

# WESTLAKE ACADEMY

International Baccalaureate Charter School

## ANNUAL FINANCIAL REPORT

Fiscal Year Ended 2017-2018

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Westlake Academy \* 2600 Ottinger Road \* Westlake, Texas 76262  
[www.westlakeacademy.org](http://www.westlakeacademy.org)

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Annual Financial Report  
For the Year Ended August 31, 2018  
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## Certificate of Board

WESTLAKE ACADEMY  
Name of School

TARRANT  
County

220-810  
Co.-District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school were reviewed and (check one) \_\_\_approved\_\_\_ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school on the \_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

(Attach list as necessary)

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# Financial Section

## Independent Auditor's Report

To the Board of Trustees  
Westlake Academy

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy (the Academy), a component unit of the Town of Westlake, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Academy'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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy, as of August 31, 2018, 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.

The Board of Trustees  
Westlake Academy

***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the Academy adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during 2018. Beginning net position has been restated to reflect the change in accounting principle for the implementation of this Statement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the Academy's proportionate share of the net pension and net OPEB liabilities, and schedules of Academy contributions for pensions and OPEB on pages 5 through 12, 41 through 46, 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 Academy's basic financial statements. The nonmajor governmental funds combining statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor governmental funds combining statements 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 nonmajor governmental funds combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Trustees  
Westlake Academy

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 26, 2018



## Westlake Academy

(A Component Unit of the Town of Westlake)  
Management's Discussion and Analysis  
August 31, 2018

This section of Westlake Academy's (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the Academy's financial statements, which follow this section.

### Financial Highlights

- On the government-wide financial statements, the liabilities of the Academy exceeded assets by \$2,823,226 (Net Position). This is an increase of \$1,452,296 for the year ended August 31, 2018 after the adjustment to beginning net position described below.
- The Academy's beginning net position has been adjusted by (\$4,480,552) to reflect a change in accounting principle for the reporting of postemployment benefits other than pensions. An explanation of the change can be found on Note 16 to the financial statements.
- The Academy had \$7,172,980 in expenses related to governmental activities, of which \$1,985,891 of these expenses were offset by program-specific charges for services or grants and contributions. This is a total expense decrease of \$2,400,191 from the prior year.
- The General Fund reported a fund balance this year of \$1,105,605, an increase of \$166,334 from the prior year.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), basic financial statements, and required supplementary information. The basic financial statements present different views of Academy:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Academy'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.
- *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 financial statements also include notes (starting on page 19) that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The combining statements for nonmajor funds contain even more information about the Academy's individual nonmajor funds.

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

**Westlake Academy**

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2018

**Government-Wide Statements**

The government-wide statements beginning on page 14, report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. Its primary objective is to show whether the Academy is better or worse off as a result of the year's activities. The statement of net position includes all of the Academy's assets and liabilities. The facilities used in the Academy's operations are included in the Town of Westlake's financial statements.

All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Academy's revenue is divided into those provided by outside parties who share the costs of some programs, such as payments received from extracurricular activities and grants provided by the U.S. Department of Education to assist children with disabilities (program revenue), and general revenue provided by donations from the public or by Texas Education Agency (TEA) in equalization funding processes (general revenue). All the Academy's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

<b>Figure A-1</b>			
<b>Major features of the Academy's Government-Wide and Fund Financial Statements</b>			
<b>Type of Statement</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire government(except fiduciary funds) and the academy's component units	Activities of the Academy that are not proprietary or fiduciary	Instances in which the Academy is the trustee or agent for someone else's resources
Required Financial Statements	Statement of Net Position, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Types of accountability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities both short-term and long-term; the Academy's funds do not currently include capital assets, although they can.
Types of Inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

## **Westlake Academy**

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2018

The two government-wide statements report the Academy's net position and how it has changed. Net position-the difference between the Academy's assets, deferred outflows of resources, and liabilities and deferred inflows of resources-is one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Academy, one should consider additional non-financial factors such as changes in the Academy's average daily attendance and the condition of the Academy's facilities.

The government-wide financial statements of the Academy include the Governmental activities. Most of the Academy's basic services are included here, such as instruction, curriculum and staff development, extracurricular activities, maintenance, health services and general administration. State funds, donations and grants finance most of these activities.

### **Component Unit**

The government-wide financial statements also present the activity of Westlake Academy Foundation, a discretely presented component unit. The Foundation was organized exclusively for charitable and educational purposes and provides funds to help support the Academy. During 2018, the Foundation contributed \$1,173,057 to the Academy to enhance educational opportunities. These contributions are recorded as operating grants and contributions in the Statement of Activities.

### **Fund Financial Statements**

The fund financial statements begin on page 16 and provide more detailed information about the Academy's most significant funds, not the Academy as a whole. Funds are accounting devices that the Academy 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.

Below are the three types of funds. The Academy had only "Governmental Funds" and "Fiduciary Funds" for the year ended August 31, 2018.

- Governmental funds – Most of the Academy's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily 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 Academy's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Fiduciary fund – the Academy maintains a fiduciary fund to account for resources held for student activities in a custodial capacity. These fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position on page 18. These activities are excluded from the school's government-wide financial statements because they cannot use these assets to finance their operations.

## **Westlake Academy**

(A Component Unit of the Town of Westlake)  
Management's Discussion and Analysis  
August 31, 2018

- *Proprietary funds* – Services for which the Academy would charge customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Academy presently has no proprietary funds.

### **Government-Wide Financial Analysis**

The following analysis focuses on the net position (Table A-1), sources of revenue (Figure A-2), and changes in net position (Table A-2) of the Academy's governmental activities. The Academy's reports a deficit net position of (\$2,823,226) at August 31, 2018.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Academy's governmental activities during the fiscal year caused the deficit in net position to decrease from (\$4,275,522), reflective of the cumulative effect of the change in accounting principle of (\$4,480,552), in 2017 to (\$2,823,226) in 2018.

The governmental activities' net position increased by 34 percent (\$1,452,296). The increase was primarily due to net effect of the following factors:

- (1) Additional state funding received due to an increase in student enrollment as well as additional funds for career technology educational students/courses. State aide and formula grants increased by \$433,077.
- (2) There was a decrease in operating grants and contributions. This decrease was primarily due to recording the State's on-behalf portion of the Academy's OPEB expense which, in turn, decreased both operating grants and contributions and expenses by \$1,546,541.
- (3) Expenses were also decreased by the change in net OPEB liability and related deferred inflows and outflows by \$898,693.

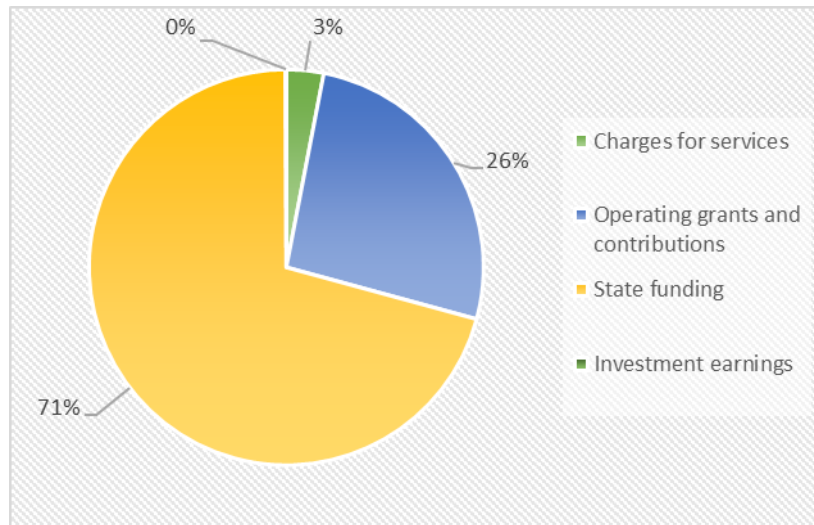
**Westlake Academy**

(A Component Unit of the Town of Westlake)  
 Management's Discussion and Analysis  
 August 31, 2018

**Table A-1  
 Westlake Academy's Net Position**

	Governmental Activities		Component Unit	
	2018	2017	2018	2017
Current assets	\$ 1,576,344	\$ 934,452	\$ 2,558,219	\$ 1,955,950
Total assets	1,576,344	934,452	2,558,219	1,955,950
Deferred outflows of resources	556,112	708,979	-	-
Current liabilities	131,707	127,386	387,862	275
Non-current liabilities	3,615,982	5,729,925	-	-
Total liabilities	3,747,689	5,857,311	387,862	275
Deferred inflows of resources	1,207,993	61,642	-	-
Net position:				
Restricted	4,215	8,539	295,432	271,809
Unrestricted	(2,827,441)	(4,284,061)	1,874,925	1,683,866
<b>Total net position</b>	<b>\$ (2,823,226)</b>	<b>\$ (4,275,522)</b>	<b>\$ 2,170,357</b>	<b>\$ 1,955,675</b>

**Figure A-2  
 Westlake Academy  
 Sources of Revenue for Fiscal Year 2018**



**Westlake Academy**

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2018

**Table A-2**  
**Westlake Academy's Change in Net Position**

	Governmental Activities		Component Unit Activities	
	2018	2017	2018	2017
Revenues				
Program revenues:				
Charges for services	\$ 238,352	\$ 267,412	\$ -	\$ -
Operating grants and contributions	993,715	2,261,830	1,710,577	1,715,833
Capital grants and contributions	753,824	757,261	-	-
General revenues:				
State aid and formula grants	6,629,507	6,196,430	-	-
Investment earnings	9,878	5,371	170,733	46,433
Total revenues	<u>8,625,276</u>	<u>9,488,304</u>	<u>1,881,310</u>	<u>1,762,266</u>
Expenses				
Instruction	4,099,293	5,692,052		
Instructional resources and media services	90,712	116,788	-	-
Curriculum and staff development	109,486	128,717	-	-
Instructional leadership	93,937	274,973		
School leadership	582,608	944,381		
Guidance, counseling, and evaluation services	220,264	277,877	-	-
Health services	58,667	82,900		
Food service	51,648	51,674	-	-
Extracurricular activities	327,254	380,613	-	-
General administration	320,152	318,566	-	-
Facilities maintenance and operations	973,289	967,303	-	-
Data processing services	152,422	189,764	-	-
Community services	84,363	133,626	-	-
Program/support services			1,666,628	1,492,076
Debt service - interest	8,885	13,937	-	-
Total expenses	<u>7,172,980</u>	<u>9,573,171</u>	<u>1,666,628</u>	<u>1,492,076</u>
Change in net position	1,452,296	(84,867)	214,682	270,190
Beginning net position	205,030	289,897	1,955,675	1,685,485
Cumulative effect of change in accounting principle	(4,480,552)	(4,480,552)	-	-
<b>Ending net position</b>	<u><u>\$ (2,823,226)</u></u>	<u><u>\$ (4,275,522)</u></u>	<u><u>\$ 2,170,357</u></u>	<u><u>\$ 1,955,675</u></u>

**Westlake Academy**

(A Component Unit of the Town of Westlake)  
 Management's Discussion and Analysis  
 August 31, 2018

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

- The cost of governmental activities this year was \$7,172,980
- Some of the cost was paid by those who directly benefited from the programs, \$238,352 and some of the cost was paid through grants and contributions \$1,747,539

**Table A-3**

	Total Cost of Services		Total % Change	Net Cost of Services		Total % Change
	2018	2017	2017-18	2018	2017	2017-18
Instruction	\$ 4,099,293	\$ 5,692,052	-28%	\$ 3,085,808	\$ 3,688,789	-16%
School leadership	582,608	944,381	-38%	539,159	679,592	-21%
Instructional leadership	93,937	274,973	-66%	91,792	205,561	-55%
Guidance, counseling and evaluation services	220,264	277,877	-21%	193,951	208,829	-7%
General administration	320,152	318,566	0%	229,268	247,740	-7%
Facilities maintenance and operations	973,289	967,303	1%	654,848	716,142	-9%
Data processing services	152,422	189,764	-20%	122,227	135,545	-10%

**General Fund Budgetary Highlights**

- The General Fund year-end fund balance is \$1,105,605, which increased \$166,334 over the prior year. The increase is attributable to the State year-end receivable calculation and additional donations provided to the Academy through the Westlake Academy Foundation. Instructional days began August 15, 2018 (13 days) compared to August 17, 2017 (11 days). This difference in days provided approximately \$122,507 in additional State revenue for August 2018 compared to the prior year.
- During the year, the Academy decreased its General Fund revenue budget by \$106,455 due to eliminating \$16,000 for miscellaneous fundraising activities, and accounting for fluctuations in the Career & Technology and Foundation funding due to student enrollment.
- During the year, the General Fund expenditure budget was increased by \$132,005 due to the occurrence of employee position changes subsequent to the budget adoption. Other factors contributing to the increased allocation included additional stipends, a one-time moving allowance, a 1.08% change in the unemployment rate, increased usage of charter bus services for athletic events and field trips, and legal fees associated with a parent dispute.

**Economic Factors and Next Year's Budget**

- General Fund revenues are budgeted to increase approximately 2% over the FY 2017-2018 actual revenues. This increase is due to additional anticipated revenue from 20 additional student enrollments, an increased availability of Career and Technology (CTE) course selections and student participation, and the inclusion of the TEA Facilities Allotment providing \$200 per ADA, or \$184,856.

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(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2018

- Amounts available for appropriation within the General Fund budget are \$8,710,132, which is a 3% increase (\$228,264) over FY 2017-2018 actual expenditures. This change is tied to a 3% overall increase in salaries and related expenditures and an increase in supplies and materials.
- Payroll & related expenditures: In accordance with the Board's financial policies regarding Academy employee compensation, there is an overall increase in salaries and related expenditures of 3% (\$206,905). This increase will bring the Academy to within 0.5% of the estimated average median of surrounding districts.
- Professional & contracted services: This category includes expenditures related to services rendered to the Academy by firms, individuals and other organizations. For 2018-2019, there will be an estimated 1% decrease (\$13,038), attributed to cost savings from increased efficiency.
- Materials & supplies: This category includes expenditures associated with consumables used in the classroom and in the general maintenance of the campus. For 2018-2019, there will be an estimated 32% increase (\$102,791), which will fund additional campus-wide security measures, enhanced antivirus software, and athletic equipment and supplies.
- Miscellaneous Operating Costs: These costs are associated with insurance, professional development travel, membership fees and dues, graduation expenses, and other miscellaneous costs. An 8% decrease (\$41,598) is anticipated due to the reduced need for outsourced transportation for athletic events and field trips. In addition, determined efforts are being made to reduce costs and increase process efficiencies.
- Debt service: These costs are associated with the three-year lease for iPads supporting the one-to-one device initiative. The FY 2016-2017 amount included a payoff for the original iPad lease, creating a decreased expenditure in FY 2017-2018, which will continue thru FY 2018-2019.

If the FY 2018-19 budget estimates are realized, the Academy's General Fund budgetary fund balance is expected to increase by approximately \$137,697 by the close of FY 2019.

### **Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Academy/Town Finance Director, Debbie Piper, at 817-490-5712, or by writing to 1500 Solana Blvd, Building 7, Suite 7200, Westlake, Texas 76262.



# **Basic Financial Statements**

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Statement of Net Position  
August 31, 2018

**Exhibit A-1**

Data Control Codes		1 Governmental Activities	4 Component Unit
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 728,368	\$ 752,141
1120	Current investments	100	1,804,255
1240	Due from other governments	600,427	-
1290	Other receivables	194,368	-
1410	Prepaid expenses	53,081	1,823
1000	Total assets	1,576,344	2,558,219
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	Deferred outflows of resources - pensions	509,509	-
1705	Deferred outflows of resources - OPEB	46,603	-
1700	Total deferred outflows of resource	556,112	-
	<b>LIABILITIES</b>		
2110	Accounts payable	40,161	-
2123	Other liabilities	-	387,862
2150	Payroll deductions and withholdings	7,332	-
2160	Accrued wages payable	82,563	-
2200	Other accrued expenses	1,651	-
	Noncurrent liabilities:		
2502	Due in more than one year	162,005	-
2540	Net pension liability	895,663	-
2540	OPEB liability	2,558,314	-
2000	Total liabilities	3,747,689	387,862
	<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows of resources - pensions	137,845	-
2605	Deferred inflows of resources - OPEB	1,070,148	-
2600	Total deferred inflows of resources	1,207,993	-
	<b>NET POSITION</b>		
3890	Restricted for donor stipulations	4,215	295,432
3900	Unrestricted	(2,827,441)	1,874,925
3000	<b>Total net position</b>	\$ (2,823,226)	\$ 2,170,357

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

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Statement of Activities  
For the Year Ended August 31, 2018

**Exhibit B-1**

Data Control Codes	1	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		3	4	5	6	9	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
11	Instruction	\$ 4,099,293	\$ 25,748	\$ 489,486	\$ 498,251	\$ (3,085,808)	-
12	Instructional resources and media services	90,712	450	4,015	33,059	(53,188)	-
13	Curriculum and staff development	109,486	439	47,875	-	(61,172)	-
21	Instructional leadership	93,937	801	1,344	-	(91,792)	-
23	School leadership	582,608	4,646	22,753	16,050	(539,159)	-
31	Guidance, counseling, and evaluation services	220,264	1,627	20,617	4,069	(193,951)	-
33	Health services	58,667	378	1,784	12,697	(43,808)	-
35	Food service	51,648	7,000	-	51,648	7,000	-
36	Extracurricular activities	327,254	189,003	67,989	39,264	(30,998)	-
41	General administration	320,152	1,700	78,897	10,287	(229,268)	-
51	Facilities maintenance and operations	973,289	4,872	239,589	73,980	(654,848)	-
53	Data processing services	152,422	1,004	17,204	11,987	(122,227)	-
61	Community services	84,363	684	2,162	2,532	(78,985)	-
71	Debt service - interest	8,885	-	-	-	(8,885)	-
	<b>[TP] Total primary government:</b>	<u>\$ 7,172,980</u>	<u>\$ 238,352</u>	<u>\$ 993,715</u>	<u>\$ 753,824</u>	<u>(5,187,089)</u>	<u>-</u>
<b>COMPONENT UNIT</b>							
IC	<b>Westlake Academy Foundation</b>	<u>\$ 1,666,628</u>	<u>\$ -</u>	<u>\$ 1,710,577</u>	<u>\$ -</u>	<u>-</u>	<u>43,949</u>
	<b>Data Control Codes</b>						
		General revenues:					
	SF				6,629,507	-	
	IE				9,878	170,733	
	TR				6,639,385	170,733	
	CN				1,452,296	214,682	
	NB				205,030	1,955,675	
					Cumulative effect of change		
	PA				(4,480,552)	-	
	NE				<u>\$ (2,823,226)</u>	<u>\$ 2,170,357</u>	
					<b>Net position, ending</b>		

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

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Balance Sheet  
Governmental Funds  
August 31, 2018

**Exhibit C-1**

Data Control Codes		10	484	Nonmajor	98
		General	Local Grant Fund	Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 715,368	\$ -	\$ 13,000	\$ 728,368
1120	Current investments	100	-	-	100
1240	Due from other governments	548,859	-	51,568	600,427
1260	Due from other funds	242,269	-	-	242,269
1290	Other receivables	-	191,868	2,500	194,368
1410	Prepaid expenditures	51,556	-	1,525	53,081
1000	Total assets	<u>\$ 1,558,152</u>	<u>\$ 191,868</u>	<u>\$ 68,593</u>	<u>\$ 1,818,613</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
2110	Accounts payable	\$ 37,562	\$ 977	\$ 1,622	\$ 40,161
2150	Payroll deductions and withholdings	7,332	-	-	7,332
2160	Accrued wages payable	82,563	-	-	82,563
2170	Due to other funds	-	186,676	55,593	242,269
2200	Accrued expenditures	1,651	-	-	1,651
2000	Total liabilities	<u>129,108</u>	<u>187,653</u>	<u>57,215</u>	<u>373,976</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
2601	Unavailable contributions	323,439	-	-	323,439
2600	Total deferred inflows of resources	<u>323,439</u>	<u>-</u>	<u>-</u>	<u>323,439</u>
<b>FUND BALANCES:</b>					
3430	Nonspendable - prepaid items	51,556	-	1,525	53,081
3490	Restricted for donor stipulations	-	4,215	-	4,215
3545	Committed for campus activities	-	-	11,378	11,378
3600	Unassigned	1,054,049	-	(1,525)	1,052,524
3000	Total fund balances	<u>1,105,605</u>	<u>4,215</u>	<u>11,378</u>	<u>1,121,198</u>
4000	<b>Total liabilities and fund balances</b>	<u>\$ 1,558,152</u>	<u>\$ 191,868</u>	<u>\$ 68,593</u>	<u>\$ 1,818,613</u>
<b>Total fund balances - governmental funds</b>					<b>\$ 1,121,198</b>

Amounts reported for governmental activities in the statement of net position are different because:

Amounts reported as deferred inflows of resources in the governmental funds financial statements are recognized as revenue in the government-wide financial statements under the accrual basis of accounting. 323,439

Capital leases payable are not due and payable in the current period and, therefore, are not reported in the governmental funds financial statements. (162,005)

Included in the items related to noncurrent liabilities are the Academy's proportionate share of the TRS Care net OPEB liability (\$2,558,314), a deferred resource inflow (\$1,070,148) and a deferred resource outflow of \$46,603. The net effect is a decrease in net position. (3,581,859)

Included in the items related to noncurrent liabilities are the Academy's proportionate share of the TRS net pension liability (\$895,663), a deferred resource inflow (\$137,845) and a deferred resource outflow of \$509,509. The net effect is a decrease in net position. (523,999)

**Net position of governmental activities** \$ (2,823,226)

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Governmental Funds  
For the Year Ended August 31, 2018

**Exhibit C-2**

Data Control Codes		10	484	Nonmajor	98
		General	Local Grant Fund	Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,571,182	\$ 191,868	\$ 81,953	\$ 1,845,003
5800	State program revenues	7,077,020	-	140,363	7,217,383
5900	Federal program revenues	-	-	114,797	114,797
5020	Total revenues	<u>8,648,202</u>	<u>191,868</u>	<u>337,113</u>	<u>9,177,183</u>
<b>EXPENDITURES</b>					
0011	Instruction	4,924,708	129,213	257,162	5,311,083
0012	Instructional resources and media services	86,094	-	-	86,094
0013	Curriculum and staff development	83,902	24,555	1,029	109,486
0021	Instructional leadership	153,295	-	-	153,295
0023	School leadership	888,589	-	8,097	896,686
0031	Guidance, counseling, and evaluation services	311,250	-	-	311,250
0033	Health services	72,233	-	-	72,233
0036	Extracurricular activities	215,236	31,145	80,138	326,519
0041	General administration	324,975	-	-	324,975
0051	Facilities maintenance and operations	931,623	8,026	-	939,649
0053	Data processing services	192,034	-	-	192,034
0061	Community services	130,862	-	-	130,862
0071	Debt service - principal on long-term debt	158,182	-	-	158,182
0072	Debt service - interest on long-term debt	8,885	-	-	8,885
6030	Total expenditures	<u>8,481,868</u>	<u>192,939</u>	<u>346,426</u>	<u>9,021,233</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>166,334</u>	<u>(1,071)</u>	<u>(9,313)</u>	<u>155,950</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>166,334</u>	<u>(1,071)</u>	<u>(9,313)</u>	<u>155,950</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>939,271</u>	<u>5,286</u>	<u>20,691</u>	<u>965,248</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 1,105,605</u>	<u>\$ 4,215</u>	<u>\$ 11,378</u>	<u>\$ 1,121,198</u>

Net change in fund balances \$ 155,950

Amounts reported for governmental activities in the Statement of Activities are different because:

Receipts that are considered deferred inflows of resources in the governmental funds financial statements are recognized as revenue in the government-wide financial statements under the accrual basis of accounting. 323,439

Current year prepaid principal payments on capital leases consume current resources, however, these payments reduce expenses in the government-wide financial statements. 158,182

Implementation of GASB 75 required certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in net position to increase by \$46,603. Contributions before the measurement date also caused a decrease in the change in net position of \$36,022. The net share of the Academy's amount of deferred inflows and outflows of resources increased the net position by \$888,112. This amount is the net effect. 898,693

Implementation of GASB 68 required certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in net position to increase by \$91,593. Contributions before the measurement date also caused a decrease in the change in net position of \$84,783. The net share of the Academy's amount of deferred inflows and outflows of resources decreased the net position by \$90,778. This amount is the net effect. (83,968)

**Change in net position of governmental activities** \$ 1,452,296

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

**Westlake Academy**  
 (A Component Unit of the Town of Westlake)  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 August 31, 2018

**Exhibit D-1**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 37,851
<b>Total assets</b>	<b>\$ 37,851</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,548
Due to student groups	36,303
<b>Total liabilities</b>	<b>\$ 37,851</b>

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

## **Westlake Academy**

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

### **Note 1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

Westlake Academy (the Academy), a blended component unit of the Town of Westlake (the Town), is a Texas nonprofit Corporation under Chapter 12, Subchapter D of the Education Code to provide education. The Board of Trustees (the Board) consists of six trustees and is appointed by the Town's governing body. Currently, all members of the Board are members of the Town's governing body. The Academy prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (the GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

The Board is appointed by the governing Council of the Town and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Academy is a financial reporting entity as defined by the GASB in its Statement No.14, "The Financial Reporting Entity", as modified by GASB Statements No. 39 and 61.

The Academy's basic financial statements include a separate entity that is controlled by or dependent on the Academy. The determination to include separate entities is based on the criteria of GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity Omnibus." GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's ruling body must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

The Westlake Academy Foundation (the Foundation) is a 501(c)(3) nonprofit organization which was established exclusively for the purpose of supporting the Academy. This includes fundraising for and contributing raised funds to the Academy. The Foundation has been discretely presented in the accompanying financial statements and reported in a separate column to emphasize that it is legally separate from the Academy. See Note 12 for additional information relating to the Foundation. Separate audited financial statements of the Foundation are available from the Academy/Town Finance Director's office, 1500 Solana Blvd, Building 7, Suite 7200, Westlake, Texas 76262.

#### **Government-wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Academy's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by state and federal grants, the Foundation, and the Town. The Academy has no business-type activities that rely to a significant extent, on fees and charges for support.

Neither fiduciary funds nor component units that are fiduciary in nature are included.

## **Westlake Academy**

(A Component Unit of the Town of Westlake)

### Notes to the Financial Statements

The Statement of Activities demonstrates how other people or entities that participate in programs the Academy operates have shared in the payment of the direct costs. Direct expenses are those that are clearly identifiable with a specific function or segment. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Academy. The primary example is charges for athletic registration fees. The "grants and contributions" column includes amounts paid by organizations outside the Academy to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the Academy's functions.

Interfund activities between governmental funds appear as due to/ due 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. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories: governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Academy operations, they are not included in the government-wide statements. The Academy considers some governmental funds major and reports their financial condition and results of operations in a separate column.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Academy considers all revenues available if they are collectible within 60 days after year-end.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.



## Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred inflows until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Academy to refund all or part of the unused amount.

The fiduciary funds utilize the accrual basis of accounting for purposes of asset and liability recognition.

With this basis of accounting, all assets and all liabilities associated with the operation of these funds are included on the Statement of Fiduciary Net Position.

### Fund Accounting

The Academy reports the following major governmental funds:

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

The **Local Grant Fund** is used for activity from donor restrictions that are from Westlake Academy Foundation and other local sources.

Additionally, the Academy reports the following fund types:

#### Nonmajor Governmental Funds:

These nonmajor **Special Revenue Funds** account for resources restricted to, or committed for, specific purposes by the Academy or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project period.

#### Fiduciary Funds:

**Agency Funds** account for resources held for others in a custodial capacity. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support Academy programs, these funds are not included in the government-wide statements. The Academy's Agency Fund is a Student Activity Fund.

### Other Accounting Policies

1. The State of Texas (the State) has created a state minimum personal leave program consisting of five days per year personal leave with no limit on accumulation and transferability among districts is provided for employees in accordance with 19 TAC §153.1021(d)(8). Each District's local Board is required to establish a personal leave plan. It is the Academy's policy to permit employees to accumulate earned but unused state and local personal leave. There is no liability for unpaid accumulated personal leave since the Academy does not have a policy to pay any amounts when employees separate from service with the Academy.
2. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires the Academy to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plan.
3. When an expenditure is incurred for purposes for which both restricted or unrestricted fund balance is available, the Academy considers restricted funds to have been spent first. When an

## Westlake Academy

(A Component Unit of the Town of Westlake)

### Notes to the Financial Statements

expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds.

4. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
  - Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
  - Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
  - Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the School Board, the Academy's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
  - Assigned: This classification includes amounts that are constrained by the Academy's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Finance Director and Superintendent.
  - Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.
5. Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Academy or through external restrictions imposed by creditors, grantors of laws or regulations of other governments.
6. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
7. Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g. grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## **Westlake Academy**

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

### **Note 2. Cash and Investments**

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

At August 31, 2018, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments), including \$37,851 recorded in the Agency fund, was \$766,219 and the bank balance was \$891,058. The carrying amount of the Foundation's deposits was \$752,141 as of August 31, 2018 and the bank balance was \$752,903. The Academy cash deposits at August 31, 2018 and during the year then ended was entirely covered by FDIC insurance or the pledged collateral held by the Academy's agent bank in the Town of Westlake's name.

The following is disclosed regarding the combined balances on the date of highest deposit:

- a. Depository: First Financial Bank
- b. The market value of securities pledged to the Town (inclusive of the Academy) as of the date of the highest combined balance on deposit was \$35,121,279.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$31,885,561 (\$1,420,671 of which belonged to the Academy) on November 29, 2017.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Academy to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Academy to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Academy to have independent auditors perform test procedures related to investment practices as provided by the Act. The Academy is in substantial compliance with the requirements of the Act and with local policies.

## Westlake Academy

(A Component Unit of the Town of Westlake)

### Notes to the Financial Statements

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

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

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

The Academy presently has no recurring fair value measurements.

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

The carrying value of the Academy's investments at August 31, 2018, was \$100, which was deposited in TexPool (a Texas Local Government Investment Pool). Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position of these pools is the same as the value of the shares in each pool.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act. Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. In addition, TexPool is subject to review by the State Auditor's office and by the Internal Auditor of the Comptroller's office.

In compliance with the Public Funds Investment Act, the Academy has adopted a deposit and investment policy. That policy does address the following risks:

- 1 Custodial Credit Risk-Deposits: This is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. As of August 31, 2018, the Academy's deposits with financial institutions in excess of federal depository insurance were fully collateralized by FDIC insurance and pledged collateral held by the Academy's agent bank in the Town of Westlake's name.

## Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

2. Custodial Credit Risk-Investments: This is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
3. Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool invests only in investments authorized under the Public Funds Investment Act. As of August 31, 2018, TexPool's investments credit quality rating was AAAM (Standard & Poor's).

### Foundation – Investments

The Foundation's investments in marketable securities are valued at their estimated fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. All other investments are carried at cost.

Investments at the end of the year consist of the following:

Investment Type	August 31, 2018	
	Cost Basis	Market Value
Marketable equity securities:		
Common stock	\$ 1,638,240	\$ 1,804,255

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 inputs: Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

Level 3 inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

### Marketable Equity Securities

Marketable equity securities reported as level 1 are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2018.

	Assets at Fair Value as of			
	August 31, 2018			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 1,804,249	\$ -	\$ -	\$ 1,804,255

### Note 3. Due from Other Governments

The Academy participates in a variety of state and local programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and local governments as of August 31, 2018, are summarized below.

Fund	State		Total
	Entitlements	Local	
General fund	\$ 543,176	\$ 5,683	\$ 548,859
Nonmajor funds	51,568	-	51,568
<b>Total</b>	<b>\$ 594,744</b>	<b>\$ 5,683</b>	<b>\$ 600,427</b>

### Note 4. Donated Use of Facilities

The Academy currently operates in facilities that are capital assets of the Town. The Academy is not required by the Town to pay rent for the use of those facilities; however, the Academy recognizes the value of the use received, \$753,824, in the government-wide statement of activities as capital grants and contributions and as expense allocated to the various functions.

### Note 5. Interfund Balances and Activities

Interfund balances at August 31, 2018, consisted of the following individual fund balances:

Due to Fund	Due from Fund	Amount	Purpose
General fund	Nonmajor governmental	\$ 55,593	Reimburse program disbursements
General fund	Local grant fund	186,676	Reimburse program disbursements
<b>Total</b>		<b>\$ 242,269</b>	

The Academy had no interfund transfers during the year ending August 31, 2018.

## Westlake Academy

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Notes to the Financial Statements

### Note 6. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources as reported on Exhibit C-2 of the fund statements consisted of the following:

	General Fund	Local Grant Fund	Non-major Funds	Total
Gifts and bequests	\$ 1,399,411	\$ 191,868	\$ 5,000	\$ 1,596,279
Interest	9,878	-	-	9,878
Food sales	7,000	-	-	7,000
Campus activities	-	-	76,953	76,953
Parking/transportation	28,816	-	-	28,816
Athletics	82,602	-	-	82,602
Miscellaneous	43,475	-	-	43,475
<b>Total</b>	<b>\$ 1,571,182</b>	<b>\$ 191,868</b>	<b>\$ 81,953</b>	<b>\$ 1,845,003</b>

### Note 7. Defined Benefit Pension Plan

#### Plan Description

The Academy 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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years.

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Early retirement is at age 55 with five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

### Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 and 2016. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution rates	2017	2018
Member	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer contributions	\$ 91,593	
2018 Member contributions	\$ 407,324	
2018 NECE on-behalf contributions	\$ 355,959	

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



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

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

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

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

### Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Payroll growth rate	2.50%
Benefit changes during the year	None
Ad-hoc employment benefit changes	None

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

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Notes to the Financial Statements

### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

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

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### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Academy's proportionate share of the net pension liability	\$ 1,509,911	\$ 895,663	\$ 384,202

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the Academy reported a liability of \$895,663 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Academy. The amount recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of the collective net pension liability	\$ 895,663
State's proportionate share that is associated with Academy	<u>3,480,057</u>
<b>Total</b>	<u><u>\$ 4,375,720</u></u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0028012% which was an increase of 0.000019% from its proportion measured as of August 31, 2016.

### Changes since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, the Academy recognized pension expense of \$441,006 and revenue and expense of \$265,445 for support provided by the State.

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At August 31, 2018, the Academy 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	\$ 13,104	\$ 48,302
Changes in actuarial assumptions	40,799	23,356
Difference between projected and actual investment earnings	-	65,274
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	364,013	913
Contributions paid to TRS subsequent to the measurement date	91,593	-
<b>Total</b>	<b>\$ 509,509</b>	<b>\$ 137,845</b>

The \$91,593 reported as a deferred outflow of resources resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	Pension Expense (Income) Amount
2019	\$ 63,372
2020	120,544
2021	58,977
2022	36,466
2023	857
Thereafter	(145)
<b>Total</b>	<b>\$ 280,071</b>

### Note 8. Health Care Coverage

During the period ended August 31, 2018, employees of the Academy who met minimum eligibility requirements were covered by a state-wide health care plan, TRS Active Care. The Academy's participation in this plan is renewed annually. The Academy paid into the Plan \$351 per month per employee and \$276 per month when the employee works less than 30 hours per week if eligible to enroll in TRS Active Care. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teacher Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Aetna, and Caremark Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

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Notes to the Financial Statements

### Note 9. Defined Other Post Employment Benefit Plan

#### Plan Description

The Academy 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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

#### 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/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational Academics who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. 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 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates  
Effective September 1, 2016 - December 31, 2017

	<u>TRS-Care 1</u> <u>Basic Plan</u>	<u>TRS-Care 2</u> <u>Optional Plan</u>	<u>TRS-Care 3</u> <u>Optional Plan</u>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

\* or surviving spouse

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### 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 Academics based upon public school Academy 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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% 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.

	<u>2018</u>	<u>2017</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.00%
Employers/District	0.75%	0.55%
Federal/private funding remitted by Employers	1.25%	1.00%

The contribution amounts for the Academy's fiscal year 2018 are as follows:

2018 Employer contributions	\$	46,204
2018 Member contributions	\$	407,324
2018 NECE on-behalf contributions	\$	52,680

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.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

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### Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	
Additional Actuarial Methods and Assumptions:	
Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.50%

\*\*\*Initial trend rates are 7.00% for non-Medicare retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Other information - There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

### Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 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.

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**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 (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Academy's proportionate share of the net OPEB liability	\$ 3,019,446	\$ 2,558,314	\$ 2,187,668

**Healthcare Cost Trend Rates Sensitivity Analysis.** The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Academy's proportionate share of the net OPEB liability	\$ 2,130,052	\$ 2,558,314	\$ 3,120,248

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the Academy reported a liability of \$2,558,314 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Academy. The amount recognized by the Academy 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 Academy were as follows:

Academy's proportionate share of the collective net pension liability	\$ 2,558,314
State's proportionate share that is associate with Academy	4,406,333
<b>Total</b>	<b>\$ 6,964,647</b>

The Net OPEB Liability was measured as of August 31, 2017 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .00588304% which was the same proportion measured as of August 31, 2016.

**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 since the prior measurement period.

The following assumptions and other inputs which are specific to TRS-Care were updated during the year ended August 31, 2017:

1. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.



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- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

For the year ended August 31, 2018, the Academy recognized OPEB expense of (\$2,326,965) and revenue of (\$1,474,476) for support provided by the State.

At August 31, 2018, the Academy 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	\$ -	\$ 53,407
Changes in actuarial assumptions	-	1,016,741
Difference between projected and actual investment earnings	389	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	10	-
Contributions paid to TRS subsequent to the measurement date	46,204	-
<b>Total</b>	<u>\$ 46,603</u>	<u>\$ 1,070,148</u>

The \$46,204 deferred outflow of resources resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2019. The net amounts of the remaining balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31,	Pension Expense (Income) Amount
2019	\$ (141,154)
2020	(141,154)
2021	(141,154)
2022	(141,154)
2023	(141,251)
Thereafter	(363,882)
<b>Total</b>	<u>\$ (1,069,749)</u>

### Note 10. Risk Management

The Academy is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Academy carries commercial insurance. There were no settlements exceeding insurance coverage in the current fiscal year.

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Notes to the Financial Statements

### Litigation and Contingencies

The Academy is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the Academy. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The Academy participates in 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 Academy has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the Academy, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

### Note 11. Capital Leases

The Academy has entered into lease agreements as lessee for financing the acquisition of computer equipment and software. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Equipment and software with a historical cost of \$491,040 was under capital lease at August 31, 2018. Because the cost of the individual items was below the Academy's capitalization threshold, the entire cost was recorded as expense.

The following schedule shows the future minimum lease payments under the capitalized lease together with the present value of the net minimum lease payments as of August 31, 2018:

Year Ending August 31,	Annual Lease Payments
2019	\$ 166,039
Total minimum lease payments	166,039
Less: amounts representing interest	(4,034)
<b>Present value of net minimum lease payments</b>	<b>\$ 162,005</b>

### Note 12. Related Party Transactions

The Westlake Academy Foundation contributed \$1,173,057 to the Academy during the fiscal year ended August 31, 2018. In addition to the use of facilities discussed in Note 4, the Town of Westlake contributed \$315,000 to the Academy during the year.

As of August 31, 2018, the Westlake Academy Foundation owed the Academy \$194,368. This amount is included in the Academy's other receivables balance and in the Westlake Academy's Foundation's other payables balances.

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Notes to the Financial Statements

### **Note 13. Evaluation of Subsequent Events**

The Academy has evaluated subsequent events through November 26, 2018, the date which the financial statements were available to be issued.

### **Note 14. New Accounting Pronouncements**

In June 2018 the GASB released GASB statement No. 87, *Leases*. This statement was issued to increase the usefulness of governmental entities' financial statements by requiring recognition of certain lease assets and liabilities that were previously accounted for as operating leases. It establishes a single model for lease accounting based on the principle that leases are a financing of the right to use an underlying asset. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Academy for the year ended June 30, 2021 and the Academy is currently evaluating the impact of this standard on its financial statements.

### **Note 15. Expenditures in Excess of Appropriations**

For the year ending August 31, 2018, expenditures exceeded appropriations in the following functions: Instruction (\$85,106); Guidance, Counseling and Evaluation Services (\$3,586); Health Services (\$1,087) and General Administration (\$5,887). In addition, expenditures exceeded appropriations for the general fund as a whole by \$26,797. These over-expenditures will be addressed through future appropriations.

### **Note 16. Cumulative Effect of Change in Accounting Principles**

As a result of implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions", an adjustment has been made to record the Academy's net OPEB liability as of August 31, 2016. As a result, beginning net position of the governmental activities has been decreased by \$4,480,552, the net effect of the beginning net OPEB liability of \$4,516,574 and employer contributions made prior to the beginning of the measurement period in the amount of \$36,022.

## **Required Supplementary Information**

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Budgetary Comparison Schedule – General Fund  
For the Year Ended August 31, 2018

**Exhibit E-1**

Data Control Codes		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts GAAP Basis	Final Budget Positive or (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,582,400	\$ 1,573,300	\$ 1,571,182	\$ (2,118)
5800	State program revenues	7,001,700	6,904,345	7,077,020	172,675
5020	Total revenues	<u>8,584,100</u>	<u>8,477,645</u>	<u>8,648,202</u>	<u>170,557</u>
<b>EXPENDITURES</b>					
<b>CURRENT:</b>					
0011	Instruction	4,975,270	4,839,602	4,924,708	(85,106)
0012	Instructional resources and media services	82,639	87,379	86,094	1,285
0013	Curriculum and staff development	84,545	86,200	83,902	2,298
0021	Instructional leadership	206,623	161,919	153,295	8,624
0023	School leadership	757,692	896,747	888,589	8,158
0031	Guidance, counseling, and evaluation services	223,973	307,664	311,250	(3,586)
0033	Health services	66,024	71,146	72,233	(1,087)
0036	Extracurricular activities	218,358	237,474	215,236	22,238
0041	General administration	260,167	319,088	324,975	(5,887)
0051	Facilities maintenance and operations	960,743	947,615	931,623	15,992
0053	Data processing services	195,505	199,407	192,034	7,373
0061	Community services	124,460	133,763	130,862	2,901
<b>DEBT SERVICE:</b>					
0071	Debt service - principal on long-term debt	158,182	158,182	158,182	-
0072	Debt service - interest on long-term debt	8,885	8,885	8,885	-
6030	Total expenditures	<u>8,323,066</u>	<u>8,455,071</u>	<u>8,481,868</u>	<u>(26,797)</u>
1100	Excess of revenues over expenditures	<u>261,034</u>	<u>22,574</u>	<u>166,334</u>	<u>143,760</u>
1200	Net change in fund balance	261,034	22,574	166,334	143,760
0100	Fund balances--beginning	939,271	939,271	939,271	-
3000	Fund balances - ending	<u>\$ 1,200,305</u>	<u>\$ 961,845</u>	<u>\$ 1,105,605</u>	<u>\$ 143,760</u>

The Notes to the Budgetary Comparison Schedule are an integral part of this statement.

## **Westlake Academy**

(A Component Unit of the Town of Westlake)  
Notes to the Budgetary Comparison Schedule  
For the Year Ended August 31, 2018

### **Budgetary Information**

The Board of Trustees adopts an "appropriated budget" on a GAAP basis for the General Fund. The Academy is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The General Fund budget appears in Exhibit E-1.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 25 of the preceding fiscal year, the Academy 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.
3. Prior to September 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the object, function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment made before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year end.
4. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

**Westlake Academy****Exhibit E-2**

(A Component Unit of the Town of Westlake)

**Schedule of Academy's Proportionate Share of Net Pension Liability –  
 Teacher Retirement System  
 For the Last Ten Plan Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Academy's proportion of the net pension liability	0.0028012%	0.0027822%	0.0030945%	0.0007190%
Academy's proportionate share of net pension liability	\$ 895,663	\$ 1,051,346	\$ 1,093,865	\$ 192,056
State's proportionate share of net pension liability associated with the Westlake Academy	<u>3,480,057</u>	<u>4,035,754</u>	<u>3,667,893</u>	<u>2,965,583</u>
Total	<u>\$ 4,375,720</u>	<u>\$ 5,087,100</u>	<u>\$ 4,761,758</u>	<u>\$ 3,157,639</u>
Academy's covered payroll	\$ 5,391,515	\$ 5,094,571	\$ 4,784,695	\$ 4,300,931
Academy's proportionate share of net pension liability as a percentage of its covered payroll	16.61%	20.64%	22.86%	4.47%
Plan fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

**Note:** Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**Westlake Academy****Exhibit E-3**Schedule of Pension Contributions – Teacher Retirement System  
For the Last Ten Fiscal Years

	2018	2017	2016	2015
Statutorily required contributions	\$ 91,593	\$ 131,436	\$ 88,399	\$ 92,325
Actual contributions in relation to statutorily required contributions	91,593	131,436	88,399	92,325
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Academy's covered payroll	\$ 5,289,916	\$ 5,391,515	\$ 5,094,571	\$ 4,784,694
Contributions as a percentage of Academy's covered payroll	1.73%	2.44%	1.74%	1.93%

**Note:** GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the Academy's current fiscal year as opposed to the time period covered by the measurement date.

**Note:** Only four years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.



**Westlake Academy**

(A Component Unit of the Town of Westlake)

Schedule of Academy's Proportionate Share of Net OPEB Liability –  
Teacher Retirement System TRS Care Plan  
For the Last Ten Plan Years**Exhibit E-4**

	<u>2017</u>
Academy's proportion of the net OPEB liability	0.0058830418%
Academy's proportionate share of net OPEB liability	\$ 2,558,314
State's proportionate share of net OPEB liability associated with the Westlake Academy	<u>4,406,333</u>
Total	<u>\$ 6,964,647</u>
Academy's covered payroll	\$ 5,391,515
Academy's proportionate share of net OPEB liability as a percentage of its covered payroll	47.45%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%

**Note:** Only one year of data is presented in accordance with GASB #75. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**Westlake Academy**Schedule of OPEB Contributions – Teacher Retirement System TRS Care Plan  
For the Last Ten Fiscal Years**Exhibit E-5**

	2018
Statutorily required contributions	\$ 46,204
Actual contributions in relation to statutorily required contributions	<u>46,204</u>
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>
Academy's covered payroll	\$ 5,289,916
Contributions as a percentage of Academy's covered payroll	0.87%

**Note:** GASB 75 requires that the data in this schedule be presented as of the Academy's current fiscal year as opposed to the time period covered by the measurement date.

**Note:** Only one year of data is presented in accordance with GASB #75. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

"

# Combining Statements

**Westlake Academy**  
(A Component Unit of the Town of Westlake)  
Combining Balance Sheet  
Nonmajor Governmental Funds  
August 31, 2018

Data Control Codes	224	410	461
	IDEA Part B Formula	State Textbook Fund	Campus Activity Funds
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 13,000
1240	Due from other governments	-	-
1410	Prepaid expenditures	1,525	-
1000	<b>Total assets</b>	<b>\$ 53,093</b>	<b>\$ 13,000</b>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
2110	Accounts payable	\$ -	\$ 1,622
2170	Due to other funds	-	-
	Total liabilities	-	1,622
FUND BALANCES:			
Nonspendable for:			
3430	Prepaid items	-	-
Committed for:			
3545	Campus activities	-	11,378
3600	Unassigned	-	-
3000	Total fund balances	-	11,378
4000	<b>Total liabilities and fund balances</b>	<b>\$ 53,093</b>	<b>\$ 13,000</b>

Exhibit F-1

482	497	498	
Hudson Grant	Foundation- Student Scholarships	International Mindedness Education Symposium	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 13,000
-	2,500	-	54,068
-	-	-	1,525
<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 68,593</u>
\$ -	\$ -	\$ -	\$ 1,622
-	2,500	-	55,593
-	2,500	-	57,215
-	-	-	1,525
-	-	-	11,378
-	-	-	(1,525)
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,378</u>
<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 68,593</u>

## Westlake Academy

(A Component Unit of the Town of Westlake)

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Nonmajor Governmental Funds

For the Year Ended August 31, 2018

Data Control Codes	224	410	461
	IDEA Part B Formula	State Textbook Fund	Campus Activity Funds
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ -	\$ 76,953
5800	State program revenues	-	1,265
5900	Federal program revenues	114,797	-
5020	Total revenues	114,797	78,218
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	114,797	-
0013	Curriculum and instructional staff development	-	-
0023	School leadership	-	-
0036	Extracurricular activities	-	80,138
6030	Total expenditures	114,797	80,138
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,920)
1200	NET CHANGE IN FUND BALANCES	-	(1,920)
0100	FUND BALANCES, BEGINNING	-	13,298
3000	<b>FUND BALANCES, ENDING</b>	<b>\$ -</b>	<b>\$ 11,378</b>

482 Hudson Grant	497 Foundation- Student Scholarships	498 International Mindedness Education Symposium	Total Nonmajor Governmental Funds
\$ -	\$ 2,500	\$ 2,500	\$ 81,953
-	-	-	140,363
-	-	-	114,797
-	2,500	2,500	337,113
767	2,500	-	257,162
-	-	1,029	1,029
2,670	-	5,427	8,097
-	-	-	80,138
3,437	2,500	6,456	346,426
(3,437)	-	(3,956)	(9,313)
(3,437)	-	(3,956)	(9,313)
3,437	-	3,956	20,691
\$ -	\$ -	\$ -	\$ 11,378

# **Internal Control Report**



**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**

To the Board of Trustees  
Westlake Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy (the Academy) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 26, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees  
Westlake Academy

**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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 26, 2018