

KILLEEN INDEPENDENT SCHOOL DISTRICT

SINGLE AUDIT REPORTS

For the Year Ended  
August 31, 2007

**KILLEEN INDEPENDENT SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED AUGUST 31, 2007**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING  
STANDARDS**

**Independent Auditors' Report**

Board of Trustees  
Killeen Independent School District  
200 North W. S. Young Drive  
Killeen, Texas 76543

Members of the Board:

We have audited the financial statements of Killeen Independent School District as of and for the year ended August 31, 2007, which collectively comprise Killeen Independent School District's basic financial statements and have issued our report thereon dated December 13, 2007. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Killeen Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Killeen Independent School District in a separate letter, dated December 13, 2007.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Killeen Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Killeen Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Killeen Independent School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Killeen Independent School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Killeen Independent School District's financial statements that is more than inconsequential will not be prevented or detected by Killeen Independent School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Killeen Independent School District's internal control.

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

However, we noted other matters involving the internal control over financial reporting, which we have reported to the administration of Killeen Independent School District in a separate letter dated December 13, 2007.

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

*Lott, Vernon + Company P.C.*

Killeen, Texas  
December 13, 2007



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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### Independent Auditors' Report

Board of Trustees  
Killeen Independent School District  
200 North W. S. Young Drive  
Killeen, Texas 76543

Members of the Board:

### Compliance

We have audited the compliance of Killeen Independent School District with the types of compliance requirements described in the U. S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Killeen Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Killeen Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Killeen Independent School District's compliance with those requirements.

In our opinion, Killeen Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

## **Internal Control Over Compliance**

The administration of Killeen Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to the administration of Killeen Independent School District in a separate letter dated December 13, 2007.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of Killeen Independent School District as of and for the year ended August 31, 2007, and have issued our report thereon dated December 13, 2007. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of Killeen Independent School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

*Lott, Vernon & Company P.C.*

Killeen, Texas  
December 13, 2007

KILLEEN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2007

<b>Summary Information:</b>	
Type of report on financial statements	Unqualified opinion
Significant Deficiencies	None
Material weaknesses involving financial statements	None
Noncompliance material to the financial statements	The level of noncompliance was not material in relation to financial statements covering federal programs.
Type of report on compliance with major programs	Unqualified opinion
Findings and questioned costs for federal awards as defined in Section .510(a). OMB Circular A-133	No known questioned costs as defined in Section .510(a). OMB Circular A-133 were noted.
Dollar threshold considered between Type A and Type B federal programs	\$ 2,240,358
Low risk auditee statements	The district was not classified as a low-risk auditee in the context of OMB Circular A-133.
Major federal programs	ESEA Title I, Part A – Improving Basic Programs CFDA 84.010A Title VIII of ESEA – Impact Aid CFDA 84.041 National School Lunch/Breakfast Program CFDA 10.555/10.553 IDEA Part B – CFDA 84.027/84.173
Pass-through entity for applicable programs	Texas Education Agency
Current Year Findings:	None

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
FOR THE YEAR ENDED AUGUST 31, 2007

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
DIRECT PROGRAMS			
Impact Aid - P.L. 81.874 *	84.041	33014906	\$ 45,950,031
Impact Aid - P.L. 103-382 Section 8007 *	84.041	33014906	<u>1,517,198</u>
			47,467,229
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
DIRECT PROGRAMS			
Impact Aid - P.L. 109-164, Section 572 *	84.041	N/A	\$ 2,314,891
Total CFDA Number 84.041			<u>\$ 49,782,120</u>
TOTAL DIRECT PROGRAMS			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
ESEA Title I Part A*	84.010A	07610101014906	\$ 6,715,670
ESEA Title I Part A*	84.010A	08610101014906	389,211
ESEA Title I Part D, Subpart 2*	84.010A	07610103014906	<u>82,248</u>
Total CFDA Number 84.010A			7,187,129
IDEA, Part B, Formula (Deaf) *	84.027	076600010149066601	16,595
IDEA, Part B, Formula *	84.027	076600010149066600	5,537,528
IDEA, Part B, Formula *	84.027	086600010149066600	393,085
IDEA-B Discretionary (Deaf)*	84.027	076600020149066673	19,476
IDEA-B High Costs*	84.027	076600060149066680	<u>117,131</u>
Total CFDA Number 84.027			6,083,815
Vocational Education- Basic Grant	84.048	0742000601490612	352,934
Vocational Education- Basic Grant	84.048	0842000601490612	<u>18,589</u>
Total CFDA Number 84.048			371,523
IDEA, Part B, Preschool *	84.173	076610010149066610	147,130
IDEA, Part B, Preschool *	84.173	086610010149066610	11,597
IDEA, Part B, Preschool (Deaf) *	84.173	076610010149066611	<u>4,676</u>
Total CFDA Number 84.173			163,403
IDEA, Part C Early Intervention	84.181A	073911010149063911	187
ESEA Title IV - Safe and Drug-Free Schools	84.186A	07691001014906	146,435
Title V, Part A - Innovative Programs	84.298	07685001014906	52,271
SSA - Title II, Part D, Enhancing Education Through Technology	84.318x	07630001014906	67,521
Title III, Part A, English Language Acquisition and Enhancement	84.365	07671001014906	158,240
ESEA Title II, Part A, Teacher & Principal Training	84.367	07694501014906	1,285,856
ESEA Title II, Part A, Teacher & Principal Training	84.367	08694501014906	<u>132,312</u>
Total CFDA Number 84.367A			1,418,168
Teacher Classroom Supply Reimbursement Grant	84.999	N/A	39,143
TOTAL PASS THROUGH PROGRAMS			<u>\$ 15,687,835</u>
<b>TOTAL DEPARTMENT OF EDUCATION AND DEFENSE</b>			<u>\$ 65,469,955</u>



KILLEEN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
 FOR THE YEAR ENDED AUGUST 31, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
National School Lunch Program*	10.555	71300601	\$ 6,533,213
National School Lunch Program (Donated Commodities)	10.550	N/A	579,077
National School Breakfast Program*	10.553	71400601	<u>1,752,498</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 8,864,788</u>
<b><u>UNITED STATES ARMY</u></b>			
<b>DIRECT PROGRAMS</b>			
ROTC	12.00	N/A	<u>343,841</u>
<b>TOTAL UNITED STATES ARMY</b>			<u>\$ 343,841</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$ 74,678,584</u></u>

\* Indicated Major Program

KILLEEN INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS  
YEAR ENDED AUGUST 31, 2007

The District utilizes the fund types specified by the Texas Education Agency in the Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General Fund, a Special Revenue Fund or a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, The Expendable Trust Fund, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H., Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement – March 2007 Revision.

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2007

DEPARTMENT OF EDUCATION

FINDING 06-1: Non-compliance with Title 1, Part A, allocation of funds to eligible schools

*Condition:* The District failed to allocate funds to two of the schools, in rank order, on the basis of the total number of poor children in each school.

*Recommendation:* The auditor recommended that the District should ensure future allocations of Title 1, Part A funds are made in rank order based on the total number of poor children in each school.

*Current Status:* This finding is resolved.

KILLEEN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CORRECTIVE ACTION  
FOR THE YEAR ENDED AUGUST 31, 2007

**Current Year Findings**

None