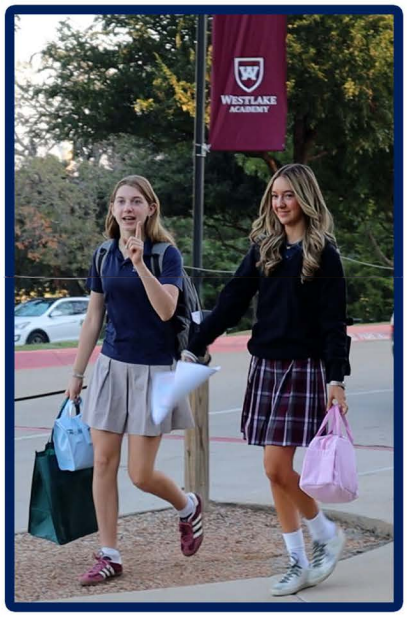








WESTLAKE ACADEMY

Annual Financial Report
Fiscal Year Ended June 30, 2025
















TOWN OF WESTLAKE
EST. 1956
WESTLAKE ACADEMY
EST. 2003

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
June 30, 2025

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Certificate of Board

WESTLAKE ACADEMY	TARRANT	220-810
Name of School	County	Co-District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school were reviewed and (check one) __X__ approved _____ disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school on the 18th day of November 2025.

Dianna Buchanan

Board Secretary Dianna Buchanan

Board President Kim Greaves

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

(Attach list as necessary)

WESTLAKE ACADEMY

RESOLUTION NO. 25-28

A RESOLUTION OF THE WESTLAKE ACADEMY BOARD OF TRUSTEES APPROVING THE FISCAL YEAR 2024-2025 ANNUAL AUDIT REPORT FROM MACIAS, GINI, & O'CONNELL, LLP, CERTIFIED PUBLIC ACCOUNTANTS.

WHEREAS, under Title 19 Chapter 109.23(d) of the Texas Administrative Code, the district must hire at its own expense an independent auditor to conduct an independent audit of its financial statements and provide an opinion on its Annual Financial Report, and

WHEREAS, under Section 44.008(d) of the Texas Education Code, the annual financial audit is due no later than the 150th day after the end of the fiscal year (November 27th for the June 30th fiscal year), and

WHEREAS, the audit report must be approved by the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF WESTLAKE ACADEMY:

SECTION 1: That all matters stated in the Recitals hereinabove are found to be true and correct and are incorporated herein by reference as if copied in their entirety.

SECTION 2: That the Board of Trustees of Westlake Academy does hereby approve the Fiscal Year 2024-2025 annual audit report from Macias, Gini, & O'Connell, LLP, Certified Public Accountants attached hereto as ***Exhibit "A"***.

SECTION 3: If any portion of this Resolution shall, for any reason, be declared invalid by any court of competent jurisdiction, such invalidity shall not affect the remaining provisions hereof and the Board of Trustees hereby determines that it would have adopted this Resolution without the invalid provision.

SECTION 4: That this resolution shall become effective from and after its date of passage.

PASSED AND APPROVED ON THIS 18th DAY OF NOVEMBER 2025.

Kim Greaves, President

ATTEST:

Dianna Buchanan, Board Secretary

Dr. Kelly Ritchie, Head of School

APPROVED AS TO FORM:

Janet S. Bubert, School Attorney

FINANCIAL SECTION


TOWN OF WESTLAKE
EST. 1956
WESTLAKE ACADEMY
EST. 2003

mgo. | Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Westlake Academy
Westlake, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Westlake Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Westlake Academy as of June 30, 2025, 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.

We did not audit the financial statements of the Westlake Academy Foundation, a discretely presented component unit of the Academy, which represents 100% of the assets, revenues and net position of this opinion unit. Those statements were audited by other auditors in accordance with auditing standard generally accepted in the United States of America (GAAS), whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Westlake Academy Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States (*Governmental Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Westlake Academy Foundation were not audited in accordance with *Governmental Auditing Standards.*

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the Academy's proportionate share of the net pension liability and the net OPEB liability, and schedules of the Academy's pension and OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the use of funds report as required by the Financial Accountability System Resource, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Macias Gini & O'Connell LLP

Austin, Texas
November 15, 2025


TOWN OF WESTLAKE
EST. 1956
WESTLAKE ACADEMY
EST. 2003

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Management's Discussion and Analysis (Unaudited)
June 30, 2025

This section of the Westlake Academy (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended August 31, 2024. Please read it in conjunction with the Academy's financial statements. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, receivable allowances, and net pension/OPEB liability.

Financial Highlights

The liabilities and deferred inflows of the Academy exceeded its assets and deferred outflows (net position) at June 30, 2025 by $2,790,245.

- The Academy's total net position increased by $615,441.
- The Academy reported $13,029,029 in expenses related to governmental activities, of which $5,597,923 of these expenses were offset by program-specific charges for services or grants and contributions.
- At the end of the fiscal year, the general fund reported a fund balance of $2,504,594, an increase of $757,758 from the restated beginning balance. Beginning balances were restated to correct a misalignment between the employment contract terms and the changed fiscal year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements 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, deferred inflows and outflows of resources. The facilities used in the Academy's operations are included in the Town of Westlake's financial statements.

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

The Academy's revenue is divided into those provided by outside parties who share the costs of some programs, such as payments received from extracurricular activities and grants provided by the U.S.

Department of Education to assist children with disabilities (program revenue), and general revenue provided by donations from the public or by Texas Education Agency (TEA) in equalization funding processes (general revenue). All the Academy's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

The fund financial statements begin on page 18 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. All of the funds of the Academy can be divided into two categories: governmental funds and fiduciary funds.

- Some funds are required by State law and by bond covenants. The Academy does not issue any bonds themselves.
- 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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The Board of Trustees adopts a budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Academy's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Academy maintains one fiduciary fund, the Student Activity Fund. The custodial fund accounts for resources held for others in a custodial capacity.

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 the fiscal period ending June 30, 2025, the Foundation contributed $1,255,869 to the Academy to enhance educational opportunities. These contributions are recorded as operating grants and contributions in the Statement of Activities.

Notes to Financial Statements
The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The correction of payroll accruals that caused a beginning balance restatement are enumerated in the notes.

The notes to the financial statements can be found on pages 24-52 of this report.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, , (including the correction to restate beginning balances), schedule of changes in the net pension/OPEB liability and related ratios and schedule of employer contributions for the Teacher Retirement System of Texas. RSI can be found after the basic financial statements.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Academy's financial position. For the Westlake Academy liabilities exceeded assets by $2,790,245 as of June 30, 2025 in the primary government.

A portion of the Academy's net position, a balance of $54,288 reflects its investments in capital assets (e.g. right to use assets), less any debt used to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to its teachers and students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Westlake Academy reported negative balances for unrestricted net position for the primary government due to the required reporting of the net pension and OPEB liabilities. The same situation held true for the prior fiscal year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

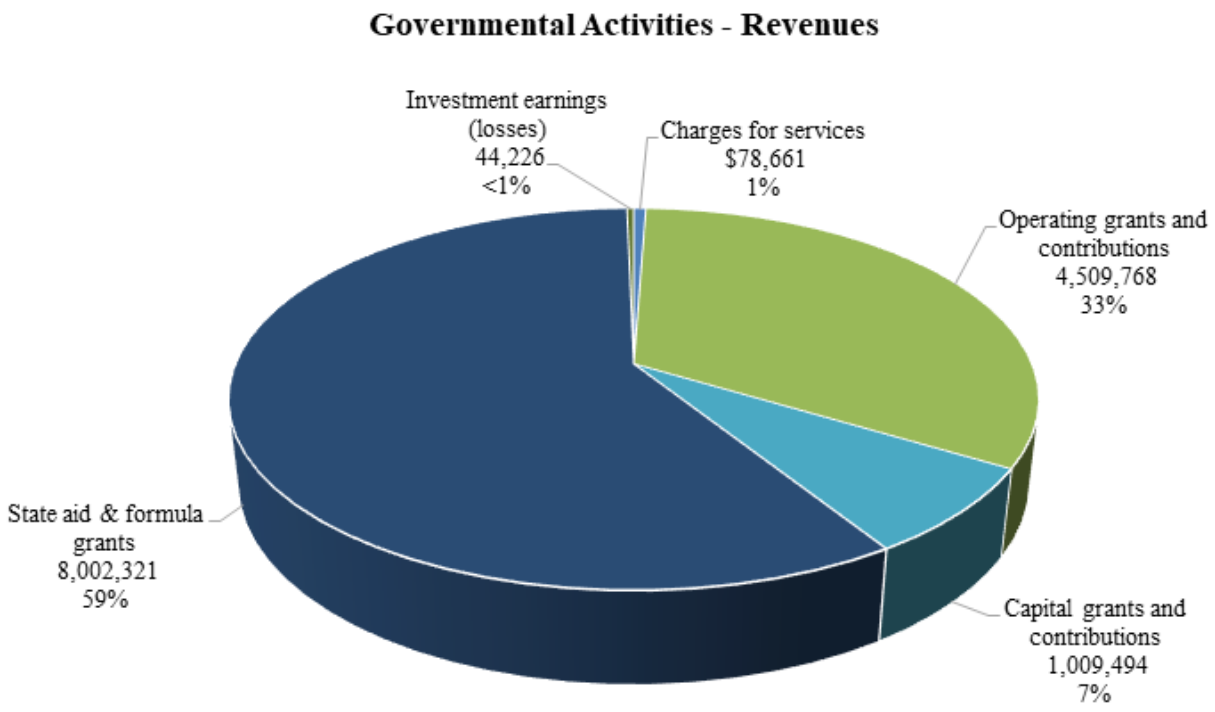
	Governmental Activities			
	6/30/2025	6/30/2024	$ Change	% Change
Current and other assets	$ 3,366,062	$ 2,534,650	$ 831,412	33%
Capital assets, net	54,288	193,905	(139,617)	-72%
Total Assets	3,420,350	2,728,555	691,795	25%
Deferred Outflows of Resources	2,500,326	3,754,840	(1,254,514)	-33%
Current liabilities	670,413	600,134	70,279	12%
Long-term liabilities	6,221,294	5,874,688	346,606	6%
Total Liabilities	6,891,707	6,474,822	416,885	6%
Deferred Inflows of Resources	1,819,214	3,151,228	(1,332,014)	-42%
Net Position:				
Net investment in capital assets	-	(8,899)	8,899	-100%
Restricted	-	2,834	(2,834)	-100%
Unrestricted	(2,790,245)	(3,136,590)	346,345	-11%
Total Net Position	$ (2,790,245)	$ (3,142,655)	$ 352,410	-11%

Statement of Activities:

The following table provides a summary of the Academy's changes in net position:

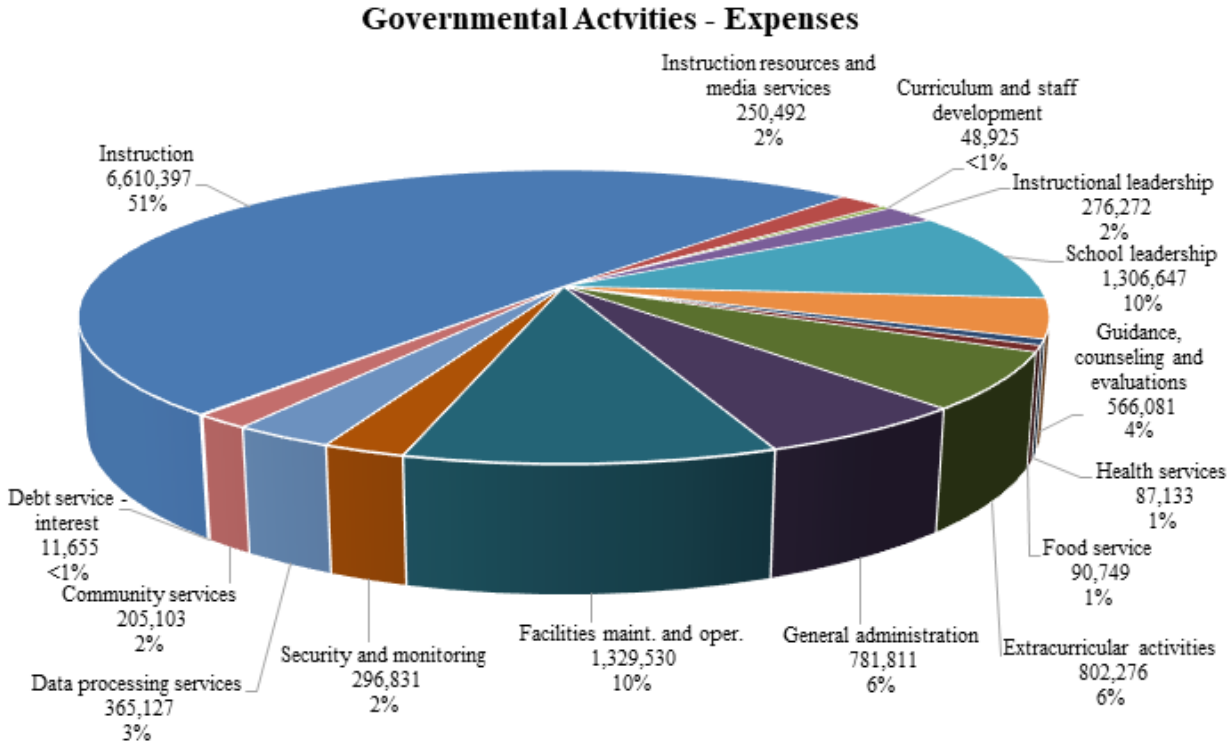
	Governmental Activities			
	6/30/2025	6/30/2024	$ Change	% Change
Revenues				
Program revenues:				
Charges for services	$ 78,661	$ 76,985	$ 1,676	2%
Operating grants and contributions	4,509,768	3,953,345	556,423	14%
Capital grants and contributions	1,009,494	1,296,042	(286,548)	-22%
General revenues:				
State aid & formula grants	8,002,321	7,558,907	443,414	6%
Investment earnings (losses)	44,226	40,620	3,606	9%
Total Revenues	13,644,470	12,925,899	718,571	6%
Expenses				
Instruction	6,610,397	6,479,234	131,163	2%
Instruction resources and media services	250,492	182,534	67,958	37%
Curriculum and staff development	48,925	44,715	4,210	9%
Instructional leadership	276,272	262,845	13,427	5%
School leadership	1,306,647	1,198,453	108,194	9%
Guidance, counseling and evaluations	566,081	684,591	(118,510)	-17%
Health services	87,133	102,643	(15,510)	-15%
Food service	90,749	83,884	6,865	8%
Extracurricular activities	802,276	870,745	(68,469)	-8%
General administration	781,811	641,714	140,097	22%
Facilities maint. and oper.	1,329,530	1,280,681	48,849	4%
Security and monitoring	296,831	126,030	170,801	136%
Data processing services	365,127	432,961	(67,834)	-16%
Community services	205,103	171,959	33,144	19%
Debt service - interest	11,655	20,422	(8,767)	-43%
Total Expenses	13,029,029	12,583,411	445,618	4%
Change in Net Position	615,441	342,488	272,953	80%
Beginning Net Position	(3,142,655)	(3,485,143)	342,488	-10%
Prior Year Correction	(263,031)			
Beginning Net Position, restated	(3,405,686)			
Ending Net Position	$ (2,790,245)	$ (3,142,655)	$ 352,410	-11%

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the Academy's activities.



For the year ended June 30, 2025, revenues from governmental activities totaled $13,644,470. Overall revenue increased $718,571 or 6% from the prior year. The increase was primarily due to contributions received from the Westlake Academy Foundation and the Town of Westlake. These contributions are provided as a subsidy to balance the budget.

This graph shows the governmental function expenses of the Academy:



For the twelve months ended June 30, 2025, expenses for governmental activities totaled $13,029,029. This represents an increase of $445,618 or 4% from the prior fiscal year ending June 30, 2024. This overall increase is primarily due to salary and benefit increases and changes in classifications made during the audit relating to the change in fiscal year ends.

The Academy elected to change their fiscal year end from an August 31st year end to a June 30th year end, effective for the fiscal year ending June 30, 2024. The comparative balances displayed in the financial statements above are for the 12-month year ended June 30, 2025, and the condensed prior year spanning 10 months – September 1, 2023, through June 30, 2024.

Certain expense categories are noted to have increased when compared to the prior fiscal year ending June 30, 2024. This is primarily the result of ten months of expenses being incurred in the prior fiscal year (September 1, 2023, through June 30, 2024) compared to twelve months of expenses being incurred in the current fiscal year.

Financial Analysis of the Academy's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the Academy's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Academy's net resources available for spending at the end of the year.

At June 30, 2025, the Academy's governmental funds reported combined fund balances of $2,394,529, an increase of $562,686 in comparison with the prior year's restated balance. Approximately 89% of this amount, $2,127,754, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted* or *committed* to indicate that it is 1) not in spendable form $45,639 or 2) committed for particular purposes $221,136 or 3) restricted for donor stipulations $0.

As of the end of the year the general fund reflected a total fund balance of $2,504,594. General fund balance increased by $757,758 during the current year from the restated beginning balance. The increase is primarily due to expenditures overall being less than budgeted. The beginning balance was restated to correct a misalignment between employee contract terms and the changed fiscal year end in the prior year.

General Budgetary Highlights

Total budgeted revenues of $11,949,914 were more than actual revenues of $11,875,732, resulting in a negative revenue variance of $74,182. The negative variance was primarily the result of less than expected local revenue sources and state program revenues. Total budgeted expenditures of $11,802,627 were more than actual expenditures of $11,117,974, resulting in a positive expenditure variance of $684,653. The variance in total expenditures was primarily due to positive variances within all functions.

Capital Assets

As of the end of the year, the Academy's governmental activities had a carrying value of $54,288 in right to use assets. This investment in assets includes a lease financing agreement for Apple TV equipment, Apple MacBooks, iPads, and Pro iOS software licenses. The Academy did not purchase new capital assets during the year. Current year depreciation amounted to $139,617.

More detailed information about the Academy's capital assets is presented in note 4.D to the financial statements.

Long-Term Debt

The Academy's outstanding lease payable balance at the end of the current year was $54,288. During the year, principal payments totaling $202,844 were made on the outstanding lease obligations.

More detailed information about the Academy's long-term liabilities is presented in note 4.E to the financial statements.

Current Conditions and Future Considerations

Westlake Academy serves as a premier institution of learning for the children of Westlake and surrounding areas. As one of the only IB continuum schools in Texas, our focus is on providing an engaging, college-preparatory education in a public charter school setting. Our campus has upgraded the safety equipment at the school by installing campus-wide cameras and new access monitoring for doors. We lead with a focus on the holistic nature of education in a safe, welcoming environment.

Westlake Population Growth: Over the past several years, our community has grown through the addition of new residential subdivisions and the construction of new homes within our existing neighborhoods. We are also within the heart of the Fort Worth-Dallas Metroplex, which has also experienced tremendous growth in residential units. This type of growth within our own community results in potentially greater enrollment of primary boundary students (those who live in the Westlake community). The regional growth will ultimately affect the extended boundary lottery wait list as more families seek admittance through the lottery.

Public Education Funding: Funding of public education continues to remain a topic of discussion across the state and was discussed throughout the 2025 Legislative Session. Significant legislation was passed that will impact the Academy beginning with the next fiscal year. As we receive the majority of our funding from the State of Texas, we will continue to work with Westlake Academy administrators and our elected officials to identify key revenue and expenditure drivers for the Academy while assessing historical financial trends and their impact upon our financial stability.

Change in Fiscal Year End: On June 21, 2023, the Texas Education Agency approved changing the Academy's fiscal year from beginning on September 1st and ending on August 31st to beginning on July 1st and ending on June 30th, effective September 1, 2023. In the first year of implementation, the financial accounting period spanned 10 months, with an annual operating budget prepared on a 12-month basis. The financial data reported through the PEIMS collection system was required to also be on a 12-month basis, matching the 12-month budget and maintaining comparability with previous fiscal years. However, the prior year's audited financial statements reflected only the 10-month activity. This financial report returns to a normal 12-month fiscal year, which has been reported appropriately.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2025-2026 budget was prepared with conservative revenue projections and expenditures that are targeted to create an exceptional learning environment designed for student success, supporting a culture where all Westlake Academy students, faculty and staff are able to continuously develop their knowledge and skills. Student enrollment projections for budgeting purposes increased slightly from the 2024-2025 level of 880 students to 900 projected.

General Fund revenues are budgeted at $12,310,696, an increase of $434,964, or 4% over the actual revenues realized in FY25 due to the following changes:

- Increase in participation and donations through the Blacksmith Annual Campaign,
- Decrease in Municipal contributions for Westlake Academy operations,
- Increase in State revenue due to student attendance and special population programs.

Total appropriations within the General Fund budget are estimated to reach $11,655,336, which is a cumulative increase $537,362, or 5%, over actual expenditures in FY25. This change is primarily due to moving expenditures historically included in the municipal budget into the academy budget. No salary increases or service level adjustments were included in the adopted budget due to anticipated legislative changes that would direct those amounts. Changes in the Fiscal Year 2025-2026 adopted budget include:

Payroll

- Salary increases were not approved as part of the adopted budget, pending potential legislative impacts. The budget will be amended to incorporate these changes during FY26.
- Decreasing a net 7.09 total full-time equivalents (FTEs) positions to 107.00:
    - (1.00) Information Technology Technician
    - (1.00) Interventionist
    - (1.00) Elementary Spanish Teacher
    - (1.00) SPED Coordinator
    - (1.00) 504 Coordinator
    - (1.00) Middle School Counselor
    - (1.00) Student Information Systems Administrator
    - (1.00) Custodian (funds reallocated to services)
    - (1.00) Middle School Assistant Principal
    - (1.00) Instructional Tech/Activity Coordinator)
    - (0.75) Building Technician
    - (0.50) Secondary CTE Instructor
    - 1.00 Fourth Grade Teacher
    - 1.00 Special Programs Coordinator
    - 1.00 Administrative Assistant
    - 1.16 Upgrade of Part-Time Teachers to Full-Time

Professional & Contracted Services

- These costs are related to services rendered to the Academy by firms, individuals, and other organizations. A 14% decrease in expenditures compared to prior year actuals was the result of higher, one-time costs relating to special populations that were amended for during the prior year. Other notable changes include:
    - Decrease for SPED assessments and legal services incurred relating to special populations,
    - Higher than budgeted overhead costs during the prior year, including general insurance and utility costs (electricity, water, gas, and internet),
    - Unanticipated facility maintenance, including HVAC repairs, landscaping, general repairs, and janitorial services, during the prior year deemed not necessary in FY25.

Materials & Supplies

- A 42% increase in expenditures over prior year actuals is associated with consumables used in the classroom and in the general operations of the campus, including:
    - Increases in program-specific instructional supplies,
    - Increases in technology-related supplies, including the replacement of SMART TVs in classrooms,
    - Addition of Academy expenditures previously administered by the Municipality.

Miscellaneous Operating Costs

- A 20% increase in expenditures over the prior year actuals is attributed to normal inflation in costs for the following:
    - Travel and related professional development training for teachers and administrators,
    - Professional and organizational dues,
    - Increase in liability and health insurance,
    - Addition of Academy expenditures previously administered by the municipality.

Debt Service

- Costs related to the lease for iPads are projected to increase by 26% over the prior year actuals due to the following:
    - Additional estimated costs due to the newly approve 3-year lease, effective July 1, 2025,
    - Increase in devices on campus associated with approved increase in student enrollment.

If the FY 2025-2026 budget estimates are realized, the Academy's General Fund's budgetary fund balance may see slight changes. The audited ending fund balance in General Fund as of June 30, 2025 will increase by $655,360 for a total ending balance of $3,159,954, equating to 99 operating days. This increase would be primarily due to the higher pledged Blacksmith donations, slight increases anticipated to State-received funding, and personnel reductions made by campus leadership.

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:

- Head of School at (817) 490-5761,
- Director of Finance at (817) 490-5721,
- Academic Finance Manager at (817) 490-5737,
- Or by writing to 1500 Solana Blvd, Building 7, Suite 7200, Westlake, Texas 76262.


TOWN OF WESTLAKE
EST. 1956
WESTLAKE ACADEMY
EST. 2003

BASIC FINANCIAL STATEMENTS

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Net Position
June 30, 2025

Exhibit A-1

Data Control Codes		1 Primary Government Governmental Activites	4 Component Unit
	Assets		
	Current assets:		
1110	Cash and cash equivalents	$ 1,674,664	$ 787,217
1120	Investments	-	2,838,850
1240	Due from other governments	1,630,651	-
1243	Due from employees	212	-
1290	Other receivables, net	14,896	-
1410	Prepaids	45,639	-
	Total Current Assets	3,366,062	3,626,067
	Noncurrent assets:		
	Capital assets:		
1550	Net depreciable capital assets	54,288	-
	Total Noncurrent Assets	54,288	-
1000	**Total Assets**	3,420,350	3,626,067
	Deferred Outflows of Resources		
1705	Pension outflows	1,494,500	-
1705	OPEB outflows	1,005,826	-
1700	**Total Deferred Outflows of Resources**	2,500,326	-

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Net Position (Continued)
June 30, 2025

Exhibit A-1

Data Control Codes		1 Primary Government Governmental Activites	4 Component Unit
	Liabilities		
	Current liabilities:		
2110	Accounts payable	57,936	31,813
2160	Accrued wages payable	585,994	-
2200	Accrued expenditures	8,654	-
2501	Current lease liability	17,829	-
	Total Current Liabilities	670,413	31,813
	Noncurrent liabilities:		
2540	Net pension liability	4,148,753	-
2545	Net OPEB liability	2,036,082	-
	Noncurrent lease liability	36,459	-
	Total Noncurrent Liabilities	6,221,294	-
2000	**Total Liabilities**	6,891,707	31,813
	Deferred Inflows of Resources		
2605	Pension inflows	128,997	-
2605	OPEB inflows	1,690,217	-
2600	**Total Deferred Inflows of Resources**	1,819,214	-
	Net Position		
	Restricted for:		
3890	Donor stipulaitons	-	817,738
3900	Unrestricted	(2,790,245)	2,776,516
3000	**Total Net Position**	$ (2,790,245)	$ 3,594,254

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Activities
June 30, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Program Revenues 5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Position 9 Component Units
	Primary Government:						
	Governmental Activities						
11	Instruction	$ 6,610,397	$ -	$ 3,468,225	$ 646,077	$ (2,496,095)	$ -
12	Instructional resources and media	250,492	66,557	23,823	47,189	(112,923)	-
13	Curriculum and staff development	48,925	-	416,115	-	367,190	-
21	Instructional leadership	276,272	-	13,391	-	(262,881)	-
23	School leadership	1,306,647	-	60,449	22,506	(1,223,692)	-
31	Guidance, counseling, evaluations	566,081	-	26,988	5,808	(533,285)	-
33	Health services	87,133	-	5,835	-	(81,298)	-
35	Food service	90,749	8,168	-	90,749	8,168	-
36	Extracurricular activities	802,276	-	111,044	67,993	(623,239)	-
41	General administration	781,811	3,936	160,344	11,616	(605,915)	-
51	Facilities maintenance and operations	1,329,530	-	59,066	95,591	(1,174,873)	-
52	Security and monitoring services	296,831	-	137,973	-	(158,858)	-
53	Data processing services	365,127	-	16,895	18,335	(329,897)	-
61	Community services	205,103	-	9,620	3,630	(191,853)	-
71	Debt service - interest	11,655	-	-	-	(11,655)	-
	Total Primary Government	$ 13,029,029	$ 78,661	$ 4,509,768	$ 1,009,494	(7,431,106)	-
	Component Unit						
IC	Westlake Academy Foundation	$ 1,770,627	$ -	$ 2,152,999	$ -		$ 382,372

Data Control Codes	General Reserves		
SF	State aid-formula grants	8,002,321	-
IE	Investment income	44,226	67,535
TR	**Total General Revenues**	8,046,547	67,535
CN	**Change in Net Position**	615,441	449,907
NB	Beginning Net Position	(3,142,655)	3,144,347
	Prior year correction	(263,031)	-
NB	Beginning Net Position, as restated	(3,405,686)	3,144,347
NE	**Ending Net Position**	$ (2,790,245)	$ 3,594,254

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Balance Sheet
Governmental Funds
June 30, 2025

Exhibit C-1

Data Control Codes		10 General	224 IDEA Part B Formula	429 School Safety	Non major Governmental Funds	98 Total Governmental Funds
	Assets					
1100	Cash and cash equivalents	$ 1,402,247	$ -	$ -	$ 272,417	$ 1,674,664
1240	Due from other governments	1,392,722	87,885	150,044	-	1,630,651
1243	Due from employees	212	-	-	-	212
1260	Due from other funds	414,818	-	-	-	414,818
1290	Other receivables, net	5,906	-	-	8,990	14,896
1410	Prepaids	22,266	-	-	23,373	45,639
	Total Assets	3,238,171	87,885	150,044	304,780	3,780,880
	Liabilities					
2110	Accounts payable	57,936	-	-	-	57,936
2160	Accrued wages payable	585,923	-	-	71	585,994
2170	Due to other funds	-	87,885	150,000	176,933	414,818
2200	Accrued expenditures	8,654	-	-	-	8,654
	Total Liabilities	652,513	87,885	150,000	177,004	1,067,402
	Deferred Inflows of Resources					
	Unavailable revenue- due from state	81,064	87,885	150,000	-	318,949
2600	**Total Deferred Inflows of Resources**	81,064	87,885	150,000	-	318,949
	Fund Balances					
	Nonspendable:					
3430	Prepaid items	22,266	-	-	23,373	45,639
	Committed for:					
3545	Campus activities	-	-	-	221,136	221,136
3600	Unassigned	2,482,328	(87,885)	(149,956)	(116,733)	2,127,754
3000	**Total Fund Balances**	2,504,594	(87,885)	(149,956)	127,776	2,394,529
4000	**Total Liabilities. Deferred Inflows, and Fund Balances**	$ 3,238,171	$ 87,885	$ 150,044	$ 304,780	$ 3,780,880

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2025

Exhibit C-2

Fund Balances - Total Governmental Funds	$	2,394,529
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - net depreciable		54,288
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds		318,949
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time		
Pension inflows		(128,997)
OPEB inflows		(1,690,217)
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then		
Pension outflows		1,494,500
OPEB outflows		1,005,826
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Net pension liability		(4,148,753)
Net OPEB liability		(2,036,082)
Leases payable, current		(17,829)
Leases payable, long-term		(36,459)
Net Position of Governmental Activities	$	(2,790,245)

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2025

Exhibit C-3

Data Control Codes		10 General	224 IDEA Part B Formula	429 School Safety	283 Formerly Major Fund ESSER Fund	Non-major Governmental Funds	98 Total Governmental Funds
	Revenues						
5700	Local and intermediate sources	$ 3,265,273	$ -	$ -	$ -	$ 553,651	$ 3,818,924
5800	State program revenues	8,610,459	-	90,475	-	111,968	8,812,902
5900	Federal program revenues	-	45,163	-	-	-	45,163
5020	**Total Revenues**	11,875,732	45,163	90,475	-	665,619	12,676,989
	Expenditures						
	Current:						
11	Instruction	5,569,290	133,048	-	-	143,963	5,846,301
12	Instructional resources and media	182,973	-	-	-	17,105	200,078
13	Curriculum and staff development	27,508	-	-	-	21,417	48,925
21	Instructional leadership	281,471	-	-	-	-	281,471
23	School leadership	1,270,622	-	-	-	-	1,270,622
31	Guidance, counseling, evaluations	566,528	-	-	-	750	567,278
33	Health services	87,526	-	-	-	1,730	89,256
36	Extracurricular activities	341,132	-	-	-	400,327	741,459
41	General administration	758,723	-	-	-	-	758,723
51	Facilities maintenance and operations	1,241,557	-	-	-	-	1,241,557
52	Security and monitoring services	18,842	-	240,431	-	37,558	296,831
53	Data processing services	355,135	-	-	-	-	355,135
61	Community services	202,208	-	-	-	-	202,208
	Debt Service:					-	
71	Principal	202,844	-	-	-	-	202,844
72	Interest and fiscal charges	11,615	-	-	-	-	11,615
	Total Expenditures	11,117,974	133,048	240,431	-	622,850	12,114,303
1100	**Excess of Revenues Over (Under) Expenditures**	757,758	(87,885)	(149,956)	-	42,769	562,686
1200	**Net Change in Fund Balances**	757,758	(87,885)	(149,956)	-	42,769	562,686
0100	Beginning fund balances, as previously reported	2,007,991	-	-	(27,609)	114,492	2,094,874
1300	Change within financial reporting entity (major to nonmajor fund)	-	-	-	27,609	(27,609)	-
1300	Change within financial reporting entity (nonmajor to major)	-	-	-	-	-	-
1300	Prior year correction	(261,155)		-	-	(1,876)	(263,031)
0100	Beginning fund balances, as restated	1,746,836	-	-	-	85,007	1,831,843
3000	**(Deficit) Ending Fund Balances**	$ 2,504,594	$ (87,885)	$ (149,956)	$ -	$ 127,776	$ 2,394,529

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
Governmental Funds
Year Ended June 30, 2025

Exhibit C-4

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	562,686
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(193,905)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(42,013)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		(581,263)
OPEB expense		667,132
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on leases		202,804
Change in Net Position of Governmental Activities	$	615,441

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

Exhibit E-1

	Custodial Fund
	Student Activity Fund
Assets	
Cash and cash equivalents	$ 43,493
Prepaids	315
Total Assets	43,808
Net Position	
Held for student activities	43,808
Total Net Position	$ 43,808

See notes to the financial statements.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2025

Exhibit E-2

	Custodial Fund
	Student Activity Fund
Additions	
Local and intermediate sources	$ 55,623
Total Additions	55,623
Deductions	
Extracurricular activities	41,416
Total Deductions	41,416
Change in Fiduciary Net Position	14,207
Beginning net position	29,601
Ending Net Position	$ 43,808

See notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Town Council consists of six members and serves as the governing body for the Academy. 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 Town Council has the authority to set policy direction, appoint the Superintendent, and evaluate the success of the academic service delivery efforts. It also has the primary accountability for fiscal matters. Therefore, the Academy is a financial reporting entity as defined by the GASB.

The more significant accounting policies of the Academy are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting Entity (Continued)

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, collect grants, set rates or charges, or issue bonded debt without approval by the primary government.

C. Discretely Presented Component Unit

Westlake Academy Foundation

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. Separate audited financial statements of the Foundation are available from the Academy/Town Finance Director's office, 1500 Solana Blvd, Building 7, Suite 7200, Westlake, Texas 76262.

D. Basis of Presentation - 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - 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 charges for athletic registration fees. The "grants and contributions" column includes amounts paid by organizations outside the Academy to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the Academy's functions.

Interfund activities between governmental funds appear as due to and 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.

E. 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, deferred inflows of resources, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Academy to refund all or part of the unused amount.

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

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

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The government reports the following major governmental funds:

General Fund

The General Fund is the main operating fund of the Academy. This fund is used to account for all financial resources not accounted for in other funds.

IDEA Part B Formula

The Individuals with Disabilities Education Act, Part B (IDEA-B) Formula program provides funding to assist school districts in providing special education and related services to students with disabilities ages 3 through 21. The purpose of the program is to ensure that all students with disabilities receive a free and appropriate public education (FAPE) designed to meet their unique needs; to protect the rights of students with disabilities and their parents; to support local educational agencies in educating students with disabilities; and to evaluate the effectiveness of those educational efforts.

School Safety Fund (Formerly Silent Panic Alert Fund)

The School Safety Fund which was previously named the Silent Panic Alert fund, accounts for state-funded grants provided to assist school districts in meeting safety and security requirements established by the Texas Education Agency (TEA). These funds include allocations from the SAFE Grant (Cycle 2) and the School Safety Standards Grant. The purpose of the program is to support districts in implementing measures that enhance the safety and security of students and staff, including but not limited to facility upgrades, technology improvements, and compliance with TEA's school safety standards.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus – Basis of Accounting and Financial Statement Presentation (Continued)

Nonmajor Governmental Funds

The 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

Custodial 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 custodial fund is a Student Activity Fund. These activities are excluded from the school's government-wide financial statements because the Academy cannot use these assets to finance its operations.

G. Other Accounting Policies

1. The State of Texas (the "State") has created a state minimum personal leave program consisting of five days per year personal leave with no limit on accumulation and transferability among districts is provided for employees in accordance with 19 TAC §153.1021(d)(8). Each district's local board is required to establish a personal leave plan. It is the Academy's policy to permit employees to accumulate earned but unused state and local personal leave. There is no liability for unpaid accumulated personal leave since the Academy does not have a policy to pay any amounts when employees separate from service with the Academy.

2. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires the Academy to display these codes in the financial statements filed with the Agency in order to ensure 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Other Accounting Policies Presentation (Continued)

- 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. As June 30, 2025, $221,207 of funds were committed for Campus Activities.

- Assigned: This classification includes amounts that are constrained by the Academy's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Finance Director or the Superintendent.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

H. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position

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.

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 on $57,799,652.

c. The highest combined balances of cash, savings, and time deposit accounts amounted to $52,632,421 ($1,367,201 of which belonged to the Academy) on February 14, 2025.

d. Total amount of FDIC coverage at the time of the highest combined balance was $250,000.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) ("Act") 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.

Fair Value

The Academy has applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position (Continued)

Capital Assets

As the Academy constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in note E.7. below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Capital assets are generally procured by the Town of Westlake and reported in the Town's financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds may report unavailable revenues from grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

Leases

The Academy is a lessee for a noncancellable lease of office equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Academy recognizes lease liabilities with an individual value of $10,000 or more.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position (Continued)

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Pensions and OPEB ("Other Post-Employment Benefits")

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenues and Expenditures/Expenses

Amounts reported as program revenues include 1) charges to services or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All grants, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities, which states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Board of Trustees adopts an "appropriated budget" on a generally accepted accounting principles (GAAP) basis for the general fund. The general fund budget appears in Exhibit E-1. Prior to August 25 of the preceding fiscal year, the Academy prepares a budget for the next succeeding fiscal year beginning September 1. 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 level by the staff. The function and fund level must be amended by approval of a majority of the members of the Board. Westlake Academy employees can amend the budget within each function as long as the total function expenditure remains the same as of the adopted budget. If the total budgeted function expenditure is amended and different from the adopted budget, the Board must approve that amendment. Appropriations lapse at the end of the year. During the fiscal year ended June 30, 2025, several supplemental budget appropriations were made.

As of June 30, 2025, general fund expenditures did not exceed appropriations at the legal level of control.

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Restricted Net Position

The Academy records restricted net position on amounts with externally imposed restrictions (e.g., through donor stipulations) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was $0.

B. Deficit Fund Equity & Net Position

At June 30, 2025, IDEA Part B Formula Fund, the ESSER fund, School Safety Fund, and Local Grants fund had deficit fund balances of $87,885, $27,609, $149,956, and $72,048, respectively. The deficit balances will be eliminated in the future by decreasing expenditures and receiving additional grant funding. The Academy's net position had a deficit net position of $2,790,245, primarily as a result of the net pension and OPEB liabilities.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At June 30, 2025, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments), including $43,493 recorded in the custodial fund, was $1,817,157 and the bank balance was $1,837,984. The carrying amount of the Foundation's deposits was $787,217 as of June 30, 2025.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2025, the Academy's deposits with financial institutions in excess of federal depository insurance were fully collateralized by pledged collateral held by the Academy's agent bank in the Town of Westlake's name. The Foundation requires all deposits to be covered by the FDIC insurance and/or collateralized by qualified securities pledged by the Foundation's depository in the Foundation's name and held by the depository's agent. As of June 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

Credit risk: The Academy's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAm, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – investments: For an investment, 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. The Academy's investment policy requires that it will seek to safeguard securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Academy's safeguard account prior to the release of funds.

NOTE 4. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

TexPool: As of June 30, 2025, the Academy had $121 invested in the TexPool, which had weighted-average maturity of 38 days. TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rated TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the State Comptroller of Public Accounts for review. At June 30, 2025, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurements

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from our 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 to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

NOTE 4. DETAILED NOTES ON ALL FUNDS (Continued)

B. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025.

Marketable Equity Securities: Valued at the last reported daily price

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's fair value measurements at June 30, 2025.

Investment Type	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Equity	$ 1,695,301	$ -	$ -	$ 1,695,301
Fixed Income	1,143,549	-	-	1,143,549
Total assets measured at fair value:	$ 2,838,850	$ -	$ -	$ 2,838,850

C. Receivables

The following comprise receivable balances of the primary government at year end:

	General	IDEA Part B Formula	School Safety	Nonmajor Govt.	Total
Due from other governments	$ 1,392,722	$ 87,885	$ 150,044	$ -	$ 1,630,651
Due from employees	212	-	-	-	212
Other receivables	5,906	-	-	8,990	14,896
Total	$ 1,398,840	$ 87,885	$ 150,044	$ 8,990	$ 1,645,759

NOTE 4. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
Capital assets, being depreciated:				
Right to use leased equiment	$ 581,716	$ 54,288	$ -	$ 636,004
Total capial assets being depreciated	581,716	54,288	-	636,004
Less accumulated depreciation				
Right to use leased equiment	387,811	193,905	-	581,716
Total accumulated depreciation	387,811	193,905	-	581,716
Net capital assets being depreciated	193,905	(139,617)	-	54,288
Total Capital Assets	$ 193,905	$ (139,617)	$ -	$ 54,288

Depreciation was charged to governmental functions as follows:

0011	Instruction	$ 193,905
Total Governmental Activities Depreciation Expense		$ 193,905

NOTE 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt – Lease Payable

The Academy entered into a three-year lease agreement on July 1, 2022, as lessee for the acquisition and use of various Apple products and software licenses. This agreement was extended by three-years on May 2, 2025 for a revised end date of June 30, 2028. The total lease liability for the extension was recorded in the amount of $54,288. As of June 30, 2025, the value of the lease liability was $54,288. The Academy is required to make monthly principal/interest payments of $1,547. The lease has an interest rate of 1.77%. In addition, the office equipment has a three-year estimated useful life. The value of the right-to-use assets as of the end of the current fiscal year was $634,004 and had accumulated amortization of $581,716.

The following summarizes the changes in lease payable during the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activites:					
Leases	$ 202,804	$ 54,288	$ (202,804)	$ 54,288	$ 17,829
Total governmental activities	$ 202,804	$ 54,288	$ (202,804)	$ 54,288	$ 17,829
Long-term liabilities due in more than one year				$ 36,459	

The annual requirements to amortize lease obligations as of June 30, 2025, are as follows:

Year Ending August 31,	Leases		
	Principal	Interest	Total
2026	$ 17,829	$ 739	$ 18,568
2027	18,068	499	18,567
2028	18,391	177	18,568
Total	$ 54,288	$ 1,415	$ 55,703

F. Interfund Transactions

The composition of interfund balances as of the year ended June 30, 2025 were as follows:

	Due to:
Due from:	**Nonmajor Govt.**
General Fund	$ 414,818
Total	$ 414,818

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

NOTE 5. OTHER INFORMATION

A. 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.

B. 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 June 30, 2025 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.

C. Defined Benefit Pension Plan

Plan Description

The Westlake 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/sites/default/files/migrated/TRS-Documents-trs-acfr-2024.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

NOTE 5. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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.

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

Schedule of Contribution Rates

Contribution Rates	2024 (Rate)	2025 (Rate)
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employees	8.25%	8.25%

The employer and member contributions for the Academy's fiscal year 2025 amounted to $385,522 and $587,442, respectively. The State's contributions for plan year 2024 (measurement year) amounted to $354,401.

NOTE 5. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2025, gradually increasing to 2 percent in fiscal year 2025.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

NOTE 5. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The Total Pension Liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Investment Rate of Return	7.00%
Municipal Bond Rate	3.87% as reported in Fidelity Index's 20-Year Municipal GO AA Index as of August 2020
Inflation	2.30% per year
Overall Payroll Growth	2.95% to 8.95%, including inflation
Active Mortality Rates	Active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2024. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2024.

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class as of August 31, 2024 (see page 88 of the TRS ACFR) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)	Expected Contribution to Long-Term Portfolio Returns
Global Equity	54.00%	20.50%	3.70%
Stable Value	21.00%	8.90%	0.60%
Real Return	21.00%	14.70%	1.60%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage	-4.00%	2.30%	-0.10%
Inflation			2.40%
Volatility Drag			-0.70%
Total	100.00%	50.40%	7.90%

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Academy's proportionate share of the net pension liability	$ 6,626,610	$ 4,148,753	$ 2,095,672

NOTE 5. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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

At June 30, 2025, the Academy reported a liability of $4,148,753 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	$	4,148,753
State's proportionate share that is associated with the Academy		3,841,512
Total	$	7,990,265

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31 2024, the employer's proportion of the collective net pension liability was 0.0067918619%, which was an increase of 0.0004007692% from its proportion measured as of August 31, 2023.

Changes since the Prior Measurement Date

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS.

For the year ended June 30, 2025, the Academy recognized pension expense of $1,248,823 and revenue of $459,125 for support provided by the State.

NOTE 5. OTHER INFORMATION (Continued)

C Defined Benefit Pension Plan (Continued)

At June 30, 2025, the Academy reported deferred outflows and 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	$ 228,674	$ 32,391
Changes in actuarial assumptions	214,209	28,718
Difference between projected and actual investment earnings	25,219	-
Changes in proportion and difference between the employer's contributions and proportionate share of contributions	716,689	67,888
Contributions subsequent to the measurement date	309,709	-
Total	$ 1,494,500	$ 128,997

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $309,709 will be recognized as a reduction of the net pension liability for the year ending June 30, 2026.

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

Fiscal year ended June 30,	
2026	$ 308,590
2027	597,872
2028	150,965
2029	(39,502)
2030	37,869
	$ 1,055,794

D. Health Care Coverage

During the period ended June 30, 2025, 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 $505 per month per employee and $430 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.

NOTE 5. OTHER INFORMATION (Continued)

D. Health Care Coverage (Continued)

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

E. Defined Other Post Employment Benefit Plan

Plan Description

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing, defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately- issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/sites/default/files/migrated/TRS-Documents-trs-acfr-2024.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes, including automatic COLAs.

NOTE 5. OTHER INFORMATION (Continued)

E. Defined Other Post Employment Benefit Plan (Continued)

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Schedule of Contribution Rates

Contribution Rates	2024 (Rate)	2025 (Rate)
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding	1.25%	1.25%

The employer and member contributions for the Academy's fiscal year 2025 amounted to $59,794 and $46,866, respectively. The State's contributions for plan year 2024 (measurement year) amounted to $76,351.

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

NOTE 5. OTHER INFORMATION (Continued)

E. Defined Other Post Employment Benefit Plan (Continued)

Actuarial assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Inflation	2.30% per year
Discount Rate	3.87%, as reported in Fidelity Index's 20-year Municipal GO AA Index as of August 31, 2024
Election Rates	Normal Retirement; 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Healthcare Trend Rates	7.25% for Medicare retirees and 6.75% for non-Medicare retirees
Administrative Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability at August 31, 2024. This was a decrease of 0.26% in the discount rate since the previous measurement date.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

NOTE 5. OTHER INFORMATION (Continued)

E. Defined Other Post Employment Benefit Plan (Continued)

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the Academy, calculated using the discount rate of 3.87%, as well as what the Academy's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1- percentage-point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Academy's proportionate share of the net OPEB liability	$ 2,418,961	$ 2,036,082	$ 1,726,711

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease in Trend Rate	Trend Rate	1% Increase in Trend Rate
Academy's proportionate share of the net OPEB liability	$ 1,658,087	$ 2,036,082	$ 2,528,648

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the Academy reported a liability of $2,036,082 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Academy. The amount recognized by the Academy as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Academy were as follows:

Academy's proportionate share of the collective net OPEB liability	$ 2,036,082
State's proportionate share that is associated with the Academy	2,551,183
Total	$ 4,587,265

NOTE 5. OTHER INFORMATION (Continued)

E. Defined Other Post Employment Benefit Plan (Continued)

The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0067083342%, which was an increase of 0.0000022024% the same proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

- The discount rate decreased from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

For the year ended June 30, 2025, the Academy recognized OPEB gain of $529,501 and revenue of $331,607 for support provided by the State.

At June 30, 2025, the Academy reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ 390,249	$ 1,016,115
Changes in actuarial assumptions	260,594	664,350
Difference between projected and actual investment earnings	-	5,702
Changes in proportion and difference between the employer's contributions and proportionate share of contributions	305,535	4,050
Contributions subsequent to the measurement date	49,448	-
Total	$ 1,005,826	$ 1,690,217

The Academy reported $49,448 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending June 30, 2026.

NOTE 5. OTHER INFORMATION (Continued)

E. Defined Other Post Employment Benefit Plan (Continued)

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended June 30,	
2026	$ (240,448)
2027	(148,231)
2028	(178,580)
2029	(142,453)
2030	(67,781)
Thereafter	43,654
	$ (733,839)

F. Related Party Transactions

The Westlake Academy Foundation contributed $1,255,869 to the Academy during the year ended June 30, 2025. The Westlake Academy Foundation made $93,765 of in-kind contributions (i.e., meals, grant supplies, travel/training reimbursements) to the Academy for instructional grant related activities. In addition, transactions paid directly by Westlake Academy and reimbursed by the Westlake Academy Foundation totaled $130,853.

The Town of Westlake contributed $1,736,484 to the Academy during the year ended June 30, 2025.

G. 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, $1,009,494, in the government-wide statement of activities as capital grants and contributions and as expense allocated to the various functions.

H. Restatements of Beginning Balances

For the year ended June 30, 2025 the IDEA B Formula and School Safety funds were reclassified from nonmajor to major due to the significance of their liabilities and deferred Inflows. These funds did not have a beginning fund balance and did not require a restatement. The ESSER Fund was reclassified from major to nonmajor due to declines in its revenues.

The Academy did not accrue annualized salaries for which the performance obligations had been fulfilled as of June 30, 2024. The result was accrued payroll liabilities were understated by $263,031 and payroll expenses were understated by the same amount.

NOTE 5. OTHER INFORMATION (Continued)

Reporting units affected by restatements of beginning balances are as follows:

	Funds			Government-Wide
	General Fund	ESSER Fund	Nonmajor Governmental Funds	Governmental Activities
Fund balance, as previously reported	$ 2,007,991	$ (27,609)	$ 114,492	$ (3,142,655)
Change from major to nonmajor fund	-	27,609	(27,609)	-
Prior year correction	(261,155)	-	(1,876)	(263,031)
Fund balance, as restated	$ 1,746,836	$ -	$ 85,007	$ (3,405,686)

H. Subsequent Events

The Academy entered into a three-year lease agreement on May 29, 2025, as lessee for the acquisition and use of various electronic devices and networking equipment. The equipment was received on August 19, 2025. The total lease payment amount is $788,541 paid annually through fiscal year 2027 in the amount of $262,847. The lease has an imputed interest rate of 7.59% per annum.

There were no other material subsequent events through November 15, 2025, the date the financial statements were issued.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Related Party Transactions
June 30, 2025

Exhibit B-20

Related Party	Relation to Related Party	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
Westlake Academy Foundation (WAF)	WAF is an Education Foundation, financially supporting the instructional initiatives of Westlake Academy. WAF is reported as a component unit of the Academy.	Donations	None	Local	Various	$ 1,255,869	$ –
		Instructional Grants: In-Kind Transactions (paid directly by WAF)	None	Local	Various	75,234	–
		Instructional Grants: Transactions paid directly by the Academy and reimbursed by WAF.	None	Local	Various	130,853	–
Town of Westlake	As an open-enrollment charter school owned and operated by the Town of Westlake, the Town provides an annual contribution toward the operations of the Academy. The Academy is reported as a component unit of the Town of Westlake.	Municipal Operating Contribution	None	Local	Quarterly	$1,736,484	–
						$ 3,198,440	$ –

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Related Party Transactions
June 30, 2025

Related Party	Relation to Related Party	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
Westlake Academy Foundation (WAF)	WAF is an Education Foundation, financially supporting the instructual initiatives of Westlake Academy. WAF is reported as a component of the Academy.	Donations	None	Local	Various	$ 1,255,869	$ -
		Instructional Grants: In-Kind Transactions (paid directly by WAF)	None	Local	Various	75,234	-
		Instructional Grants: Transactions paid directly by WA and reimbursed by WAF.	None	Local	Various	130,853	-
Town of Westlake	As an open-enrollment charter school owned and operated by the Town of Westlake, the Town provides an annual contribution toward the operations of the Academy. The Academy is reported as a component unit of the Town of Westlake.	Municipal Operating Contribution	None	Local	Quarterly	1,736,484	-
						$ 3,198,440	$ -

REQUIRED SUPPLEMENTARY INFORMATION


TOWN OF WESTLAKE
EST. 1956
WESTLAKE ACADEMY
EST. 2003

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2025

Exhibit G-1

Data Control Codes		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 2,995,070	$ 3,312,821	$ 3,265,273	$ (47,548)
5800	State program revenues	8,514,994	8,637,093	8,610,459	(26,634)
5020	**Total Revenues**	11,510,064	11,949,914	11,875,732	(74,182)
	Expenditures				
	Current:				
0011	Instruction	5,947,401	5,739,711	5,569,290	170,421
0012	Instructional resources and media	198,488	214,609	182,973	31,636
0013	Curriculum and staff development	56,600	43,379	27,508	15,871
0021	Instructional leadership	304,791	302,017	281,471	20,546
0023	School leadership	1,305,082	1,351,134	1,270,622	80,512
0031	Guidance, counseling, evaluations	698,595	622,368	566,528	55,840
0033	Health services	102,710	99,260	87,526	11,734
0036	Extracurricular activities	454,985	404,346	341,132	63,214
0041	General administration	469,071	786,603	758,723	27,880
0051	Facilities maintenance and operations	1,044,442	1,291,590	1,241,557	50,033
0052	Security and monitoring services	60,400	43,800	18,842	24,958
0053	Data processing services	463,913	461,893	355,135	106,758
0061	Community services	165,286	203,617	202,208	1,409
	Debt Service:				
0071/0072	Principal and Interest	238,300	238,300	214,459	23,841
	Total Expenditures	11,510,064	11,802,627	11,117,974	684,653
1100	**Excess of Revenues Over (Under) Expenditures**	-	147,287	757,758	(758,835)
1200	**Net Change in Fund Balances**	$ -	$ 147,287	757,758	$ (758,835)
0100	Beginning fund balances, as previously reported			2,007,991	
1300	Prior year correction			(261,155)	
0100	Beginning fund blances, as restated			1,746,836	
3000	**(Deficit) Ending Fund Balances**			$ 2,504,594	

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
IDEA Part B Formula
Year Ended June 30, 2025

Data Control Codes		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5900	Federal program revenues	$ 124,925	$ 133,048	$ 45,163	$ 87,885
5020	**Total Revenues**	124,925	133,048	45,163	87,885
	Expenditures				
	Current:				
0011	Instruction	124,925	133,048	133,048	-
	Total Expenditures	124,925	133,048	133,048	-
1100	**Excess of Revenues Over (Under) Expenditures**	-	-	(87,885)	87,885
1200	**Net Change in Fund Balances**	$ -	$ -	(87,885)	$ 87,885
0100	Beginning fund balances			-	
3000	**(Deficit) Ending Fund Balances**			$ (87,885)	

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Safety
Year Ended June 30, 2025

Data Control Codes		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5800	State program revenues	$ 90,431	$ 240,431	$ 90,475	$ (149,956)
5020	**Total Revenues**	90,431	240,431	90,475	(149,956)
	Expenditures				
	Current:				
0052	Security and monitoring services	90,431	240,431	240,431	-
	Total Expenditures	90,431	240,431	240,431	-
1100	**Excess of Revenues Over (Under) Expenditures**	-	-	(149,956)	(149,956)
1200	**Net Change in Fund Balances**	$ -	$ -	(149,956)	$ (149,956)
0100	Beginning fund balances			-	
3000	**(Deficit) Ending Fund Balances**			$ (149,956)	

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Notes to the Budgetary Comparison Schedule
Year Ended June 30, 2025

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 G-1.

The following procedures are followed in establishing the budgetary data:

1. Prior to June 25 of the preceding fiscal year, the Academy prepares a budget for the next succeeding fiscal year beginning July 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 July 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the object by the staff, function and fund level must be amended 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. Westlake Academy employees can amend the budget at the within the function as long as the total function expenditure remains the same as adopted budget. If the total budgeted function expenditure is amended and different from adopted budget, the Board must approve the amendment. All budget appropriations lapse at year end.

Special Revenue Fund budgets, such as the IDEA Part B Formula fund and the School Safety fund, are not formally adopted by the Board of Trustees. Budgeted revenues and expenditures are aligned with their related awarded grants and allotments, as they are received and communicated to the Academy throughout the fiscal year.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of the Academy's Proportionate Share of Net Pension Liability
Teacher Retirement System of Texas

Exhibit G-2

	Measurement Year Ended August 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.0067918619%	0.0063910927%	0.0058367295%	0.0051805614%	0.0055779320%	0.0028911576%	0.0027061397%	0.0028011698%	0.0027821831%	0.0030945000%
District's Proportionate Share of Net Pension Liability	$ 4,148,753	$ 4,390,064	$ 3,465,116	$ 1,319,306	$ 2,987,427	$ 1,502,914	$ 1,489,525	$ 895,663	$ 1,051,346	$ 1,093,865
State's Proportionate Share of the Net Pension Liability associated with the District	3,841,512	3,997,690	4,030,833	1,996,109	4,112,478	5,272,547	5,571,598	3,480,057	4,035,754	3,667,893
Total	$ 7,990,265	$ 8,387,754	$ 7,495,949	$ 3,315,415	$ 7,099,905	$ 6,775,461	$ 7,061,123	$ 4,375,720	$ 5,087,100	$ 4,761,758
District's Covered Payroll	$ 7,246,863	$ 6,648,972	$ 6,248,867	$ 6,119,043	$ 5,984,542	$ 5,534,431	$ 5,289,916	$ 5,391,515	$ 5,094,571	$ 4,784,695
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	57.25%	66.03%	55.45%	21.56%	49.92%	27.16%	28.16%	16.61%	20.64%	22.86%
Plan Fiduciary Net Position as a percentage of Total Pension Liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Employer Contributions to the Pension Plan
Teacher Retirement System of Texas

Exhibit G-3

	Fiscal Year Ended									
	6/30/2025	6/30/2024	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019	8/31/2018	8/31/2017	8/31/2016
Contractually Required Contribution	$ 385,522	$ 295,372	$ 328,385	$ 272,001	$ 222,306	$ 230,148	$ 100,311	$ 91,593	$ 131,436	$ 88,399
Contribution in Relation to Contractually Required Contribution	(385,522)	(295,372)	(328,385)	(272,001)	(222,306)	(230,148)	(100,311)	(91,593)	(131,436)	(88,399)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Academy's Covered Payroll	$ 7,141,499	$ 5,948,482	$ 6,648,972	$ 6,248,867	$ 6,119,043	$ 5,984,542	$ 5,534,431	$ 5,289,515	$ 5,391,515	$ 5,094,571
Contributions as a % of Covered Payroll	5.40%	4.97%	4.94%	4.35%	3.63%	3.85%	1.81%	1.73%	2.44%	1.74%

Note to Schedule:

1. 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.

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Academy's Proportionate Share of Net OPEB Liability
Teacher Retirement System Care Plan

Exhibit G-4

	Measurement Year Ended August 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
Academy's Proportion of the Net OPEB Liability	0.0067083342%	0.0067061318%	0.0065942174%	0.0060769780%	0.0060886508%	0.0059857139%	0.0059093400%	0.0058830418%
Academy's Proportionate Share of the Net OPEB Liability	$ 2,036,082	$ 1,484,624	$ 1,578,920	$ 2,344,162	$ 2,314,571	$ 2,830,719	$ 2,950,588	$ 2,558,314
State's Proportionate Share of the Net OPEB Liability associated with the Academy	2,551,183	1,791,427	1,926,034	3,140,655	3,110,229	3,761,390	4,695,104	4,406,333
Total	$ 4,587,265	$ 3,276,051	$ 3,504,954	$ 5,484,817	$ 5,424,800	$ 6,592,109	$ 7,645,692	$ 6,964,647
Academy's Covered Employee Payroll	$ 7,246,863	$ 6,648,972	$ 6,248,867	$ 6,119,043	$ 5,984,542	$ 5,534,431	$ 5,289,515	$ 5,391,515
Academy's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	28.10%	22.33%	25.27%	38.31%	38.68%	51.15%	55.78%	47.45%
Plan Fiduciary Net Position as a % of Total OPEB Liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note to Schedule:

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

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Employer Contributions to OPEB Plan
Teacher Retirement System Care Plan

Exhibit G-5

	Fiscal Year Ended							
	6/30/2025	6/30/2024	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019	8/31/2018
Contractually Required Contribution	$ 59,794	$ 50,495	$ 58,196	$ 54,054	$ 46,994	$ 46,278	$ 46,703	$ 46,204
Contribution in Relation to Contractually Required Contribution	(59,794)	(50,495)	(58,196)	(54,054)	(46,994)	(46,278)	(46,703)	(46,204)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Academy's Covered Employee Payroll	$ 7,141,499	$ 5,948,482	$ 6,648,972	$ 6,248,867	$ 6,119,043	$ 5,984,542	$ 5,534,431	$ 5,289,515
Contributions as a % of Covered Employee Payroll	0.84%	0.85%	0.88%	0.87%	0.77%	0.77%	0.84%	0.87%

Notes to Schedule:

1. Only eight years of data is presented in accordance with GASB 75. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”
2. GASB 75 requires that the data in this schedule be presented as of the Academy’s current fiscal year as opposed to the time period covered by the measurement date.

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Exhibit H-3

Data Control Codes		283 ESSER Fund	397 Advanced Placement Initiatives	410 IMA	461 Campus Activity Funds	484 Local Grants	Total
	Assets						
1100	Cash and cash equivalents	$ 50,633	$ -	$ -	$ 221,784	$ -	$ 272,417
1290	Other receivables, net	-	-	-	-	8,990	8,990
1410	Prepaids	-	-	21,864	1,509	-	23,373
	Total Assets	50,633	-	21,864	223,293	8,990	304,780
	Liabilities						
2160	Accrued wages payable	-	-	-	71	-	71
2170	Due to other funds	78,242	-	17,076	577	81,038	176,933
	Total Liabilities	78,242	-	17,076	648	81,038	177,004
	Fund Balances						
	Nonspendable:						
3430	Prepaid items	-	-	21,864	1,509	-	23,373
	Committed:						
3545	Campus activities	-	-	-	221,136	-	221,136
3600	Unassigned	(27,609)	-	(17,076)	-	(72,048)	(116,733)
3000	**Total Fund Balances**	(27,609)	-	4,788	222,645	(72,048)	127,776
4000	**Total Liabilities. Deferred Inflows, and Fund Balances**	$ 50,633	$ -	$ 21,864	$ 223,293	$ 8,990	$ 304,780

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

Exhibit H-4

Data Control Codes		ESSER Fund	Advanced Placement Initiatives	IMA	Campus Activity Funds	Local Grants	Total
	Revenues						
5700	Local and intermediate sources	$ -	$ -	$ -	$ 394,715	$ 158,936	$ 553,651
5800	State program revenues	-	-	111,968	-	-	111,968
5020	**Total Revenues**	-	-	111,968	394,715	158,936	665,619
	Expenditures						
	Current:						
11	Instruction	-	2,834	95,871	-	45,258	143,963
12	Instructional resources and media	-	-	-	-	17,105	17,105
13	Curriculum and staff development	-	-	-	-	21,417	21,417
31	Guidance, counseling, evaluations	-	-	-	-	750	750
33	Health services	-	-	-	-	1,730	1,730
36	Extracurricular activities	-	-	-	341,949	58,378	400,327
52	Security and monitoring services	-	-	-	-	37,558	37,558
	Total Expenditures	-	2,834	95,871	341,949	182,196	622,850
1100	**Excess of Revenues Over (Under) Expenditures**	-	(2,834)	16,097	52,766	(23,260)	42,769
1200	**Net Change in Fund Balances**	-	(2,834)	16,097	52,766	(23,260)	42,769
0100	Beginning fund balances, as previously reported	-	2,834	(11,309)	171,755	(48,788)	114,492
1300	Change within financial reporting entity (major to nonmajor fund)	(27,609)	-	-	-	-	(27,609)
1300	Change within financial reporting entity (nonmajor to major)	-	-	-	-	-	-
1300	Prior year correction	-	-	-	(1,876)	-	(1,876)
0100	Beginning fund balances, as restated	(27,609)	2,834	(11,309)	169,879	(48,788)	85,007
3000	**(Deficit) Ending Fund Balances**	$ (27,609)	$ -	$ 4,788	$ 222,645	$ (72,048)	$ 127,776

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Use of Funds Report
June 30, 2025

Exhibit J-4

Data Control Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 19,712
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$ 45,383
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 21,137
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$ 93,966

mgo. | Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees of
Westlake Academy
Westlake, Texas

We have audited, 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 (*Government Auditing Standards*), 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 June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 15, 2025. Our report includes a reference to other auditors who audited the financial statements of the Westlake Academy Foundation (the Foundation) as described in our report on the Academy's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on 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) as a basis for designing 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 Academy'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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001, 2025-002, 2025-003, 2025-004, 2025-005, and 2025-006 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Austin, Texas
November 15, 2025

WESTLAKE ACADEMY
(A Component Unit of the Town of Westlake)
Schedule of Findings
June 30, 2025

2025-001 Inadequate User Access Management for Financial System

Criteria
Industry best practices and internal control frameworks such as COBIT and NIST recommend that organizations implement formal access management procedures, including: documented provisioning and deprovisioning protocols, periodic access reviews to validate appropriateness, and segregation of duties and oversight for privileged access. These controls are essential to maintain data integrity, confidentiality, and compliance with regulatory standards.

Condition
There is no documented procedure for provisioning and deprovisioning user access to the financial system to ensure that access is granted or revoked in accordance with users' job responsibilities. Additionally, user access rights are not subject to periodic review to ensure they are appropriate for current roles and responsibilities. Three users with elevated privileges ("super users") have unrestricted ability to assign system access without independent oversight or documented approval.

Cause
The Academy lacks a formalized and consistently applied process for provisioning, deprovisioning, and monitoring user access to the financial system. There appears to be a lack of awareness or prioritization of access control risks, particularly around privileged access.

Effect
The absence of formal access governance and lack of segregation of duties increases the risk of unauthorized access to sensitive financial data, potential fraud, and non-compliance with regulatory requirements. The unrestricted authority of super users without independent oversight further exacerbates this risk, potentially compromising the integrity of financial reporting and system security.

Recommendation
Management should develop and implement formal procedures for provisioning and deprovisioning user access. They should also develop a recurring review process to validate user access levels against job responsibilities. In addition, management should implement oversight controls to ensure that super user access assignments are subject to documented approval and independent review to mitigate the risk of unauthorized access.

Views of Responsible Officials and Planned Corrective Action
Information Technology has already begun to create a workflow form to formalize the process of creating users and granting/revoking access using a currently operational software tool. The form will allow for notifications and documentation for changes within the system; this will be completed in the coming months. Additionally, Finance will run reports each semester to review with Human Resources for any needed changes to access. Currently, any changes in access outside the normal filling of vacancies or separations require an email authorization from the Head of School.

2025-002 Preparation of Reconciliations

Criteria
Generally accepted accounting principles (GAAP) requires that financial statements reflect the economic substance of transactions. Under the modified accrual basis of accounting, revenues and expenses are recognized when earned or incurred, not when cash is received or paid. Items without cash movement as of the reporting date should be recorded as accruals and are not part of the cash reconciliation. This ensures accurate financial reporting and compliance with authoritative accounting standards.

Condition
The cash reconciliation and accruals for the fiscal year-end were not prepared in accordance with GAAP. Specifically, several items included in the cash reconciliation lacked corresponding cash activity as of the fiscal year-end and should have been recorded as accrued payables or receivables. These misclassifications resulted in inaccurate representation of cash balances and related liabilities or assets.

Cause
The deficiency appears to result from a limited understanding or inconsistent application of the modified accrual basis of accounting during the preparation of year-end reconciliations. Additionally, the absence of robust review controls or oversight mechanisms may have contributed to the misclassification of transactions.

Effect
Improper classification of transactions as cash items rather than accruals resulted in the misstatement of cash balances and inaccurate reporting of liabilities and receivables. Misclassified transactions could also cause potential noncompliance with applicable financial reporting standards and impair the reliability of financial information used by stakeholders for decision-making.

Recommendation
Management should provide targeted training to accounting personnel on GAAP and the modified accrual basis of accounting to strengthen understanding and application during financial reporting. Management should also consider implementing a formal review process for year-end reconciliations to ensure proper classification of transactions and establishing clear documentation standards and reconciliation templates that distinguish between cash and accrual items.

Views of Responsible Officials and Planned Corrective Action
These entries were identified as part of the annual audit review process and corrected at the time of discovery. The entries had been made using a template from the former fiscal year and were corrected by the prior auditor for reporting purposes. Going forward, staff has updated their list of annual accrual entries to ensure the incorrect classifications are not repeated.

2025-003 Untimely Reconciliation of Retirement Expenses

Criteria
GAAP requires expenses and liabilities to be recorded in the period in which they are incurred. All payroll-related expenses, including retirement contributions and associated fees, should be accurately recorded and reconciled to the general ledger to ensure completeness and accuracy of financial reporting

Condition
Payments to the Texas Retirement System (TRS) are recorded as disbursed at the time individual payrolls are processed. However, actual disbursements to TRS occur as a lump-sum payment for all payrolls processed during the prior month. These payments include fees that are not calculated or recorded as disbursed during individual payroll runs and are not subsequently reconciled or posted to the general ledger. There were also instances in which the system did not record employee retirement expenses when payroll was completed.

Cause
There is no formal reconciliation process to account for the timing differences between the automated payroll execution and actual TRS disbursements, nor is there a mechanism to identify, capture, and record associated fees.

Effect
Failure to reconcile and accurately record TRS payments and fees resulted in a material audit adjustment of payroll-related expenses and liabilities.

Recommendation
Management should implement a reconciliation process to align TRS disbursements with payroll records and ensure all related fees are properly identified and recorded in the proper accounts and fiscal periods.

Views of Responsible Officials and Planned Corrective Action
The Finance Department brought this issue forward and has sought advice on best practices. Previously an annual entry was made to reconcile the monthly payments with the bi-weekly payroll activity while carrying the activity on the bank reconciliation. After an internal audit of transactions going back two fiscal years, the Finance Department is performing the reconciliation task and entry each month as part of the TRS payment process, effective immediately.

2025-004 Financial Reporting

Criteria
Effective financial management requires that month-end and year-end close procedures be performed promptly and consistently to ensure the accuracy and completeness of financial records. Timely reconciliations are key internal controls to detect and correct errors, prevent misstatements, and support compliance with accounting standards and organizational policies.

Condition
Month-end close procedures were not conducted in a timely manner during the period under audit. As a result, cash reconciliations were only completed upon request by the auditors. Those reconciliations subsequently identified errors that had not been previously detected or corrected. Additionally, year-end close procedures lacked defined timelines and structured processes for completion.

Cause
The delay in closing procedures appears to be due to inadequate prioritization of close activities and a lack of formal scheduling or oversight. Contributing factors may include resource constraints or insufficient staffing, which hinder the timely execution of reconciliations.

Effect
Failure to conduct timely month-end procedures and reconciliations may result in increased risk of undetected errors and financial misstatements.

Recommendation
Management should establish and enforce a formal month-end close calendar with clearly defined timelines, responsibilities, and review procedures.

Views of Responsible Officials and Planned Corrective Action
Staff acknowledges being behind in the monthly reconciliation activity due to competing priorities and loss of staff at the end of the fiscal year. Going forward, staff is incorporating a target deadline of the 20th of each month to complete the bank reconciliation for review by the Director of Finance.

2025-005 Segregation of Duties

Criteria
Effective internal control frameworks, including COSO and GAAP-based financial reporting standards, emphasize the importance of segregation of duties to reduce the risk of error and fraud. Key financial processes should be distributed among multiple individuals to ensure that no single person has control over all aspects of a transaction, particularly those involving both recording and review functions.

Condition
During the audit period, a single individual was responsible for both preparing and posting transactions to the general ledger, as well as performing detective control activities such as cash reconciliations. This lack of segregation of duties resulted from a staffing vacancy and resulted in one person having end-to-end control over critical financial processes.

Cause
The deficiency was caused by a staffing vacancy that left the organization without sufficient personnel to maintain proper segregation of duties. In the absence of a backup or interim reassignment, responsibilities were consolidated under one individual without the implementation of compensating controls.

Effect
The lack of segregation of duties increases the risk of undetected errors or intentional misstatements in the general ledger.

Recommendation
Management should reassign responsibilities to ensure that transaction preparation, posting, and reconciliation are performed by separate individuals or implement other compensating controls such as supervisory review or automated audit trails until staffing levels are sufficient to support proper segregation.

Views of Responsible Officials and Planned Corrective Action
The Finance Department aims to segregate duties wherever practicable, but acknowledges some consolidation is inherent in its operations due to the small size. Nine entries were made with a single person entering and posting during the period immediately following the vacancy while the Director was out of office as required training; the Director did review the entries after returning. Upon return, the duties were shifted so that the Finance Manager would enter and the Director would review/post to achieve proper segregation. Staff acknowledges that the continued vacancy causes significant workload issues and contributes to longer completion times for normal activities. At the Mayor’s approval, Finance staff is bringing in temporary staff to assist until a permanent solution can be agreed upon.

2025-006 Payroll Accrual Error

Criteria
Generally accepted accounting principles (GAAP) require that expenses be recognized in the period in which they are incurred, regardless of when payment is made. For employees with annualized salaries and contracts shorter than 12 months, payroll obligations must be accrued to reflect earned compensation through the reporting date.

Condition
The Academy did not fully accrue payroll obligations related to annualized salaries for employees whose contracts were shorter than 12 months for the years ended June 30, 2024 and 2025. This resulted in understatements of payroll liabilities and overstatements of fund balances as of June 30, 2024 and 2025.

Cause
The error was caused by a change in the Academy's fiscal year-end from August 31 to June 30, effective in 2024. Under the previous year-end, the payroll accrual practice for short-term contracts did not result in a material misstatement and was not scrutinized. The transition to an earlier year-end introduced a misalignment between contract terms and fiscal reporting periods, which was not adequately addressed in the accrual process.

Effect
The Academy's financial statements for the 10-month fiscal period ending June 30, 2024, had a correction made to increase payroll liabilities and decrease fund balances for $263,031. The Academy's financial Statements for the year ended June 30, 2025, were corrected to recognized additional payroll liabilities of $264,871 and payroll expenses of $1,840, representing the difference between the prior and current fiscal period payroll accrual adjustments.

Recommendation
Management should revise its payroll accrual procedures to ensure that all earned compensation, including for employees with contracts shorter than 12 months, is properly accrued at fiscal year-end.

Views of Responsible Officials and Planned Corrective Action
Staff historically accrued payroll based on the pay period, not on the contract period for employees. The misalignment occurred only in the first year of the fiscal year change and was not material. The year-end payroll accrual entry has been made and will be updated to include the full contract amounts going forward.

WESTLAKE ACADEMY
IB Continuum World School
2600 JT Ottinger Road. Westlake, Texas 76262 - WestlakeAcademy.org - Tel: (817) 490-5757

November 15, 2025

Macias Gini & O'Connell LLP
9442 Capital of Texas Highway North, Plaza 1, Suite 500
Austin, Texas 78759

This representation letter is provided in connection with your audit of the basic financial statements of Westlake Academy (the "Academy") as of and for the year ended June 30, 2025, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated August 4, 2025, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.

9. The Academy's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.

10. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.

11. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

12. We believe the implementation of the GASB Statements listed below is appropriate:

    a. GASB Statement No. 101, *Compensated Absences* – the recognition and measurement criteria was not significant to the Academy.

    b. GASB Statement No. 102, *Certain Risk Disclosures* – there are no concentrations or constraints requiring disclosure in accordance with GASB Statement No. 102.

13. As of and for the year ended June 30, 2025, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Type	Description	Assets	Liabilities	Equity	Income	Expenses
Unrecorded - projected						
	Compensated Absences	5,207.00	(78,418.00)	73,211.00	-	-
		5,207.00	(78,418.00)	73,211.00	-	-
	Understated/(Overstated)	**5,207.00**	**(78,418.00)**	73,211.00	**-**	-

14. As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to the nonaudit services, including that we assume all management responsibilities, oversee the services by designating an individual, preferably within senior management, who possess suitable skill, knowledge, or experience, evaluate the adequacy and results of the services performed, and accept responsibility for the results of the services. We have reviewed, approved and accepted responsibility for those financial statements and related notes.

Information Provided

15. We have provided you with:

    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;

    b. Additional information that you have requested from us for the purpose of the audit;

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the Academy's Governing Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18. We have no knowledge of fraud or suspected fraud that affects the entity and involves:

    a. Management;

    b. Employees who have significant roles in internal control; or

    c. Others when the fraud could have a material effect on the financial statements.

19. We have no knowledge of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

20. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

21. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

22. We have disclosed to you the identity of all the entity's related parties and all the related-party relationships and transactions of which we are aware.

23. Other than those discussed in the audit, we are not aware of other deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Academy's ability to record, process, summarize and report financial data.

24. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

25. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated pension and OPEB plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

26. We believe that the information obtained from the audited financial statements of and other participant information provided by the Texas Retirement System of Texas (TRS) for both the Academy's pension and OPEB plans, are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan or its auditor.

27. With respect to the required supplementary information accompanying the financial statements:

a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with GASB.

b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with GASB, and

c. The methods of measurement or presentation have not changed from those used in the prior period.

28. With respect to the combining and individual nonmajor fund financial statements (supplementary information) on which an in-relation-to opinion is issued:

a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Compliance Considerations

29. In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

b. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

c. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

d. Is responsible for 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.

e. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.

f. Has a process to track the status of audit findings and recommendations.

g. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

h. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

i. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

(Kellie Ritchie, Head of School)

Cayce Lay Lamas

(Cayce Lay Lamas, Director of Finance)

Marlene Rutledge

(Marlene Rutledge, Academic Finance Manager)

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SIGNATURE CERTIFICATE

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TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number 7CC735F3-157D-4233-806A-AE13687B4F34	**Document Name** Westlake Academy - Management Rep Letter - 11 15 25 - MGO
Transaction Type Signature Request	**Filename** Westlake_Academy_-_Management_Rep_Letter_-_11_15_25_-_MGO.pdf
Sent At 11/14/2025 07:36:47 PM EST	**Pages** 5 pages
Executed At 11/17/2025 11:33:05 AM EST	**Content Type** application/pdf
Identity Method email	**File Size** 495 KB
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Email claylamas@westlaketx.gov	**Multi-factor Digital Fingerprint Checksum** 4f53cda18c2baa0c0354bb5f9a3ecbe5ed12ab4d8e11ba873c2f11161202b945	**Identity Authenticated At** 11/15/2025 10:26:16 AM EST
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	Signature Reference ID 53B6C752	
Name Marlene Rutledge	**Status** signed	**Viewed At** 11/15/2025 08:56:31 AM EST
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	Signature Reference ID 137226AD	

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