



**Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2017**

Bedford, Texas

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Hurst-Euless-Bedford Independent School District
Bedford, Texas



Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2017

Prepared by
Business Operations Department

David Garcia
Deputy Superintendent of Business Operations

Janice Hollingsworth, CPA
Director of Finance

HEB ISD Vision Statement

Empowering Today to Excel Tomorrow

Mission Statement

The mission of the Hurst-Euless-Bedford Independent School District is to continue its proud tradition of excellence as a diverse, high-performing organization committed to ensuring each student is empowered today to excel tomorrow.

2014 - 2019 District Goals

1. Student Achievement
2. Effective and Efficient Operations for All Components
3. Quality Teaching, Administrative, and Support Staff
4. Safe, Healthy, and Nurturing Schools
5. Enduring Relationships 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 auditor's report of the above named school district was reviewed and ☒ approved ☐ disapproved (check one) for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 8th day of January, 2018.



Signature of Board Secretary



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 8, 2018

To the Board of Trustees and the Citizens of the Hurst-Euless-Bedford Independent School District:

The Comprehensive Annual Financial Report (CAFR) of Hurst-Euless-Bedford Independent School District ("District") for the fiscal year ended August 31, 2017 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, 2017 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.

Profile of the District

The Hurst-Euless-Bedford Independent School District is one of approximately 1,200 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. During the 2017 fiscal year, 23,120 students were enrolled in the District, which is an increase of 286 students.

The Hurst-Euless-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, including charter schools. The Tarrant County Tax Assessor-Collector collects taxes for the District, but exercises no control over its expenditures.

The annual budget with expenditures by function 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 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. Budget-to-actual comparisons are provided as part of the Texas Education Agency required schedules for the National School Breakfast and Lunch Program and the Debt Service Fund.

Economic Conditions and Outlook

The District, comprised of 44.3 miles, is located between Dallas and Fort Worth. The majority of the District is located in the cities of Hurst, Euless and Bedford. These cities are both residential and commercial in makeup. The combined population for the three cities is estimated to be 141,444. The commercial aspects of the community include industrial, manufacturing, and transportation jobs for the residents. Bell Helicopter Textron, one of the world’s largest manufacturers of commercial and military helicopters has an estimated 4,000 employees. The Dallas-Fort Worth International Airport is partially located within the District.

The Hurst-Euless-Bedford area has continued to experience new development. The City of Hurst has seen new commercial activity over the past years. Bell Helicopter opened a new 230,000 square foot headquarters and has added a new training academy. The new iFly Indoor Skydiving center has recently opened, adding to the family entertainment district in Hurst, near North East Mall, the state’s third-largest mall. The City of Euless’ economic base has been broadened in recent years with the development of new retail shopping centers and multi-family developments. In the City of Euless work has started on Founders Parc, a mixed-use development of almost 100 acres of land south of Airport Freeway to include commercial retail and restaurants, urban lofts, and a mix of single family detached homes and townhomes. The City of Bedford continues to grow as a medical and health care network for the Dallas/Fort Worth metroplex. Texas Health Harris Methodist Hospital HEB with an estimated 1,600 employees and Carter Bloodcare with an estimated 844 employees are considered some of the city’s major employers. Texas Health Harris Methodist Hospital HEB completed a new \$25 million expansion of the intensive care unit. In addition, there are an estimated 150 specialized medical related facilities located in Bedford. A new 52,000 square foot skilled nursing center recently opened on 6 acres, and a dialysis center is also under construction. In addition, a 178,000 square feet senior housing facility is under construction. Three hotels are also under construction in Bedford: a Residence Inn by Marriott, Home 2 Suites by Hilton, and Staybridge Suites. The Viridian community in North Arlington is expected to add 15,000 residents, more than 3,000 houses, condos and retail in the next 15 years. Phase one of the development is sold out, and the development should represent a \$1.5 billion tax base upon completion.

Major Initiatives

Instruction

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.

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. Now the District offers the Core Knowledge curriculum at every elementary school. Foreign Language Spanish Immersion has grown from one first grade classroom in 2001-2002 to offerings in first through sixth grades at three elementary schools. Elementary Spanish Immersion students may continue in the Spanish Immersion program at two of the District's five junior high schools. A new language program offering Mandarin Chinese and Hindi was implemented at the junior high school level beginning in the fall of 2008. Arabic was implemented in junior high school in the fall of 2011. All three languages are available at both high schools as part of the International Baccalaureate program. Beginning in August 2014, students may study Mandarin Chinese, Hindi, or Arabic language and culture, available in grades 1-6 as part of World Languages, a new School of Choice at Viridian Elementary. Suzuki Strings has expanded from four elementary sites to ten sites. In 2005-2006, the Suzuki students joined a new orchestra program when they entered junior high. In 2008, the orchestra program expanded to the high school level at L.D. Bell High School. 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. An additional site was added in August 2014 at Viridian Elementary. In 2017, the Hurst Hills site was discontinued.

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 International Baccalaureate Diploma Program is offered in 2,487 schools in more than 136 countries, with 917 IB Diploma programs in the United States. During the 2016-2017 school year, the District served 350 International Baccalaureate students in 11th and 12th grades. 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 fourteenth class of IB graduates received their diplomas in the spring of 2017. Of the 228 seniors in the program, 168 received the full International Baccalaureate Diploma, a diploma rate that exceeds the average diploma rate for U.S. IB schools.

On August 23, 2014 the Gene A. Buinger Career & Technical Education Academy was dedicated. The new academy is 140,000 square feet and will allow continued growth in the many career fields offered to HEB ISD students. Instructional space for various career paths in animation, architecture, audio/video production, automotive technology, collision repair & refinishing, computer technology, cosmetology, culinary arts, education, engineering, health science, and law & public safety has been designed into the new facility.

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. Some 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.

Planning

Much of the District's planning effort is focused on the District's strategic plan. The plan demonstrates the commitment to increase student achievement for all students. Campus and department improvement plans are aligned to the District's strategic plan and address specific needs.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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, 2016. 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, 2016. This is the fifteenth 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 2016-2017 certificates.

The District received a rating of "Superior Achievement" for the fifteenth straight year under the State of Texas Schools FIRST – financial accountability rating system. The purpose of the financial accountability rating system is to ensure that school districts are held accountable for the quality of their financial management practices and performance in the management of their financial resources. The superior achievement rating is the state's highest, demonstrating the quality of the District's financial management practices and their high level performance in the management of their financial resources.

Long-Term Financial Planning

At least once a year District administration prepares and presents to the Board a five year financial forecast for the General Fund that projects revenue, expenditures, and fund balances. When necessary, a range of projections are prepared based on different financial and economic scenarios. During the

presentation possible state legislature changes, local economy updates, and other events that could potentially impact financial projections are discussed.

There are 27 campuses in the District, and 23 of the campuses were built before 1983. Enrollment growth is projected to be approximately 240 students in fiscal year 2017-2018. Providing adequate facilities to all students is fundamental to maintaining an effective education environment, involving a number of standards, including safety, class size, and equity.

Acknowledgments

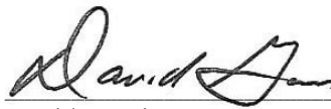
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Accounting Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation.

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,



Steven Chapman
Superintendent



David Garcia
Deputy Superintendent for
Business Operations

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ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The 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, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**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, 2016

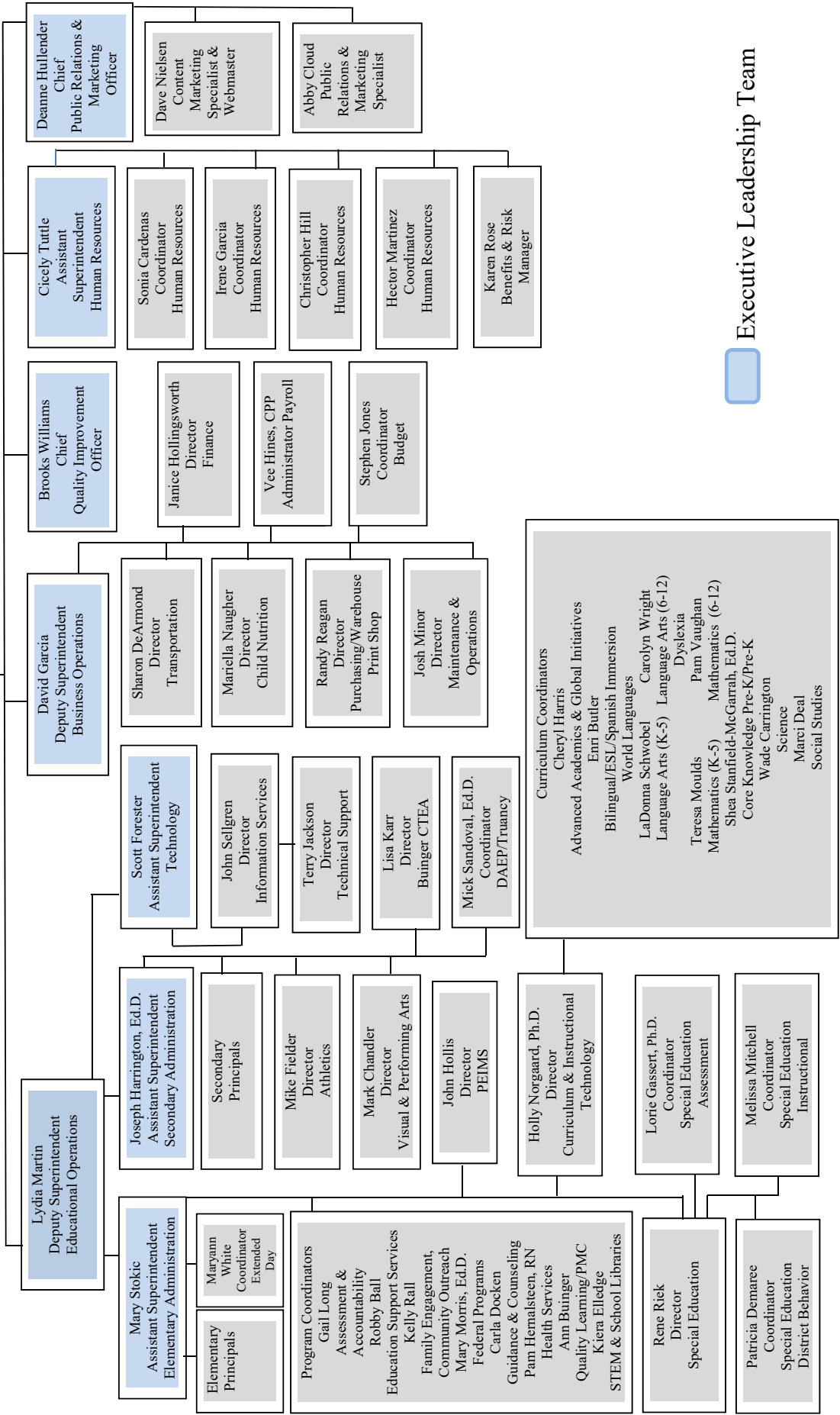
Christopher P. Morrell

Executive Director/CEO

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT ORGANIZATIONAL CHART 2017-2018

BOARD OF TRUSTEES

Steve Chapman
Superintendent of Schools



Executive Leadership Team

List of Principal Officials

Board of Trustees

<u>Name</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Julie Cole President	4 years	May 2019	Senior Analyst
Matt Romero Vice-President	4 years	May 2021	Business Owner
Dawn Jordan-Wells Secretary	5 years	May 2021	Project Analyst
Faye Beaulieu, Ph.D. Member	22 years	May 2021	Regional Director, United Way
Fred Campos Member	3 years	May 2019	Online Business Marketer
Andy Cargile Member	9 years	May 2019	Retired School Administrator
Rochelle Ross Member	1 year	May 2021	Business Owner

Administrative Officials

<u>Name</u>	<u>Position</u>	<u>Experience</u>
Steve Chapman	Superintendent	33 years
Lydia Martin	Deputy Superintendent for Educational Operations	36 years
David Garcia	Deputy Superintendent for Business Operations	28 years
Joe Harrington, Ed.D.	Assistant Superintendent for Secondary Administration	31 years
Mary Stokic	Assistant Superintendent for Elementary Administration	37 years
Cicely Tuttle	Assistant Superintendent for Human Resources	20 years
Scott Forester	Assistant Superintendent for Technology	27 years

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hurst-Euless-Bedford Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurst-Euless-Bedford Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information – combining statements and schedules, Texas Education Agency (TEA) required schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements. The supplementary information – combining statements and schedules, TEA required schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

Hurst-Euless-Bedford Independent School District

America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Weaver and Tidwell LLP". The script is cursive and fluid.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 4, 2018

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**Hurst-Euless-Bedford Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2017**

As management of the Hurst-Euless-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, 2017. 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 v to ix of this report.

FINANCIAL HIGHLIGHTS

- From the government-wide perspective, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$159.6 million (net position), an increase of \$22.9 million in comparison with the prior year-end net position of \$136.8 million.
- From the governmental fund perspective, at fiscal year-end the District reported combined ending fund balances of \$158.0 million, an increase of \$13.7 million in comparison with the prior year-end combined ending fund balances of \$144.3 million. This increase was primarily due to additional tax revenue and state funding of \$10.8 million, along with \$2.7 million in positive payroll variances due to vacancies.
- The District's bond principal liability decreased by \$12.0 million or 4.6 percent during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's 2016-2017 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 position 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 position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Over time, changes in net position 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 position changed during the reported fiscal year. All changes in net position 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 divide the District into two types of activities: governmental activities and business-type activities. The governmental activities of the District include instruction, support services, operation and maintenance services, student transportation, and operation of non-instructional services. The only business-type activity operated by the District is the extended day program offered at all elementary schools.

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

Certain information is also required 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, as well as pension related information. The management's discussion and analysis of the District's 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 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 provide detailed information of the District's Federal

support, campus activities, and other special grants that identify enrichment opportunities to the District's local effort. Please refer to the Exhibits H1 and H2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. On August 31, 2017 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$159.6 million indicating that the District's overall financial position remains sound. A portion of the District's net position represents resources subject to external restrictions on how they may be used. As of August 31, 2017, the District's restricted net position for grant funds was \$5.7 million and restricted net position for debt service was \$9.5 million. As of August 31, 2017, the unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or legal requirements was \$117.5 million.

The investment in capital assets less any related debt is \$26.4 million. 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.

Business-type Activities

The only business-type activity operated by the District is the extended day program offered at all elementary schools.

The following table presents a comparison summary of the District's net position for the fiscal year ended August 31, 2017 and fiscal year ended August 31, 2016:

Table I
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 181,889,998	\$ 167,742,830	\$ 655,210	\$ 658,173	\$ 182,545,208	\$ 168,401,003
Capital assets	290,288,114	294,950,068	-	-	290,288,114	294,950,068
Total assets	472,178,112	462,692,898	655,210	658,173	472,833,322	463,351,071
Deferred outflows of resources	20,231,932	22,146,696	-	-	20,231,932	22,146,696
Current liabilities	32,154,277	32,833,489	82,116	62,127	32,236,393	32,895,616
Long-term liabilities	252,026,312	268,219,091	-	-	252,026,312	268,219,091
Net pension liability	46,503,320	44,324,368	-	-	46,503,320	44,324,368
Total liabilities	330,683,909	345,376,948	82,116	62,127	330,766,025	345,439,075
Deferred inflows of resources	2,681,421	3,298,571	-	-	2,681,421	3,298,571
Net position						
Net investment in capital assets	26,374,493	16,583,665	-	-	26,374,493	16,583,665
Restricted	15,137,689	14,020,036	-	-	15,137,689	14,020,036
Unrestricted	117,532,532	105,560,374	573,094	596,046	118,105,626	106,156,420
Total net position	\$ 159,044,714	\$ 136,164,075	\$ 573,094	\$ 596,046	\$ 159,617,808	\$ 136,760,121

The following significant current year transactions had an impact on net position of governmental activities:

- Total revenues exceeded the total cost of all programs and services which resulted in an increase in net position.
- The decrease in long-term liabilities was the result of payments of bonds.

Table II presents a summary of the changes in net position for the fiscal year ended August 31, 2017 with a comparison to the fiscal year ended August 31, 2016. Net position of the District's governmental activities increased to \$159.0 million from \$136.2 million in the prior year.

Revenues in the business-type activities exceeded costs, resulting in a \$1.0 million increase in net position excluding transfers out.

Table II
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues						
Charges for services	\$ 4,180,388	\$ 4,103,618	\$ 2,360,056	\$ 2,377,336	\$ 6,540,444	\$ 6,480,954
Operating grants and contributions	40,075,836	34,320,753	-	-	40,075,836	34,320,753
General revenues						
Property taxes, levied for general purpose	111,853,659	100,415,176	-	-	111,853,659	100,415,176
Property taxes, levied for debt service	29,666,816	29,897,309	-	-	29,666,816	29,897,309
State grants, unrestricted	66,085,444	67,267,056	-	-	66,085,444	67,267,056
Miscellaneous	751,050	2,045,625	-	-	751,050	2,045,625
Investment earnings	1,435,795	822,655	-	-	1,435,795	822,655
Total revenues	<u>254,048,988</u>	<u>238,872,192</u>	<u>2,360,056</u>	<u>2,377,336</u>	<u>256,409,044</u>	<u>241,249,528</u>
Expenses						
Instruction	131,826,288	121,340,167	-	-	131,826,288	121,340,167
Instructional resources and media	2,940,802	2,747,096	-	-	2,940,802	2,747,096
Curriculum and staff development	3,690,356	3,382,001	-	-	3,690,356	3,382,001
Instructional leadership	2,694,119	2,550,029	-	-	2,694,119	2,550,029
School leadership	11,988,748	11,497,851	-	-	11,988,748	11,497,851
Guidance, counseling and evaluation	8,632,914	8,076,076	-	-	8,632,914	8,076,076
Social work services	811,527	764,470	-	-	811,527	764,470
Health services	2,537,303	2,372,931	-	-	2,537,303	2,372,931
Student transportation	5,125,141	4,532,814	-	-	5,125,141	4,532,814
Food service	11,314,112	10,455,808	-	-	11,314,112	10,455,808
Co-curricular/extracurricular activities	6,556,564	6,069,578	-	-	6,556,564	6,069,578
General administration	5,452,596	4,864,989	-	-	5,452,596	4,864,989
Plant maintenance and operations	17,704,345	18,004,751	-	-	17,704,345	18,004,751
Security monitoring services	1,007,759	1,065,500	-	-	1,007,759	1,065,500
Data processing services	5,272,250	4,533,861	-	-	5,272,250	4,533,861
Community services	488,224	281,053	1,336,961	1,331,290	1,825,185	1,612,343
Long-term debt interest and fees	13,354,532	13,053,831	-	-	13,354,532	13,053,831
Juvenile justice alternative education	55,470	7,611	-	-	55,470	7,611
Other intergovernmental charges	761,346	714,384	-	-	761,346	714,384
Total expenses	<u>232,214,396</u>	<u>216,314,801</u>	<u>1,336,961</u>	<u>1,331,290</u>	<u>233,551,357</u>	<u>217,646,091</u>
Excess before transfers and special items	21,834,592	22,557,391	1,023,095	1,046,046	22,857,687	23,603,437
Transfers in (out)	1,046,047	970,618	(1,046,047)	(970,618)	-	-
Special items	-	2,424,828	-	-	-	2,424,828
Change in net position	<u>22,880,639</u>	<u>25,952,837</u>	<u>(22,952)</u>	<u>75,428</u>	<u>22,857,687</u>	<u>26,028,265</u>
Net position - beginning	\$ 136,164,075	110,211,238	596,046	520,618	136,760,121	110,731,856
Net position-ending	<u>\$ 159,044,714</u>	<u>\$ 136,164,075</u>	<u>\$ 573,094</u>	<u>\$ 596,046</u>	<u>\$ 159,617,808</u>	<u>\$ 136,760,121</u>

As shown in Table II, the cost of governmental activities this year was \$232.2 million; however, the revenue of governmental activities totaled \$254.0 million which exceeded expenses by \$21.8 million excluding transfers in. The primary sources of operating revenue were from property taxes totaling \$141.5 million and state grants totaling \$66.1 million. Additionally, program revenue was received from charges for services totaling \$4.2 million and operating grants and contributions totaling \$40.1 million. The remainder of the revenue was from investment earnings and miscellaneous sources.

As illustrated in the graphs below, property taxes make up a significant portion of revenue from governmental activities.

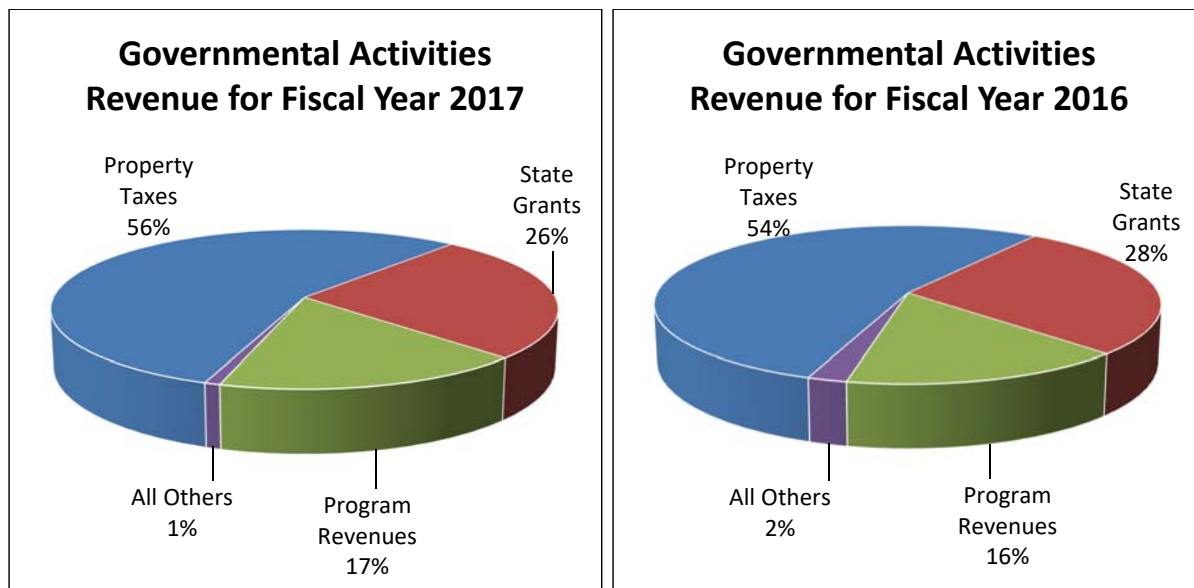


Table III presents the net cost of the District's major functional activities (net cost is total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs):

Table III
Function Analysis

Function	Governmental Activities		Business-type Activities		Total	
	Net Expenses 2017	Net Expenses 2016	Net Expenses 2017	Net Expenses 2016	Net Expenses 2017	Net Expenses 2016
Instruction	\$ 110,375,749	\$ 103,664,877	\$ -	\$ -	\$ 110,375,749	\$ 103,664,877
Instructional resources and media	2,506,554	2,399,033	-	-	2,506,554	2,399,033
Curriculum and staff development	2,952,453	2,884,640	-	-	2,952,453	2,884,640
Instructional leadership	2,097,570	1,957,907	-	-	2,097,570	1,957,907
School leadership	10,575,305	10,285,339	-	-	10,575,305	10,285,339
Guidance, counseling and evaluation	6,942,716	6,663,794	-	-	6,942,716	6,663,794
Social work services	567,287	552,828	-	-	567,287	552,828
Health services	2,214,467	2,045,562	-	-	2,214,467	2,045,562
Student transportation	4,258,908	3,902,686	-	-	4,258,908	3,902,686
Food service	(532,375)	(684,718)	-	-	(532,375)	(684,718)
Co-curricular/extracurricular activities	4,701,910	4,355,759	-	-	4,701,910	4,355,759
General administration	4,881,221	4,351,341	-	-	4,881,221	4,351,341
Plant maintenance and operations	16,280,865	16,405,071	-	-	16,280,865	16,405,071
Security monitoring services	956,385	948,996	-	-	956,385	948,996
Data processing services	4,943,899	4,293,046	-	-	4,943,899	4,293,046
Community services	63,910	88,443	(1,023,095)	(1,046,046)	(959,185)	(957,603)
Long-term debt interest and fees	13,354,532	13,053,831	-	-	13,354,532	13,053,831
Juvenile justice alternative education	55,470	7,611	-	-	55,470	7,611
Other intergovernmental charges	761,346	714,384	-	-	761,346	714,384
Total expenses	\$ 187,958,172	\$ 177,890,430	\$ (1,023,095)	\$ (1,046,046)	\$ 186,935,077	\$ 176,844,384

GOVERNMENTAL FUNDS – FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

At fiscal year end the governmental funds fund balance totaled \$158.0 million which reflects a \$13.7 million or 9.5% increase from the prior year. The following comparison schedule shows the fund balance by fund type for the fiscal year ended August 31, 2017 and fiscal year ended August 31, 2016.

General Fund

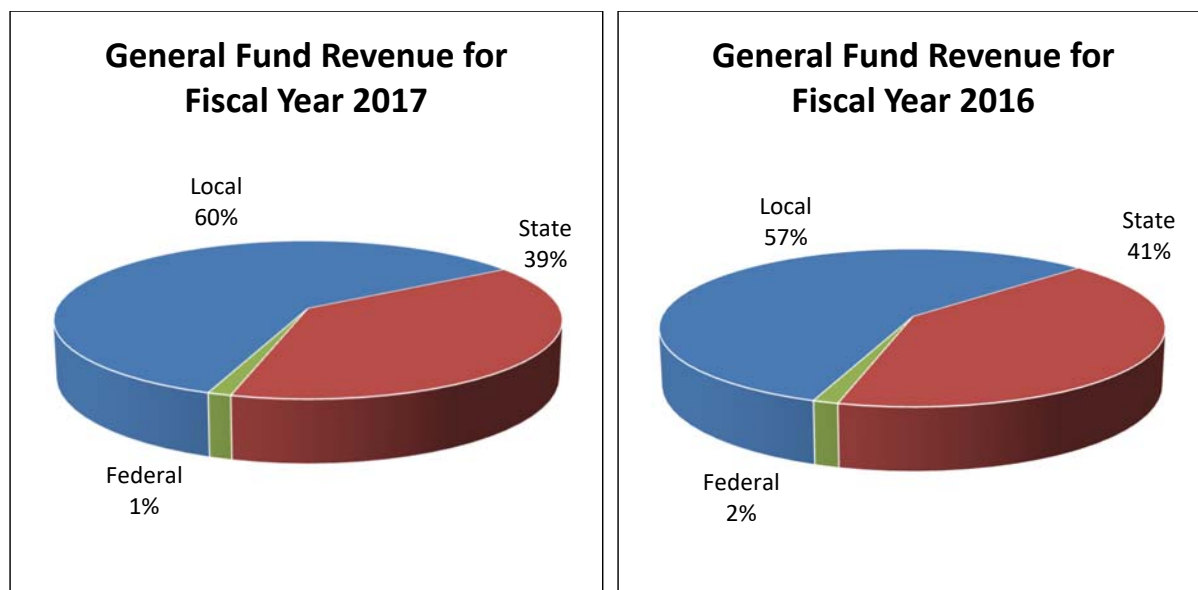
The fund balance of the District's general fund increased by \$11.0 million during the current fiscal year. Local revenue increased 11.6% while state revenue decreased 1.5%. Expenditures were held to a 4.1% increase, mostly related to a payroll increase. The general fund primarily derives its revenue from local property taxes and state funding.

<u>Fund Balance</u>	<u>2017</u>	<u>2016</u>	<u>% Change 2016 to 2017</u>
General fund	\$ 99,758,888	\$ 88,792,195	12.4%
Debt service	8,922,191	8,106,889	10.1%
Capital projects	40,695,182	39,147,038	4.0%
Non-major	8,595,753	8,243,757	4.3%
Total	<u>\$ 157,972,014</u>	<u>\$ 144,289,879</u>	<u>9.5%</u>

General Fund

<u>Revenue By Object</u>	<u>2017</u>	<u>2016</u>	<u>% Change 2016 to 2017</u>
Local and intermediate sources	\$ 114,253,959	\$ 102,403,668	11.6%
State programs	72,624,372	73,708,853	-1.5%
Federal programs	2,514,195	2,529,901	-0.6%
Total	<u>\$ 189,392,526</u>	<u>\$ 178,642,422</u>	<u>6.0%</u>

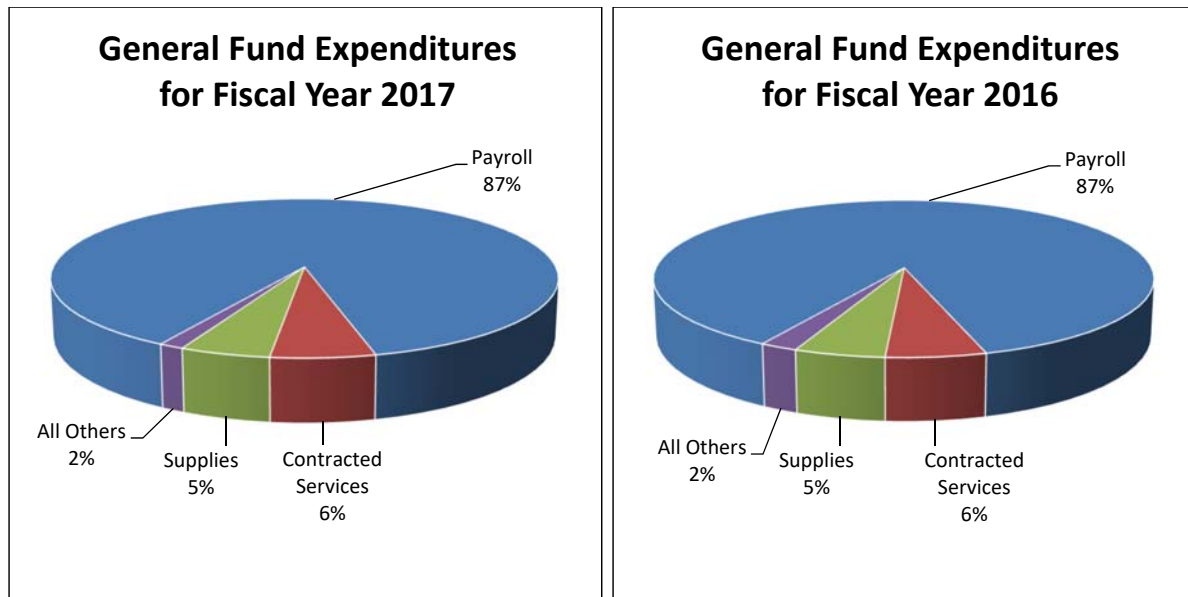
The decrease in federal program revenues is primarily related to receipt of Medicaid reimbursements. The decrease in state programs is due to the strong growth in local property values.



The District operates similar to a service entity; therefore, the largest portions of the General Fund expenditures are related to payroll costs and contracted services such as utilities, as presented in the following illustrations.

<u>Expenditures By Object</u>	<u>2017</u>	<u>2016</u>	<u>% Change 2016 to 2017</u>
Payroll	\$ 146,859,702	\$ 141,030,566	4.1%
Contracted services	9,756,602	9,172,067	6.4%
Supplies	8,452,329	8,339,865	1.3%
Other operating	2,322,030	2,104,333	10.3%
Capital outlay	1,213,792	1,345,199	-9.8%
Total	\$ 168,604,455	\$ 161,992,030	4.1%

Payroll expenditures increased \$5.8 million or 4.1%, accounting for the overall increase in expenditures. This increase was associated with a district-wide pay raise. Contracted services increased \$584,535 or 6.4%, driven by auditorium lighting updates. Supplies and capital outlay were basically flat, with supplies increasing \$112,464 while capital outlay decreased \$131,407. Other operating expenditures increased as a result of travel for state band competition and higher insurance costs.



Debt Service Fund

The debt service fund reported an ending fund balance of \$8.9 million, an increase of \$.8 million or 10.1% in comparison with the prior year.

Capital Projects Fund

On August 23, 2011, the District issued \$124.7 million (par value) in Unlimited Tax School Building Bonds. The net proceeds of \$136.5 million (\$124.7 million par amount of the bonds plus \$12.8 million premium paid on the bonds less \$1.0 million of underwriting fees, insurance and other issuance costs) are being used for construction and other approved bond projects. For the fiscal year ended August 31, 2017, the capital projects funds have a total fund balance of \$40.7 million, all of which is restricted or committed for authorized capital projects. The net increase in fund balance during the current fiscal year of \$1.5 million was primarily due to a \$10.6 million transfer from the general fund to the locally-defined capital projects fund. This transfer was offset by the expenditure of \$2.1 million or 1.5 percent of the bond proceeds according to the projected schedule of construction and other bond projects approved by voters. An additional \$6.9 million from the locally-defined capital projects fund was expended primarily on 6 elementary campus renovations and outdoor lighting upgrades.

BUDGETARY PROCESS

Over the course of the year, budget amendments are necessary to realign funds to meet organizational needs. Realignment of funds increases and/or decreases 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 is adopted.

As presented on Exhibit G-1 on page 61, the actual revenue exceeded actual expenditures generating a positive variance of \$9.6 million. This result was based on the favorable performance of property tax collections, student attendance, and cost control initiatives. A favorable budget variance of \$9.6 million is presented for the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2017, the District had invested \$290.3 million in capital assets, including land, facilities and equipment used for District operations. This amount represents a net decrease after depreciation of \$4.7 million from the prior year. Depreciation expense was \$13.6 million which was a \$1.4 million or 11.1% increase from the prior year.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended August 31, 2017:

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 14,633,912	\$ 13,540,259	\$ -	\$ -	\$ 14,633,912	\$ 13,540,259
Construction in progress	7,822,829	8,224,013	-	-	7,822,829	8,224,013
Furniture and equipment	9,419,903	9,841,103	-	-	9,419,903	9,841,103
Buildings and improvements	258,411,470	263,344,693	-	-	258,411,470	263,344,693
Total	<u>\$ 290,288,114</u>	<u>\$ 294,950,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,288,114</u>	<u>\$ 294,950,068</u>

Additional information on the District's capital assets can be found in Note K of this report.

Long-Term Liabilities

As of August 31, 2017 the District had \$269.2 million in general obligation bonds and other long-term liabilities outstanding, of which \$17.2 million is due prior to August 31, 2018.

The District maintained its "AAA" rating based on the guarantee of the Permanent School Fund of the State of Texas. In August 2017 Fitch Ratings affirmed the underlying rating of "AA+" on the District's debt outstanding. Standard & Poor's assigned a "AAA" long-term rating and "AA+" underlying rating to the new 2017A and 2017B series bonds in August 2017. At the same time, Standard & Poor's affirmed its "AA+" long-term rating and underlying rating on the district's general obligation debt outstanding.

Under current State law, with respect to any proposed new bond issuance, a district must have a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds other than bonds authorized to be issued at an election held on or before April 1, 1991, and issued before September 1, 1992, from a tax at a rate not to exceed \$0.50 per \$100 of valuation. The District complies with this requirement.

Table IV presents a summary of the District's outstanding long-term liabilities for the fiscal year ended August 31, 2017.

Table IV
Long-Term Liabilities

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 249,669,891	\$ 261,627,580	\$ -	\$ -	\$ 249,669,891	\$ 261,627,580
Premium on GO bonds	14,942,244	16,131,882	-	-	14,942,244	16,131,882
Accreted interest	3,857,290	7,409,432	-	-	3,857,290	7,409,432
Compensated absences	743,527	807,740	-	-	743,527	807,740
Total	<u>\$ 269,212,952</u>	<u>\$ 285,976,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,212,952</u>	<u>\$ 285,976,634</u>

Additional information on the District's long-term liabilities can be found in Notes L through M 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 2017-2018 budget and tax rates. One of those factors was the economy and its influence on taxable property values. The District has experienced growth in its property tax base over the past five years, and the taxable property values for fiscal year 2017-2018 appear to be a continuation of that trend.

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. The District's central location and proximity to the mass transit lines of the Dallas/Fort Worth area has resulted in the purchase and planned development of large tracts of land in the western, northeastern, and southern portions of the District.

District's Tax Rate

The District set the combined 2017-2018 tax rate at \$1.263. This is comprised of \$1.040 for Maintenance and Operations (the maximum allowed by current law without voter approval) and \$0.223 for Debt Service (the amount required to service principal and interest on voter-approved bonds). The Maintenance and Operations tax rate has remained the same for 9 years, while the Debt Service tax rate decreased by \$0.053 or -19.2% in comparison with the prior year.

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-Euless-Bedford Independent School District, 1849 Central Drive, Bedford, Texas, 76022.

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BASIC FINANCIAL STATEMENTS

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Governmental Activities	Business-Type Activities	Total
ASSETS				
1110	Cash and equivalents	\$ 175,616,749	\$ 655,210	\$ 176,271,959
1220	Property taxes receivable (delinquent)	5,659,366	-	5,659,366
1230	Allowance for uncollectible taxes	(848,905)	-	(848,905)
1240	Due from other governments	488,021	-	488,021
1250	Accrued interest	169,753	-	169,753
1290	Other receivables	122,575	-	122,575
1300	Inventories, at cost	415,323	-	415,323
1410	Prepaid items	267,116	-	267,116
1510	Land	14,633,912	-	14,633,912
1520	Buildings and improvements, net	258,411,470	-	258,411,470
1530	Furniture and equipment, net	9,419,903	-	9,419,903
1580	Construction in progress	7,822,829	-	7,822,829
1000	Total assets	472,178,112	655,210	472,833,322
DEFERRED OUTFLOWS OF RESOURCES				
1700	Deferred charges on debt refundings	1,007,244	-	1,007,244
1705	Deferred outflows of resources-TRS	19,224,688	-	19,224,688
	Total deferred outflows of resources	20,231,932	-	20,231,932
LIABILITIES				
2110	Accounts payable	1,812,918	3,489	1,816,407
2140	Interest payable	501,444	-	501,444
2160	Accrued wages and benefits payable	8,245,816	78,627	8,324,443
2180	Due to other governments	3,472,990	-	3,472,990
2200	Other accrued expenses	813,071	-	813,071
2300	Unearned revenue	121,398	-	121,398
	Long-term liabilities			
2501	Due within one year	17,186,640	-	17,186,640
2502	Due in more than one year	252,026,312	-	252,026,312
2540	Net pension liability	46,503,320	-	46,503,320
2000	Total liabilities	330,683,909	82,116	330,766,025
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows of resources-TRS	2,681,421	-	2,681,421
	Total deferred inflows of resources	2,681,421	-	2,681,421
NET POSITION				
3200	Net investment in capital assets	26,374,493	-	26,374,493
3820	Restricted for grant funds	5,685,687	-	5,685,687
3850	Restricted for debt service	9,452,002	-	9,452,002
3900	Unrestricted	117,532,532	573,094	118,105,626
3000	Total net position	\$ 159,044,714	\$ 573,094	\$ 159,617,808

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services		Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:		Expenses					
0011	Instruction	\$ 131,826,288	\$ 100,350	\$ 21,350,189	\$ (110,375,749)	\$ -	\$ (110,375,749)
0012	Instructional resources and media	2,940,802	-	434,248	(2,506,554)	-	(2,506,554)
0013	Curriculum and staff development	3,690,356	-	737,903	(2,952,453)	-	(2,952,453)
0021	Instructional leadership	2,694,119	-	596,549	(2,097,570)	-	(2,097,570)
0023	School leadership	11,988,748	-	1,413,443	(10,575,305)	-	(10,575,305)
0031	Guidance, counseling and evaluation	8,632,914	-	1,690,198	(6,942,716)	-	(6,942,716)
0032	Social work services	811,527	-	244,240	(567,287)	-	(567,287)
0033	Health services	2,537,303	-	322,836	(2,214,467)	-	(2,214,467)
0034	Student transportation	5,125,141	-	866,233	(4,258,908)	-	(4,258,908)
0035	Food service	11,314,112	3,404,257	8,442,230	532,375	-	532,375
0036	Co-curricular/extracurricular activities	6,556,564	321,510	1,533,144	(4,701,910)	-	(4,701,910)
0041	General administration	5,452,596	-	571,375	(4,881,221)	-	(4,881,221)
0051	Plant maintenance and operations	17,704,345	354,271	1,069,209	(16,280,865)	-	(16,280,865)
0052	Security monitoring services	1,007,759	-	51,374	(956,385)	-	(956,385)
0053	Data processing services	5,272,250	-	328,351	(4,943,899)	-	(4,943,899)
0061	Community services	488,224	-	424,314	(63,910)	-	(63,910)
0072	Long-term debt interest and fees	13,354,532	-	-	(13,354,532)	-	(13,354,532)
0095	Juvenile justice AEP	55,470	-	-	(55,470)	-	(55,470)
0099	Other intergovernmental charges	761,346	-	-	(761,346)	-	(761,346)
Total governmental activities		232,214,396	4,180,388	40,075,836	(187,958,172)	-	(187,958,172)
Business-type activities:							
0061	Extended day services	1,336,961	2,360,056	-	-	1,023,095	1,023,095
		1,336,961	2,360,056	-	-	1,023,095	1,023,095
Total primary government		\$ 233,551,357	\$ 6,540,444	\$ 40,075,836	(187,958,172)	1,023,095	(186,935,077)
Data control codes	General revenues						
	Taxes						
	MT	Property taxes, levied for general purpose			111,853,659	-	111,853,659
	DT	Property taxes, levied for debt service			29,666,816	-	29,666,816
	SF	State grants, unrestricted			66,085,444	-	66,085,444
	MI	Miscellaneous			751,050	-	751,050
	IE	Investment earnings			1,435,795	-	1,435,795
	FR	Transfers (out) in			1,046,047	(1,046,047)	-
	TR	Total general revenues and transfers			210,838,811	(1,046,047)	209,792,764
	CN	Change in net position			22,880,639	(22,952)	22,857,687
	NB	Net position - beginning			136,164,075	596,046	136,760,121
NE	Net position - ending			\$ 159,044,714	\$ 573,094	\$ 159,617,808	

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data		Debt		Capital		
Control		General	Service	Projects	Nonmajor	
Codes		Fund	Fund	Fund	Funds	Total
ASSETS						
1110	Cash and temporary investments	\$ 111,363,596	\$ 8,923,903	\$ 40,982,474	\$ 8,828,435	\$ 170,098,408
1220	Property taxes - delinquent	4,446,106	1,213,260	-	-	5,659,366
1230	Allowance for uncollectible taxes	(666,900)	(182,005)	-	-	(848,905)
1240	Due from other governments	-	-	-	488,021	488,021
1250	Accrued interest	152,530	2,354	13,861	1,008	169,753
1260	Due from other funds	-	-	-	162,212	162,212
1290	Due from other sources	122,575	-	-	-	122,575
1300	Inventories, at cost	408,792	-	-	6,531	415,323
1410	Prepaid expenditures	259,866	-	-	7,250	267,116
1000	Total assets	<u>\$ 116,086,565</u>	<u>\$ 9,957,512</u>	<u>\$ 40,996,335</u>	<u>\$ 9,493,457</u>	<u>\$ 176,533,869</u>
LIABILITIES						
2110	Accounts payable	\$ 928,457	\$ -	\$ 295,852	\$ 527,241	\$ 1,751,550
2160	Accrued wages payable	8,151,090	-	5,301	86,853	8,243,244
2170	Due to other funds	-	-	-	162,212	162,212
2180	Due to other governments	3,468,924	4,066	-	-	3,472,990
2300	Unearned revenue	-	-	-	121,398	121,398
2000	Total liabilities	<u>12,548,471</u>	<u>4,066</u>	<u>301,153</u>	<u>897,704</u>	<u>13,751,394</u>
DEFERRED INFLOWS OF RESOURCES						
2600	Unavailable revenue-property taxes	3,779,206	1,031,255	-	-	4,810,461
	Total deferred inflows of resources	<u>3,779,206</u>	<u>1,031,255</u>	<u>-</u>	<u>-</u>	<u>4,810,461</u>
FUND BALANCES						
3410	Non-spendable - inventories	408,792	-	-	6,531	415,323
3430	Non-spendable - prepaid items	259,866	-	-	7,250	267,116
3450	Restricted - grant funds	-	-	-	5,685,687	5,685,687
3470	Restricted - construction	-	-	4,609,433	-	4,609,433
3480	Restricted - debt service	-	8,922,191	-	-	8,922,191
3510	Committed - construction	-	-	36,085,749	-	36,085,749
3545	Committed - other	69,000,000	-	-	2,896,285	71,896,285
3600	Unassigned	30,090,230	-	-	-	30,090,230
3000	Total fund balances	<u>99,758,888</u>	<u>8,922,191</u>	<u>40,695,182</u>	<u>8,595,753</u>	<u>157,972,014</u>
4000	Total liabilities and fund balances	<u>\$ 116,086,565</u>	<u>\$ 9,957,512</u>	<u>\$ 40,996,335</u>	<u>\$ 9,493,457</u>	<u>\$ 176,533,869</u>

The notes to the 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 POSITION
AUGUST 31, 2017

Total fund balances - governmental funds (from C-1)	\$ 157,972,014
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	514,800,527
Accumulated depreciation, including current year depreciation expense of \$13,640,144 is not reported in the fund financial statements.	(224,512,413)
Deferred gains and losses on refundings of debt were not recognized on the balance sheet for governmental funds.	1,007,244
Long-term liabilities including bonds payable, premiums, accreted interest, and compensated absences are not included on the fund financial statements.	(269,212,952)
Net pension liabilities are not included on the fund financial statements.	(46,503,320)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(501,444)
Internal service funds are used to charge the cost 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 position.	4,641,330
Revenue from property taxes are deferred inflows of resources 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.	4,810,461
Items related to net pension liabilities are not included on the fund financial statements:	
Deferred outflows	19,224,688
Deferred inflows	(2,681,421)
Net position of governmental activities (from A-1)	<u><u>\$ 159,044,714</u></u>

The notes to the 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, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Nonmajor Funds	Total
REVENUES						
5700	Local and intermediate sources	\$ 114,253,959	\$ 29,861,993	\$ 217,827	\$ 6,412,073	\$ 150,745,852
5800	State program revenues	72,624,372	831,690	-	2,135,912	75,591,974
5900	Federal program revenues	2,514,195	-	-	17,244,204	19,758,399
5020	Total revenues	<u>189,392,526</u>	<u>30,693,683</u>	<u>217,827</u>	<u>25,792,189</u>	<u>246,096,225</u>
EXPENDITURES						
Current						
0011	Instruction	105,871,322	-	1,742,504	9,833,681	117,447,507
0012	Instructional resources and media services	2,422,530	-	-	140,536	2,563,066
0013	Curriculum and staff development	2,728,511	-	-	300,558	3,029,069
0021	Instructional leadership	2,057,703	-	-	356,015	2,413,718
0023	School leadership	10,051,247	-	-	286,334	10,337,581
0031	Guidance and counseling services	6,659,964	-	-	910,624	7,570,588
0032	Social work services	579,774	-	-	199,864	779,638
0033	Health services	2,139,984	-	-	85,148	2,225,132
0034	Student transportation	4,473,695	-	-	431,055	4,904,750
0035	Food service	63,202	-	-	11,562,880	11,626,082
0036	Co-curricular/extracurricular activities	4,537,942	-	-	1,391,615	5,929,557
0041	General administration	5,085,957	-	-	16,940	5,102,897
0051	Maintenance and operations	16,211,647	-	-	129,082	16,340,729
0052	Security and monitoring	882,490	-	-	18,221	900,711
0053	Data processing services	3,948,374	-	411,639	-	4,360,013
0061	Community services	73,297	-	-	413,571	486,868
Debt service						
0071	Principal	-	11,957,689	-	-	11,957,689
0072	Interest	-	17,917,744	-	-	17,917,744
0073	Cost and fees	-	2,948	-	-	2,948
Capital outlay						
0081	Facilities acquisition and construction	-	-	7,165,540	-	7,165,540
Other intergovernmental						
0095	Juvenile justice alternative education program	55,470	-	-	-	55,470
0099	Other intergovernmental charges	761,346	-	-	-	761,346
6030	Total expenditures	<u>168,604,455</u>	<u>29,878,381</u>	<u>9,319,683</u>	<u>26,076,124</u>	<u>233,878,643</u>
Excess (deficiency) of revenues						
1100	over (under) expenditures	<u>20,788,071</u>	<u>815,302</u>	<u>(9,101,856)</u>	<u>(283,935)</u>	<u>12,217,582</u>
Other Financing Sources (Uses)						
7912	Sale of real or personal property	18,506	-	-	-	18,506
7915	Transfers in	900,000	-	10,764,167	652,752	12,316,919
8911	Transfers out	(10,739,884)	-	(114,167)	(16,821)	(10,870,872)
7080	Total other financing sources (uses)	<u>(9,821,378)</u>	<u>-</u>	<u>10,650,000</u>	<u>635,931</u>	<u>1,464,553</u>
1200	Net change in fund balance	10,966,693	815,302	1,548,144	351,996	13,682,135
0100	Fund balance - September 1 (beginning)	88,792,195	8,106,889	39,147,038	8,243,757	144,289,879
3000	Fund balance - August 31 (ending)	<u>\$ 99,758,888</u>	<u>\$ 8,922,191</u>	<u>\$ 40,695,182</u>	<u>\$ 8,595,753</u>	<u>\$ 157,972,014</u>

The notes to the 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, 2017

Net change in fund balances - total governmental funds (from C-3)	\$ 13,682,135
Internal service funds are used to charge for certain activities to the appropriate functions in other funds. The net income of internal service funds is reported with governmental activities, so the net effect is to decrease net position.	500,478
Current year capital outlays are expenditures in the fund financial statements but appear as increases in capital assets in the government-wide financial statements. The net effect of the current year capital outlay is to increase net position.	8,978,190
Depreciation is not expensed in fund financial statements because it does not require the use of current financial resources. The effect of current year depreciation is to decrease net position.	(13,640,144)
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 is to increase net position.	11,957,689
Premiums on bonds payable are reported as other financing sources in the fund financial statements when the bonds are issued. Amounts are reported net of amortization on the government-wide financial statements. The net effect of these items was to increase net position.	1,189,638
Compensated absences are recognized when the related obligation matures and are expected to be liquidated with expendable available financial resources; therefore, changes to the accrual for these items are not reported in the fund financial statements. The net effect of these items was to decrease net position.	64,213
Revenue not recognized on the fund financial statements under the modified accrual basis is recognized on the accrual basis in the government-wide financial statements. The effect of the change in unearned revenue is to decrease net position.	58,511
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 decrease in accreted interest of \$3,552,142 and the decrease in accrued interest of \$14,353 was to increase net position.	3,566,495
Amortization of deferred charges on refunding amount is not recognized in the governmental funds	(189,973)
Items related to net pension liabilities are not recognized on the fund financial statements	
Deferred outflows (decrease)	(1,724,791)
Deferred inflows decrease	617,150
Net pension liability (increase)	(2,178,952)
Change in net position of governmental activities (from B-1)	\$ 22,880,639

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets		
Cash & temporary investments	\$ 655,210	\$ 5,518,341
Total assets	<u>\$ 655,210</u>	<u>\$ 5,518,341</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,489	\$ 61,368
Accrued wages payable	78,627	2,572
Other accrued expenses	-	813,071
Total liabilities	<u>82,116</u>	<u>877,011</u>
NET POSITION		
Unrestricted Net Position	573,094	4,641,330
Total net position	<u>\$ 573,094</u>	<u>\$ 4,641,330</u>

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2017

	Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for services	\$ 2,360,056	\$ 1,785,100
Total operating revenues	<u>2,360,056</u>	<u>1,785,100</u>
Operating Expenses		
Payroll	1,116,446	141,558
Insurance claims	-	573,657
Contracted services	92,599	83,452
Supplies and materials	30,636	78,706
Other operating expenses	97,280	49,738
Total operating expenses	<u>1,336,961</u>	<u>927,111</u>
Operating income	<u>1,023,095</u>	<u>857,989</u>
Nonoperating Revenues		
Investment earnings	-	42,489
Income before transfers	<u>1,023,095</u>	<u>900,478</u>
Transfers out	<u>(1,046,047)</u>	<u>(400,000)</u>
Change in net position	(22,952)	500,478
Total net position - September 1 (beginning)	<u>596,046</u>	<u>4,140,852</u>
Total net position - August 31 (ending)	<u>\$ 573,094</u>	<u>\$ 4,641,330</u>

The notes to the 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, 2017

	Enterprise Fund	Internal Service Funds
<u>Cash flows from operating activities</u>		
Cash received from user charges	\$ 2,360,056	\$ 1,785,100
Cash payments to employees for services	(1,097,509)	(141,080)
Cash payments for contracted services	(92,288)	(83,452)
Cash payments for insurance claims	-	(393,712)
Cash payments for supplies	(30,029)	(57,042)
Cash payments for other operating expenses	(97,146)	(49,738)
Net cash provided by operating activities	<u>1,043,084</u>	<u>1,060,076</u>
<u>Cash flows from noncapital financing activities</u>		
Transfers to other funds	(1,046,047)	(400,000)
Net cash used in noncapital financing activities	<u>(1,046,047)</u>	<u>(400,000)</u>
<u>Cash flows from investing activities</u>		
Interest received	-	42,489
Net cash provided by investing activities	<u>-</u>	<u>42,489</u>
Net increase (decrease) in cash and cash equivalents	(2,963)	702,565
Cash and cash equivalents at beginning of the year	<u>658,173</u>	<u>4,815,776</u>
Cash and cash equivalents at end of the year	<u><u>\$ 655,210</u></u>	<u><u>\$ 5,518,341</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Operating income	\$ 1,023,095	\$ 857,989
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase in accounts payable	1,052	48,099
Increase in accrued wages	18,937	478
Increase in other accrued expenses	-	153,510
Net cash provided by operating activities	<u><u>\$ 1,043,084</u></u>	<u><u>\$ 1,060,076</u></u>

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private- Purpose Trust Funds	Agency Funds
Assets		
Cash and temporary investments	\$ 1,091,986	\$ 406,397
Other current assets	-	5,000
Due from other sources	-	75,726
Total assets	<u>\$ 1,091,986</u>	<u>\$ 487,123</u>
Liabilities		
Accounts payable	\$ -	\$ 3,705
Due to student groups	-	282,727
Due to employees	-	200,691
Total liabilities	<u>-</u>	<u>\$ 487,123</u>
Net Position		
Held in trust for scholarships	1,091,986	
Total net position	<u>\$ 1,091,986</u>	

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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2017

	Private- Purpose Trust Funds
Additions	
Gifts and contributions	\$ 70,000
Earnings on investments	485
Total additions	<u>70,485</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Total deductions	<u>1,000</u>
Change in net position	69,485
Net position - September 1 (beginning)	<u>1,022,501</u>
Net position - August 31 (ending)	<u><u>\$ 1,091,986</u></u>

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

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hurst-Euleless-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; 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 received 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. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities. 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 position and the statement of activities are government-wide financial statements. They report information on all of the Hurst-Euleless-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. *Business-type activities* are supported primarily by charges to users.

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 position. 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

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued

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.

The District utilizes two types of proprietary funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally across 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. The Enterprise Fund accounts for the operation of the District's extended day program, which is financed and operated in a manner similar to a private business. Participants are charged a fee, which is used to support the activities of the program. Because internal service 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, BASICS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements and proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. 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. In general, revenues not collected within sixty days of year-end are not considered measurable and available.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

C. MEASUREMENT FOCUS, BASICS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

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 unearned revenues until earned. If balances have not been expended by the end of the project period, grantors sometimes 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 position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **General Fund** – This fund accounts for all financial resources except those required to be accounted for in another fund.
- **Debt Service Fund** – This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- **Capital Projects Fund** – This fund accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

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

Governmental Funds:

- **Special Revenue Funds** – The District accounts for resources restricted or committed to 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:

- **Enterprise Fund** – This fund accounts for the operation of the extended day program. Generation of net income is necessary for sound financial management, as the cost of providing extended day services should be supported by charges to users.
- **Internal Service Funds** – Revenues and expenditures related to services provided to organizations on a cost reimbursement basis are accounted for in an internal service fund. The internal service funds are workers' compensation, tech trades, catering, and print shop.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

D. FUND ACCOUNTING - continued

Fiduciary Funds:

- **Private Purpose Trust Funds** – Private-purpose trust funds are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District’s private-purpose trust funds represent scholarship and study-abroad funds being held in trust for students.
- **Agency Funds** – These funds hold resources for others in a custodial capacity. The District’s agency funds are the student activity fund and flexible spending fund. Fiduciary funds are accounted for on the accrual basis.

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE

1. **Deposits and Investments** – 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, except for the investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.
2. **Inventories** – Inventories on the balance sheet consist of materials and supplies recorded at weighted average cost. The District follows the consumption method of accounting whereby inventory is recorded as expenditures when utilized. Food commodities are received at no cost. They are recorded as revenue and expenditures when received using the fair market value as supplied by the Texas Department of Agriculture.
3. **Prepays** – Expenditures for significant services extending over more than one accounting period are allocated between accounting periods in the governmental funds and are accounted for proportionately over the periods that service is provided (consumption method).
4. **Capital Assets** – Capital assets including 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 \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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 of the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	30 - 40
Furniture and equipment	5 - 15

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE - continued

5. Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has two items that qualify for reporting in this category. One is the deferred charges on debt refundings reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item relates to the actuarial pension study required by GASB 68 and the current year pension payments are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category – property taxes. This item, unavailable revenue, is reported only in the District's fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to the actuarial pension study required by GASB 68 and is reported in the government-wide statement of net position.

6. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact. Examples of non-spendable fund balances are inventories and prepaid items.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE - continued

Restricted – Includes fund balance amounts constrained to being used for a specific purpose through constitutional provisions or enabling legislation or by external parties such as grantors or contributors by federal or state laws or regulations. Examples of restricted fund balances include, but are not limited to, child nutrition funds or grant funds.

Committed – Includes fund balance amounts that are constrained to a specific purpose by the Board of Trustees. Formal action by the Board shall be required to commit funds to this category. Formal action has historically been accomplished by resolution. Such action shall occur prior to the end of the fiscal year; however, the amount subject to the constraint may be determined in the subsequent period. Such constraints shall only be amended or removed by Board action. Examples of committed fund balances include, but are not limited to, potential litigation, claims, and judgments or non-bond funded capital projects.

Assigned – Includes fund balance amounts that are constrained by the government's intent to be used for a specific purpose. The Superintendent or designee is authorized to assign funds to this category. Examples of assigned fund balance include, but are not limited to, insurance deductibles, contingencies, and projects not yet completed at fiscal year-end.

Unassigned – Includes all amounts not included in other spendable classifications. It is the residual classification for the general fund.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

8. Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources, reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

9. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the *Resource Guide*. TEA requires school districts to display

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE - continued

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.

10. New Accounting Pronouncements

In the current fiscal year the District implemented the following new Standard:

GASB Statement No. 77, Tax Abatement Disclosures, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues. In fiscal year 2017, the District did not have any tax abatement agreements that require disclosures.

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 level of budgetary control at which expenditures may not legally exceed appropriations is the function level. The Board approved several supplementary budget appropriations.

DETAILED NOTES ON ALL FUNDS

G. 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.

At August 31, 2017, the carrying amount of the District's deposits (cash, bank balances, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$84,900,253. The carrying amount of the District's deposits at August 31, 2017 were entirely covered by FDIC insurance or collateralized with securities held by the Federal Reserve Bank in the District's name valued at \$86,998,628 and an irrevocable letter of credit for \$10,710,000 from the Federal Home Loan Bank. The market value of pledged collateral fell below the required level on a few occasions during the year, but no losses were incurred.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. DEPOSITS AND INVESTMENTS - continued

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, and (9) 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; and (10) 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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted maturity of such investments are as follows:

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. DEPOSITS AND INVESTMENTS – continued

Investments <u>August 31, 2017</u>	Fair Value Measurements				Percent of Total Investments	<u>Credit Risk</u>	Weighted Average Maturity (Days)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)				
<i>Investments not Subject to Fair Value:</i>							
Government investment pools, measured at amortized cost/Net Asset Value (NAV)							
Texas CLASS	\$ 24,417,965	\$ -	\$ -	\$ -	26%	AAAm	1
LOGIC	1,081,782	-	-	-	1%	AAAm	1
Texpool	5,015,779	-	-	-	5%	AAAm	1
Lone Star	5,019,737	-	-	-	5%	AAAm	1
<i>Investments by Fair Value Level:</i>							
US Agency Security	54,230,008	-	54,230,008	-	57%	n/a	253
Treasury Coupon Securities	4,994,400	4,994,400	-	-	5%	n/a	90
Total	\$ 94,759,671	\$ 4,994,400	\$ 54,230,008	\$ -	100%		

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

U.S. Government Agency Securities and *Municipal Bonds* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

U.S. Treasury Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The Texpool, Lone Star, and Texas CLASS investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texas CLASS has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The LOGIC investment pool is an external investment pool measured at its net asset value. LOGIC's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. LOGIC has a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk

Interest rate risk is the risk that improving economic conditions would stimulate interest rates resulting in a decline in the fair value of District investments. To limit exposure to fair value losses caused by rising interest rates, District policy limits the total portfolio to a maximum weighted average maturity of one year. As of August 31, 2017, the weighted average maturity of the total portfolio was 116 days.

As of August 31, 2017, the District's investments as presented by investment maturity periods are as follows:

	Investment Maturities (in Years)				
	Carrying Value	Fair Value	Less than 1	1-2	More than 2
Wells Fargo public funds account	\$ 23,589,125	\$ 23,589,125	\$ 23,589,125	\$ -	\$ -
Certificates of deposit	10,511,492	10,511,492	10,511,492	-	-
Government investment pools					
Texas CLASS	24,417,965	24,417,965	24,417,965	-	-
LOGIC	1,081,782	1,081,782	1,081,782	-	-
Texpool	5,015,779	5,015,779	5,015,779	-	-
Lone Star	5,019,737	5,019,737	5,019,737	-	-
US Agency securities	54,241,893	54,230,008	49,230,093	4,999,915	-
Treasury Coupon Securities	4,997,403	4,994,400	4,994,400	-	-
Total investments	128,875,176	\$ 128,860,288	\$ 123,860,373	\$ 4,999,915	\$ -
Less Private Purpose Trust Fund cash	(1,091,986)				
Less Agency Fund cash	(406,397)				
Demand deposits and petty cash	48,895,166				
Total cash and investments - primary government	\$ 176,271,959				

Credit Risk

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. The District's investment policy and the Public Funds Investment Act establish minimum ratings for investments eligible for purchase. At August 31, 2017, the District's exposure to credit risk is shown by comparing the minimum required rating and the rating assigned by Standard & Poor's for each investment type.

The Wells Fargo public funds account and certificates of deposit were covered in full by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Federal Reserve Bank in the District's name.

The government investment pools received the Standard & Poor's principal stability fund rating of AAAm which is the required minimum rating for this category.

Holdings in municipal obligations rated A or better by at least one Nationally Recognized Securities Rating Organization (NRSRO) represent 2.4% of the portfolio.

U.S. Agency securities equate to 42.1% of the portfolio.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. DEPOSITS AND INVESTMENTS – continued

Concentration of Credit Risk

The District investment policy does not limit the amount that can be invested in any one issuer. As of August 31, 2017, the composition of the District's deposits and investments at carrying value was as follows:

Wells Fargo public funds account	18.3%
EastWest Bank certificates of deposit	8.2%
Texas CLASS	18.9%
LOGIC	0.8%
Texpool	3.9%
Lone Star	3.9%
US Agency securities	
FHLB Notes	15.5%
FHLMC Call Note	3.9%
FFCB Note	3.9%
FRMAC Note	11.6%
FNMA Note	7.2%
Total US Agency securities	42.1%
Treasury securities	3.9%
Total	<u>100.0%</u>

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 fair 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, 2017, the District deposits with the financial institution in excess of federal depository insurance limits were fully collateralized.

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

- a. Depository: Wells Fargo Bank, N.A.
- b. The fair value of securities pledged and the irrevocable letter of credit as of the date of the highest combined balance on deposit was \$97,043,603.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. DEPOSITS AND INVESTMENTS – continued

- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$75,822,902 and occurred on August 30, 2017.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

H. 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 2017 fiscal year was based, was \$10,771,940,001. The tax rates assessed for the year ended August 31, 2017 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0400 and \$0.276 per \$100 valuation, respectively, for a total of \$1.316 per \$100 valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which 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.

I. 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.

J. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The interfund balance between Nonmajor funds occurs when expenditures take place before reimbursements are received from the grants. The transfer back occurs when funds are received from the granting agency. All interfund balances are expected to be repaid within the next fiscal year.

Interfund balances at August 31, 2017 consisted of the following individual fund balances:

Receivable Fund	Payable Fund	Amount	Purpose
Nonmajor funds	Nonmajor funds	\$ 162,212	Cash allocation
		<u>\$ 162,212</u>	

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

J. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS – continued

At August 31, 2017, interfund transfers were as follows:

Transfers From	Transfers To	Amount	Purpose
General fund	Capital projects funds	\$ 10,650,000	Transfer of funds from general fund to capital projects fund for authorized construction
General fund	Nonmajor funds	89,884	Transfer of funds from general fund to campus technology fund and to summer STEM Camp
Nonmajor funds	Nonmajor funds	16,821	Transfer of surplus from summer feeding program to child nutrition fund and remainder of campus grants to campus activity funds
Capital projects funds	Capital projects funds	114,167	Transfer remainder of highway expansion funds for authorized construction
Enterprise fund	General fund	500,000	Transfer of funds related to extended day program from enterprise fund to general fund
Enterprise fund	Nonmajor funds	546,047	Transfer of funds related to extended day program from enterprise fund to campus activity fund
Internal service funds	General fund	400,000	Transfer portion of workers' compensation fund to general fund
		<u>\$ 12,316,919</u>	

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

K. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental Activities				
Capital assets, not depreciated:				
Land	\$ 13,540,259	\$ 1,093,653	\$ -	\$ 14,633,912
Construction in progress	8,224,013	6,030,153	(6,431,337)	7,822,829
Total capital assets not depreciated	<u>21,764,272</u>	<u>7,123,806</u>	<u>(6,431,337)</u>	<u>22,456,741</u>
Capital assets, being depreciated:				
Buildings and improvements	450,639,091	6,552,833	-	457,191,924
Furniture and equipment	33,418,974	1,732,888	-	35,151,862
Total capital assets being depreciated	<u>484,058,065</u>	<u>8,285,721</u>	<u>-</u>	<u>492,343,786</u>
Less accumulated depreciation for:				
Buildings and improvements	(187,294,398)	(11,486,056)	-	(198,780,454)
Furniture and equipment	(23,577,871)	(2,154,088)	-	(25,731,959)
Total accumulated depreciation	<u>(210,872,269)</u>	<u>(13,640,144)</u>	<u>-</u>	<u>(224,512,413)</u>
Total capital assets, being depreciated, net	<u>273,185,796</u>	<u>(5,354,423)</u>	<u>-</u>	<u>267,831,373</u>
Governmental activities capital assets, net	<u>\$ 294,950,068</u>	<u>\$ 1,769,383</u>	<u>\$ (6,431,337)</u>	<u>\$ 290,288,114</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

K. CAPITAL ASSET ACTIVITY - continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 7,937,776
Instructional resources and media services	160,337
Curriculum and staff development	251,791
Instructional leadership	146,775
School leadership	919,165
Guidance and counseling services	572,394
Social work services	712
Health services	178,053
Student transportation	401,540
Food service	177,435
Co-curricular/extracurricular activities	499,142
General administration	45,255
Plant maintenance and operations	1,341,715
Security and monitoring services	92,708
Data processing services	913,569
Community service	1,777
	<u>\$ 13,640,144</u>

L. CHANGES IN LONG-TERM LIABILITIES

Long term liabilities activity for the year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 261,627,580	\$ -	\$ (11,957,689)	\$ 249,669,891	\$ 11,544,890
Premium on GO bonds	16,131,882	-	(1,189,638)	\$ 14,942,244	1,189,638
Total bonds payable	277,759,462	-	(13,147,327)	264,612,135	12,734,528
Other liabilities					
Accreted interest	7,409,432	762,708	(4,314,850)	\$ 3,857,290	3,857,290
Compensated absences	807,740	727,358	(791,571)	\$ 743,527	594,822
Total governmental activities long-term liabilities	<u>\$ 285,976,634</u>	<u>\$ 1,490,066</u>	<u>\$ (18,253,748)</u>	<u>\$ 269,212,952</u>	<u>\$ 17,186,640</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. BONDS PAYABLE

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. As of August 31, 2017 the District does not have any defeased bonds outstanding.

A summary of general long-term debt for the year ended August 31, 2017 is as follows:

Description	Interest Rate Payable	Final Maturity Date	Amounts Original Issue	Interest Current Year	Payable Amounts	
					Outstanding 9/1/16	Outstanding 8/31/17
Refunding 1994	4.1% to 7.1%	8/15/2018	\$ 66,541,545	\$ 4,484,992	\$ 1,379,899	\$ 659,891
Refunding 2006	4.0% to 5.0%	8/15/2020	84,185,000	1,065,750	21,315,000	21,315,000
Refunding 2010	2.75% to 5.0%	8/15/2028	104,330,000	4,793,174	103,560,000	103,420,000
School Building Series 2011	3.0% to 5.0%	8/15/2036	124,695,000	4,887,250	97,745,000	91,370,000
Refunding 2015A	3.0% to 3.5%	8/15/2024	7,800,000	260,800	7,800,000	7,800,000
Refunding 2015B	0.65% to 3.0%	8/15/2024	30,467,681	2,425,778	29,827,681	25,105,000
			<u>\$418,019,226</u>	<u>\$ 17,917,744</u>	<u>\$261,627,580</u>	<u>\$249,669,891</u>

Debt service requirements are as follows:

Year Ended August, 31	Governmental Activities		
	Principal	Interest	Total
2018	\$ 11,544,890	\$ 15,827,593	\$ 27,372,483
2019	16,080,000	10,974,981	27,054,981
2020	16,995,000	10,201,231	27,196,231
2021	17,955,000	9,382,218	27,337,218
2022	17,050,000	8,616,551	25,666,551
2023-2027	100,725,000	31,348,767	132,073,767
2028-2032	44,180,000	11,093,250	55,273,250
2033-2036	25,140,001	3,218,750	28,358,751
Total	<u>\$ 249,669,891</u>	<u>\$ 100,663,341</u>	<u>\$ 350,333,232</u>

N. COMPENSATED ABSENCES

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 liability for earned vacation pay is estimated to be \$743,527 and is included on the government-wide statement of net position at August 31, 2017. The General Fund and Special Revenue Funds are used to liquidate compensated absences.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN

Plan Description. The Hurst-Eules-Bedford Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr.2016.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature,

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN – continued

General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Year	Contribution Rates and Contribution Amounts					
	Member		State		District	
	Rate	Amount	Rate	Amount	Amount	
2017	7.2%	\$ 10,270,674	6.8%	\$ 6,434,562	\$ 4,147,796	
2016	7.2%	\$ 9,224,761	6.8%	\$ 6,298,602	\$ 3,903,993	
2015	6.7%	\$ 8,329,613	6.8%	\$ 6,208,915	\$ 3,712,908	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity (NECE). The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN – continued

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized on the next page:

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN - continued

Asset Class	Target Allocation	Real Long-Term Expected Geometric Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Hurst-Euleless-Bedford ISD's proportionate share of the net pension liability:	\$71,971,501	\$46,503,320	\$24,901,186

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, the District reported a liability of \$46,503,320 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 46,503,320
State's proportionate share that is associated with Hurst-Euless-Bedford ISD	<u>\$ 75,891,668</u>
Total	<u><u>\$ 122,394,988</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the District's proportion of the collective net pension liability was .1230621% which was a decrease of .0023298% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized total pension expense of \$11,162,339 and recognized revenue of \$7,875,746 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. DEFINED BENEFIT PENSION PLAN - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 729,163	\$ 1,388,562
Changes in actuarial assumptions	1,417,338	1,289,010
Difference between projected and actual investment earnings	3,937,805	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	8,992,586	3,849
Contributions paid to TRS subsequent to the measurement date	4,147,796	-
Total	<u>\$ 19,224,688</u>	<u>\$ 2,681,421</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 2,169,802
2019	2,169,802
2020	4,681,526
2021	1,976,818
2022	1,220,701
Thereafter	176,822
	<u>\$ 12,395,471</u>

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

P. RETIREE HEALTH PLAN

Plan Description. The Hurst-Euleless-Bedford Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2017.

Year	Contribution Rates and Contribution Amounts					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 867,008	1.0%	\$ 1,330,479	0.55%	\$ 733,624
2016	0.65%	\$ 832,800	1.0%	\$ 1,282,316	0.55%	\$ 704,670
2015	0.65%	\$ 808,102	1.0%	\$ 1,244,967	0.55%	\$ 683,518

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

Prescription Drug Coverage. The Medicare Modernization Act of 2003 created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the years ended August 31, 2017, 2016 and 2015, the subsidy payments received by TRS-

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

P. RETIREE HEALTH PLAN – continued

Care on behalf of the District were \$643,237, \$524,677 and \$527,515, respectively.

Q. GENERAL LIABILITY 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. There were no significant reductions in coverage in the past fiscal year, and settled claims have not exceeded the commercial coverage in any of the last three years.

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 \$500,000 per occurrence.

Estimates of claims payable and of claims incurred but not reported at August 31, 2017 are reflected as accrued expenses in the workers' 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 re-evaluated 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, currently estimated to be in the next fiscal year.

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

	Year Ended August 31, 2016	Year Ended August 31, 2017
Unpaid claims, beginning of the year	\$ 849,262	\$ 659,561
Incurred claims (including IBNR)	284,642	574,307
Claim payments	(474,343)	(420,797)
Unpaid claims, end of fiscal year	<u>\$ 659,561</u>	<u>\$ 813,071</u>

R. UNEARNED REVENUE

Unearned revenue at August 31, 2017 consisted of the following:

	Nonmajor Funds
Other	<u>\$ 121,398</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

S. DUE FROM/(TO) 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 received entitlements from the state through the School Foundation and Per Capita programs. Amounts of federal, state and local governments as of August 31, 2016, are summarized below and are reported on the combined financial statements as Due from/(to) Other Governments.

	Federal Grants	State Governments	Other Local Governments	Total
General fund	\$ -	\$ (3,449,790)	\$ (19,134)	\$ (3,468,924)
Debt service fund	-	-	(4,066)	(4,066)
Child nutrition fund	-	273,330	-	273,330
Other nonmajor funds	75,919	138,772	-	214,691
Total	<u>\$ 75,919</u>	<u>\$ (3,037,688)</u>	<u>\$ (23,200)</u>	<u>\$ (2,984,969)</u>

T. COMMITTED AND ASSIGNED FUND BALANCE

General Fund

The non-spendable fund balances were inventories of \$408,792 and prepaid items of \$259,866. The committed fund balance of \$69,000,000 is separated as follows:

Facilities maintenance, renovation, and repair	\$ 35,000,000
Land acquisition and modification	6,000,000
Campus and department carryover	4,000,000
Capital asset acquisition and maintenance	10,000,000
Contingency reserve	14,000,000
Total	<u>\$ 69,000,000</u>

The unassigned fund balance was \$30,090,230.

Other Major Funds

The debt service fund had a restricted fund balance of \$8,922,191 to be used for debt service payments. The capital projects fund had a restricted fund balance of \$4,609,433 and a committed fund balance of \$36,085,749 to be used for authorized construction and other capital asset acquisitions.

Nonmajor Funds

Special revenue funds had a restricted fund balance of \$5,685,687 for child nutrition and other grant obligations. Special revenue funds also had a committed fund balance of \$2,896,285 primarily for campus activities and other local programs, and non-spendable fund balance of \$6,531 for inventory and \$7,250 for prepaid items.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

U. INSTRUCTIONAL MATERIALS ALLOTMENT

In May 2011, Senate Bill 6 repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under the IMA, instructional material purchases must be made through TEA's online registration system. Instructional materials acquired through the IMA totaling \$1,758,838 are recorded as expenditures in the Instructional Materials fund and \$1,684,121 of revenue has been recorded in the fund.

V. 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.

W. 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 by 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 collectability of any related receivable at August 31, 2017 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 provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction Contracts – The funds in the capital project fund will be used for future school construction and renovation. At August 31, 2017 there were various construction contracts for renovations and new construction with unaccrued commitments totaling \$654,667.

X. SUBSEQUENT EVENTS

In October 2017, the District issued \$162,450,000 in Unlimited Tax Refunding Bonds, Series 2017A and Series 2017B, to be used for (1) refunding a portion of the outstanding Unlimited Tax Refunding Bonds, Series 2010 and Unlimited Tax School Building Bonds, Series 2011 for debt service savings and (2) to pay the costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget (Over) or Under
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 111,378,113	\$ 113,378,113	\$ 114,253,959	\$ (875,846)
5800	State program revenues	71,278,959	71,528,959	72,624,372	(1,095,413)
5900	Federal program revenues	450,000	2,200,000	2,514,195	(314,195)
5020	Total revenues	<u>183,107,072</u>	<u>187,107,072</u>	<u>189,392,526</u>	<u>(2,285,454)</u>
EXPENDITURES					
Current					
0011	Instruction	109,686,377	108,182,900	105,871,322	2,311,578
0012	Instructional resources and media services	2,501,072	2,512,066	2,422,530	89,536
0013	Curriculum and staff development	2,858,616	2,988,834	2,728,511	260,323
0021	Instructional leadership	2,163,177	2,205,186	2,057,703	147,483
0023	School leadership	10,406,507	10,217,716	10,051,247	166,469
0031	Guidance and counseling services	6,936,761	6,900,815	6,659,964	240,851
0032	Social work services	588,387	638,387	579,774	58,613
0033	Health services	2,225,021	2,262,355	2,139,984	122,371
0034	Student transportation	4,664,700	4,793,413	4,473,695	319,718
0035	Food service	23,099	73,099	63,202	9,897
0036	Co-curricular/extracurricular activities	4,489,426	4,766,558	4,537,942	228,616
0041	General administration	5,603,421	5,658,406	5,085,957	572,449
0051	Maintenance and operations	16,841,543	18,439,758	16,211,647	2,228,111
0052	Security and monitoring	921,297	945,107	882,490	62,617
0053	Data processing services	4,133,073	4,354,693	3,948,374	406,319
0061	Community services	64,295	101,256	73,297	27,959
0095	Juvenile justice alternative education program	22,500	72,500	55,470	17,030
Other intergovernmental					
0099	Other intergovernmental charges	805,800	805,800	761,346	44,454
6030	Total expenditures	<u>174,935,072</u>	<u>175,918,849</u>	<u>168,604,455</u>	<u>7,314,394</u>
Excess (deficiency) of revenues					
1100	over (under) expenditures	<u>8,172,000</u>	<u>11,188,223</u>	<u>20,788,071</u>	<u>(9,599,848)</u>
Other Financing Sources (Uses)					
7912	Sale of real or personal property	5,000	5,000	18,506	(13,506)
7915	Transfers in	900,000	900,000	900,000	-
8911	Transfers out	(5,077,000)	(10,739,884)	(10,739,884)	-
7080	Total other financing sources (uses)	<u>(4,172,000)</u>	<u>(9,834,884)</u>	<u>(9,821,378)</u>	<u>(13,506)</u>
1200	Net change in fund balance	4,000,000	1,353,339	10,966,693	(9,613,354)
0100	Fund balance - September 1 (beginning)	<u>88,792,195</u>	<u>88,792,195</u>	<u>88,792,195</u>	
3000	Fund balance - August 31 (ending)	<u>\$ 92,792,195</u>	<u>\$ 90,145,534</u>	<u>\$ 99,758,888</u>	<u>\$ (9,613,354)</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN
YEAR ENDED AUGUST 31, 2017

Exhibit G-2

Measurement period ending August 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1230620535%	0.1253919%	0.0828788%
District's proportionate share of the net pension liability	\$ 46,503,320	\$ 44,324,368	\$ 22,138,073
State's proportionate share of the net pension liability associated with the District	<u>\$ 75,891,668</u>	<u>\$ 74,414,323</u>	<u>\$ 64,059,757</u>
Total	<u><u>\$ 122,394,988</u></u>	<u><u>\$ 118,738,691</u></u>	<u><u>\$ 86,197,830</u></u>
District's covered employee payroll (for Measurement Year)	\$ 128,231,609	\$ 124,496,697	\$ 118,444,474
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	36.27%	35.60%	18.69%
Plan fiduciary net position as a percentage of the total pension liability*	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered employee payroll*	92.75%	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

*Per Teacher Retirement System of Texas' comprehensive annual financial report.

Ten years of data should be presented in this schedule, but data was unavailable prior to 2014.

Net pension liability and related ratios will be presented as data becomes available.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST THREE FISCAL YEARS

Fiscal year ending August 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,147,796	\$ 3,909,993	\$ 3,712,908
Contributions in relation to the contractually required contribution	<u>(4,147,796)</u>	<u>(3,909,993)</u>	<u>(3,712,908)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered employee payroll	\$ 133,047,929	\$ 128,231,609	\$ 124,496,697
Contributions as a percentage of covered employee payroll	3.12%	3.05%	2.98%

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2017

BUDGETARY DATA

The Board of Trustees 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 completed 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 adopted by the Board of Trustees. Once a budget is adopted, it can only be amended at the fund and function level by approval of a majority of the members of the Board. Fund and function 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.
4. Each budget is controlled by the budget owner at the revenue and expenditure function/object level. Budgeted amounts are as adopted and, if applicable, amended by the Board. Annual budgets are legally adopted for the General Fund, the National School Breakfast and Lunch Program and the Debt Service Fund. All budget appropriations lapse at year end.

DEFINED BENEFIT PENSION PLAN

Notes to Required Supplementary Information - Pension

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of benefit items

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

SUPPLEMENTARY INFORMATION - COMBINING STATEMENTS AND SCHEDULES

NON-MAJOR SPECIAL REVENUE FUNDS

Special revenue funds are funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds are as follows:

ESEA, Title X, Part C - Education for Homeless Children and Youth - this fund accounts for funds granted to support staff development and supplemental services, including in-service training, counseling, psychological services and tutoring.

ESEA, Title I, Part A - Improving Basic Programs - this fund accounts for funds granted to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the State content standards and to meet the State performance standards.

IDEA - Part B, Formula - this fund accounts for funds granted to operate educational programs for children with disabilities.

IDEA - Part B, Preschool - this fund accounts for funds granted to supplement and increase services beyond the level of State and local funds expended for preschool students ages 3-5 with disabilities.

National School Breakfast and Lunch Programs - this fund accounts for funds granted for programs using federal reimbursement revenues originating from the United States Department of Agriculture (USDA).

Summer Food Service Program for Children - this fund accounts for funds awarded from the Texas Department of Agriculture to provide meals to the community based on the average number of daily participants.

Title I, Part C, Carl D. Perkins - Basic Formula Grant - this fund accounts for funds granted 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 accounts for funds granted 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 in schools, and (2) hold local education agencies and schools accountable for improving student academic achievement.

Title III, Part A - English Language Acquisition, Language Enhancement, and Academic Achievement - this fund accounts for funds granted to provide supplemental resources to LEAs to help ensure that children who are limited English proficient (LEP) attain English proficiency at high levels in core academic basic subjects and can meet state mandated achievement performance standards.

Title III, Part A - Immigrant - this fund accounts for funds granted to develop programs for immigrant children to attain English proficiency, develop high levels of academic attainment, and meet the state content standards and student achievement standards.

Medicaid Administrative Claiming Program (MAC) - this fund accounts for reimbursements to the district for certain outreach and case management activities.

Federally Funded Special Revenue Funds - this fund accounts for funds not specifically defined elsewhere.

State Supplemental Visually Impaired (SSVI) - this fund accounts for State Supplemental Visually Impaired funds received from the Education Service Center.

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

Instructional Materials Allotment - this fund accounts for funds granted to school districts to purchase instructional materials, technology equipment, and technology related services.

High-Quality Prekindergarten - this fund accounts for funds granted to provide supplemental funding to districts and charter schools to implement new or enhance existing prekindergarten programs in addition to the half-day Foundation School Program (FSP) funding that is already received for each eligible four-year old prekindergarten student. The High-Quality Prekindergarten Grant program focuses on certain enhanced quality standards related to curriculum, teacher qualifications, academic performance, and family engagement.

State Funded Special Revenue Funds - this fund accounts for funds not specifically defined elsewhere.

Campus Activity Fund - this fund accounts for transactions related to a principal's activity fund if monies generated are not subject to recall by the District's board of trustees into the General Fund.

Campus Technology - this fund accounts for funds related to scheduled replacement of campus office computers.

Pre-K Core Knowledge - this fund accounts for the tuition and expenditures for the District's Pre-Kindergarten Core Knowledge program.

Locally Funded Special Revenue Funds - this fund accounts for funds not specifically defined elsewhere.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Assets	ESEA, Title X, Part C - Education for Homeless Children and Youth	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
Cash & temporary investments	\$ -	\$ -	\$ -	\$ -
Due from other governments	14,346	13,574	73,907	464
Accrued interest	-	-	-	-
Due from other funds	-	-	-	-
Inventories, at cost	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 14,346</u>	<u>\$ 13,574</u>	<u>\$ 73,907</u>	<u>\$ 464</u>
Liabilities and fund balance				
Accounts payable	\$ -	\$ 875	\$ 2,920	\$ -
Accrued wages payable	-	2,980	39,465	-
Due to other funds	14,346	9,719	31,522	464
Unearned revenue	-	-	-	-
Total liabilities	<u>14,346</u>	<u>13,574</u>	<u>73,907</u>	<u>464</u>
Fund balance				
Non-spendable - inventories	-	-	-	-
Non-spendable - prepaid items	-	-	-	-
Restricted - grant funds	-	-	-	-
Committed - other	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 14,346</u>	<u>\$ 13,574</u>	<u>\$ 73,907</u>	<u>\$ 464</u>

Special Revenue Funds

National School Breakfast and Lunch Programs	Summer Food Service Program for Children	Title I, Part C, Carl D. Perkins - Basic Formula Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	Title III, Part A - English Language Acquisition, Language Enhancement, and Academic Achievement	Title III, Part A - Immigrant	Medicaid Administrative Claiming Program
\$ 5,830,886	\$ 2,147	\$ -	\$ -	\$ -	\$ -	\$ -
273,330	-	5,901	7,187	2,039	1,655	-
1,008	-	-	-	-	-	-
-	-	-	-	-	-	-
6,531	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,111,755</u>	<u>\$ 2,147</u>	<u>\$ 5,901</u>	<u>\$ 7,187</u>	<u>\$ 2,039</u>	<u>\$ 1,655</u>	<u>\$ -</u>
\$ 405,157	\$ 443	\$ -	\$ 4,200	\$ -	\$ -	\$ -
14,380	1,704	-	-	396	1,244	-
-	-	5,901	2,987	1,643	411	-
-	-	-	-	-	-	-
<u>419,537</u>	<u>2,147</u>	<u>5,901</u>	<u>7,187</u>	<u>2,039</u>	<u>1,655</u>	<u>-</u>
6,531	-	-	-	-	-	-
-	-	-	-	-	-	-
5,685,687	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,692,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,111,755</u>	<u>\$ 2,147</u>	<u>\$ 5,901</u>	<u>\$ 7,187</u>	<u>\$ 2,039</u>	<u>\$ 1,655</u>	<u>\$ -</u>

(Continued)

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Assets	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	Advanced Placement Incentives	Instructional Materials Allotment	High-Quality Prekindergarten
Cash & temporary investments	\$ -	\$ -	\$ 263,108	\$ 103,367	\$ -
Due from other governments	75,920	-	-	-	19,698
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories, at cost	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 75,920</u>	<u>\$ -</u>	<u>\$ 263,108</u>	<u>\$ 103,367</u>	<u>\$ 19,698</u>
Liabilities and fund balance					
Accounts payable	\$ -	\$ -	\$ -	\$ 77,749	\$ -
Accrued wages payable	-	-	-	-	399
Due to other funds	75,920	-	-	-	19,299
Unearned revenue	-	-	-	-	-
Total liabilities	<u>75,920</u>	<u>-</u>	<u>-</u>	<u>77,749</u>	<u>19,698</u>
Fund balance					
Non-spendable - inventories	-	-	-	-	-
Non-spendable - prepaid items	-	-	-	-	-
Restricted - grant funds	-	-	-	-	-
Committed - other	-	-	263,108	25,618	-
Total fund balance	<u>-</u>	<u>-</u>	<u>263,108</u>	<u>25,618</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 75,920</u>	<u>\$ -</u>	<u>\$ 263,108</u>	<u>\$ 103,367</u>	<u>\$ 19,698</u>

Special Revenue Funds

State Funded Special Revenue Funds	Campus Activity Fund	Campus Technology	Pre-K Core Knowledge	Locally Funded Special Revenue Funds	Total Nonmajor Governmental Funds (See C-1)
1,859	\$ 2,197,776	\$ 166,716	\$ 226,091	\$ 36,485	\$ 8,828,435
-	-	-	-	-	488,021
-	-	-	-	-	1,008
-	162,212	-	-	-	162,212
-	-	-	-	-	6,531
-	7,250	-	-	-	7,250
<u>\$ 1,859</u>	<u>\$ 2,367,238</u>	<u>\$ 166,716</u>	<u>\$ 226,091</u>	<u>\$ 36,485</u>	<u>\$ 9,493,457</u>
\$ -	\$ 35,897	\$ -	\$ -	\$ -	\$ 527,241
-	26,248	-	37	-	86,853
-	-	-	-	-	162,212
-	-	-	121,398	-	121,398
-	62,145	-	121,435	-	897,704
-	-	-	-	-	6,531
-	7,250	-	-	-	7,250
-	-	-	-	-	5,685,687
1,859	2,297,843	166,716	104,656	36,485	2,896,285
1,859	2,305,093	166,716	104,656	36,485	8,595,753
<u>\$ 1,859</u>	<u>\$ 2,367,238</u>	<u>\$ 166,716</u>	<u>\$ 226,091</u>	<u>\$ 36,485</u>	<u>\$ 9,493,457</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, 2017

	ESEA, Title X, Part C - Education for Homeless Children and Youth	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
Revenues				
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	55,642	3,729,039	3,714,845	78,115
Total revenues	55,642	3,729,039	3,714,845	78,115
Expenditures				
Instruction	-	3,145,521	2,222,735	78,115
Instructional resources and media	-	-	-	-
Curriculum and staff development	-	48,057	8,334	-
Instructional leadership	115	170,248	145,839	-
School leadership	-	-	-	-
Guidance and counseling services	-	-	871,731	-
Social work services	55,527	144,337	-	-
Health services	-	3,460	35,104	-
Student transportation	-	-	431,055	-
Food service	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-
General administration	-	-	-	-
Maintenance and operations	-	-	-	-
Security and monitoring	-	-	-	-
Community services	-	217,416	47	-
Total expenditures	55,642	3,729,039	3,714,845	78,115
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - September 1 (beginning)	-	-	-	-
Fund balance - August 31 (ending)	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds						
National School Breakfast and Lunch Programs	Summer Food Service Program for Children	Title I, Part C, Carl D. Perkins - Basic Formula Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	Title III, Part A - English Language Acquisition, Language Enhancement, and Academic Achievement	Title III, Part A - Immigrant	Medicaid Administrative Claiming Program
\$ 3,414,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62,573	-	-	-	-	-	-
8,234,029	139,820	222,471	454,501	278,856	150,050	43,215
11,710,941	139,820	222,471	454,501	278,856	150,050	43,215
-	-	153,851	414,679	211,411	107,787	-
-	-	-	-	-	-	-
-	-	3,525	39,822	2,340	29,578	-
-	-	3,385	-	33,089	-	-
-	-	49,491	-	-	-	-
-	-	12,219	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	43,215
-	-	-	-	-	-	-
11,433,349	124,548	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
76,383	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	32,016	12,685	-
11,509,732	124,548	222,471	454,501	278,856	150,050	43,215
201,209	15,272	-	-	(0)	-	-
15,272	-	-	-	-	-	-
-	(15,272)	-	-	-	-	-
15,272	(15,272)	-	-	-	-	-
\$ 216,481	\$ -	\$ -	\$ -	\$ (0)	\$ -	\$ -
5,475,737	-	-	-	-	-	-
\$ 5,692,218	\$ -	\$ -	\$ -	\$ (0)	\$ -	\$ -

(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, 2017

	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	Advanced Placement Incentives	Instructional Materials Allotment	High-Quality Prekindergarten
Revenues					
Local, intermediate and out-of-state	\$ -	\$ -	\$ -	\$ 1,404	\$ -
State program revenues	-	9,045	22,620	1,684,121	349,767
Federal program revenues	116,061	-	27,560	-	-
Total revenues	116,061	9,045	50,180	1,685,525	349,767
Expenditures					
Instruction	63,540	9,045	7,167	1,758,838	206,720
Instructional resources and media	-	-	-	-	-
Curriculum and staff development	34,600	-	-	-	9,559
Instructional leadership	-	-	2,870	-	469
School leadership	-	-	-	-	-
Guidance and counseling services	-	-	7,648	-	-
Social work services	-	-	-	-	-
Health services	-	-	-	-	-
Student transportation	-	-	-	-	-
Food service	-	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Maintenance and operations	17,921	-	-	-	-
Security and monitoring	-	-	-	-	-
Community services	-	-	-	-	133,019
Total expenditures	116,061	9,045	17,685	1,758,838	349,767
Excess (deficiency) of revenues over (under) expenditures	-	-	32,495	(73,313)	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 32,495	\$ (73,313)	\$ -
Fund balance - September 1 (beginning)	-	-	230,613	98,931	-
Fund balance - August 31 (ending)	\$ -	\$ -	\$ 263,108	\$ 25,618	\$ -

Special Revenue Funds					
State Funded Special Revenue Funds	Campus Activity Fund	Campus Technology	Pre-K Core Knowledge	Locally Funded Special Revenue Funds	Total Nonmajor Governmental Funds (See C-3)
\$ -	\$ 2,388,796	\$ -	\$ 535,030	\$ 72,504	\$ 6,412,073
7,786	-	-	-	-	2,135,912
-	-	-	-	-	17,244,204
7,786	2,388,796	-	535,030	72,504	25,792,189
7,700	916,947	-	473,177	56,448	9,833,681
-	140,536	-	-	-	140,536
-	26,897	-	82,312	15,534	300,558
-	-	-	-	-	356,015
-	236,843	-	-	-	286,334
-	19,026	-	-	-	910,624
-	-	-	-	-	199,864
-	3,369	-	-	-	85,148
-	-	-	-	-	431,055
-	4,983	-	-	-	11,562,880
-	1,391,615	-	-	-	1,391,615
-	16,940	-	-	-	16,940
-	34,778	-	-	-	129,082
-	18,221	-	-	-	18,221
-	2,487	-	15,901	-	413,571
7,700	2,812,642	-	571,390	71,982	26,076,124
86	(423,846)	-	(36,360)	522	(283,935)
-	560,480	77,000	-	-	652,752
-	-	-	-	(1,549)	(16,821)
-	560,480	77,000	-	(1,549)	635,931
\$ 86	\$ 136,634	\$ 77,000	\$ (36,360)	\$ (1,027)	\$ 351,996
1,773	2,168,459	89,716	141,016	37,512	8,243,757
\$ 1,859	\$ 2,305,093	\$ 166,716	\$ 104,656	\$ 36,485	\$ 8,595,753

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INTERNAL SERVICE FUNDS

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

Workers' Compensation - this fund accounts for costs associated with the workers' compensation self-funded program.

Tech Trades - 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 - this fund accounts for catering services costs for schools and various organizations within the district.

Print Shop - this fund accounts 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 POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2017

	<u>Workers'</u> <u>compensation</u>	<u>Tech trades</u>	<u>Catering</u>	<u>Print shop</u>	<u>Total Internal</u> <u>Service Funds</u> <u>(See D-1)</u>
Assets					
Current Assets					
Cash & temporary investments	\$ 5,410,432	\$ 31,644	\$ 70,307	\$ 5,958	\$ 5,518,341
Total assets	<u>\$ 5,410,432</u>	<u>\$ 31,644</u>	<u>\$ 70,307</u>	<u>\$ 5,958</u>	<u>\$ 5,518,341</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 38,969	\$ 460	\$ -	\$ 21,939	\$ 61,368
Accrued wages payable	-	-	172	2,400	2,572
Other accrued expenses	813,071	-	-	-	813,071
Total liabilities	<u>852,040</u>	<u>460</u>	<u>172</u>	<u>24,339</u>	<u>877,011</u>
Net Position					
Unrestricted	<u>\$ 4,558,392</u>	<u>\$ 31,184</u>	<u>\$ 70,135</u>	<u>\$ (18,381)</u>	<u>\$ 4,641,330</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2017

	<u>Workers' compensation</u>	<u>Tech trades</u>	<u>Catering</u>	<u>Print shop</u>	<u>Total Internal Service Funds (See D-2)</u>
Operating Revenues					
Charges for services	\$ 1,706,849	\$ 30,903	\$ 6,946	\$ 40,402	\$ 1,785,100
Total operating revenues	<u>1,706,849</u>	<u>30,903</u>	<u>6,946</u>	<u>40,402</u>	<u>1,785,100</u>
Operating Expenses					
Payroll	87,522	2,123	1,342	50,571	141,558
Insurance claims	573,657	-	-	-	573,657
Contracted services	45,166	499	-	37,787	83,452
Supplies and materials	11,638	21,724	4,359	40,985	78,706
Other operating costs	48,788	950	-	-	49,738
Total operating expenses	<u>766,771</u>	<u>25,296</u>	<u>5,701</u>	<u>129,343</u>	<u>927,111</u>
Operating income (loss)	<u>940,078</u>	<u>5,607</u>	<u>1,245</u>	<u>(88,941)</u>	<u>857,989</u>
Nonoperating Revenues					
Investment earnings	<u>42,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,489</u>
Income before transfers	<u>982,567</u>	<u>5,607</u>	<u>1,245</u>	<u>(88,941)</u>	<u>900,478</u>
Transfers out	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
Change in net position	582,567	5,607	1,245	(88,941)	500,478
Total net position - September 1 (beginning)	<u>3,975,825</u>	<u>25,577</u>	<u>68,890</u>	<u>70,560</u>	<u>4,140,852</u>
Total net position - August 31 (ending)	<u>\$ 4,558,392</u>	<u>\$ 31,184</u>	<u>\$ 70,135</u>	<u>\$ (18,381)</u>	<u>\$ 4,641,330</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2017

	<u>Workers'</u> <u>compensation</u>	<u>Tech trades</u>	<u>Catering</u>	<u>Print shop</u>	<u>Total Internal Service</u> <u>Funds (See D-3)</u>
<u>Cash flows from operating activities</u>					
Cash received from user charges	\$ 1,706,849	\$ 30,903	\$ 6,946	\$ 40,402	\$ 1,785,100
Cash payments to employees for services	(87,522)	(2,123)	(1,236)	(50,199)	(141,080)
Cash payments for contracted services	(45,166)	(499)	-	(37,787)	(83,452)
Cash payments for insurance claims	(393,712)	-	-	-	(393,712)
Cash payments for supplies	(11,638)	(21,371)	(4,963)	(19,070)	(57,042)
Cash payments for other operating expenses	(48,788)	(950)	-	-	(49,738)
Net cash provided by (used in) operating activities	<u>1,120,023</u>	<u>5,960</u>	<u>747</u>	<u>(66,654)</u>	<u>1,060,076</u>
<u>Cash flows from noncapital financing activities</u>					
Transfers to other funds	(400,000)	-	-	-	(400,000)
Net cash used in noncapital financing activities	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
<u>Cash flows from investing activities</u>					
Interest received	42,489	-	-	-	42,489
Net cash provided by investing activities	<u>42,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,489</u>
Net increase (decrease) in cash and cash equivalents	762,512	5,960	747	(66,654)	702,565
Cash and cash equivalents at beginning of the year	<u>4,647,920</u>	<u>25,684</u>	<u>69,560</u>	<u>72,612</u>	<u>4,815,776</u>
Cash and cash equivalents at end of the year	<u>\$ 5,410,432</u>	<u>\$ 31,644</u>	<u>\$ 70,307</u>	<u>\$ 5,958</u>	<u>\$ 5,518,341</u>
<u>Reconciliation of operating income (loss) to net cash</u> <u>provided by (used in) operating activities</u>					
Operating income (loss)	\$ 940,078	\$ 5,607	\$ 1,245	\$ (88,941)	\$ 857,989
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Increase (decrease) in accounts payable	26,435	353	(604)	21,915	48,099
Increase in accrued wages	-	-	106	372	478
Increase in other accrued expenses	153,510	-	-	-	153,510
Net cash provided by (used in) operating activities	<u>\$ 1,120,023</u>	<u>\$ 5,960</u>	<u>\$ 747</u>	<u>\$ (66,654)</u>	<u>\$ 1,060,076</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 - this fund accounts for the receipt and disbursement of monies from student activity organizations.

Flex Spending Fund - this fund accounts for costs associated with the IRS flexible medical and dependent care spending account offered to the District employees through payroll deductions.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED AUGUST 31, 2017

		Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
Student Activity Fund					
Assets					
Cash and temporary investments		\$ 285,023	\$ 431,868	\$ 435,459	\$ 281,432
Other current assets		-	5,000	-	5,000
Total assets		<u>\$ 285,023</u>	<u>\$ 436,868</u>	<u>\$ 435,459</u>	<u>\$ 286,432</u>
Liabilities					
Accounts payable		\$ 8,291	\$ 3,705	\$ 8,291	\$ 3,705
Due from other funds		4,309	-	4,309	-
Due to student groups		272,423	352,252	341,948	282,727
Total liabilities		<u>\$ 285,023</u>	<u>\$ 355,957</u>	<u>\$ 354,548</u>	<u>\$ 286,432</u>
Flexible Spending Fund					
Assets					
Cash and temporary investments		\$ 146,330	\$ 19,635	\$ 41,000	\$ 124,965
Due from other sources		48,614	617,111	589,999	75,726
Total assets		<u>\$ 194,944</u>	<u>\$ 636,746</u>	<u>\$ 630,999</u>	<u>\$ 200,691</u>
Liabilities					
Due to employees		\$ 194,944	\$ 577,346	\$ 571,599	\$ 200,691
Total liabilities		<u>\$ 194,944</u>	<u>\$ 577,346</u>	<u>\$ 571,599</u>	<u>\$ 200,691</u>
Total Agency Funds					
Assets					
Cash and temporary investments		\$ 431,353	\$ 451,503	\$ 476,459	\$ 406,397
Other current assets		-	5,000	-	5,000
Due from other sources		48,614	617,111	589,999	75,726
Total assets		<u>\$ 479,967</u>	<u>\$ 1,073,614</u>	<u>\$ 1,066,458</u>	<u>\$ 487,123</u>
Liabilities					
Accounts payable		\$ 8,291	\$ 3,705	\$ 8,291	\$ 3,705
Due from other funds		4,309	-	4,309	-
Due to student groups		272,423	352,252	341,948	282,727
Due to employees		194,944	577,346	571,599	200,691
Total liabilities		<u>\$ 479,967</u>	<u>\$ 933,303</u>	<u>\$ 926,147</u>	<u>\$ 487,123</u>

TEXAS EDUCATION AGENCY REQUIRED SCHEDULES

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2017

	1	2	3	10
	Tax rates		Assessed or appraised valuation	Delinquent balance by year September 1
Years ended August 31,	Maintenance	Debt Service		
2008 or prior	Various	Various	Various	\$ 2,425,613
2009	1.0400	0.2555	8,509,614,475	158,979
2010	1.0400	0.2555	8,566,619,851	266,668
2011	1.0400	0.2482	8,451,571,654	179,289
2012	1.0400	0.3740	8,508,099,394	245,478
2013	1.0400	0.3675	8,649,491,017	226,118
2014	1.0400	0.3475	8,941,327,326	242,723
2015	1.0400	0.3350	9,592,152,999	540,901
2016	1.0400	0.3100	9,176,034,157	1,304,761
2017 (current)	1.0400	0.2760	10,771,940,001	—
Totals				\$ 5,590,530

20	31	32	30	40	50 Delinquent balance by year August 31, 2017
Current year's total levy	Maintenance Collections	Debt Service Collections	Total collections	Adjustments	
\$ —	\$ 29,295	\$ 5,475	\$ 34,770	\$ (228,865)	\$ 2,161,978
—	6,743	1,656	8,399	1,490	152,070
—	9,308	2,287	11,595	(785)	254,288
—	5,855	1,397	7,252	(1,928)	170,109
—	6,723	2,418	9,141	(33,045)	203,292
—	11,963	4,227	16,190	(19,753)	190,175
—	45,978	15,363	61,341	(117)	181,265
—	108,682	35,008	143,690	(162,374)	234,837
—	447,155	133,287	580,442	(11,076)	713,243
<u>137,694,774</u>	<u>110,528,998</u>	<u>29,332,693</u>	<u>139,861,691</u>	<u>3,565,026</u>	<u>1,398,109</u>
<u>\$ 137,694,774</u>	<u>\$ 111,200,700</u>	<u>\$ 29,533,811</u>	<u>\$ 140,734,511</u>	<u>\$ 3,108,573</u>	<u>\$ 5,659,366</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP Basis)
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts			Variance With Final Budget (Over) or Under
		Original	Final	Actual Amounts	
REVENUES					
5700	Local and intermediate sources	\$ 2,985,456	\$ 2,985,456	\$ 3,414,339	\$ (428,883)
5800	State program revenues	55,641	55,641	62,573	(6,932)
5900	Federal program revenues	8,071,555	8,071,555	8,234,029	(162,474)
5020	Total revenues	11,112,652	11,112,652	11,710,941	(598,289)
EXPENDITURES					
0035	Food service	13,212,900	13,212,900	11,433,349	1,779,551
0051	Maintenance and operations	76,383	76,383	76,383	-
0052	Security and monitoring	-	-	-	-
6030	Total expenditures	13,289,283	13,289,283	11,509,732	1,779,551
Excess (deficiency) of revenues					
1100	over (under) expenditures	(2,176,631)	(2,176,631)	201,209	(2,377,840)
Other Financing Sources (Uses)					
7915	Transfers in	-	-	15,272	(15,272)
7080	Total other financing sources (uses)	-	-	15,272	(15,272)
1200	Net change in fund balance	\$ (2,176,631)	\$ (2,176,631)	\$ 216,481	\$ (2,393,112)
0100	Fund balance - September 1 (beginning)	5,475,737	5,475,737	5,475,737	-
3000	Fund balance - August 31 (ending)	\$ 3,299,106	\$ 3,299,106	\$ 5,692,218	\$ (2,393,112)

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP Basis)
DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts			Variance With Final Budget (Over) or Under
		Original	Final	Actual Amounts	
REVENUES					
5700	Local and intermediate sources	\$ 29,057,132	\$ 29,057,132	\$ 29,861,993	\$ (804,861)
5800	State program revenues	825,802	825,802	831,690	(5,888)
5020	Total revenues	29,882,934	29,882,934	30,693,683	(810,749)
EXPENDITURES					
0071	Debt service - principal on long-term debt	11,957,689	11,957,689	11,957,689	-
0072	Debt service - interest on long-term debt	17,917,745	17,917,745	17,917,744	1
0073	Debt service - bond issuance cost and fees	7,500	7,500	2,948	4,552
6030	Total expenditures	29,882,934	29,882,934	29,878,381	4,553
Excess of revenues					
1100	over expenditures	-	-	815,302	(815,302)
1200	Net change in fund balance	-	-	815,302	(815,302)
0100	Fund balance - September 1 (beginning)	8,106,889	8,106,889	8,106,889	-
3000	Fund balance - August 31 (ending)	\$ 8,106,889	\$ 8,106,889	\$ 8,922,191	\$ (815,302)

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STATISTICAL SECTION
(Unaudited)

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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 assess 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment				
in capital assets	\$ (13,042,146)	\$ (18,395,943)	\$ (22,462,462)	\$ (24,968,464)
Restricted	2,221,063	3,257,514	4,501,767	12,545,449
Unrestricted	42,904,724	53,752,487	65,312,522	75,191,024
Total Governmental Net Position	<u>\$ 32,083,641</u>	<u>\$ 38,614,058</u>	<u>\$ 47,351,827</u>	<u>\$ 62,768,009</u>
Business-Type Activities				
Net investment				
in capital assets	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—
Unrestricted	—	—	884,584	532,852
Total Business-Type Net Position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 884,584</u>	<u>\$ 532,852</u>
Total Primary Government				
Net investment				
in capital assets	\$ (13,042,146)	\$ (18,395,943)	\$ (22,462,462)	\$ (24,968,464)
Restricted	2,221,063	3,257,514	4,501,767	12,545,449
Unrestricted	42,904,724	53,752,487	66,197,106	75,723,876
Total Primary Government Net Position	<u>\$ 32,083,641</u>	<u>\$ 38,614,058</u>	<u>\$ 48,236,411</u>	<u>\$ 63,300,861</u>

Schedule 1

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (26,195,799)	\$ (19,681,276)	\$ 1,740,718	\$ 4,204,062	\$ 16,583,665	\$ 26,374,493
12,652,448	14,776,503	14,865,637	12,674,504	14,020,036	15,137,689
93,754,964	98,716,010	92,910,772	93,332,672	105,560,374	117,532,532
<u>\$ 80,211,613</u>	<u>\$ 93,811,237</u>	<u>\$ 109,517,127</u>	<u>\$ 110,211,238</u>	<u>\$ 136,164,075</u>	<u>\$ 159,044,714</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
636,553	276,599	358,736	520,618	596,046	573,094
<u>\$ 636,553</u>	<u>\$ 276,599</u>	<u>\$ 358,736</u>	<u>\$ 520,618</u>	<u>\$ 596,046</u>	<u>\$ 573,094</u>
\$ (26,195,799)	\$ (19,681,276)	\$ 1,740,718	\$ 4,204,062	\$ 16,583,665	\$ 26,374,493
12,652,448	14,776,503	14,865,637	12,674,504	14,020,036	15,137,689
94,391,517	98,992,609	93,269,508	93,853,290	106,156,420	118,105,626
<u>\$ 80,848,166</u>	<u>\$ 94,087,836</u>	<u>\$ 109,875,863</u>	<u>\$ 110,731,856</u>	<u>\$ 136,760,121</u>	<u>\$ 159,617,808</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Expenses, Program Revenues, and Net (Expense)/Revenue

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Expenses by function	2008	2009	2010	2011
Governmental activities:				
Instruction	\$ 100,115,053	\$ 103,284,370	\$ 108,329,333	\$ 108,020,977
Instructional resources & media services	2,986,858	2,753,186	2,840,423	3,742,050
Curriculum and staff development	3,111,620	3,374,375	3,410,622	3,249,869
Instructional leadership	1,914,495	2,079,054	2,114,017	2,034,095
School leadership	9,605,865	9,661,878	9,537,018	9,658,587
Guidance and counseling services	6,899,080	7,158,865	7,199,051	6,962,607
Social work services	475,657	493,394	542,794	556,460
Health services	1,863,388	1,980,903	2,001,392	1,923,735
Student transportation	3,029,782	2,986,197	3,213,528	3,381,918
Food service	7,431,378	7,545,630	7,960,379	8,896,988
Co-curricular/extracurricular activities	5,438,441	5,263,787	5,615,394	5,441,159
General administration	3,910,315	4,060,199	4,007,514	4,237,873
Plant maintenance and operations	14,493,713	15,415,206	15,775,662	15,050,429
Security and monitoring services	814,667	869,982	834,336	779,536
Data processing services	3,638,339	3,735,441	3,896,995	3,762,137
Community services	1,407,095	1,563,542	396,389	458,645
Debt service - interest and fees on long-term debt	16,082,803	15,172,325	14,726,635	11,828,936
Contracted instructional	14,842	19,170	—	—
Juvenile justice alternative education program	14,625	10,375	24,125	2,375
Other intergovernmental charges	598,661	637,303	650,452	649,301
Total governmental expenses	<u>\$ 183,846,677</u>	<u>\$ 188,065,182</u>	<u>\$ 193,076,059</u>	<u>\$ 190,637,677</u>
Business-type activities:				
Extended day services	\$ —	\$ —	\$ 2,221,550	\$ 1,503,289
Total Primary Government Expenses	<u>\$ 183,846,677</u>	<u>\$ 188,065,182</u>	<u>\$ 195,297,609</u>	<u>\$ 192,140,966</u>
Program Revenues				
Governmental activities:				
Charges for services				
Instruction	\$ 99,697	\$ 90,732	\$ 98,925	\$ 91,428
Instructional resources and media services	—	—	—	—
Curriculum and staff development	—	—	—	—
School leadership	—	—	—	—
Guidance and counseling services	—	—	—	—
Social work services	—	—	—	—
Health services	—	—	—	—
Student transportation	—	—	—	—
Food service	3,652,606	3,719,003	3,378,091	3,209,174
Co-curricular/extracurricular services	525,692	521,069	484,605	514,943
General administration	—	—	—	—
Plant maintenance and operations	505,345	501,084	440,035	492,920
Security and monitoring services	—	—	—	—
Data processing services	—	—	—	—
Community services	—	—	—	—
Operating grants and contributions	25,343,721	28,151,592	35,332,208	34,800,240
Total governmental program revenues	<u>30,127,061</u>	<u>32,983,480</u>	<u>39,733,864</u>	<u>39,108,705</u>
Business-type activities				
Charges for services	\$ —	\$ —	\$ 2,175,315	\$ 2,283,559
Total business-type activities revenues	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,175,315</u>	<u>\$ 2,283,559</u>
Total Primary Government Revenues	<u>\$ 30,127,061</u>	<u>\$ 32,983,480</u>	<u>\$ 41,909,179</u>	<u>\$ 41,392,264</u>
Net (Expense)/Revenue				
Total primary government net expense	<u>\$ (153,719,616)</u>	<u>\$ (155,081,702)</u>	<u>\$ (153,388,430)</u>	<u>\$ (150,748,702)</u>

Schedule 2

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 111,039,082	\$ 111,492,523	\$ 111,078,006	\$ 112,968,442	\$ 121,340,167	\$ 131,826,288
2,425,289	2,329,131	2,496,469	2,545,275	2,747,096	2,940,802
2,874,207	2,561,519	2,818,037	2,838,684	3,382,001	3,690,356
2,266,882	2,159,302	2,124,495	2,353,852	2,550,029	2,694,119
9,662,891	9,807,094	9,957,175	10,488,800	11,497,851	11,988,748
6,890,930	7,056,441	7,233,773	7,680,282	8,076,076	8,632,914
571,689	687,337	709,408	721,998	764,470	811,527
1,920,753	1,989,305	2,010,771	2,113,607	2,372,931	2,537,303
3,536,540	3,949,383	3,955,100	4,254,762	4,532,814	5,125,141
9,020,670	8,843,422	9,371,710	9,656,425	10,455,808	11,314,112
5,193,290	5,405,116	5,354,416	5,742,981	6,069,578	6,556,564
4,118,796	4,185,830	4,399,247	4,428,016	4,864,989	5,452,596
14,630,314	14,300,611	15,629,249	16,886,392	18,004,751	17,704,345
858,975	1,148,050	931,706	922,635	1,065,500	1,007,759
4,125,634	4,205,302	4,271,269	4,254,918	4,533,861	5,272,250
336,993	142,639	190,905	226,473	281,053	488,224
16,847,892	16,265,343	17,336,054	14,160,123	13,053,831	13,354,532
—	—	—	—	—	—
—	9,750	5,289	12,642	7,611	55,470
703,318	726,074	722,295	760,734	714,384	761,346
<u>\$ 197,024,145</u>	<u>\$ 197,264,172</u>	<u>\$ 200,595,374</u>	<u>\$ 203,017,041</u>	<u>\$ 216,314,801</u>	<u>\$ 232,214,396</u>
<u>\$ 1,147,358</u>	<u>\$ 1,241,623</u>	<u>\$ 1,257,850</u>	<u>\$ 1,307,741</u>	<u>\$ 1,331,290</u>	<u>\$ 1,336,961</u>
<u>\$ 198,171,503</u>	<u>\$ 198,505,795</u>	<u>\$ 201,853,224</u>	<u>\$ 204,324,782</u>	<u>\$ 217,646,091</u>	<u>\$ 233,551,357</u>
\$ 112,066	\$ 87,291	\$ 72,379	\$ 104,387	\$ 129,335	\$ 100,350
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
3,039,535	2,848,209	2,706,225	2,982,993	3,209,741	3,404,257
331,680	336,426	295,526	395,865	364,926	321,510
—	—	—	—	—	—
536,389	437,380	412,040	430,730	399,616	354,271
—	7,489	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
32,756,374	27,557,856	30,687,883	30,135,722	34,320,753	40,075,836
<u>36,776,044</u>	<u>31,274,651</u>	<u>34,174,053</u>	<u>34,049,697</u>	<u>38,424,371</u>	<u>44,256,224</u>
<u>\$ 1,983,941</u>	<u>\$ 1,968,222</u>	<u>\$ 2,066,585</u>	<u>\$ 2,278,357</u>	<u>\$ 2,377,336</u>	<u>\$ 2,360,056</u>
<u>\$ 1,983,941</u>	<u>\$ 1,968,222</u>	<u>\$ 2,066,585</u>	<u>\$ 2,278,357</u>	<u>\$ 2,377,336</u>	<u>\$ 2,360,056</u>
<u>\$ 38,759,985</u>	<u>\$ 33,242,873</u>	<u>\$ 36,240,638</u>	<u>\$ 36,328,054</u>	<u>\$ 40,801,707</u>	<u>\$ 46,616,280</u>
<u>\$ (159,411,518)</u>	<u>\$ (165,262,922)</u>	<u>\$ (165,612,586)</u>	<u>\$ (167,996,728)</u>	<u>\$ (176,844,384)</u>	<u>\$ (186,935,077)</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

General Revenues and Total Change in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue				
Governmental activities	\$ (153,719,616)	\$ (155,081,702)	\$ (153,342,195)	\$ (151,528,972)
Business-type activities	—	—	(46,235)	780,270
Total Net Expenses	<u>\$ (153,719,616)</u>	<u>\$ (155,081,702)</u>	<u>\$ (153,388,430)</u>	<u>\$ (150,748,702)</u>
 General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purposes	83,590,286	88,613,301	88,202,870	85,275,737
Property taxes levied for debt service	21,094,490	21,721,284	21,632,299	20,324,739
State aid - formula grants	52,913,100	48,412,841	50,804,880	56,240,786
Miscellaneous local and intermediate	1,037,809	1,168,424	2,334,396	782,767
Investment earnings	3,347,497	1,690,820	796,766	618,994
Transfers in (out)	—	—	(930,819)	1,132,002
Special Item	1,361,112	5,449	(760,428)	2,570,129
Total governmental activities revenues	<u>163,344,294</u>	<u>161,612,119</u>	<u>162,079,964</u>	<u>166,945,154</u>
Business-type activities:				
Transfers in (out)	<u>—</u>	<u>—</u>	<u>930,819</u>	<u>(1,132,002)</u>
Total general revenues and other changes	<u>\$ 163,344,294</u>	<u>\$ 161,612,119</u>	<u>\$ 163,010,783</u>	<u>\$ 165,813,152</u>
 Change in Net Position				
Governmental activities	\$ 9,624,678	\$ 6,530,417	\$ 8,737,769	\$ 15,416,182
Business-type activities	—	—	884,584	(351,732)
Total primary government	<u>\$ 9,624,678</u>	<u>\$ 6,530,417</u>	<u>\$ 9,622,353</u>	<u>\$ 15,064,450</u>

Schedule 3

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (160,248,101)	\$ (165,989,521)	\$ (166,421,321)	\$ (168,967,344)	\$ (177,890,430)	\$ (187,958,172)
836,583	726,599	808,735	970,616	1,046,046	1,023,095
<u>\$ (159,411,518)</u>	<u>\$ (165,262,922)</u>	<u>\$ (165,612,586)</u>	<u>\$ (167,996,728)</u>	<u>\$ (176,844,384)</u>	<u>\$ (186,935,077)</u>
86,569,499	88,147,440	90,922,907	97,775,691	100,415,176	111,853,659
31,001,833	31,058,000	30,327,043	31,451,260	29,897,309	29,666,816
57,285,384	52,594,103	60,211,733	63,492,821	67,267,056	66,085,444
608,011	5,997,738	729,879	628,678	2,045,625	751,050
774,674	705,311	645,038	586,803	822,655	1,435,795
732,882	1,086,553	726,598	808,734	970,618	1,046,047
719,422	—	(1,435,987)	—	2,424,828	—
<u>177,691,705</u>	<u>179,589,145</u>	<u>182,127,211</u>	<u>194,743,987</u>	<u>203,843,267</u>	<u>210,838,811</u>
<u>(732,882)</u>	<u>(1,086,553)</u>	<u>(726,598)</u>	<u>(808,734)</u>	<u>(970,618)</u>	<u>(1,046,047)</u>
<u>\$ 176,958,823</u>	<u>\$ 178,502,592</u>	<u>\$ 181,400,613</u>	<u>\$ 193,935,253</u>	<u>\$ 202,872,649</u>	<u>\$ 209,792,764</u>
\$ 17,443,604	\$ 13,599,624	\$ 15,705,890	\$ 25,776,643	\$ 25,952,837	\$ 22,880,639
103,701	(359,954)	82,137	161,882	75,428	(22,952)
<u>\$ 17,547,305</u>	<u>\$ 13,239,670</u>	<u>\$ 15,788,027</u>	<u>\$ 25,938,525</u>	<u>\$ 26,028,265</u>	<u>\$ 22,857,687</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Non-spendable	\$ 521,865	\$ 546,139	\$ 580,536	\$ 587,582
Restricted	—	—	—	—
Committed	29,203,320	29,203,320	42,500,000	48,000,000
Unassigned	26,813,585	33,605,640	26,997,669	27,346,092
Total general fund	<u><u>\$ 56,538,770</u></u>	<u><u>\$ 63,355,099</u></u>	<u><u>\$ 70,078,205</u></u>	<u><u>\$ 75,933,674</u></u>
 All Other Governmental Funds				
Non-spendable	\$ 74,112	\$ 31,483	\$ 7,731	\$ 7,836
Restricted	5,125,036	7,989,676	10,479,946	147,760,898
Committed	3,604,860	3,913,290	3,127,587	9,650,003
Unassigned	—	—	—	—
Total all other governmental funds	<u><u>\$ 8,804,008</u></u>	<u><u>\$ 11,934,449</u></u>	<u><u>\$ 13,615,264</u></u>	<u><u>\$ 157,418,737</u></u>

Note: General Governmental Fund Balances includes fund balances from the following funds: General, Debt Service, Capital Projects, and Special Revenue Funds.

Schedule 4

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 680,472	\$ 542,732	\$ 492,655	\$ 761,371	\$ 637,082	\$ 668,658
—	—	—	—	—	—
43,000,000	41,000,000	45,000,000	55,000,000	62,000,000	69,000,000
23,861,655	22,903,830	24,615,370	24,439,434	26,155,113	30,090,230
<u>\$ 67,542,127</u>	<u>\$ 64,446,562</u>	<u>\$ 70,108,025</u>	<u>\$ 80,200,805</u>	<u>\$ 88,792,195</u>	<u>\$ 99,758,888</u>
\$ 20,710	\$ 42,158	\$ 29,110	\$ 13,498	\$ 2,195	\$ 13,781
114,001,129	58,837,896	24,142,921	19,560,795	20,233,817	19,217,311
33,559,526	39,042,597	25,992,820	28,732,700	35,261,672	38,982,034
—	—	—	—	—	—
<u>\$ 147,581,365</u>	<u>\$ 97,922,651</u>	<u>\$ 50,164,851</u>	<u>\$ 48,306,993</u>	<u>\$ 55,497,684</u>	<u>\$ 58,213,126</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Local Sources:				
Local maintenance and debt service tax	\$ 104,740,077	\$ 111,089,410	\$ 109,739,637	\$ 105,962,637
Tuition from patrons	527,997	594,036	497,495	502,726
Other revenue from local sources	4,902,307	3,498,486	3,082,612	2,091,394
Co-curricular revenues	8,182,949	8,360,617	5,860,967	5,715,991
Other revenue from intermediate sources	55,532	44,130	35,635	47,220
Total Local Sources	<u>118,408,862</u>	<u>123,586,679</u>	<u>119,216,346</u>	<u>114,319,968</u>
State Sources:				
Per capita and foundation	54,496,426	50,022,160	50,905,125	56,272,185
Other state program revenues	<u>7,891,772</u>	<u>8,260,126</u>	<u>9,247,638</u>	<u>9,577,078</u>
Total State Sources	<u>62,388,198</u>	<u>58,282,286</u>	<u>60,152,763</u>	<u>65,849,263</u>
Federal Sources:				
Federal Grants	<u>11,213,792</u>	<u>13,476,011</u>	<u>23,431,695</u>	<u>22,544,658</u>
Total Revenues	<u>\$ 192,010,852</u>	<u>\$ 195,344,976</u>	<u>\$ 202,800,804</u>	<u>\$ 202,713,889</u>

Note: General Governmental Funds Revenues include those received by the following funds: General, Debt Service, Capital Projects, and Special Revenue Funds.

Schedule 5

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 117,413,874	\$ 119,453,877	\$ 121,166,877	\$ 128,100,599	\$ 129,889,502	\$ 141,461,964
539,785	453,562	448,738	608,533	695,310	683,644
2,084,049	2,181,312	1,951,876	1,945,867	2,322,165	2,779,549
5,464,052	5,261,052	5,045,486	5,391,078	5,659,558	5,800,695
8,524	45,000	—	30,000	—	20,000
<u>125,510,284</u>	<u>127,394,803</u>	<u>128,612,977</u>	<u>136,076,077</u>	<u>138,566,535</u>	<u>150,745,852</u>
57,285,204	52,593,803	60,169,961	62,017,885	66,357,420	65,214,427
<u>9,488,241</u>	<u>6,911,567</u>	<u>10,004,605</u>	<u>11,032,130</u>	<u>9,142,186</u>	<u>10,377,547</u>
<u>66,773,445</u>	<u>59,505,370</u>	<u>70,174,566</u>	<u>73,050,015</u>	<u>75,499,606</u>	<u>75,591,974</u>
<u>20,574,258</u>	<u>17,964,654</u>	<u>18,127,045</u>	<u>17,842,521</u>	<u>18,833,229</u>	<u>19,758,399</u>
<u>\$ 212,857,987</u>	<u>\$ 204,864,827</u>	<u>\$ 216,914,588</u>	<u>\$ 226,968,613</u>	<u>\$ 232,899,370</u>	<u>\$ 246,096,225</u>

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenditures by Function				
Instruction	\$ 94,269,560	\$ 97,232,937	\$ 103,337,415	\$ 103,386,692
Instructional resources and media services	2,684,912	2,590,625	2,651,767	2,690,745
Curriculum and staff development	3,099,367	3,077,974	3,164,489	3,092,446
Instructional leadership	1,841,963	2,081,493	2,117,197	2,048,486
School leadership	8,959,041	9,039,498	8,967,867	9,278,597
Guidance and counseling services	6,551,476	6,765,257	6,823,113	6,949,035
Social work services	471,618	525,483	538,993	562,493
Health services	1,723,306	1,869,247	1,894,510	1,923,011
Student transportation	3,006,607	2,859,269	3,598,029	3,350,005
Food service	7,332,834	7,551,749	8,445,619	9,030,588
Co-curricular/extracurricular activities	5,085,839	4,992,133	5,674,515	5,060,042
General administration	3,879,502	4,060,058	4,006,630	4,298,643
Plant maintenance and operations	14,599,072	14,730,191	15,171,917	15,168,174
Security and monitoring services	753,423	800,538	773,105	735,034
Data processing services	3,091,395	3,293,341	3,293,237	3,601,469
Community services	1,400,768	1,560,473	389,787	456,417
Debt service				
Principal	2,674,902	2,778,461	2,705,306	5,879,847
Interest	17,847,675	17,742,641	17,795,096	13,345,394
Cost and fees	1,780	1,175	894,104	1,036,394
Facilities acquisition and construction	690,225	1,203,434	1,227,345	1,779,979
Contracted instructional	14,842	—	—	—
Juvenile justice alternative educational program	14,625	10,375	24,125	2,375
Other intergovernmental charges	598,661	637,303	650,452	649,301
Total Expenditures	<u>\$ 180,593,393</u>	<u>\$ 185,403,655</u>	<u>\$ 194,144,618</u>	<u>\$ 194,325,167</u>
Debt service as a percentage of noncapital expenditures	11.49%	11.18%	11.24%	10.61%

Note: General Governmental Expenditures include those made by the following funds: General, Debt Service, Capital Projects, and Special Revenue Funds.

Schedule 6

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 107,419,003	\$ 107,838,054	\$ 105,579,751	\$ 107,743,088	\$ 110,015,918	\$ 117,447,507
2,295,263	2,235,638	2,364,542	2,427,546	2,486,314	2,563,066
2,650,592	2,341,202	2,627,929	2,691,495	2,965,799	3,029,069
2,206,601	2,102,688	2,065,292	2,317,564	2,342,777	2,413,718
9,144,807	9,304,459	9,398,174	9,962,392	10,257,491	10,337,581
6,553,623	6,735,941	6,865,581	7,327,570	7,246,711	7,570,588
572,125	688,594	709,582	725,966	765,301	779,638
1,828,844	1,896,540	1,908,172	2,020,216	2,132,941	2,225,132
3,492,474	3,873,123	4,182,028	4,534,645	4,959,360	4,904,750
9,446,461	8,748,743	9,677,254	10,408,285	10,777,817	11,626,082
4,837,620	5,140,407	5,054,435	5,271,385	5,576,166	5,929,557
4,134,907	4,196,294	4,402,339	4,447,205	4,654,135	5,102,897
14,120,218	13,751,849	15,327,285	15,519,294	16,808,862	16,340,729
795,033	1,085,157	864,655	846,200	890,994	900,711
3,693,698	3,299,788	5,095,727	5,355,121	3,831,552	4,360,013
335,037	140,673	188,185	228,464	247,512	486,868
11,028,454	10,815,492	11,435,286	12,167,159	13,255,590	11,957,689
19,176,916	19,061,249	18,744,942	17,587,923	16,617,465	17,917,744
1,100	1,392	1,533	398,024	2,947	2,948
28,514,376	60,290,053	52,930,239	4,173,835	8,700,686	7,165,540
—	—	—	—	—	—
—	9,750	5,289	12,642	7,611	55,470
703,318	726,074	722,295	760,734	714,384	761,346
<u>\$ 232,950,470</u>	<u>\$ 264,283,160</u>	<u>\$ 260,150,515</u>	<u>\$ 216,926,753</u>	<u>\$ 225,258,333</u>	<u>\$ 233,878,643</u>
14.96%	14.79%	14.79%	14.38%	13.94%	13.29%

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 11,417,459	\$ 9,941,321	\$ 8,656,186	\$ 8,388,722
Other Financing Sources (Uses)				
Proceeds from sale of bonds	—	—	104,330,000	124,695,000
Sale of equipment and/or capital assets	2,242,057	5,449	29,363	2,581,565
Transfers in	42,813	77,611	71,923	4,934,500
Premium on issuance of bonds	—	—	5,095,880	12,861,653
Other resources	154,693	—	608,739	—
Transfers out	(42,813)	(77,611)	(1,002,742)	(3,802,498)
Payment to refunded bond escrow	—	—	(108,625,000)	—
Other uses	—	—	(760,428)	—
Total other financing sources (uses)	<u>2,396,750</u>	<u>5,449</u>	<u>(252,265)</u>	<u>141,270,220</u>
Net change in fund balances	<u>\$ 13,814,209</u>	<u>\$ 9,946,770</u>	<u>\$ 8,403,921</u>	<u>\$ 149,658,942</u>

Note: General Governmental Funds include the following: General, Debt Service, Capital Projects, and Special Revenue Funds.

Schedule 7

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (20,092,483)	\$ (59,418,333)	\$ (43,235,927)	\$ 10,041,860	\$ 7,641,037	\$ 12,217,582
—	—	—	38,267,681	—	—
730,682	3,770	12,992	276,527	1,245,598	18,506
28,247,190	15,000,245	11,801,746	8,447,871	20,604,540	12,316,919
—	—	—	2,490,595	—	—
—	5,173,731	—	—	2,424,828	—
(27,114,308)	(13,513,692)	(10,675,148)	(7,239,137)	(16,133,922)	(10,870,872)
—	—	—	(44,050,475)	—	—
—	—	—	—	—	—
<u>1,863,564</u>	<u>6,664,054</u>	<u>1,139,590</u>	<u>(1,806,938)</u>	<u>8,141,044</u>	<u>1,464,553</u>
<u>\$ (18,228,919)</u>	<u>\$ (52,754,279)</u>	<u>\$ (42,096,337)</u>	<u>\$ 8,234,922</u>	<u>\$ 15,782,081</u>	<u>\$ 13,682,135</u>

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Real Property	Personal Property	Less: Exemptions	Total Taxable Value	Total Direct Tax Rate ^a
2008	7,622,888,804	1,142,281,768	518,037,312	8,247,133,260	1.304
2009	7,434,746,326	1,423,080,387	348,212,238	8,509,614,475	1.296
2010	7,408,861,268	1,481,527,756	323,769,173	8,566,619,851	1.296
2011	7,118,898,921	1,431,765,379	99,092,646	8,451,571,654	1.288
2012	7,218,704,495	1,399,604,825	110,209,926	8,508,099,394	1.414
2013	7,378,753,826	1,366,117,534	95,380,343	8,649,491,017	1.408
2014	7,598,746,539	1,428,903,955	86,323,168	8,941,327,326	1.388
2015	8,028,034,251	1,588,971,343	24,852,595	9,592,152,999	1.375
2016	8,375,373,853	1,872,889,461	1,072,229,157	9,176,034,157	1.350
2017	9,425,586,083	1,753,794,311	407,440,393	10,771,940,001	1.316

Source: Tarrant Appraisal District.

Note: The real property and personal property amounts were derived by using the tax roll for the necessary year.

^a Per \$100 of assessed value.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

(Unaudited)

District Direct Rates							
Fiscal Year	Operating	Debt Service	Total	City of Arlington	City of Bedford	City of Colleyville	City of Euless
2008	1.040	0.264	1.304	0.648	0.447	0.356	0.470
2009	1.040	0.255	1.295	0.648	0.447	0.356	0.470
2010	1.040	0.255	1.295	0.648	0.463	0.356	0.470
2011	1.040	0.248	1.288	0.648	0.492	0.356	0.470
2012	1.040	0.374	1.414	0.648	0.504	0.356	0.470
2013	1.040	0.368	1.408	0.648	0.499	0.356	0.470
2014	1.040	0.348	1.388	0.648	0.495	0.356	0.470
2015	1.040	0.335	1.375	0.648	0.495	0.356	0.468
2016	1.040	0.310	1.350	0.648	0.495	0.356	0.468
2017	1.040	0.276	1.316	0.645	0.477	0.339	0.463

Source: Information obtained from Tarrant Appraisal District website.

^a Rates include levies for operating and debt service costs.

Overlapping Rates^a

City of Hurst	City of Fort Worth	City of North Richland Hills	Tarrant County	Tarrant Co. Hospital District	Tarrant Co. College District	Viridian Municipal Management District
0.535	0.855	0.570	0.2665	0.230	0.139	0.000
0.535	0.855	0.570	0.264	0.228	0.138	0.000
0.535	0.855	0.570	0.264	0.228	0.138	0.000
0.578	0.855	0.570	0.264	0.228	0.138	0.448
0.578	0.855	0.570	0.264	0.228	0.149	0.448
0.608	0.855	0.610	0.264	0.228	0.149	0.448
0.608	0.855	0.610	0.264	0.228	0.149	0.448
0.606	0.855	0.610	0.264	0.228	0.149	0.448
0.611	0.855	0.610	0.264	0.228	0.149	0.448
0.588	0.835	0.610	0.254	0.228	0.145	0.448

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Principal Taxpayers ^a	Type of Property	2016-2017 Assessed Valuation ^b	Rank	Percentage of Total Assessed Value	2007-2008 Assessed Valuation	Rank	Percentage of Total Assessed Value
Bell Helicopter Textron	Defense Industry	\$ 365,966,507	1	3.40%	\$ 141,321,388	2	1.71%
American Airlines	Airline Industry	233,238,096	2	2.17%	209,161,902	1	2.54%
Cmf 15 Portfolio LLC	Real Estate	142,002,220	3	1.32%	-	-	-
Westdale Hills 2013 LP	Real Estate	101,000,000	4	0.94%	-	-	-
Shops at Northeast Mall LLC	Real Estate	68,747,674	5	0.64%	-	-	0.00%
Oncor Electric Delivery Co (TXU)	Utility	67,580,832	6	0.63%	68,497,475	4	0.83%
WDOP Sub I LP/WDOP Sub II LP	Real Estate	64,889,850	7	0.60%	-	-	-
Stoneleigh at Bear Creek Apartments	Real Estate	54,489,998	8	0.51%	-	-	-
Centre Station Apartments LLC	Real Estate	51,700,000	9	0.48%	-	-	-
LSREF3 Bravo (Dallas) LLC	Real Estate	48,000,000	10	0.45%	-	-	-
Centreport Partners LP	Real Estate	-	-	-	108,823,161	3	1.32%
Simon Property Group	Real Estate	-	-	-	63,832,740	5	0.77%
Southwestern Bell (AT&T)	Utility	-	-	-	59,268,365	6	0.72%
Colonial Realty LP	Real Estate	-	-	-	56,517,383	7	0.69%
Bank One NA	Banking	-	-	-	47,500,000	8	0.58%
Somerset Village Partners LP	Real Estate	-	-	-	44,978,468	9	0.55%
Ira Stoneleigh	Real Estate	-	-	-	39,469,294	10	0.48%
Total		<u>\$ 1,197,615,177</u>		<u>11.12%</u>	<u>\$ 839,370,176</u>		<u>10.18%</u>

^a Information obtained from Tarrant Appraisal District.

^b July 2016 assessed valuation of \$10,771,940,001 was the basis of the 2017 fiscal year property tax revenues.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Subsequent Adjustments to Levy	Final Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2008	105,672,654	(1,694,847)	103,977,807	103,199,663	99.25%	682,172	103,881,835	99.91%
2009	107,392,908	3,466,134	110,859,042	109,680,859	98.94%	1,026,113	110,706,972	99.86%
2010	108,168,725	1,379,460	109,548,185	108,282,487	98.84%	1,011,410	109,293,897	99.77%
2011	106,553,531	(894,540)	105,658,991	104,715,937	99.11%	772,945	105,488,882	99.84%
2012	117,229,312	(177,117)	117,052,195	116,087,559	99.18%	761,344	116,848,903	99.83%
2013	118,733,124	(125,999)	118,607,125	117,906,660	99.41%	510,290	118,416,950	99.84%
2014	121,092,304	(74,508)	121,017,796	120,283,726	99.39%	552,805	120,836,531	99.85%
2015	128,768,688	(705,639)	128,063,049	126,928,214	99.11%	899,998	127,828,212	99.82%
2016	121,718,481	8,621,581	130,340,062	129,035,301	99.00%	591,518	129,626,819	99.45%
2017	137,694,774	3,565,026	141,259,800	139,861,691	99.01%	-	139,861,691	99.01%

Source: Information obtained from Tarrant County Tax Assessor.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Outstanding Debt by Type

Last Ten Fiscal Years

(Unaudited)

Governmental Activities					
Fiscal Year	School Building Bonds	Refunding Bonds	Total Primary Government	Percentage of Personal Income^a	Per Capita^a
2008	113,319,196	130,576,580	243,895,776	6.26%	1,737
2009	110,933,796	127,517,256	238,451,052	5.80%	1,684
2010	-	233,326,135	233,326,135	5.55%	1,637
2011	137,556,653	225,640,540	363,197,193	8.37%	2,544
2012	131,977,187	217,538,374	349,515,561	8.55%	2,578
2013	126,707,721	209,009,444	335,717,165	8.27%	2,471
2014	120,948,255	199,998,966	320,947,221	7.89%	2,317
2015	114,613,789	187,992,598	302,606,387	6.93%	2,149
2016	108,034,323	177,134,571	285,168,894	6.39%	2,016
2017	101,144,857	167,324,568	268,469,425	5.91%	1,894

Note: Details of the District's outstanding debt can be found in Note M in the notes to the financial statements.

^a See Schedule 16 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, 2017

(Unaudited)

Taxing Body	Net Debt Outstanding	Percent Overlapping ^a	Amount Overlapping Net Debt
City of Fort Worth	\$ 725,685,000	8.08%	\$ 58,635,348
City of Colleyville	7,125,000	5.63%	401,138
City of North Richland Hills	132,075,000	0.20%	264,150
City of Euless	47,940,000	67.08%	32,158,152
City of Hurst	52,026,772	58.75%	30,565,729
City of Bedford	23,179,974	100.00%	23,179,974
City of Arlington	382,735,000	0.12%	459,282
Tarrant County College District	—	9.37%	-
Tarrant County	339,570,000	9.50%	32,259,150
Tarrant County Hospital District	39,500,000	9.50%	3,752,500
Viridian Municipal Management District	51,000,000	100.00%	51,000,000
Total Overlapping Net Debt			232,675,423
Hurst - Euless - Bedford ISD	268,469,425	100.00%	268,469,425
Total Direct and Overlapping Debt to Net Debt			<u>\$ 501,144,848</u>
Ratio of Total Direct and Overlapping Net Debt to 2017 Taxable Assessed Valuation	\$ 10,771,940,001		<u>4.65%</u>

Source: Information furnished by each governmental unit or obtained from Municipal Advisory Council of Texas.

Note: 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.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 824,713,326	\$ 850,961,448	\$ 856,661,985	\$ 845,157,165
Total net debt applicable to limit	<u>241,049,893</u>	<u>233,788,870</u>	<u>227,347,956</u>	<u>356,003,608</u>
Legal debt margin	<u><u>\$ 583,663,433</u></u>	<u><u>\$ 617,172,578</u></u>	<u><u>\$ 629,314,029</u></u>	<u><u>\$ 489,153,557</u></u>
Total net debt applicable to the limit as a percentage of debt limit	29.23%	27.47%	26.54%	42.12%

^a Per section 45.0031 of the Texas Education Code, the District has to have a projected ability to pay the principal of and interest on the bonds from a tax at a rate not to exceed \$0.50 per \$100 of valuation. Per section 45.001, the Bonds must mature serially or otherwise not more than 40 years from their date.

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 10,771,940,001
Debt limit (10% of assessed value)	1,077,194,000 ^a
Debt applicable to limit	<u>259,547,234</u>
Legal debt margin	<u><u>\$ 817,646,766</u></u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 850,809,939	\$ 864,949,102	\$ 894,132,733	\$ 959,215,300	\$ 917,603,416	\$ 1,077,194,000
<u>341,514,948</u>	<u>326,428,782</u>	<u>311,503,269</u>	<u>295,395,647</u>	<u>277,062,005</u>	<u>259,547,234</u>
<u><u>\$ 509,294,991</u></u>	<u><u>\$ 538,520,320</u></u>	<u><u>\$ 582,629,464</u></u>	<u><u>\$ 663,819,653</u></u>	<u><u>\$ 640,541,411</u></u>	<u><u>\$ 817,646,766</u></u>
40.14%	37.74%	34.84%	30.80%	30.19%	24.09%

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Ratio of Net General Bonded Debt to Taxable Assessed Valuation and Net Bonded Debt Per Capita

Last Ten Years

(Unaudited)

August 31,	Taxable Assessed Value	Assessment Ratio	Gross Bonded Debt Outstanding at Year End ^a	Reserve For Retirement of Bonded Debt	Net Bonded Debt Outstanding at Year End
2008	8,247,133,260	100%	243,895,776	2,845,883	241,049,893
2009	8,509,614,475	100%	238,451,052	4,662,182	233,788,870
2010	8,566,619,851	100%	233,326,135	5,978,179	227,347,956
2011	8,451,571,654	100%	363,197,193	7,193,585	356,003,608
2012	8,508,099,394	100%	349,515,561	8,000,613	341,514,948
2013	8,649,491,017	100%	335,717,165	9,288,383	326,428,782
2014	8,941,327,326	100%	320,947,221	9,443,952	311,503,269
2015	9,592,152,999	100%	302,606,387	7,210,740	295,395,647
2016	9,176,034,157	100%	285,168,894	8,106,889	277,062,005
2017	10,771,940,001	100%	268,469,425	8,922,191	259,547,234

Source: Information obtained from Tarrant Appraisal District.

^a The District's bonded indebtedness consists of General Obligation Bonds.

Ratio Net Bonded Debt to Taxable Assessed Valuation	Estimated Population	Net Bonded Debt Per Capita	Taxable Assessed Valuation Per Capita
2.92%	140,450	1,716	58,719
2.75%	141,600	1,651	60,096
2.65%	142,523	1,595	60,107
4.21%	142,779	2,493	59,193
4.01%	135,586	2,519	62,751
3.77%	135,861	2,403	63,664
3.48%	138,510	2,249	64,554
3.08%	140,781	2,098	68,135
3.02%	141,444	1,959	64,874
2.41%	141,781	1,831	75,976

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Demographic and Economic Statistics

Last Ten Calendar Years

(Unaudited)

Calendar Year	Estimated Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2008	140,450	3,898,799	27,759	3.90
2009	141,600	4,108,170	29,012	4.30
2010	142,523	4,207,141	29,519	6.90
2011	142,779	4,341,082	30,404	7.50
2012	135,586	4,085,619	30,133	7.20
2013	135,861	4,059,303	29,878	5.90
2014	138,510	4,065,460	29,351	5.50
2015	140,781	4,367,914	31,026	4.90
2016	141,444	4,465,146	31,568	4.00
2017	141,781	4,546,120	32,064	3.80

Demographic Statistics table from the Comprehensive Annual Financial Reports for fiscal year ended September 30, 2016 for cities of Bedford, Euless, and Hurst.

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Principal Employers
 Current Year and Nine Years Ago
 (Unaudited)

<u>Employer</u>	2017			2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment^a</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment^a</u>
Bell Helicopter Textron	3,800	1	4.98%	4,000	1	5.15%
Hurst-Euleless-Bedford ISD	2,546	2	3.33%	2,422	2	3.12%
Northeast Mall (Collective)	1,706	3	2.23%	-	-	-
Texas Health Harris Methodist HEB	1,600	4	2.09%	1,800	3	2.32%
Walmart Supercenter - (Collective)	892	5	1.17%	369	10	0.47%
Carter Blood Care	856	6	1.12%	600	4	0.77%
The Shops at Northeast Mall	800	7	1.05%	-	-	-
LSG Sky Chefs, Inc.	600	8	0.79%	-	-	-
Tarrant County College	575	9	0.75%	490	7	0.63%
Autogrill Group, Inc.	450	10	0.59%	-	-	-
Warrantech	-	-	-	550	5	0.71%
Citigroup	-	-	-	540	6	0.70%
Dillards	-	-	-	400	9	0.52%
City of Euleless	-	-	-	466	8	0.60%
	<u>13,825</u>		<u>18.10%</u>	<u>11,637</u>		<u>14.99%</u>

^a Percentages of total employment for 2017 and 2008 were calculated using total employment data from the City of Hurst, City of Euleless, and City of Bedford Comprehensive Annual Financial Reports from the corresponding fiscal years.

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HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Full-time-Equivalent District Employees by Type
Last Ten Fiscal Years
(Unaudited)

	Full-time-Equivalent Employees as of August 31										Percentage Change
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017-2008
Supervisory											
Instructional administrators	17	17	18	21	21	19	21	24	24	24	41.2%
Noninstructional administrators	9	9	9	8	8	8	8	8	8	9	0.0%
Principals	27	27	27	27	27	27	27	28	28	28	3.7%
Assistant principals	41	41	41	41	41	41	40	40	41	40	-2.4%
Total supervisory	94	94	95	97	97	95	96	100	101	101	7.4%
Instruction											
Elementary classroom teachers	661	670	671	674	658	657	671	694	693	697	5.4%
Secondary classroom teachers	454	461	453	459	427	451	454	436	444	455	0.2%
Special education teachers	121	114	120	120	131	106	95	115	108	112	-7.4%
Other teachers	63	62	66	72	81	81	87	92	92	95	50.8%
Aides	192	193	195	194	191	188	183	180	180	184	-4.2%
Total instruction	1,491	1,500	1,505	1,519	1,488	1,483	1,490	1,517	1,517	1,543	3.5%
Student Services											
Guidance counselors	43	43	42	43	40	41	41	42	42	42	-2.3%
Therapists	23	21	22	22	22	21	21	23	22	24	4.3%
Psychologists/diagnosticians	25	26	26	25	26	27	26	27	27	27	8.0%
Librarians	26	26	26	26	23	22	23	24	24	24	-7.7%
Nurses	27	29	29	29	31	31	31	32	34	34	25.9%
Total student services	144	145	145	145	142	142	142	148	149	151	4.9%
Support and Administration											
Professional Support	54	57	59	60	65	65	63	64	64	68	25.9%
Auxiliary staff	639	639	650	668	655	648	649	680	680	683	6.9%
Total support and administration	693	696	709	728	720	713	712	744	744	751	8.4%
Total	2,422	2,435	2,454	2,489	2,447	2,433	2,440	2,509	2,511	2,546	5.1%

Source: Information obtained from Texas Education Agency PEIMS reports

Note: 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)

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses
2008	20,392	159,378,811	7,816	2.67%	183,846,677
2009	20,565	163,677,944	7,959	1.83%	188,065,182
2010	20,762	171,522,767	8,261	3.80%	195,297,609
2011	21,046	172,283,553	8,186	-0.91%	192,140,966
2012	21,570	174,229,624	8,077	-1.33%	198,256,196
2013	21,814	174,114,974	7,982	-1.18%	198,505,795
2014	22,180	177,038,515	7,982	0.00%	201,853,224
2015	22,416	182,599,812	8,146	2.06%	204,324,782
2016	22,834	186,681,645	8,176	0.36%	217,646,091
2017	23,120	196,834,722	8,514	4.13%	233,551,357

Note: Operating expenditures are total expenditures less debt service and capital outlays.

Schedule 19

Cost per Pupil	Percentage Change	Teaching Staff	Pupil- Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
9,016	3.96%	1,298	15.7	41.3%
9,145	1.43%	1,306	15.7	45.5%
9,406	2.86%	1,310	15.8	49.0%
9,130	-2.94%	1,325	15.9	50.4%
9,191	0.68%	1,297	16.6	51.9%
9,100	-0.99%	1,295	16.8	53.1%
9,101	0.01%	1,307	17.0	53.1%
9,115	0.16%	1,337	16.8	52.1%
9,532	4.57%	1,337	17.1	52.7%
10,102	5.98%	1,359	17.0	51.9%

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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
2008	46,000	64,303	52,589	48,394	46,179
2009	47,370	65,814	53,637	49,584	47,159
2010	48,308	66,752	54,844	50,642	48,263
2011	49,260	67,695	55,641	50,986	48,638
2012	49,250	76,713	55,120	50,386	48,375
2013	50,225	77,688	55,607	51,130	48,821
2014	51,220	79,242	56,169	52,208	49,692
2015	52,750	81,620	57,127	53,291	50,715
2016	53,500	84,069	58,542	54,379	51,891
2017	54,500	86,592	59,885	55,194	52,525

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.

^a Information obtained from district records

^b Information obtained from Texas Education Agency - AEIS (Academic Excellence Indicator System) reports for fiscal years 2008 through 2012; Texas Education Agency - TAPR (Texas Academic Performance Report) reports for fiscal years 2013 through 2017

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT

Capital Asset Information

Last Ten Fiscal Years

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Schools</u>				
Elementary				
Buildings	19	19	19	19
Square feet	1,343,414	1,343,414	1,343,414	1,343,414
Capacity	13,275	13,301	13,301	13,301
Enrollment	11,495	11,653	11,654	11,895
Junior High				
Buildings	5	5	5	5
Square feet	690,552	690,552	690,552	690,552
Capacity	5,379	5,379	5,379	5,379
Enrollment	4,568	4,501	4,581	4,563
High				
Buildings	2	2	2	2
Square feet	637,936	637,936	637,936	637,936
Capacity	4,525	4,525	4,525	4,525
Enrollment	4,124	4,221	4,280	4,405
Other				
Buildings	3	3	3	3
Square feet	137,889	137,889	137,889	137,889
<u>Activity Centers</u>				
Buildings	—	—	—	—
Square feet	—	—	—	—
<u>Administrative</u>				
Buildings	2	2	2	2
Square feet	69,919	69,919	69,919	69,919
<u>Auxiliary Services Complex</u>				
Buildings	3	3	3	2
Square feet	43,330	43,330	43,330	28,223
Buses	90	91	99	101
<u>Portable Buildings</u>				
Buildings	34	35	39	39
Square feet	48,960	50,400	56,160	56,160
<u>Athletics</u>				
Football fields	4	4	5	5
Running tracks	7	7	7	7
Baseball/softball	4	4	4	4
Swimming pools	1	1	1	1
Playgrounds	19	19	19	19
Physical fitness areas	25	25	25	25

Source: Information obtained from District records.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
19	19	20	20	20	20
1,343,414	1,343,414	1,435,727	1,435,727	1,435,727	1,435,727
13,301	13,301	14,001	14,001	14,001	14,001
12,292	12,359	12,573	12,772	13,015	13,075
5	5	5	5	5	5
690,552	690,552	690,552	690,552	690,552	690,552
5,379	5,379	5,379	5,379	5,379	5,379
4,653	4,786	4,909	4,906	4,975	5,067
2	2	2	2	2	2
637,936	637,936	637,936	637,936	637,936	604,795
4,525	4,525	4,525	4,525	4,525	4,525
4,429	4,483	4,509	4,561	4,658	4,838
3	3	3	3	3	3
137,889	137,889	253,470	253,470	253,470	253,470
—	—	2	2	2	2
—	—	182,536	182,536	182,536	182,536
2	2	2	2	2	2
69,919	69,919	69,919	69,919	69,919	69,919
2	2	3	3	3	3
28,223	5,132	78,671	78,671	78,671	78,671
103	106	110	116	123	127
40	39	40	40	42	42
57,696	56,160	57,696	57,696	60,768	60,768
5	5	5	5	5	5
7	7	7	7	7	7
4	4	4	4	4	4
1	1	1	1	1	1
19	19	20	20	20	20
25	25	26	26	26	26

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITOR'S 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

Board of Trustees
Hurst-Euless-Bedford Independent School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurst-Euless-Bedford Independent School District (the District), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Weaver and Tidwell LLP". The script is cursive and fluid.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 4, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Hurst-Euless-Bedford Independent School District

Report on Compliance for Each Major Federal Program

We have audited Hurst-Euless-Bedford Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 4, 2018

HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

Federal grantor agency	Federal CFDA number	Pass-through entity identification number	Expenditures indirect costs and refunds
U.S. Department of Education (Passed through State Department of Education)			
ESEA, Title X, Part C - Education for Homeless Children and Youth	84.196A	17-017	\$ 56,715
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101220916	3,808,925
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	176600012209166600	3,799,355
IDEA - Part B, Preschool	84.173A	176610012209166610	79,889
Total Special Education Cluster (IDEA)			3,879,244
Title I, Part C, Carl D. Perkins - Basic Formula Grant	84.048A	17420006220916	222,471
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	17694501220916	465,101
Title III, Part A - English Language Acquisition, Language Enhancement, and Academic Achievement	84.365A	17671001220916	284,274
Title III, Part A - Immigrant	84.365A	17671003220916	153,569
Summer School LEP	84.369A	69551602	19,803
AP/IB Test Fee Subsidies	84.330B	51061401/51061701	27,560
Total Department of Education			8,917,662
U.S. Department of Agriculture (Passed through State Department of Education)			
Child Nutrition Cluster:			
National School Lunch	10.555	71301701	5,849,841
National School Breakfast	10.553	71401701	1,579,327
Summer Food Service Program for Children	10.559	71301701/71401701	139,820
Total passed through State Department of Education			7,568,988
U.S. Department of Agriculture (direct)			
Commodity donation (noncash)	10.555	01028	804,861
Total Child Nutrition Cluster			8,373,849
Total Department of Agriculture			8,373,849
U.S. Department of Defense			
Startalk Investigating Cultures by Design	12.900	H98230-16-1-0116	11,705
Startalk Around the World in 12 Days	12.900	H98230-17-1-0095	75,920
Total Department of Defense			87,625
U.S. General Services Administration (Passed through State Facilities Commission)			
Donation of Federal Surplus Personal Property	39.003	22857	8,633
Total General Services Administration			8,633
U.S. Department of Health and Human Services (Passed through State Department of Health and Human Services)			
Medicaid Administrative Claiming Program	93.778	529-07-0157-00180	43,215
Total Department of Health and Human Services			43,215
Total expenditures of federal awards			\$ 17,430,984
RECONCILIATION			
Federal program revenues General Fund			2,514,195
Federal program revenues Special Revenue Fund			17,244,204
Total federal program revenues per exhibit C-3			19,758,399
Medicaid Administrative Claiming and School Health and Related Services			(2,327,415)
Total expenditures of federal awards			\$ 17,430,984

**HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017**

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 C to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(s) identified? ☐ Yes ☒ None reported
- c. Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

- d. Internal control over major programs:
- Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(s) identified? ☐ Yes ☒ None reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
- g. Identification of major programs:
- | | |
|---------------------|----------------------------------|
| 84.027A and 84.173A | Special Education Cluster (IDEA) |
|---------------------|----------------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs \$750,000
- i. Auditee qualified as a low-risk auditee. ☒ Yes ☐ No

**HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017**

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
YEAR ENDED AUGUST 31, 2017**

None