

**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2021**



**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**Annual Financial Report for**  
**the Year Ended August 31, 2021**

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**HUDSON INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD**

<u>Hudson Independent School District</u>	<u>Angelina</u>	<u>003-902</u>
Name of School District	County	County-District Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2021.

  
Signature of Board Secretary

  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):  
(attach list as necessary)

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## **FINANCIAL SECTION**







Goff & Herrington, P.C.

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Certified Public Accountants

A.J. Goff, CPA  
Ronnie Herrington, CPA  
Daniel Raney, CPA

## **Independent Auditor's Report**

Members of the Board of Trustees of  
Hudson Independent School District  
Hudson, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudson Independent School District (District), as of and for the year ended August 31, 2021, 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.

## **Independent Auditor's Report**

Members of the Board of Trustees

November 1, 2021

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hudson Independent School District, as of August 31, 2021, and the respective changes in financial position 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 on pages 5–11, the budgetary comparison schedule on page 47, and the Teacher's Retirement System schedules on pages 48-56, 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 the 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 combining schedules and required Texas Education Agency (TEA) schedules 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, and is also not a required part of the basic financial statements.

## **Independent Auditor's Report**

Members of the Board of Trustees

November 1, 2021

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The combining schedules, required TEA schedules, and the 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 America. In our opinion, the combining schedules, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.

Certified Public Accountants

Lufkin, Texas

November 1, 2021

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## HUDSON INDEPENDENT SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Hudson Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2021. Please read this section in conjunction with the District's financial statements, which immediately follow this section.

#### FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was \$24,004,328 as of August 31, 2021.
- ▶ During the year ended August 31, 2021, the District's net position increased by \$2,296,734 from operations.
- ▶ The District generated \$35,799,007 in taxes and other revenues from governmental activities, and the total cost of the District's programs was \$33,502,273.
- ▶ The general fund reported a total fund balance this year of \$15,557,806, of which \$8,990,200 is unassigned.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

#### Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, deferred inflows and outflows of resources, and liabilities, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current period. All current revenues and expenses are included regardless of when the cash is received or paid.

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## HUDSON INDEPENDENT SCHOOL DISTRICT

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The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- ▶ The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

The District has two kinds of funds:

**Governmental funds** - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long term focus of the government-wide financial statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

**Fiduciary funds** - The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

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## HUDSON INDEPENDENT SCHOOL DISTRICT

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### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was \$24,004,328 as of August 31, 2021. The following table provides a summary of the District's net position.

#### The District's Net Position

	Governmental Activities		
	2021	2020	% Change
Current and Other Assets	22,260,505	19,449,615	14.5%
Capital and Non-Current Assets	35,703,256	35,607,141	0.3%
<b>Total Assets</b>	57,963,761	55,056,756	5.3%
Deferred Outflows	5,913,684	5,824,248	1.5%
<b>Total Deferred Outflows of Resources</b>	5,913,684	5,824,248	1.5%
Other Liabilities	4,718,258	3,074,966	53.4%
Long Term Liabilities	27,248,998	29,724,770	(8.3)%
<b>Total Liabilities</b>	31,967,256	32,799,736	(2.5)%
Deferred Inflows	7,905,861	6,373,674	24.0%
<b>Total Deferred Inflows of Resources</b>	7,905,861	6,373,674	24.0%
Net Position:			
Net investment in Capital Assets	24,289,010	22,719,663	6.9%
Restricted	1,758,454	1,802,945	(2.5)%
Unrestricted	(2,043,136)	(2,815,014)	(27.4)%
<b>Total Net Position</b>	24,004,328	21,707,594	10.6%

The District's restricted net position of \$1,758,454 consists of \$155,233 restricted for food service, \$640,446 restricted for debt service, and \$962,775 restricted shared service arrangements and other state and local programs.

**Changes in Net Position.** The District's total revenues were \$35,799,007. A significant portion, 60.65 percent, comes from state aid-formula grants. Property taxes represent 19.50 percent of the District's revenue. The rest of the District's revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$33,502,273; 78.41 percent of these costs are for instructional and student services.

## HUDSON INDEPENDENT SCHOOL DISTRICT

### Governmental Activities

The following table provides a summary of the District's changes in net position.

#### Changes in the District's Net Position

	Governmental Activities		
	2021	2020	% Change
<b>Revenues:</b>			
Program Revenues:			
Charges for services	1,247,759	1,022,322	22.1%
Operating grants	3,292,816	2,662,585	23.7%
General Revenues:			
Property taxes - maintenance and operations	5,846,946	5,690,484	2.8%
Property taxes - interest and sinking	1,132,384	850,152	33.2%
State aid - formula	21,710,920	22,880,677	(5.1)%
Investment earnings	48,516	339,160	(85.7)%
Other general revenues	2,519,666	2,892,458	(12.9)%
<b>Total revenues</b>	<b>35,799,007</b>	<b>36,337,838</b>	<b>(1.5)%</b>
<b>Expenses:</b>			
Instructional and instructional related	20,006,957	20,168,103	(0.8)%
Instructional and school leadership	2,030,891	2,153,842	(5.7)%
Counseling, health, transportation, and	4,385,088	4,240,633	3.4%
Food services	1,875,813	1,839,731	2.0%
General administration and intergovernmental	1,226,438	1,150,586	6.6%
Plant maintenance and security	3,392,155	3,899,839	(13.0)%
Data processing services	157,072	150,426	4.4%
Debt services	291,928	335,727	(13.0)%
Other intergovernmental charges	135,931	121,075	12.3%
<b>Total expenses</b>	<b>33,502,273</b>	<b>34,059,962</b>	<b>(1.6)%</b>
 Increase in Net Position	 2,296,734	 2,277,876	 0.8%
Beginning Net Position	21,707,594	19,429,718	11.7%
Ending Net Position	24,004,328	21,707,594	10.6%



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## HUDSON INDEPENDENT SCHOOL DISTRICT

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The District's maintenance and operations property tax rate of \$1.026, decreased 3.96 percent from last year's rate of \$1.0683. The District's interest and sinking property tax rate of \$0.20 increased 25.00 percent from last year's rate of \$0.16. Total property tax revenue increased 6.71 percent due to increased property valuations.

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$33,502,273.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$6,979,330.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$1,247,759), or
- ▶ By operating grants (\$3,292,816).

The following table presents the cost of each of the District's largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

### Net Cost of Selected District Functions

	Total cost of services			Net cost of services		
	2021	2020	% Change	2021	2020	% Change
Instruction	19,536,358	19,675,689	(0.7)%	17,093,768	17,964,478	(4.8)%
School leadership	1,961,951	2,047,387	(4.2)%	1,958,818	2,045,352	(4.2)%
Food Service	1,875,813	1,839,731	2.0%	405,220	406,754	(0.4)%
Extracurricular	1,489,112	1,334,294	11.6%	1,443,506	1,304,476	10.7%
Maint. & operations	2,894,426	3,410,428	(15.1)%	2,846,730	3,410,428	(16.5)%

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$35,493,615 a decrease of 0.02 percent from the preceding year. The net decrease is primarily due to decreased state program revenues.

The District's governmental funds ended the year with a reported combined fund balance of \$17,316,260 which is \$1,199,798 more than last years ending balance of \$16,116,462.

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## HUDSON INDEPENDENT SCHOOL DISTRICT

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### General Fund Budgetary Highlights

Over the course of the year the District revised the General Fund budget as actual results were analyzed. Actual total expenditures were \$4,348,237 below final budget amounts. The most significant positive variances were in the instruction, student transportation, general administration, facilities maintenance and operations, and facilities acquisition and construction functions as the actual expenditures were less than anticipated. Revenues were \$3,352,770 above the final budgeted amount as state program revenues were more than anticipated.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2021, the District had invested \$71,628,030 less depreciation of \$35,924,774, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

#### District's Capital Assets

(Net of depreciation)

	Governmental Activities		% Change
	2021	2020	
Land	1,678,284	1,678,284	0.0%
Buildings & improvements	30,670,997	32,072,043	(4.4)%
Equipment & vehicles	1,721,897	1,715,764	0.4%
Construction in progress	1,632,078	141,050	1057.1%
Net capital assets	<u>35,703,256</u>	<u>35,607,141</u>	<u>0.3%</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements. During the current year, the District had significant capital expenditures related to construction on the multi-purpose building, general campus improvements, and purchases of two buses. The District's 2022 capital budget includes completion of the multipurpose complex, razing the auxiliary gym, and replacing the lights on the soccer field. The expenditures are budgeted to be paid for with available fund balance.

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## HUDSON INDEPENDENT SCHOOL DISTRICT

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### Long-term Debt

The following table provides a summary of the District's long-term debt.

#### District's Long-term Debt

	Governmental Activities		% Change
	2021	2020	
General obligation bonds	10,963,836	12,361,516	(11.3)%
Total debt payable	10,963,836	12,361,516	(11.3)%

The District's bonds presently carry a favorable rating of Aaa with Moody's Investor Services. More detailed information about the District's debt is presented in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ▶ Appraised values used for the 2022 budget preparation are \$532,791,643, which is an increase of 0.90 percent from 2021.
- ▶ The District's average daily attendance is expected to be 2,711, which is a decrease of 8.10 percent from last year.

These indicators were taken into account when adopting the general fund budget for 2022. Amounts available for expenditure in the general fund budget are \$30,350,152, an increase of 17.71 percent from the final 2021 budget of \$25,784,853. The District will use these revenues to finance programs we currently offer.

General fund expenditures are budgeted to increase by 5.47 percent to \$30,350,152. If these estimates are realized, the District's budgetary general fund balance is expected to remain constant in 2022.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District's Chief Financial Officer.

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## **Government-Wide Financial Statements**



**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2021**

Data Control Codes		<b>Primary Government Governmental Activities</b>
	<b>ASSETS</b>	
1110	Cash and cash equivalents	17,379,422
1120	Investments - current	4,279,836
1220	Property taxes receivable - delinquent	267,265
1230	Allowance for uncollectible taxes (credit)	(26,727)
1240	Due from other governments	275,833
1290	Other receivables	20,934
1300	Inventories	46,336
1410	Prepayments	17,606
	Capital Assets:	
1510	Land	1,678,284
1520	Buildings, net	30,670,997
1530	Furniture and equipment, net	1,721,897
1580	Construction in progress	1,632,078
1000	Total assets	<u>57,963,761</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1702	Deferred charge on refunding	196,505
1705	Deferred outflow related to TRS Pension	3,057,186
1706	Deferred outflow related to TRS OPEB	2,659,993
1700	Total deferred outflows of resources	<u>5,913,684</u>
	<b>LIABILITIES</b>	
2110	Accounts payable	678,653
2140	Interest payable	14,553
2160	Accrued wages payable	1,568,168
2300	Unearned revenues	2,456,884
	Long Term Liabilities:	
2501	Due within one year	1,278,836
2502	Due after one year	10,331,915
2540	Net pension liability	7,146,085
2545	Net OPEB liability	8,492,162
2000	Total liabilities	<u>31,967,256</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred inflow related to TRS Pension	1,086,913
2606	Deferred inflow related to TRS OPEB	6,818,948
2600	Total deferred inflows of resources	<u>7,905,861</u>
	<b>NET POSITION</b>	
3200	Net investment in capital assets	24,289,010
3820	Restricted for Federal and State programs	155,233
3850	Restricted for debt service	640,446
3890	Restricted for other purposes	962,775
3900	Unrestricted net position	(2,043,136)
3000	Total net position	<u>24,004,328</u>

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
11 Instruction	19,536,358	808,169	1,634,421
12 Instructional resources and media services	138,207	-	999
13 Curriculum and staff development	332,392	-	72,445
21 Instructional leadership	68,940	-	-
23 School leadership	1,961,951	-	3,133
31 Guidance, counseling, and evaluation services	1,178,114	-	325,968
32 Social work services	179,177	-	86,467
33 Health services	248,643	-	29,084
34 Student transportation	1,290,042	-	28
35 Food service	1,875,813	393,984	1,076,609
36 Cocurricular/extracurricular activities	1,489,112	45,606	-
41 General administration	1,226,438	-	15,966
51 Plant maintenance and operations	2,894,426	-	-
52 Security and monitoring services	497,729	-	47,696
53 Data processing services	157,072	-	-
72 Interest on long-term debt	291,928	-	-
73 Bond issuance costs and fees	3,614	-	-
99 Other intergovernmental charges	132,317	-	-
TP Total primary government	33,502,273	1,247,759	3,292,816

Data Control  
Codes

MT  
DT  
SF  
GC  
  
IE  
MI  
TR  
CN  
NB  
  
NE

General revenues:

Taxes:

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
State aid formula grants  
Grants and contributions, not restricted  
to specific programs  
Investment earnings  
Miscellaneous  
Total general revenues  
Change in net position  
Net position, beginning  
  
Net position, ending

The accompanying notes are an integral part of this statement



<b>Program Revenues</b>	
<b>5</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
-	(17,093,768)
-	(137,208)
-	(259,947)
-	(68,940)
-	(1,958,818)
-	(852,146)
-	(92,710)
-	(219,559)
-	(1,290,014)
-	(405,220)
-	(1,443,506)
-	(1,210,472)
-	(2,894,426)
-	(450,033)
-	(157,072)
-	(291,928)
-	(3,614)
-	(132,317)
-	(28,961,698)

5,846,946

1,132,384

21,710,920

2,013,232

48,516

506,434

31,258,432

2,296,734

21,707,594

24,004,328

The accompanying notes are an integral part of this statement

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## **Governmental Fund Financial Statements**



**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2021**

		10		98
Data			Other	Total
Control		General	Governmental	Governmental
Codes		Fund	Funds	Funds
ASSETS				
1110	Cash and cash equivalents	15,871,782	1,507,640	17,379,422
1120	Investments - current	4,279,836	-	4,279,836
1220	Property taxes receivable - delinquent	238,049	29,216	267,265
1230	Allowance for uncollectible taxes (credit)	(23,805)	(2,922)	(26,727)
1240	Due from other governments	3,040	272,793	275,833
1260	Due from other funds	170,389	382,997	553,386
1290	Other receivables	18,476	2,458	20,934
1300	Inventories	-	46,336	46,336
1410	Prepayments	17,606	-	17,606
1000	Total Assets	20,575,373	2,238,518	22,813,891
LIABILITIES				
2110	Accounts payable	590,314	88,339	678,653
2160	Accrued wages payable	1,457,370	110,798	1,568,168
2170	Due to other funds	382,997	170,389	553,386
2300	Unearned revenues	2,372,641	84,243	2,456,884
2000	Total Liabilities	4,803,322	453,769	5,257,091
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	214,245	26,295	240,540
2600	Total Inflows of Resources	214,245	26,295	240,540
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	46,336	46,336
3430	Prepaid items	17,606	-	17,606
Restricted Fund Balance:				
3450	Federal or State Programs	-	108,897	108,897
3480	Retirement of long-term debt	-	640,446	640,446
3490	Other restricted fund balance	-	962,775	962,775
Committed Fund Balance:				
3510	Construction	6,550,000	-	6,550,000
3600	Unassigned fund balance	8,990,200	-	8,990,200
3000	Total Fund Balances	15,557,806	1,758,454	17,316,260
4000	Total Liabilities, Deferred Inflows and Fund Balances	20,575,373	2,238,518	22,813,891

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2021**

Total fund balances - governmental funds	17,316,260
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$69,850,028 and the accumulated depreciation was \$34,242,887. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	22,719,663
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	3,567,902
3 The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,996,702)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$7,146,085, a deferred resource inflow related to TRS in the amount of \$1,086,913, and a deferred resource outflow related to TRS in the amount of \$3,057,186. This amounted to a decrease in net position in the amount of \$5,175,812.	(5,175,812)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$8,492,162, a deferred resource inflow related to TRS in the amount of \$6,818,948, and a deferred resource outflow related to TRS in the amount of \$2,659,993. This amounted to a decrease in net position in the amount of \$12,651,117.	(12,651,117)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	224,134
19 Net Position of governmental activities	<u>24,004,328</u>

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

		10		
Data			Other	Total
Control		General	Governmental	Governmental
Codes		Fund	Funds	Funds
	REVENUES			
5700	Total local and intermediate sources	6,421,816	2,394,279	8,816,095
5800	State program revenues	22,329,003	904,698	23,233,701
5900	Federal program revenues	386,804	3,057,015	3,443,819
5020	Total revenues	29,137,623	6,355,992	35,493,615
	EXPENDITURES			
0011	Instruction	16,158,538	2,024,652	18,183,190
0012	Instructional resources and media services	122,224	999	123,223
0013	Curriculum and staff development	248,916	72,445	321,361
0021	Instructional leadership	64,416	-	64,416
0023	School leadership	1,657,272	167,808	1,825,080
0031	Guidance, counseling, evaluation services	809,117	325,968	1,135,085
0032	Social work services	2,270	171,568	173,838
0033	Health services	215,715	29,912	245,627
0034	Student transportation	1,276,751	1,028	1,277,779
0035	Food service	-	1,643,231	1,643,231
0036	Cocurricular/extracurricular activities	949,306	123,039	1,072,345
0041	General administration	1,165,551	22,955	1,188,506
0051	Plant maintenance and operations	2,710,569	104,019	2,814,588
0052	Security and monitoring services	484,618	51,022	535,640
0053	Data processing services	133,625	-	133,625
0071	Principal on long-term debt	122,680	1,290,471	1,413,151
0072	Interest on long-term debt	-	369,336	369,336
0073	Bond issuance costs and fees	1,584	2,030	3,614
0081	Facilities acquisition and construction	1,637,865	-	1,637,865
0099	Other governmental charges	132,317	-	132,317
6030	Total expenditures	27,893,334	6,400,483	34,293,817
1100	Excess (deficiency) of revenues over expenditures	1,244,289	(44,491)	1,199,798
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	1,244,289	(44,491)	1,199,798
0100	Fund balance - September 1 (beginning)	14,313,517	1,802,945	16,116,462
3000	Fund balance - August 31 (ending)	15,557,806	1,758,454	17,316,260

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021**

Net change in fund balances - governmental funds	1,199,798
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	3,567,902
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,996,702)
Current year changes in amounts related to GASB 68 increased revenues in the amount of \$646,830, but also increased expenditures in the amount of \$1,273,247. The net effect on the change in the ending net position was a decrease in the amount of \$626,417.	(626,417)
Current year changes in amounts related to GASB 75 decreased revenues in the amount of \$307,382, but also decreased expenditures in the amount of \$493,588. The net effect on the change in the ending net position was an increase in the amount of \$186,206.	186,206
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>(34,053)</u>
Change in net position of governmental activities	<u><u>2,296,734</u></u>

The accompanying notes are an integral part of this statement



## **Fiduciary Fund Financial Statements**

**HUDSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2021**

	<b>Private Purpose Trust Fund</b>	<b>Custodial Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	38,242	203,740
Total Assets	38,242	203,740
<b>NET POSITION</b>		
Restricted for scholarships	38,242	-
Restricted for other purposes	-	203,740
Total Net Position	38,242	203,740

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

	<b>Private Purpose Trust Fund</b>	<b>Custodial Fund</b>
<b>ADDITIONS:</b>		
Miscellaneous revenue - student activity	-	333,900
Earnings from temporary deposits	4	81
Total Additions	<u>4</u>	<u>333,981</u>
<b>DEDUCTIONS:</b>		
Professional and contracted services	-	8,163
Supplies and materials	-	282,194
Other operating costs	50	29,646
Total Deductions	<u>50</u>	<u>320,003</u>
Change in Net Position	(46)	13,978
Total Net Position - September 1 (Beginning)	<u>38,288</u>	<u>189,762</u>
Total Net Position - August 31 (Ending)	<u><u>38,242</u></u>	<u><u>203,740</u></u>

The accompanying notes are an integral part of this statement

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**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FINANCIAL REPORTING ENTITY**

Hudson Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Because the Board is elected by the public, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts, and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**Fund Financial Statements**

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**D. FUND TYPES AND MAJOR FUNDS**

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

**Major Governmental Fund:**

**General Fund** - This fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**Non Major Governmental Funds:**

**Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

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

**Other Fund Types:**

**Private Purpose Trust Funds** - The District accounts for donations for which the donors have stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

**Custodial Fund** - The District accounts for resources held for others in a custodial capacity in the custodial fund. The District's custodial fund is used to account for the activities of student groups and other organizational activities.

**E. OTHER ACCOUNTING POLICIES**

**Cash and Cash Equivalents** - The District considers deposits and highly liquid investments with a maturity date of three months or less and all local government pools to be cash equivalents.

**Capital Assets and Depreciation** - The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

Estimated useful lives, in years, for capital assets are as follows:

Buildings	20-40
Improvements (including infrastructure)	15-50
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as other financing sources when received.

**Long-Term Debt** - In the government-wide financial statements, any outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal and interest payments are recognized as an expense of the current period.

**Deferred Outflows/Inflows of Resources** - In addition to assets, 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

**Net Position and Fund Balance** - Net position in the statement of net position include components that are restricted for use in a federal or state program or to pay debt service on capital related debt. Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future periods. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. At August 31, 2021, the General Fund has a committed fund balance of \$6,550,000 for future construction projects and has a nonspendable fund balance of \$17,606 from prepayments. The Special Revenue Fund restricts \$155,233 for food service, including a nonspendable fund balance in the form of food service inventories in the amount of \$46,336, and the fund also restricts \$962,775 for shared service arrangements and other state and local programs. The Debt Service Fund restricts \$640,446 for retirement of long-term debt.

**Compensated Absences** - It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.



**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2021**

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Data Control Codes** - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

**Fund Balance Policy** - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, operation of the food service, and other state and local programs.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the entity incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

**Pensions** - The fiduciary net position of the Teachers 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 the 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.

**Other Post-Employment Benefits (OPEB)** - The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

**Subsequent Events** - Management has evaluated subsequent events through November 1, 2021, the date the financial statements were available to be issued.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**F. BUDGETARY DATA**

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, the Food Service Fund (which is included in the Special Revenue Funds), and the Debt Service Fund. The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

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 of Trustees is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. 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 the fiscal year end. During the year ended August 31, 2021, the District made significant budget amendments to the instruction and facilities acquisition/construction functions that increased overall appropriations over the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Legal and Contractual Provisions Governing Deposits and Investments.** The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires 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 stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9)

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

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.

**Policies Governing Deposits and Investments.** In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

**Deposits**

**Custodial Credit Risk** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited 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. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District was not exposed to custodial credit risk as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: SouthSide Bank, Tyler, TX
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$13,187,132.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$12,319,513 and occurred during the month of February 2021.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

**Investments**

**Credit Risk** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2021.

**Custodial Credit Risk** - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District did not have any investments exposed to custodial credit risk at August 31, 2021.

**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2021**

**Interest Rate Risk** - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's was not exposed to interest rate risk at August 31, 2021.

**Concentration of Credit Risk** - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2021.

**Foreign Currency Risk** - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2021.

Included in cash and cash equivalents are interest bearing checking, money market accounts, and investment pools.

The District's temporary investments as of August 31, 2021, which are included as current investments, were in custody accounts and certificates of deposit in the amount of \$4,279,836 at the District's local depository.

The District's deposits with investment pools are included in cash and cash equivalents. This amounted to \$11,105,067 with TexPool, Texas CLASS and Lone Star (First Public) Investment Pool (Pools) as of August 31, 2021.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the District's funds in authorized short-term investments.

The investment in the Pools are based on contractual agreements and not the individual security itself, therefore, the District's investment in the Pools are not categorized as to credit risk. The market value of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

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Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752. Financial reports issued by TexPool may be obtained by contacting TexPool Participant Services, c/o Federated Investors, Inc., 1001 Texas Avenue, Suite 1400, Houston, Texas 77002. Financial reports issued by Texas CLASS may be obtained by contacting Texas CLASS Client Services, 717 17<sup>th</sup> Street, Suite 1850, Denver, Colorado 80202.

The Pools are not registered with the SEC, however the State Comptroller of Public Accounts exercises oversight responsibility over TexPool, TASB exercises oversight responsibility over Lone Star, and Texas CLASS is overseen by a Board of Trustees comprised of active members of the pool, elected by the participants.

**B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNEARNED REVENUE**

**Property Tax Calender, Property Tax Receivables, and Unearned Revenue**

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. Taxes are due upon 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. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for the year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due to the District regardless of when the cash is received.

**Due To/From Other Governments and Unearned Revenue**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. These amounts are reported in the governmental fund financial statements as Due from Other Governments.

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Amounts due from federal, state, and other governments as of August 31, 2021 are summarized below:

Fund	State Foundation	Federal Program Grants	State Program Grants	Total
General Fund	3,040	-	-	3,040
Special Revenue Funds	-	270,651	2,142	272,793
Total	<u>3,040</u>	<u>270,651</u>	<u>2,142</u>	<u>275,833</u>

Unearned revenues at year end consisted of the following:

	General Fund	Other Governmental Funds	Total
Unearned revenues - Foundation adjustments	2,334,008	57,239	2,391,247
Unearned revenues - Advance on grants	-	27,004	27,004
Unearned revenues - Tuition	38,633	-	38,633
	<u>2,372,641</u>	<u>84,243</u>	<u>2,456,884</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable Revenue - Property Taxes	214,245	26,295	240,540

**C. INTERFUND BALANCES AND TRANSFERS**

Interfund due to/from balances at August 31, 2021 consisted of the following amounts:

Due from Other Governmental Funds to the General Fund:	
Special Revenue funds	<u>170,389</u>
Due to Other Governmental Funds from the General Fund:	
Debt Service Fund	<u>382,997</u>

Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no interfund transfers during the year ended August 31, 2021.

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**D. DISAGGREGATION OF RECEIVABLES**

The District disaggregates significant components of receivables in the financial statements. The only receivable not expected to be collected within one year is \$26,727 of delinquent property taxes.

**E. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2021 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Adjustments</b>	<b>Ending Balance</b>
Governmental Activities:				
Land	1,678,284	-	-	1,678,284
Buildings and improvements	60,774,808	149,984	24,500	60,949,292
Vehicles and equipment	7,255,886	427,305	(314,815)	7,368,376
Construction in progress	141,050	1,515,528	(24,500)	1,632,078
Totals at cost	69,850,028	2,092,817	(314,815)	71,628,030
Less accumulated depreciation:				
Buildings and improvements	28,702,765	1,575,530	-	30,278,295
Vehicles and equipment	5,540,122	421,172	(314,815)	5,646,479
Total accumulated depreciation	34,242,887	1,996,702	-	35,924,774
Governmental activities capital assets, net	35,607,141	96,115	-	35,703,256

Depreciation was charged to governmental functions as follows:

Instruction	892,921
Instructional Resources	22,739
School Leadership	82,299
Guidance, Counseling & Health Services	1,723
Student Transportation	192,340
Food Services	243,857
Cocurricular/Extracurricular	401,174
General Administration	9,206
Facilities Maintenance	74,038
Security	34,108
Data Processing	42,297
Total depreciation expense	<u>1,996,702</u>

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**F. LONG-TERM DEBT**

In prior years, the District, as authorized by Texas Education Code Section 45.001 and 45.003, authorized the issuance of Unlimited Tax Refunding Bonds to provide funds for the construction, acquisition, and purchasing of equipment for new school buildings, and to refund older bonds. Bonds currently outstanding are as follows:

- Series 2013, issued in the original amount of \$4,295,000. Interest rates range from 2.30% to 4.00%. The bonds final maturity is February 15, 2025.
- Series 2015, issued in the original amount of \$7,755,000. Interest rates range from 2.30% to 4.00%. The bonds final maturity is February 15, 2037.
- Series 2016, issued in the original amount of \$3,690,000. Interest rates range from 2.30% to 4.00%. The bonds final maturity is February 15, 2038.

The sale of the Series 2013, 2015, and 2016 bond issues resulted in a premiums received, which are being amortized over the life of the bonds. At the issuance of these refunding bonds, the reacquisition price exceeded the net carrying amount of the old debt. This amount is included on the government-wide statement of net position as a deferred outflow and is amortized over the new debt's life.

The Series 2005 Qualified Zone Academy Bonds (QZAB) were originally issued in the amount of \$2,508,700 and have an interest rate of 0.00%. The bonds final maturity is November 15, 2021.

Long term liability activity for the year ended August 31, 2021 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts due within one year</b>
Governmental Activities:					
Series 2005 QZAB	246,516	-	122,680	123,836	123,836
Series 2013 refunding bonds	2,165,000	-	565,000	1,600,000	400,000
Series 2015 refunding bonds	6,960,000	-	305,000	6,655,000	320,000
Series 2016 refunding bonds	2,990,000	-	405,000	2,585,000	435,000
Total long term debt	12,361,516	-	1,397,680	10,963,836	1,278,836
Unamortized bond premium	746,500	-	99,585	646,915	-
Total long term debt	13,108,016	-	1,497,265	11,610,751	1,278,836

During the year ended August 31, 2021, the District completed an advanced refunding of \$180,000 of prior year unlimited tax school refunding bonds (Series 2013). The District purchased U.S. government securities that were deposited in an irrevocable trust with an escrow agent to provide for a portion of future debt service payments on the series 2013 bonds. As a result, the refunded portion of the series 2013 bonds is considered to be defeased and the liability for those bonds was be removed from the government-wide statement of net position.



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The District completed the advanced refunding to reduce its debt service payments by \$17,640 and to obtain an economic gain of \$1,094. Issuance costs associated with the refunding totaled \$8,200, and were recognized as an expense in the period of issue.

Annual debt service requirements to maturity for the District's long term debt are as follows:

Year ending August 31,	General Obligations		
	Principal	Interest	Total
2022	1,278,836	325,760	1,604,596
2023	1,185,000	280,198	1,465,198
2024	925,000	244,156	1,169,156
2025	750,000	215,635	965,635
2026	470,000	195,336	665,336
2027-2031	2,555,000	779,738	3,334,738
2032-2036	3,000,000	369,241	3,369,241
2037-2038	800,000	17,741	817,741
Totals	10,963,836	2,427,805	13,391,641

**G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

For the year ended August 31, 2021, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	5,800,882	-	1,124,198	6,925,080
Food Service	-	394,099	-	394,099
Penalties, interest, and other tax	77,697	-	10,609	88,306
Investment activity	46,203	1,489	824	48,516
Services to other Districts	-	664,533	-	664,533
Tuition	243,636	-	-	243,636
Insurance proceeds	10,609	-	-	10,609
Gifts and bequests	42,388	86,100	-	128,488
Co-curricular student activities	45,401	112,382	-	157,783
Other	155,000	45	-	155,045
Total	6,421,816	1,258,648	1,135,631	8,816,095

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**H. PENSION PLAN AND RETIREE HEALTH PLAN**

**Defined Benefit Pension Plan**

**Plan Description.** The 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). TRS's defined benefit pension plan is 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.** Detailed 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/pages/about\\_publications.aspx](https://www.trs.texas.gov/pages/about_publications.aspx), selecting *About TRS* the *Publications* then *Financial Reports*, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or 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.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be

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actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**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. Employee contribution rates are set in state statute, Texas Government Code 825.402.

Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 through 2025.

	<u>2021</u>	<u>2020</u>
Member	7.70%	7.70%
Non-Employer Contribution Rate (State)	7.50%	7.50%
Employers	7.50%	7.50%
District's 2021 Employer Contributions	\$	565,931
District's 2021 Member Contributions	\$	1,517,575
District's 2021 NECE On-Behalf Contributions	\$	1,152,438

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public 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.

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

All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.

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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	2.33%*
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Last Year Ending 8/31 in Projection Period	2119 (100 years)
Ad hoc Post Employment Benefit Changes	None

*\* - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with the 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2020 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. 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.

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The long-term rate of return on pension plan investments is 7.25 percent. 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, 2020 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	18%	0.99%
Non-U.S. Developed	13%	13%	0.92%
Emerging Markets	9%	9%	0.83%
Private Equity	14%	14%	1.41%
<b>Stable Value</b>			
Government Bonds	16%	0%	-0.05%
Stable Value Hedge Funds	5%	5%	0.11%
<b>Real Return</b>			
Real Assets	15%	15%	1.01%
Energy and Natural Resources	6%	6%	0.42%
<b>Risk Parity</b>			
Risk Parity	8%	8%	0.30%
<b>Leverage</b>			
Cash	2%	2%	-.03%
Asset Allocation Leverage	-6%	-6.0%	0.08
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
<b>Total</b>	<b>100%</b>		<b>7.23%</b>

\* Target allocations are based on the FY2020 model

\*\* Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

\*\*\* The volatility drag results come 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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$11,019,135	\$7,146,085	\$3,999,317

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2020, the District reported a liability of \$7,146,085 propionate 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	\$7,146,085
State's proportionate share that is associated with the District	<u>14,959,266</u>
Total	<u><u>\$22,105,351</u></u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was .0133427% which was an increase of 6.82% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation** - There were no changes in assumption since the prior measurement period.

For the year ended August 31, 2021, the District recognized pension expense of \$1,799,268 and revenue of \$1,152,438 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$13,048	\$199,428
Changes in actuarial assumptions	1,658,146	705,032
Difference between projected and actual investment earnings	144,667	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	675,394	182,453
Contributions paid to TRS subsequent to the measurement date	<u>565,931</u>	<u>-</u>
Total	<u><u>\$3,057,186</u></u>	<u><u>\$1,086,913</u></u>

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

<u>Year Ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$917,372
2023	431,820
2024	407,145
2025	192,584
2026	5,430
Thereafter	15,922

**I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Other Post -Employment Benefit Plan (OPEB)**

**Plan Description.** The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.state.tx.us/pages/about\\_publications.aspx](http://www.trs.state.tx.us/pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter

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1575.052. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table:

TRS-Care Plan Premium Rates  
Effective January 1, 2020 - December 31, 2020

	Medicare	Non-Medicare
Retiree (or surviving spouse)	\$135	\$200
Retiree and spouse	\$529	\$689
Retiree or surviving spouse and children	\$468	\$408
Retiree and family	\$1,020	\$999

**Contributions.** Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2021	2020
Member	0.65%	0.65%
Non-Employer Contribution Rate (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2021 Employer Contributions	\$ 172,637	
District's 2021 Member Contributions	\$ 128,124	
District's 2021 NECE On-Behalf Contributions	\$ 228,159	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.



**HUDSON INDEPENDENT SCHOOL DISTRICT  
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YEAR ENDED AUGUST 31, 2021**

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amounts allocated on behalf of the District were \$89,324, \$83,070, and \$63,594 for the years ended August 31, 2021, 2020, and 2019, respectively.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 50% after 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expense related to the delivery of health care benefits are included in the age adjusted-claims cost.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc Post Employment Benefit Changes	None

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the OPEB liability:	\$10,190,575	\$8,492,162	\$7,150,660

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2020, the District reported a liability of \$8,492,162 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective OPEB liability	\$8,492,162
State's proportionate share that is associated with the District	<u>11,411,431</u>
Total	<u><u>\$19,903,593</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.02233963% which is an increase of 4.36 percent from the proportion measured as of August 31, 2019.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
District's proportionate share of the OPEB liability:	\$6,937,009	\$8,492,162	\$10,563,407

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 50 percent to 40 percent. This change lowered the TOL.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the TOL.

**Change of Benefit Terms Since the Prior Measurement Date** – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized an OPEB benefit of \$79,237 and revenue of \$228,159 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$444,646	\$3,886,448
Changes in actuarial assumptions	523,790	2,331,992
Difference between projected and actual investment earnings	2,760	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	1,516,160	600,508
Contributions paid to TRS subsequent to the measurement date	172,637	-
Total	<u>\$2,659,993</u>	<u>\$6,818,948</u>

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

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

Year Ended August 31:	OPEB Expense Amount
2022	(\$595,536)
2023	(768,542)
2024	(768,753)
2025	(768,697)
2026	(541,870)
Thereafter	(715,557)

**J. HEALTH CARE COVERAGE**

During the year ended August 31, 2021, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$185 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care.

**K. MEDICAID ADMINISTRATIVE CLAIMING**

The District participates in a Medicaid Administrative Claiming Program (MAC). The MAC Program provides reimbursement for outreach activities to locate, identify and refer children who might be at risk of poor school performance outcome due to physical or mental health needs. The fiscal agent is Fairbanks, L.L.C. who will distribute all funds generated to the individual districts and will collect the commission fee from all members.

**L. SHARED SERVICE ARRANGEMENTS**

**Shared Services Arrangement - Fiscal Agent:**

The District serves as the Fiscal Agent for Stubblefield Learning Center. Stubblefield Learning Center is a Shared Service Arrangement along with four other participating school districts within Angelina County. The campus is an alternative education program which specializes in assisting at-risk students who have been identified with the risk of potentially dropping out of the traditional public school setting. Hudson Independent School District works in conjunction with the Angelina County Chamber of Commerce who also funds the campus independently with private (non-school) funds. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in two special revenue funds (Fund 458 - Chamber Stubblefield Learning Center and Fund 459 - Stubblefield Learning Center) and will be accounted for using Model 3 in the SSA section of the Resource Guide.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

Expenditures of the SSA are allocated to member districts based on the number of children enrolled, and are summarized below:

<b>Member Districts</b>	<b>458</b>	<b>459</b>	<b>Total</b>
Lufkin ISD	44,386	379,509	423,895
Hudson ISD	16,480	140,908	157,388
Diboll ISD	10,149	86,770	96,919
Central ISD	8,832	75,506	84,338
Total	79,847	682,693	762,540

**Shared Services Arrangement - Membership:**

The District also participates in a Model 3 shared services arrangement which pays for the salary of an occupational therapist. Huntington Independent School District is the fiscal agent. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Huntington Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**M. LITIGATION AND CONTINGENCIES**

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, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2021, may be impaired. In the opinion of the District, 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 financial statements for such contingencies.

**N. RISK MANAGEMENT**

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 maintains commercial insurance coverage covering these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no significant reductions in insurance coverage during the past fiscal year, and there were no settlements exceeding commercial insurance coverage in any of the past three fiscal years.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

The District purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The District's maximum loss exposure is limited to annual premiums paid as a member of the Fund. The Fund reinsures through commercial companies for claims in excess of \$1,000,000.

**O. UNCERTAINTY DUE TO COVID-19**

The outbreak of coronavirus (COVID-19) in early 2020 was declared a pandemic by the World Health Organization. On March 13, 2020, the governor of Texas declared a state of emergency for all Texas counties, which resulted in state-wide school closings that lasted through the conclusion of the 2019-2020 school year. The District completed the 2020-2021 school year with no significant disruptions. The total impact of COVID-19 on the District's operational and financial performance is unknown, but may result in decreased revenues due to property valuation declines, reduced attendance, reduced state aid, or combinations thereof. Management will continue to monitor COVID-19 and its impact on the District and the community.

## **Required Supplementary Schedules**





**HUDSON INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes		Budgeted Amounts		Actual	Variance
		Original	Final	Amounts	With Final
				(Budgetary	Budget
				Basis)	Positive
					(Negative)
REVENUES:					
5700	Local and intermediate sources	6,736,027	6,269,653	6,421,816	152,163
5800	State program revenues	22,479,764	19,249,800	22,329,003	3,079,203
5900	Federal program revenues	200,000	265,400	386,804	121,404
5020	Total revenues	29,415,791	25,784,853	29,137,623	3,352,770
EXPENDITURES:					
0011	Instruction	17,572,788	18,220,251	16,158,538	2,061,713
0012	Instructional resources and media services	135,071	143,271	122,224	21,047
0013	Curriculum and staff development	300,826	312,686	248,916	63,770
0021	Instructional leadership	62,740	66,540	64,416	2,124
0023	School leadership	1,729,772	1,787,372	1,657,272	130,100
0031	Guidance, counseling, and evaluation services	838,989	866,639	809,117	57,522
0032	Social work services	4,400	5,400	2,270	3,130
0033	Health services	236,120	246,170	215,715	30,455
0034	Student transportation	1,496,886	1,546,599	1,276,751	269,848
0036	Cocurricular/extracurricular activities	1,019,005	1,090,545	949,306	141,239
0041	General administration	1,307,270	1,366,265	1,165,551	200,714
0051	Plant maintenance and operations	3,125,278	3,176,521	2,710,569	465,952
0052	Security and monitoring services	507,183	573,783	484,618	89,165
0053	Data processing services	157,195	168,195	133,625	34,570
0071	Principal on long-term debt	124,000	124,000	122,680	1,320
0073	Bond issuance cost and fees	5,000	5,000	1,584	3,416
0081	Facilities acquisition and construction	643,268	2,392,334	1,637,865	754,469
0099	Other intergovernmental charges	150,000	150,000	132,317	17,683
6030	Total expenditures	29,415,791	32,241,571	27,893,334	4,348,237
1100	Excess (deficiency) of revenues over expenditures	-	(6,456,718)	1,244,289	7,701,007
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	(6,456,718)	1,244,289	7,701,007
0100	Fund balance - September 1 (beginning)	14,313,517	14,313,517	14,313,517	-
3000	Fund balance - August 31 (ending)	14,313,517	7,856,799	15,557,806	7,701,007

The accompanying notes are an integral part of this statement

**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	FY 2021 <u>Plan Year 2020</u>	FY 2020 <u>Plan Year 2019</u>
District's Proportion of the Net Pension Liability (Asset)	0.0133427%	0.0124906%
District's Proportionate share of the Net Pension Liability (Asset)	\$ 7,146,085	\$ 6,493,018
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>14,959,266</u>	<u>12,778,851</u>
<b>TOTAL</b>	<b><u>\$ 22,105,351</u></b>	<b><u>\$ 19,271,869</u></b>
 District's Covered Payroll	 \$ 19,089,675	 \$ 16,978,524
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	37.43%	38.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.0117582%	0.0124910%	0.0127705%	0.0129418%	0.0089041%
\$ 6,471,982	\$ 3,993,948	\$ 4,825,781	\$ 4,574,754	\$ 2,378,409
<u>13,965,368</u>	<u>8,337,242</u>	<u>10,086,532</u>	<u>9,864,358</u>	<u>8,323,359</u>
<u>\$ 20,437,350</u>	<u>\$ 12,331,190</u>	<u>\$ 14,912,313</u>	<u>\$ 14,439,112</u>	<u>\$ 10,701,768</u>
\$ 16,425,216	\$ 16,299,694	\$ 16,139,747	\$ 15,629,060	\$ 15,160,188
39.40%	24.50%	29.90%	29.27%	15.69%
73.74%	82.17%	76.23%	78.43%	83.25%

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHERS RETIREMENT SYSTEM  
FOR FISCAL YEAR 2021**

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	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 565,931	\$ 550,322
Contribution in Relation to Contractually Required Contribution	<u>(565,931)</u>	<u>(550,322)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 19,708,768	 \$ 19,089,675
Contributions as a Percentage of Covered Payroll	2.87%	2.88%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 437,729	\$ 395,113	\$ 375,921	\$ 383,212	\$ 219,841
<u>(437,729)</u>	<u>(395,113)</u>	<u>(375,921)</u>	<u>(383,212)</u>	<u>(219,841)</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 16,978,524	\$ 16,425,216	\$ 16,299,694	\$ 16,139,747	\$ 15,629,060
2.58%	2.41%	2.31%	2.37%	1.41%

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHERS RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021**

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District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits

District's Proportionate share of the Net Other Post Employment Benefit Liability (Asset)

State's Proportionate share of the Net Other Post Employment Benefit Liability (Asset)  
associated with the District

TOTAL

District's Covered Payroll

District's Proportionate Share of the Net OPEB Liability (Asset)  
as a percentage of its Covered Payroll

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date of August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.02233963%	0.02140722%	0.01935299%	0.02080992%
\$ 8,492,162	\$ 10,123,736	\$ 9,663,127	\$ 9,049,453
<u>11,411,431</u>	<u>13,452,181</u>	<u>14,143,942</u>	<u>12,684,355</u>
\$ <u>19,903,593</u>	\$ <u>23,575,917</u>	\$ <u>23,807,069</u>	\$ <u>21,733,808</u>
\$ 19,089,675	\$ 16,978,524	\$ 16,425,216	\$ 16,299,694
44.49%	59.63%	58.83%	55.52%
4.99%	2.66%	1.57%	0.91%

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)  
TEACHERS RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021**

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Contractually Required Contribution

Contribution in Relation to Contractually Required Contribution

Contribution Deficiency (Excess)

District's Covered Payroll

Contributions as a Percentage of Covered Payroll

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided for the years where data is available.  
Eventually, 10 years of data should be presented.



<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 172,637	\$ 169,259	\$ 151,679	\$ 133,562
<u>(172,637)</u>	<u>(169,259)</u>	<u>(151,679)</u>	<u>(133,562)</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 19,708,768	\$ 19,089,675	\$ 16,978,524	\$ 16,425,216
0.88%	0.89%	0.89%	0.81%

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**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2021**

**A. Notes to Schedules for the TRS Pension**

*Changes of Benefit terms.*

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

*Changes of Assumptions.*

There were no changes in assumptions since the prior measurement date.

**B. Notes to Schedules for the TRS OPEB Plan**

*Changes of Benefit terms.*

There were no changes in benefit terms since the prior measurement date.

*Changes in Assumptions.*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 50 percent to 40 percent. This change lowered the TOL.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the TOL..

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## **Combining Schedules**

**HUDSON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2021**

		Special Revenue Funds			
		211	224	225	240
		ESEA	IDEA	IDEA	School Lunch
		Title I	Part B	Part B	& Breakfast
		Part A	Formula	Preschool	Program
ASSETS					
1110	Cash and cash equivalents	-	-	660	221,966
1220	Property taxes receivable - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-	-
1240	Due from other governments	22,078	40,810	653	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	46,336
1000	Total Assets	22,078	40,810	1,313	268,302
LIABILITIES					
2110	Accounts payable	-	7,827	-	47,879
2160	Accrued wages payable	19,701	24,025	1,227	63,659
2170	Due to other funds	2,377	8,958	86	1,531
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	22,078	40,810	1,313	113,069
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	-	-	-	-
2600	Total Inflows of Resources	-	-	-	-
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	46,336
Restricted Fund Balance:					
3450	Federal or state grant programs	-	-	-	108,897
3480	Retirement of long-term debt	-	-	-	-
3490	Other restricted fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	155,233
4000	Total Liabilities, Deferred Inflows and Fund Balances	22,078	40,810	1,313	268,302

Special Revenue Funds							
244 Carl Perkins - Basic Grant	255 Title II A, Training/ Recruiting	263 Title III A English Language	266 ESSER, Emergency Relief	270 Title VI Rural & Low Income	272 Medical Admin. Claim MAC	281 ESSER II Emergency Relief	282 ESSER III Emergency Relief
-	-	-	5,680	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,995	-	-	-	-	-	195,112
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,995	-	5,680	-	-	-	195,112
-	-	-	-	-	-	-	27,004
-	2,186	-	-	-	-	-	-
-	809	-	5,680	-	-	-	141,104
-	-	-	-	-	-	-	27,004
-	2,995	-	5,680	-	-	-	195,112
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,995	-	5,680	-	-	-	195,112

**HUDSON INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2021**

		Special Revenue Funds			
		289	385	397	410
Data		Other	Visually	Advanced	State
Control		Federal	Impaired	Placement	Textbook
Codes		Programs	SSVI	Incentives	Fund
ASSETS					
1110	Cash and cash equivalents	-	-	-	45
1220	Property taxes receivable - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes (credit)	-	-	-	-
1240	Due from other governments	9,003	1,754	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	9,003	1,754	-	45
LIABILITIES					
2110	Accounts payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	9,003	1,754	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	9,003	1,754	-	-
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	-	-	-	-
2600	Total Inflows of Resources	-	-	-	-
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or state grant programs	-	-	-	-
3480	Retirement of long-term debt	-	-	-	-
3490	Other restricted fund balance	-	-	-	45
3000	Total Fund Balances	-	-	-	45
4000	Total Liabilities, Deferred Inflows and Fund Balances	9,003	1,754	-	45



Special Revenue Funds				Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
429 Other State Programs	458 Chamber Stubblefield Learning Center	459 Stubblefield Learning Center	461 Campus Activity Funds			
-	579,033	333,917	51,951	1,193,252	314,388	1,507,640
-	-	-	-	-	29,216	29,216
-	-	-	-	-	(2,922)	(2,922)
388	-	-	-	272,793	-	272,793
-	-	-	-	-	382,997	382,997
-	2,157	-	-	2,157	301	2,458
-	-	-	-	46,336	-	46,336
388	581,190	333,917	51,951	1,514,538	723,980	2,238,518
388	747	3,122	1,372	88,339	-	88,339
-	-	-	-	110,798	-	110,798
-	-	(913)	-	170,389	-	170,389
-	-	-	-	27,004	57,239	84,243
388	747	2,209	1,372	396,530	57,239	453,769
-	-	-	-	-	26,295	26,295
-	-	-	-	-	26,295	26,295
-	-	-	-	46,336	-	46,336
-	-	-	-	108,897	-	108,897
-	-	-	-	-	640,446	640,446
-	580,443	331,708	50,579	962,775	-	962,775
-	580,443	331,708	50,579	1,118,008	640,446	1,758,454
388	581,190	333,917	51,951	1,514,538	723,980	2,238,518

**HUDSON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

		Special Revenue Funds			
		211	224	225	240
Data		ESEA	IDEA	IDEA	School Lunch
Control		Title I	Part B	Part B	& Breakfast
Codes		Part A	Formula	Preschool	Program
REVENUES					
5700	Total local and intermediate sources	-	-	-	394,159
5800	State program revenues	-	-	-	146,517
5900	Federal program revenues	517,820	571,590	11,415	930,092
5020	Total Revenues	517,820	571,590	11,415	1,470,768
EXPENDITURES					
0011	Instruction	357,462	298,296	11,415	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	16,822	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, & evaluation services	51,426	273,294	-	-
0032	Social work services	86,467	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	1,643,231
0036	Extracurricular activities	-	-	-	-
0041	General administration	5,643	-	-	700
0051	Facilities maintenance & operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
0073	Bond issuance costs and fees	-	-	-	-
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	517,820	571,590	11,415	1,643,931
1100	Excess (Deficiency) of Revenues				
	Over (Under) Expenditures	-	-	-	(173,163)
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
8911	Transfers out (uses)	-	-	-	-
7080	Total other financing sources and uses	-	-	-	-
1200	Net change in fund balances	-	-	-	(173,163)
0100	Fund balances, beginning	-	-	-	328,396
3000	Fund balances, ending	-	-	-	155,233

Special Revenue Funds							
244 Carl Perkins - Basic Grant	255 Title II A, Training/ Recruiting	263 Title III A English Language	266 ESSER, Emergency Relief	270 Title VI Rural & Low Income	272 Medical Admin. Claim MAC	281 ESSER II Emergency Relief	282 ESSER III Emergency Relief
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
31,922	97,011	25,663	454,383	66,538	2,080	116,754	168,108
31,922	97,011	25,663	454,383	66,538	2,080	116,754	168,108
30,569	63,011	25,459	454,383	45,119	-	105,024	111,753
-	-	-	-	-	-	999	-
-	34,000	204	-	21,419	-	-	-
1,353	-	-	-	-	-	1,779	-
-	-	-	-	-	-	-	1,248
-	-	-	-	-	-	-	-
-	-	-	-	-	2,908	-	27,004
-	-	-	-	-	-	-	28
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,952	-
-	-	-	-	-	-	-	28,075
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
31,922	97,011	25,663	454,383	66,538	2,908	116,754	168,108
-	-	-	-	-	(828)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(828)	-	-
-	-	-	-	-	828	-	-
-	-	-	-	-	-	-	-

**HUDSON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes	Special Revenue Funds			
	289 Other Federal Programs	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
<b>REVENUES</b>				
5700	Total local and intermediate sources	-	-	-
5800	State program revenues	-	1,200	-
5900	Federal program revenues	62,267	-	-
5020	Total Revenues	62,267	1,200	-
<b>EXPENDITURES</b>				
0011	Instruction	62,267	1,200	140
0012	Instructional resources and media services	-	-	-
0013	Curriculum and staff development	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, & evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance & operations	-	-	-
0052	Security and monitoring services	-	-	-
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
0073	Bond issuance costs and fees	-	-	-
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	62,267	1,200	140
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(140)
<b>OTHER FINANCING SOURCES (USES)</b>				
7915	Transfers in	-	-	-
8911	Transfers out (uses)	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	-	-	(140)
0100	Fund balances, beginning	-	-	140
3000	Fund balances, ending	-	-	45

<b>Special Revenue Funds</b>						
<b>429</b>	<b>458</b>	<b>459</b>	<b>461</b>	<b>Total</b>	<b>599</b>	<b>Total</b>
<b>Other</b>	<b>Chamber</b>		<b>Campus</b>	<b>Special</b>	<b>Debt</b>	<b>Nonmajor</b>
<b>State</b>	<b>Stubblefield</b>	<b>Stubblefield</b>	<b>Activity</b>	<b>Revenue</b>	<b>Service</b>	<b>Governmental</b>
<b>Programs</b>	<b>Learning Center</b>	<b>Learning Center</b>	<b>Funds</b>	<b>Funds</b>	<b>Fund</b>	<b>Funds</b>
-	87,436	664,671	112,382	1,258,648	1,135,631	2,394,279
77,975	-	38,184	-	263,876	640,822	904,698
-	-	-	1,372	3,057,015	-	3,057,015
77,975	87,436	702,855	113,754	4,579,539	1,776,453	6,355,992
30,279	60,000	368,275	-	2,024,652	-	2,024,652
-	-	-	-	999	-	999
-	-	-	-	72,445	-	72,445
-	-	164,676	-	167,808	-	167,808
-	-	-	-	325,968	-	325,968
-	-	85,101	-	171,568	-	171,568
-	-	-	-	29,912	-	29,912
-	-	1,000	-	1,028	-	1,028
-	-	-	-	1,643,231	-	1,643,231
-	-	-	123,039	123,039	-	123,039
-	5,288	1,000	1,372	22,955	-	22,955
-	14,559	61,385	-	104,019	-	104,019
49,766	-	1,256	-	51,022	-	51,022
-	-	-	-	-	1,290,471	1,290,471
-	-	-	-	-	369,336	369,336
-	-	-	-	-	2,030	2,030
-	-	-	-	-	-	-
80,045	79,847	682,693	124,411	4,738,646	1,661,837	6,400,483
(2,070)	7,589	20,162	(10,657)	(159,107)	114,616	(44,491)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,070)	7,589	20,162	(10,657)	(159,107)	114,616	(44,491)
2,070	572,854	311,546	61,236	1,277,115	525,830	1,802,945
-	580,443	331,708	50,579	1,118,008	640,446	1,758,454

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**Required TEA Schedules**





**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
AUGUST 31, 2021**

	1	2	3	10	20	31	32	40	50
Last Ten Years Ended August 31,	Tax Rates		Assessed or	Beginning	Current			Entire	Ending
	Maint- enance	Debt Service	Appraised Valuation	Balance September 1	Year's Total Levy	Maintenance Collections	Debt Service Collections	Year's Adjustments	Balance August 31
2012 & Prior	Various	Various	-	34,671		1,040	66	(126)	33,439
2013	1.17000	0.07000	376,974,226	8,539		552	35	-	7,952
2014	1.17000	0.07000	408,148,710	9,527		2,222	133	-	7,172
2015	1.17000	0.09000	449,876,613	15,795		3,662	282	-	11,851
2016	1.17000	0.11000	439,239,531	20,538		7,359	692	-	12,487
2017	1.17000	0.11000	455,752,579	29,452		6,309	593	(2,733)	19,817
2018	1.17000	0.11000	477,210,703	34,329		5,058	476	(3,058)	25,737
2019	1.17000	0.11000	509,121,782	48,113		19,119	1,798	809	28,005
2020	1.06830	0.16000	528,026,948	104,142		40,274	6,032	(8,548)	49,288
2021 (Current)	1.02600	0.20000	562,878,841	-	6,900,895	5,715,287	1,114,091	-	71,517
1000	Totals			305,106	6,900,895	5,800,882	1,124,198	(13,656)	267,265

**HUDSON INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION FUND  
FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and intermediate sources	510,600	378,665	394,159	15,494
5800	State program revenues	34,000	71,500	146,517	75,017
5900	Federal program revenues	1,245,527	927,100	930,092	2,992
5020	Total revenues	1,790,127	1,377,265	1,470,768	93,503
	<b>EXPENDITURES:</b>				
0035	Food service	1,789,427	1,867,052	1,643,231	223,821
0041	General administration	700	700	700	-
6030	Total expenditures	1,790,127	1,867,752	1,643,931	223,821
1100	Excess (deficiency) of revenues over expenditures	-	(490,487)	(173,163)	317,324
	<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	(490,487)	(173,163)	317,324
0100	Fund balance - September 1 (beginning)	328,396	328,396	328,396	-
3000	Fund balance - August 31 (ending)	328,396	(162,091)	155,233	317,324

**HUDSON INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and intermediate sources	1,226,404	1,226,404	1,135,631	(90,773)
5800	State program revenues	263,373	263,373	640,822	377,449
5020	Total revenues	1,489,777	1,489,777	1,776,453	286,676
	<b>EXPENDITURES:</b>				
0071	Debt service - principal on long-term debt	1,095,000	1,290,471	1,290,471	-
0072	Debt service - interest on long-term debt	371,542	371,542	369,336	2,206
0073	Debt service - bond issuance costs and fees	23,235	23,235	2,030	21,205
6030	Total expenditures	1,489,777	1,685,248	1,661,837	23,411
1100	Excess (deficiency) of revenues over expenditures	-	(195,471)	114,616	310,087
	<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	(195,471)	114,616	310,087
0100	Fund balance - September 1 (beginning)	525,830	525,830	525,830	-
3000	Fund balance - August 31 (ending)	525,830	330,359	640,446	310,087

**HUDSON INDEPENDENT SCHOOL DISTRICT  
STATE COMPENSATORY EDUCATION AND BILINGUAL PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2021**

**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment	<u>Yes</u>
AP2	Does the LEA have written policies and procedures for its state compensatory	<u>Yes</u>
AP3	List the total state allotment funds received for state compensatory education	<u>\$2,400,850</u>
AP4	List the actual direct program expenditures for state compensatory education	<u>\$1,473,966</u>

**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds	<u>Yes</u>
AP6	Does the LEA have written policies and procedures for its bilingual education	<u>Yes</u>
AP7	List the total state allotment funds received for bilingual education programs	<u>\$ 98,894</u>
AP8	List the actual direct program expenditures for bilingual education programs	<u>\$ 151,730</u>

## **FEDERAL AWARDS SECTION**





G o f f & H e r r i n g t o n , P . C .

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Ronnie Herrington, CPA

Daniel Raney, CPA

Certified Public Accountants

**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 GOVERNMENT AUDITING STANDARDS**

Members of the Board of Trustees of  
Hudson Independent School District  
Hudson, Texas

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, each major fund, and the aggregate remaining fund information of Hudson Independent School District (District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2021.

**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.

**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 GOVERNMENT AUDITING STANDARDS**

Members of the Board of Trustees

November 1, 2021

Page 2

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 1, 2021





Certified Public Accountants

G o f f & H e r r i n g t o n , P . C .

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Trustees of  
Hudson Independent School District  
Hudson, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Hudson Independent School District's (District) compliance with the types of compliance requirements described in the *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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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, 2021.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Trustees

November 1, 2021

Page 2

**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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountants

November 1, 2021

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2021**

**Section I - Summary of Auditor's Results:**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	___yes <u>X</u> no
Significant Deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> no
Noncompliance material to financial statements noted?	___yes <u>X</u> no

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	___yes <u>X</u> no
Significant Deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> no

Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___yes <u>X</u> no

*Identification of Major Programs*

Fed. Asst. Listing No. 84.425D & 84.425U	Education Stabilization Fund (ESF)
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Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as a low risk auditee?	<u>X</u> yes    ___no
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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021**

There were no findings reported in the prior year.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021**

None required.

**HUDSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

(1) Federal Grantor/ Pass-Through Grantor/ Program title	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. Department of Education</b>			
<i>Passed through Texas Education Agency:</i>			
ESEA Title 1, Part A - Improving Basic Programs	84.010A	21610101003902	517,820
IDEA Part B - Formula	84.027A	216600010039026000	571,590
IDEA Part B - Preschool	84.173A	216610010039026000	11,415
Special Education (IDEA) cluster			<u>583,005</u>
Elementary and Secondary School Relief (ESSER) Fund	84.425D	20521001003902	454,383
Elementary and Secondary School Relief (ESSER II) Fund	84.425D	21521001003902	116,754
ARP - Elementary and Secondary School Relief (ESSER III) Fund	84.425U	21528001003902	168,108
Education Stabilization Fund (ESF) cluster			<u>739,245</u>
ESEA Title II, Part A - Teacher/Principal Training	84.367A	21694501003902	97,011
Title III, Part A - English Language Acquisition	84.365A	21671001003902	25,663
ESSA Title IV - State Support and Academic Enrichment	84.424A	21680101003902	62,267
ESSA Title V, Part B - Rural & Low Income	84.358B	21696001003902	66,538
Carl Perkins Basic Grant	84.048A	21420006003902	31,922
Passed through Texas Education Agency			<u>2,123,471</u>
<b>Total Department of Education</b>			<u>2,123,471</u>
<b>U.S. Department of Agriculture</b>			
<i>Passed through Texas Education Agency:</i>			
School Breakfast Program	10.553	71402101	186,691
School Lunch Program	10.555	71302101	615,795
Commodities	10.555	210002A	127,606
<b>Total child nutrition cluster</b>			<u>930,092</u>
<b>Total Department of Agriculture</b>			<u>930,092</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through Texas Department of Health and Human Services:</i>			
Medical Administrative Claiming Program (MAC)	93.778	00512	2,080
<b>Total Department of Health and Human Services</b>			<u>2,080</u>
<b>Total expenditures of federal awards</b>			<u><u>3,055,643</u></u>

**HUDSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2021**

**Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current-financial-resources measurement focus. All federal grant funds are accounted for in the Special Revenue Fund, a component of the governmental funds. With this measurement focus, only current assets and current liabilities, generally, are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due. Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as unearned revenues or accounts receivable, respectively.

The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the District at August 31, 2021.

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

Federal revenues in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

Total Federal Expenditure, Exhibit K-1	\$3,055,643
Revenue received for Coronavirus Relief Fund for FY 2020 Expenditures	122,747
School Health and Related Services (SHARS)	<u>265,429</u>
Total Federal Revenues, Exhibit C-3	<u><u>\$3,443,819</u></u>

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