

# Westlake Academy

International Baccalaureate Charter School

## ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED AUGUST 31, 2016



legacy  
excellence  
building  
Knowledgeable  
Thinkers  
Caring  
Communicators  
life-long-learners  
achieve  
collective  
dream  
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create  
Risk-takers  
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Dream...Create...Achieve: Building a Collective Legacy of Excellence

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

**WESTLAKE ACADEMY  
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2016**

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CERTIFICATE OF BOARD

WESTLAKE ACADEMY  
Name of School

TARRANT  
County

220-810  
Co.-District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school were reviewed and (check one)  approved  disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school on the 9th day of January, 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, 2016, 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, 2016, 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 and individual 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 January 3, 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  
January 3, 2017

**WESTLAKE ACADEMY  
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2016**

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, 2016. 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 \$289,897 (Net Position). This is a decrease of \$1,066,415 for the year ended August 31, 2016.
- The Academy had \$10,275,361 in expenses related to governmental activities, of which \$3,195,636 of these expenses were offset by program-specific charges for services or grants and contributions. This is a total expense increase of \$1,677,100 from the prior year.
- The General Fund reported a fund balance this year of \$1,071,036, a decrease of \$411,121 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.



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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**

<b>Type of Statement</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<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 2016, the Foundation

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2016**

contributed \$994,383 to the Academy to enhance educational opportunities. These contributions are recorded as operating grants and contributions in the Statement of Activities.

**Fund Financial Statements**

The fund financial statements begin on page 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, 2016.

- 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 \$289,897 at August 31, 2016.

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 \$1,356,312 to \$289,897. \$265,880 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 79 percent (\$1,066,415). The decrease was primarily due to net effect of the following factors:

- (1) **General Revenues** increase of \$199,719, consisting primarily of the additional state funding received due to an increase in student enrollment.
- (2) **Program Revenues** of \$3,195,636 representing a total decrease of \$222,898;
  - Charges for Services - decrease of \$62,169 in due to a reduction in back-to-school fees

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- Operating Grants and Contributions - decrease of \$115,928 (66% of which relates to the decrease in Blacksmith program contributions), with the remaining amount being a reduction in local grants
- Capital Grants and Contributions - \$44,802 decrease. The Town owns the Academy buildings; therefore, the contribution represents the use of facilities. Because of annual depreciation of assets, the contribution decreased

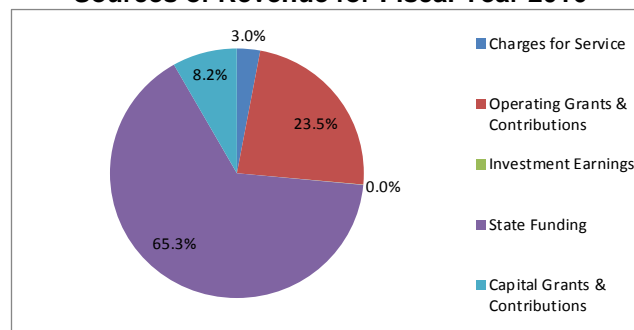
(3) **Total expenses** increased by \$1,677,100 which is attributed to the following increases:

- Instruction - \$1,356,297 increase; (a) a new capital lease as well as the remaining principal balance payable from previous leases totaling \$563K, (b) additional technology totaling \$125K was purchased with designated fund balance, and (c) \$530K in payroll related expenditures due to the addition of 5 teachers and the realignment of the salary scale to be within three percent (3%) of the districts surveyed for market comparison purposes
- School Leadership - \$228,607 increase due to the realignment and reclassification of personnel.
- Co-curricular/Extracurricular activities – \$40,131 increase in student participation in athletics as well as additional after-school activities were added during FY 2015-16
- Data Processing Services – \$66,070 increase associated with payroll related items due to the addition of a data technician

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

	Governmental Activities		Component Unit	
	2016	2015	2016	2015
Current assets	\$ 1,386,808	\$ 1,765,669	\$ 1,695,889	\$ 1,599,765
Total assets	1,386,808	1,765,669	1,695,889	1,599,765
Deferred outflows of resources	869,371	107,779	-	-
Current liabilities	228,046	91,957	10,404	18,308
Non-current liabilities	1,656,910	366,429	-	-
Total liabilities	1,884,956	458,386	10,404	18,308
Deferred inflows of resources	81,326	58,750	-	-
Net position:				
Restricted	24,017	142,156	86,740	62,024
Unrestricted	265,880	1,214,156	1,598,745	1,519,433
Total net position	\$ 289,897	\$ 1,356,312	\$ 1,685,485	\$ 1,581,457

**Figure A-2  
Westlake Academy  
Sources of Revenue for Fiscal Year 2016**



**WESTLAKE ACADEMY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2016**

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

	Governmental Activities		Component Unit Activities	
	2016	2015	2016	2015
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 271,788	\$ 333,957	\$ -	\$ -
Operating grants and contributions	2,164,774	2,280,702	1,390,413	1,475,936
Capital grants and contributions	759,074	803,875	-	-
General revenues:				
State aid and formula grants	6,010,184	5,811,524	-	-
Investment earnings	3,126	2,067	51,584	(36,714)
Total revenues	<u>9,208,946</u>	<u>9,232,125</u>	<u>1,441,997</u>	<u>1,439,222</u>
<b>Expenses</b>				
Instruction	6,517,509	5,161,212		
Instructional resources and media services	114,387	99,680	-	-
Curriculum and staff development	184,198	222,498	-	-
Instructional leadership	221,444	245,474		
School leadership	948,246	719,639		
Guidance, counseling, and evaluation services	260,596	257,760	-	-
Health services	78,087	76,136		
Food service	51,834	51,946	-	-
Extracurricular activities	221,400	181,269	-	-
General administration	385,100	361,743	-	-
Facilities maintenance and operations	976,963	980,416	-	-
Data processing services	183,320	117,250	-	-
Community services	126,813	113,034	-	-
Program/support services			1,337,969	1,434,941
Debt service - interest	5,464	10,204	-	-
Total expenses	<u>10,275,361</u>	<u>8,598,261</u>	<u>1,337,969</u>	<u>1,434,941</u>
Change in net position	(1,066,415)	633,864	104,028	4,281
Beginning net position	1,356,312	940,049	1,581,457	1,577,176
Cumulative effect of change in accounting principle	-	(217,601)	-	-
Ending net position	<u>\$ 289,897</u>	<u>\$ 1,356,312</u>	<u>\$ 1,685,485</u>	<u>\$ 1,581,457</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2016**

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 \$10,275,361
- Some of the cost was paid by those who directly benefited from the programs, \$271,788 and some of the cost was paid through grants and contributions \$2,923,848

**Table A-3**

	Total Cost of Services		Total % Change 2015-16	Net Cost of Services		Total % Change 2015-16
	2016	2015		2016	2015	
Instruction	\$ 6,517,509	\$ 5,161,212	26%	\$ 4,593,281	\$ 3,061,117	50%
School leadership	948,246	719,639	32%	718,472	471,586	52%
Guidance, counseling and evaluation services	260,596	257,760	1%	203,543	191,591	6%
General administration	385,100	361,743	6%	313,647	263,810	19%
Facilities Maintenance and operations	976,963	980,416	0%	753,759	677,749	11%
Data processing services	183,320	117,250	56%	133,844	74,462	80%

**General Fund Budgetary Highlights**

- The General Fund year-end fund balance was \$1,071,036 which was a \$411,121 decrease from the prior year
- Over the course of the year, the Academy revised its budget by increasing revenues by \$15,031 primarily due to an increase in State funding with the final budgeted expenditures being increased by \$957,876 due to the addition of a new lease purchase of technology with designated fund balance, and salary adjustments

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

General Fund revenues are budgeted to increase approximately 7% over FY 2015-2016 actual revenues. This increase is primarily due to the anticipated addition of 41 students and the implementation of Career and Technology (CTE) courses with 252 students for FY 2016-17 which will generate additional state funding.

Amounts available for appropriation in the General Fund budget are \$8,397,745, a decrease of 4% (\$356,654) from the final FY 2015-2016 expenditures of \$8,754,399.

- Increases in FY 16/17 salary related expenditures are primarily due to an average 4.5% pay increase to be within 2.5% of surrounding school districts and is more competitive than previous years. Personnel FTE's were reduced by approximately 1 FTE.
- Professional services category includes expenditures related to professional and contracted services rendered to the Academy by firms, individuals, and other organizations. The increase is mainly due to the purchase of new licensing over the summer to be available for FY 17/18. Current licensing will expire in May 2017.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2016**

- Supplies are reduced for FY 16-17 due to the purchase of technology in FY 15-16. Supplies and material costs are associated with consumables that are used in the classroom, maintenance of the campus, books, iPads, testing materials, furniture, and classroom supplies.
- 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.

If the FY 2016-17 budget estimates are realized the Academy's General Fund's budgetary fund balance is expected to increase an estimated \$1,428 by the close of FY 2017.

**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 1301 Solana Blvd, Building 4, Suite 4202, Westlake, Texas 76262.

## **BASIC FINANCIAL STATEMENTS**

**WESTLAKE ACADEMY  
STATEMENT OF NET POSITION  
AUGUST 31, 2016**

<u>Data Control Codes</u>	<b>1 Governmental Activities</b>	<b>4 Component Unit</b>
<b>ASSETS</b>		
1110	\$ 878,051	\$ 459,194
1120	100	1,224,814
1240	446,614	-
1290	1,640	7,565
1410	60,403	4,316
1000	<u>1,386,808</u>	<u>1,695,889</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	869,371	-
1700	<u>869,371</u>	<u>-</u>
<b>LIABILITIES</b>		
2110	100,217	10,404
2150	44,292	-
2160	82,937	-
2180	600	-
Noncurrent liabilities:		
2501	242,844	-
2502	320,201	-
2540	1,093,865	-
2000	<u>1,884,956</u>	<u>10,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	81,326	-
2600	<u>81,326</u>	<u>-</u>
<b>NET POSITION</b>		
3890	24,017	86,740
3900	265,880	1,598,745
3000	<u>\$ 289,897</u>	<u>\$ 1,685,485</u>

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



**WESTLAKE ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	1	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		3	4	5	6	9
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
<b>PRIMARY GOVERNMENT:</b>						
<b>Governmental Activities:</b>						
11	Instruction	\$ 6,517,509	\$ 63,274	\$ 1,360,948	\$ 500,006	\$ (4,593,281)
12	Instructional resources and media services	114,387	2,825	15,455	33,163	(62,944)
13	Curriculum and staff development	184,198	9,705	162,876	-	(11,617)
21	Instructional leadership	221,444	468	53,144	-	(167,832)
23	School leadership	948,246	1,911	211,754	16,109	(718,472)
31	Guidance, counseling, and evaluation services	260,596	551	52,420	4,082	(203,543)
33	Health services	78,087	138	13,181	12,737	(52,031)
35	Food service	51,834	6,000	-	51,834	6,000
36	Extracurricular activities	221,400	183,469	24,816	39,593	26,478
41	General administration	385,100	829	60,242	10,382	(313,647)
51	Facilities maintenance and operations	976,963	1,989	144,841	76,374	(753,759)
53	Data processing services	183,320	366	36,855	12,255	(133,844)
61	Community services	126,813	263	28,242	2,539	(95,769)
71	Debt service - interest	5,464	-	-	-	(5,464)
	<b>[TP] Total primary government:</b>	<u>\$ 10,275,361</u>	<u>\$ 271,788</u>	<u>\$ 2,164,774</u>	<u>\$ 759,074</u>	<u>(7,079,725)</u>
<b>COMPONENT UNIT</b>						
IC	Westlake Academy Foundation	<u>\$ 1,337,969</u>	<u>\$ -</u>	<u>\$ 1,390,413</u>	<u>\$ -</u>	<u>52,444</u>
Data Control Codes	General Revenues:					
SF	State aid-formula grants				6,010,184	-
IE	Investment earnings				3,126	51,584
TR	Total general revenues				<u>6,013,310</u>	<u>51,584</u>
CN	Change in net position				(1,066,415)	104,028
NB	Net position, beginning				1,356,312	1,581,457
NE	Net position, ending				<u>\$ 289,897</u>	<u>\$ 1,685,485</u>

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

**WESTLAKE ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016**

Data Control Codes	10		IDEA- Part B	State Textbook	Nonmajor Governmental	98 Total Governmental
	General	Formula	Fund	Funds	Funds	
<b>ASSETS</b>						
1110	Cash and cash equivalents	\$ 791,165	\$ -	\$ -	\$ 86,886	\$ 878,051
1120	Current investments	100	-	-	-	100
1240	Due from other governments	379,495	41,416	25,703	-	446,614
1260	Due from other funds	67,323	-	-	-	67,323
1290	Other receivables	-	-	-	1,640	1,640
1410	Prepaid expenditures	60,403	-	-	-	60,403
1000	Total assets	<u>\$ 1,298,486</u>	<u>\$ 41,416</u>	<u>\$ 25,703</u>	<u>\$ 88,526</u>	<u>\$ 1,454,131</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
2110	Accounts payable	\$ 99,621	\$ -	\$ 596	\$ -	\$ 100,217
2150	Payroll deductions and withholdings	44,292	-	-	-	44,292
2160	Accrued wages payable	82,937	-	-	-	82,937
2170	Due to other funds	-	41,416	25,107	800	67,323
2180	Due to other governments	600	-	-	-	600
2000	Total liabilities	<u>227,450</u>	<u>41,416</u>	<u>25,703</u>	<u>800</u>	<u>295,369</u>
<b>FUND BALANCES:</b>						
3430	Nonspendable - prepaid items	60,403	-	-	-	60,403
3490	Restricted for donor stipulations	-	-	-	24,017	24,017
3545	Committed for campus activities	-	-	-	63,709	63,709
3600	Unassigned	1,010,633	-	-	-	1,010,633
3000	Total fund balances	<u>1,071,036</u>	<u>-</u>	<u>-</u>	<u>87,726</u>	<u>1,158,762</u>
4000	Total liabilities and fund balances	<u>\$ 1,298,486</u>	<u>\$ 41,416</u>	<u>\$ 25,703</u>	<u>\$ 88,526</u>	<u>\$ 1,454,131</u>
Total fund balances - governmental funds						\$ 1,158,762
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.						(563,045)
Included in the items related to debt is the Academy's proportionate share of the TRS net pension liability (\$1,093,865), a deferred resource inflow (\$81,326) and a deferred resource outflow of \$869,371. The net effect is a decrease in net position.						<u>(305,820)</u>
Net position of governmental activities						<u>\$ 289,897</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, 2016**

Data Control Codes	10		IDEA-Part B Formula	State Textbook Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
	General					
<b>REVENUES</b>						
5700	Local and intermediate sources	\$ 1,459,838	\$ -	\$ -	\$ 155,042	\$ 1,614,880
5800	State program revenues	6,409,140	-	136,038	3,184	6,548,362
5900	Federal program revenues	-	98,564	-	-	98,564
5020	Total revenues	<u>7,868,978</u>	<u>98,564</u>	<u>136,038</u>	<u>158,226</u>	<u>8,261,806</u>
<b>EXPENDITURES</b>						
0011	Instruction	5,369,348	98,564	136,038	156,407	5,760,357
0012	Instructional resources and media services	73,983	-	-	3,709	77,692
0013	Curriculum and staff development	147,559	-	-	36,639	184,198
0021	Instructional leadership	210,591	-	-	-	210,591
0023	School leadership	860,150	-	-	25,637	885,787
0031	Guidance, counseling, and evaluation services	248,153	-	-	-	248,153
0033	Health services	62,328	-	-	-	62,328
0036	Extracurricular activities	140,141	-	-	39,638	179,779
0041	General administration	372,961	-	-	25	372,986
0051	Facilities maintenance and operations	895,334	-	-	-	895,334
0053	Data processing services	164,330	-	-	-	164,330
0061	Community services	118,429	-	-	-	118,429
0071	Debt service - principal on long-term debt	85,628	-	-	-	85,628
0072	Debt service - interest on long-term debt	5,464	-	-	-	5,464
6030	Total expenditures	<u>8,754,399</u>	<u>98,564</u>	<u>136,038</u>	<u>262,055</u>	<u>9,251,056</u>
1100	DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(885,421)</u>	-	-	<u>(103,829)</u>	<u>(989,250)</u>
<b>OTHER FINANCING SOURCES</b>						
7913	Capital lease proceeds	474,300	-	-	-	474,300
	Total other financing sources	<u>474,300</u>	-	-	-	<u>474,300</u>
1200	NET CHANGE IN FUND BALANCES	(411,121)	-	-	(103,829)	(514,950)
0100	FUND BALANCES, BEGINNING	<u>1,482,157</u>	-	-	<u>191,555</u>	<u>1,673,712</u>
3000	FUND BALANCES, ENDING	<u>\$ 1,071,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,726</u>	<u>\$ 1,158,762</u>

Net change in fund balances \$ (514,950)

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

Current year capital lease proceeds are other financing sources in the governmental funds financial statements, but are shown as an increase in liabilities in the government-wide financial statements. (474,300)

Current year principal payments on capital leases consume current resources, however, these payments reduce liabilities in the government-wide financial statements. 85,628

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 \$88,399. Contributions before the measurement date also caused a decrease in the change in net position of \$92,325. The net share of the Academy's amount of deferred inflows and outflows of resources decreased the net position by \$158,867. This amount is the net effect. (162,793)

Change in net position of governmental activities \$ (1,066,415)

**WESTLAKE ACADEMY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016**

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	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 59,105
<b>Total assets</b>	<u>\$ 59,105</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 23
Due to student groups	59,082
<b>Total liabilities</b>	<u>\$ 59,105</u>

## **WESTLAKE ACADEMY NOTES TO THE FINANCIAL STATEMENTS**

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### **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, 1301 Solana Blvd, Building 4, Suite 4202, 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**

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**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**

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**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.

The Academy applies all GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Fund Statement of Net Position. The net position is segregated into restricted net position, and unrestricted net position.

**Fund Accounting**

The Academy reports the following major governmental funds:

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

The **IDEA Part-B Formula Fund** is funded by the U.S. Department of Education, as passed through the State of Texas, for the purpose of providing special education and related services to children with disabilities, ages 3-21.

The **State Textbook Fund** is used to account, on a project basis, for funds awarded to school districts under the textbook allotment.

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**

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**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 School Board.
  - 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**

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**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, 2016, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments), including \$59,105 recorded in the Agency fund, was \$937,156 and the bank balance was \$1,047,925. The carrying amount of the Foundation's deposits was \$459,194 as of August 31, 2016 and the bank balance was \$459,194. The Academy cash deposits at August 31, 2016 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 \$18,251,729.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$17,703,988 (\$1,930,155 of which belonged to the Academy) on December 30, 2015.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

## WESTLAKE ACADEMY NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2016, 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**

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**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, 2016, 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, 2016, 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, 2016</u>	
	<u>Cost Basis</u>	<u>Market Value</u>
Marketable equity securities:		
Common stock	<u>\$ 1,165,880</u>	<u>\$ 1,224,814</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**

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**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, 2016.

	Assets at Fair Value as of August 31, 2016			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 1,224,814	\$ -	\$ -	\$ 1,224,814

**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, 2016, are summarized below.

Fund	State Entitlements	Local	Total
General	\$ 369,717	\$ 9,778	\$ 379,495
IDEA-Part B Formula	41,416	-	41,416
State Textbook	25,703	-	25,703
Total	\$ 436,836	\$ 9,778	\$ 446,614

**WESTLAKE ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS**

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**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, \$759,074, 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, 2016, 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	IDEA - Part B Formula	\$ 41,416	Reimburse program disbursements
General fund	State Textbook	25,107	Reimburse program disbursements
General fund	Nonmajor governmental	800	Reimburse program disbursements
Total		<u>\$ 67,323</u>	

The Academy had no interfund transfers for the year ending August 31, 2016.

**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	\$ 1,311,897	\$ 91,452	\$ 1,403,349
Interest	3,126	-	3,126
Food sales	6,000	-	6,000
Campus activities	-	63,590	63,590
Parking/transportation	22,768	-	22,768
Athletics	96,800	-	96,800
Miscellaneous	19,247	-	19,247
Total	<u>\$ 1,459,838</u>	<u>\$ 155,042</u>	<u>\$ 1,614,880</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**

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**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

**WESTLAKE ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED**

**Contributions – Continued**

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

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions	\$ 88,399	
2016 Member Contributions	\$ 366,807	
2015 NECE On-behalf Contributions	\$ 307,339	

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**

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**NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED**

**Actuarial Assumptions**

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
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, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

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

**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 2015 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	\$1,713,880	\$1,093,865	\$577,431

**WESTLAKE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2015, the Academy reported a liability of \$1,093,865 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	\$ 1,093,865
State's proportionate share that is associated with Academy	<u>3,667,893</u>
Total	<u>\$ 4,761,758</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0030945% which was an increase of 0.0023755% from its proportion measured as of August 31, 2014.

**Changes Since the Prior Actuarial Valuation**

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**WESTLAKE ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 7. DEFINED BENEFIT PENSION PLAN – CONTINUED**

**Changes Since the Prior Actuarial Valuation – Continued**

*Other Demographic Assumptions*

1. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
2. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
3. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
4. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
5. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

6. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, the Academy recognized pension expense of \$522,616 and revenue of \$522,616 for support provided by the State.

At August 31, 2016, 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	\$ 2,470	\$ 42,038
Changes in actuarial assumptions	\$ 10,383	\$ 39,024
Difference between projected and actual investment earnings	\$ 225,369	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 542,750	\$ 264
Contributions paid to TRS subsequent to the measurement date	\$ 88,399	\$ -
<b>Total</b>	<b>\$869,371</b>	<b>\$ 81,326</b>

**WESTLAKE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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
2017	\$ 133,442
2018	133,442
2019	133,442
2020	148,115
2021	80,614
Thereafter	70,591
Total	\$ 699,646

**NOTE 8. HEALTH CARE COVERAGE**

During the period ended August 31, 2016, 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 Aetna. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**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](http://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**

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**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 2014 – 2016.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2014	0.65%	\$ 28,314	1.00%	\$ 42,028	0.55%	\$ 23,958

**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 \$18,453, \$18,231, and \$11,605 were recognized for the years ended August 31, 2016, 2015 and 2014, 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, 2016 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**

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**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 \$730,049 was under capital lease at August 31, 2016. 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, 2016:

Year Ending August 31,	Annual Lease Payments
2017	\$ 256,585
2018	166,168
2019	166,038
	<hr/>
Total minimum lease payments	588,791
Less: Amounts representing interest	(25,746)
	<hr/>
Present value of net minimum lease payments	<u>\$ 563,045</u>

**NOTE 12. RELATED PARTY TRANSACTIONS**

The Westlake Academy Foundation contributed \$994,383 to the Academy during the fiscal year ended August 31, 2016. 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 January 3, 2017, the date which the financial statements were available to be issued.

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB issued Statement No. 72, Fair Value Measurement and Application, which became effective for the Academy in fiscal year 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Academy presently has no investments subject to the fair value measurement requirements of the Statement. Information about the Academy's and Foundation's investments is presented in Note 2

**WESTLAKE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED**

The GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, which will be effective for periods beginning after June 15, 2016. The objective of this Statement is to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement applies to all state and governmental entities. The Academy will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants, which will be effective for periods beginning after June 15, 2016. The objective of this Statement is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. This Statement applies to all state and governmental entities. The Academy will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 80, Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14, which will be effective for periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to all state and governmental entities. The Academy will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

**NOTE 15. EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ending August 31, 2016, expenditures exceeded appropriations in the following functions: Instruction, School Leadership; Guidance, Counseling and Evaluation Services; General Administration; Community Services and Debt Service. 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, 2016**

**EXHIBIT E-1**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,648,720	\$ 1,614,536	\$ 1,459,838	\$ (154,698)
5800	State program revenues	<u>6,292,906</u>	<u>6,342,121</u>	<u>6,409,140</u>	<u>67,019</u>
5020	Total revenues	<u>7,941,626</u>	<u>7,956,657</u>	<u>7,868,978</u>	<u>(87,679)</u>
<b>EXPENDITURES</b>					
<b>CURRENT:</b>					
0011	Instruction	4,579,900	5,361,249	5,369,348	(8,099)
0012	Instructional resources and media services	74,801	76,347	73,983	2,364
0013	Curriculum and staff development	134,590	147,909	147,559	350
0021	Instructional leadership	264,258	276,108	210,591	65,517
0023	School leadership	778,866	816,706	860,150	(43,444)
0031	Guidance, counseling, and evaluation services	205,230	233,402	248,153	(14,751)
0033	Health services	66,616	68,166	62,328	5,838
0036	Extracurricular activities	146,775	148,258	140,141	8,117
0041	General administration	306,986	363,460	372,961	(9,501)
0051	Facilities maintenance and operations	915,068	933,345	895,334	38,011
0053	Data processing services	169,679	172,888	164,330	8,558
0061	Community services	112,638	115,445	118,429	(2,984)
0072	Debt service	<u>90,565</u>	<u>90,565</u>	<u>91,092</u>	<u>(527)</u>
6030	<b>Total expenditures</b>	<u>7,845,972</u>	<u>8,803,848</u>	<u>8,754,399</u>	<u>49,449</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>95,654</u>	<u>(847,191)</u>	<u>(885,421)</u>	<u>(38,230)</u>
<b>OTHER FINANCING SOURCES</b>					
7913	Capital lease proceeds	<u>-</u>	<u>482,425</u>	<u>474,300</u>	<u>(8,125)</u>
	<b>Total other financing sources</b>	<u>-</u>	<u>482,425</u>	<u>474,300</u>	<u>(8,125)</u>
1200	Net change in fund balances	95,654	(364,766)	(411,121)	(46,355)
0100	Fund balances--beginning	<u>1,482,157</u>	<u>1,482,157</u>	<u>1,482,157</u>	<u>-</u>
3000	Fund balances--ending	<u>\$ 1,577,811</u>	<u>\$ 1,117,391</u>	<u>\$ 1,071,036</u>	<u>\$ (46,355)</u>

**WESTLAKE ACADEMY  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2016**

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

Note: Only two 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>2016</u>	<u>2015</u>
Statutorially required contributions	\$ 88,399	\$ 92,325
Actual contributions in relation to statutorially required contributions	<u>88,399</u>	<u>92,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 5,094,571	\$ 4,784,694
Contributions as a percentage of Academy's covered payroll	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 two 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, 2016**

<b>Data Control Codes</b>	<b>461</b>	<b>480</b>	<b>484</b>
	<b>Campus Activity Funds</b>	<b>Hudson - Mentor Discretionary</b>	<b>Foundation- Local Grants</b>
<b>ASSETS</b>			
1110 Cash and cash equivalents	\$ 62,919	\$ 3,404	\$ -
1290 Other receivables	790	-	850
1000 Total assets	<u>\$ 63,709</u>	<u>\$ 3,404</u>	<u>\$ 850</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2170 Due to other funds	\$ -	\$ -	\$ 800
Total liabilities	<u>-</u>	<u>-</u>	<u>800</u>
<b>Fund balances:</b>			
Restricted for:			
3490 Donor stipulations	-	3,404	50
Committed for:			
3545 Campus activities	63,709	-	-
3000 Total fund balances	<u>63,709</u>	<u>3,404</u>	<u>50</u>
4000 Total liabilities and fund balances	<u>\$ 63,709</u>	<u>\$ 3,404</u>	<u>\$ 850</u>

EXHIBIT F-1 – CONCLUDED

494	496	497	498	
<u>Foundation- Science Department</u>	<u>Hudson- Support Overall Programing</u>	<u>Foundation- Student Scholarships</u>	<u>International Mindedness Education Symposium</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 16,966	\$ -	\$ 3,597	\$ 86,886
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>
<u>\$ -</u>	<u>\$ 16,966</u>	<u>\$ -</u>	<u>\$ 3,597</u>	<u>\$ 88,526</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>
-	16,966	-	3,597	24,017
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,709</u>
<u>-</u>	<u>16,966</u>	<u>-</u>	<u>3,597</u>	<u>87,726</u>
<u>\$ -</u>	<u>\$ 16,966</u>	<u>\$ -</u>	<u>\$ 3,597</u>	<u>\$ 88,526</u>

**WESTLAKE ACADEMY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016**

<b>Data Control Codes</b>	<b>461 Campus Activity Funds</b>	<b>480 Hudson - Mentor Discretionary</b>	<b>484 Foundation- Local Grants</b>
<b>REVENUES</b>			
5700 Local and intermediate sources	\$ 63,590	\$ 20,000	\$ 63,383
5800 State program revenues	703	350	2,131
5020 Total revenues	64,293	20,350	65,514
<b>EXPENDITURES</b>			
Current:			
0011 Instruction	9,737	14,861	59,827
0012 Instructional resources and media	609	-	3,100
0013 Curriculum and instructional staff development	-	-	10,927
0023 School leadership	-	2,085	-
0036 Extracurricular activities	39,638	-	-
0041 General administration	-	-	-
6030 Total expenditures	49,984	16,946	73,854
1200 <b>NET CHANGE IN FUND BALANCES</b>	14,309	3,404	(8,340)
0100 <b>FUND BALANCES, BEGINNING</b>	49,400	-	8,390
3000 <b>FUND BALANCES, ENDING</b>	\$ 63,709	\$ 3,404	\$ 50



EXHIBIT F-2 - CONCLUDED

494	496	497	498	
<u>Foundation- Science Department</u>	<u>Hudson- Support Overall Programming</u>	<u>Foundation- Student Scholarships</u>	<u>International Mindedness Education Symposium</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 2,500	\$ 5,569	\$ 155,042
-	-	-	-	3,184
<u>-</u>	<u>-</u>	<u>2,500</u>	<u>5,569</u>	<u>158,226</u>
9,138	60,344	2,500	-	156,407
-	-	-	-	3,709
-	23,743	-	1,969	36,639
-	22,299	-	1,253	25,637
-	-	-	-	39,638
-	25	-	-	25
<u>9,138</u>	<u>106,411</u>	<u>2,500</u>	<u>3,222</u>	<u>262,055</u>
(9,138)	(106,411)	-	2,347	(103,829)
<u>9,138</u>	<u>123,377</u>	<u>-</u>	<u>1,250</u>	<u>191,555</u>
<u>\$ -</u>	<u>\$ 16,966</u>	<u>\$ -</u>	<u>\$ 3,597</u>	<u>\$ 87,726</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, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 3, 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

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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  
January 3, 2017