

WESTLAKE ACADEMY

International Baccalaureate Charter School

ANNUAL FINANCIAL REPORT Fiscal Year Ended 2016-2017

Ignite...

Innovate...

Inspire...

Know Your Impact!



Westlake Academy, IBO Charter School
* 2600 Ottinger Road * Tarrant County, Westlake, Texas 76262
www.westlakeacademy.org

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017**

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	14
C-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Fiduciary Funds:	
D-1 Statement of Fiduciary Net Position	16
Notes to the Basic Financial Statements	17
<u>Required Supplementary Information</u>	
E-1 Budgetary Comparison Schedule - General Fund	36
Notes to Budgetary Comparison Schedule	37
E-2 Schedule of Academy's Proportionate Share of Net Pension Liability - Teacher Retirement System	38
E-3 Schedule of Contributions - Teacher Retirement System	39
<u>Combining Statements</u>	
Nonmajor Governmental Funds:	
F-1 Combining Balance Sheet	40
F-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	42
<u>Internal Control Report</u>	
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 <i>Government Auditing Standards</i>	44

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, 2017 at a meeting of the Board of Trustees of such school on the 4 day of December, 2017.


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)

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS pension schedules on pages 5 through 11, 36 and 37, 38 and 39, respectively, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, 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 28, 2017

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

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, 2017. Please read it in conjunction with the Academy's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On the government-wide financial statements, the assets of the Academy exceeded liabilities by \$205,030 (Net Position). This is a decrease of \$84,867 for the year ended August 31, 2017.
- The Academy had \$9,573,171 in expenses related to governmental activities, of which \$3,286,503 of these expenses were offset by program-specific charges for services or grants and contributions. This is a total expense decrease of \$702,190 from the prior year.
- The General Fund reported a fund balance this year of \$939,271, a decrease of \$131,765 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 17) 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 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.

Government-wide Statements

The government-wide statements beginning on page 12, 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.

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

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.

Figure A-1

Major features of the Academy's Government-wide and Fund Financial Statements

Type of Statement	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required Financial Statements</i>	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
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Types of accountability information</i>	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.
<i>Types of Inflow/outflow Information</i>	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.

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 2017, the Foundation contributed \$1,146,465 to the Academy to enhance educational opportunities. These contributions are recorded as operating grants and contributions in the Statement of Activities.

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

Fund Financial Statements

The fund financial statements begin on page 14 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, 2017.

- 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 16. These activities are excluded from the school's government-wide financial statements because they cannot use these assets to finance their operations.
- 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 net position was \$205,030 at August 31, 2017.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position of the Academy's governmental activities decreased from \$289,897 to \$205,030. \$196,491 of net position was considered unrestricted and can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The governmental activities' net position decreased by 29 percent (\$84,867). The decrease was primarily due to net effect of the following factors:

- (1) **General Revenues** increase of \$188,491, consisting primarily of the additional state funding received due to an increase in student enrollment as well as additional funds for career technology educational students/courses.
- (2) **Program Revenues** of \$3,286,503 representing a total increase of \$90,867 mainly due to an increase in Operating Grants and Contributions related to the Blacksmith program contributions of roughly \$120,000 which was offset by a reduction in state funding for the material allotment funds which is a bi-annual grant with the majority of the reimbursement of expenditures being made in the prior year.

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

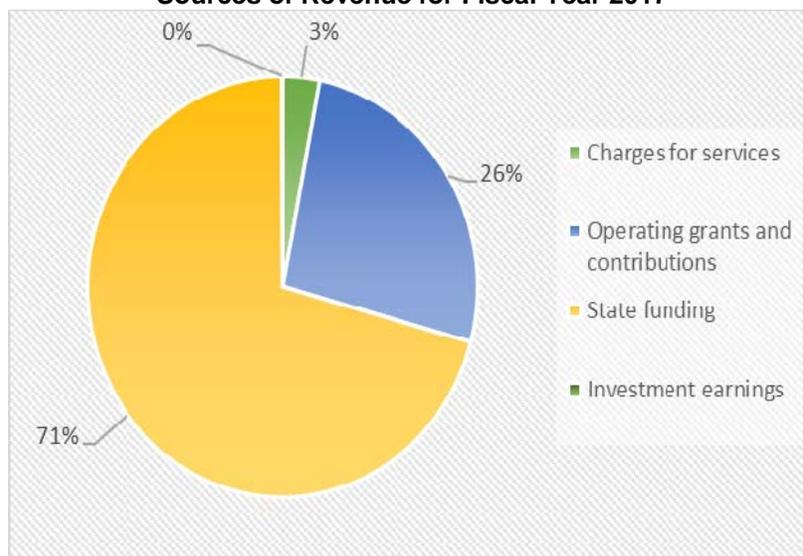
(3) **Total expenses** decreased by \$702,190 which is attributed to the following decreases:

- Reduction in supplies due to the accounting entries made in the prior year to recognize a capital lease in the amount of \$475K (offset with lease proceeds) which was not capitalized.
- Additional technology being purchased in the prior year with designated fund balance.
- Reduction in Curriculum and staff development in direct correlation with the local grant funds received specifically for training.
- Decrease in marketing efforts because a video and website services were provided in the prior year.

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

	Governmental Activities		Component Unit	
	2017	2016	2017	2016
Current assets	\$ 934,452	\$ 1,386,808	\$ 1,955,950	\$ 1,695,889
Total assets	934,452	1,386,808	1,955,950	1,695,889
Deferred outflows of resources	672,957	869,371	-	-
Current liabilities	127,386	228,046	275	10,404
Non-current liabilities	1,213,351	1,656,910	-	-
Total liabilities	1,340,737	1,884,956	275	10,404
Deferred inflows of resources	61,642	81,326	-	-
Net position:				
Restricted	8,539	24,017	271,809	86,740
Unrestricted	196,491	265,880	1,683,866	1,598,745
Total net position	\$ 205,030	\$ 289,897	\$ 1,955,675	\$ 1,685,485

**Figure A-2
Westlake Academy
Sources of Revenue for Fiscal Year 2017**



**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

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

	Governmental Activities		Component Unit Activities	
	2017	2016	2017	2016
Revenues				
Program revenues:				
Charges for services	\$ 267,412	\$ 271,788	\$ -	\$ -
Operating grants and contributions	2,261,830	2,164,774	1,715,833	1,390,413
Capital grants and contributions	757,261	759,074	-	-
General revenues:				
State aid and formula grants	6,196,430	6,010,184	-	-
Investment earnings	5,371	3,126	46,433	51,584
Total revenues	<u>9,488,304</u>	<u>9,208,946</u>	<u>1,762,266</u>	<u>1,441,997</u>
Expenses				
Instruction and Instructional related	5,937,557	6,816,094	-	-
Instructional leadership/school leadership	1,219,354	1,169,690	-	-
Guidance, social work, health, transportation	360,777	338,683	-	-
Food services	51,674	51,834	-	-
Extracurricular activities	380,613	221,400	-	-
General administration	318,566	385,100	-	-
Facilities maintenance and operations	967,303	976,963	-	-
Data processing services	189,764	183,320	-	-
Community services	133,626	126,813	-	-
Program/support services			1,492,076	1,337,969
Debt service - interest	13,937	5,464		
Total expenses	<u>9,573,171</u>	<u>10,275,361</u>	<u>1,492,076</u>	<u>1,337,969</u>
Change in net position	(84,867)	(1,066,415)	270,190	104,028
Beginning net position	<u>289,897</u>	<u>1,356,312</u>	<u>1,685,485</u>	<u>1,581,457</u>
Ending net position	<u>\$ 205,030</u>	<u>\$ 289,897</u>	<u>\$ 1,955,675</u>	<u>\$ 1,685,485</u>

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

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 \$9,573,171
- Some of the cost was paid by those who directly benefited from the programs, \$267,412 and some of the cost was paid through grants and contributions \$3,019,091

Table A-3

	Total Cost of Services		Total % Change 2016-17	Net Cost of Services		Total % Change 2016-17
	2017	2016		2017	2016	
Instruction	\$ 5,692,052	\$ 6,517,509	-13%	\$ 3,688,789	\$ 4,593,281	-20%
School leadership	944,381	948,246	0%	679,592	718,472	-5%
Instructional leadership	274,973	221,444	24%	205,561	167,832	22%
Guidance, counseling and evaluation services	277,877	260,596	7%	208,829	203,543	3%
General administration	318,566	385,100	-17%	247,740	313,647	-21%
Facilities Maintenance and operations	967,303	976,963	-1%	716,142	753,759	-5%
Data processing services	189,764	183,320	4%	135,545	133,844	1%

General Fund Budgetary Highlights

- The General Fund year-end fund balance was \$939,271 which was a \$131,765 decrease from the prior year
- Over the course of the year, the Academy revised its budget by decreasing revenues by \$171,210 due to the anticipated student enrollment being smaller than originally budgeted. The final budgeted expenditures were decreased also in the amount of \$37,274.

Economic Factors and Next Year's Budget

General Fund revenues are budgeted to increase approximately 7% over FY 2016-2017 actual revenues. This increase is primarily due to the anticipated addition of 26 students and the increase of Career and Technology (CTE) courses and students. This additional program was implemented in the prior year.

Amounts available for appropriation in the General Fund budget are \$8,322,199, a decrease of 1% (\$65,073) from the final FY 2016-2017 expenditures of \$8,387,272.

- Due to changes in administration and the realignment of faculty positions maximizing current available efficiencies, there is an overall decrease of \$11K in salaries and related expenditures, reducing the FY 17/18 FTEs by 1.96. Faculty and staff received a 2% increase, which keeps the salary scale within 2.5% of surrounding school districts and remains consistent with previous years.
- Professional services category includes expenditures related to professional and contracted services rendered to the Academy by firms, individuals and other organizations. The increase of \$18K is mainly due to the increase in the cost for services to maintain the facilities, as well as increased costs required to change the Strings Program from in-house instruction to contract.

**WESTLAKE ACADEMY
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017**

- Other operating costs are associated with insurance, professional development, travel, membership fees and dues, graduation expenses, and miscellaneous costs. Cost savings in this category were due to a determined effort to reduce costs.
- Debt service costs are associated with the 3-year lease for iPads to support the one-to-one device initiative. The reduction from the prior year includes the payoff for the original iPad lease, creating a decreased expenditure for FY 17/18.

If the FY 2017-18 budget estimates are realized the Academy's General Fund's budgetary fund balance is expected to increase an estimated \$337,319 by the close of FY 2018.

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
STATEMENT OF NET POSITION
AUGUST 31, 2017**

<u>Data Control Codes</u>	1 Governmental Activities	4 Component Unit	
ASSETS			
1110	Cash and cash equivalents	\$ 410,704	\$ 340,662
1120	Current investments	100	1,610,288
1240	Due from other governments	440,841	-
1290	Other receivables	5,450	-
1410	Prepaid expenses	77,357	5,000
1000	Total assets	<u>934,452</u>	<u>1,955,950</u>
DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows of resources - pensions	<u>672,957</u>	<u>-</u>
1700	Total deferred outflows of resources	<u>672,957</u>	<u>-</u>
LIABILITIES			
2110	Accounts payable	34,376	275
2150	Payroll deductions and withholdings	46,653	-
2160	Accrued wages payable	44,928	-
2200	Other accrued expenses	899	-
2300	Unearned revenue	530	-
Noncurrent liabilities:			
2502	Due in more than one year	162,005	-
2540	Net pension liability	1,051,346	-
2000	Total liabilities	<u>1,340,737</u>	<u>275</u>
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows of resources - pensions	<u>61,642</u>	<u>-</u>
2600	Total deferred inflows of resources	<u>61,642</u>	<u>-</u>
NET POSITION			
3890	Restricted for donor stipulations	8,539	271,809
3900	Unrestricted	196,491	1,683,866
3000	Total net position	<u>\$ 205,030</u>	<u>\$ 1,955,675</u>

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

**WESTLAKE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes	1	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		3	4	5	6	9
		Charges for	Operating	Capital	Primary	Component
	Expenses	Services	Grants and	Grants and	Governmental	Unit
			Contributions	Contributions	Activities	
PRIMARY GOVERNMENT:						
Governmental Activities:						
11	Instruction	\$ 5,692,052	\$ 49,435	\$ 1,455,149	\$ 498,679	\$ (3,688,789)
12	Instructional resources and media services	116,788	845	19,872	33,076	(62,995)
13	Curriculum and staff development	128,717	899	58,803	-	(69,015)
21	Instructional leadership	274,973	2,769	66,643	-	(205,561)
23	School leadership	944,381	9,110	239,620	16,059	(679,592)
31	Guidance, counseling, and evaluation services	277,877	2,776	62,201	4,071	(208,829)
33	Health services	82,900	702	16,766	12,704	(52,728)
35	Food service	51,674	7,000	-	51,674	7,000
36	Extracurricular activities	380,613	178,388	48,102	39,453	(114,670)
41	General administration	318,566	3,183	57,352	10,291	(247,740)
51	Facilities maintenance and operations	967,303	9,185	165,244	76,732	(716,142)
53	Data processing services	189,764	1,802	40,428	11,989	(135,545)
61	Community services	133,626	1,318	31,650	2,533	(98,125)
71	Debt service - interest	13,937	-	-	-	(13,937)
	[TP] Total primary government:	<u>\$ 9,573,171</u>	<u>\$ 267,412</u>	<u>\$ 2,261,830</u>	<u>\$ 757,261</u>	<u>(6,286,668)</u>
COMPONENT UNIT						
IC	Westlake Academy Foundation	<u>\$ 1,492,076</u>	<u>\$ -</u>	<u>\$ 1,715,833</u>	<u>\$ -</u>	<u>223,757</u>
	Data Control Codes	General Revenues:				
	SF	State aid-formula grants			6,196,430	-
	IE	Investment earnings			5,371	46,433
	TR	Total general revenues			<u>6,201,801</u>	<u>46,433</u>
	CN	Change in net position			(84,867)	270,190
	NB	Net position, beginning			289,897	1,685,485
	NE	Net position, ending			<u>\$ 205,030</u>	<u>\$ 1,955,675</u>

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

**WESTLAKE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017**

Data Control Codes		10	98	
		General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
1110	Cash and cash equivalents	\$ 393,860	\$ 16,844	\$ 410,704
1120	Current investments	100	-	100
1240	Due from other governments	437,489	3,352	440,841
1260	Due from other funds	3,352	-	3,352
1290	Other receivables	-	5,450	5,450
1410	Prepaid expenditures	231,399	4,140	235,539
1000	Total assets	<u>\$ 1,066,200</u>	<u>\$ 29,786</u>	<u>\$ 1,095,986</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
2110	Accounts payable	\$ 33,919	\$ 457	\$ 34,376
2150	Payroll deductions and withholdings	46,653	-	46,653
2160	Accrued wages payable	44,928	-	44,928
2170	Due to other funds	-	3,352	3,352
2200	Accrued expenditures	899	-	899
2300	Unearned revenue	530	-	530
2000	Total liabilities	<u>126,929</u>	<u>3,809</u>	<u>130,738</u>
FUND BALANCES:				
3430	Nonspendable - prepaid items	231,399	4,140	235,539
3490	Restricted for donor stipulations	-	8,539	8,539
3545	Committed for campus activities	-	13,298	13,298
3600	Unassigned	<u>707,872</u>	<u>-</u>	<u>707,872</u>
3000	Total fund balances	<u>939,271</u>	<u>25,977</u>	<u>965,248</u>
4000	Total liabilities and fund balances	<u>\$ 1,066,200</u>	<u>\$ 29,786</u>	<u>\$ 1,095,986</u>
Total fund balances - governmental funds				\$ 965,248
Amounts reported for governmental activities in the statement of net position are different because:				
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)
Prepayment of long-term liabilities reduces the liability and therefore is not recorded as a prepaid item in the government-wide financial statements.				(158,182)
Included in the items related to debt is the Academy's proportionate share of the TRS net pension liability (\$1,051,346), a deferred resource inflow (\$61,642) and a deferred resource outflow of \$672,957. The net effect is a decrease in net position.				<u>(440,031)</u>
Net position of governmental activities				<u>\$ 205,030</u>

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

**WESTLAKE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes	10		98	
	General	Nonmajor Governmental Funds	Total Governmental Funds	
REVENUES				
5700	Local and intermediate sources	\$ 1,626,401	\$ 269,700	\$ 1,896,101
5800	State program revenues	6,592,016	11,342	6,603,358
5900	Federal program revenues	-	140,152	140,152
5020	Total revenues	<u>8,218,417</u>	<u>421,194</u>	<u>8,639,611</u>
EXPENDITURES				
0011	Instruction	4,749,555	284,546	5,034,101
0012	Instructional resources and media services	81,227	-	81,227
0013	Curriculum and staff development	86,871	41,846	128,717
0021	Instructional leadership	266,090	-	266,090
0023	School leadership	875,439	23,204	898,643
0031	Guidance, counseling, and evaluation services	267,033	-	267,033
0033	Health services	67,489	-	67,489
0036	Extracurricular activities	242,560	96,257	338,817
0041	General administration	307,304	-	307,304
0051	Facilities maintenance and operations	886,943	-	886,943
0053	Data processing services	173,352	-	173,352
0061	Community services	126,614	-	126,614
0071	Debt service - principal on long-term debt	242,844	-	242,844
0072	Debt service - interest on long-term debt	13,951	-	13,951
6030	Total expenditures	<u>8,387,272</u>	<u>445,853</u>	<u>8,833,125</u>
1100	DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(168,855)</u>	<u>(24,659)</u>	<u>(193,514)</u>
OTHER FINANCING SOURCES				
7915	Transfers in	37,090	-	37,090
8911	Transfers out	-	(37,090)	(37,090)
	Total other financing sources	<u>37,090</u>	<u>(37,090)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(131,765)	(61,749)	(193,514)
0100	FUND BALANCES, BEGINNING	<u>1,071,036</u>	<u>87,726</u>	<u>1,158,762</u>
3000	FUND BALANCES, ENDING	<u>\$ 939,271</u>	<u>\$ 25,977</u>	<u>\$ 965,248</u>
	Net change in fund balances			\$ (193,514)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Current year principal payments on capital leases consume current resources, however, these payments reduce liabilities in the government-wide financial statements.				
				242,858
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 \$84,783. Contributions before the measurement date also caused a decrease in the change in net position of \$88,399. The net share of the Academy's amount of deferred inflows and outflows of resources decreased the net position by \$130,595. This amount is the net effect.				
				<u>(134,211)</u>
	Change in net position of governmental activities			<u>\$ (84,867)</u>

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

**WESTLAKE ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 50,475
Total assets	<u>\$ 50,475</u>
LIABILITIES	
Due to student groups	\$ 50,475
Total liabilities	<u>\$ 50,475</u>

WESTLAKE ACADEMY 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
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide and Fund Financial Statements – Continued

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 school lunch charges. 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
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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.

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.

WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Accounting Policies – Continued

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 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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Accounting Policies – Continued

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.

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, 2017, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments), including \$50,475 recorded in the Agency fund, was \$461,179 and the bank balance was \$540,871. The carrying amount of the Foundation's deposits was \$340,662 as of August 31, 2017 and the bank balance was \$340,878. The Academy cash deposits at August 31, 2017 and during the year then ended was entirely covered by FDIC insurance or by 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 \$28,907,405.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$28,174,574 (\$1,705,806 of which belonged to the Academy) on January 25, 2017.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

WESTLAKE ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the 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.

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, 2017, 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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

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, 2017, 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.
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, 2017, 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:

<u>Investment Type</u>	<u>August 31, 2017</u>	
	<u>Cost Basis</u>	<u>Market Value</u>
Marketable equity securities:		
Common stock	<u>\$ 1,568,358</u>	<u>\$ 1,610,288</u>

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

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Foundation – Investments – Continued

- 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.

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, 2017.

	Assets at Fair Value as of August 31, 2017			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 1,610,288	\$ -	\$ -	\$ 1,610,288

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, 2017, are summarized below.

Fund	State Entitlements	Local	Total
General	\$ 434,026	\$ 3,463	\$ 437,489
Nonmajor funds	3,352	-	3,352
Total	\$ 437,378	\$ 3,463	\$ 440,841

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

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, \$757,261, 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, 2017, consisted of the following individual fund balances:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Nonmajor governmental	\$ 3,352	Reimburse program disbursements
Total		<u>\$ 3,352</u>	

The Academy had interfund transfers of \$37,090 from the nonmajor governmental funds into the general fund for reimbursement of campus activity expenditures for the year ending August 31, 2017.

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:

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Gifts and bequests	\$ 1,435,669	\$ 187,649	\$ 1,623,318
Interest	5,371	-	5,371
Food sales	7,000	-	7,000
Campus activities	-	82,051	82,051
Parking/transportation	17,097	-	17,097
Athletics	76,726	-	76,726
Miscellaneous	84,538	-	84,538
Total	<u>\$ 1,626,401</u>	<u>\$ 269,700</u>	<u>\$ 1,896,101</u>

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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Plan Description – Continued

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.

Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions – Continued

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

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$ 84,783	
2017 Member Contributions	\$ 382,298	
2017 NECE On-behalf Contributions	\$ 340,001	

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).

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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-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.

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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Discount Rate – Continued

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized 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%
Total	100.0%		8.7%

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Academy's proportionate share of the net pension liability	\$1,627,129	\$1,051,346	\$562,965

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

At August 31, 2017, the Academy reported a liability of \$1,051,346 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	\$ 1,051,346
State's proportionate share that is associated with Academy	<u>4,035,754</u>
Total	<u>\$ 5,087,100</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0027822% which was a decrease of 0.0003123% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2017, the Academy recognized pension expense of \$418,815 and revenue of \$418,815 for support provided by the State.

At August 31, 2017, 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	\$ 16,485	\$ 31,393
Changes in actuarial assumptions	\$ 32,043	\$ 29,142
Difference between projected and actual investment earnings	\$ 89,026	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 450,620	\$ 1,107
Contributions paid to TRS subsequent to the measurement date	\$ 84,783	\$ -
Total	\$ 672,957	\$ 61,642

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

Year ended August 31:	Pension Expense (Income) Amount
2018	\$ 99,970
2019	99,970
2020	156,755
2021	95,606
2022	73,187
Thereafter	1,044
Total	\$ 526,532

NOTE 8. HEALTH CARE COVERAGE

During the period ended August 31, 2017, 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 \$341 per month per employee and \$266 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 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, under the TRS Publications heading.

NOTE 9. RETIREE HEALTH PLAN

Plan Description

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

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9. RETIREE HEALTH PLAN – CONTINUED

Funding Policy

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

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 32,279	1.00%	\$ 49,659	0.55%	\$ 27,313
2016	0.65%	\$ 33,115	1.00%	\$ 50,946	0.55%	\$ 28,020
2015	0.65%	\$ 31,100	1.00%	\$ 43,124	0.55%	\$ 26,314

Medicare, Part D - On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare, Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$15,365, \$18,453, and \$18,231 were recognized for the years ended August 31, 2017, 2016 and 2015, respectively, as equal revenues and expenditures.

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.

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, 2017 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.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

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, 2017. 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, 2017:

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

NOTE 12. RELATED PARTY TRANSACTIONS

The Westlake Academy Foundation contributed \$1,146,465 to the Academy during the fiscal year ended August 31, 2017. In addition to the use of facilities discussed in Note 4, the Town of Westlake contributed \$315,000 to the Academy during the year.

NOTE 13. EVALUATION OF SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through November 28, 2017, the date which the financial statements were available to be issued.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 81, Irrevocable Split-Interest Agreements, which will be effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement applies to all state and governmental entities. This standard becomes effective for the Academy in fiscal year 2018. The Academy will evaluate the impact of this statement and take the necessary steps to implement it.

**WESTLAKE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

The GASB issued Statement No. 82, Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement applies to all state and governmental entities. This standard becomes effective for the Academy in fiscal year 2018. The Academy will evaluate the impact of this statement and take the necessary steps to implement it.

The GASB issued Statement No. 86, Omnibus 2017, which will be effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement applies to all state and governmental entities. This standard becomes effective for the Academy in fiscal year 2018. The Academy will evaluate the impact of this statement and take the necessary steps to implement it.

NOTE 15. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ending August 31, 2017, expenditures exceeded appropriations in the following functions: Curriculum and Staff Development (\$248); School Leadership (\$21,504); Guidance, Counseling and Evaluation Services (\$38,083); General Administration (\$178); and Community Services (\$4,594). In addition, expenditures exceeded appropriations for the general fund as a whole by \$26,801. These over-expenditures will be addressed through future appropriations.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTLAKE ACADEMY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017**

EXHIBIT E-1

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 1,677,862	\$ 1,644,592	\$ 1,626,401	\$ (18,191)
5800	State program revenues	6,721,311	6,583,371	6,592,016	8,645
5020	Total revenues	<u>8,399,173</u>	<u>8,227,963</u>	<u>8,218,417</u>	<u>(9,546)</u>
EXPENDITURES					
CURRENT:					
0011	Instruction	4,788,354	4,759,616	4,749,555	10,061
0012	Instructional resources and media services	84,089	82,639	81,227	1,412
0013	Curriculum and staff development	127,802	86,623	86,871	(248)
0021	Instructional leadership	276,548	278,148	266,090	12,058
0023	School leadership	851,510	853,935	875,439	(21,504)
0031	Guidance, counseling, and evaluation services	236,600	228,950	267,033	(38,083)
0033	Health services	68,024	68,024	67,489	535
0036	Extracurricular activities	175,826	246,013	242,560	3,453
0041	General administration	276,495	307,126	307,304	(178)
0051	Facilities maintenance and operations	940,838	893,738	886,943	6,795
0053	Data processing services	192,401	176,401	173,352	3,049
0061	Community services	122,020	122,020	126,614	(4,594)
0072	Debt service	257,238	257,238	256,795	443
6030	Total expenditures	<u>8,397,745</u>	<u>8,360,471</u>	<u>8,387,272</u>	<u>(26,801)</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>1,428</u>	<u>(132,508)</u>	<u>(168,855)</u>	<u>(36,347)</u>
OTHER FINANCING SOURCES					
7913	Transfers in	-	57,090	37,090	(20,000)
	Total other financing sources	<u>-</u>	<u>57,090</u>	<u>37,090</u>	<u>(20,000)</u>
1200	Net change in fund balances	1,428	(75,418)	(131,765)	(56,347)
0100	Fund balances--beginning	1,071,036	1,071,036	1,071,036	-
3000	Fund balances--ending	<u>\$ 1,072,464</u>	<u>\$ 995,618</u>	<u>\$ 939,271</u>	<u>\$ (56,347)</u>

**WESTLAKE ACADEMY
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017**

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
SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY –
TEACHER RETIREMENT SYSTEM
FOR THE LAST TEN PLAN YEARS**

EXHIBIT E-2

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

Note: Only three 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
SCHEDULE OF CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
FOR THE LAST TEN FISCAL YEARS**

EXHIBIT E-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorially required contributions	\$ 131,436	\$ 88,399	\$ 92,325
Actual contributions in relation to statutorially required contributions	<u>131,436</u>	<u>88,399</u>	<u>92,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 4,965,944	\$ 5,094,571	\$ 4,784,694
Contributions as a percentage of Academy's covered payroll	2.65%	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 three 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."

COMBINING STATEMENTS

**WESTLAKE ACADEMY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017**

	224	315	410	461
<u>Data Control Codes</u>	<u>IDEA Part B Formula</u>	<u>SSA IDEA Part B Discretionary</u>	<u>State Textbook Fund</u>	<u>Campus Activity Funds</u>
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 7,848
1240	Due from other governments	-	3,352	-
1290	Other receivables	-	-	5,450
1410	Prepaid expenditures	-	-	-
1000	Total assets	<u>\$ -</u>	<u>\$ 3,352</u>	<u>\$ 13,298</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -
2170	Due to other funds	-	3,352	-
	Total liabilities	<u>-</u>	<u>3,352</u>	<u>-</u>
Fund balances:				
Nonspendable for:				
3430	Prepaid items	-	-	-
Restricted for:				
3490	Donor stipulations	-	-	-
Committed for:				
3545	Campus activities	-	-	13,298
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>13,298</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,352</u>	<u>\$ 13,298</u>

EXHIBIT F-1 – CONCLUDED

480	482	484	496	497	498	
<u>Hudson - Mentor Discretionary</u>	<u>WAF Fund 100 Grant</u>	<u>Foundation- Local Grants</u>	<u>Hudson- Support Overall Programming</u>	<u>Foundation- Student Scholarships</u>	<u>International Mindedness Education Symposium</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 3,894	\$ 1,146	\$ -	\$ -	\$ 3,956	\$ 16,844
-	-	-	-	-	-	3,352
-	-	-	-	-	-	5,450
-	-	4,140	-	-	-	4,140
<u>\$ -</u>	<u>\$ 3,894</u>	<u>\$ 5,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,956</u>	<u>\$ 29,786</u>
\$ -	\$ 457	\$ -	\$ -	\$ -	\$ -	\$ 457
-	-	-	-	-	-	3,352
-	457	-	-	-	-	3,809
-	-	4,140	-	-	-	4,140
-	3,437	1,146	-	-	3,956	8,539
-	-	-	-	-	-	13,298
-	3,437	5,286	-	-	3,956	25,977
<u>\$ -</u>	<u>\$ 3,894</u>	<u>\$ 5,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,956</u>	<u>\$ 29,786</u>

**WESTLAKE ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

	224	315	410	461
<u>Data Control Codes</u>	<u>IDEA Part B Formula</u>	<u>SSA IDEA Part B Discretionary</u>	<u>State Textbook Fund</u>	<u>Campus Activity Funds</u>
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ 82,051
5800	State program revenues	-	8,223	885
5900	Federal program revenues	<u>104,937</u>	<u>35,215</u>	<u>-</u>
5020	Total revenues	<u>104,937</u>	<u>35,215</u>	<u>82,936</u>
EXPENDITURES				
Current:				
0011	Instruction	104,937	35,215	-
0013	Curriculum and instructional staff development	-	-	-
0023	School leadership	-	-	-
0036	Extracurricular activities	<u>-</u>	<u>-</u>	<u>96,257</u>
6030	Total expenditures	<u>104,937</u>	<u>35,215</u>	<u>96,257</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(13,321)
OTHER FINANCING SOURCES				
8911	Transfers out	<u>-</u>	<u>-</u>	<u>(37,090)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	(50,411)
0100	FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>63,709</u>
3000	FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,298</u>

EXHIBIT F-2 - CONCLUDED

480	482	484	496	497	498	
<u>Hudson - Mentor Discretionary</u>	<u>WAF Fund 100 Grant</u>	<u>Foundation- Local Grants</u>	<u>Hudson- Support Overall Programming</u>	<u>Foundation- Student Scholarships</u>	<u>International Mindedness Education Symposium</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 92,118	\$ 91,474	\$ -	\$ 2,500	\$ 1,557	\$ 269,700
54	767	1,413	-	-	-	11,342
-	-	-	-	-	-	140,152
<u>54</u>	<u>92,885</u>	<u>92,887</u>	<u>-</u>	<u>2,500</u>	<u>1,557</u>	<u>421,194</u>
1,133	50,646	65,805	16,087	2,500	-	284,546
-	20,000	21,846	-	-	-	41,846
2,325	18,802	-	879	-	1,198	23,204
-	-	-	-	-	-	96,257
<u>3,458</u>	<u>89,448</u>	<u>87,651</u>	<u>16,966</u>	<u>2,500</u>	<u>1,198</u>	<u>445,853</u>
(3,404)	3,437	5,236	(16,966)	-	359	(24,659)
-	-	-	-	-	-	(37,090)
(3,404)	3,437	5,236	(16,966)	-	359	(61,749)
3,404	-	50	16,966	-	3,597	87,726
<u>\$ -</u>	<u>\$ 3,437</u>	<u>\$ 5,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,956</u>	<u>\$ 25,977</u>

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, 2017, 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 28, 2017.

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.

Westlake Academy

Page 2

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 28, 2017