 1,277,149,713	1	0.77%	$ 1,631,835,655	1	1.32%
Oncor Electric / Texas Utilities	Electric Utility	1,244,176,170	2	0.75%	1,293,507,459	3	1.05%
Texas Instruments/Raytheon	Electronics	712,476,933	3	0.43%	1,465,722,070	2	1.19%
Crescent TC Investors, LP	Real Estate	645,300,810	4	0.39%	991,603,570	4	0.80%
Wal-Mart Reail Stores	Retail	605,195,670	5	0.37%	-	-	-
Northpark Land Partners	Real Estate	536,260,000	6	0.32%	-	-	-
Verizon/GTE	Telephone Utility	476,426,275	7	0.29%	762,899,833	5	0.62%
Southwest Airlines	Airline	420,792,608	5	0.25%	500,356,521	6	0.40%
SP Millenium Center, LP	Real Estate	385,594,660	9	0.23%	-	-	-
YPI Central Expressway, LP	Real Estate	332,131,130	10	0.20%	-	-	-
Trammel Crow / Anatole PTNRS	Real Estate	-		-	393,304,087	7	0.32%
AT & T / TCI Cable	Telephone Utility	-		-	351,490,150	8	0.28%
MCI WorldCom	Telephone Utility	-		-	266,497,903	9	0.22%
Metropolitan Life Insurance	Insurance	-		-	289,976,340	10	0.23%
		$ 6,635,503,969		4.01%	$ 7,947,193,588		6.43%

Notes: (a) Estimated amounts based on 2002 and 2011 appraisal rolls.
(b) Amounts exclude property under protest.

Source: Dallas County Tax Assessor-Collector's Office

TABLE 10

DALLAS COUNTY SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

Year	Population (1)	Disposable Personal Income (2)		Per Capita Personal Income (3)		Median Age (4)	Unemployment Rate (5)	
2002	2,245,398	$ 82,983		$ 36,205		31.8	6.4	(b)
2003	2,283,953	84,278		36,617		31.9	6.6	(b)
2004	2,284,096	89,692	(a)	39,766		32.2	5.5	(b)
2005	2,330,050	95,652	(a)	40,959		32.6	5.2	(b)
2006	2,383,300	101,747	(a)	41,321		32.4	4.6	(b)
2007	2,417,650	104,705		42,174		32.8	4.3	(b)
2008	2,451,800	109,053		44,060		33.1	5.3	(b)
2009	2,471,000	107,337		45,422		33.2	8.7	(b)
2010	2,492,850	107,915		47,351		31.7	8.4	(b)
2011	2,373,870	107,915	(c)	47,351	(c)	31.6	8.7	(b)

Source:

1) North Texas Commission (http://www.ntc-dfw.org/northtexas/popest.html).
2) Bureau of Economic Analysis - U.S. Department of Commerce (www.bea.gov) for amounts through fiscal year 2005. After 2005, personal income estimated using CPI South-Urban available from U.S. Department of Labor.
3) U.S. Department of Commerce - Bureau of Economic Analysis for Dallas County, TX (http://www.bea.gov/regional/reis/crius.cfm).
4) U.S. Census Bureau - ACS Survey (factfinder.census.gov) for Dallas County, TX.
5) North Texas Commission (http://www.ntc-dfw.org/northtexas/empunemprates.html).

Note:

a) Adjusted personal income figures reflect new Bureau of Labor Statistics estimates for 2006 and revisions for 2004-2005.
b) The unemployment rate is reported as of the month of August of each year.
c) 2010 Figure (2011 figures not available).

DALLAS COUNTY SCHOOLS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2011			
Company	Product	Employees	Rank	Percentage of Total County Employment
Wal-Mart Stores, Inc.	Retail	34,698	1	3.23%
AMR Corporation (American Airlines)	Airline, Technology and Management Services	20,684	2	1.92%
Dallas Public Schools	Public Independent School District	20,554	3	1.91%
Bank Of America	Banking and Finance	20,000	4	1.86%
Baylor Health Care System	Health Care Provider	19,677	5	1.83%
AT&T Inc.	Telecommunications	17,482	6	1.63%
City of Dallas	Municipality	13,437	7	1.25%
JPMorgan Chase	Banking and Finance	13,000	8	1.21%
UT-Southwestern Medical	Health Sciences, Medical Center	12,671	9	1.18%
HCA North Texas Division	Health Care	12,300	10	1.14%

Estimated Total Employed Workforce 2011: 1,075,805
Estimated Total Employed Workforce 2002: 1,099,268

Source: Dallas Business Journal and Ft. Worth Business Press Book of Lists 2011, City of Dallas, and Dallas County, Texas Financial Records
http://www.ntc-dfw.org/northtexas/corporate/largestemployers.htlm
http://recenter.tamu.edu/data/emp/empc/cntycn481130.asp

TABLE 11

2002				
Company	Product	Employees	Rank	Percentage of Total County Employment
AMR Corporation (American Airlines)	Airline, Technology and Management Services	35,000	1	3.18%
Raytheon Company	Defense Systems & Electronics	18,500	2	1.68%
SBC Telephone Co.	Telephone Utility	18,000	3	1.64%
Dallas Public Schools	Public Independent School	17,169	4	1.56%
Texas Health Resource	Non-Profit Health Care	15,500	5	1.41%
U.S. Postal Services - Dallas	Federal Agency	13,463	6	1.22%
City of Dallas	Municipality	13,000	7	1.18%
Visiting Nurse Association Of Texas	Non-Profit Health Related Services	12,897	8	1.17%
Baylor Health Care System	Health Care	12,800	9	1.16%
Verizon Communications	Telecommunications	12,000	10	1.09%

Dallas County Schools

Strengthening Education Through Service