

KILLEEN INDEPENDENT SCHOOL DISTRICT

SINGLE AUDIT REPORTS

**For the Year Ended
August 31, 2013**

KILLEEN INDEPENDENT SCHOOL DISTRICT

**SINGLE AUDIT REPORTS
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Findings and Questioned Costs for the Year Ended August 31, 2013.....	6
Schedule of Expenditures of Federal Programs.....	8
Notes on Accounting Policies for Federal Programs.....	10
Summary Schedule of Prior Audit Findings.....	11
Statement of Corrective Action for the Year Ended August 31, 2013.....	12



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

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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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2013.

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 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*.

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 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.

Jett, Verman & Co., P.C.

Killeen, Texas

December 13, 2013



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**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

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

Members of the Board:

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 Circular A-133 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, 2013. The District's major federal programs are identified in the summary of the 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 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 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, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. 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.

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, 2013, and have issued our report thereon dated December 13, 2013, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Jett, Vernon & Co., P.C.

Killeen, Texas
December 13, 2013

KILLEEN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
August 31, 2013

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: *unqualified*
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: *unqualified*
6. Any audit findings disclosed that are
 required to be reported in accordance with
 section 510(a) of OMB Circular A-133? _____ yes X no
7. Identification of major programs:

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

8. Dollar threshold used to distinguish between
 type A and type B federal programs: \$2,545,629
9. Auditee qualified as low-risk auditee? X yes _____ no

KILLEEN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
August 31, 2013

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, 2013

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	\$ 48,550,604
Impact Aid - P.L. 107-110, Section 8007*	84.041	33014906	<u>373,528</u>
			48,924,132
<u>U.S. DEPARTMENT OF DEFENSE</u>			
DIRECT PROGRAMS			
Impact Aid - P.L. 110-417, Section 551*	84.041	N/A	2,802,240
Total CFDA Number 84.041+D94			<u>51,726,372</u>
TOTAL DIRECT PROGRAMS			<u>\$ 51,726,372</u>
PASSED THROUGH OHIO STATE UNIVERSITY			
Mobilizing National Educator Talent	84.350C	U350C110001	\$ 55,119
TOTAL PASS THROUGH OHIO STATE UNIVERSITY			<u>55,119</u>
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
ESEA Title I Part A*	84.010	12610101014906	4,370
ESEA Title I Part A*	84.010	13610101014906	7,487,604
ESEA Title I Part A*	84.010	14610101014906	299,560
ESEA Title I Part D, Subpart 2*	84.010	13610103014906	71,861
ESEA Title I Part D, Subpart 2*	84.010	14610103014906	1,010
ESEA Title I, School Improvement Program	84.010	13610104014906120	11,948
Total CFDA Number 84.010			<u>7,876,353</u>
IDEA, Part B, Formula (Deaf) *	84.027	136600010149066601	32,800
IDEA, Part B, Formula *	84.027	126600010149066600	3,396
IDEA, Part B, Formula *	84.027	136600010149066600	8,046,295
IDEA, Part B, Formula *	84.027	146600010149066600	512,417
IDEA, Part B, Discretionary	84.027	136600020149066673	16,719
Total CFDA Number 84.027			<u>8,611,627</u>
Vocational Education- Basic Grant	84.048	13420006014906	387,310
Vocational Education- Basic Grant	84.048	14420006014906	3,345
Total CFDA Number 84.048			<u>390,655</u>
IDEA, Part B, Preschool *	84.173	136610010149066610	165,235
IDEA, Part B, Preschool *	84.173	146610010149066610	8,265
IDEA, Part B, Preschool Deaf*	84.173	136600010149066601	7,921
Total CFDA Number 84.173			<u>181,421</u>
ESEA, Title X, Part C - Homeless Children and Youth	84.196	13-039	107,822
Title III, Part A, English Language Acquisition and Enhancement	84.365	13671001014906	286,183
Title III, Part A, English Language Acquisition and Enhancement	84.365	14671001014906	136
Total CFDA Number 84.173			<u>286,319</u>
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	12694501014906	377
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	13694501014906	1,005,261
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	14694501014906	82,278
Total CFDA Number 84.367			<u>1,087,916</u>
TOTAL PASS THROUGH PROGRAMS			<u>\$ 18,597,232</u>
TOTAL DEPARTMENT OF EDUCATION AND DEFENSE			<u><u>\$ 70,323,604</u></u>

* Indicated Major Program

KILLEEN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2013

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	71301201	9,748,896
National School Lunch Program (Donated Commodities)	10.550	N/A	1,334,666
National School Breakfast Program*	10.553	71401201	2,597,898
Summer Feeding Program, Texas Department of Agriculture	10.559	N/A	<u>481,132</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ 14,162,592
<u>UNITED STATES ARMY</u>			
DIRECT PROGRAMS			
ROTC	12.00	N/A	<u>368,108</u>
TOTAL UNITED STATES ARMY			\$ 368,108
TOTAL FEDERAL ASSISTANCE			<u>\$ 84,854,304</u>

* Indicated Major Program

KILLEEN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL PROGRAMS
YEAR ENDED AUGUST 31, 2013

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 – March 2013 Revision.

KILLEEN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2013

Unresolved Prior Year Findings

None.

KILLEEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CORRECTIVE ACTION
FOR THE YEAR ENDED AUGUST 31, 2013

Current Year Findings

None.