

WESTLAKE ACADEMY

International Baccalaureate World School

ANNUAL FINANCIAL REPORT

Fiscal Year Ended August 31, 2020



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Building a Continuum of
~ EXCELLENCE ~

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Westlake Academy
(A Component Unit of the Town of Westlake)
Annual Financial Report
For the Year Ended August 31, 2020
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Certificate of Board

WESTLAKE ACADEMY

Name of School

TARRANT

County

220-810

Co.-District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school were reviewed and (check one) 5 approved 0 disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school on the 7th day of December, 2020.



Board Secretary



Signature of Board President

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

(Attach list as necessary)

Financial Section

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Independent Auditor's Report

To the Board of Trustees
Westlake Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy (the Academy), a component unit of the Town of Westlake, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy, as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the Academy's proportionate share of the net pension liability and the net OPEB liability, and schedules of Academy pension and OPEB contributions on pages 5 through 12, and 42 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The nonmajor governmental funds combining statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor governmental funds combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 2, 2020

Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

This section of Westlake Academy's (the Academy) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the Academy's financial statements, which follow this section.

Financial Highlights

- On the government-wide financial statements, the liabilities of the Academy exceeded assets by \$3,109,451 (Net Position). This is a decrease of \$203,400 for the year ended August 31, 2020.
- The Academy reported \$11,377,681 in expenses related to governmental activities, of which \$3,616,554 of these expenses were offset by program-specific charges for services or grants and contributions. This is a total expense increase of \$1,071,448 from the prior year.
- The General Fund reported a fund balance this year of \$1,751,177, an increase of \$377,340 from the prior year.

Overview of the Financial Statements

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Academy's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes (starting on page 19) that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The combining statements for nonmajor funds contain even more information about the Academy's individual nonmajor funds.

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

Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

Government-Wide Statements

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

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

Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

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

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

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

Component Unit

The government-wide financial statements also present the activity of Westlake Academy Foundation, a discretely presented component unit. The Foundation was organized exclusively for charitable and educational purposes and provides funds to help support the Academy. During 2020, the Foundation contributed \$1,212,197 to the Academy to enhance educational opportunities. These contributions are recorded as operating grants and contributions in the Statement of Activities.

Fund Financial Statements

The fund financial statements begin on page 16 and provide more detailed information about the Academy's most significant funds, not the Academy as a whole. Funds are accounting devices that the Academy uses to keep track of specific sources of funding and spending for particular purposes.

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

Below are the three types of funds. The Academy had only "Governmental Funds" and "Fiduciary Funds" for the year ended August 31, 2020.

- Governmental funds – Most of the Academy's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explain the relationship (or differences) between them.
- Fiduciary fund – the Academy maintains a fiduciary fund to account for resources held for student activities in a custodial capacity. These fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position on page 18. These activities are excluded from the school's government-wide financial statements because they cannot use these assets to finance their operations.

Westlake Academy

(A Component Unit of the Town of Westlake)
Management's Discussion and Analysis
August 31, 2020

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

Government-Wide Financial Analysis

The following analysis focuses on the net position (Table A-1), sources of revenue (Figure A-2), and changes in net position (Table A-2) of the Academy's governmental activities. The Academy reports a deficit net position of (\$3,109,451) at August 31, 2020.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Academy's governmental activities during the fiscal year caused the deficit in net position to increase from \$2,906,051 in 2018 to \$3,109,451 in 2019.

The governmental activities' net position decreased by 7 percent (\$203,400). The decrease was primarily due to the net effect of the following:

- (1) An approximately \$1.0 million increase in expenses primarily due to a \$797,725 increase in instruction expenses (which included \$585,623 of capital lease-related expenses as well as the cost of additional staffing and budgeted pay raises).
- (2) Additional state funding for salaries and retirement were received due to the mandates of the 86th legislative session's Texas School Finance House Bill 3. State aid and formula grants increased by \$683,314.
- (3) A \$223,618 decrease in charges for services due to a reduction seen across the board as a result of the COVID-19 pandemic. The major decrease of \$138,105 was seen in extracurricular activities which includes the after-school programs.

Fund Financial Analysis

Fund balance in the General Fund increased by \$377,340, primarily due to the net effect of the \$683,314 increase in state aid noted above and a \$361,582 increase in expenditures (net of the \$585,623 of capital lease-related expenditures).

Westlake Academy

(A Component Unit of the Town of Westlake)

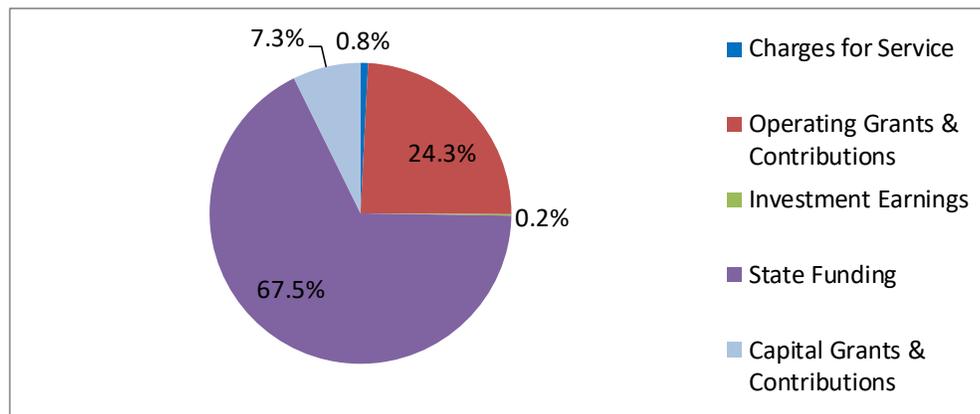
Management's Discussion and Analysis

August 31, 2020

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

	Governmental Activities		Component Unit	
	2020	2019	2020	2019
Current assets	\$ 1,864,770	\$ 2,496,339	\$ 2,677,971	\$ 2,380,643
Total assets	1,864,770	2,496,339	2,677,971	2,380,643
Deferred outflows of resources	1,352,708	1,185,191	-	-
Current liabilities	101,706	1,103,477	8,410	-
Non-current liabilities	4,731,645	4,440,113	-	-
Total liabilities	4,833,351	5,543,590	8,410	-
Deferred inflows of resources	1,493,578	1,043,991	-	-
Net position:				
Restricted	163	2,760	298,302	284,163
Unrestricted	(3,109,614)	(2,908,811)	2,371,259	2,096,480
Total net position	\$ (3,109,451)	\$ (2,906,051)	\$ 2,669,561	\$ 2,380,643

**Figure A-2
Westlake Academy
Sources of Revenue for Fiscal Year 2020**



Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

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

	Governmental Activities		Component Unit Activities	
	2020	2019	2020	2019
Revenues				
Program revenues:				
Charges for services	\$ 90,123	\$ 313,741	\$ -	\$ -
Operating grants and contributions	2,713,955	2,210,040	1,657,246	1,790,216
Capital grants and contributions	812,476	819,949	-	-
General revenues:				
State aid and formula grants	7,540,434	6,857,120	-	-
Investment earnings	17,293	22,558	154,193	22,890
Total revenues	<u>11,174,281</u>	<u>10,223,408</u>	<u>1,811,439</u>	<u>1,813,106</u>
Expenses				
Instruction	6,775,228	5,977,502		
Instructional resources and media services	129,085	130,117	-	-
Curriculum and staff development	59,763	114,011	-	-
Instructional leadership	166,215	169,080		
School leadership	1,097,465	1,040,519		
Guidance, counseling, and evaluation services	664,300	517,379	-	-
Health services	133,519	91,489		
Food service	52,113	52,679	-	-
Extracurricular activities	441,532	442,632	-	-
General administration	274,546	227,699	-	-
Facilities maintenance and operations	1,109,880	1,118,657	-	-
Security and monitoring services	45,150	35,753	-	-
Data processing services	253,577	240,331	-	-
Community services	154,997	144,385	-	-
Program/support services			1,522,521	1,602,820
Debt service - interest	20,311	4,000	-	-
Total expenses	<u>11,377,681</u>	<u>10,306,233</u>	<u>1,522,521</u>	<u>1,602,820</u>
Change in net position	(203,400)	(82,825)	288,918	210,286
Beginning net position	<u>(2,906,051)</u>	<u>(2,823,226)</u>	<u>2,380,643</u>	<u>2,170,357</u>
Ending net position	<u>\$ (3,109,451)</u>	<u>\$ (2,906,051)</u>	<u>\$ 2,669,561</u>	<u>\$ 2,380,643</u>

Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

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

- The cost of governmental activities this year was \$11,377,681
- Some of the cost was paid by those who directly benefited from the programs, \$90,123 and some of the cost was paid through grants and contributions \$3,526,431

Table A-3

	Total Cost of Services		Total %	Net Cost of Services		Total %
	2020	2019	Change 2019-20	2020	2019	Change 2019-20
Instruction	\$ 6,775,228	\$ 5,977,502	13%	\$ 4,617,129	\$ 4,095,998	13%
School leadership	1,097,465	1,040,519	5%	798,238	778,292	3%
Instructional leadership	166,215	169,080	-2%	123,834	126,737	-2%
Guidance, counseling and evaluation services	664,300	517,379	28%	502,042	391,315	28%
Extracurricular activities	441,532	442,632	0%	185,666	99,040	87%
General administration	274,546	227,699	21%	207,426	170,894	21%
Facilities maintenance and operations	1,109,880	1,118,657	-1%	768,410	790,740	-3%
Data processing services	253,577	240,331	6%	218,087	170,589	28%

General Fund Budgetary Highlights

- Year-end fund balance is \$1,751,177 which increased \$377,340 over the prior year. The increase is attributable to the addition of 20 students (869 in 2019 to 889 in 2020), and a substantial decrease in operating expenditures due to the effects of COVID-19 and the school's closure from March 16, 2020 through August 24, 2020.
- Local revenue budget decreased by 5% (\$83,480) due to the reduction of projected equipment sale proceeds from the prior iPad lease. The proceeds were received at the end of FY 2018-2019.
- State program revenue budget decreased slightly, \$18,515 or .22%, due to the fluctuations in Career & Technology Education participation and changes to the average daily attendance (ADA) reporting following the school's closure.
- The expenditure budget was increased by \$443,540 (5%) primarily due to the addition of a new capital lease to maintain the one-to-one iPad initiative, which was offset by capital lease proceeds.

Economic Factors and Next Year's Budget

- General Fund revenues are budgeted to increase less than ¼ of 1% over the actual revenues realized in FY 2019-2020. This is due to the COVID-19 public health crisis, which has presented unique challenges to our academic budget and for the upcoming school year. In addition, a slight decrease in enrollment by four (4) students for 2020-2021 is anticipated.

Appropriations within the General Fund budget are estimated to reach \$9,393,877, which is a cumulative decrease of 2% (\$196,335) over actual expenditures in FY 2019-2020.

Westlake Academy

(A Component Unit of the Town of Westlake)

Management's Discussion and Analysis

August 31, 2020

- Payroll & related expenditures: For FY 2020-2021, expected payroll expenditures will increase \$261,475, approximately 4%, over the actual expenditures in FY 2019-2020. This includes a step increase for Teachers, Librarians, Counselors, Diagnosticians, and Nurses, averaging 2%, and a 1% increase for administrative and hourly staff. The Academy's FTE total will decrease by .88 resulting from the restructuring of the secondary program principal and coordinator positions.
- Professional & contracted services: This category includes expenditures related to services rendered to the Academy by firms, individuals, and other organizations. There will be an estimated decrease of 7% (\$68,171) in FY 2020-2021 over the actual expenditures in FY 2019-2020. Following the Academy closing beginning March 16, 2020 due to COVID-19, actual expenditures for janitorial services increased due to additional disinfecting and deep cleaning protocols required throughout the campus. HVAC and landscaping expenditures also increased in FY 2019-2020 with maintenance of older AC units and changes in contractors, respectively.
- Materials & supplies: This category includes expenditures associated with consumables used in the classroom and in the general operations of the campus. For 2020-2021, there will be an estimated decrease of 57% (\$474,879) over actual FY 2019-2020 expenditures due to the new three-year capital lease for the one-to-one iPad initiative initiated in FY 2019-2020.
- Miscellaneous operating costs: These costs are associated with insurance, professional development travel, membership fees and dues, and other miscellaneous costs. There will be an estimated increase of \$47,143, approximately 11% over FY 2019-2020 actuals. With the school closure due to COVID-19, all faculty and administrator travel for professional development was cancelled through the end of 2020, which decreased actual expenditures as refunds were received for prepaid training and conference registrations and accommodations.
- Debt Service: These costs are associated with the three-year lease for iPads supporting the one-to-one device initiative. There is no anticipated change in expenditures during FY 2020-2021, which is the second year of the three-year lease. iPad maintenance and repair costs are self-funded through the \$55 annual technology use fee paid by each student at the beginning of the school year.

If the FY 2020-2021 budget estimates are realized, the Academy's General Fund's budgetary fund balance is expected to increase by \$38,101 by August 31, 2021.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Administrative Services, Ginger Awtry, at (817) 490-5712 or the Academic Business Manager, Marlene Rutledge, at (817) 490-5737, or by writing to 1500 Solana Blvd, Building 7, Suite 7200, Westlake, Texas 76262.

Basic Financial Statements

Westlake Academy
(A Component Unit of the Town of Westlake)
Statement of Net Position
August 31, 2020

Exhibit A-1

<u>Data Control Codes</u>		<u>1 Governmental Activities</u>	<u>4 Component Unit</u>
ASSETS			
1110	Cash and cash equivalents	\$ 1,351,234	\$ 744,789
1120	Current investments	105	1,927,540
1240	Due from other governments	430,161	142
1290	Other receiv ables	7,099	5,500
1410	Prepaid expenses	76,171	-
1000	Total assets	<u>1,864,770</u>	<u>2,677,971</u>
DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows of resources - pensions	955,246	-
1705	Deferred outflows of resources - OPEB	397,462	-
1700	Total deferred outflows of resource	<u>1,352,708</u>	<u>-</u>
LIABILITIES			
2110	Accounts payable	37,385	8,410
2160	Accrued wages payable	20,233	-
2180	Due to other governments	41,821	-
2200	Other accrued expenses	2,267	-
Noncurrent liabilities:			
2501	Due within one year	195,108	-
2502	Due in more than one year	202,904	-
2540	Net pension liability	1,502,914	-
2545	Net OPEB liability	2,830,719	-
2000	Total liabilities	<u>4,833,351</u>	<u>8,410</u>
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows of resources - pensions	268,967	-
2605	Deferred inflows of resources - OPEB	1,224,611	-
2600	Total deferred inflows of resources	<u>1,493,578</u>	<u>-</u>
NET POSITION			
3890	Restricted for donor stipulations	163	298,302
3900	Unrestricted	(3,109,614)	2,371,259
3000	Total net position	<u>\$ (3,109,451)</u>	<u>\$ 2,669,561</u>

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

Westlake Academy
(A Component Unit of the Town of Westlake)
Balance Sheet
Governmental Funds
August 31, 2020

Exhibit C-1

Data Control Codes		10	410	429	491		98
		General	State Textbook Fund	Safety & Security Grant Fund	CARES Act	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
1110	Cash and cash equivalents	\$ 1,340,559	\$ -	\$ -	\$ -	\$ 10,675	\$ 1,351,234
1120	Current investments	105	-	-	-	-	105
1240	Due from other governments	363,480	17,441	25,000	24,240	-	430,161
1260	Due from other funds	41,858	-	-	-	-	41,858
1290	Other receivables	6,560	-	-	-	539	7,099
1410	Prepaid expenditures	76,171	-	-	-	-	76,171
1000	Total assets	<u>\$ 1,828,733</u>	<u>\$ 17,441</u>	<u>\$ 25,000</u>	<u>\$ 24,240</u>	<u>\$ 11,214</u>	<u>\$ 1,906,628</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
2110	Accounts payable	\$ 36,458	\$ -	\$ -	199	\$ 728	\$ 37,385
2160	Accrued wages payable	20,233	-	-	-	-	20,233
2170	Due to other funds	-	17,441	-	24,041	376	41,858
2180	Due to other governments	16,821	-	25,000	-	-	41,821
2200	Accrued expenditures	2,267	-	-	-	-	2,267
2000	Total liabilities	<u>75,779</u>	<u>17,441</u>	<u>25,000</u>	<u>24,240</u>	<u>1,104</u>	<u>143,564</u>
DEFERRED INFLOWS OF RESOURCES:							
2601	Unavailable contributions	1,777	-	-	-	-	1,777
2600	Total deferred inflows of resources	<u>1,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,777</u>
FUND BALANCES:							
3430	Nonspendable - prepaid items	76,171	-	-	-	-	76,171
3490	Restricted for donor stipulations	-	-	-	-	163	163
3545	Committed for campus activities	-	-	-	-	9,947	9,947
3600	Unassigned	1,675,006	-	-	-	-	1,675,006
3000	Total fund balances	<u>1,751,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,110</u>	<u>1,761,287</u>
4000	Total liabilities and fund balances	<u>\$ 1,828,733</u>	<u>\$ 17,441</u>	<u>\$ 25,000</u>	<u>\$ 24,240</u>	<u>\$ 11,214</u>	<u>\$ 1,906,628</u>
Total fund balances - governmental funds							\$ 1,761,287

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

Amounts reported as deferred inflows of resources in the governmental funds financial statements are recognized as revenue in the government-wide financial statements under the accrual basis of accounting. 1,777

Capital leases payable are not due and payable in the current period and, therefore, are not reported in the governmental funds financial statements. (398,012)

Included in the items related to noncurrent liabilities are the Academy's proportionate share of the TRS Care net OPEB liability (\$2,830,719), a deferred resource inflow (\$1,224,611) and a deferred resource outflow of \$397,462. The net effect is a decrease in net position. (3,657,868)

Included in the items related to noncurrent liabilities are the Academy's proportionate share of the TRS net pension liability (\$1,502,914), a deferred resource inflow (\$268,967) and a deferred resource outflow of \$955,246. The net effect is a decrease in net position. (816,635)

Net position of governmental activities \$ (3,109,451)

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

Westlake Academy
(A Component Unit of the Town of Westlake)
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2020

Exhibit C-2

Data Control Codes	10	410	429	491	98		
	General	State Textbook Fund	Safety & Security Grant Fund	CARES Act	Nonmajor Governmental Funds	Total Governmental Funds	
REVENUES							
5700	Local and intermediate sources	\$ 1,462,051	\$ -	\$ -	\$ -	\$ 230,559	\$ 1,692,610
5800	State program revenues	7,957,979	26,613	25,000	-	1,469	8,011,061
5900	Federal program revenues	-	-	-	24,240	113,670	137,910
5020	Total revenues	9,420,030	26,613	25,000	24,240	345,698	9,841,581
EXPENDITURES							
0011	Instruction	5,566,302	26,613	-	2,593	205,076	5,800,584
0012	Instructional resources and media services	88,513	-	-	-	-	88,513
0013	Curriculum and staff development	57,790	-	-	-	1,600	59,390
0021	Instructional leadership	154,252	-	-	-	-	154,252
0023	School leadership	1,060,501	-	-	138	-	1,060,639
0031	Guidance, counseling, and evaluation services	569,417	-	-	118	4,935	574,470
0033	Health services	77,264	-	-	105	-	77,369
0036	Extracurricular activities	253,652	-	-	150	136,855	390,657
0041	General administration	244,889	-	-	-	975	245,864
0051	Facilities maintenance and operations	976,930	-	-	12,907	-	989,837
0052	Security and monitoring services	20,150	-	25,000	-	-	45,150
0053	Data processing services	213,941	-	-	8,229	-	222,170
0061	Community services	136,790	-	-	-	-	136,790
0071	Debt service - principal on long-term debt	187,611	-	-	-	-	187,611
0072	Debt service - interest on long-term debt	20,311	-	-	-	-	20,311
6030	Total expenditures	9,628,313	26,613	25,000	24,240	349,441	10,053,607
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(208,283)	-	-	-	(3,743)	(212,026)
OTHER FINANCING SOURCES							
7913	Proceeds from capital leases	585,623	-	-	-	-	585,623
	Total other financing sources	585,623	-	-	-	-	585,623
1200	NET CHANGE IN FUND BALANCES	377,340	-	-	-	(3,743)	373,597
0100	FUND BALANCES, BEGINNING	1,373,837	-	-	-	13,853	1,387,690
3000	FUND BALANCES, ENDING	\$ 1,751,177	\$ -	\$ -	\$ -	\$ 10,110	\$ 1,761,287

Net change in fund balances \$ 373,597

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

Receipts that are considered deferred inflows of resources in the governmental funds financial statements are recognized as revenue in the government-wide financial statements under the accrual basis of accounting. This amount represents the change in deferred inflows between the prior year and current year. (3,395)

Capital leases that are considered other financing sources in the governmental fund financial statements are recognized as an increase in short-term and long-term liabilities in the government-wide financial statements. (585,623)

Current year principal payments on capital leases consume current resources, however, these payments reduce expenses and long-term liabilities in the government-wide financial statements. 187,611

Implementation of GASB 75 required certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in net position to increase by \$46,278. Contributions before the measurement date also caused a decrease in the change in net position of \$46,703. The net share of the Academy's amount of deferred inflows and outflows of resources decreased the net position by \$41,176. This amount is the net effect. (41,601)

Implementation of GASB 68 required certain expenditures be de-expended and recorded as deferred resource inflows. Contributions made after the measurement date caused the change in net position to increase by \$230,148. Contributions before the measurement date also caused a decrease in the change in net position of \$100,311. The net share of the Academy's amount of deferred inflows and outflows of resources decreased the net position by \$263,826. This amount is the net effect. (133,989)

Change in net position of governmental activities \$ (203,400)

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

Westlake Academy
 (A Component Unit of the Town of Westlake)
 Statement of Fiduciary Net Position
 Fiduciary Funds
 August 31, 2020

Exhibit D-1

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 94,044
Prepays	<u>1,269</u>
Total assets	<u>\$ 95,313</u>
LIABILITIES	
Accounts payable	\$ 18,392
Due to student groups	<u>76,921</u>
Total liabilities	<u>\$ 95,313</u>

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

Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Government-wide and Fund Financial Statements

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

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

Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

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

Interfund activities between governmental funds appear as due to/ due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, 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.

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

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Notes to the Financial Statements

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

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

Fund Accounting

The Academy reports the following major governmental funds:

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

The **State Textbook Fund** accounts for the instructional materials allotment funded by the State of Texas to purchase textbooks and other instructional materials.

The **Safety & Security Grant Fund** accounts for the proceeds of a grant awarded by Texas Education Agency for the purchase of security cameras and perimeter fencing.

The **CARES Act Fund** accounts for Coronavirus Relief Fund assistance passed through the Texas Division of Emergency Management and the Town of Westlake.

Additionally, the Academy reports the following fund types:

Nonmajor Governmental Funds:

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

Fiduciary Funds:

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

Other Accounting Policies

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

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(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

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

Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

Note 2. Cash and Investments

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

At August 31, 2020, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments), including \$94,044 recorded in the Agency fund, was \$1,445,278 and the bank balance was \$1,663,280. The carrying amount of the Foundation's deposits was \$744,789 as of August 31, 2020 and the bank balance was \$745,670. The Academy cash deposits at August 31, 2020 and during the year then ended was entirely covered by FDIC insurance or the pledged collateral held by the Academy's agent bank in the Town of Westlake's name.

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

- a. Depository: First Financial Bank
- b. The market value of securities pledged to the Town (inclusive of the Academy) as of the date of the highest combined balance on deposit was \$31,953,166.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$26,500,109 (\$2,119,482 of which belonged to the Academy) on September 3, 2019.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

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

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

Westlake Academy

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Notes to the Financial Statements

- Level 3 inputs are unobservable inputs for an asset or liability.

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

The Academy presently has no recurring fair value measurements.

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

The carrying value of the Academy's investments at August 31, 2020, was \$105 which was deposited in TexPool (a Texas Local Government Investment Pool). Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position of these pools is the same as the value of the shares in each pool.

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

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

1. Custodial Credit Risk-Deposits: This is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. As of August 31, 2020, the Academy's deposits with financial institutions in excess of federal depository insurance were fully collateralized by FDIC insurance and pledged collateral held by the Academy's agent bank in the Town of Westlake's name.
2. Custodial Credit Risk-Investments: This is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
3. Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool invests only in investments authorized under the Public Funds Investment Act. As of August 31, 2020, TexPool's investments credit quality rating was AAAM (Standard & Poor's).

Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

Foundation – Investments

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

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

Investment Type	August 31, 2020	
	Cost Basis	Fair Value
Marketable equity securities:		
Common stock	\$ 1,708,468	\$ 1,927,540

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

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

Level 2 inputs: Inputs to the valuation methodology include:

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

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

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

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

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

Marketable Equity Securities

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2020.

	Assets at Fair Value as of August 31, 2020			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 1,927,540	\$ -	\$ -	\$ 1,927,540

Westlake Academy

(A Component Unit of the Town of Westlake)

Notes to the Financial Statements

Note 3. Due from Other Governments

The Academy participates in a variety of state and local programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and local governments as of August 31, 2020, are summarized below.

Fund	Federal Grants	State Entitlements	Local	Total
General fund	\$ -	\$ 351,962	\$ 11,518	\$ 363,480
State Textbook fund	-	17,441	-	17,441
Safety & Security Grant Fund	25,000	-	-	25,000
CARES Act fund	24,240	-	-	24,240
Total	<u>\$ 49,240</u>	<u>\$ 369,403</u>	<u>\$ 11,518</u>	<u>\$ 430,161</u>

Note 4. Donated Use of Facilities

The Academy currently operates in facilities that are capital assets of the Town. The Academy is not required by the Town to pay rent for the use of those facilities; however, the Academy recognizes the value of the use received, \$812,476, in the government-wide statement of activities as capital grants and contributions and as expense allocated to the various functions.

Note 5. Interfund Balances and Activities

Interfund balances at August 31, 2020, consisted of the following individual fund balances:

Due to Fund	Due from Fund	Amount	Purpose
General fund	Nonmajor governmental	\$ 376	Reimburse program disbursements
General fund	State Textbook fund	17,441	Reimburse program disbursements
General fund	CARES Act fund	24,041	Reimburse program disbursements
Total		<u>\$ 41,858</u>	

The Academy had no interfund transfers during the year ending August 31, 2020.

Note 6. Revenue from Local and Intermediate Sources

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

	General Fund	Non-major Funds	Total
Gifts and bequests	\$ 1,330,861	\$ 187,968	\$ 1,518,829
Interest	17,293	-	17,293
Food sales	7,000	-	7,000
Campus activities	-	42,591	42,591
Parking/transportation	1,820	-	1,820
Athletics	73,728	-	73,728
Miscellaneous	31,349	-	31,349
Total	<u>\$ 1,462,051</u>	<u>\$ 230,559</u>	<u>\$ 1,692,610</u>

Westlake Academy

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Notes to the Financial Statements

Note 7. Defined Benefit Pension Plan

Plan Description

The Academy participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The Texas Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased both employee and employer contribution rates for plan years 2020 through 2025.

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Rates for such plan fiscal years are as follows:

Contribution rates	2019	2020
Member	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	7.5%
Employers (District)	6.8%	7.5%
Employers (District - Non-OASDI)*	1.5%	1.5%

*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contribution (Non-OASDI surcharge). Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the district's fiscal year 2020 are as follows:

2019 Employer contributions	\$ 230,148
2019 Member contributions	\$ 462,758
2019 NECE on-behalf contributions (state)	\$ 354,995

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- On 1.5% of covered payroll. This contribution, known as the Public Education Employer Contribution, replaced the non-OASDI surcharge that was in effect until 2019.

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

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

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- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2018, rolled forward to August 2019
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.250%
Long-term expected investment rate of return	7.25%
Municipal bond rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/DataMunicipal Bonds with 20 Years to maturity that include only federally tax-exempt Municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05% includes inflation
Ad-hoc employment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Health Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projective scale U-MP.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2017 and adopted on September 24, 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	2019 PY Target Allocation*	New Target Allocation**	Long-term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18%	18.0%	6.4%
Non-U.S. Developed	13%	13.0%	6.3%
Emerging Markets	9%	9.0%	7.3%
Directional Hedge Funds	4%	0.0%	0.0%
Private Equity	13%	14.0%	8.4%
Stable Value			
U.S. Treasuries	11%	16.0%	3.1%
Absolute Return	4%	5.0%	4.5%
Stable Value Hedge Funds	0%	0.0%	0.0%
Cash			
Real Return	3%	0.0%	0.0%
Global Inflation Linked Bonds	14%	15.0%	8.5%
Real Assets	5%	6.0%	7.3%
Energy and Natural Resources	0%	0.0%	0.0%
Commodities			
Risk Parity			
Risk Parity	5%	8.0%	5.8%/6.5%****
Asset Allocation Leverage			2.5%
Cash	1%	2.0%	
Asset Allocation Leverage	0%	-6.0%	2.7%
Total	100.0%		7.2%

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

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Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Academy's proportionate share of the net pension liability	\$ 2,310,197	\$ 1,502,914	\$ 848,859

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

At August 31, 2020, the Academy reported a liability of \$1,502,914 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Academy. The amount recognized by the Academy as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Academy were as follows:

Academy's proportionate share of the collective net pension liability	\$ 1,502,914
State's proportionate share that is associated with Academy	<u>5,272,547</u>
Total	<u><u>\$ 6,775,461</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. 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, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0028912% which was a decrease of 0.00001851% from its proportion measured as of August 31, 2018.

Changes since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in plan year 2020.

For the year ended August 31, 2019, the Academy recognized pension expense of \$1,192,380 and revenue and expense of \$828,243 for support provided by the State.

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At August 31, 2020, the Academy reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,314	\$ 52,184
Changes in actuarial assumptions	466,278	192,688
Difference between projected and actual investment earnings	15,091	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	237,415	24,095
Contributions paid to TRS subsequent to the measurement date	<u>230,148</u>	<u>-</u>
Total	<u><u>\$ 955,246</u></u>	<u><u>\$ 268,967</u></u>

The \$230,148 reported as a deferred outflow of resources resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2021.

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

Year Ended August 31,	Pension Expense (Income) Amount
2021	\$ 143,456
2022	120,512
2023	86,421
2024	83,164
2025	32,429
Thereafter	<u>(9,851)</u>
Total	<u><u>\$ 456,131</u></u>

Note 8. Health Care Coverage

During the period ended August 31, 2020, 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 \$367 per month per employee and \$292 per month when the employee works less than 30 hours per week if eligible to enroll in TRS Active Care. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

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

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Note 9. Defined Other Post Employment Benefit Plan

Plan Description

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Plan Premium Rates
Effective September 1, 2019 - December 31, 2019

	<u>Medicare</u>	<u>Non-medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

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Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution rates	2020	2019
Active Employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers/District	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.
Federal/private funding

The contribution amounts for the Academy's fiscal year 2020 are as follows:

2019 Employer contributions	\$	46,278
2019 Member contributions	\$	39,064
2019 NECE on-behalf contributions (state)	\$	56,446

In addition, the State of Texas contributed \$27,410, \$20,423 and \$16,866 in 2020, 2019 and 2018, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019. The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

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The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

Valuation date	August 31, 2018, rolled forward to August 31, 2019
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount Rate	2.63%. Source from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2019
Aging factors	Based on plan specific experience
Election rates	Normal Retirement; 65% participation prior to age 65 and 50% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Healthcare trend rates	Initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years
Ad-hoc employment benefit changes	None

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

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Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a “pay-as-you-go” plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index”.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate <u>(1.63%)</u>	Discount Rate <u>(2.63%)</u>	1% Increase in Discount Rate <u>(3.63%)</u>
Academy's proportionate share of the net OPEB liability	\$ 3,417,584	\$ 2,830,719	\$ 2,371,611

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 <u></u>	Trend Rate <u></u>	1% Increase in Trend Rate <u></u>
Academy's proportionate share of the net OPEB liability	\$ 2,309,200	\$ 2,830,719	\$ 3,529,311

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

At August 31, 2020, the Academy reported a liability of \$2,830,719 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	\$ 2,830,719
State's proportionate share that is associated with Academy	<u>3,761,390</u>
Total	<u><u>\$ 6,592,109</u></u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was .0059857139% which was an increase of .0000763739% the same proportion measured as of August 31, 2018.

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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 changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

For the year ended August 31, 2020, the Academy recognized OPEB expense of \$187,014 and revenue of \$99,135 for support provided by the State.

At August 31, 2020, the Academy reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 138,871	\$ 463,217
Changes in actuarial assumptions	157,224	761,394
Difference between projected and actual investment earnings	305	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	54,784	-
Contributions paid to TRS subsequent to the measurement date	46,278	-
Total	<u>\$ 397,462</u>	<u>\$ 1,224,611</u>

The \$46,278 deferred outflow of resources resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021.

The net amounts of the remaining balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31,	OPEB Expense (Income) Amount
2021	\$ (149,145)
2022	(149,145)
2023	(149,244)
2024	(149,303)
2025	(149,287)
Thereafter	(127,303)
Total	<u>\$ (873,427)</u>

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Note 10. Risk Management

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

Litigation and Contingencies

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

The Academy participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Academy has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the Academy, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 11. Capital Leases

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

Equipment and software with a historical cost of \$585,623 was under capital lease at August 31, 2020. Because the cost of the individual items was below the Academy's capitalization threshold, the entire cost was recorded as expense.

The following schedule shows the future minimum lease payments under the capitalized lease together with the present value of the net minimum lease payments as of August 31, 2020:

Year Ending August 31,	Principal	Interest	Total
2021	\$ 195,108	\$ 12,814	\$ 207,922
2022	202,904	5,017	207,921
Total	\$ 398,012	\$ 17,831	\$ 415,843

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Notes to the Financial Statements

Note 12. Related Party Transactions

The Westlake Academy Foundation contributed \$1,212,197 to the Academy during the fiscal year ended August 31, 2020. In addition to the use of facilities discussed in Note 4, the Town of Westlake contributed \$291,181 to the Academy during the year.

Note 13. Evaluation of Subsequent Events

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the Academy's operations and financial results at this time.

Note 14. New Accounting Pronouncements

In June 2018 the GASB released GASB statement No. 87, *Leases*. This statement was issued to increase the usefulness of governmental entities' financial statements by requiring recognition of certain lease assets and liabilities that were previously accounted for as operating leases. It establishes a single model for lease accounting based on the principle that leases are a financing of the right to use an underlying asset. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Academy for the year ended August 31, 2022 and the Academy is currently evaluating the impact of this standard on its financial statements.

In January 2017 the GASB released GASB statement No. 84, *Fiduciary Activities*. This statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how fiduciary activities should be reported. The requirements of this statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement is effective for the Academy for the year ended August 31, 2021 and the Academy is currently evaluating the impact of this standard on its financial statements.

Note 15. Expenditures in Excess of Appropriations

For the year ending August 31, 2020, expenditures exceeded appropriations in the following functions: School Leadership (\$29,665); Guidance, counseling, and evaluation services (\$2,463), and facilities maintenance and operations (\$6,849).

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Required Supplementary Information

Westlake Academy
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Budgetary Comparison Schedule – General Fund
For the Year Ended August 31, 2020

Exhibit E-1

Data Control Codes		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts GAAP Basis	Final Budget Positive or (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 1,590,561	\$ 1,507,081	\$ 1,462,051	\$ (45,030)
5800	State program revenues	8,127,372	8,108,857	7,957,979	(150,878)
5020	Total revenues	9,717,933	9,615,938	9,420,030	(195,908)
EXPENDITURES					
CURRENT:					
0011	Instruction	5,273,570	5,842,824	5,566,302	276,522
0012	Instructional resources and media services	96,371	96,371	88,513	7,858
0013	Curriculum and staff development	83,545	83,545	57,790	25,755
0021	Instructional leadership	182,919	182,919	154,252	28,667
0023	School leadership	1,030,836	1,030,836	1,060,501	(29,665)
0031	Guidance, counseling, and evaluation services	568,295	566,954	569,417	(2,463)
0033	Health services	75,686	79,686	77,264	2,422
0036	Extracurricular activities	279,323	293,033	253,652	39,381
0041	General administration	253,649	253,649	244,889	8,760
0051	Facilities maintenance and operations	970,081	970,081	976,930	(6,849)
0052	Security and monitoring services	37,000	37,000	20,150	16,850
0053	Data processing services	228,360	228,360	213,941	14,419
0061	Community services	142,862	142,862	136,790	6,072
DEBT SERVICE:					
0071	Debt service - principal on long-term debt	329,694	187,611	187,611	-
0072	Debt service - interest on long-term debt	20,311	20,311	20,311	-
6030	Total expenditures	9,572,502	10,016,042	9,628,313	387,729
1100	Excess (deficiency) of revenues over (under) expenditures	145,431	(400,104)	(208,283)	191,821
OTHER FINANCING SOURCES					
7913	Capital lease proceeds	-	585,623	585,623	-
	Total other financing sources	-	585,623	585,623	-
1200	Net change in fund balance	145,431	185,519	377,340	191,821
0100	Fund balances--beginning	1,373,837	1,373,837	1,373,837	-
3000	Fund balances - ending	\$ 1,519,268	\$ 1,559,356	\$ 1,751,177	\$ 191,821

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

Westlake Academy

(A Component Unit of the Town of Westlake)
Notes to the Budgetary Comparison Schedule
For the Year Ended August 31, 2020

Budgetary Information

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

The following procedures are followed in establishing the budgetary data:

1. Prior to August 25 of the preceding fiscal year, the Academy prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget.
3. Prior to September 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the object 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 within each 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.

Westlake Academy**Exhibit E-2**

(A Component Unit of the Town of Westlake)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Academy's proportion of the net pension liability	0.0028912%	0.0027061%	0.0028012%	0.0027822%	0.0030945%	0.0007190%
Academy's proportionate share of net pension liability	\$ 1,502,914	\$ 1,489,525	\$ 895,663	\$ 1,051,346	\$ 1,093,865	\$ 192,056
State's proportionate share of net pension liability associated with Westlake Academy	<u>5,272,547</u>	<u>5,571,598</u>	<u>3,480,057</u>	<u>4,035,754</u>	<u>3,667,893</u>	<u>2,965,583</u>
Total	<u>\$ 6,775,461</u>	<u>\$ 7,061,123</u>	<u>\$ 4,375,720</u>	<u>\$ 5,087,100</u>	<u>\$ 4,761,758</u>	<u>\$ 3,157,639</u>
Academy's covered payroll	\$ 5,534,431	\$ 5,289,916	\$ 5,391,515	\$ 5,094,571	\$ 4,784,695	\$ 4,300,931
Academy's proportionate share of net pension liability as a percentage of its covered payroll	27.16%	28.16%	16.61%	20.64%	22.86%	4.47%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 230,148	\$ 100,311	\$ 91,593	\$ 131,436	\$ 88,399	\$ 92,325
Actual contributions in relation to statutorily required contributions	<u>230,148</u>	<u>100,311</u>	<u>91,593</u>	<u>131,436</u>	<u>88,399</u>	<u>92,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 5,984,542	\$ 5,534,431	\$ 5,289,916	\$ 5,391,515	\$ 5,094,571	\$ 4,784,695
Contributions as a percentage of Academy's covered payroll	3.85%	1.81%	1.73%	2.44%	1.74%	1.93%

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

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

Westlake Academy**Exhibit E-4**

(A Component Unit of the Town of Westlake)

Schedule of Academy's Proportionate Share of Net OPEB Liability –
Teacher Retirement System TRS Care Plan
For the Last Three Plan Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.0059857139%	0.005909340%	0.0058830418%
Academy's proportionate share of net OPEB liability	\$ 2,830,719	\$ 2,950,588	\$ 2,558,314
State's proportionate share of net OPEB liability associated with Westlake Academy	<u>3,761,390</u>	<u>4,695,104</u>	<u>4,406,333</u>
Total	<u>\$ 6,592,109</u>	<u>\$ 7,645,692</u>	<u>\$ 6,964,647</u>
Academy's covered payroll	\$ 5,534,431	\$ 5,289,916	\$ 5,391,515
Academy's proportionate share of net OPEB liability as a percentage of its covered payroll	51.15%	55.78%	47.45%
Plan fiduciary net position as a percentage of total OPEB liability	2.66%	1.57%	0.91%

Note: Only three 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**Exhibit E-5**Schedule of OPEB Contributions – Teacher Retirement System TRS Care Plan
For the Last Three Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 46,278	\$ 46,703	\$ 46,204
Actual contributions in relation to statutorily required contributions	<u>46,278</u>	<u>46,703</u>	<u>46,204</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 5,984,542	\$ 5,534,431	\$ 5,289,916
Contributions as a percentage of Academy's covered payroll	0.77%	0.84%	0.87%

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

Note: Only three 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."

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Combining Statements

Westlake Academy
(A Component Unit of the Town of Westlake)
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2020

Exhibit F-1

Data Control Codes		224	397	461	484	497	Total Nonmajor Governmental Funds
		IDEA Part B Formula	Advanced Placement Initiatives	Campus Activity Funds	Local Grant	Foundation- Student Scholarships	
ASSETS							
1110	Cash and cash equivalents	\$ -	\$ -	\$ 10,675	\$ -	\$ -	\$ 10,675
1290	Other receivables	-	-	-	539	-	539
1000	Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,675</u>	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 11,214</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
2110	Accounts payable	\$ -	\$ -	\$ 728	\$ -	\$ -	\$ 728
2170	Due to other funds	-	-	-	376	-	376
	Total liabilities	<u>-</u>	<u>-</u>	<u>728</u>	<u>376</u>	<u>-</u>	<u>1,104</u>
FUND BALANCES:							
Restricted for:							
3490	Donor stipulations	-	-	-	163	-	163
Committed for:							
3545	Campus activities	-	-	9,947	-	-	9,947
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>9,947</u>	<u>163</u>	<u>-</u>	<u>10,110</u>
4000	Total liabilities and fund balance:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,675</u>	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 11,214</u>

Westlake Academy

Exhibit F-2

(A Component Unit of the Town of Westlake)

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Nonmajor Governmental Funds
For the Year Ended August 31, 2020

Data Control Codes		224	397	461	484	497	Total Nonmajor Governmental Funds
		IDEA Part B Formula	Advanced Placement Initiatives	Campus Activity Funds	Local Grant	Foundation- Student Scholarships	
REVENUES							
5700	Local and intermediate sources	\$ -	\$ -	\$ 42,097	\$ 185,962	\$ 2,500	\$ 230,559
5800	State program revenues	-	1,469	-	-	-	1,469
5900	Federal program revenues	113,670	-	-	-	-	113,670
5020	Total revenues	113,670	1,469	42,097	185,962	2,500	345,698
EXPENDITURES							
Current:							
0011	Instruction	113,670	1,469	-	87,437	2,500	205,076
0013	Curriculum and instructional staff development	-	-	-	1,600	-	1,600
0031	Guidance, counseling and evaluation services	-	-	-	4,935	-	4,935
0036	Extracurricular activities	-	-	42,268	94,587	-	136,855
0041	General administration	-	-	975	-	-	975
6030	Total expenditures	113,670	1,469	43,243	188,559	2,500	349,441
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,146)	(2,597)	-	(3,743)
1200	NET CHANGE IN FUND BALANCES	-	-	(1,146)	(2,597)	-	(3,743)
0100	FUND BALANCES, BEGINNING	-	-	11,093	2,760	-	13,853
3000	FUND BALANCES, ENDING	\$ -	\$ -	\$ 9,947	\$ 163	\$ -	\$ 10,110

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Internal Control Report

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

To the Board of Trustees
Westlake Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Westlake Academy (the Academy) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Compliance and Other Matters

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

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

The Board of Trustees
Westlake Academy

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 2, 2020