

FINANCIAL STATEMENTS AND REPORTS OF  
VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
JUNE 30, 2013

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VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
JUNE 30, 2013

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VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013

BOARD OF EDUCATION

President  
Vice-President  
Clerk  
Member  
Member

J.P. Duvall  
William Adcock  
Helen McCowan  
Ricky Gist  
Tim Porter

School District Treasurer

Jennifer Basque

Encumbrance Clerk

Jeannette Wright

Superintendent of Schools

Jon Dotson

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Varnum School District No. I-7  
Seminole, Seminole County, Oklahoma

*REPORT ON THE FINANCIAL STATEMENTS*

I have audited the accompanying combined fund type and account group financial statements - regulatory basis of Varnum School District No. I-4, Seminole County, Oklahoma (District), as of and for the year ended June 30, 2013, 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 financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*AUDITOR'S RESPONSIBILITY*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 judgement, 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

*BASIS FOR ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES*

As discussed in Note 1, the financial statements are prepared by Varnum School District Number I-7, 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 comply with the requirements of the Oklahoma State Department of Education. The effects of the financial statements on 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 determined, are presumed to be material.

*ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES*

In my 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 Varnum School District No. I-7, Seminole County, Oklahoma as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

*BASIS FOR QUALIFIED OPINION ON REGULATORY BASIS OF ACCOUNTING*

As discussed in Note 1, the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with the accounting and reporting regulations prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed assets account group is not known.

*QUALIFIED OPINION ON REGULATORY BASIS OF ACCOUNTING*

In my opinion, except for the effects of the omission of the general fixed assets account group, 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 Varnum School District No. I-7, Seminole County, Oklahoma (District), as of June 30, 2013, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

*OTHER MATTERS*

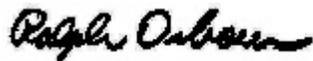
*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements - regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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 basic financial statements as a whole.

*OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 7, 2014 on my consideration of the District's internal control over financial reporting and on my 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 my 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 District's internal control over financial reporting and compliance.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
April 7, 2014

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2013

	<u>Governmental</u>		<u>Fiduciary</u>	<u>Total</u> (Memorandum Only)
	<u>Fund Type</u>		<u>Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Trust And Agency</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 763,185	\$ 101,602	\$ 47,932	\$ 912,719
Investments	-	1,000,000	-	1,000,000
<b>Total Assets</b>	<u>\$ 763,185</u>	<u>\$ 1,101,602</u>	<u>\$ 47,932</u>	<u>\$ 1,912,719</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Warrants payable	\$ 75,369	\$ 7,856	\$ -	\$ 83,225
Encumbrances	37,125	-	-	37,125
Due to other groups	-	-	37,621	37,621
<b>Total Liabilities</b>	<u>112,494</u>	<u>7,856</u>	<u>37,621</u>	<u>157,971</u>
<u>FUND EQUITY</u>				
Reserved for capital projects	-	-	10,311	10,311
Undesignated	650,691	1,093,746	-	1,744,437
<b>Total fund equity</b>	<u>650,691</u>	<u>1,093,746</u>	<u>10,311</u>	<u>1,754,748</u>
<b>Total liabilities and fund equity</b>	<u>\$ 763,185</u>	<u>\$ 1,101,602</u>	<u>\$ 47,932</u>	<u>\$ 1,912,719</u>

The accompanying notes are an integral part of this statement.

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
 PAID, AND CHANGES IN FUND BALANCES  
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2013

	Governmental	Fund Types	Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Insurance Fund	
<b>Revenues Collected</b>				
Local Resources	\$ 213,685	\$ 77,519	\$ -	\$ 291,204
Intermediate Sources	54,002	-	-	54,002
State Sources	1,485,880	7,175	-	1,493,055
Federal Sources	202,479	193,268	-	395,747
Non-Revenue Receipts	5,013	-	-	5,013
<b>Total Revenues Collected</b>	<b>1,961,059</b>	<b>277,962</b>	<b>-</b>	<b>2,239,021</b>
<b>Expenditures Paid</b>				
Instruction	1,262,871	-	-	1,262,871
Support Services	702,277	1,410	-	703,687
Non-Instruction Services	8,030	140,105	-	148,135
Capital Outlay	1,000	52,362	-	53,362
Other Outlays	199	-	-	199
Repayments	-	198	-	198
<b>Total Expenditures Paid</b>	<b>1,974,377</b>	<b>194,075</b>	<b>-</b>	<b>2,168,452</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year</b>				
	<b>(13,318)</b>	<b>83,887</b>	<b>-</b>	<b>70,569</b>
<b>Adjustments to Prior Year</b>				
Lapsed Appropriations	11,243	14,991	-	26,234
Warrants Estopped	99	9	-	108
<b>Total Adjustments to Prior Year</b>	<b>11,342</b>	<b>15,000</b>	<b>-</b>	<b>26,342</b>
<b>Excess (Deficiency) of Revenue Collected Over (Under) Expenditures Paid After Adjustment to Prior Year</b>				
	<b>(1,976)</b>	<b>98,887</b>	<b>-</b>	<b>96,911</b>
<b>Fund Balance, Beginning</b>	<b>652,667</b>	<b>994,859</b>	<b>10,311</b>	<b>1,657,837</b>
<b>Fund Balance, Ending</b>	<b>\$ 650,691</b>	<b>\$1,093,746</b>	<b>\$ 10,311</b>	<b>\$ 1,754,748</b>

The accompanying notes are an integral part of this statement.

**VARNUM SCHOOL DISTRICT NO. I-7**  
**SEMINOLE COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**REGULATORY BASIS - BUDGETED GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund			Special Revenue Funds		
	Original	Final	Actual	Original	Final	Actual
	Budget	Budget		Budget	Budget	
<b>Revenues Collected</b>						
Local Sources	\$ 216,669	\$ 216,669	\$ 213,685	\$ 45,754	\$ 45,754	\$ 77,519
Intermediate Sources	26,773	26,773	54,002	-	-	-
State Sources	1,394,994	1,394,994	1,485,880	1,854	1,854	7,175
Federal Sources	99,937	99,937	202,479	98,393	98,393	193,268
Non-Revenue Receipts	-	-	5,013	-	-	-
<b>Total Revenues Collected</b>	<u>1,738,373</u>	<u>1,738,373</u>	<u>1,961,059</u>	<u>146,001</u>	<u>146,001</u>	<u>277,962</u>
<b>Expenditures Paid</b>						
Instruction	2,391,040	2,391,040	1,262,871	-	-	-
Support Services	-	-	702,277	992,989	992,989	1,410
Non-Instruction Services	-	-	8,030	147,871	147,871	140,105
Capital Outlay	-	-	1,000	-	-	52,362
Other Outlays	-	-	199	-	-	-
Repayments	-	-	-	-	-	198
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Agent Charges	-	-	-	-	-	-
<b>Total Expenditures Paid</b>	<u>2,391,040</u>	<u>2,391,040</u>	<u>1,974,377</u>	<u>1,140,860</u>	<u>1,140,860</u>	<u>194,075</u>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adj to Prior year</b>	(652,667)	(652,667)	(13,318)	(994,859)	(994,859)	83,887
<b>Adjustments to Prior Year</b>						
Lapsed Appropriations	-	-	11,243	-	-	14,991
Warrants estopped	-	-	99	-	-	9
<b>Total Adjustments to Prior Year</b>	<u>-</u>	<u>-</u>	<u>11,342</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid After Adj to Prior year</b>	(652,667)	(652,667)	(1,976)	(994,859)	(994,859)	98,887
<b>Fund Balance, Beginning of Year</b>	<u>652,667</u>	<u>652,667</u>	<u>652,667</u>	<u>994,859</u>	<u>994,859</u>	<u>994,859</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,093,746</u>

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

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 1.        Summary of Significant Accounting Policies

The basic financial statements of Varnum Public Schools Independent District No. I-7, Seminole County, Oklahoma (the District) have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's policies are described below.

A.    Reporting entity

The District is a corporate body for public purposes created under Title 70 of Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District 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 governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, 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 evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District 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 District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

B. Fund Accounting and Description of Funds

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of governments' general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects fund), and the servicing of general long-term debt (debt service fund).

General Fund - The general fund is used to account for all transactions, except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Salary Incentive Aid Program. Expenditures include all costs associated with the daily operation of the schools except the programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue fund includes the District's Building Fund and Child Nutrition Fund.

Building Fund - The building fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund derives monies from the operation of the school lunch and breakfast programs.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related cost. The primary revenue source is local property taxes levied specifically for debt service.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Capital Projects Fund - The capital projects fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of the net income is necessary or useful to sound financial administration. Goods and services from such activities can be provided either outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District does not have Proprietary Funds at this time.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside partners, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Account Groups

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 not accounted for in proprietary funds.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The District does not have information necessary to include this group in its combined financial statements.

Memorandum Only - Total Column

The total column on the financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flow in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

C. Basis of Accounting and Presentation

The District 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 the 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*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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 and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes a legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by the majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. The District electors have made the levies permanent.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Under current Oklahoma Statutes, a formal 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 and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of certificates of deposit or direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues - The District is authorized by state law to levy property taxes, which consists of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories - The value of consumable inventories at June 30, 2013 is not known but is not believed to be material to the basic financial statements.

Capital Assets - The General Fixed Assets Account Group is not presented. The amount which would be included in it is not known.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Employees are allowed varying amounts of sick leave during the year in accordance with Oklahoma Statutes. Sick leave used during the year is recorded as an expense in the governmental fund. Vested accumulated rights to receive sick pay benefits may be used in subsequent years, transferred to another District, or added to years of service upon retirement. Based on the District's experience it is not probable that District will pay for vested accumulated rights to receive sick leave. Therefore, a liability for vested accumulated sick leave has not been recorded.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Fund Balance - Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses, and Expenditures

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.

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 District receives revenue from the state to administer certain categorical education programs. State Board of Education rules require that revenue earmarked for these programs be expected only for the program for which the money is provided. These rules also 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 the categorical educational program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

All other transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2013.

Note 2. Cash and Investments

The District's investment policies are governed by state statute. 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 saving 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the District will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by counterparty or the counterparty's trust department but not in the name of the District. The District's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Districts deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The District had deposits at financial institutions with a carrying amount of approximately \$1,912,719 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$1,916,223.

Credit Risk

Fixed-income securities are subject to credit risk. However, the District did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's Treasurer and Board of Education monitor the District's investment performance on an ongoing basis to limit the District's interest rate risk. As of June 30, 2013, all of the District's deposits consisted of demand deposits and certificates of deposit.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

3. Employee Retirement System

The District participants in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer Public Employee Retirement System administered by the Board of Trustees of the Oklahoma Teachers' Retirement System. The System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Title 70 Section 17 of Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action.

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under funded pension benefit obligation as determined as part of the latest actuarial valuation.

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The required contribution for participating members is 7% of compensation. Additionally, OTRS receives federal matching contributions for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenue from sales tax, use tax, corporate income tax, and individual income tax. The District is required by statute to contribute 9.5% of compensation. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The annual report may be obtained by writing to Oklahoma Teacher's Retirement System, PO Box 53524, Oklahoma City, OK, 73152 or by calling 405-521-2387.

The Districts total contributions for 2013, 2012 and 2011 were \$94,491, \$97,499, and \$81,835 respectively.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note 4. Contingencies

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

Note 5. Risk Management

The District is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 6. Subsequent Events

The District has evaluated subsequent events through April 7, 2014, the date which financial statements were available, for items that need to be disclosed. The District is not aware of any subsequent event which needs to be disclosed.

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	<u>Building Fund</u>	<u>Child Nutrition</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 53,658	\$ 47,944	\$ 101,602
Investments	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
<b>Total Assets</b>	<b><u>\$1,053,658</u></b>	<b><u>\$ 47,944</u></b>	<b><u>\$ 1,101,602</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Warrants Payable	\$ -	\$ 7,856	\$ 7,856
<b>Total Liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 7,856</u></b>	<b><u>\$ 7,856</u></b>
<b>Fund Equity:</b>			
Unreserved Undesignated	<u>1,053,658</u>	<u>40,088</u>	<u>1,093,746</u>
<b>Total Fund Equity</b>	<b><u>1,053,658</u></b>	<b><u>40,088</u></b>	<b><u>1,093,746</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$1,053,658</u></b>	<b><u>\$ 47,944</u></b>	<b><u>\$ 1,101,602</u></b>

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

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,  
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS- ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Building Fund</u>	<u>Child Nutrition</u>	<u>Total</u>
Revenues Collected:			
Local Sources	\$ 57,258	\$ 20,261	\$ 77,519
State Sources	4,781	2,394	7,175
Federal Sources	<u>67,468</u>	<u>125,800</u>	<u>193,268</u>
Total Revenues	<u>129,507</u>	<u>148,455</u>	<u>277,962</u>
Expenditures Paid:			
Support Services	1,410	-	1,410
Non-instruction	-	140,105	140,105
Capital Outlays	52,362	-	52,362
Repayments	<u>-</u>	<u>198</u>	<u>198</u>
Total Expenditures Paid	<u>53,772</u>	<u>140,303</u>	<u>194,075</u>
Excess of Revenues Collected Over (Under) Expenditures paid Before Adjustments to Prior Year			
	<u>75,735</u>	<u>8,152</u>	<u>83,887</u>
Adjustments to Prior Year			
Lapsed Appropriations	14,991	-	14,991
Estopped Warrants	<u>-</u>	<u>9</u>	<u>9</u>
Total Adjustments	<u>14,991</u>	<u>9</u>	<u>15,000</u>
Excess of Revenues Collected Over (Under) Expenditures Paid and After Adjustments to Prior Year			
	90,726	8,161	98,887
Fund Balance - Beginning of Year	<u>962,932</u>	<u>31,927</u>	<u>994,859</u>
Fund Balance - End of Year	<u>\$1,053,658</u>	<u>\$ 40,088</u>	<u>\$ 1,093,746</u>

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

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 REGULATORY BASIS - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Building Fund			Child Nutrition			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 30,057	\$ 30,057	\$ 57,258	\$ 15,697	\$ 15,697	\$ 20,261	\$ 45,754	\$ 45,754	\$ 77,519
State Sources	-	-	4,781	1,854	1,854	2,394	1,854	1,854	7,175
Federal Sources	-	-	67,468	98,393	98,393	125,800	98,393	98,393	193,268
Total Revenue Collected	<u>30,057</u>	<u>30,057</u>	<u>129,507</u>	<u>115,944</u>	<u>115,944</u>	<u>148,455</u>	<u>146,001</u>	<u>146,001</u>	<u>277,962</u>
Expenditures Paid:									
Support Services	992,989	992,989	1,410	-	-	-	992,989	992,989	1,410
Non-Instruction Services	-	-	-	147,871	147,871	140,105	147,871	147,871	140,105
Capital Outlays	-	-	52,362	-	-	-	-	-	52,362
Repayments	-	-	-	-	-	198	-	-	198
Total Expenditures Paid	<u>992,989</u>	<u>992,989</u>	<u>53,772</u>	<u>147,871</u>	<u>147,871</u>	<u>140,303</u>	<u>1,140,860</u>	<u>1,140,860</u>	<u>194,075</u>
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adj to Prior Year	(962,932)	(962,932)	75,735	(31,927)	(31,927)	8,152	(994,859)	(994,859)	83,887
Adjustment to Prior Year									
Lapsed Appropriations	-	-	14,991	-	-	-	-	-	14,991
Estopped Warrants	-	-	-	-	-	9	-	-	9
Total Adj to Prior Year	<u>-</u>	<u>-</u>	<u>14,991</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Excess of Revenues Collected Over (Under) Expenditures Paid After Adj to Prior Year	(962,932)	(962,932)	90,726	(31,927)	(31,927)	8,161	(994,859)	(994,859)	98,887
Fund Balance - Beginning	962,932	962,932	962,932	31,927	31,927	31,927	994,859	994,859	994,859
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,053,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,093,746</u>

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

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 JUNE 30, 2013

	<u>Agency Fund Activity Funds</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 37,621	\$ 37,621
<b>Total Assets</b>	<u>\$ 37,621</u>	<u>\$ 37,621</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities:</b>		
Due to Others	\$ 37,621	\$ 37,621
<b>Total Liabilities</b>	<u>37,621</u>	<u>37,621</u>
<b>Fund Equity:</b>		
Unreserved/Undesignated	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 37,621</u>	<u>\$ 37,621</u>

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

VARNUM SCHOOL DISTRICT NO. I-7  
 SEMINOLE COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ACTIVITY FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
GENERAL ACTIVITY	\$ 2263	\$ 3,666	\$ 4,536	\$ 1,393
4-H CLUB	694	8,567	8,600	661
FLOWER	40	275	313	2
MIDDLE SCHOOL	6,391	8,068	5,856	8,603
YEARBOOK	3,518	5,064	6,357	2,225
CHEERLEADERS	1,577	2,871	3,655	793
ELEMENTARY	4,246	7,412	5,622	6,036
CLASS OF 2014	960	2,446	2,820	586
CLASS OF 2015	206	9,372	7,647	1,931
CLASS OF 2016	27	565	0	592
CLASS OF 2013	850	3,247	4,097	0
BOYS BASKETBALL	1,108	4,779	4,489	1,398
BOYS BASEBALL	456	642	448	650
GIRLS BASKETBALL	381	2,605	1,771	1,215
BPA	125	2,406	2,473	58
FCA	94	0	0	94
LIBRARY	5,351	2,201	2,752	4,800
BOWMAN SCHOLARSHIP	150	0	0	150
ATHLETIC FUND	1,764	32,857	28,883	5,738
CLEARING ACCOUNT	12	0	12	0
ATHLETIC BOOSTER CLUB	518	0	25	493
VARNUM STUDENTS	0	203	0	203
<b>Total Activities</b>	<b><u>\$ 30,731</u></b>	<b><u>\$ 97,246</u></b>	<b><u>\$ 90,356</u></b>	<b><u>\$ 37,621</u></b>

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

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FEDERAL AWARDS EXPENDED  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's CFDA#	Approved Number	Amount	Balance at July1,2012	Receipts	Expenditures*	Balance at June30,2013
U.S. Dept. of Educ.							
Direct Programs							
Title VII - Part A Ind. Ed	84.060		\$ -	\$ -	\$ 32,968	\$ 24,870	\$ -
Impact Aid	84.041		-	-	67,367	-	-
Title VI - Subpart 1	84.358		-	-	-	11,857	-
Title VI	84.358A		-	-	45,890	71,963	-
Federal Emergency Management	97.036		-	-	4,534	-	-
Total Direct			-	-	150,759	108,690	-
Passed Through State							
Dept. of Educ.							
Title 1	84.010		-	-	96,423	96,790	-
Title II, Part A	84.367		-	-	21,209	-	-
Total Passed Through State Dept.of Educ.			-	-	117,632	96,790	-
Total U.S. Dept. of Educ.			-	-	268,391	205,480	-
U.S. Dept. Of Interior Passed Through Muscogee Seminole Nation							
Johnson O'Malley	15.130		-	-	1,556	12,789	-
Total passed through Muscogee Seminole Nation			-	-	1,556	12,789	-
U.S. Dept. Of Agriculture Passed Through State Department of Education							
School Breakfast Program	10.553		-	-	38,176	36,286*	-
School Lunch Program	10.555		-	-	87,624	66,168*	-
Passed Through State Dept. of Human Services Child Nutrition Cluster							
Non-cash Asst. (Commodities)	10.555		-	-	5,614	5,614	-
Total U.S. Dept.Of Agriculture			-	-	131,414	108,068	-
Total Expenditures Of Federal Awards			\$ -	\$ -	\$ 401,361	\$ 326,337	\$ -

Note 1 - \* Represents federal share of expenditures only.

Note 2 - Commodities received in the amount of \$5,614 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule is prepared using the regulatory basis of accounting described in Note 1C.

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

**VARNUM SCHOOL DISTRICT NO. I-7**  
**SEMINOLE COUNTY, OKLAHOMA**  
**STATEMENT OF STATUTORY, FIDELITY, AND HONESTY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Bond Type</u>	<u>Bonding Company</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Effective Date</u>
Surety/Clerk	Old Republic	POB0833801	\$ 3,000	09/01/11 - 09/01/12
Surety/Clerk	Old Republic	POB0833801	\$ 3,000	09/01/12 - 09/01/13
Surety/Principal	Old Republic	POB0833801	\$ 3,000	09/01/11 - 09/01/12
Surety/Principal	Old Republic	POB0833801	\$ 3,000	09/01/12 - 09/01/13
Surety/Treasurer	Old Republic	LOP2103739	\$ 100,000	07/01/12 - 07/01/13
Surety/Supt.	RLI Insurance	LSM0318915	\$ 100,000	08/05/12 - 08/05/13

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Varnum School District No. I-7  
Seminole County  
Seminole, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements - regulatory basis within the combined financial statements of Varnum School District No. I-7, Seminole County, Oklahoma (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated April 7, 2014 which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, my report was qualified for the omission of the General Fixed Assets Account Group with respect to the presentation of the financial statements on the regulatory basis of accounting authorized by the Oklahoma State Department of Education..

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control such that there is 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.

My 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 deficiencies, significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control 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.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
April 14, 2014

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified on regulatory  
basis of accounting

Internal control over financial reporting:  
Material weakness(es) identified?

Yes       No

Reportable condition(s) identified that are  
not considered to be material weakness(es)?

Yes       None Reported

Noncompliance material to financial  
statements noted?

Yes       No

Section II - Financial Statement Findings

There were no findings.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

2012-01 Child Nutrition Fund expenditures were not properly coded.

Condition - The District expenditure summary for the Child Nutrition Fund shows Project 335 with \$10,788 in expenditures and Project 385 with \$129,217. These codes are used for state source revenue. No expenditures are reported for Project 763 or 764, which are used for federal source revenue. Revenue from local sources totaled \$17,470 and from state sources totaled \$2,060. Federal source revenue was \$109,326. Total expenditures were \$153,603. All expenditures could not have been made from local or state source revenue.

Criteria - The Oklahoma Cost Accounting System provides codes to be used for the expenditure of federal funds. These codes should be used for federal source revenue.

Cause - The District encumbrance clerk was told to use the wrong OCAS code.

Effect - Failure to use codes 763 and 764 results in the District under reporting its federal expenditures.

Recommendation - The District should code expenditures made from federal source revenue to the correct code.

District Response - The District will consider the source of the revenue and the use of the correct OCAS codes.

VARNUM SCHOOL DISTRICT NO. I-7  
SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
July 1, 2012 TO JUNE 30, 2013

State of Oklahoma     )  
County of Seminole    )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that firm had in full force and effect Accountant's 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 Varnum School District No. I-7 for the audit year 2012-2013.

Ralph Osborn, CPA  
Auditing Firm

By Ralph Osborn

Authorized Agent

Subscribed and sworn to before me  
On this 7th day of April, 2014.

Christie Williams  
Notary Public



My commission expires on:

20<sup>th</sup> day of April, 2016

My commission number:

12003834