

KILLEEN INDEPENDENT SCHOOL DISTRICT

SINGLE AUDIT REPORTS

For the Year Ended
August 31, 2011

KILLEEN INDEPENDENT SCHOOL DISTRICT

**SINGLE AUDIT REPORTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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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, 2011, which collectively comprise Killeen Independent School District's basic financial statements and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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*.

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 our 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 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 would not necessarily identify all deficiencies in 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.

This report is intended solely for the information and use of the management, Board of Trustees, Texas Education Agency, 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
January 3, 2012



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, 2011. 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, 2011.

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, 2011, and have issued our report thereon dated January 3, 2012, 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
January 3, 2012

KILLEEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

| | |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Summary Information: | |
| 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 | \$ 3,319,391 |
| 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, 2011

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Project Number | Federal Expenditures |
|-----------------------------------------------------------------------------------|---------------------------|--------------------|-------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| DIRECT PROGRAMS | | | |
| Impact Aid - P.L. 81.874 * | 84.041 | 33014906 | \$ 57,905,763 |
| Impact Aid - P.L. 107-110, Section 8007* | 84.041 | 33014906 | 1,470,075 |
| Total CFDA Number 84.041 | | | <u>59,375,838</u> |
| Impact Aid School Construction - ARRA* | 84.404 | S404A090159 | 170,774 |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | | |
| DIRECT PROGRAMS | | | |
| Impact Aid - P.L. 110-417, Section 551 * | 84.041 | N/A | <u>3,220,471</u> |
| TOTAL DIRECT PROGRAMS | | | \$ 62,767,083 |
| PASSED THROUGH STATE DEPARTMENT OF EDUCATION | | | |
| ESEA Title I Part A* | 84.010 | 10610101014906 | \$ 9,540 |
| ESEA Title I Part A* | 84.010 | 11610101014906 | 7,686,905 |
| ESEA Title I Part A* | 84.010 | 12610101014906 | 424,497 |
| ESEA Title I Part D, Subpart 2* | 84.010 | 10610103014906 | 284 |
| ESEA Title I Part D, Subpart 2* | 84.010 | 11610103014906 | 76,717 |
| Total CFDA Number 84.010 | | | <u>8,197,943</u> |
| IDEA, Part B, Formula (Deaf) * | 84.027 | 106600010149066601 | 76 |
| IDEA, Part B, Formula (Deaf) * | 84.027 | 116600010149066601 | 5,427 |
| IDEA, Part B, Formula * | 84.027 | 106600010149066600 | 230 |
| IDEA, Part B, Formula * | 84.027 | 116600010149066600 | 4,617,859 |
| IDEA, Part B, Formula * | 84.027 | 126600010149066600 | 21,834 |
| IDEA, Part B, Discretionary | 84.027 | 11660002014906 | 14,524 |
| Total CFDA Number 84.027 | | | <u>4,659,950</u> |
| Vocational Education- Basic Grant | 84.048 | 11420006014906 | 361,685 |
| Vocational Education- Basic Grant | 84.048 | 12420006014906 | 2,973 |
| Total CFDA Number 84.048 | | | <u>364,658</u> |
| IDEA, Part B, Preschool * | 84.173 | 116610010149066610 | 165,958 |
| IDEA, Part B, Preschool (Deaf) * | 84.173 | 116610010149066611 | 2,404 |
| Total CFDA Number 84.173 | | | <u>168,362</u> |
| ESEA, Title X, Part C - Homeless Children and Youth | 84.196 | 00-035 | 72,321 |
| Title III, Part A, English Language Acquisition and Enhancement | 84.365 | 10671001014906 | 474 |
| Title III, Part A, English Language Acquisition and Enhancement | 84.365 | 11671001014906 | 293,688 |
| Total CFDA Number 84.365 | | | <u>294,162</u> |
| ESEA Title II, Part A, Teacher & Principal Training and Recruiting | 84.367 | 10694501014906 | 84,356 |
| ESEA Title II, Part A, Teacher & Principal Training and Recruiting | 84.367 | 11694501014906 | 1,218,850 |
| Total CFDA Number 84.367 | | | <u>1,303,206</u> |
| Title II, Part D, ARRA Formula (Stimulus)-Enhancing Education Through Technology | 84.386a | 10553001014906 | 3,684 |
| Title II, Part D, Discretionary, ARRA (Stimulus) - Target Tech in Texas (T3) | 84.386a | 1055300271 10021 | 148,481 |
| Total CFDA Number 84.386a | | | <u>152,165</u> |
| ESEA, Title X, Part C - ARRA (Stimulus) Education for Homeless Children and Youth | 84.387 | 11-014906 | 23,135 |
| ESEA Title I Part A - ARRA (Stimulus)* | 84.389 | 11551001014906 | 1,609,311 |
| ESEA Title I - Part D, Subpart 2 - ARRA (Stimulus)* | 84.389 | 11551003014906 | 199 |
| Total CFDA Number 84.389 | | | <u>1,609,510</u> |
| IDEA, Part B, Formula ARRA (Stimulus)* | 84.391 | 11554001014906 | 3,254,777 |
| IDEA, Part B, Preschool ARRA (Stimulus)* | 84.392 | 11555001014906 | 152,822 |
| Title XIV, State Fiscal Stabilization Fund ARRA (Stimulus)* | 84.394 | 11557001014906 | 11,053,356 |
| Education Jobs Foundation ARRA | 84.410 | 11550101014906 | 461,892 |
| TOTAL PASS THROUGH PROGRAMS | | | <u>\$ 31,768,259</u> |
| TOTAL DEPARTMENT OF EDUCATION AND DEFENSE | | | <u>\$ 94,535,342</u> |

KILLEEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Project Number | Federal Expenditures |
|------------------------------------------------------------|---------------------------|-------------------|-------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| National School Lunch Program* | 10.555 | 71301001 | 1,291,651 |
| National School Lunch Program* | 10.555 | 71301101 | 7,112,077 |
| National School Lunch Program (Donated Commodities) | 10.550 | N/A | 1,077,723 |
| National School Breakfast Program* | 10.553 | 71401001 | 299,437 |
| National School Breakfast Program* | 10.553 | 71401101 | 1,852,362 |
| Summer Feeding Program, Texas Department of Agriculture | 10.559 | N/A | <u>544,858</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | \$ <u>12,178,108</u> |
| <u>UNITED STATES ARMY</u> | | | |
| DIRECT PROGRAMS | | | |
| ROTC | 12.00 | N/A | <u>364,029</u> |
| TOTAL UNITED STATES ARMY | | | \$ <u>364,029</u> |
| TOTAL FEDERAL ASSISTANCE | | | \$ <u><u>107,077,479</u></u> |

* Indicated Major Program

KILLEEN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS
YEAR ENDED AUGUST 31, 2011

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 2011 Revision.

KILLEEN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2011

Unresolved Prior Year Findings

None

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CORRECTIVE ACTION
FOR THE YEAR ENDED AUGUST 31, 2011

Current Year Findings

None