

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITORS'**

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

JUNE 30, 2016

Audited by

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK**

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

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JUNE 30, 2016

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Education
Dove Science Academy No. E-005
Oklahoma County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Dove Science Academy No. E-005, Oklahoma County, Oklahoma (School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's regulatory 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 the financial reporting provisions of the Oklahoma State Department of Education; 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1, the financial statements are prepared by the School on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School as of June 30, 2016, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type and account group of the School as of June 30, 2016, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s combined financial statements. The combining statements—regulatory basis, are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the combined financial statements.

The combining statements—regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements—regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017, on our consideration of the School'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* in considering the School's internal control over financial reporting and compliance.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
January 11, 2017

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL FUND TYPES
JUNE 30, 2016

	GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)
	GENERAL	AGENCY FUNDS	
<u>ASSETS</u>			
Cash	\$ 862,442	26,966	889,408
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 241,267	-	241,267
Encumbrances	24,582	-	24,582
Funds held for school organizations	-	26,966	26,966
Total liabilities	265,849	26,966	292,815
Fund Balances			
Unassigned	596,593	-	596,593
Total Liabilities and Fund Balances	\$ 862,442	26,966	889,408

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>GOVERNMENTAL FUND TYPES</u>
	<u>GENERAL</u>
Revenues collected:	
Local sources	\$ 69,866
State sources	2,816,844
Federal sources	<u>408,785</u>
Total revenues collected	<u>3,295,495</u>
Expenditures:	
Instruction	1,685,814
Support services	1,510,244
Operation of non-instruction services	<u>181,612</u>
Total expenditures	<u>3,377,670</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(82,175)
Adjustments to prior year encumbrances	<u>4,016</u>
Excess of revenues collected over (under) expenditures	(78,159)
Fund balance, beginning of year	<u>674,752</u>
Fund balance, end of year	<u>\$ 596,593</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ 14,553	14,553	69,866	55,313
State sources	2,822,232	2,822,232	2,816,844	(5,388)
Federal sources	449,987	449,987	408,785	(41,202)
Total revenues collected	3,286,772	3,286,772	3,295,495	8,723
Expenditures:				
Instruction	1,995,000	1,995,000	1,685,814	309,186
Support services	1,766,524	1,766,524	1,510,244	256,280
Operation of non-instruction services	200,000	200,000	181,612	18,388
Total expenditures	3,961,524	3,961,524	3,377,670	583,854
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(674,752)	(674,752)	(82,175)	592,577
Adjustments to prior year encumbrances	-	-	4,016	4,016
Excess of revenues collected over (under) expenditures	(674,752)	(674,752)	(78,159)	596,593
Fund balance, beginning of year	674,752	674,752	674,752	-
Fund balance, end of year	\$ -	-	596,593	596,593

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Dove Science Academy No. E-005, Oklahoma County, Oklahoma (the "School") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The School's accounting policies are described in the following notes that are an integral part of the School's financial statements.

A. Reporting Entity

The School is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The School is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes. The School is also a 501(c)(3) organization as determined by the Internal Revenue Service.

In evaluating how to define the School, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluation potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School and/or its citizens, or whether the activity is conducted within the geographic boundaries of the School and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the School's reporting entity, however, the School does have related parties.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus

The accounts of the School are organized and operate on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The School has the following fund types and account groups:

Governmental funds are used to account for most of the School's general activities and general long-term debt account group, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

General fund – is the primary operating fund of the School. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include state and federal funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the School. The terms "nonexpendable" and "expendable" refer to whether or not the School is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the School holds on behalf of others as their agent and do not involve measurement of results of operation.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fundraising efforts of the students and donations. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the School.

Account Groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets. The School did not have any account groups.

C. Basis of Accounting and Presentation

The School prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the financial statements.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation – cont'd

- Compensated absences are recorded as an expenditure when paid and not recorded as a liability.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned.

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the School's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The School's financial instruments include cash and investments. The School's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the School's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The School has not maintained a record of its general fixed assets, and accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

7. Compensated Absences

The School provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. School policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

The School reports certain lease obligations not expected to be financed with current available financial resources in the general long-term debt account group.

9. Fund Balance Classifications

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and note receivables, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The fund balance should be reported as committed for amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned Fund Balance – The fund balance should be reported as assigned for amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

10. Local Revenues

Local sources of revenues include reimbursements and contributions.

11. State Revenues

Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. For purposes of funding, a charter school is considered a site within the school district in which the charter school is located. A charter

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

school is to receive from the sponsoring district, the state aid revenue generated by its students for the applicable year, less up to 5% of the total, which may be retained by the sponsoring school district as a fee for the administrative services rendered.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The School receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

12. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the School is entitled pursuant to an allocation formula contained in applicable statutes. Any federal revenues received by the School would be apportioned to the general fund,

13. Instruction Expenditures

Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

14. Support Services Expenditures

Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

15. Operation of Non-Instructional Services Expenditures

These expenditures are activities concerned with providing non-instructional services to students, staff or the community.

16. Facilities Acquisition and Construction Services Expenditures

These expenditures consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

17. Other Outlays Expenditures

A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another.

18. Other Uses Expenditures

Other uses expenditures include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the School or a third-party administrator.

19. Repayment Expenditures

Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from School funds.

20. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

21. Resource Use Policy

It is the School's policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the School considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the School's policy when an expenditure is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all Governmental Funds of the School. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end

3. DETAILED NOTES CONCERNING THE FUNDS

Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the School holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the School holds investments that are uninsured and unregistered, with

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

Deposits and Investments – cont'd

securities held by the counterparty or by its trust department or agent but not in the School's name.

The School's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Schools in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the School must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2016 the School held deposits of approximately \$893,913 at financial institutions. The School's cash deposits, including interest-bearing accounts, were not entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the District or by its agent in the School's name. The School's deposits exceed FDIC coverage by (\$393,913), and had no other collateral pledged.

Investment Credit Risk

The School has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

Deposits and Investments – cont'd

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The School has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The School had no investment credit risk as of June 30, 2016, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

The School had no investment interest rate risk as of June 30, 2016, as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the School. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The School places no limit on the amount it may invest in any one issuer.

The School had no concentration of credit risk as of June 30, 2016, as defined above.

4. OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The School purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

4. OTHER INFORMATION – cont'd

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plan

Funding Policy

The School has established a 401(K) defined contribution plan effective for the September 30, 2014 payroll. The contribution rate for the School is a matching rate of up to 3%, and its employees can contribute up to \$17,500 during 2014 and \$18,000 during 2015 and 2016. The School's matching rate is established by, and may be amended by, the Board of Education. This rate is applied to the individual employee's pay.

Annual Pension Cost

The School's total contributions (employee and employer) for 2016 and 2015 were \$62,060 and \$45,720, respectively.

Vesting

The School's matching contributions to the Plan, and any earnings they generate, will vest as follows:

Years of Service	Vested Percentage of Employer Contributions
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

D. Surety Bonds

The encumbrance clerk is bonded by Merchants Bonding Company, bond number OK 89902 for the penal sum of \$1,000, term beginning January 12, 2016 and ending January 12, 2017.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2016

4. OTHER INFORMATION – cont'd

D. Surety Bonds – cont'd

The activity fund custodian is bonded by Merchant Bonding Company, bond number OK 88877 for the penal sum of \$10,000, term beginning March 1, 2016 and ending March 1, 2017. This is a renewal of a continuing bond.

The minutes clerk is bonded by Merchants Bonding Company, bond number OK 88878 for the penal sum of \$10,000, term beginning March 1, 2016 and ending March 1, 2017. This is a renewal of a continuing bond.

The principal is bonded by Merchants Bonding Company, bond number OK 628425 for the penal sum of \$100,000, term beginning November 26, 2015 and ending November 26, 2016. This is a renewal of a continuing bond.

The independent treasurer is bonded by Merchants Bonding Company, bond number OK 89903 penal sum of \$100,000, term beginning January 12, 2016 and ending January 12, 2017. This is a renewal of a continuing bond.

The superintendent is bonded by Merchants Bonding Company, bond number OK 628426 for the penal sum of \$100,000, term beginning November 26, 2015 and ending November 26, 2016. This is a renewal of a continuing bond.

E. Related Parties

The Discovery Schools of Tulsa No. G-003, Dove Science Academy No. E-005 and Dove Science Elementary No. E-013 are all governed by the same Board of Education. In addition, these schools are all a part of the Sky Foundation, Inc. which was established in Stillwater, Oklahoma. The Dove Science Academy No. E-005 made \$330,000 in lease payments to the Sky Foundation, Inc. during the fiscal year ended June 30, 2016.

The School began the process of closing the Sky Foundation, Inc. and creating the Dove Public Charter School Foundation. The Dove Public Charter School Foundation is a non-profit corporation that is formed for the purpose of conduction one or more public charter schools under the Oklahoma Charter Schools Act, 70 O.S. Section 3-130 et seq.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
ALL FIDUCIARY FUND TYPES
JUNE 30, 2016

	<u>AGENCY FUND ACTIVITY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 26,966</u>
 <u>LIABILITIES</u>	
Liabilities	
Funds held for school organizations	<u>\$ 26,966</u>

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>ASSETS</u>	<u>BALANCE</u> <u>7-01-15</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ ADJUST.</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-16</u>
Cash	\$ 30,669	88,850	(112)	92,441	26,966
 <u>LIABILITIES</u>					
Funds held for school organizations:					
General Activity	\$ 14,185	67,753	(112)	78,726	3,100
Sports	271	8,798	-	7,580	1,489
Yearbook	2,253	3,343	-	1,814	3,782
Office	4,972	3,849	-	1,296	7,525
Club Activities	8,988	5,107	-	3,025	11,070
 TOTAL LIABILITIES	 \$ 30,669	 88,850	 (112)	 92,441	 26,966

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Project Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
<u>U.S. Department of Education:</u>							
<u>Passed Through State Department of Education:</u>							
Title I	84.010	511	\$ 151,641	-	101,275	119,387	32,254
Title I 2014-15 - Note 1	84.010	799	-	-	38,379	-	-
Title IIA	84.367	541	25,787	-	21,222	21,222	4,565
Title IIA 2014-15 - Note 1	84.367	799	-	-	7,329	-	-
IDEA-B Flow Through	84.027	621	73,107	-	72,695	72,695	412
IDEA-B Flow Through 2014-15 - Note 1	84.027	799	-	-	1,289	-	-
Sub Total			<u>250,535</u>	<u>-</u>	<u>242,189</u>	<u>213,304</u>	<u>37,231</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Human Services:</u>							
National School Lunch Program	10.555	763			146,427	146,427	
Food Distribution Program (Commodities) - Note 2	10.555	763			15,723	15,723	
School Breakfast Program	10.553	764			20,169	20,169	
Sub Total					<u>182,319</u>	<u>182,319</u>	
Total Expenditures of Federal Awards - Note 3			<u>\$ 250,535</u>	<u>-</u>	<u>424,508</u>	<u>395,623</u>	<u>37,231</u>

Note 1: This amount represents reimbursement for prior year expenditures which was not received until the current fiscal year.

Note 2: This amount represents federal non-cash assistance received in the form of commodities.

Note 3: Commodities received in the amount of \$15,723 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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

The Honorable Board of Education
Dove Science Academy No. E-005
Oklahoma County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of the Dove Science Academy No. E-005, Oklahoma County, Oklahoma ("School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's combined financial statements, and have issued our report thereon dated January 11, 2017. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
January 11, 2017

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**FINDINGS RELATED TO FINANCIAL REPORTING
FOR THE YEAR ENDED JUNE 30, 2016**

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no prior year findings related to financial reporting.

DOVE SCIENCE ACADEMY NO. E-005
Oklahoma County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2016

State of Oklahoma)
)ss
County of Pottawatomie)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Dove Science Academy No. E-005, for the audit year 2015-16.

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm



by _____
Authorized Agent

Subscribed and sworn to before me this 11th day of January, 2017.



Notary Public or CLERK or JUDGE
Commission No. 11002236
Expiration date March 10, 2019