

KILLEEN INDEPENDENT SCHOOL DISTRICT

SINGLE AUDIT REPORTS

For the Year Ended  
August 31, 2010

**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**SINGLE AUDIT REPORTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

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**Lott, Vernon & Company, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE 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, 2010, which collectively comprise Killeen Independent School District's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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 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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

However, we noted other matters involving internal controls over financial reporting that we have reported to Killeen Independent School District's Board in a separate letter dated December 10, 2010.

### **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 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*.

However, we noted other matters involving compliance that we have reported to Killeen Independent School District's Board in a separate letter dated December 10, 2010.

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 10, 2010



***Lott, Vernon & Company, P.C.***

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Killeen Independent School District's compliance with the types of compliance requirements described in the U S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Killeen Independent School District's major federal programs for the year ended August 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

### **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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Killeen Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

### **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, 2010, and have issued our report thereon dated December 10, 2010, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic 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 U.S. Office of Management and Budget Circular (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of the management of Killeen Independent School District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements 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 10, 2010

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2010

<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	\$ 3,346,600
Low risk auditee statements	The district was classified as a low-risk auditee in the context of OMB Circular A-133.
Major federal programs	Impact Aid School Construction ARRA – CFDA 84.404 ESEA Title I – Improving Basic Programs-CFDA 84.010 Title VIII of ESEA – Impact Aid CFDA 84.041 IDEA Part B – CFDA 84.027/84.173 ESEA Title I – Improving Basic Programs ARRA (Stimulus) - CFDA 84.389 IDEA Part B ARRA (Stimulus) – CFDA 84.391/84.392 Title XIV, State Stabilization Fund ARRA (Stimulus)- CFDA 84.394 National School Lunch/Breakfast Program CFDA 10.555/10.553
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, 2010

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	\$ 54,796,747
Impact Aid - P.L. 107-110, Section 8007*	84.041	33014906	1,559,847
Total CFDA Number 84.041			<u>56,356,594</u>
Impact Aid School Construction - ARRA*	84.404	S404A090159	4,492,994
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
DIRECT PROGRAMS			
Impact Aid - P.L. 110-417, Section 551 *	84.041	N/A	3,041,329
Total CFDA Number 84.041			<u>63,890,917</u>
Project Serv Grant (School Emergency Response to Violence) SDFS	84.184S	Q184S100006A	22,876
TOTAL DIRECT PROGRAMS			\$ 63,913,793
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
ESEA Title I Part A*	84.010	10610101014906	\$ 7,354,857
ESEA Title I Part A*	84.010	11610101014906	477,526
ESEA Title I Part D, Subpart 2*	84.010	10610103014906	95,051
Total CFDA Number 84.010			<u>7,927,434</u>
IDEA, Part B, Formula (Deaf) *	84.027	106600010149066601	16,001
IDEA, Part B, Formula *	84.027	106600010149066600	5,350,226
Total CFDA Number 84.027			<u>5,366,227</u>
Vocational Education- Basic Grant	84.048	10420006014906	379,511
Vocational Education- Basic Grant	84.048	11420006014906	14,823
Total CFDA Number 84.048			<u>394,334</u>
IDEA, Part B, Preschool *	84.173	106610010149066610	26,123
IDEA, Part B, Preschool (Deaf) *	84.173	106610010149066611	7,236
Total CFDA Number 84.173			<u>33,359</u>
IDEA, Part C, Early Intervention	84.181	103911010149063911	533
ESEA Title IV - Safe and Drug-Free Schools	84.186	10691001014906	122,854
ESEA, Title X, Part C - Homeless Children and Youth	84.196	00-035	50,887
SSA - Title II, Part D, Enhancing Education Through Technology	84.318	10630001014906	74,330
Title III, Part A, English Language Acquisition and Enhancement	84.365	10671001014906	284,169
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	10694501014906	1,096,220
Title II, Part D, ARRA (Stimulus)-Enhancing Education Through Technology	84.386	10553001014906	188,084
Title II, Part D, Discretionary Grant - ARRA (Stimulus)	84.386	105530027110021	815,684
Total CFDA Number 84.386			<u>1,003,768</u>
ESEA, Title X, Part C - ARRA (Stimulus) Education for Homeless Children and Youth	84.387	A09-005	68,464
ESEA Title I Part A - ARRA (Stimulus)*	84.389	10551001014906	4,465,865
ESEA Title I - Part D, Subpart 2 - ARRA (Stimulus)*	84.389	10551003014906	62,419
Total CFDA Number 84.389			<u>4,528,284</u>
IDEA, Part B, Formula ARRA (Stimulus)*	84.391	10554001014906	4,170,135
IDEA, Part B, Preschool ARRA (Stimulus)*	84.392	10555001014906	34,439
Title XIV, State Fiscal Stabilization Fund ARRA (Stimulus)*	84.394	10557001014906	10,692,251
TOTAL PASS THROUGH PROGRAMS			\$ 35,847,688
<b>TOTAL DEPARTMENT OF EDUCATION AND DEFENSE</b>			<u>\$ 99,761,481</u>

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
FOR THE YEAR ENDED AUGUST 31, 2010

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	71300901	1,144,011
National School Lunch Program*	10.555	71301001	6,745,489
National School Lunch Program (Donated Commodities)	10.550	N/A	963,231
National School Breakfast Program*	10.553	71400901	273,571
National School Breakfast Program*	10.553	71401001	1,729,657
Summer Feeding Program, Texas Department of Agriculture	10.559	N/A	<u>592,741</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ <u>11,448,700</u></b>
<b><u>UNITED STATES ARMY</u></b>			
<b>DIRECT PROGRAMS</b>			
ROTC	12.00	N/A	<u>343,139</u>
<b>TOTAL UNITED STATES ARMY</b>			<b>\$ <u>343,139</u></b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ <u><u>111,553,320</u></u></b>

\* Indicated Major Program

KILLEEN INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS  
YEAR ENDED AUGUST 31, 2010

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 fund balance.

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 – June 2010 Revision.

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2010

**Unresolved Prior Year Findings**

None

KILLEEN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CORRECTIVE ACTION  
FOR THE YEAR ENDED AUGUST 31, 2010

**Current Year Findings**

None