

# WESTLAKE ACADEMY

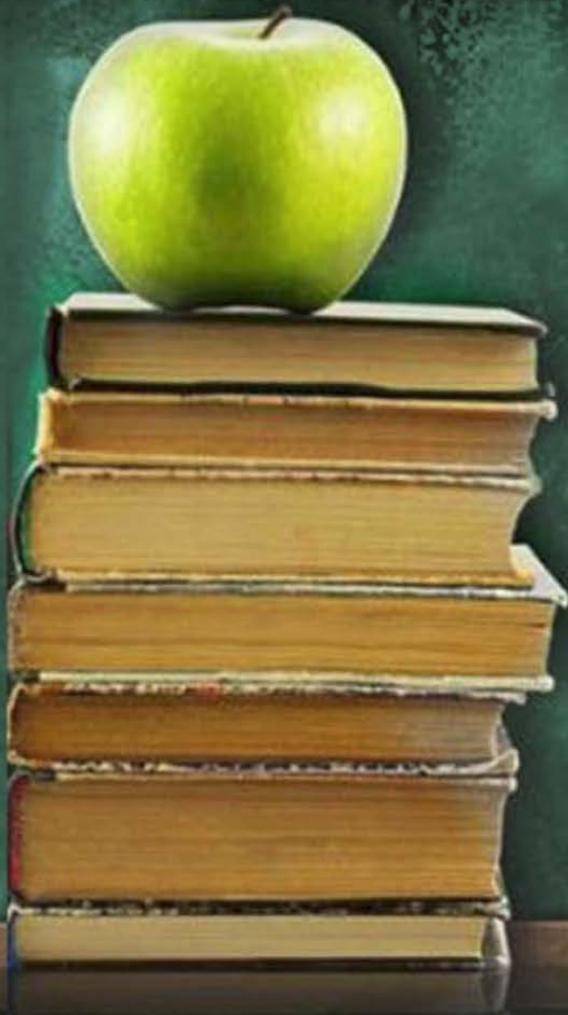
International Baccalaureate Charter School

ANNUAL FINANCIAL  
REPORT FOR THE YEAR  
ENDED AUGUST 31, 2012



“Continued  
Excellence

in the  
Face of  
Change”



**P&H**

PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**WESTLAKE ACADEMY  
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012**

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CERTIFICATE OF BOARD

Westlake Academy  
Name of School

Tarrant  
County

220-810  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2012, at a meeting of the Board of Trustees of such school district on the 7<sup>th</sup> day of January 2013.

Kenny Edwards  
Signature of Board Secretary

Spencer West  
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)

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Westlake Academy

Members of the Board:

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") as of and for the year ended August 31, 2012, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Westlake Academy's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and page 30 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Westlake Academy's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Pattillo, Brown & Hill, L.L.P.*

December 19, 2012

**WESTLAKE ACADEMY  
(A COMPONENT UNIT OF TOWN OF WESTLAKE)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2012**

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, 2012. Please read it in conjunction with the Academy’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

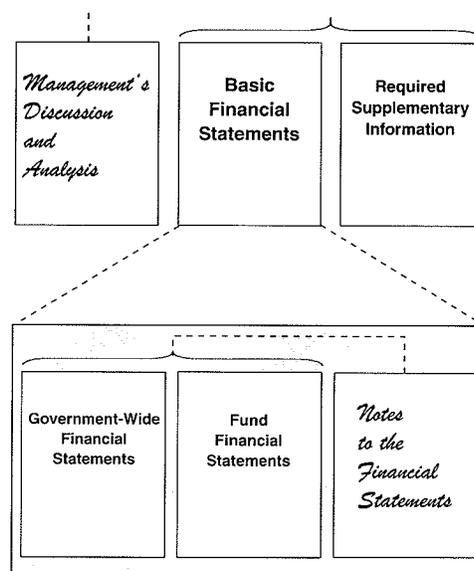
- On the government-wide financial statements, the assets of the Academy exceeded liabilities by \$819,090 (Net Assets). This is a decrease of \$97,871 for the year ended August 31, 2012.
- The Academy had \$5,793,560 in expenses related to governmental activities of which \$935,815 of these expenses were offset by program-specific charges for services or grants and contributions. This is a total expense increase of \$908,575 over the prior year.
- The General Fund reported a fund balance this year of \$814,487, a decrease of \$100,173 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the 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.

**Figure A-1, Required Components of the Academy’s Annual Financial Report**



The financial statements also include notes 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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

The government-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government’s assets and liabilities. 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 two government-wide statements report the Academy’s net assets and how they have changed. Net assets—the difference between the Academy’s assets and liabilities—is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

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, extracurricular activities, curriculum and staff development, health services, and general administration. State funds, donations and grants finance most of these activities.

<b>Figure A-2 Major features of the Academy's Government-wide and Fund Financial Statements</b>				
<b>Type of Statement</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire government (except fiduciary funds) and the Academy's component units	The activities of the Academy that are not proprietary or fiduciary	Activities the Academy operates similar to private businesses i.e. self-insurance	Instances in which the Academy is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Assets, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, Statement of Cash Flows	Statement of Fiduciary Net Assets, Statement of Changes in Fiduciary Net Assets
<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	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 financial and capital, and short-term and long-term.	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.	All revenues and expenses during year, regardless of when cash is received or paid.

## 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 2012, the Foundation contributed \$1,017,773 to the Academy to enhance educational opportunities.

## Fund Financial Statements

The fund financial statements 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, 2012.

- *Governmental funds*—Most of the Academy's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—Some schools are the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. These schools are responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of these fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the school's government-wide financial statements because they cannot use these assets to finance their operations.
- *Proprietary funds*—(None at August 31, 2012). 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.
  - Internal Service funds report activities that provide supplies and services for the Academy's other programs and activities – such as a School's Self Insurance Fund or Print Shop.

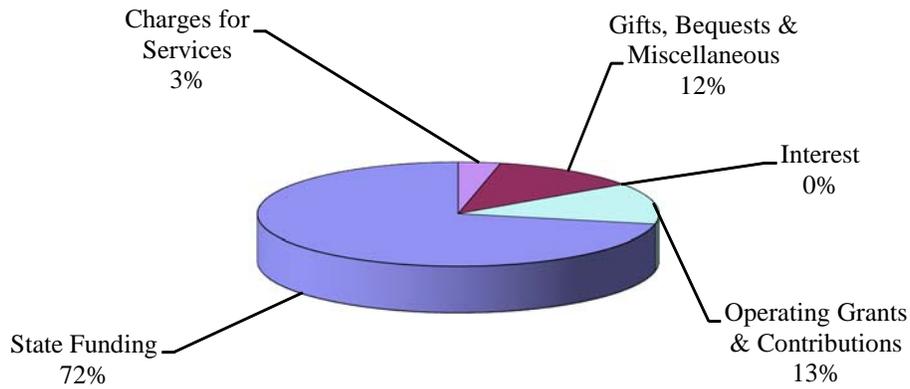
**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

**Net assets.** The Academy’s *combined* net assets were \$2,080,606 at August 31, 2012. (See Table A-1).

**Table A-1  
Westlake Academy’s Net Assets**

	Governmental Activities		Component Unit Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 963,265	\$ 1,244,168	\$ 1,363,031	\$ 955,288	\$ 2,326,296	\$ 2,199,456
Other assets	-	-	3,083	56,843	3,083	56,843
Total assets	<u>963,265</u>	<u>1,244,168</u>	<u>1,366,114</u>	<u>1,012,131</u>	<u>2,329,379</u>	<u>2,256,299</u>
Current liabilities	<u>144,175</u>	<u>327,207</u>	<u>104,598</u>	<u>8,791</u>	<u>248,773</u>	<u>335,998</u>
Total liabilities	<u>144,175</u>	<u>327,207</u>	<u>104,598</u>	<u>8,791</u>	<u>248,773</u>	<u>335,998</u>
Net assets:						
Restricted	60,963	31,596	1,003,789	597,171	1,064,752	628,767
Unrestricted	<u>758,127</u>	<u>885,365</u>	<u>257,727</u>	<u>406,169</u>	<u>1,015,854</u>	<u>1,291,534</u>
Total net assets	<u>\$ 819,090</u>	<u>\$ 916,961</u>	<u>\$ 1,261,516</u>	<u>\$ 1,003,340</u>	<u>\$ 2,080,606</u>	<u>\$ 1,920,301</u>

**Figure A-2  
Westlake Academy  
Sources of Revenue for Fiscal Year 2012**



**Changes in net assets.** The Academy’s total revenues were \$5,752,275. A significant portion, 72%, of the Academy’s revenue came from state funding. (See Figure A-2). 13% of total revenues were from operating grants and contributions, 12% from gifts, bequests and miscellaneous, less than 1% from interest and 3% from charges for services.

The total cost of all programs and services was \$5,793,560; 57% of these costs are for instructional and instructional related costs.

**Table A-3**  
**Westlake Academy's Changes in Net Assets**

	Governmental Activities		Component Unit Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 195,059	\$ 99,638	\$ -	\$ -	\$ 195,059	\$ 99,638
Operating grants and contributions	740,756	548,179	1,486,329	1,085,568	2,227,085	1,633,747
General revenues:						
Grants and contributions non restricted	4,129,085	3,744,757	-	-	4,129,085	3,744,757
Investment earnings	2,417	2,295	27,258	1,841	29,675	4,136
Miscellaneous	<u>684,958</u>	<u>582,440</u>	<u>-</u>	<u>-</u>	<u>684,958</u>	<u>582,440</u>
Total revenues	<u>5,752,275</u>	<u>4,977,309</u>	<u>1,513,587</u>	<u>1,087,409</u>	<u>7,265,862</u>	<u>6,064,718</u>
<b>Expenses</b>						
Instruction and instructional related	3,334,157	2,949,351	-	-	3,334,157	2,949,351
Instructional leadership/school administration	483,476	420,197	-	-	483,476	420,197
Guidance, social work, health, transportation	293,336	218,758	-	-	293,336	218,758
Food services	11,517	7,275	-	-	11,517	7,275
Extracurricular activities	131,971	105,472	-	-	131,971	105,472
General administration	675,764	301,672	-	-	675,764	301,672
Facilities maintenance and operations	596,913	525,273	-	-	596,913	525,273
Data processing services	173,586	154,962	-	-	173,586	154,962
Community services	76,880	69,739	-	-	76,880	69,739
Program/support services	-	-	1,255,411	873,372	1,255,411	873,372
Capital Outlay	<u>15,960</u>	<u>132,286</u>	<u>-</u>	<u>-</u>	<u>15,960</u>	<u>132,286</u>
Total expenses	<u>5,793,560</u>	<u>4,884,985</u>	<u>1,255,411</u>	<u>873,372</u>	<u>7,048,971</u>	<u>5,758,357</u>
Increase in net assets before Transfers	( 41,285)	92,324	258,176	214,037	216,891	306,361
Special items	67,760	-	-	-	67,760	-
Extrodinary items	<u>( 124,346)</u>	<u>56,704</u>	<u>-</u>	<u>-</u>	<u>( 124,346)</u>	<u>56,704</u>
Increase in net assets	( 97,871)	149,028	258,176	214,037	160,305	363,065
Beginning net assets	<u>916,961</u>	<u>767,933</u>	<u>1,003,340</u>	<u>789,303</u>	<u>1,920,301</u>	<u>1,557,236</u>
Ending net assets	<u>\$ 819,090</u>	<u>\$ 916,961</u>	<u>\$ 1,261,516</u>	<u>\$ 1,003,340</u>	<u>\$ 2,080,606</u>	<u>\$ 1,920,301</u>

Table A-4 (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 \$5,793,560.
- Some of the cost was paid by those who directly benefited from the programs, \$195,059.
- By grants and contributions \$740,756.

**Table A-4  
Westlake Academy's Net Cost of Selected Functions**

	Total Cost of Services		Total %	Net Cost of Services		Total %
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 3,170,373	\$ 2,764,021	15%	\$ 2,606,387	\$ 2,291,988	14%
School leadership	347,515	294,931	18%	322,495	283,305	14%
Guidance, counseling and evaluation services	232,419	165,245	41%	218,179	157,403	39%
General administration	675,764	301,672	124%	646,971	275,978	134%
Facilities maintenance and operations	596,913	525,273	14%	581,969	524,027	11%
Data processing services	173,586	154,962	12%	153,697	146,822	5%

## FINANCIAL ANALYSIS

The following analysis focuses on the net assets (Table A-1) and changes in net assets (Table A-3) of the Academy's governmental activities.

Net assets of the Academy's governmental activities decreased from \$916,961 to \$819,090. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$758,127 and \$885,365 at August 31, 2012 and 2011, respectively.

This decrease in governmental net assets was the net result of several factors. The primary reason for the decrease in the governmental activities is an increase in instructional and instructional related expenses and general administration expenses of \$758,898 from the prior year. Operating grants and contributions increased \$192,577 and grants and contributions non restricted increased \$384,328 to offset an overall increase of \$908,575 in total governmental expenses.

## General Fund Budgetary Highlights

Over the course of the year, the Academy revised its budget by decreasing revenues by \$48,603 and increasing expenditures by \$79,785. This increase was due primarily to the hiring of new staff members in the Special Education program and instructional aides for classes that grew due to enrollment growth. At year-end, actual expenditures were \$126,535 below the amended budget.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- General Fund revenues are budgeted to increase 8% over 2011-12 actual revenues. This \$424,446 rise is in part attributable to an increase in the total number of students attending the Academy. In FY 2011-12 the Academy added a third section of 20 students in Grade 7 through Grade 11 and did the same in Grade 12 for FY 2012-13. The remaining increase is due to an additional contribution from the Westlake Academy Foundation of \$300K as well as the increase of the Blacksmith Apprentice Program of approximately \$40K.
- Amounts available for appropriation in the General Fund budget are \$5,627,225, an increase of 6% over the final 2012 expenditures of \$5,287,696. The major portion of this total \$339,529 increase is attributed to the following

which in-part includes an increased use of international teachers, additional school leadership, and increased instructional supplies and materials.

#### **Instructional Salary Related Expenditures**

*Desired Outcome: High Student Achievement*

- In FY12/13 we will have 69.93 full-time equivalent employees (FTE's), an increase of 2.45 FTE's. The increase in expenditures is the result of a combination of adding new positions, the years of experience our new teachers, an increase in unemployment insurance and other employer contributions, as well as the increased cost associated with teacher classifications and international teacher stipends.

#### **Lapse of Education Job Grant (Federal Funding to Save Teaching Positions)**

*Desired Outcome: High Student Achievement*

- In FY 11/12 the Academy received \$91,375 in a federal entitlement grant for teacher retention. This was a one year grant that was utilized to offset the salaries of approximately 1.75 FTE teaching positions. With the lapse of the federal funding, these teaching positions were moved back into the General Fund.

#### **Employee Compensation and Benefits** *Desired Outcomes: Effective Educators & Staff – High Student Achievement*

- In FY 11/12 the Board directed staff to prepare the budget holding teachers' salaries flat. In FY 11/12 several of the surrounding districts increased their teacher pay and in order to maintain the Board policy of being within 3% of the median, it will be necessary to increase salaries 1% in FY 12/13. With over 70% of the Academy's expenditures being directly related to employee pay and benefits, it is important that we offer competitive salaries, wages, and benefits to attract and retain a strong faculty base, even in a difficult economy.

#### **Media & Resource (Library)**

*Desired Outcome: High Student Achievement*

- With the renovation to the Scott Bradley Library and the introduction of the Media Center / Research environment, the staffing requirements shifted and two full-time teachers will be working with students in the PYP, MYP, and DP program on computer aided research and database utilization skills.

#### **Athletics Department**

- The majority of this cost increase is related to the experience level of the Athletic Director, the increase in expenditures of assigned funds for equipment and uniform replacement, and anticipation of greater participation in athletics, requiring additional field rentals, referees, etc. The Academy collects player fees to help offset the cost of extra-curricular activities.

#### **Professional Development**

*Desired Outcome: Effective Educators & Staff; High Student Achievement*

- In FY 11/12, Westlake Academy received thousands of dollars in special revenue funds (grants) targeting professional development. Without the renewal of all these grants, the professional development budget was moved back into the General Fund.

#### **Ending In-Direct Operating Cost Transfer from Academy Budget to Town Budget**

*Desired Outcome: Financial Stewardship and Responsibility*

- In FY 11/12 the Academy reimbursed the Town for the in-direct operating costs for administrative services shared with the Town of Westlake. This includes the Superintendent, Finance Director, Human Resources Director, Facilities Director, and support personnel. This had been paid by the Town of Westlake from the inception of the school in 2003. The amount represents \$325,000 less the 25% portion of the IT Tech and the Maintenance Engineer for time allocated to the Town.

If the FY 2011-12 budget estimates are realized, the Academy's General Fund's budgetary fund balance is expected to increase by \$28,490 by the close of FY 2013.

### **ACHIEVEMENTS DURING FISCAL YEAR 2011-2012**

#### **Academy Accomplishments**

- Ranked # 36 in the United States in the Washington Post Challenge Index
- Ranked #18 in the United States by Newsweek

- Ranked #5 in the State of Texas, #6 against all Charter Schools in the United States, and #37 out of approximately 22,000 public high schools in the United States by U.S. News & World Report
- In 2012, WA students achieved the IB Diploma well above the world rate with 89% of the students earning the diploma.
- Westlake Academy's TAKS (Texas Assessment of Knowledge and Skill) scores are notably higher than the average state scores.
- Westlake Academy earned an Exemplary rating, the highest category recognized by the state's accountability system.
- Westlake Academy received the Distinguished Budget Presentation Award from the Government Finance Officers Association.
- The Academy received the Meritorious Budget Award from the Association of School Business Officials International (ASBO).
- For the past two years, WA students have consistently had a higher overall AP pass rate when compared to both Texas and the World.
- In 2012, over one third of the students who took AP exams earned the distinction of being an AP Scholar, AP Scholar with Honors, or AP Scholar with Distinction.

#### **Staff Accomplishments**

- Several faculty members continue to represent the International Baccalaureate as Workshop Leaders, Site Visitors and Consultants.
- One faculty member continues to serve as an IB Diploma Assistant Examiner for HL Biology

#### **Student Accomplishments**

- Twenty-four WA graduates from the Class of 2012 received the prestigious IB Diploma. In addition, these students scored above the world average.
- The entire Senior class of 28 students received \$3.52 million in scholarship and grant offers. All 28 were accepted into respected colleges/universities across the State and the U.S.
- Eleven (11) WA students received the distinguished honor of AP Scholar for scoring 3 or higher on three or more AP exams.

#### **Athletic Achievements**

- |  |  |
|--|--|
| ▪ <b>Varsity Cross Country</b><br>Women's team- State Champions                              | ▪ <b>Varsity Men's Basketball</b><br>Division 1 quarter finals-TCAF state tournament<br>District Runner-Up                           |
| ▪ <b>Varsity Volleyball</b><br>Final four TCAF State Tournament<br>District Champions        | ▪ <b>Junior Varsity Men's Basketball</b><br>District Champions<br>2nd place District tournament                                      |
| ▪ <b>Varsity Co-Ed Soccer</b><br>TCAF State Champions<br>District Runner-up                  | ▪ <b>Varsity Baseball</b><br>TCAF State Tournament Runner-up<br>District Champions   |
| ▪ <b>Varsity Women's Basketball</b><br>Division 1 TCAF State Champions<br>District Champions | ▪ <b>Golf</b><br>Qualifier TCAF State Tournament   |
| ▪ <b>Junior Varsity Women's Basketball</b><br>District Champions                             | ▪ <b>Tennis</b><br>Women's Doubles -3 <sup>rd</sup> Place State Tournament<br>Mixed Doubles – 2 <sup>nd</sup> Place State Tournament |

### **CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Academy/Town Finance Director, Debbie Piper, at 817-490-5712, or by writing to 3 Village Circle, Suite 202, Westlake, Texas 76262.

WESTLAKE ACADEMY  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

Data Control Codes	1 Primary Government	4 Component Unit
	Governmental Activities	Component Unit
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 681,517	\$ 763,931
1120 Current Investments	100	599,100
1240 Due from Other Governments	176,764	-
1290 Other Receivables, net	30,051	196
1410 Deferred Expenses	74,833	2,887
1000 Total Assets	<u>963,265</u>	<u>1,366,114</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	73,428	31,578
2150 Payroll Deductions & Withholdings	2,316	-
2180 Due to Other Governments	17,777	-
2300 Deferred Revenues	50,654	73,020
2000 Total Liabilities	<u>144,175</u>	<u>104,598</u>
<b>NET ASSETS</b>		
3890 Restricted for Other Purposes	60,963	1,003,789
3900 Unrestricted Net Assets	758,127	257,727
3000 Total Net Assets	<u>\$ 819,090</u>	<u>\$ 1,261,516</u>

The notes to the financial statements are an integral part of this statement.

WESTLAKE ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 3,170,373	\$ 60,259	\$ 503,727
12 Instructional Resources and Media Services	89,129	-	19,149
13 Curriculum and Staff Development	74,655	-	63,676
21 Instructional Leadership	135,961	-	9,770
23 School Leadership	347,515	-	25,020
31 Guidance, Counseling and Evaluation Services	232,419	-	14,240
33 Health Services	60,917	-	2,369
35 Food Services	11,517	4,000	672
36 Extracurricular Activities	131,971	130,800	33,351
41 General Administration	675,764	-	28,793
51 Facilities Maintenance and Operations	596,913	-	14,944
53 Data Processing Services	173,586	-	19,889
61 Community Services	76,880	-	5,156
81 Capital Outlay	15,960	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 5,793,560</u>	<u>\$ 195,059</u>	<u>\$ 740,756</u>
<b>Component Unit:</b>			
1C Nonmajor Component Unit	\$ 1,255,411	\$ -	\$ 1,486,329
[TC] TOTAL COMPONENT UNIT:	<u>\$ 1,255,411</u>	<u>\$ -</u>	<u>\$ 1,486,329</u>

Data Control Codes	General Revenues:
	Taxes:
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item -
E2	Extraordinary Item - (Use)
TR	Total General Revenues and Special Items and
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
6	9
Primary Government	Component Unit
Governmental Activities	Component Unit
\$ (2,606,387)	\$ -
(69,980)	-
(10,979)	-
(126,191)	-
(322,495)	-
(218,179)	-
(58,548)	-
(6,845)	-
32,180	-
(646,971)	-
(581,969)	-
(153,697)	-
(71,724)	-
(15,960)	-
(4,857,745)	-
-	230,918
-	230,918
4,129,085	-
2,417	27,258
684,958	-
67,760	-
(124,346)	-
4,759,874	27,258
(97,871)	258,176
916,961	1,003,340
\$ 819,090	\$ 1,261,516

WESTLAKE ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes		10 General Fund	WAF Whole School Prof. Dev.	Purpose Designed Student Desks
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 633,060	\$ 12,799	\$ -
1120	Investments - Current	100	-	-
1240	Receivables from Other Governments	158,120	-	-
1260	Due from Other Funds	18,644	-	-
1290	Other Receivables	3,429	-	26,622
1410	Deferred Expenditures	60,963	13,585	-
1000	Total Assets	<u>\$ 874,316</u>	<u>\$ 26,384</u>	<u>\$ 26,622</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
2110	Accounts Payable	\$ 39,736	\$ -	\$ 26,622
2150	Payroll Deductions and Withholdings Payable	2,316	-	-
2170	Due to Other Funds	-	-	-
2180	Due to Other Governments	17,777	-	-
2300	Deferred Revenues	-	26,384	-
2000	Total Liabilities	<u>59,829</u>	<u>26,384</u>	<u>26,622</u>
<b>Fund Balances:</b>				
<b>Nonspendable Fund Balance:</b>				
3430	Prepaid Items	60,963	-	-
<b>Committed Fund Balance:</b>				
3545	Other Committed Fund Balance	-	-	-
<b>Assigned Fund Balance:</b>				
3590	Other Assigned Fund Balance	5,665	-	-
3600	Unassigned Fund Balance	747,859	-	-
3000	Total Fund Balances	<u>814,487</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 874,316</u>	<u>\$ 26,384</u>	<u>\$ 26,622</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 35,658	\$ 681,517
-	100
18,644	176,764
-	18,644
-	30,051
285	74,833
<u>\$ 54,587</u>	<u>\$ 981,909</u>
\$ 7,070	\$ 73,428
-	2,316
18,644	18,644
-	17,777
24,270	50,654
<u>49,984</u>	<u>162,819</u>
-	60,963
4,603	4,603
-	5,665
-	747,859
<u>4,603</u>	<u>819,090</u>
<u>\$ 54,587</u>	<u>\$ 981,909</u>

WESTLAKE ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	WAF Whole School Prof. Dev.	Purpose Designed Student Desks
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 881,249	\$ 39,615	\$ 26,622
5800 State Program Revenues	4,362,921	-	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	5,244,170	39,615	26,622
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	2,825,528	282	26,622
0012 Instructional Resources and Media Services	74,628	-	-
0013 Curriculum and Instructional Staff Development	9,732	36,843	-
0021 Instructional Leadership	134,839	390	-
0023 School Leadership	341,469	1,401	-
0031 Guidance, Counseling and Evaluation Services	229,067	699	-
0033 Health Services	60,917	-	-
0035 Food Services	11,517	-	-
0036 Extracurricular Activities	103,130	-	-
0041 General Administration	655,150	-	-
0051 Facilities Maintenance and Operations	584,891	-	-
0053 Data Processing Services	164,049	-	-
0061 Community Services	76,880	-	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	15,960	-	-
6030 Total Expenditures	5,287,757	39,615	26,622
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,587)	-	-
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	26,124	-	-
8911 Transfers Out (Use)	(26,124)	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>			
7918 Special Item - Resource	67,760	-	-
8913 Extraordinary Item - (Use)	(124,346)	-	-
1200 Net Change in Fund Balances	(100,173)	-	-
0100 Fund Balance - September 1 (Beginning)	914,660	-	-
3000 Fund Balance - August 31 (Ending)	\$ 814,487	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 282,803	\$ 1,230,289
6,714	4,369,635
152,351	152,351
441,868	5,752,275
317,941	3,170,373
14,501	89,129
28,080	74,655
732	135,961
4,645	347,515
2,653	232,419
-	60,917
-	11,517
28,841	131,971
20,614	675,764
12,022	596,913
9,537	173,586
-	76,880
-	15,960
439,566	5,793,560
2,302	(41,285)
-	26,124
-	(26,124)
-	-
-	67,760
-	(124,346)
2,302	(97,871)
2,301	916,961
\$ 4,603	\$ 819,090

WESTLAKE ACADEMY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 66,888
Total Assets	<u>\$ 66,888</u>
LIABILITIES	
Accounts Payable	\$ 3,661
Due to Student Groups	63,227
Total Liabilities	<u>\$ 66,888</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**

**AUGUST 31, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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."

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." 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 purposes 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 II E for additional information relating to the Foundation. Separate audited financial statements of the Foundation are available from the Academy/Town Finance Director's office, #3 Village Circle, Suite 202, Westlake, Texas 76262.

**B. Government-wide and Fund Financial Statements**

The Statement of Net Assets 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.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Government-wide and Fund Financial Statements (Continued)

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

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

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

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.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Academy applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into restricted net assets, and unrestricted net assets.

### D. Fund Accounting

The Academy reports the following major governmental fund:

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 **Purpose Designed Student Desks Fund** is a special revenue grant from Westlake Academy Foundation to provide students in the upper grades of the PYP with pod designed furniture that will use the classroom space more efficiently.

The **WAF Whole School Professional Development Fund** is a special revenue grant fund from Westlake Academy Foundation that provides ongoing professional development for Westlake Academy faculty in International Baccalaureate courses, related curriculum and leadership fields.

Additionally, the Academy reports the following fund types:

The *Special Revenue Funds* account for resources restricted to, or designated 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.

*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.

### E. 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 shall be provided for school district employees. Each District's local Board is required to establish a personal leave plan. It is the Academy's policy to permit some employees to accumulate earned but unused state and local personal leave pay benefits. 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 government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
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.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Other Accounting Policies (Continued)

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 District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.
4. For purposes of the statement of cash flows for proprietary and similar fund types, the Academy considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
5. 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 District 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. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
  - 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 District'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 District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board.
  - Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.
6. Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
7. 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.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2012, will change.

(continued)

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits 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, 2012, the carrying amount of the Academy's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$748,405 and the bank balance was \$791,578.

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 carrying value of investments at August 31, 2012, was \$100 (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. The Academy was not exposed to custodial credit risk since its deposits at year-end and during the year ended August 31, 2012, were covered by depository insurance or by pledged collateral held by the Academy's agent bank in the Academy'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.

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

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, 2012, TexPool's investments credit quality rating was AAAM (Standard & Poor's).

**B. Due from Other Governments**

The Academy participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 158,120	\$ -	\$ 158,120
Special revenue	-	18,644	18,644
Total	<u>\$ 158,120</u>	<u>\$ 18,644</u>	<u>\$ 176,764</u>

**C. 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.

**D. Interfund Balances and Activities**

Interfund balances at August 31, 2012, consisted of the following individual fund balances:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Funds	\$ 18,644	To cover expenditures
Total		<u>\$ 18,644</u>	

Interfund transfers at August 31, 2012, consisted of the following individual fund balances:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund - Athletics	\$ 26,124	To transfer funds for athletic payroll
Total		<u>\$ 26,124</u>	

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Component Unit Activity**

Major classes of assets, liabilities, net assets, revenues and expenses for the Foundation are reported below for the fiscal year ended August 31, 2012.

**Condensed Statement of Net Assets**

Assets	
Cash and cash equivalents	\$ 763,931
Investments	599,100
Other assets, net	<u>3,083</u>
Total assets	<u>1,366,114</u>
 Liabilities	 <u>104,598</u>
 Net assets	
Permanently restricted	971,078
Temporarily restricted	32,711
Unrestricted	<u>257,727</u>
Total net assets	<u>\$ 1,261,516</u>

**Statement of Activities**

	Revenues	Expenses	Total
Gallery night	\$ 231,624	\$ 57,924	\$ 173,700
Blacksmith annual fund	661,749	674,604	( 12,855)
Capital campaign	400	68,395	( 67,995)
Endowment	400,000	-	400,000
Westlake Baja	192,486	47,449	145,037
Fund-an-item	-	72,741	( 72,741)
Fund 100	-	166,153	( 166,153)
Miscellaneous	70	-	70
Investment income	10,265	-	10,265
Net unrealized gains on investments	( 6,050)	-	( 6,050)
Net realized gains on investments	23,043	-	23,043
Management and general	<u>-</u>	<u>168,145</u>	<u>( 168,145)</u>
Totals	<u>\$ 1,513,587</u>	<u>\$ 1,255,411</u>	258,176
 Beginning net assets			 <u>1,003,340</u>
 Ending net assets			 <u>\$ 1,261,516</u>

The Foundation contributed \$1,017,773 to the Academy during the fiscal year ended August 31, 2012.

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Revenue from Local and Intermediate Sources**

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the fund statements consisted of the following:

	<u>General Fund</u>	<u>WAF Whole School Professional Development</u>	<u>Purpose Designed Student Desks</u>	<u>Non-major Funds</u>	<u>Total</u>
Gifts and bequests	\$ 714,855	\$ 39,615	\$ -	\$ 251,660	\$ 1,006,130
Interest	2,417	-	-	-	2,417
Food sales	4,000	-	-	-	4,000
Campus activities	43,635	-	-	-	43,635
Parking/transportation	49,855	-	-	-	49,855
Athletics	49,821	-	-	-	49,821
Miscellaneous	16,666	-	26,622	31,143	74,431
Total	<u>\$ 881,249</u>	<u>\$ 39,615</u>	<u>\$ 26,622</u>	<u>\$ 282,803</u>	<u>\$ 1,230,289</u>

**G. Defined Benefit Pension Plan**

**Plan Description.** Westlake Academy contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trrs.state.tx.us](http://www.trrs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

**Funding Policy.** Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) state statute prohibits benefit improvements, if as result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

(continued)

## II. DETAILED NOTES ON ALL FUNDS (Continued)

### G. Defined Benefit Pension Plan (Continued)

Contribution Rates and Contribution Amounts				
Year	Member		State	
	Rate	Amount	Rate	Amount
2012	6.4%	\$ 224,616	6.000%	\$ 188,014
2011	6.4%	\$ 174,332	6.644%	\$ 177,176
2010	6.4%	\$ 167,083	6.644%	\$ 153,552

### H. Health Care Coverage

During the period ended August 31, 2012, employees of the Academy were covered by a state-wide health care plan, TRS Active Care. The Academy's participation in this plan is renewable annually. The Academy paid into the Plan \$225 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

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

### I. Retiree Health Plan

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

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012–2010.

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Retiree Health Plan (Continued)**

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 22,822	1.0%	\$ 35,111	0.55%	\$ 19,311
2011	0.65%	\$ 19,145	1.0%	\$ 29,454	0.55%	\$ 16,200
2010	0.65%	\$ 16,844	1.0%	\$ 25,914	0.55%	\$ 14,253

**J. Retiree Health Plan**

**Medicare Part D – On-behalf Payments.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$8,203, \$6,430 and \$6,112 were recognized for the years ended August 31, 2012, 2011 and 2010, respectively, as equal revenues and expenditures.

**Early Retiree Reinsurance Program– On-behalf Payments.** The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPAVA). A provision of the PPAVA allows the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive a reimbursement from the federal government for a portion of the cost to provide health benefits to retirees between the ages of 55 – 64 and their covered dependents regardless of age. The on-behalf payment of \$7,757 was recognized for the year ended August 31, 2012, as equal revenues and expenditures.

**K. 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.

**M. Litigation**

The Town and Academy was involved in a lawsuit for wrongful termination brought by the former head of school and his wife, a former teacher. A settlement was reached in November 2011 and was handled by the Academy's insurance carrier. No additional liability to the Academy is anticipated.

WESTLAKE ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 753,982	\$ 845,112	\$ 881,188	\$ 36,076
5800	State Program Revenues	4,490,086	4,350,353	4,362,921	12,568
5020	Total Revenues	5,244,068	5,195,465	5,244,109	48,644
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,839,281	2,878,292	2,825,466	52,826
0012	Instructional Resources and Media Services	90,134	82,929	74,628	8,301
0013	Curriculum and Instructional Staff Development	87,800	30,367	9,732	20,635
0021	Instructional Leadership	131,742	137,013	134,839	2,174
0023	School Leadership	333,805	339,111	341,469	(2,358)
0031	Guidance, Counseling and Evaluation Services	220,628	233,373	229,067	4,306
0033	Health Services	59,700	60,853	60,917	(64)
0035	Food Services	9,657	12,363	11,517	846
0036	Extracurricular Activities	122,726	98,450	103,130	(4,680)
0041	General Administration	601,746	656,979	655,150	1,829
0051	Facilities Maintenance and Operations	587,169	618,362	584,892	33,470
0053	Data Processing Services	159,874	168,251	164,049	4,202
0061	Community Services	66,244	79,010	76,880	2,130
Capital Outlay:					
0081	Facilities Acquisition and Construction	23,940	18,878	15,960	2,918
6030	Total Expenditures	5,334,446	5,414,231	5,287,696	126,535
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,378)	(218,766)	(43,587)	175,179
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	36,967	36,967	26,124	(10,843)
8911	Transfers Out (Use)	(49,807)	(36,967)	(26,124)	10,843
8949	Other (Uses)	-	(12,840)	-	12,840
7080	Total Other Financing Sources (Uses)	(12,840)	(12,840)	-	12,840
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
7918	Special Item - Resource	-	67,877	67,760	(117)
8913	Extraordinary Item - (Use)	-	(124,464)	(124,346)	118
1200	Net Change in Fund Balances	(103,218)	(288,193)	(100,173)	188,020
0100	Fund Balance - September 1 (Beginning)	914,660	914,660	914,660	-
3000	Fund Balance - August 31 (Ending)	\$ 811,442	\$ 626,467	\$ 814,487	\$ 188,020

**WESTLAKE ACADEMY  
(A COMPONENT UNIT OF THE TOWN OF WESTLAKE)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2012**

**Budgetary Information**

The Board 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 reflected in the basic financial statements:

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 is then called for the purpose of adopting the proposed budget.
3. Prior to September 1, the budget is legally enacted through resolution by the Board. Once a budget is approved, it can only be amended at the object function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment made before the fact, is reflected in the official minutes of the Board, and is not made after fiscal year-end.
4. Budgeted amounts are amended by the Board. All budget appropriations lapse at year-end.
5. For the year ending August 31, 2012, expenditures exceeded appropriations in the following functions: School Leadership, Health Services and Extracurricular Activities. The functions that exceeded appropriations were funded by other various functions that were under budget.

WESTLAKE ACADEMY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	224 IDEA - Part B Formula	287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	10,856	7,788	-
1410	Deferred Expenditures	-	-	-
1000	Total Assets	<u>\$ 10,856</u>	<u>\$ 7,788</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2170	Due to Other Funds	10,856	7,788	-
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>10,856</u>	<u>7,788</u>	<u>-</u>
Fund Balances:				
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,856</u>	<u>\$ 7,788</u>	<u>\$ -</u>

EXHIBIT F-1 (Cont'd)

410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Hudson Foundation Fund	482 WAF Fund 100 Grant	484 Hudson Internship	485 Hudson Teacher Creativity	486 Hudson Eff. Through Prof. Dev.
\$ -	\$ -	\$ 4,603	\$ 3,473	\$ -	\$ -	\$ 9,800	\$ 10,712
-	-	-	-	-	-	-	-
-	-	-	-	285	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,603</u>	<u>\$ 3,473</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 9,800</u>	<u>\$ 10,712</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	3,473	285	-	9,800	10,712
-	-	-	3,473	285	-	9,800	10,712
-	-	4,603	-	-	-	-	-
-	-	4,603	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,603</u>	<u>\$ 3,473</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 9,800</u>	<u>\$ 10,712</u>

WESTLAKE ACADEMY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	487 WAF Tech For Next Gen.	488 WAF Support Math Teacher	489 WAF Rosetta Stone	491 WAF Recruitment Phase I
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-
1410	Deferred Expenditures	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

492 WAF Recruitment Phase II	494 WAF Library Media Resource	Total Nonmajor Governmental Funds
\$ -	\$ 7,070	\$ 35,658
-	-	18,644
-	-	285
<u>\$ -</u>	<u>\$ 7,070</u>	<u>\$ 54,587</u>
\$ -	\$ 7,070	\$ 7,070
-	-	18,644
-	-	24,270
-	7,070	49,984
-	-	4,603
-	-	4,603
<u>\$ -</u>	<u>\$ 7,070</u>	<u>\$ 54,587</u>

WESTLAKE ACADEMY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	224 IDEA - Part B Formula	287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	2,200
5900 Federal Program Revenues	55,756	91,375	5,220	-
5020 Total Revenues	<u>55,756</u>	<u>91,375</u>	<u>5,220</u>	<u>2,200</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	55,756	91,375	5,220	2,200
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
6030 Total Expenditures	<u>55,756</u>	<u>91,375</u>	<u>5,220</u>	<u>2,200</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Hudson Foundation Fund	482 WAF Fund 100 Grant	484 Hudson Internship	485 Hudson Teacher Creativity	486 Hudson Eff. Through Prof. Dev.
\$ -	\$ -	\$ 31,143	\$ -	\$ 19,821	\$ 35,000	\$ -	\$ 17,718
3,566	948	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,566</u>	<u>948</u>	<u>31,143</u>	<u>-</u>	<u>19,821</u>	<u>35,000</u>	<u>-</u>	<u>17,718</u>
3,566	948	-	-	2,979	35,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	13,362	-	-	14,718
-	-	-	-	732	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,653	-	-	-
-	-	28,841	-	-	-	-	-
-	-	-	-	95	-	-	3,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,566</u>	<u>948</u>	<u>28,841</u>	<u>-</u>	<u>19,821</u>	<u>35,000</u>	<u>-</u>	<u>17,718</u>
-	-	2,302	-	-	-	-	-
-	-	2,301	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WESTLAKE ACADEMY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	487 WAF Tech For Next Gen.	488 WAF Support Math Teacher	489 WAF Rosetta Stone	491 WAF Recruitment Phase I
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 59,503	\$ 4,603	\$ 10,995	\$ 15,422
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>59,503</u>	<u>4,603</u>	<u>10,995</u>	<u>15,422</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	47,823	4,603	10,995	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	4,645
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	10,777
0051 Facilities Maintenance and Operations	5,150	-	-	-
0053 Data Processing Services	6,530	-	-	-
6030 Total Expenditures	<u>59,503</u>	<u>4,603</u>	<u>10,995</u>	<u>15,422</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

492 WAF Recruitment Phase II	494 WAF Library Media Resource	Total Nonmajor Governmental Funds
\$ 26,742	\$ 61,856	\$ 282,803
-	-	6,714
-	-	152,351
<u>26,742</u>	<u>61,856</u>	<u>441,868</u>
20,000	37,476	317,941
-	14,501	14,501
-	-	28,080
-	-	732
-	-	4,645
-	-	2,653
-	-	28,841
6,742	-	20,614
-	6,872	12,022
-	3,007	9,537
<u>26,742</u>	<u>61,856</u>	<u>439,566</u>
-	-	2,302
-	-	2,301
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,603</u>



**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**

Board of Trustees  
Westlake Academy

Members of the Board:

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") as of and for the year ended August 31, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 19, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Westlake Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Westlake Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Westlake Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Westlake Academy's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westlake 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*.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

*Pattillo, Brown & Hill, L.L.P.*

December 19, 2012