

KILLEEN INDEPENDENT SCHOOL DISTRICT

SINGLE AUDIT REPORTS

**For the Year Ended
August 31, 2016**

KILLEEN INDEPENDENT SCHOOL DISTRICT

**SINGLE AUDIT REPORTS
FOR THE YEAR ENDED AUGUST 31, 2016**

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CERTIFIED PUBLIC ACCOUNTANTS

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Member of
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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*

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

We 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killeen Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jett, Vernon & Co., P.C." The signature is written in black ink and is positioned above the printed text of the firm's name.

Killeen, Texas

December 30, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL REWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Killeen Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, 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 the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killeen Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jott, Vernon & Co., P.C.
Killeen, Texas

December 30, 2016

KILLEEN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
August 31, 2016

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: unmodified
2. Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
 Material weakness (es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness (es)? _____ yes X no
5. Type of auditor's report issued on compliance for major programs: unmodified
6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance? _____ yes X no
7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>
ESEA Title II Part A	84.367
IDEA Part B	84.027
IDEA Part B, Preschool	84.173
Title VIII of ESEA – Impact Aid	84.041

8. Dollar threshold used to distinguish between type A and type B federal programs: \$2,999,016
9. Auditee qualified as low-risk auditee? X yes _____ no

KILLEEN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
August 31, 2016

II. Financial Statement Findings

- None.

III. Federal Awards Findings and Questioned Costs

- None.

KILLEEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE EDUCATION ACTIVITY</u>			
<u>DIRECT PROGRAMS:</u>			
Promoting K-12 Student Achievement at Military Connected School P.L. 109-364, Section 574(d)	12.556	HE1254-13-1-0009	\$ 586,782
Support for Student Achievement at Military Connected Schools - P.L. 109-364, Section 574(d)	12.557	HE1254-14-1-0031	\$ 386,857
Support for Student Achievement at Military Connected Schools/SPED - P.L. 109-364, Section 574(d)	12.556	HE1254-15-1-0016	\$ 12,966
<u>U.S. DEPARTMENT OF DEFENSE</u>			
<u>DIRECT PROGRAMS:</u>			
ROTC	12.00	N/A	353,669
Impact Aid - P.L. 110-417, Section 551 *	84.041	N/A	2,401,941
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>DIRECT PROGRAMS:</u>			
Impact Aid - P.L. 81-874 *	84.041	33014906	61,570,290
Impact Aid - P.L. 107-110, Section 8007 *	84.041	33014906	1,679,252
Total CFDA Number 84.041			65,651,483
<u>PASS THROUGH PROGRAMS:</u>			
<u>PASSED THROUGH OHIO STATE UNIVERSITY:</u>			
Mobilizing National Educator Talent	84.350C	U350C110001	116,000
TOTAL PASSED THROUGH OHIO STATE UNIVERSITY			116,000
<u>PASSED THROUGH TEXAS EDUCATION AGENCY</u>			
ESEA Title I Part A *	84.010	156101014906	4,072
ESEA Title I Part A *	84.010	166101014906	7,468,392
ESEA Title I Part A *	84.010	176101014906	527,007
ESEA Title I Part D, Subpart 2 *	84.010	16610103014906	41,521
ESEA Title I, 1003(a) Priority and Focus School Grant *	84.010	16610112014906120	13,317
Total CFDA Number 84.010			8,054,309
IDEA, Part B, Formula (Deaf) *	84.027	166600010149066601	8,894
IDEA, Part B, Formula *	84.027	156600010149066600	7,807
IDEA, Part B, Formula *	84.027	166600010149066600	5,448,932
IDEA, Part B, Formula *	84.027	176600010149066600	475,688
IDEA, Part B, Discretionary *	84.027	166600110149066673	2,633
Total CFDA Number 84.027			5,943,954
Vocational Education- Basic Grant	84.048	16420006014906	422,129
Vocational Education- Basic Grant	84.048	17420006014906	23,582
Total CFDA Number 84.048			445,711
IDEA, Part B, Preschool *	84.173	166610010149066610	111,430
IDEA, Part B, Preschool *	84.173	176610010149066610	6,426
IDEA, Part B, Preschool Deaf *	84.173	166610010149066611	1,270
Total CFDA Number 84.173			119,126
ESEA, Title X, Part C - Homeless Children and Youth	84.196	16-034	105,948
Title III, Part A, English Language Acquisition and Enhancement	84.365	16671001014906	432,943
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	16694501014906	958,573
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	17694501014906	95,610
Total CFDA Number 84.367			1,054,183
TOTAL PASSED THROUGH TEXAS EDUCATION AGENCY			16,156,174
TOTAL U.S. DEPARTMENT OF DEFENSE AND EDUCATION			\$ 83,263,931

* Clustered Programs as required by Compliance Supplement March 2014
The notes to the Schedule of Expenditures of Federal Programs are an integral part of this statement.

KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE			
National School Breakfast Program *	10.553	71401401	\$ 3,235,359
National School Lunch Program *	10.555	71301401	11,291,153
National School Lunch Program (Donated Commodities) *	10.555	N/A	1,627,806
Child and Adult Food Care Program	10.558		860
Total CFDA Number 10.555			<u>12,919,819</u>
Summer Feeding Program, Texas Department of Agriculture *	10.559	N/A	548,091
TOTAL PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE			<u>16,703,269</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>16,703,269</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 99,967,200</u></u>

* Clustered Programs as required by Compliance Supplement March 2014
 The notes to the Schedule of Expenditures of Federal Programs are an integral part of this statement.

KILLEEN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS
YEAR ENDED AUGUST 31, 2016

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 the Uniform Guidance.

KILLEEN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2016

Unresolved Prior Year Findings

None.