

Hurst-Eules-Bedford Independent School District
Bedford, Texas



Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2007

Prepared by
Business Operations Department

Debbe Roesler, CPA
Deputy Superintendent of Business Operations

Michele Beck, CPA
Director of Finance

HEB ISD Vision Statement

HEB - Empowering Today to Excel Tomorrow

HEB Mission Statement

HEB ISD will maintain the quality of personnel and rigorous curriculum and instructional design necessary to meet the challenge of successfully educating our increasingly diverse population in an atmosphere that fosters strong character, encourages academic, physical, and creative achievement, and ensures student safety.

2004 - 2009 District Goals

1. Student Achievement
2. Effective and Efficient Operations for all Components
3. Quality Teaching, Administrative, and Supportive Staff
4. Safe, Healthy, and Nurturing Schools
5. Enduring Relationship with Stakeholders

Core Messages

1. Students are responsible for their own learning.
2. Quality teachers and effective schools are essential to students' learning.
3. Parents and patrons are vital partners in the educational process.
4. A safe environment for every student and employee is a prerequisite to learning.
5. Decisions and actions, at all levels, focus on and support effective student learning..

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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Certificate of Board

<u>Name of District</u>	<u>County</u>	<u>Co.-Dist. Number</u>
Hurst-Euless-Bedford Independent School District	Tarrant	220-916-XI

We, the undersigned, do hereby certify that the attached independent auditors' report of the above named school district was reviewed and approved disapproved (check one) for the year ended August 31, 2007 at a meeting of the Board of Trustees of such school district on the 15 day of January, 2008.

Kay Miller
Signature of Board Secretary

Tony Taylor
Signature of Board President

If the auditors' report was checked above as disapproved, the reason(s) therefore is/are (attached as necessary):

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January 15, 2008

Board of Trustees
Hurst-Eules-Bedford Independent School District
1849 Central Drive
Bedford, Texas 76022

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Hurst-Eules-Bedford Independent School District (“District”) for the fiscal year ended August 31, 2007 is submitted herewith. The District’s Business Office has prepared this report, with responsibility for the accuracy and completeness of the report resting solely with the District. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner to fairly represent the financial position and results of operations of the District and that all disclosures necessary to enable the reader to gain the maximum understanding of the District’s financial affairs have been included. The CAFR for the year ended August 31, 2007, is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

GAAP also requires that management provide 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 MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

Copies of this report will be widely distributed throughout the District. A copy will be sent to each city’s Chamber of Commerce and public library, Moody’s and Standard and Poor’s Financial Rating Services and the Texas Education Agency.

Profile of the District

The Hurst-Eules-Bedford Independent District is one of 1,227 school districts (both public and charter districts) in the State of Texas. It provides a program of public education from pre-kindergarten through grade twelve.

The Hurst-Eules-Bedford Independent School District's Board of Trustees ("Board"), a seven-member group, is elected by the public and has decision-making authority. This level of government has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. The members have the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal funding sources. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Management of the District is independent of other state and local governments. The Tarrant County Tax Assessor-Collector collects taxes for the District, but exercises no control over its expenditures.

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the District's Board of Trustees.

Budget-to-actual comparisons are provided in this report for the General Fund. This comparison is presented as required supplementary information.

Economic Outlook

The District, comprised of 44.3 miles, is located between Fort Worth and Dallas and includes the Cities of Hurst, Bedford, and Eules. The cities are both residential and commercial in makeup. The combined population for the three cities is estimated to be 140,950. The populations have risen approximately 6.96% since the 2000 census count. However, the student population of 19,816 has only risen 2.6% during the same time frame. The commercial aspects of the community include industrial, manufacturing, and transportation jobs for the residents. Bell Helicopter, Inc., one of the world's largest manufacturers of commercial and military helicopters employs over 5,000 people. The Dallas-Fort Worth International Airport is partially located within the District.

The District has continued to see a modest rise in taxable values. The cities' population has been relatively stable over the last few years, but a strong housing market and continued low mortgage interest rates in the Metroplex have prompted area homebuilders to purchase and plan the development of large tracts of land in the southwestern and northeastern portions of the District. The new developments are beginning to bring more children to the District.

The area's unemployment rate has dropped by 0.9% in the last year. This improvement in the local unemployment rate exceeds the state trend by .4%. While local economic growth may have slowed considerably from the 1990's, the tax base remains strong. The Metroplex continues to draw new residents everyday.

Major Initiatives

Instruction

The mission of Hurst-Eules-Bedford ISD is to maintain the quality of personnel and rigorous curriculum and instructional design necessary to meet the challenge of successfully educating our increasingly diverse population in an atmosphere that fosters strong character, encourages academic, physical and creative achievement and ensures student safety. Evidence of the success of this philosophy can be seen in the fact that the District has been named by Educational Resource Group as one of the top ten school districts in the state of Texas in the area of academic performance and operational efficiency. An outstanding curriculum, high academic test scores, and efficient and effective utilization of district resources are the criteria for this award.

During the 2001 – 2002 school year, the District implemented the Schools of Choice program at five elementary campuses. This program provides elementary students with enriched educational choices beyond the traditional framework of excellent neighborhood schools. The three programs, Suzuki Strings, Foreign Language Immersion, and Core Knowledge have been such a success that the programs have been expanded each year since inception. Now the District offers the Core Knowledge curriculum at every elementary school. In addition, elements of Core Knowledge have been implemented through the district curriculum at all five junior high schools. Foreign Language Immersion has grown from one first grade classroom in 2001- 2002 to offerings in first through sixth grades at the original school. A second elementary offers first through fourth grade. Each year, an additional year is added to the curriculum to accommodate the aging of the students. This program was expanded to the junior high school level beginning with the 2007 – 2008 school year. A new language program offering Mandarin Chinese and Hindi was implemented at the junior high school level beginning in the fall of 2007. Suzuki Strings has expanded from four elementary sites to seven sites. In 2005 – 2006, the Suzuki students joined a new orchestra program when they entered junior high. These same students will also enjoy an orchestra program during their high school years, currently planned for the 2008 – 2009 school year. A tuition-based Core Knowledge Pre-Kindergarten program began in the 2002 - 2003 school year. The popularity of this program prompted expansion to three sites for the 2005 - 2006 school year. These three sites continue to operate at capacity.

The District's two high schools, L.D. Bell and Trinity, were accepted to participate in the prestigious International Baccalaureate Program. The District was the first school system in Tarrant County to offer this rigorous course of study that is designed to meet the needs of highly motivated and academically talented high school students. The District also has the distinction of being one of the few districts in the world to have the program on multiple campuses. The International Baccalaureate Program is offered in 1,980 schools in more than 124 countries. During the 2006 - 2007 school year the district served 213 International Baccalaureate students. The academic preparation provides students with the skills and opportunities necessary for success in the competitive, modern world. Students who enter the program embark on an advanced curriculum recognized by premier colleges and universities throughout the world. The District's fourth class of IB graduates received their diplomas in the spring of 2007. Of the 100 seniors in the program, 65 received the full International Baccalaureate Diploma.

The District started a district-wide extended day program at the elementary schools for the 2003 – 2004 school year. This program provides childcare after school to accommodate working parents' schedules while enriching the learning experience of the students with a structured, nurturing environment. The program was well received and turned out to be financially successful as well. All proceeds from the tuition remain at the campus to be utilized by the principal to provide additional funding for the needs of the school and its students. During the summer of the 2006 – 2007 school year, three campuses offered a summer enrichment day care program. These, too, were successful and plans include offering the program in the future.

Planning

Much of the District's planning effort is focused on the District's Improvement Plan. The plan demonstrates the commitment to increase student achievement for all students. Campus Improvement Plans, which work in concert with the District's plan, address specific needs of students at individual campuses. The District and Campus Improvement Plans include annual goals for improving student achievement and objective evaluation criteria for measuring success.

Debt Administration

Debt service costs continue to be a major area of expense due to the building program, which is financed by the sale of bonds. The District has enjoyed a favorable market for its bonds, which has resulted in savings in interest cost. In May 2006, the District issued \$84,185,000 of refunding bonds, saving approximately \$3.1 million in interest costs over the life of the debt. The District maintained its "AAA" rating based on the guarantee of the Permanent School Fund of the State of Texas. The district's underlying rating for debt outstanding is "AA-" by the Standard & Poor's Ratings Service and "A1" by Moody's Investor Services, Inc. Under current state statutes the total principal amount of bond indebtedness cannot exceed 10 per cent of the taxable assessed valuation of property in the District. The legal debt limit for 2007 was \$787,223,850, well above the District's current obligation total.

Long-Term Financial Planning

Given the current funding structure for Texas school districts and the new statutes requiring voter approval for future tax increases, the district's approach to financial planning now includes increased emphasis on long-term as well as short-term demographic research, data analysis, and impact studies. The district's long-term planning process currently includes studying the possibility of a future bond election in order to accommodate the facility requirements of the district's increased student growth.

Cash Management

Cash temporarily idle during the year was invested in various investment pools guaranteed by federally backed securities.

The District's investment policy is to minimize risk while maintaining a competitive yield on its portfolio. All investment collateral was held by the District's depository bank or by the District's agent in the District's name. Accordingly, deposits were either insured by federal depository insurance or collateralized by securities held in the District's name.

To comply with the reporting requirements set forth in House Bill 2459, quarterly investment reports were prepared and submitted to the Board of Trustees. The reports detailed the District's investment position as of the end of each quarter and reflected the compliance with the District's investment strategy and the investment policies.

Risk Management

The District's administration is charged with the responsibility of supervising the protection of the District's assets by employing various risk management techniques and procedures to reduce, absorb, minimize or transfer risk. The District carries insurance for general liability, auto liability and workers' compensation. District property is insured for its replacement value. The administration is also responsible for directing the District's fringe benefits program, which includes the administration of health, life and other benefits for full-time employees.

Other Information

Independent Audit

State law and District policy require an annual audit by independent certified public accountants. The accounting firm of Weaver and Tidwell, L.L.P. was selected to fulfill this requirement. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirement of the federal Single Audit Act of 1984, as amended in 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profits Organizations. The auditors' report on the government-wide financial statements and the fund statements and schedules is included in the financial section of this report.

Awards

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended August 31, 2006. In addition, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended August 31, 2006. This is the sixth consecutive year that the District has achieved this prestigious award. In order to be awarded these certificates, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

These certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to ASBO and GFOA to determine its eligibility for the fiscal year 2006 – 2007 certificates.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Business Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation.

We also wish to thank the members of the Board of Trustees for their continued leadership and support, and for planning and conducting the financial operations of the District in a responsible and progressive manner.

Sincerely,



Gene Buinger, Ed.D.
Superintendent



Debra A. Roesler, CPA
Deputy Superintendent for
Business Operations

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended August 31, 2006

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hurst-Euless-Bedford
Independent School District
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2006

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.



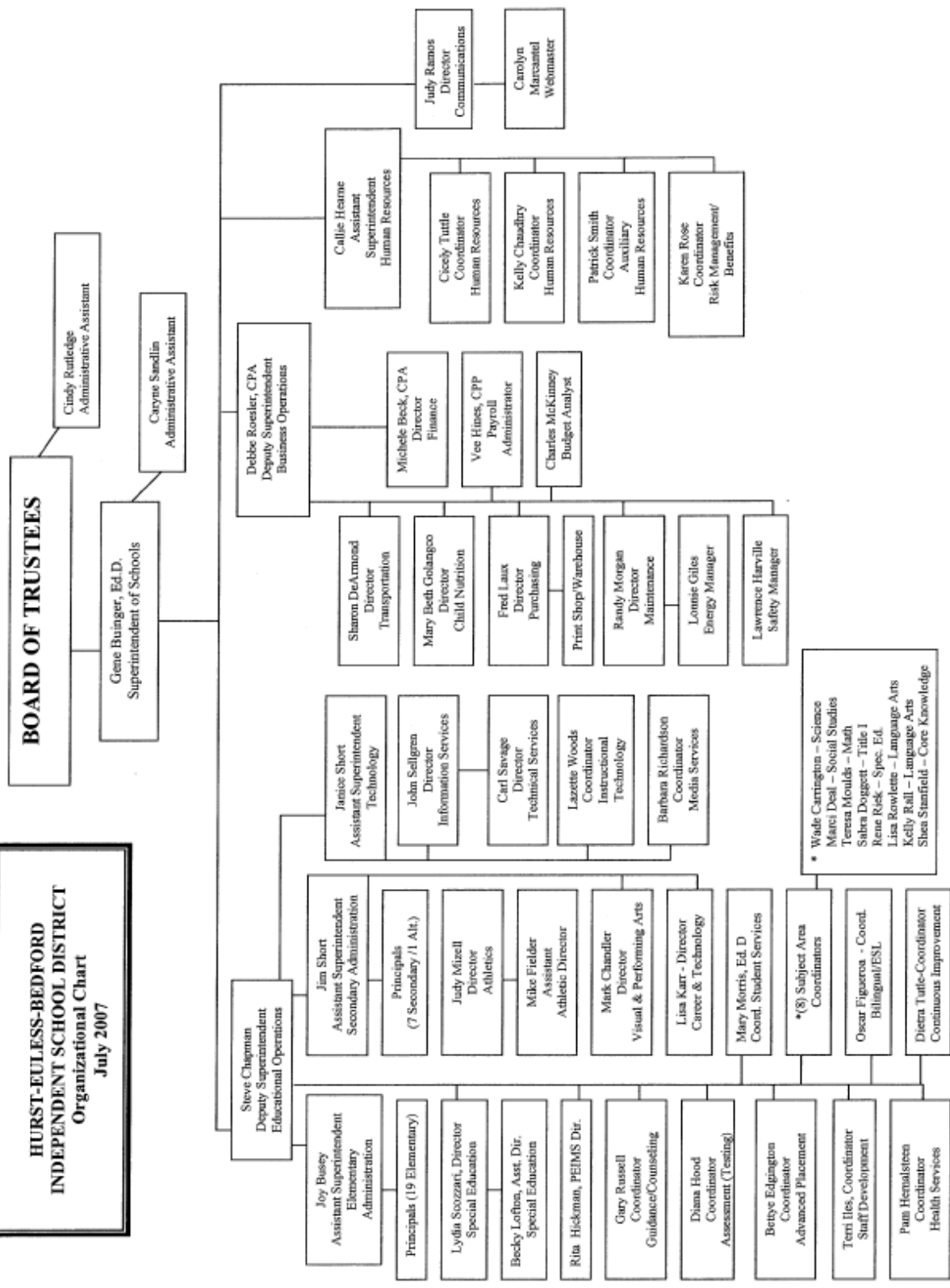
Charles S. Cox

President

Jeffrey R. Egan

Executive Director

**HURST-EULESS-BEDFORD
INDEPENDENT SCHOOL DISTRICT
Organizational Chart
July 2007**



Board of Trustees

<u>Name</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Faye Beaulieu Ph.D., President	12 years	May 2010	Project Director
Tommy Taylor, Vice President	11 years	May 2008	Educator
Ellen Jones, Secretary	6 years	May 2010	Volunteer
Jeff Burnett, D. Min., member	10 years	May 2009	Pastor
Kay Miller, member	4 years	May 2009	Volunteer
Jim Schooler, member	3 years	May 2010	Financial Advisor
Mark Cyrier, member	2 years	May 2008	Business Owner

Administrative Officials

<u>Name</u>	<u>Position</u>	<u>Experience</u>
Dr. Gene Buinger	Superintendent	32 years
Dr. Lynne Rigg	Deputy Superintendent for Business Operations	31 years
Steve Chapman	Deputy Superintendent for Instruction	23 years
Debbe Roesler	Assistant Superintendent for Business Operations	21 years
Joy Busey	Assistant Superintendent for Elementary Curriculum	39 years
Jim Short	Assistant Superintendent for Secondary Curriculum	32 years
Callie Hearne	Assistant Superintendent for Human Resources	34 years
Jan Short	Assistant Superintendent for Technology	22 years

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FINANCIAL SECTION

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**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
Bedford, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hurst-Euleless-Bedford Independent School District (the District) as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2007, and the respective changes in financial position and the cash flows, where applicable, 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 January 10, 2008, on our consideration of the District'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 the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis (on pages 3 through 13) and the budgetary comparison schedule-general fund on page 40 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 methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

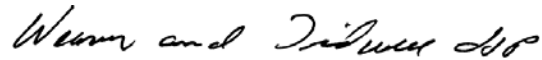
DALLAS

OFFICES IN

FORT WORTH

HOUSTON

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hurst-Euleless-Bedford Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in addition to the combining statements, the capital asset and the other supplementary schedules listed in the table of contents, are not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Worksheet – General Fund (Exhibit J-3) and statistical section marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2008

Hurst-Eules-Bedford Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2007

As management of the Hurst-Eules-Bedford Independent School District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ii to vi of this report.

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had \$139 million in fiscal year 2007 revenues, which primarily consisted of property taxes and state aid; and \$134 million in expenditures. The General Fund's fund balance increased from \$39.39 million as of August 31, 2006 to \$44.51 million as of August 31, 2007. The increase is due in large part to the later start date for all Texas schools. The payroll costs dropped as the start of school was moved back two weeks to August 27, 2007.
- This District's total long-term liabilities decreased by \$2.9 million during this report's fiscal year. The primary reason for this decrease was the retirement of \$2.7 million in general obligation bonds.
- General revenues accounted for \$151.9 million, or 87.1% of all fiscal year 2007 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$28.3 million or 15.7% of total fiscal year 2007 revenues.
- The District had approximately \$175.5 million in expenses related to governmental activities; of which, \$28.3 million of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$151.9 million offset the remaining costs of these programs, resulting in a 27% increase or \$4.8 million addition to net assets.

OVERVIEW OF FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's 2006-2007 comprehensive annual financial report's financial section is comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) supplementary information.

Government-wide Financial Statements. The *government-wide basic financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. This section begins with statements of net assets and activities. These two statements provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters.

The *statement of net assets* presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, changes in net assets serve as a useful indicator of whether the financial position of the District is improving or not.

The *statement of activities* presents information showing how the District's net assets changed during the reported fiscal year. All changes in net assets are recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund Financial Statements. The *fund financial statements* report the District's operations through fund groups to allow detailed analysis of the government-wide statements by providing specific information about the District's major funds. The District's major funds are the General Fund, Debt Service Fund, and Capital Projects Fund. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The governmental activity statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, supply the basis for tax levies and identify the District's appropriation controls.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is most useful to thoroughly understand the components of the major fund groups, and then review the government-wide financial statements for governmental activities as a whole. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Analysis of both the governmental fund balance sheet by fund and the governmental fund statement of revenues, expenditures, and changes in fund balances will facilitate the readers understanding of the District's financial activities.

For proprietary activities, fund financial statements tell how goods or services were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

Notes to the Basic Financial Statements. The notes sub-section provides both narrative explanations and additional data needed for full disclosure and enhancement to the government-wide statements and the various fund financial statements. These notes are meant to ensure that a complete picture is presented in the District's annual financial report.

Required Supplementary Information. GAAP also call for certain information to accompany the audited basic financial statements. This section includes general fund budgetary comparisons and notes to the District's budgeting process and financial management controls. The management's discussion and analysis of the districts financial status is presented before the basic financial statements for better reader understanding and easier review of the annual report.

Supplementary Information. The combining statements for non-major governmental funds and internal service funds contain even more information about the District's financial management and service offerings. Texas Education Agency (TEA) does not require the supplemental material. It should be noted, the section labeled *Other Supplementary Schedules* contains data used by monitoring or regulatory agencies, such as TEA, for assurance that the District is using allocated funds in compliance with the terms of grant agreements. The combining balance sheets of non-major governmental funds provides detailed information of the District's Federal support, campus activities, and other special grants, that identifies enrichment opportunities to the District's local effort. Please refer to the Exhibits H1 and H2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities on August 31, 2007 by \$22,458,963 indicating the District's overall financial position remains sound.

A portion of the District's net assets represents resources subject to external restrictions on how they may be used. As of August 31, 2007, the District's restricted net assets for food service was \$1,472,897. As of August 31, 2007, the unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or legal requirements were \$26,454,474.

The investment in capital assets less any related debt is (\$5,468,408). The District uses capital assets to provide services; consequently, these assets are not available for future appropriation. Although the District's investment in its capital assets is reported net of related debt, it should be understood that the resources needed to repay District debt is provided from other resources, since the capital assets themselves cannot be used to meet debt obligations.

The following table presents a summary of the District's net assets for the fiscal year ended August 31, 2007 with a comparison to the fiscal year ended August 31, 2006:

Table I
Condensed Statement of Net Assets

	Governmental Activities 2006	Governmental Activities 2007	% Change 2006 – 2005
Current and other assets	\$64,342,071	\$67,883,278	5.50%
Capital assets	<u>217,726,893</u>	<u>212,878,871</u>	<u>-2.23 %</u>
Total assets	<u>282,068,964</u>	<u>280,762,149</u>	<u>0.46 %</u>
Current liabilities	13,706,750	10,528,836	-23.19%
Long-term liabilities	<u>250,701,254</u>	<u>247,774,350</u>	<u>-1.17%</u>
Total liabilities	<u>264,408,004</u>	<u>258,303,186</u>	<u>-2.31%</u>
Net Assets:			
Invested in capital assets, net of related debt	(3,065,038)	(5,468,408)	-78.41%
Restricted	1,556,847	1,472,897	-5.39%
Unrestricted	<u>19,161,151</u>	<u>26,454,474</u>	<u>38.01%</u>
<u>Total net assets</u>	<u>\$17,660,960</u>	<u>\$22,458,963</u>	<u>27.17%</u>

Significant current-year transactions that have had an impact on the statement of net assets:

- A net reduction in outstanding general obligation bonds payable of \$2,708,792.
- The net addition of \$4,325,446 in capital assets through the construction of various school improvements and purchases of land and personal property.
- Total revenues for the fiscal year ended August 31, 2007, \$180,313,247.
- Total cost of all programs and services, \$175,515,244 with a resulting increase in net assets of \$4,798,003.

The following information and Table II presents a summary of the changes in net assets for the fiscal year ended August 31, 2007 with a comparison to the fiscal year ended August 31, 2006:

Net assets of the District's governmental activities increased from \$17,660,960 to \$22,458,963.

The increase in governmental net assets is primarily due to:

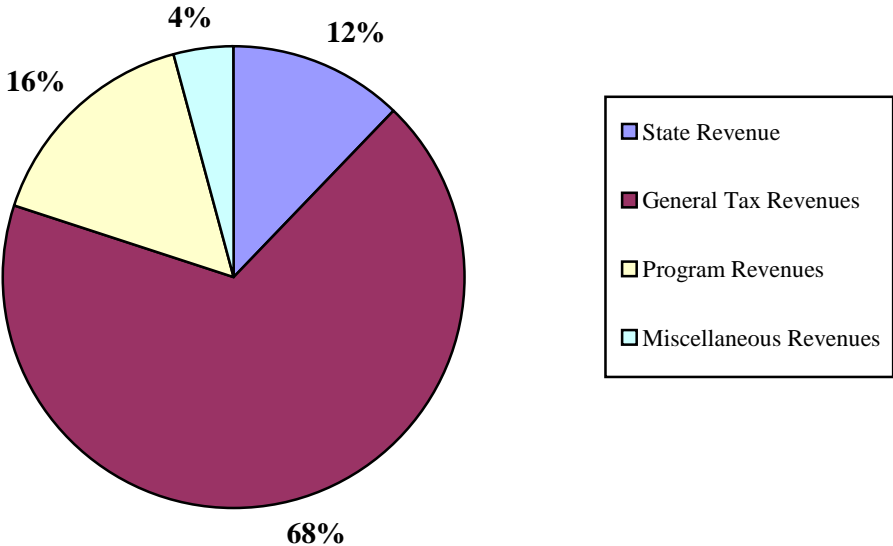
- Reductions of the payroll accrual due to a later school start date.
- Increase of \$848,325 in interest income due to an increase in interest rates.
- Increased funding from the state for the High School Allotment program.

Table II
Change in Net Assets

	Activities 2006	Activities 2007	% Change 2007-2006
Revenues:			
Program revenues:			
Charges for services	\$ 9,916,319	\$ 5,761,110	-41.90%
Operating grants and contributions	19,498,596	22,581,829	15.81%
General revenues:			
Maintenance and operations taxes	108,302,000	102,882,662	-5.00%
Debt service taxes	18,585,740	19,428,573	4.53%
State grants	9,408,394	22,171,179	135.65%
Investment earnings	1,628,604	4,066,136	149.67%
Miscellaneous	3,217,811	3,421,758	6.34%
Total revenue	<u>170,557,464</u>	<u>180,313,247</u>	
Expenses:			
Instruction	89,057,620	93,815,272	5.34%
Instructional resources and media services	3,414,205	3,348,897	-1.91%
Curriculum and instructional staff development	2,697,978	3,061,832	13.49%
Instructional leadership	1,854,050	1,743,579	-5.96%
School leadership	8,754,623	9,288,936	6.10%
Guidance, counseling and evaluation services	6,302,943	6,563,505	4.13%
Social services	245,792	361,572	47.10%
Health services	1,675,749	1,847,134	10.23%
Student (pupil) services	2,868,012	2,666,232	-7.04%
Food services	7,043,340	7,475,814	6.14%
Cocurricular/extracurricular activities	5,202,815	5,496,519	5.65%
General admission	4,612,456	4,799,355	4.05%
Plant maintenance and operations	12,582,352	13,287,993	5.61%
Security monitoring services	739,331	786,959	6.44%
Data processing services	2,461,809	2,864,774	16.37%
Community services	1,165,430	1,214,803	4.24%
Interest on long-term debt	15,421,538	16,860,776	9.33%
Bond issuance cost and fees	15,506	2,332	-84.96%
Contracted instructional	1,687,590	-	-100.00%
Juvenile Justice alternative educational placement	21,070	28,960	37.45%
Total expenses	<u>167,824,209</u>	<u>175,515,244</u>	4.58%
Change in net assets	<u>2,733,255</u>	<u>4,798,003</u>	
Net assets-beginning	14,927,705	17,660,960	
Net assets-ending	<u>\$ 17,660,960</u>	<u>\$ 22,458,963</u>	

The District's continued reliance upon tax revenues is demonstrated by the graph below, which indicates that 68% of total revenues for governmental activities come from local taxes.

Revenues



The cost of all governmental activities this year was \$175.5 million. However, as shown in the statement of activities, the amount that the taxpayers ultimately financed for these activities through district taxes was \$122.3 million because some of the costs were paid by those who directly benefited from the programs (\$5.76 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$22.6 million).

Table III presents the total cost of the District's major functional activities and the net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs):

Table III

Function Analysis

Function	Total Expenses	Net Expenses
Instruction,	\$ 93,815,272	\$ 82,160,066
Instructional resources and media services	3,348,897	3,043,843
Curriculum and instructional staff development	3,061,832	2,077,553
Instructional leadership	1,743,579	1,378,357
School leadership	9,288,936	8,579,290
Guidance, counseling and evaluation services	6,563,505	5,255,659
Social services	361,572	233,291
Health services	1,847,134	1,704,379
Student (pupil) services	2,666,232	1,936,844
Food services	7,475,814	(101,734)
Cocurricular/extracurricular activities	5,496,519	3,179,666
General administration	4,799,355	4,553,404
Plant maintenance and operations	13,287,993	12,716,744
Security monitoring services	786,959	696,195
Data processing services	2,864,774	2,799,061
Community services	1,214,803	67,619
Interest on long-term debt	16,860,776	16,860,776
Bond issuance cost and fees	2,332	2,332
Juvenile Justice alternative educational placement	28,960	28,960
Total expenses	<u>\$ 175,515,244</u>	<u>\$ 147,172,305</u>

HIGHLIGHTS OF THE DISTRICT'S MAJOR FUNDS

As the District completed the year, its governmental funds balance sheet reported a fund balance of \$51.5 million, which is an increase of \$6.3 million from the prior year.

The schedule below indicates the fund balance by fund type as of August 31, 2007.

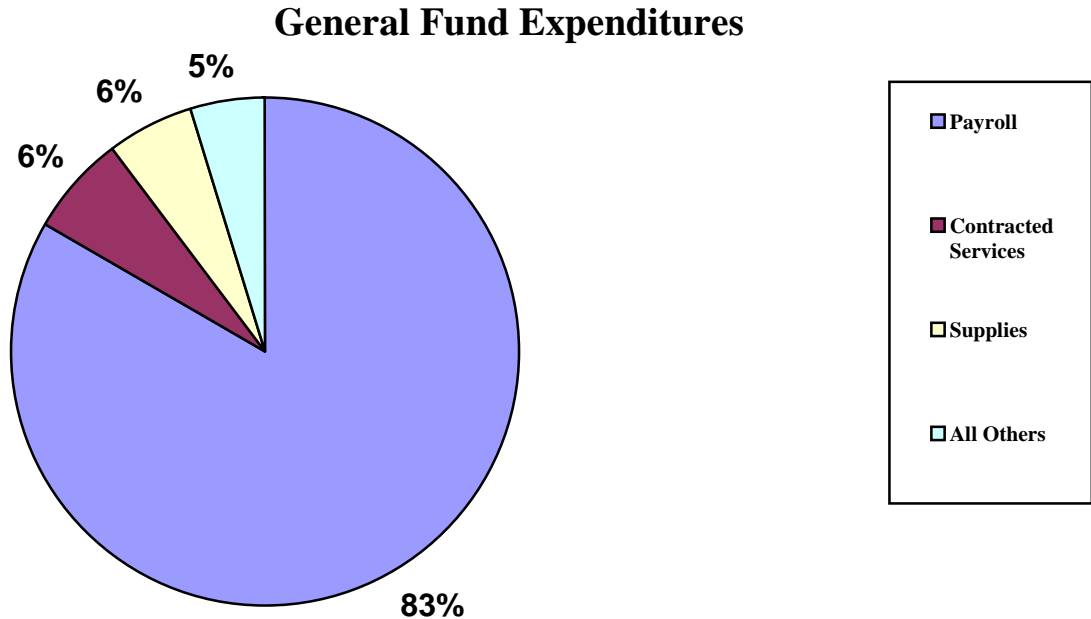
Fund Balance	
<u>August 31, 2007</u>	
General Fund	\$44,512,929
Debt Service	1,605,088
Capital Projects	776,591
Non-major	<u>4,633,961</u>
Total	<u>\$51,528,569</u>

General Fund

The General Fund increased fund balance \$5,126,373 from the prior year. Several factors contributed to the General Fund's gain in fund balance: increased investment earnings due to higher interest rates and a decrease in the payroll accrual for teachers salaries due to a later school start date.

The District is a service entity; therefore, the largest portions of the General Fund expenditures are related to payroll and contracted services such as utilities, as illustrated below.

Expenditures By Object	2006 Amounts	2007 Amounts	% of Change
Payroll	\$104,785,624	\$111,776,873	6.25%
Contracted Services	9,385,510	8,298,324	-13.10%
Supplies	5,006,975	7,464,455	32.92%
Other Operating	1,655,340	1,638,675	-1.02%
Debt Service	760,145	--	100.00%
Capital Outlay	<u>3,271,336</u>	<u>4,807,108</u>	<u>46.95%</u>
Total	<u>\$124,864,930</u>	<u>\$133,985,435</u>	<u>7.30%</u>



Debt Service Fund

Tax revenue increased during the 2006–2007 year due to continued efforts to collect delinquent taxes and increased interest earnings and as a result, the Debt Service fund balance increased by \$595,732

Capital Projects Fund

The Capital Projects fund balances decreased \$354,762 from \$1.1 million in 2005-2006 to \$776,591 in 2006-2007, due to the completion of construction projects. Although these capital expenditures reduce available fund balances, they create new assets for the District as reported in the statement of net assets and as discussed in note L in the financial statements.

BUDGETARY PROCESS

Over the course of the year, budget amendments are necessary to realign funds. Realignment of funds will increase and/or decrease various function levels within the budget. Budget amendments, which are controlled at the function level, are approved by the Board of Trustees and recorded in the official board minutes. The final amended budget reflects necessary amendments needed to address unforeseen situations and estimates after the original budget was adopted. The \$6,774,611 change in appropriations, reflected on Exhibit G-1, were primarily related to the following:

- \$2,966,596 for the District's LAN/WAN technology upgrade
- \$3,010,000 for the other District technology upgrades
- \$567,661 for expenditures associated with roll over allocations for campus and department materials and services
- \$130,555 for the Curriculum Management project

On the Budgetary Comparison Schedule, Exhibit G-1, several functional expenditure categories showed positive variances in excess of \$500,000. The largest variance related to the District's instructional expenditures. The District's actual instructional expenditures were \$4 million less than the final Board approved budget for fiscal year 2006-2007. Approximately \$2.7 million of this positive variance was due to the reduction in payroll expenditures and corresponding liability due to a later start date in August 2007 as compared to August 2006. Another \$1 million was due to special projects that were not fully implemented during the 2006-2007 fiscal year. The remaining budget for these projects was reappropriated during the 2007-2008 fiscal year in order to accommodate completion. The majority of the \$1 million positive variance in the maintenance budget to actual comparison was the result of moderate temperatures in fiscal year 2006-2007. This translated into significant savings with respect to the District's utility expenditures. Finally, the positive variance in the data processing function was due to a special technology project budgeted and begun in fiscal year 2006-2007 yet not completed until fiscal year 2007-2008. As with the instructional program, the remaining data processing budgetary funds were reappropriated in fiscal year 2007-2008 to accommodate completion.

The food services expenditures, on the other hand, exceeded the Board approved budget at fiscal year end, thus showing a \$9,633 negative variance. This negative variance was due to an increase in the District's "On-Behalf" expenditures for this functional category. These expenditures are offset with a corresponding increase in "On-Behalf" revenue resulting in no impact on the District's Fund Balance.

Even though the Budgetary Comparison Schedule included several significant variances at fiscal year end, the District feels that its budgetary monitoring and evaluation processes provide adequate controls to ensure accountability for District expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2007, the District had invested \$212.9 million in capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease after depreciation of \$4.8 million from last year. Although assets totaling \$5.3 million were added to the District’s capital asset inventory, the depreciation expense for the current year far exceeded that amount.

The total depreciation expense for the year was \$10,108,718.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended August 31, 2007:

Land	\$ 7,228,823
Furniture and equipment	7,347,339
Buildings and improvements	<u>198,302,709</u>
Total	<u>\$212,878,871</u>

Additional information on the District’s capital assets can be found in *Note L* of this report.

LONG-TERM LIABILITIES

As of August 31, 2007, the District had \$247.7 million in general obligation bonds and other long-term liabilities outstanding, of which \$7.6 million is due prior to August 31, 2008. Table IV presents a summary of the District’s outstanding long-term liabilities for the fiscal year ended August 31, 2007.

**Table IV
Long-Term Liabilities**

School building bonds	\$217,605,395
Premium on GO bonds	3,472,276
Loss on refunding	(1,653,391)
Accreted interest	27,374,179
Compensated absences payable	<u>975,891</u>
Total	<u>\$247,774,350</u>

The District continues to have favorable general obligation bond ratings indicated by a stand alone AA rating and a Texas Permanent School Fund guaranteed debt obligation AAA rating from Standard & Poor’s Ratings Group.

State statutes currently limit the amount of general obligation debt a District may issue up to 10% of its total assessed valuation. The current debt limitation for the District is \$789,103,357, which is 315% more than the District’s outstanding general obligation debt.

Additional information on the District’s long-term liabilities can be found in *Notes M & N* of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

The District's elected and appointed officials considered many factors when setting the 2006-2007 budget and tax rates. One of those factors was the economy. The District has maintained an increasing property tax base for the last nine years, with increases in some years as great as 10%. A majority of the economy within the area is related to the airline industry, with the Dallas-Fort Worth airport partially located in the District boundaries. American Airlines, whose headquarters are located within the District, is the District's largest taxpayer, making up 2.93% of the District's tax base. The airline industry, as well as the entire economy, is stable, however in light of out of control fuel and utility prices, this stability could be in peril. In line with the economic outlook, the District's taxable property values for the 2006 fiscal year increased approximately 2.00% from the 2005 fiscal year. While the District's property value increased, the District's population is continuing to remain stable. The overall population of the District grew by 1,150, or slightly less than .1%. The District has experienced moderate enrollment growth for the past two years, reversing a five-year trend of minor enrollment declines. Since 2005, approximately 726 additional students have attended the District's schools. Eleven of the twelve principal employers remained the same from 2006 to 2007. Their total employment increased by approximately .1% over the two-year period. In general, the District's demographic data indicate a stable environment with moderate growth in the tax base.

District's Tax Rate

In the spring of 2006, the Texas Legislature met in a special session to address the educational funding issues. Rising property taxes had placed an undue burden on taxpayers to fund Texas education. The state set a cap on the Maintenance and Operations tax rate for each district. For 2007 – 2008, a district may tax no more than 67% of the 2005 – 2006 tax rate. For HEB, the rate could be no higher than \$1.00. The state also gave districts the option to raise the tax rate an additional \$0.04 for enrichment purposes. State funding was increased to offset the reduction in local tax revenue caused by the lowered Maintenance and Operations tax rate.

In light of the above situation, the District's Board of Trustees set the Maintenance and Operation tax rate for fiscal year 2008 is \$1.04, a decrease of \$.3041. The Debt Service tax rate increased from \$.2535 to \$.2637 in order to meet the debt service requirements in relationship to the District's total projected assessed value. Therefore, the total tax rate adopted by the Board of Trustees for 2007-2008 was \$1.3037, a total decrease of \$.2939. The District is currently reviewing its priorities to maintain the level of excellent service to its children and taxpayers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the resources it receives. If you have questions about this report or need additional financial information, feel free to contact the Business Operations department at Hurst-Eules-Bedford Independent School District, 1849 Central Drive, Bedford, Texas, 76022.

BASIC FINANCIAL STATEMENTS

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS
AUGUST 31, 2007

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 57,339,924
1220	Property taxes receivable (delinquent)	5,043,857
1230	Allowance for uncollectible taxes	(756,578)
1240	Due from other governments	5,173,220
1250	Accrued interest	157,491
1290	Other receivables	21,234
1300	Inventories, at cost	438,220
1410	Deferred expenses	165,500
1420	Bond issuance costs	300,410
1510	Land	7,228,823
1520	Buildings and improvements, net	198,302,709
1530	Furniture and equipment, net	<u>7,347,339</u>
1000	Total assets	<u>280,762,149</u>
LIABILITIES		
2110	Accounts payable	2,087,439
2140	Interest payable	429,226
2150	Payroll deductions and withholdings payable	930,650
2160	Accrued wages and benefits payable	4,475,080
2180	Due to other governments	455,018
2200	Other accrued expenses	655,066
2300	Unearned revenue	1,496,357
	Long-term liabilities:	
2501	Due within one year	7,556,911
2502	Due in more than one year	<u>240,217,439</u>
2000	Total liabilities	<u>258,303,186</u>
NET ASSETS		
3200	Investment in capital assets, net of related debt	(5,468,408)
3820	Restricted for food service	1,472,897
3900	Unrestricted	<u>26,454,474</u>
3000	Total net assets	<u><u>\$ 22,458,963</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2007

Data Control Codes		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants & Contributions	Governmental Activities
0011	Instruction	\$ 93,815,272	\$ 551,488	\$ 11,103,718	\$ (82,160,066)
0012	Instructional resources and media services	3,348,897	-	305,054	(3,043,843)
0013	Curriculum and instructional staff development	3,061,832	359,372	624,907	(2,077,553)
0021	Instructional leadership	1,743,579	-	365,222	(1,378,357)
0023	School leadership	9,288,936	-	709,646	(8,579,290)
0031	Guidance, counseling, and evaluation services	6,563,505	-	1,307,846	(5,255,659)
0032	Social services	361,572	-	128,281	(233,291)
0033	Health services	1,847,134	-	142,755	(1,704,379)
0034	Student (pupil) services	2,666,232	351,103	378,285	(1,936,844)
0035	Food services	7,475,814	3,735,842	3,841,706	101,734
0036	Cocurricular/extracurricular activities	5,496,519	358,865	1,957,988	(3,179,666)
0041	General administration	4,799,355	17,722	228,229	(4,553,404)
0051	Plant maintenance and operations	13,287,993	161,745	409,504	(12,716,744)
0052	Security and monitoring services	786,959	76,724	14,040	(696,195)
0053	Data processing services	2,864,774	-	65,713	(2,799,061)
0061	Community services	1,214,803	148,249	998,935	(67,619)
0071	Debt service - interest on long term debt and fees	16,863,108	-	-	(16,863,108)
0095	Juvenile Justice alternative educational placement	28,960	-	-	(28,960)
TOTAL PRIMARY GOVERNMENT:		<u>\$ 175,515,244</u>	<u>\$ 5,761,110</u>	<u>\$ 22,581,829</u>	<u>(147,172,305)</u>

General Revenues:

Data Control Codes	Taxes:	
MT	Property taxes, levied for general purpose	102,882,662
DT	Property taxes, levied for debt service	19,428,573
SF	State grants, unrestricted	22,171,179
MI	Miscellaneous local and intermediate	3,421,758
IE	Investment earnings	4,066,136
TR	Total general revenues and special items	<u>151,970,308</u>
CN	Change in net assets	4,798,003
NB	Net assets -- beginning	<u>17,660,960</u>
NE	Net assets -- ending	<u>\$ 22,458,963</u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2007

Data control codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
ASSETS						
1110	Cash and temporary investments	\$ 51,343,418	\$ 1,346,677	\$ 878,589	\$ 3,066,857	\$ 56,635,541
1220	Property taxes - delinquent	4,344,075	699,782	—	—	5,043,857
1230	Allowance for uncollectible taxes	(651,611)	(104,967)	—	—	(756,578)
1240	Due from other governments	4,862,033	—	—	311,187	5,173,220
1250	Accrued interest	133,854	—	—	23,637	157,491
1260	Due from other funds	149,700	321,616	80,613	1,787,315	2,339,244
1290	Due from other sources	20,413	821	—	—	21,234
1300	Inventories, at cost	393,609	—	—	44,611	438,220
1410	Prepaid expenditures	141,189	—	—	23,291	164,480
1000	Total Assets	<u>\$ 60,736,680</u>	<u>\$ 2,263,929</u>	<u>\$ 959,202</u>	<u>\$ 5,256,898</u>	<u>\$ 69,216,709</u>
LIABILITIES and FUND BALANCES						
Liabilities:						
2110	Accounts payable	\$ 1,649,938	\$ —	\$ 182,611	\$ 160,072	\$ 1,992,621
2150	Payroll deduction and withholdings payable	930,650	—	—	—	930,650
2160	Accrued wages and benefits payable	4,279,546	—	—	195,504	4,475,050
2170	Due to other funds	3,901,466	—	—	149,700	4,051,166
2180	Due to other governments	390,992	64,026	—	—	455,018
2300	Deferred revenue	5,071,159	594,815	—	117,661	5,783,635
2000	Total liabilities	<u>16,223,751</u>	<u>658,841</u>	<u>182,611</u>	<u>622,937</u>	<u>17,688,140</u>
Fund Balances:						
Reserved Fund Balance:						
3410	Investments in inventory	393,609	—	—	44,611	438,220
3420	Retirement of funded indebtedness	—	1,605,088	—	—	1,605,088
3430	Prepaid items	141,189	—	—	8,597	149,786
3450	Food service	—	—	—	1,427,915	1,427,915
3470	Authorized construction	—	—	776,591	—	776,591
Unreserved fund balance:						
3510	Designated for construction and other	19,773,737	—	—	—	19,773,737
3600	Unreserved	24,204,394	—	—	—	24,204,394
Unreserved, reported in nonmajor:						
3610	Special revenue funds	—	—	—	3,152,838	3,152,838
3000	Total fund balance	<u>44,512,929</u>	<u>1,605,088</u>	<u>776,591</u>	<u>4,633,961</u>	<u>51,528,569</u>
4000	Total liabilities and fund balances	<u>\$ 60,736,680</u>	<u>\$ 2,263,929</u>	<u>\$ 959,202</u>	<u>\$ 5,256,898</u>	<u>\$ 69,216,709</u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2007

Total fund balances - governmental funds	\$ 51,528,569
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	335,465,421
Accumulated depreciation, including current year depreciation expense of \$10,108,718 is not reported in the fund financial statements.	(122,586,550)
Long-term liabilities including bonds payable, premiums, loss on refunding, accreted interest, and compensated absences are not included in the fund financial statements.	(247,774,350)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(429,226)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and catering, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	1,667,411
Bond issuance costs are expended in full when paid on the fund financial statements. Amounts are reported net of amortization on the government-wide financial statements.	300,410
Revenue from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide financial statements.	<u>4,287,278</u>
Net assets of governmental activities	<u><u>\$ 22,458,963</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2007**

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Project Fund	Nonmajor Funds	Total Governmental Funds
REVENUES:						
5700	Total local and intermediate sources	\$ 110,682,539	\$ 20,415,604	\$ 57,686	\$ 8,286,335	\$ 139,442,164
5800	State program revenues	27,927,017	-	-	2,641,288	30,568,305
5900	Federal program revenues	389,347	-	-	10,146,167	10,535,514
5020	Total revenues	<u>138,998,903</u>	<u>20,415,604</u>	<u>57,686</u>	<u>21,073,790</u>	<u>180,545,983</u>
EXPENDITURES:						
Current:						
0011	Instruction	80,866,377	-	-	6,860,355	87,726,732
0012	Instructional resources and media services	2,864,114	-	-	177,215	3,041,329
0013	Curriculum and instructional staff development	2,477,521	-	-	563,048	3,040,569
0021	Instructional leadership	1,365,711	-	-	301,378	1,667,089
0023	School leadership	8,305,310	-	-	300,686	8,605,996
0031	Guidance, counseling and evaluation services	5,352,138	-	-	844,766	6,196,904
0032	Social services	238,394	-	-	117,528	355,922
0033	Health services	1,636,156	-	-	64,906	1,701,062
0034	Student (pupil) transportation	3,338,097	-	-	294,066	3,632,163
0035	Food services	144,633	-	-	7,474,619	7,619,252
0036	Cocurricular/extracurricular activities	3,373,864	-	-	1,731,726	5,105,590
0041	General administration	4,664,441	-	-	57,451	4,721,892
0051	Plant maintenance and operations	13,969,282	-	55,733	193,249	14,218,264
0052	Security and monitoring services	724,109	-	-	6,550	730,659
0053	Data processing services	4,463,605	-	-	-	4,463,605
0061	Community services	92,256	-	-	1,116,227	1,208,483
Debt Service:						
0071	Principal	-	2,708,792	-	-	2,708,792
0072	Interest	-	17,108,748	-	-	17,108,748
0073	Cost and fees	-	2,332	-	-	2,332
Capital Outlay:						
0081	Facilities acquisition and construction	80,467	-	356,715	14,669	451,851
Contracted Instructional:						
0095	Juvenile Justice AEP	28,960	-	-	-	28,960
6030	Total expenditures	<u>133,985,435</u>	<u>19,819,872</u>	<u>412,448</u>	<u>20,118,439</u>	<u>174,336,194</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>5,013,468</u>	<u>595,732</u>	<u>(354,762)</u>	<u>955,351</u>	<u>6,209,789</u>
Other Financing Sources (Uses):						
7912	Sale of Real and Personal Property	38,421	-	-	-	38,421
7915	Transfers in	-	-	-	37,652	37,652
7949	Other resources	74,484	-	-	-	74,484
8911	Transfers out	-	-	-	(37,652)	(37,652)
	Total other financing sources (uses)	<u>112,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,905</u>
1200	Net change in fund balance	5,126,373	595,732	(354,762)	955,351	6,322,694
0100	Fund balance - September 1 (beginning)	<u>39,386,556</u>	<u>1,009,356</u>	<u>1,131,353</u>	<u>3,678,610</u>	<u>45,205,875</u>
3000	Fund balance - August 31 (ending)	<u>\$ 44,512,929</u>	<u>\$ 1,605,088</u>	<u>\$ 776,591</u>	<u>\$ 4,633,961</u>	<u>\$ 51,528,569</u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2007

Net change in fund balances - total governmental funds (from C-2)	\$ 6,322,694
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and catering, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	 794,845
 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. The net effect of removing the 2006 capital outlays is to increase net assets.	 5,276,571
 Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	 (10,108,718)
 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The effect of recording the disposition of capital assets reduced net assets.	 (15,876)
 Current year bond principal payments are expenditures in the fund financial statements, whereas they are reported as reductions of bonds payable in the government-wide financial statements. The effect of current year principal paid on bonds payable increased net assets.	 2,708,792
 Premiums associated with bonds payable are reported as revenue on the fund financial statements when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements. The effect of the amortization of premiums was to increase net assets.	 205,876
 Compensated absences are recognized when the related obligation matures and is expected to be liquidated with expendable available financial resources. Therefore additions to the accrual for compensated absences are not reported in the fund financial statements. The net effect of the current year increase in compensated absences was to decrease net assets	 (98,513)
 Revenue not recognized on the fund financial statements under the modified accrual basis are recognized on the accrual basis in the government-wide financial statements. The effect of the increase in deferred revenue from 2006 is to increase net assets.	 (329,764)
 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. The effect of recording the increase in accrued interest of \$50,659 and the decrease in accreted interest of \$208,008 was to increase net assets.	 157,349
 Amortization of losses on refundings is not recognized in the fund level financial statements.	 (97,258)
 Bond issuance costs are expended in full when paid on the fund financial statements, whereas they are amortized to expense over the life of the related bonds payable on the government-wide financial statements. The effect of the amortization of bond issuance costs was to decrease net assets.	 (17,995)
 Change in Net Assets of Governmental Activities	 <u>\$ 4,798,003</u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AUGUST 31, 2007

	Internal Service Funds
	<u> </u>
ASSETS	
Current Assets:	
Cash and temporary investments	\$ 704,383
Due from other funds	1,621,738
Prepaid expenses	<u> 1,020</u>
Total assets	<u> 2,327,141</u>
LIABILITIES	
Current Liabilities:	
Account payable	4,634
Accrued wages	30
Other accrued expenses	<u> 655,066</u>
Total liabilities	<u> 659,730</u>
NET ASSETS	
Unrestricted net assets	<u> 1,667,411</u>
Total net assets	<u><u> \$ 1,667,411</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED AUGUST 31, 2007

	<u>Internal Service Funds</u>
Operating Revenues	
Local, intermediate	<u>\$ 1,796,010</u>
Total operating revenues	<u>1,796,010</u>
Operating Expenses	
Payroll	66,398
Insurance claims	768,455
Contracted services	100,219
Supplies and materials	38,579
Other operating expenses	<u>73,126</u>
Total operating expenses	<u>1,046,777</u>
Operating income	749,233
Nonoperating Revenues	
Investment earnings	<u>45,612</u>
Change in net assets	794,845
Total net assets - September 1 (beginning)	<u>872,566</u>
Total net assets - August 31 (ending)	<u><u>\$ 1,667,411</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED AUGUST 31, 2007

	<u>Internal Service Funds</u>
<u>Cash flows from operating activities :</u>	
Cash received from user charges	\$ 1,796,010
Cash payments to other funds	(1,621,738)
Cash payments to employees for services	(66,399)
Cash payments for contracted services	(100,579)
Cash payments for insurance claims	(607,143)
Cash payments for suppliers	(41,742)
Cash payments for other operating expenses	<u>(73,926)</u>
Net cash used by operating activities	<u>(715,517)</u>
<u>Cash flows from investing activities</u>	
Interest received	<u>45,612</u>
Net cash provided by investing activities	<u>45,612</u>
Net decrease in cash and cash equivalents	(669,905)
Cash and cash equivalents at beginning of the year	<u>1,374,288</u>
Cash and cash equivalents at end of the year	<u><u>\$ 704,383</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 749,233
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(1,621,738)
Increase in prepaid expenses	(1,020)
Decrease in accounts payable	(3,303)
Dncrease in accrued wages	(1)
Increase in other accrued expenses	<u>161,312</u>
Net cash provided by operating activities	<u><u>\$ (715,517)</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AUGUST 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and temporary investments	\$ 751,426
Due from other funds	90,184
Accrued interest	<u>1,089</u>
Total assets	<u><u>\$ 842,699</u></u>
Liabilities	
Due to student groups	\$ 191,506
Due to employees	<u>651,193</u>
Total liabilities	<u><u>\$ 842,699</u></u>

The notes to financial statements are an integral part of this statement.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS AUGUST 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hurst-Eules-Bedford Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations Are Component Units." There are no component units included within the reporting entity. The District is a governmental entity exempt from federal income taxation and reporting under the Internal Revenue Code Section 115.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net assets and the statement of activities are government-wide financial statements. They report information on all of the Hurst-Eules-Bedford Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues and how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The program revenues include charges for services and operating grants and contributions. The charges for services revenues include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, charges for athletic events, etc. The grants and contributions revenues include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not labeled as program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund balance sheet and Proprietary Fund statement of net assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements, with the exception of interfund services provided and used which are not eliminated in the process of consolidation. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other governments on the government-wide statement of activities. The fund financial statements provide reports on the financial condition and results of operations for three fund categories-governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued

Proprietary funds are used by the District as Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. These funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses. Because proprietary funds predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations mature and are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within sixty days after year-end.

Revenues from local sources consist primarily of 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.

Grant funds are considered to be earned when all eligibility requirements have been met, (including time requirements) to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received in advance, they are recorded as deferred revenues until earned. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This 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 and become measurable. 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, restricted net assets, and unrestricted net assets.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS AUGUST 31, 2007

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **The General Fund** – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- **Capital Project Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

- **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are Workers' Compensation Insurance, Catering, Tech Services, and Print Shop.

Fiduciary Funds:

- **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Funds and Flexible Spending Fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity date of three months or less when purchased. Investments are carried at amortized cost if they have original maturity dates less than one year.
2. The District reports inventories of supplies at weighted average cost including consumable instructional, office, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received.
4. Capital assets, which include, land, buildings, furniture, and equipment, are reported in the applicable governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007**

E. OTHER ACCOUNTING POLICIES - continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30 - 40
Furniture and equipment	5 - 10

5. The Workers' Compensation insurance program of the District is accounted for in the Internal Service Funds.
6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District designated the General Fund unreserved fund balance as follows:

Extraordinary maintenance projects	\$ 6,500,000
Land purchase	3,000,000
Construction / renovation of school buildings	3,790,000
Workers' compensation self insurance	800,000
Personal property	1,204,747
Litigation	1,000,000
Retirement	975,891
10% Campus / Department carryover	1,000,000
Rainy day reserve	<u>1,503,099</u>
Total Designations	<u>\$ 19,773,737</u>

Descriptions of the District's designations are as follows:

- Extraordinary maintenance projects are designated for unforeseeable catastrophic circumstances.
- Land purchase is designated for the future purchase of land.
- Construction renovation of school buildings
- Workers' Compensation self insurance is designated for potential run-off claims arising from the workers compensation plan.
- Personal property is designated for unanticipated equipment needs, equipment replacement and upgrades.
- Litigation is designated for unanticipated legal expenses.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS AUGUST 31, 2007

E. OTHER ACCOUNTING POLICIES – continued

- Retirement is designated for excess retirement benefits paid in excess of amount budgeted.
 - 10% Campus/Department Carryover is designated for the reallocation of unspent funds back to each campus or department for the next fiscal year.
 - Rainy day reserve is designated for unanticipated capital equipment purchases.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
8. The Data Control Codes refer to the account code structure prescribed by Texas Education Agency in the *Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

F. BUDGETARY INFORMATION

The appropriated budget is prepared by fund, function and department. The District's campus and department heads may make transfers of appropriation within their campus or department budget. Transfers of appropriations between functions require approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The Board approved several supplementary budget appropriations. The District exceeded the budget related to food service expenditures in the General Fund due to higher than expected on behalf expenditures. That amount was offset by additional on behalf revenue. The District also exceeded budget related to food service expenditures in the Child Nutrition Fund due to higher than expected food costs.

G. DEFICIT FUND EQUITY

The District had no deficit fund balances at August 31, 2007.

DETAILED NOTES ON ALL FUNDS

H. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District 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.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

H. DEPOSITS AND INVESTMENTS - continued

At August 31, 2007, the carrying amount of the District's deposits (cash, bank balances, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$64,488. The District's cash deposits at August 31, 2007 and during the year ended August 31, 2007 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Chase Bank, Texas, N.A.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,086,406.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,427,128 and occurred on August 30, 2007.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$200,000.

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 the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's investments at August 31, 2007 are shown below:

	Carrying Amount	Fair Value	Investment Maturities (in Years)			
			Less than 1	1-2	2-3	More than 3
Temporary Investment Pools						
MBIA	\$ 37,126,234	\$ 37,126,234	\$ 37,126,234	\$ -	\$ -	\$ -
LOGIC	206,051	206,051	206,051	-	-	-
TexStar	1,081,079	1,081,079	1,081,079	-	-	-
TexasTerm	5,000,000	5,000,000	5,000,000	-	-	-
Government Agency Securities						
	<u>14,613,498</u>	<u>14,613,498</u>	<u>4,904,013</u>	<u>980,000</u>	<u>3,042,816</u>	<u>5,779,296</u>
Total Investments	<u>\$ 58,026,862</u>	<u>\$ 58,026,862</u>	<u>\$ 48,317,377</u>	<u>\$ 980,000</u>	<u>\$ 3,042,816</u>	<u>5,779,296</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS AUGUST 31, 2007

H. DEPOSITS AND INVESTMENTS – continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy addresses acceptable investment related risk levels and as a means of limiting its exposure to fair value losses arising from rising interest rates, the majority of the District's investment maturities are less than one year.

Credit Risk

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 the 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 agency. 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 the District does not limit the amount that can be invested in any one issuer. As of August 31, 2007, the District's investments were in external investment pools or government agency securities which do not expose the District 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 requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times.

As of August 31, 2007 the District deposits with the financial institution in excess of federal depository insurance limits were fully collateralized.

Each investment pool the District participates in operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940; to the extent such rule is applicable to its operations. Accordingly, the investment pools use 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 investments pools, performs regulatory oversight in the external investment pools.

I. 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 District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll upon which the levy for the 2007 fiscal year was based, was \$7,872,238,503. The tax rates assessed for the year ended August 31, 2007 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$1.3441 and \$0.2535 per \$100 valuation, respectively, for a total of \$1.5976 per \$100 valuation.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

I. PROPERTY TAXES - continued

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 imposed. On January 31 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 or past due and receivable within the current period.

J. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

K. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at August 31, 2007 consisted of the following individual fund balances:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor Funds	\$ 149,700	Funds to cover cash shortages
Debt Service	General Fund	321,616	Correct allocation of property tax collections
Capital Projects	General Fund	80,613	Funds to cover cash shortages
Nonmajor Funds	General Fund	1,787,315	Funds to cover cash shortages
Internal Service Funds	General Fund	1,621,738	Funds to cover cash shortages
Agency Funds	General Fund	90,184	Funds to cover cash shortages
		<u>\$ 4,051,166</u>	

As each fund is a separate self-balancing set of accounts, transactions between funds should be recorded properly in each fund affected. Interfund receivables and payables generally arise from interfund loans between different funds. All balances will be repaid within one year.

Interfund transfers among non-major funds at August 31, 2007 consisted of the following transfers:

Transfer In	Transfer Out	Amount	Purpose
National School Lunch & Breakfast	Summer Feeding	\$ <u>37,652</u>	Transfer of excess cash from Summer Feeding Program to Child Nutrition Fund
		<u>\$ 37,652</u>	

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

L. CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not depreciated:				
Land	\$ 7,228,823	\$ -	\$ -	\$ 7,228,823
Total capital assets not depreciated	<u>7,228,823</u>	<u>-</u>	<u>-</u>	<u>7,228,823</u>
Capital assets, being depreciated:				
Buildings and improvements	310,981,489	1,214,849	-	312,196,338
Furniture and equipment	<u>12,929,663</u>	<u>4,061,722</u>	<u>(951,125)</u>	<u>16,040,260</u>
Total capital assets being depreciated	<u>323,911,152</u>	<u>5,276,571</u>	<u>(951,125)</u>	<u>328,236,598</u>
Less accumulated depreciation for:				
Buildings and improvements	(104,654,503)	(9,239,126)	-	(113,893,629)
Furniture and equipment	<u>(8,758,578)</u>	<u>(869,592)</u>	<u>935,249</u>	<u>(8,692,921)</u>
Total accumulated depreciation	<u>(113,413,081)</u>	<u>(10,108,718)</u>	<u>935,249</u>	<u>(122,586,550)</u>
Total capital assets, being depreciated, net	<u>210,498,071</u>	<u>(4,832,147)</u>	<u>(15,876)</u>	<u>205,650,048</u>
Governmental activities capital assets, net	<u>\$ 217,726,894</u>	<u>\$ (4,832,147)</u>	<u>\$ (15,876)</u>	<u>\$ 212,878,871</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

L. CAPITAL ASSET ACTIVITY - continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 6,384,730
Instructional resources and media services	341,926
Curriculum and instructional staff development	24,593
Instructional leadership	79,077
School leadership	692,066
Guidance, counseling and evaluation services	377,489
Social services	5,965
Health services	149,226
Student (pupil) transportation	149,967
Food services	98,371
Co-curricular/extracurricular activities	411,485
General administration	68,829
Plant maintenance and operations	532,115
Security and monitoring service	64,381
Data processing services	721,463
Community service	7,035
Total Depreciation expense	<u>\$ 10,108,718</u>

M. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 220,314,187	\$ —	(2,708,792)	\$ 217,605,395	\$ 2,674,902
Premium on GO bonds	3,678,152	—	(205,876)	3,472,276	205,876
Loss on refunding	<u>(1,750,649)</u>	—	<u>97,258</u>	<u>(1,653,391)</u>	<u>(97,258)</u>
Total bonds payable	222,241,690	—	(2,817,410)	219,424,280	2,783,520
Other liabilities:					
Accreted interest	27,582,187	3,548,697	(3,756,705)	27,374,179	4,498,391
Compensated absences	<u>877,378</u>	<u>170,656</u>	<u>(72,143)</u>	<u>975,891</u>	<u>275,000</u>
Total governmental activities long-term liabilities	<u>\$ 250,701,255</u>	<u>\$ 3,719,353</u>	<u>\$ (6,646,258)</u>	<u>\$ 247,774,350</u>	<u>\$ 7,556,911</u>

The General Fund has typically been used to liquidate the liability for compensated absences.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

N. BONDS PAYABLE

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of general long-term debt for the year ended August 31, 2007 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/06</u>	<u>Outstanding 8/31/07</u>
Refunding 1994	4.1% to 7.1%	\$ 66,541,545	\$ -	\$ 11,656,545	\$ 11,656,545
Refunding 1996	3.8% to 5.5%	30,149,968	3,371,608	23,392	-
School Building Series 1998	4.2% to 5.0%	171,406,172	8,999,423	111,134,250	110,488,850
Refunding 1999	4.5% to 4.9%	6,520,000	103,500	1,725,000	-
Refunding 2004	2.3% to 5.0%	15,434,973	575,668	11,590,000	11,525,000
Refunding 2006	4.0% to 5.0%	<u>84,185,000</u>	<u>4,058,550</u>	<u>84,185,000</u>	<u>83,935,000</u>
		<u>\$ 374,237,658</u>	<u>\$ 17,108,749</u>	<u>\$ 220,314,187</u>	<u>\$ 217,605,395</u>

Debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,674,902	\$ 17,847,676	\$ 20,522,578
2009	2,778,461	17,742,641	20,521,102
2010	2,705,305	17,816,297	20,521,602
2011	5,944,847	13,570,306	19,515,153
2012	6,033,454	13,481,529	19,514,983
2013-2017	32,428,536	65,141,441	97,569,977
2018-2022	61,014,890	38,592,475	99,607,365
2023-2027	84,580,000	16,919,475	101,499,475
2028	<u>19,445,000</u>	<u>923,638</u>	<u>20,368,638</u>
Total	<u>\$ 217,605,395</u>	<u>\$ 202,035,478</u>	<u>\$ 419,640,873</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007**

N. BONDS PAYABLE - continued

The District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At August 31, 2007, \$58,695,000 of outstanding General Obligation Bonds are considered defeased.

O. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Employees earn ten days sick leave each year. These days accumulate without limit. However, employees are only reimbursed for any unused accumulated sick pay upon retirement up to a maximum of \$5,000. Such liability, which includes salary related payments and is paid from the District's General Fund, is estimated to be \$975,891 at August 31, 2007.

Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year. All regular 12-month employees are entitled to an annual vacation of two weeks with full pay, which increases to three weeks during the 15th year. The District has no liability for unused vacation pay for other personnel since all vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

P. DEFINED BENEFIT PENSION PLAN

Plan Description. Hurst-Eules-Bedford Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple-employer defined benefit pension plan. 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 provisions 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. 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 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet web site, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2005, 2006, and 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances, the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (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 during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2005 and 2006 were \$5,181,674 and \$5,266,904, respectively. The contributions made for the year ended August 31, 2007 was \$5,755,838. The amounts have been recognized as both revenue and expenditures for on-behalf payments. The District paid additional state contributions for the years ended August 31, 2005 and 2006 in the amount of \$822,312 and \$921,162, respectively, and \$1,048,107 for the year ended August 31, 2006, on the portion of the employees' salaries that exceeded the statutory minimum which represented 100% of the District's required contributions.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007**

Q. HEALTH AND WORKERS' COMPENSATION INSURANCE

The District 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. The District continues to carry commercial insurance for risks of loss including property, fleet, general liability, boiler and crime covering all facilities, properties, equipment and personnel. Settled claims have not exceeded the commercial coverage in any of the last three years.

In previous years the District sponsored a self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan were accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. In 2004, the District began using purchased insurance for health care benefits to staff members and their families.

The District sponsors a self-insurance plan to pay workers' compensation benefits. The District fully funded actual claims and potential claims incurred during the year. Claims exceeding a limit for any one accident or occurrence are covered through an insurance carried through Safety National Casualty Corporation. The self-insured retention is \$225,000 per claim with an employer's liability maximum limit of indemnity of \$1,000,000 per occurrence.

Estimates of claims payable and of claims incurred but not reported at August 31, 2007 are reflected as accrued expenses in the worker's compensation insurance fund. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claims liabilities for the workers' compensation insurance fund during the past year are as follows:

	<u>Year Ended</u> <u>August 31, 2006</u>	<u>Year Ended</u> <u>August 31, 2007</u>
Unpaid claims, beginning of the year	\$ 783,035	\$ 493,754
Incurred claims (including IBNR)	273,009	929,767
Claim Payments	<u>(562,290)</u>	<u>(768,455)</u>
Unpaid claims, end of fiscal year	<u>\$ 493,754</u>	<u>\$ 655,066</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2007

R. DEFERRED REVENUE

Deferred revenue at August 31, 2007 consisted of the following:

	General Fund	Debt Service Fund	Non-Major Funds	Total
Net tax revenue	\$ 3,692,463	\$ 594,815	\$ -	\$ 4,287,278
Other	<u>1,378,696</u>	<u>-</u>	<u>117,661</u>	<u>1,496,357</u>
Total deferred revenue	<u>\$ 5,071,159</u>	<u>\$ 594,815</u>	<u>\$ 117,661</u>	<u>\$ 5,783,635</u>

S. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2007 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as due from state agencies.

	State Entitlements	Federal Grants	Total
General Fund	\$ 4,862,033	\$ -	\$ 4,862,033
Special Revenue Funds	<u>-</u>	<u>311,187</u>	<u>311,187</u>
Total	<u>\$ 4,862,033</u>	<u>\$ 311,187</u>	<u>\$ 5,173,220</u>

T. LITIGATION

There are claims and pending actions incident to normal operations of the District. In the opinion of the District administration, the District's potential liability in these matters will not have a material impact on the financial statements.

U. COMMITMENTS AND CONTINGENCIES

Federal Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment to the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2007 may be impaired. In the opinion of the District administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED AUGUST 31, 2007

Data	Budgeted Amounts			Actual Amounts	Variance With
Control				Final Budget	
Codes	Original	Final	(GAAP Basis)	Positive or	(Negative)
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 107,235,638	\$ 107,275,350	\$ 110,682,539	\$ 3,407,189
5800	State Program Revenues	27,933,846	27,933,846	27,927,017	(6,829)
5900	Federal Program Revenues	339,000	339,000	389,347	50,347
5020	Total Revenues	135,508,484	135,548,196	138,998,903	3,450,707
EXPENDITURES:					
Current:					
0011	Instruction	82,621,870	85,203,274	80,866,377	4,336,897
0012	Instructional Resources & Media Services	2,976,928	2,976,141	2,864,114	112,027
0013	Curriculum & Instructional Staff Development	2,588,215	2,972,826	2,477,521	495,305
0021	Instructional Leadership	1,492,540	1,490,919	1,365,711	125,208
0023	School Leadership	8,319,766	8,382,058	8,305,310	76,748
0031	Guidance, Counseling & Evaluation Services	5,629,018	5,587,665	5,352,138	235,527
0032	Social Services	260,700	247,913	238,394	9,519
0033	Health Services	1,642,180	1,670,292	1,636,156	34,136
0034	Student (Pupil) Transportation	2,624,704	3,461,157	3,338,097	123,060
0035	Food services	135,000	135,000	144,633	(9,633)
0036	Cocurricular/Extracurricular Activities	3,463,664	3,552,222	3,373,864	178,358
0041	General Administration	5,046,565	5,035,319	4,664,441	370,878
0051	Plant Maintenance and Operations	13,410,333	14,957,551	13,969,282	988,268
0052	Security and Monitoring Services	737,121	738,041	724,109	13,932
0053	Data Processing Services	2,111,948	5,299,503	4,463,605	835,898
0061	Community Services	87,356	93,454	92,256	1,198
0081	Facilities Acquisition and Construction	1,946,491	112,387	80,467	31,920
0091	Contracted Instructional	368,185	368,185	-	368,185
0095	Juvenile Justice AEP	45,900	38,900	28,960	9,940
6030	Total Expenditures	135,508,484	142,322,807	133,985,435	8,337,371
1100	Excess (deficiency) of revenues over expenditures	-	(6,774,611)	5,013,468	11,788,078
Other Financing Sources:					
7912	Sale of Real and Personal Property	-	38,421	38,421	-
7949	Other resources	-	-	74,484	74,484
	Total other financing (uses)	-	38,421	112,905	74,484
1200	Net Change in Fund Balances	-	(6,736,190)	5,126,373	11,862,562
0100	Fund Balances - September 1 (Beginning)	39,386,556	39,386,556	39,386,556	-
3000	Fund Balance - August 31 (Ending)	\$ 39,386,556	\$ 32,650,366	\$ 44,512,929	\$ 11,862,562

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED AUGUST 31, 2007

BUDGETARY DATA

The Board adopts an "appropriated budget" for the General Fund on a basis consistent with generally accepted accounting principles. The District is required to present the adopted and final amended budgeted revenues and expenditures. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in exhibit G-1.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 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 September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Function and fund level amendments are presented to the Board at its regular meetings and each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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COMBINING STATEMENTS

NON-MAJOR SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for funds received from other governmental agencies that are legally restricted as to expenditure for specified purposes. The programs included within these funds are as follow:

ESEA, Title I, Part A – Improving Basic Programs – this fund is used to account for funds allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children.

IDEA – Part B, Formula - this fund is used to account for funds granted to operate educational programs for children with disabilities. This fund classification includes capacity building and improvement (sliver) subgrants.

IDEA – Part B, Discretionary - this fund classification is to be used to account, on a project basis, for funds used to support the education of a student if the cost to educate that student exceeds the threshold set by the granting agency.

National School Lunch and Breakfast Program - this fund is used for programs using federal reimbursement revenues originating from the United States Department of Agriculture (USDA).

Summer Feeding Program - this fund classification is used to account, on a project basis, for funds received from the Department of Human Services that are awarded for meals provided to the community based on the average number of daily participants.

Vocational Education – Basic Grant - this fund is used to account, on a project basis, for funds granted to provide career and technology education to develop new and/or improve career and technology education programs for paid and unpaid employment.

ESEA, Title II, Part A: Teacher and Principal Training and Recruiting - this fund is used to provide financial assistance to local education agencies to (1) increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, and (2) hold local education agencies and schools accountable for improving student academic achievement.

Federally Funded Special Revenue Program – this fund is used to account for funds not specifically defined elsewhere.

State Supplemental Visually Impaired – this fund is used to account for State Supplemental Visually Impaired funds. This fund is to be used by single school districts, on a project basis, to account for any of these funds received from the Education Service Center.

Pregnancy, Education, and Parenting Program - this fund is used to account for funds granted to provide pregnant and parenting students the services needed to keep them in school until completion.

Advanced Placement Incentives - this fund is used to account for funds awarded to school districts under the Texas Advanced Placement Award Incentive Program, Chapter 28, Subchapter C, Texas Education Code.

Accelerated Reading Instruction – Student Success Initiative – this fund is used to account for funds granted for teacher training and allocations to schools to implement scientific, research-based programs for students who have been identified as unlikely to achieve the third grade TAAS reading standard by the end of the third grade.

Texas High School Allotment – this fund is used to account for funds granted for special programs for students in grade nine who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels.

Technology Allotment - this fund is used to account for funds awarded to school districts to purchase technological software or equipment that contributes to student learning, or to pay for training for educational personnel involved in the use of these materials.

Read to Succeed – license plate program to help generate money for public school libraries and strengthen the campus reading program. Funds are generated through the sale of specialty license plates.

Campus Activity Fund – this fund is used to account for transactions related to a principal’s activity fund if the monies generated are not subject to recall by the local education agency’s board of trustees into the General Fund.

Education Foundation Grant - Funds provide enrichment and instructional opportunities through additional materials, software, field trips and professional development.

Child Care Management Services – this fund is used to account for the implementation and support for a child care program for parenting students to keep them in school until completion.

Meadows Foundation Grant – This fund provides supplies, materials, and field trip opportunities to students for character development activities.

Schools of Choice – this fund is used to account for the tuition received and associated expenditures for the District’s Pre-Kindergarten Core Knowledge program.

Campus Based Grants - these funds are used to account for miscellaneous donations received from various sources.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2007

<u>Assets</u>	ESEA Title I Part A	IDEA-B Formula	IDEA-B, Discretionary	National School Lunch & Breakfast Program	Summer Feeding Program
Cash & temporary investments	\$ —	\$ —	\$ —	\$ 981,171	\$ —
Due from other governments	1,063	124,450	8	96,437	—
Accrued Interest	—	—	—	8,275	—
Due from other funds	—	—	—	600,337	1,601
Inventories, at cost	—	—	—	44,611	—
Prepaid expenditures	219	—	—	371	—
Total assets	<u>\$ 1,282</u>	<u>\$ 124,450</u>	<u>\$ 8</u>	<u>\$ 1,731,202</u>	<u>\$ 1,601</u>
<u>Liabilities and fund equity</u>					
Accounts payable	\$ —	\$ 2,287	\$ —	\$ 98,711	\$ —
Accrued wages payable	827	24,928	—	114,983	1,601
Due to other funds	455	97,235	8	—	—
Deferred revenue	—	—	—	44,611	—
Total liabilities	<u>1,282</u>	<u>124,450</u>	<u>8</u>	<u>258,305</u>	<u>1,601</u>
Fund equity					
Unreserved	—	—	—	—	—
Reserved	—	—	—	—	—
Investment in inventory	—	—	—	44,611	—
Prepays	—	—	—	371	—
Food service	—	—	—	1,427,915	—
Total equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,472,897</u>	<u>—</u>
 Total liabilities and fund equity	 <u>\$ 1,282</u>	 <u>\$ 124,450</u>	 <u>\$ 8</u>	 <u>\$ 1,731,202</u>	 <u>\$ 1,601</u>

Vocational Education Basic Grant	Title II Teacher and Principal Training and Recruiting	Federally Funded Special Revenue Program	State Supplemental Visually Impaired	Pregnancy Education & Parenting	Advanced Placement Incentives
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
480	5,000	14,324	—	23	—
—	—	—	—	—	—
—	—	12,159	16,828	—	86,246
—	—	—	—	—	—
14,475	—	—	—	—	—
<u>14,955</u>	<u>5,000</u>	<u>26,483</u>	<u>16,828</u>	<u>23</u>	<u>86,246</u>
\$ —	\$ 5,000	\$ 2,800	\$ —	\$ —	\$ 50
—	—	—	—	—	—
14,955	—	14,324	—	23	—
—	—	—	—	—	—
<u>14,955</u>	<u>5,000</u>	<u>17,124</u>	<u>—</u>	<u>23</u>	<u>50</u>
—	—	9,359	16,828	—	86,196
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	9,359	16,828	—	86,196
<u>14,955</u>	<u>5,000</u>	<u>26,483</u>	<u>16,828</u>	<u>23</u>	<u>86,246</u>

(Continued)

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2007

<u>Assets</u>	Accelerated Reading Instruction	High School Allotment	Technology Allotment	Read to Succeed	Campus Activity Fund
Cash & temporary investments	\$ —	\$ —	\$ —	\$ —	\$ 2,085,686
Due from other governments	64,705	—	4,697	—	—
Accrued interest	—	—	—	—	15,362
Due from other funds	—	830,044	40,644	2,947	58,227
Inventories, at cost	—	—	—	—	—
Prepaid expenditures	—	—	—	—	8,226
Total assets	<u>\$ 64,705</u>	<u>\$ 830,044</u>	<u>\$ 45,341</u>	<u>\$ 2,947</u>	<u>\$ 2,167,501</u>
<u>Liabilities and fund equity</u>					
Accounts payable	\$ 7,841	\$ —	\$ —	\$ —	\$ 43,383
Accrued wages payable	34,164	—	—	—	19,001
Due to other funds	22,700	—	—	—	—
Deferred revenue	—	—	—	—	—
Total liabilities	<u>64,705</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,384</u>
Fund equity					
Unreserved	—	830,044	45,341	2,947	2,096,891
Reserved	—	—	—	—	—
Investment in inventory	—	—	—	—	—
Prepays	—	—	—	—	8,226
Food service	—	—	—	—	—
Total equity	<u>—</u>	<u>830,044</u>	<u>45,341</u>	<u>2,947</u>	<u>2,105,117</u>
Total liabilities and fund equity	<u>\$ 64,705</u>	<u>\$ 830,044</u>	<u>\$ 45,341</u>	<u>\$ 2,947</u>	<u>\$ 2,167,501</u>

<u>Education Foundation Grant</u>	<u>Child Care Management Services</u>	<u>Meadows Foundation Grant</u>	<u>Schools of Choice</u>	<u>Campus- Based Grants</u>	<u>Total Nonmajor Governmental (See C-1)</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,066,857
—	—	—	—	—	311,187
—	—	—	—	—	23,637
3,397	48,837	268	73,843	11,937	1,787,315
—	—	—	—	—	44,611
—	—	—	—	—	23,291
<u>\$ 3,397</u>	<u>\$ 48,837</u>	<u>\$ 268</u>	<u>\$ 73,843</u>	<u>\$ 11,937</u>	<u>\$ 5,256,898</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 160,072
—	—	—	—	—	195,504
—	—	—	—	—	149,700
—	—	—	73,050	—	117,661
—	—	—	73,050	—	622,937
3,397	48,837	268	793	11,937	3,152,838
—	—	—	—	—	—
—	—	—	—	—	44,611
—	—	—	—	—	8,597
—	—	—	—	—	1,427,915
<u>3,397</u>	<u>48,837</u>	<u>268</u>	<u>793</u>	<u>11,937</u>	<u>4,633,961</u>
<u>\$ 3,397</u>	<u>\$ 48,837</u>	<u>\$ 268</u>	<u>\$ 73,843</u>	<u>\$ 11,937</u>	<u>\$ 5,256,898</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2007**

<u>Special Revenue Funds</u>							
	<u>ESEA Title IV, drug free schools and communities</u>	<u>ESEA Title I Part A</u>	<u>IDEA-B Formula</u>	<u>IDEA-B, Preschool</u>	<u>IDEA-B Discretionary</u>	<u>National School Lunch & Breakfast Program</u>	<u>Summer Feeding Program</u>
Revenues:							
Local, intermediate and out-of-state	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,796,596	\$ —
State program revenues	—	—	—	—	—	55,351	—
Federal program revenues	55,913	1,967,245	3,344,487	107,267	34,155	3,558,884	76,992
Total revenues	55,913	1,967,245	3,344,487	107,267	34,155	7,410,831	76,992
Expenditures:							
Current:							
Instruction	10,791	1,645,013	2,243,856	96,211	34,155	—	—
Instructional resources and media	—	1,844	—	—	—	—	—
Staff development	—	73,400	12,297	56	—	—	—
Instructional administration	1,521	124,766	132,495	11,000	—	—	—
Campus leadership	—	—	—	—	—	—	—
Guidance and counseling services	41,101	—	618,967	—	—	—	—
Social work services	—	117,528	—	—	—	—	—
Health services	—	—	42,131	—	—	—	—
Pupil transportation	—	—	294,066	—	—	—	—
Food services	—	—	—	—	—	7,429,433	39,340
Extracurricular/cocurricular	—	—	—	—	—	—	—
General administration	—	—	—	—	—	—	—
Maintenance and operations	—	—	—	—	—	103,000	—
Security and monitoring	2,500	—	—	—	—	—	—
Community services	—	4,694	675	—	—	—	—
Facilities acquisition & construction	—	—	—	—	—	—	—
Total expenditures	55,913	1,967,245	3,344,487	107,267	34,155	7,532,433	39,340
Excess (deficiency) of revenues over expenditures	—	—	—	—	—	(121,602)	37,652
Other Financing Sources (Uses)							
Transfers in	—	—	—	—	—	37,652	—
Transfers out	—	—	—	—	—	—	(37,652)
Excess (deficiency) of revenues and other resources over expenditures	—	—	—	—	—	(83,950)	—
Fund balance September 1 (beginning)	—	—	—	—	—	1,556,847	—
Fund balance August 31 (ending)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,472,897	\$ —

Special Revenue Funds							
Vocational Education Basic Grant	ESEA Title II Teacher and Principal Training and Recruiting	ESEA Title VI Part D Technology	Title III Part A English Language Acquisition and Language Enhancement	Title V Part A Innovative	Medicaid Administrative Claiming Program	Federally Funded Special Revenue Program	State Supplemental Visually Impaired
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	17,342
169,887	558,451	17,563	191,786	25,193	17,438	20,906	—
169,887	558,451	17,563	191,786	25,193	17,438	20,906	17,342
141,646	467,229	—	115,651	25,193	—	21,710	2,988
—	—	—	—	—	—	—	—
4,866	91,222	17,563	21,246	—	—	755	—
1,841	—	—	29,139	—	—	—	—
5,208	—	—	—	—	—	—	—
15,403	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	17,438	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
923	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	25,750	—	—	—	—
—	—	—	—	—	—	—	—
169,887	558,451	17,563	191,786	25,193	17,438	22,465	2,988
—	—	—	—	—	—	(1,559)	14,354
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	(1,559)	14,354
—	—	—	—	—	—	10,918	2,474
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,359	\$ 16,828

(Continued)

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2007

	<u>Special Revenue Funds</u>					
	<u>Pregnancy Education & Parenting</u>	<u>Advanced Placement Incentives</u>	<u>Accelerated Reading Instruction</u>	<u>Texas High School Allotment</u>	<u>Technology Allotment</u>	<u>Read to Succeed</u>
Revenues:						
Local, intermediate and out-of-state	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State program revenues	68,923	23,850	492,988	1,490,980	491,524	330
Federal program revenues	—	—	—	—	—	—
Total revenues	68,923	23,850	492,988	1,490,980	491,524	330
Expenditures:						
Current:						
Instruction	200	25,213	487,167	466,290	125,455	—
Instructional resources and media	—	—	—	—	116,178	260
Staff development	—	16,962	1,214	—	246,140	—
Instructional administration	—	—	—	616	—	—
Campus leadership	—	—	—	—	—	—
Guidance and counseling services	—	—	—	154,927	—	—
Social work services	—	—	—	—	—	—
Health services	—	—	4,607	—	—	—
Pupil transportation	—	—	—	—	—	—
Food services	—	—	—	—	—	—
Extracurricular/cocurricular	—	—	—	—	—	—
General administration	—	—	—	39,103	—	—
Maintenance and operations	—	—	—	—	—	—
Security and monitoring	—	—	—	—	—	—
Community services	68,723	—	—	—	—	—
Facilities acquisition & construction	—	—	—	—	—	—
Total expenditures	68,923	42,175	492,988	660,936	487,773	260
Excess (deficiency) of revenues over expenditures	—	(18,325)	—	830,044	3,751	70
Other Financing Sources (Uses)						
Transfers in	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Excess (deficiency) of revenues and other resources over expenditures	—	(18,325)	—	830,044	3,751	70
Fund balance						
September 1 (beginning)	—	104,521	—	—	41,590	2,877
Fund balance						
August 31 (ending)	\$ —	\$ 86,196	\$ —	\$ 830,044	\$ 45,341	\$ 2,947

Special Revenue Funds

<u>Campus Activity Fund</u>	<u>Education Foundation Grant</u>	<u>Child Care Management Services</u>	<u>Meadows Foundation Grant</u>	<u>Schools of Choice</u>	<u>Campus- Based Grants</u>	<u>Total Nonmajor Governmental Funds (See C-3)</u>
\$ 4,053,205	\$ 28,171	\$ 39,749	\$ 1,500	\$ 354,449	\$ 12,665	\$ 8,286,335
—	—	—	—	—	—	2,641,288
—	—	—	—	—	—	10,146,167
<u>4,053,205</u>	<u>28,171</u>	<u>39,749</u>	<u>1,500</u>	<u>354,449</u>	<u>12,665</u>	<u>21,073,790</u>
690,566	27,012	—	1,167	222,666	10,176	6,860,355
58,933	—	—	—	—	—	177,215
72,770	—	560	—	3,997	—	563,048
—	—	—	—	—	—	301,378
295,478	—	—	—	—	—	300,686
14,368	—	—	—	—	—	844,766
—	—	—	—	—	—	117,528
730	—	—	—	—	—	64,906
—	—	—	—	—	—	294,066
5,846	—	—	—	—	—	7,474,619
1,730,803	—	—	—	—	—	1,731,726
—	—	—	—	18,348	—	57,451
89,952	—	—	297	—	—	193,249
4,050	—	—	—	—	—	6,550
892,171	—	15,569	—	108,645	—	1,116,227
14,669	—	—	—	—	—	14,669
<u>3,870,336</u>	<u>27,012</u>	<u>16,129</u>	<u>1,464</u>	<u>353,656</u>	<u>10,176</u>	<u>20,118,439</u>
182,869	1,159	23,620	36	793	2,489	955,351
—	—	—	—	—	—	37,652
—	—	—	—	—	—	(37,652)
182,869	1,159	23,620	36	793	2,489	955,351
<u>1,922,248</u>	<u>2,238</u>	<u>25,217</u>	<u>232</u>	<u>—</u>	<u>9,448</u>	<u>3,678,610</u>
<u>\$ 2,105,117</u>	<u>\$ 3,397</u>	<u>\$ 48,837</u>	<u>\$ 268</u>	<u>\$ 793</u>	<u>\$ 11,937</u>	<u>\$ 4,633,961</u>

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The departments included within these funds are as follows:

Workers' Compensation – this fund is used to account for costs associated with the workers' compensation self-funded program.

Tech Trades Fund – This fund group provides instructional opportunities to students in industrial technology through real life experiences including providing services to customers for fees with overhead charges above costs of parts or materials. Proceeds remain within the department for future program operations.

Catering Fund – this fund is used to record catering service costs for schools and various organizations within the District.

Print Shop – this fund is used to account for costs associated with the District's print shop. The print shop is available to all of the District's departments and campuses and provides high volume copying and other services not available at the campus.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AUGUST 31, 2007

	<u>Workers'</u> <u>compensation</u>	<u>Tech</u> <u>trades</u>	<u>Catering</u>	<u>Print Shop</u>	<u>Total</u> <u>(See D-1)</u>
Assets					
Current Assets:					
Cash and temporary investments	\$ 704,383	\$ —	\$ —	\$ —	\$ 704,383
Due from other funds	1,499,852	13,694	52,616	55,576	1,621,738
Prepaid expenses	<u>800</u>	<u>220</u>	<u>—</u>	<u>—</u>	<u>1,020</u>
Total assets	<u>2,205,035</u>	<u>13,914</u>	<u>52,616</u>	<u>55,576</u>	<u>2,327,141</u>
Liabilities and net assets					
Current Liabilities:					
Accounts payable	1,400	—	55	3,179	4,634
Accrued wages	—	—	30	—	30
Other accrued expenses	<u>655,066</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>655,066</u>
Total liabilities	<u>656,466</u>	<u>—</u>	<u>85</u>	<u>3,179</u>	<u>659,730</u>
Net Assets					
Unrestricted	<u>1,548,569</u>	<u>13,914</u>	<u>52,531</u>	<u>52,397</u>	<u>1,667,411</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2007

	<u>Workers'</u> <u>compensation</u>	<u>Tech</u> <u>trades</u>	<u>Catering</u>	<u>Print Shop</u>	<u>Total</u> <u>(See D-2)</u>
Operating Revenues					
Charges for services	<u>\$ 1,676,961</u>	<u>\$ 15,003</u>	<u>\$ 6,387</u>	<u>\$ 97,659</u>	<u>\$ 1,796,010</u>
Total operating revenues	<u>1,676,961</u>	<u>15,003</u>	<u>6,387</u>	<u>97,659</u>	<u>1,796,010</u>
Operating Expenses					
Payroll	65,754	—	644	—	66,398
Insurance claims	768,455	—	—	—	768,455
Contracted services	52,310	—	7,694	40,215	100,219
Supplies and materials	462	11,986	—	26,131	38,579
Other operating costs	<u>71,154</u>	<u>1,972</u>	<u>—</u>	<u>—</u>	<u>73,126</u>
Total operating expenses	<u>958,135</u>	<u>13,958</u>	<u>8,338</u>	<u>66,346</u>	<u>1,046,777</u>
Operating Income (loss)	718,826	1,045	(1,951)	31,313	749,233
Nonoperating Revenues					
Investment earnings	<u>45,612</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,612</u>
Change in net assets	764,438	1,045	(1,951)	31,313	794,845
Total net assets - September 1 (beginning)	<u>784,131</u>	<u>12,869</u>	<u>54,482</u>	<u>21,084</u>	<u>872,566</u>
Total net assets - August 31 (ending)	<u>\$ 1,548,569</u>	<u>\$ 13,914</u>	<u>\$ 52,531</u>	<u>\$ 52,397</u>	<u>\$ 1,667,411</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2007

	<u>Workers'</u> <u>compensation</u>	<u>Tech</u> <u>trades</u>	<u>Catering</u>	<u>Print Shop</u>	<u>Internal</u> <u>service</u> <u>Funds</u>
<u>Cash flows from operating activities -</u>					
Cash received from user charges	\$ 1,676,961	\$ 15,003	\$ 6,387	\$ 97,659	\$ 1,796,010
Cash payments to other funds	(1,499,852)	(13,694)	(52,616)	(55,576)	(1,621,738)
Cash payments to employees for services	(65,754)	—	(645)	—	(66,399)
Cash payments for contracted services	(52,310)	—	(8,054)	(40,215)	(100,579)
Cash payments for insurance claims	(607,143)	—	—	—	(607,143)
Cash payments for suppliers	(3,091)	(12,804)	—	(25,847)	(41,742)
Cash payments for other operating expenses	(71,954)	(1,972)	—	—	(73,926)
Net cash provided used in operating activities	<u>(623,143)</u>	<u>(13,467)</u>	<u>(54,928)</u>	<u>(23,979)</u>	<u>(715,517)</u>
<u>Cash flows from investing activities -</u>					
Interest received	45,612	—	—	—	45,612
Net cash provided by investing activities	<u>45,612</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,612</u>
Net decrease in cash and cash equivalents	(577,531)	(13,467)	(54,928)	(23,979)	(669,905)
Cash and Cash Equivalents at Beginning of the Year	<u>1,281,914</u>	<u>13,467</u>	<u>54,928</u>	<u>23,979</u>	<u>1,374,288</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 704,383</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 704,383</u>
<u>Reconciliation of operating income (loss) to net cash</u> <u>provided by (used in) operating activities -</u>					
Operating income (loss)	\$ 718,826	\$ 1,045	\$ (1,951)	\$ 31,313	\$ 749,233
Adjustments to reconcile operating income to net cash provided by operating activities:					
Decrease (increase) in due from other funds	(1,499,852)	(13,694)	(52,616)	(55,576)	(1,621,738)
Decrease (increase) in prepaid expenses	(800)	(220)	—	—	(1,020)
Increase (decrease) in accounts payable	(2,629)	(598)	(360)	284	(3,303)
Increase (decrease) in accrued wages	—	—	(1)	—	(1)
Increase (decrease) in other accrued expenses	161,312	—	—	—	161,312
Net cash provided by (used in) operating activities	<u>\$ (623,143)</u>	<u>\$ (13,467)</u>	<u>\$ (54,928)</u>	<u>\$ (23,979)</u>	<u>\$ (715,517)</u>

AGENCY FUNDS

Agency funds are established to account for assets held by the District in a custodial capacity. Expenditures are made only in accordance with the purpose for which assets are received. The District has the following Agency Funds:

Student Activity Fund - accounts for the receipt and disbursement of monies from student activity organizations.

Flex Spending Fund – this fund is used to account for costs associated with the IRS flexible medical and dependent care spending account offered to the District employees through payroll deduction.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED AUGUST 31, 2007

	Balance			Balance
	September 1,	Additions	Deductions	August 31,
	2006			2007
Student Activity Account				
Assets				
Cash and temporary investments	\$ 181,338	\$ 54,927	\$ 78,759	\$ 157,506
Due from other funds	-	32,911	-	32,911
Accrued interest	1,089	1,089	1,089	1,089
Total assets	<u>\$ 182,427</u>	<u>\$ 88,927</u>	<u>\$ 79,848</u>	<u>\$ 191,506</u>
Liabilities				
Accounts payable	\$ 325	\$ 38,112	\$ 38,437	\$ —
Due to student groups	182,102	63,798	54,394	191,506
Total liabilities	<u>\$ 182,427</u>	<u>\$ 101,910</u>	<u>\$ 92,831</u>	<u>\$ 191,506</u>
Flexible Spending				
Assets				
Cash and temporary investments	\$ 617,331	\$ 692,478	\$ 715,889	\$ 593,920
Due from other funds	-	57,273	-	57,273
Total assets	<u>\$ 617,331</u>	<u>\$ 749,751</u>	<u>\$ 715,889</u>	<u>\$ 651,193</u>
Liabilities				
Accounts payable	\$ 14,988	\$ 435,699	\$ 450,687	\$ —
Due to employees	602,343	496,969	448,119	651,193
Total liabilities	<u>\$ 617,331</u>	<u>\$ 932,668</u>	<u>\$ 898,806</u>	<u>\$ 651,193</u>
Total Agency Funds				
Assets				
Cash and temporary investments	\$ 798,669	\$ 747,405	\$ 794,648	\$ 751,426
Due from other funds	-	90,184	-	90,184
Accrued interest	1,089	1,089	1,089	1,089
Total assets	<u>\$ 799,758</u>	<u>\$ 838,678</u>	<u>\$ 795,737</u>	<u>\$ 842,699</u>
Liabilities				
Accounts payable	\$ 15,313	\$ 473,811	\$ 489,124	\$ —
Due to student groups	182,102	63,798	54,394	191,506
Due to employees	602,343	496,969	448,119	651,193
Total liabilities	<u>\$ 799,758</u>	<u>\$ 1,034,578</u>	<u>\$ 991,637</u>	<u>\$ 842,699</u>

CAPITAL ASSETS

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 AUGUST 31, 2007

Governmental Capital Assets

Land		\$ 7,228,823
Buildings and improvements		312,196,338
Furniture and equipment		<u>16,040,260</u>
Total Governmental Funds Capital Assets		<u><u>\$ 335,465,421</u></u>

Investments in Governmental Funds Capital Assets by Source

Beginning balance		\$ 331,139,975
Additions:		
General fund	4,808,429	
School lunch and breakfast program	85,732	
Special revenue funds	55,927	
Capital projects fund	<u>326,483</u>	5,276,571
Retirements:		
General fund	<u>(951,125)</u>	<u>(951,125)</u>
Total Governmental Funds Capital Assets		<u><u>\$ 335,465,421</u></u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SCHOOL / LOCATION
AUGUST 31, 2007**

<u>School/Location</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
High Schools	\$ 1,215,619	\$ 77,090,194	\$ 1,113,890	\$ 79,419,703
Middle Schools	625,982	68,816,550	497,247	69,939,779
Elementary Schools	4,410,416	139,073,702	1,008,481	144,492,599
Administration and Services	<u>976,806</u>	<u>27,215,892</u>	<u>13,420,642</u>	<u>41,613,340</u>
Total Capital Assets	<u>\$ 7,228,823</u>	<u>\$ 312,196,338</u>	<u>\$ 16,040,260</u>	<u>\$ 335,465,421</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY SCHOOL / LOCATION
 AUGUST 31, 2007

<u>School/Location</u>	<u>General Capital Assets September 1, 2006</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>General Capital Assets August 31, 2007</u>
High Schools	\$ 78,826,937	\$ 621,479	\$ (28,713)	\$ 79,419,703
Middle Schools	69,749,912	189,867	-	69,939,779
Elementary Schools	144,179,785	312,814	-	144,492,599
Administration and Services	<u>38,383,341</u>	<u>4,152,411</u>	<u>(922,412)</u>	<u>41,613,340</u>
Total Capital Assets	<u>\$ 331,139,975</u>	<u>\$ 5,276,571</u>	<u>\$ (951,125)</u>	<u>\$ 335,465,421</u>

OTHER SUPPLEMENTARY SCHEDULES SECTION

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2007

Years ended August 31,	1		2	3	10
	Tax rates		Assessed or appraised valuation	Delinquent balance by year September 1	
	Maintenance	Debt service			
1998 and prior	\$ 1	\$ 0	\$ 4,959,927,624	\$ 971,357	
1999	1.4413	0.1649	5,162,794,186	220,133	
2000	1.4415	0.1903	5,618,501,550	182,808	
2001	1.4501	0.2274	6,201,253,141	273,687	
2002	1.4312	0.2218	6,898,126,092	491,100	
2003	1.4712	0.2407	6,999,070,848	478,323	
2004	1.4176	0.2440	7,211,297,519	552,729	
2005	1.4588	0.2517	7,354,368,745	675,796	
2006	1.4707	0.2523	7,504,101,582	1,585,881	
2007 (current)	1.3441	0.2535	7,872,238,503	—	
Totals				<u>\$ 5,431,814</u>	

EXHIBIT J-1

20	31	32	30	40	50
Current year's total levy	Maintenance Collections	Debt Service Collections	Total collections	Adjustments	Delinquent balance by year August 31, 2007
\$ —	\$ 23,334	\$ 2,670	\$ 26,004	\$ (302,621)	\$ 642,732
—	7,894	903	8,797	735	212,071
—	9,998	1,320	11,318	740	172,230
—	10,544	1,654	12,198	760	262,249
—	16,485	2,555	19,040	(3,091)	468,969
—	122,961	20,117	143,078	(5,223)	330,022
—	185,102	31,859	216,961	(9,083)	326,685
—	177,413	30,611	208,024	7,887	475,659
—	501,497	86,032	587,529	(294,787)	703,565
<u>122,641,908</u>	<u>102,141,849</u>	<u>19,266,201</u>	<u>121,408,050</u>	<u>215,817</u>	<u>1,449,675</u>
<u>\$ 122,641,908</u>	<u>\$ 103,197,077</u>	<u>\$ 19,443,922</u>	<u>\$ 122,640,999</u>	<u>\$ (388,866)</u>	<u>\$ 5,043,857</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COSTS FOR 2007-2008
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2007

Function 41 and Related Function 53- General Administration								
Account number	Account Name	1 School board	2 Tax collection	3 Supt's. office	4 Indirect cost	5 Direct cost	6 Misc	7 Total
6100	Payroll costs	\$ —	\$ —	\$382,612	\$ 2,523,418	\$ —	\$ —	\$ 2,906,030
6211	Legal services	—	—	286,298	—	—	—	286,298
6212	Audit services	—	—	—	60,000	—	—	60,000
6213	Tax appraisal and collection	—	708,949	—	—	—	—	708,949
621X	Other professional services	—	—	46,507	81,009	—	—	127,516
6220	Tuition and transfer payments	—	—	—	—	—	—	—
6230	Education Service Center	—	—	—	4,000	—	—	4,000
6240	Contr maint and repair	—	—	—	—	6,889	—	6,889
6250	Utilities	—	—	—	—	—	—	—
6260	Rentals	—	—	1,070	16,233	—	—	17,303
6290	Misc contractors	—	1,510	—	41,793	—	—	43,303
6320	Textbooks and reading	—	—	14,565	3,749	—	—	18,314
6330	Testing materials	—	—	—	—	—	—	—
63XX	Other supplies, materials	1,073	5,109	8,416	164,126	—	—	178,724
6410	Travel and subsistence	12,962	—	7,536	20,697	—	—	41,195
6420	Insurance and bonding costs	—	—	—	87,623	—	—	87,623
6430	Election costs	221	—	—	—	—	—	221
6490	Misc operating	34,400	7,367	48,341	87,968	—	—	178,076
6500	Debt service	—	—	—	—	—	—	—
6600	Capital outlay	—	—	—	—	—	—	—
Total		<u>\$ 48,656</u>	<u>\$722,935</u>	<u>\$795,345</u>	<u>\$ 3,090,616</u>	<u>\$ 6,889</u>	<u>\$ —</u>	<u>\$ 4,664,441</u>

Total expenditures/expenses for General and Special Revenue Funds (9) \$ 154,103,874

Less: Deductions of unallowable costs

Fiscal year:

Total capital outlay (6600)	\$4,807,110	(10)
Total debt & lease (6500)	-	(11)
Plant maintenance (function 51, 6100-6400)	12,846,159	(12)
Food (function 35, 6341 and 6499)	3,298,860	(13)
Stipends (6413)	-	(14)
Column 4 (above) - total indirect cost	3,090,616	

Subtotal

24,042,745

Net allowed direct cost

\$ 130,061,129

Cumulative:

Total cost of building before depreciation (1520)	(15)	\$ 312,196,338
Historical cost of buildings over 50 years old	(16)	N/A
Amount of federal money in building cost (net of #16)	(17)	N/A
Total cost of furniture and equipment before depreciation (1530 & 1540)	(18)	\$ 16,040,260
Historical cost of furniture & equipment over 16 years old	(19)	N/A
Amount of federal money in furniture & equipment (net of above)	(20)	N/A

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

OPTIMUM FUND BALANCE CALCULATION SCHEDULE –GENERAL FUND
YEAR ENDED AUGUST 31, 2007
(UNAUDITED)

1. Total general fund balance as of August 31, 2007	<u>\$ 44,512,929</u>
2. Total reserved fund balance	534,798
3. Total designated fund balance	19,773,737
4. Estimated amount needed to cover fall (September 1, 2007 - January 31, 2008) cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) (unaudited)	11,170,078
5. Estimate of one month's average cash disbursements during the regular school session (9/1/07 - 5/31/08) (unaudited)	<u>13,035,848</u>
6. Optimum fund balance and cash flow (lines 2+3+4+5) (unaudited)	<u>44,514,461</u>
7. Deficiency undesignated unreserved General Fund balance (line 1 minus line 6) (unaudited)	<u><u>\$ (1,532)</u></u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION FUND
 YEAR ENDED AUGUST 31, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total local and intermediate sources	\$ 4,167,763	\$ 3,667,763	\$ 3,796,596	\$ 128,833
5800	State program revenues	54,475	55,350	55,351	1
5900	Federal program revenues	3,566,030	3,569,543	3,558,884	(10,659)
5020	Total revenues	7,788,268	7,292,656	7,410,831	118,175
EXPENDITURES:					
Current:					
0035	Food service	7,685,268	7,360,088	7,429,433	(69,345)
0051	Plant maintenance and operations	103,000	103,000	103,000	-
6030	Total expenditures	7,788,268	7,463,088	7,532,433	(69,345)
1100	Excess (deficiency) of revenues over expenditures	-	(170,432)	(121,602)	48,830
Other Financing Sources					
7915	Transfers in	-	-	37,652	37,652
1200	Net changes in fund balances	-	(170,432)	(83,950)	86,482
0100	Fund balance - September 1 (beginning)	1,556,847	1,556,847	1,556,847	-
3000	Fund balance - August 31 (ending)	\$ 1,556,847	\$ 1,386,415	\$ 1,472,897	\$ 86,482

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED AUGUST 31, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total local and intermediate sources	\$19,822,818	\$19,822,818	\$ 20,415,604	\$ 592,786
5020	Total revenues	19,822,818	19,822,818	20,415,604	592,786
EXPENDITURES:					
Current:					
0071	Debt service - principal on long-term debt	2,458,792	2,708,792	2,708,792	-
0072	Debt service - interest on long-term debt	17,360,026	17,110,026	17,108,748	1,278
0073	Debt service - bond issuance cost and fees	4,000	4,000	2,332	1,668
6030	Total expenditures	19,822,818	19,822,818	19,819,872	2,946
	Excess (deficiency) of revenues over (under) expenditures	-	-	595,732	595,732
1200	Net change in fund balance	-	-	595,732	595,732
0100	Fund balance - September 1 (beginning)	1,009,356	1,009,356	1,009,356	-
3000	Fund balance - August 31 (ending)	\$ 1,009,356	\$ 1,009,356	\$ 1,605,088	\$ 595,732

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STATISTICAL SECTION

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This section of the District's comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends Schedules 1 - 7

These schedules contain trend information to help the reader understand how the District's financial performance and well being has changed over time.

Revenue Capacity Schedules 8 - 11

These schedules contain information to help the reader access the District's ability to generate its own source of revenues.

Debt Capacity Schedules 12 - 15

These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information Schedules 16 - 17

These schedules offer demographic and economic indicators to help the reader understand the socioeconomic environment within which the District's financial activities take place and to provide information that facilitates comparisons of financial statement information over time and among governments.

Operating Information Schedules 18 - 21

These schedules contain operational and structure data to help the readers understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Net Assets by Component
Last Six Years
(*accrual basis of accounting*)
(Unaudited)

	<u>Fiscal Year</u>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,669,748	\$ 1,741,383	\$ 2,797,506	\$ (1,384,715)	\$ (3,065,038)	\$ (5,468,408)
Restricted	9,171,564	6,924,062	1,268,041	1,261,476	1,556,847	1,472,897
Unrestricted	<u>32,256,945</u>	<u>37,773,639</u>	<u>17,170,047</u>	<u>15,672,422</u>	<u>19,169,151</u>	<u>26,454,474</u>
Total primary government net assets	<u>\$ 45,098,257</u>	<u>\$ 46,439,084</u>	<u>\$ 21,235,594</u>	<u>\$ 15,549,183</u>	<u>\$ 17,660,960</u>	<u>\$ 22,458,963</u>

Note: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Expenses, Program Revenues, and Net (Expense) / Revenue
Last Six Years
(accrual basis of accounting)
(Unaudited)

<u>Expenses by function</u>	<u>2002</u>	<u>2003</u>
Instruction	\$ 79,321,043	\$ 81,478,134
Instructional Resources & Media Services	3,618,960	3,717,419
Curriculum & Instructional Staff Development	1,710,125	1,728,834
Instructional Leadership	2,349,951	2,387,599
School Leadership	8,001,728	8,396,720
Guidance, Counseling & Evaluation Services	5,727,083	5,834,099
Social Services	61,628	89,723
Health Services	1,432,439	1,541,155
Student (Pupil) Transportation	2,362,505	2,455,959
Food Services	6,075,547	6,238,902
Cocurricular/Extracurricular Activities	4,464,061	4,346,229
General Administration	4,080,269	4,443,485
Plant Maintenance and Operations	13,476,898	14,661,343
Security and Monitoring Services	753,397	687,778
Data Processing Services	2,640,780	2,545,004
Community Services	82,706	96,734
Debt Service - Interest and fees on long-term debt	12,622,920	12,783,120
Facility Acquisition and Construction	4,486,972	1,054,356
Contracted Instructional	—	—
Juvenile Justice Alternative Educational Placement	—	—
	<hr/>	<hr/>
Total primary government expenses	<u>\$ 153,269,012</u>	<u>\$ 154,486,593</u>
 Program Revenues		
Governmental activities:		
Charges for services	\$ 8,120,766	\$ 7,867,422
Operating grants and contributions	20,580,392	21,740,145
Total primary government program revenues	<u>28,701,158</u>	<u>29,607,567</u>
 Net (Expense)/Revenue		
Total primary government net expense	<u>\$ (124,567,854)</u>	<u>\$ (124,879,026)</u>

Notes: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

	<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>
\$	85,450,648	\$	86,942,846	\$	89,057,620	\$	93,815,272
	3,604,876		3,424,431		3,414,205		3,348,897
	1,811,082		1,892,829		2,697,978		3,061,832
	2,258,762		2,403,121		1,854,050		1,743,579
	8,360,049		8,336,325		8,754,623		9,288,936
	5,910,290		6,165,359		6,302,943		6,563,505
	93,085		101,432		245,792		361,572
	1,549,715		1,662,133		1,675,749		1,847,134
	2,409,720		2,384,021		2,868,012		2,666,232
	6,902,578		7,085,255		7,043,340		7,475,814
	4,308,421		4,396,497		5,202,815		5,496,519
	4,403,498		4,439,832		4,612,456		4,799,355
	12,970,316		12,767,309		12,273,238		13,287,993
	704,491		717,862		739,331		786,959
	2,680,077		2,507,087		2,461,809		2,864,774
	933,794		1,006,525		1,165,430		1,214,803
	15,650,273		15,552,726		15,437,044		16,863,108
	1,699,619		—		309,114		—
	—		3,456,090		1,687,590		—
	—		25,613		21,070		28,960
	<u>161,701,294</u>		<u>165,267,293</u>		<u>167,824,209</u>		<u>175,515,244</u>
\$	4,462,805	\$	9,445,814	\$	9,916,319	\$	5,761,110
	19,230,149		16,503,605		19,498,596		22,581,829
	<u>23,692,954</u>		<u>25,949,419</u>		<u>29,414,915</u>		<u>28,342,939</u>
\$	<u>(138,008,340)</u>	\$	<u>(139,317,874)</u>	\$	<u>(138,409,294)</u>	\$	<u>(147,172,305)</u>

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

General Revenues and Total Change in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue						
Total primary government net expense	\$ (124,567,854)	\$ (124,879,026)	\$ (138,008,340)	\$ (139,317,874)	\$ (138,400,321)	\$ (147,172,305)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes levied for general purposes	97,550,156	100,588,743	100,192,735	103,200,251	108,302,000	102,882,662
Property taxes levied for debt service	15,117,820	16,457,117	17,259,412	17,784,752	18,585,740	19,428,573
State aid - formula grants	5,475,764	7,436,232	13,624,196	9,515,964	9,408,394	22,171,179
Miscellaneous local and intermediate	956,196	924,073	2,038,021	1,459,359	1,628,604	3,421,758
Investment earnings	<u>2,020,705</u>	<u>813,688</u>	<u>865,912</u>	<u>1,671,137</u>	<u>3,217,811</u>	<u>4,066,136</u>
Total primary government	<u>121,120,641</u>	<u>126,219,853</u>	<u>133,980,276</u>	<u>133,631,463</u>	<u>141,142,549</u>	<u>151,970,308</u>
Change in Net Assets						
Total primary government	<u>\$ (3,447,213)</u>	<u>\$ 1,340,827</u>	<u>\$ (4,028,064)</u>	<u>\$ (5,686,411)</u>	<u>\$ 2,742,228</u>	<u>\$ 4,798,003</u>

Notes: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Fund Balances, Governmental Funds
 Last 10 Fiscal Years
(modified accrual basis of accounting)
 (Unaudited)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund				
Reserved	\$ 7,149,965	\$ 7,175,478	\$ 617,962	\$ 733,717
Unreserved	<u>14,306,847</u>	<u>20,877,638</u>	<u>25,916,983</u>	<u>24,108,687</u>
Total general fund	<u>\$ 21,456,812</u>	<u>\$ 28,053,116</u>	<u>\$ 26,534,945</u>	<u>\$ 24,842,404</u>
All Other Governmental Funds				
Reserved	\$ 174,196,494	\$ 137,269,768	\$ 67,290,336	\$ 26,610,487
Unreserved, reported in:				
Special revenue funds	<u>-</u>	<u>61,539</u>	<u>1,160,474</u>	<u>1,863,109</u>
Total all other governmental funds	<u>\$ 174,196,494</u>	<u>\$ 137,331,307</u>	<u>\$ 68,450,810</u>	<u>\$ 28,473,596</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 610,159	\$ 648,167	\$ 381,814	\$ 358,716	\$ 454,373	\$ 534,798
<u>27,234,458</u>	<u>31,363,000</u>	<u>34,823,329</u>	<u>34,877,603</u>	<u>38,932,183</u>	<u>43,978,131</u>
<u>\$27,844,617</u>	<u>\$32,011,167</u>	<u>\$35,205,143</u>	<u>\$35,236,319</u>	<u>\$39,386,556</u>	<u>\$44,512,929</u>
\$ 9,193,409	\$ 6,972,729	\$ 5,263,458	\$ 3,686,708	\$ 3,698,699	\$ 3,862,802
<u>1,898,554</u>	<u>2,101,607</u>	<u>1,723,859</u>	<u>2,238,350</u>	<u>2,120,620</u>	<u>3,152,838</u>
<u>\$11,091,963</u>	<u>\$ 9,074,336</u>	<u>\$ 6,987,317</u>	<u>\$ 5,925,058</u>	<u>\$ 5,819,319</u>	<u>\$ 7,015,640</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Governmental Funds Revenues
 Last 10 Fiscal Years
(modified accrual basis of accounting)
 (Unaudited)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Local Sources:				
Local maintenance and debt service tax	\$ 79,570,966	\$ 83,218,609	\$ 89,924,821	\$ 100,797,748
Tuition from patrons	462,979	430,345	237,112	227,067
Other revenue from local sources	7,415,909	10,998,481	9,312,325	6,463,302
Other revenue from intermediate sources	-	-	305,529	93,017
Co-curricular revenues	<u>3,532,266</u>	<u>3,834,635</u>	<u>5,494,048</u>	<u>6,830,558</u>
Total Local Sources	<u>90,982,120</u>	<u>98,482,070</u>	<u>105,273,835</u>	<u>114,411,692</u>
State Programs:				
Per capita and foundation	14,535,476	14,055,048	17,475,555	12,560,212
Other state program revenues	<u>4,668,092</u>	<u>4,509,093</u>	<u>6,105,615</u>	<u>7,243,547</u>
Total State Programs	<u>19,203,568</u>	<u>18,564,141</u>	<u>23,581,170</u>	<u>19,803,759</u>
Federal Programs:				
State distributed revenues from federal sources	<u>4,114,462</u>	<u>5,109,931</u>	<u>5,347,681</u>	<u>6,005,370</u>
Total Federal Programs	<u>4,114,462</u>	<u>5,109,931</u>	<u>5,347,681</u>	<u>6,005,370</u>
Other Financing Sources:				
Bond proceeds and other	<u>171,234,453</u>	<u>-</u>	<u>691,468</u>	<u>177,202</u>
Total Revenues	<u>\$ 285,534,603</u>	<u>\$ 122,156,142</u>	<u>\$ 134,894,154</u>	<u>\$ 140,398,023</u>

Includes General, Special Revenue, Debt Service, and Capital Project Funds

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	112,443,479	\$ 116,946,239	\$ 117,871,395	\$ 121,716,632	\$ 127,851,250	\$ 123,752,455
	212,864	318,712	370,278	444,367	509,008	555,776
	2,943,756	1,557,865	2,849,093	2,841,787	4,508,871	7,171,964
	23,674	15,603	8,195	29,615	43,140	80,834
	<u>7,002,319</u>	<u>6,799,552</u>	<u>7,710,327</u>	<u>7,939,183</u>	<u>8,118,225</u>	<u>7,881,135</u>
	<u>122,626,092</u>	<u>125,637,971</u>	<u>128,809,288</u>	<u>132,971,584</u>	<u>141,030,494</u>	<u>139,442,164</u>
	12,405,963	12,344,441	13,168,187	9,620,643	9,497,278	23,710,229
	<u>6,759,448</u>	<u>8,580,462</u>	<u>7,299,705</u>	<u>7,213,769</u>	<u>7,399,002</u>	<u>6,858,076</u>
	<u>19,165,411</u>	<u>20,924,903</u>	<u>20,467,892</u>	<u>16,834,412</u>	<u>16,896,280</u>	<u>30,568,305</u>
	<u>6,862,955</u>	<u>8,251,474</u>	<u>8,824,094</u>	<u>9,579,468</u>	<u>10,146,167</u>	<u>10,535,514</u>
	<u>6,862,955</u>	<u>8,251,474</u>	<u>8,824,094</u>	<u>9,579,468</u>	<u>10,146,167</u>	<u>10,535,514</u>
	<u>-</u>	<u>-</u>	<u>15,735,483</u>	<u>-</u>	<u>87,878,904</u>	<u>150,557</u>
\$	<u><u>148,654,458</u></u>	\$ <u><u>154,814,348</u></u>	\$ <u><u>173,836,757</u></u>	\$ <u><u>159,385,464</u></u>	\$ <u><u>255,951,845</u></u>	\$ <u><u>180,696,540</u></u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Governmental Funds Expenditures and Debt Service Ratio
Last 10 Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Expenditures by Function	<u>1998</u>	<u>1999</u>	<u>2000</u>
Instruction	\$ 58,675,065	\$ 58,865,863	\$ 69,266,190
Instructional resources and media services	2,042,420	2,377,636	1,977,974
Curriculum and instructional staff development	468,313	540,627	860,047
Instructional leadership	1,755,783	1,909,402	2,080,757
School leadership	4,249,024	4,136,039	5,216,217
Guidance, counseling and evaluation services	3,472,762	3,451,045	4,488,906
Social services	—	—	—
Health services	1,004,805	1,010,977	1,187,257
Student (pupil) services	1,562,198	1,396,533	2,019,057
Food services	4,980,691	5,258,094	5,500,577
Cocurricular/extracurricular activities	2,347,433	2,237,927	2,943,169
General administration	3,804,091	3,439,263	4,259,423
Plant maintenance and operations	10,601,250	10,754,269	11,111,964
Security and monitoring services	373,030	572,527	584,163
Data processing services	1,170,869	1,358,732	2,000,883
Community services	47,809	42,902	34,027
Debt service			
Principal	6,374,280	1,145,719	1,850,000
Interest and fees	3,278,009	12,638,910	11,975,038
Facilities acquisition and construction	8,965,109	41,288,565	76,228,669
Contracted instructional	—	—	—
Juvenile justice alternative educational placement	—	—	—
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ <u>115,172,941</u>	\$ <u>152,425,030</u>	\$ <u>203,584,318</u>
Debt service as a percentage of noncapital expenditures	9.79%	14.02%	12.25%

Includes General, Special Revenue, Debt Service, and Capital Project Funds

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
68,149,427 \$	73,703,308 \$	76,001,915 \$	79,313,040 \$	80,334,206 \$	82,776,315 \$	87,726,732
2,715,379	3,294,238	3,370,505	3,315,840	3,055,781	3,067,606	3,041,329
1,351,796	1,630,801	1,694,922	1,783,282	1,868,064	2,685,804	3,040,569
2,566,842	2,292,225	2,340,667	2,224,755	2,328,747	1,784,394	1,667,089
6,626,971	7,372,385	7,760,410	7,715,864	7,668,124	8,102,481	8,605,996
4,848,640	5,331,279	5,419,566	5,535,626	5,758,086	5,910,450	6,196,904
54,193	61,251	89,071	92,724	100,948	245,553	355,922
1,252,237	1,293,991	1,389,486	1,404,975	1,510,731	1,527,332	1,701,062
2,272,119	2,392,375	2,366,094	2,266,985	2,221,132	2,889,267	3,632,163
5,461,219	5,991,778	6,150,603	6,855,507	7,000,881	7,236,212	7,619,252
3,771,631	4,123,650	3,957,686	3,957,563	3,968,597	4,791,894	5,105,590
4,150,044	4,028,801	4,434,997	4,358,482	4,372,499	4,548,947	4,721,892
12,195,393	13,092,353	15,145,810	14,730,216	12,549,581	12,463,612	14,218,264
670,871	1,045,073	619,574	650,546	653,247	682,719	730,659
2,078,745	2,035,873	1,915,983	2,032,655	2,065,795	3,760,864	4,463,605
28,761	82,691	96,734	927,470	999,620	1,159,285	1,208,483
4,090,000	4,473,037	5,089,031	5,536,032	5,550,768	3,874,632	2,708,792
11,744,265	12,086,898	12,232,240	12,332,815	13,228,172	14,847,191	17,111,080
44,687,945	18,701,421	2,645,560	1,804,761	1,699,865	1,514,074	451,851
—	—	—	—	3,456,090	1,687,590	—
—	—	—	—	25,613	21,070	28,960
<u>178,716,479</u> \$	<u>163,033,428</u> \$	<u>152,720,854</u> \$	<u>156,839,138</u> \$	<u>160,416,547</u> \$	<u>165,577,292</u> \$	<u>174,336,194</u>
13.50%	12.59%	13.09%	13.14%	13.46%	13.07%	13.28%

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Other Financing Sources and Uses and Net Change in Fund Balances Governmental Funds
 Last 10 Fiscal Years
(modified accrual basis of accounting)
 (Unaudited)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Excess of revenues over				
(under) expenditures	\$ (872,791)	\$ (30,268,883)	\$ (69,381,636)	\$ (38,495,659)
Other Financing Sources (Uses)				
Proceeds from sale of bonds	171,234,453	-	6,573,847	-
Sale of equipment and/or capital assets	-	-	29,121	177,202
Premium on issuance of bonds	-	-	-	-
Transfers in	695,427	-	608,500	-
Payment to refunded bond escrow	-	-	(6,520,000)	-
Other resources	-	-	-	-
Transfers out	<u>(695,427)</u>	<u>-</u>	<u>(608,500)</u>	<u>(3,351,298)</u>
Total other financing sources (uses)	<u>171,234,453</u>	<u>-</u>	<u>82,968</u>	<u>(3,174,096)</u>
Net change in fund balances	\$ <u>170,361,662</u>	\$ <u>(30,268,883)</u>	\$ <u>(69,298,668)</u>	\$ <u>(41,669,755)</u>

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ (14,379,420)	\$ 2,093,494	\$ 1,262,136	\$ (1,031,083)	\$ 4,977,636	\$ 6,209,789
-	-	15,434,973	-	84,185,000	-
-	55,429	-	-	-	38,421
-	-	300,510	-	3,614,769	-
-	-	-	-	79,135	37,652
-	-	(15,890,663)	-	(88,732,907)	-
-	-	-	-	-	74,484
-	-	-	-	(79,135)	(37,652)
<u>-</u>	<u>55,429</u>	<u>(155,180)</u>	<u>-</u>	<u>(933,138)</u>	<u>112,905</u>
\$ <u>(14,379,420)</u>	\$ <u>2,148,923</u>	\$ <u>1,106,956</u>	\$ <u>(1,031,083)</u>	\$ <u>4,044,498</u>	\$ <u>6,322,694</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Assessed Value and Actual Value of Taxable Property
Last Ten Years
(in thousands of dollars)
(Unaudited)

Fiscal Year	Actual Value		Less: Exemptions	Total Taxable Value	Total Direct Rate^a
	Real Property	Personal Property			
1998	\$ n/a	\$ n/a	\$ n/a	\$ 4,959,927,624	\$ 1.606
1999	4,472,945,447	1,294,708,141	604,859,402	5,162,794,186	1.606
2000	4,738,230,215	1,453,145,763	572,874,428	5,618,501,550	1.632
2001	5,197,883,842	1,527,925,416	524,556,117	6,201,253,141	1.678
2002	5,636,885,144	1,768,299,914	507,058,966	6,898,126,092	1.653
2003	5,992,826,582	1,268,213,499	261,969,233	6,999,070,848	1.712
2004	6,347,492,313	1,170,946,877	307,141,671	7,211,297,519	1.662
2005	6,571,249,322	841,726,425	58,607,002	7,354,368,745	1.711
2006	6,890,049,951	1,188,114,422	574,062,791	7,504,101,582	1.723
2007	7,241,607,179	1,165,271,513	534,640,189	7,872,238,503	1.598

Source: Tarrant County Appraisal District.

Notes: Property is assessed at full market value.

^a Per \$100 of assessed value.

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates
 Last 10 Fiscal Years
(rate per \$100 of assessed value)
 (Unaudited)

August 31,	Hurst - Eules Bedford ISD*	City of Arlington	City of Bedford	City of Colleyville	City of Eules
1998	\$ 1.606	\$ 0.638	\$ 0.369	\$ 0.347	\$ 0.524
1999	1.606	0.638	0.344	0.347	0.524
2000	1.632	0.638	0.331	0.347	0.515
2001	1.678	0.634	0.339	0.347	0.515
2002	1.653	0.634	0.339	0.347	0.497
2003	1.712	0.634	0.384	0.347	0.497
2004	1.662	0.648	0.389	0.347	0.495
2005	1.711	0.648	0.401	0.347	0.495
2006	1.723	0.648	0.447	0.347	0.492
2007	1.598	0.648	0.447	0.347	0.490

*includes levies for operating and debt service costs

Source: Tarrant County Appraisal District website.

Overlapping Rates*

<u>City of Hurst</u>	<u>City of Fort Worth</u>	<u>City of North Richland Hills</u>	<u>Tarrant County</u>	<u>Tarrant Co. Hospital District</u>	<u>Tarrant Co. College District</u>
\$ 0.566	\$ 0.920	\$ 0.570	\$ 0.265	\$ 0.234	\$ 0.058
0.546	0.898	0.570	0.265	0.234	0.092
0.536	0.885	0.570	0.265	0.234	0.106
0.511	0.865	0.570	0.275	0.234	0.106
0.501	0.865	0.570	0.273	0.234	0.106
0.499	0.865	0.570	0.272	0.232	0.139
0.499	0.865	0.570	0.2725	0.235	0.139
0.499	0.865	0.570	0.2725	0.235	0.139
0.499	0.865	0.570	0.2725	0.235	0.139
0.518	0.860	0.570	0.2715	0.235	0.139

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Ten Largest Taxpayers
Current and 10 Years Ago
(Unaudited)

Principal Taxpayers	Type of Property	2006-2007		Percentage		1996-1997		Percentage	
		Assessed	Rank	of Total	Assessed	Rank	of Total		
		Valuation (1)		Assessed Value		Valuation		Assessed Value	
American Airlines	Airline Industry	\$ 174,768,196	1	2.22 %		\$ 193,262,545	1	3.90 %	
Bell Helicopter Textron	Defense Industry	123,184,460	2	1.56		166,856,549	2	3.36	
TXU Electric Delivery Co	Utility	63,470,467	3	0.81		41,402,544	7	0.83	
AT&T	Utility	61,948,571	4	0.79		78,598,732	4	1.58	
Simon Property Group	Real Estate	50,809,445	5	0.65		—	—	—	
Bank One Na	Banking	47,500,000	6	0.60		—	—	—	
Somerset Village Partners LP	Real Estate	44,978,468	7	0.57		37,343,825	8	0.75	
Wdop Sub Ii LP	Real Estate	40,236,738	8	0.51		—	—	—	
Colonial Realty LP	Real Estate	37,400,000	9	0.48		—	—	—	
Nestle Waters North America	Manufacturing	37,398,931	10	0.48		—	—	—	
Sabre Group	Airline Industry	—	—	—		136,441,788	3	2.75	
Nokia Telecommunications	Utility	—	—	—		52,617,000	5	1.06	
Coltec Industries	Manufacturing	—	—	—		49,943,692	6	1.01	
Reliance Communications	Utility	—	—	—		34,237,859	9	0.69	
Merck Medco Rx Services	Pharmaceutical	—	—	—		34,912,919	10	0.70	
Total		\$ <u>681,695,276</u>		<u>8.66 %</u>		\$ <u>825,617,453</u>		<u>16.65 %</u>	

(1) October 2006 assessed valuation of \$7,872,238,503 was the basis of the 2006 fiscal year property tax revenues.

Source: Tarrant County Appraisal District

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Property Tax Levies and Collections
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997 and prior	\$ 77,234,360	\$ 76,463,259	99.00 %	\$ 508,531	\$ 76,971,790	99.66 %
1998	79,674,429	77,318,320	97.04	496,410	77,814,730	97.67
1999	83,317,071	82,053,781	98.48	356,543	82,410,324	98.91
2000	90,163,311	88,929,873	98.63	52,894	88,982,767	98.69
2001	102,201,717	100,102,884	97.95	811,988	100,914,872	98.74
2002	111,843,813	110,863,161	99.12	632,867	111,496,028	99.69
2003	116,757,835	115,548,521	98.96	756,595	116,305,116	99.61
2004	119,822,920	116,743,391	97.43	538,339	117,281,730	97.88
2005	119,286,899	120,410,258	100.94	640,214	121,050,472	101.48
2006	125,621,671	125,693,408	100.06	-	125,693,408	100.06
2007	122,641,908	121,408,050	98.99	-	121,408,050	98.99

Source: Tarrant County Tax Assessor and District records.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Outstanding Debt by Type
Last 10 Fiscal Years
(Unaudited)

Governmental Activities						
Fiscal Year	School Building Bonds	Refunding Bonds	Contractual Obligations	Total Primary Government	Percentage of Personal Income^a	Per Capita^a
1998	\$ 180,611,172	\$ 69,112,233	\$ 4,900,000	\$ 254,623,405	0.07	% \$ 1,998
1999	180,611,172	68,481,514	4,385,000	253,477,686	0.06	1,949
2000	174,091,172	73,696,514	3,840,000	251,627,686	0.06	1,909
2001	174,091,172	70,176,514	3,270,000	247,537,686	0.05	1,874
2002	173,968,136	66,421,513	2,675,000	243,064,649	0.05	1,837
2003	171,084,105	64,841,513	2,050,000	237,975,618	0.05	1,765
2004	170,768,100	60,271,486	1,400,000	232,439,586	0.04	1,666
2005	170,345,850	55,827,968	715,000	226,888,818	N/A	1,626
2006	111,134,250	109,179,937	-	220,314,187	N/A	1,576
2007	110,488,850	107,116,545	-	217,605,395	N/A	1,544

Notes: N/A = not available. Details of the district's outstanding debt can be found in Note M in the notes to the financial statements.

^a See Schedule 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Direct and Overlapping Governmental Activities Debt
 August 31, 2007
 (Unaudited)

Taxing Body	Net Debt Outstanding	Percent Overlapping	Amount Overlapping Net Debt
City of Fort Worth	\$ 1,208,383,642	8.08 %	\$ 97,637,398
City of Colleyville	13,845,000	5.63	778,920
City of North Richland Hills	35,396,744	0.20	70,793
City of Euless	35,995,000	67.08	24,145,446
City of Hurst	24,201,000	58.75	14,218,088
City of Bedford	43,130,000	100.00	43,130,000
City of Arlington	237,936,444	0.12	285,524
Tarrant County Junior College District	51,943,961	9.37	4,867,149
Tarrant County	264,920,000	9.50	25,167,400
Tarrant County Hospital District	66,490,000	9.50	6,316,550
Total Overlapping Net Debt			216,617,268
Hurst - Euless - Bedford ISD	216,000,307	100 %	216,000,307
Total Direct and Overlapping Debt to Net Debt			\$ 432,617,575
Ratio of Total Direct and Overlapping Net Debt to 2007 Taxable Assessed Valuation \$7,872,238,503			5.50%

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

^a The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

Source: Information furnished by each governmental unit.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Legal Debt Margin Information
 Last 10 Fiscal Years
(dollars in thousands)
 (Unaudited)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt limit	\$ 495,992,762	\$ 516,279,419	\$ 561,850,155	\$ 620,125,314	\$ 689,812,609
Total net debt applicable to limit	<u>250,344,697</u>	<u>253,417,660</u>	<u>251,391,313</u>	<u>256,997,908</u>	<u>242,499,564</u>
Legal debt margin	<u>\$ 245,648,065</u>	<u>\$ 262,861,759</u>	<u>\$ 310,458,842</u>	<u>\$ 363,127,406</u>	<u>\$ 447,313,045</u>
Total net debt applicable to the limit					
as a percentage of debt limit	50.47%	49.09%	44.74%	41.44%	35.15%

(1) The debt limit percentage is in accordance with the Texas Education Code, Bulletin 721, Section 20.04.

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 7,872,238,503
Debt limit (10% of assessed value)	787,223,850
Debt applicable to limit	<u>216,000,307</u>
Legal debt margin	<u>\$ 571,223,543</u>

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 699,907,085	\$ 721,129,752	\$ 735,436,875	\$ 750,410,158	\$ 787,223,850
<u>238,205,626</u>	<u>232,012,680</u>	<u>226,366,865</u>	<u>216,000,307</u>	<u>216,000,307</u>
<u>\$ 461,701,459</u>	<u>\$ 489,117,072</u>	<u>\$ 509,070,010</u>	<u>\$ 534,409,851</u>	<u>\$ 571,223,543</u>
34.03%	32.17%	30.78%	28.78%	27.44%

HURST-EULESS BEDFORD INDEPENDENT SCHOOL DISTRICT

Ratio of Net General Bonded Debt to Taxable Assessed Valuation and Net Bonded Debt Per Capita
Last 10 Years
(Unaudited)

<u>August 31,</u>	<u>Taxable Assessed Value</u>	<u>Assessment Ratio</u>	<u>Gross Bonded Debt Outstanding at Year End (1)</u>	<u>Reserve For Retirement of Bonded Debt</u>	<u>Net Bonded Debt Outstanding at Year End</u>
1997	\$ 4,821,825,127	100 %	\$ 89,591,513	\$ 3,683,456	85,908,057
1998	4,959,927,624	100	254,623,405	4,278,708	250,344,697
1999	5,162,794,186	100	253,477,686	60,026	253,417,660
2000	5,618,501,550	100	251,627,686	236,373	251,391,313
2001	6,201,253,141	100	247,537,686	409,098	247,128,588
2002	6,898,126,092	100	244,504,822	565,085	243,939,737
2003	6,999,070,848	100	238,716,799	511,173	238,205,626
2004	7,211,297,519	100	232,724,471	711,791	232,012,680
2005	7,354,368,745	100	227,158,078	791,213	226,366,865
2006	7,504,101,582	100	220,314,187	1,009,356	219,304,831
2007	7,872,238,503	100	217,605,395	1,605,088	216,000,307

(1) The District's bonded indebtedness consists of General Obligation Bonds.

(2) Funded Debt Limitation: Total principal amount of tax bond indebtedness cannot exceed 10% of assessed valuation of taxable property in the District according to the last completed and approved ad valorem tax rolls of the District at the time of issuance of bonds.

Source: District records, Tarrant County Appraisal District, North Central Texas Council of Governments

<u>August 31,</u>	<u>Ratio Net Bonded Debt to Taxable Assessed Valuation (2)</u>		<u>Estimated Population</u>		<u>Net Bonded Debt Per Capita</u>		<u>Taxable Assessed Valuation Per Capita</u>
1997	1.78	%	125,200	\$	686	\$	38,513
1998	5.05		127,450		1,964		38,917
1999	4.91		130,050		1,949		39,699
2000	4.47		131,778		1,908		42,636
2001	3.99		132,118		1,871		46,937
2002	3.54		132,300		1,844		52,140
2003	3.40		134,800		1,767		51,922
2004	3.22		139,500		1,663		51,694
2005	3.08		139,500		1,623		52,719
2006	2.92		139,800		1,569		53,677
2007	2.74		140,950		1,532		55,851

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Estimated Population^a	Personal Income^b <i>(thousands of dollars)</i>	Per Capita Personal Income^b	Unemployment Rate^c
1998	127,450	\$ 37,753,717	\$ 27,193	3.50 %
1999	130,050	40,231,412	28,285	3.30
2000	131,778	44,068,188	30,299	3.90
2001	132,118	47,011,291	31,575	5.20
2002	132,300	47,426,814	31,096	6.70
2003	134,800	48,346,513	31,054	6.80
2004	139,500	51,951,087	32,735	5.70
2005	139,500	N/A	N/A	5.00
2006	139,800	N/A	N/A	4.90
2007	140,950	N/A	N/A	4.00

Notes: N/A = not available.

^a North Central Texas Council of Governments

^b Texas Labor Market Information for Tarrant County (information not available by city)

^c Bureau of Labor Statistics for Dallas-Fort Worth-Arlington Metropolitan Statistical Area

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Principal Employers
Current and Ten Years Ago
(Unaudited)

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Northeast Mall	3,460	1	4.24 %	n/a	n/a	n/a
Hurst-Eules-Bedford ISD	2,500	2	3.06	n/a	n/a	n/a
Harris Methodist HEB	1,600	3	1.96	n/a	n/a	n/a
Carter Blood Care	600	4	0.73	n/a	n/a	n/a
Warrentech	550	5	0.67	n/a	n/a	n/a
Citigroup	540	6	0.66	n/a	n/a	n/a
City of Hurst	500	7	0.61	n/a	n/a	n/a
City of Eules	469	8	0.57	n/a	n/a	n/a
Tarrant County College	490	9	0.60	n/a	n/a	n/a
Aegon Insurance	370	10	0.45	n/a	n/a	n/a
City of Bedford	359	11	0.44	n/a	n/a	n/a
Bell Helicopter	n/a		n/a	n/a	n/a	n/a
	<u>11,438</u>		<u>14.01 %</u>	<u>-</u>		<u>-</u>

Source: TXU Electric Delivery Economic Development Department, information from prior years not available percentage calculated on total labor force in District

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Full-Time Equivalent District Employees by Type
Last Seven Years
(Unaudited)

	Full-time-Equivalent Employees as of August 31, 2007							Percentage
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Change</u> <u>2007-2001</u>
Supervisory								
Instructional administrators	11	11	11	6	7	7	7	-36.4%
Noninstructional administrators	16	14	14	19	22	22	22	37.5%
Principals	28	29	24	27	27	27	27	-3.6%
Assistant principals	36	39	37	39	40	41	41	13.9%
Total supervisory	<u>91</u>	<u>93</u>	<u>86</u>	<u>90</u>	<u>96</u>	<u>97</u>	<u>97</u>	6.6%
Instruction								
Elementary classroom teachers	619	645	640	647	648	643	658	6.3%
Secondary classroom teachers	467	474	473	479	481	468	443	-5.1%
Special education teachers	121	123	114	119	120	120	121	0.0%
Other teachers	26	34	36	27	25	33	62	138.5%
Aides	217	184	183	189	189	187	187	-13.8%
Total instruction	<u>1,450</u>	<u>1,460</u>	<u>1,447</u>	<u>1,461</u>	<u>1,462</u>	<u>1,451</u>	<u>1,471</u>	1.4%
Student Services								
Guidance counselors	45	45	40	40	40	39	41	-8.9%
Therapists	21	22	20	22	21	21	22	4.8%
Psychologists/diagnosticians	24	24	23	24	25	25	25	4.2%
Librarians	25	25	25	25	26	26	26	4.0%
Nurses	26	28	28	29	29	29	29	11.5%
Total student services	<u>141</u>	<u>144</u>	<u>136</u>	<u>140</u>	<u>141</u>	<u>140</u>	<u>143</u>	1.4%
Support and Administration								
Clerical/secretarial	62	55	37	43	45	46	53	-14.5%
Auxiliary staff	599	658	684	654	659	629	645	7.7%
Total support and administration	<u>661</u>	<u>713</u>	<u>721</u>	<u>697</u>	<u>704</u>	<u>675</u>	<u>698</u>	5.6%
Total	<u>2,343</u>	<u>2,409</u>	<u>2,389</u>	<u>2,388</u>	<u>2,403</u>	<u>2,363</u>	<u>2,409</u>	2.8%

Source: Texas Education Agency PEIMS reports, (information at this detail level is not available prior to 2001)

Notes: Full-time instructional employees (teachers) of the district are employed for all 187 scheduled school days. All other employees scheduled work days range from 200 to 248 days per year.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Expenses</u>	<u>Cost per Pupil</u>
1997	19,227	\$ 94,868,961	\$ 4,934	5.15 %	\$ n/a	\$ n/a
1998	19,447	96,555,543	4,965	0.63	n/a	n/a
1999	19,410	97,351,836	5,016	1.02	n/a	n/a
2000	19,308	113,530,611	5,880	17.23	n/a	n/a
2001	19,203	118,194,268	6,155	4.68	n/a	n/a
2002	19,178	127,772,072	6,662	8.24	156,257,816	8,148
2003	19,040	132,754,023	6,972	4.65	158,839,981	8,342
2004	19,117	137,165,530	7,175	2.91	161,701,294	8,459
2005	19,090	139,937,742	7,330	2.17	165,267,293	8,657
2006	19,553	145,341,395	7,433	1.40	167,824,209	8,583
2007	19,816	154,064,471	7,775	4.59	175,515,244	8,857

Source: Nonfinancial information from district records.

Notes: n/a = not available. Operating expenditures are total expenditures less debt service and capital outlays.

Percentage Change		Teaching Staff	Pupil- Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals	
n/a	%	1,194	16.1	23.6	%
n/a		1,184	16.4	24.1	
n/a		1,209	16.1	25.5	
n/a		1,232	15.7	26.1	
n/a		1,233	15.6	27.4	
n/a		1,276	15.0	29.7	
2.39		1,263	15.1	35.1	
1.39		1,272	15.0	38.0	
2.35		1,273	15.0	37.3	
-0.86		1,264	15.5	40.6	
3.19		1,284	15.4	41.7	

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Teacher Base Salaries
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Minimum Salary^a	Maximum Salary^a	District Average Salary^b	Region Average Salary^b	Statewide Average Salary^b
1998	\$ 28,100	\$ 43,301	\$ 35,758	\$ 33,694	\$ 33,537
1999	30,100	41,194	36,601	34,679	34,336
2000	33,500	48,775	39,676	37,681	37,567
2001	36,300	55,044	40,962	38,965	38,361
2002	36,000	51,960	41,612	40,138	39,232
2003	37,000	53,779	42,447	40,933	39,974
2004	37,000	54,351	43,673	41,672	40,478
2005	38,500	55,585	44,839	42,378	41,011
2006	40,000	57,993	46,680	43,240	41,744
2007	44,250	62,243	50,933	46,808	44,897

Sources:

^a District records.

^b Texas Education Agency - AEIS reports

Note: Amounts are for a teacher with a bachelor's degree. Amounts do not include additional salary steps based on experience or academic credentials, nor fringe benefits such as health insurance, workers' compensation, and so on.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Capital Asset Information
Last Ten Fiscal Years
(Unaudited)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Schools</u>					
Elementary					
Buildings	19	19	19	19	19
Square feet	1,261,984	1,261,984	1,261,984	1,261,984	1,261,984
Capacity	12,375	12,375	12,375	12,375	13,275
Enrollment	10,858	10,735	10,612	10,693	10,790
Junior High					
Buildings	5	5	5	5	5
Square feet	690,552	690,552	690,552	690,552	690,552
Capacity	6,625	6,625	6,625	6,625	6,625
Enrollment	4,524	4,511	4,523	4,383	4,392
High					
Buildings	2	2	2	2	2
Square feet	637,936	637,936	637,936	637,936	637,936
Capacity	4,525	4,525	4,525	4,525	4,525
Enrollment	4,043	4,118	4,147	3,730	3,832
Other					
Buildings	1	1	1	1	1
Square feet	35,962	35,962	35,962	35,962	35,962
Capacity	200	200	200	200	200
Enrollment	n/a	n/a	n/a	230	164
<u>Administrative</u>					
Buildings	6	7	7	7	7
Square feet	199,235	242,235	242,235	242,235	242,235
<u>Transportation</u>					
Garages					
Buses	82	82	82	82	82
<u>Athletics</u>					
Football fields	3	3	3	3	3
Running tracks	2	2	2	2	2
Baseball/softball	4	4	4	4	4
Swimming pools	1	1	1	1	1
Playgrounds	19	19	19	19	19
Concession stands	5	5	5	5	5

Source: District records.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
20	20	20	20	20
1,339,414	1,339,414	1,339,414	1,339,414	1,339,414
13,275	13,275	13,275	13,275	13,275
10,661	10,758	10,823	11,151	11,311
5	5	5	5	5
690,552	690,552	690,552	690,552	690,552
6,625	6,625	6,625	6,625	6,625
4,343	4,329	4,291	4,351	4,418
2	2	2	2	2
637,936	637,936	637,936	637,936	637,936
4,525	4,525	4,525	4,525	4,525
3,836	3,808	3,769	3,855	3,883
1	1	1	1	1
35,962	35,962	35,962	35,962	35,962
200	200	200	200	200
200	222	207	196	204
7	7	7	7	7
242,235	242,235	242,235	242,235	242,235
82	82	82	84	85
3	3	3	3	3
2	2	2	2	2
4	4	4	4	4
1	1	1	1	1
20	20	20	20	20
5	5	5	5	5

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FEDERAL AWARDS SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hurst-Eules-Bedford Independent School District



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hurst-Eules-Bedford Independent School District ("the District") as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

DALLAS

OFFICES IN

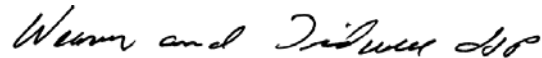
FORT WORTH

HOUSTON

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's Trustees, the administration, federal awarding agencies, the Texas Education Agency and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Weaver and Tidwell LLP".

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2008



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Hurst-Eules-Bedford Independent School District
Grapevine, Texas

Compliance

We have audited the compliance of Hurst-Eules-Bedford Independent School District (the "District") with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Hurst-Eules-Bedford Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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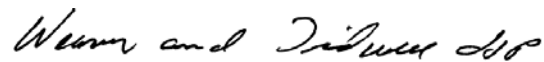
HOUSTON

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the District's Trustees, the administration, federal awarding agencies, and the Texas Education Agency and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Weaver and Tidwell LLP".

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2008

HURST EULESS BEDFORD INDEPENDENT SCHOOL DISTRICT

Supplemental Schedule of Expenditures of Federal Awards
Year Ended August 31, 2007

<u>Federal grantor agency</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identification number</u>	<u>Expenditures indirect costs and refunds</u>
U.S. Department of Education (Passed through State Department of Education)			
ESEA Title IV - Drug Free Schools	84.164	7691001220916	57,010
ESEA Title I - Part A	84.010	7610101220916	2,005,996
IDEA Part B Formula	84.027 *	76600012209166600	3,410,174
IDEA Part B Preschool	84.173 *	76610012209166610	108,878
IDEA Part B High Cost Risk Pool	84.027 *	76600062209166680	34,164
Federal Vocational Education (Basic Grant)	84.048	742000622091611	169,888
ESEA Title II, Part A - Teacher/Principal Training/Recruiting	84.367	7694501220916	569,303
ESEA Title II, Part D - Enhancing Education Through Technology	84.318	7630001220916	17,907
Title III LEP	84.365	7671001220916	196,415
Title V Part A - Innovative	84.298	7685001220916	25,620
Summer School LEP	84.369A	69550602	<u>22,465</u>
Total Department of Education			6,617,820
U.S. Department of Agriculture (passed through State Department of Education)			
National School Lunch	10.555 *		2,801,399
National School Breakfast	10.553 *		<u>622,813</u>
Total passed through State Department of Education			<u>3,424,212</u>
U.S. Department of Agriculture (direct)			
Commodity supplement (noncash)	10.550		<u>244,081</u>
Total Department of Agriculture			<u>3,668,293</u>
Total expenditures of federal awards			<u><u>10,286,113</u></u>
RECONCILIATION			
Federal Program Revenues General Fund			389,347
Federal Program Revenues Special Revenue Fund			<u>10,146,167</u>
Total federal program revenues per exhibit C-2			10,535,514
Medicaid Administrative Claiming Program and School Health and Related Services (Shars)			<u>(249,401)</u>
Total expenditures of federal awards			<u><u>10,286,113</u></u>

* Clustered programs under OMB Circular A-133

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Note to Supplementary Schedule of Expenditures of Federal Awards

YEAR ENDED AUGUST 31, 2007

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting, which is described in note 1 (c) to the District's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007

I. Summary of the Auditor's Results:

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(s) identified that are not considered a material weakness? Yes None reported
- c. Noncompliance material to financial statements noted Yes No

Major Programs

- d. Internal control over major programs:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(s) identified that are not considered a material weakness? Yes None reported
- e. An unqualified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133? Yes No
- g. Identification of major programs:

84.027	IDEA-B, Formula
84.173	IDEA-B, Preschool
84.367	Tilte II Part A – Teacher and Principal Training and Recruiting
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$ 308,584
- i. Auditee qualified as a low-risk auditee. Yes No

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007**

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards:

None

HURST EULESS BEDFORD INDEPENDENT SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007**

None

