

**KILLEEN INDEPENDENT SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS**

**For the Year Ended  
August 31, 2015**

**KILLEEN INDEPENDENT SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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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, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 28, 2015.

**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.

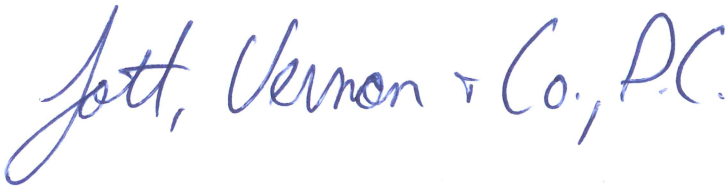
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 blue ink that reads "Jett, Vernon & Co., P.C." The signature is written in a cursive, flowing style.

Killeen, Texas

December 28, 2015



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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 AWARDS REQUIRED BY OMB CIRCULAR A-133**

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 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, 2015. 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 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, 2015.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 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 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2 that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 28, 2015, 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 OMB Circular A-133 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.

*Jett, Vernon & Co., P.C.*

Killeen, Texas

December 28, 2015

**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**August 31, 2015**

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)? X yes \_\_\_\_\_ 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  
 510(a) of OMB Circular A-133? X yes \_\_\_\_\_ no
7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>
ESEA Title I – Improving Basic Programs	84.010
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: \$2,905,481
9. Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no



**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**August 31, 2015**

II. Financial Statement Findings

- None.

III. Federal Awards Findings and Questioned Costs

Significant Deficiency:

2015-1 U.S. Department of Education, IDEA Part B,  
CFDA#: 84.027, Special Education

Condition: During the testing of Special Education compliance, the District had difficulty retrieving copies of signed documents and other source documentation. The District policy is to scan this source documentation into a document management software. Some forms were missing and others were found unorganized in boxes in the file management room. This disorganization also caused some required deadlines to be missed.

Criteria: Compliance within Special Education requires schools to accurately maintain timelines on all special education students by monitoring events such as when a student should be tested, when parental consent was given, when a required meeting was held, etc. These events are all evidenced by signed source documentation forms.

Cause: The scanner for the document management software stopped working early in the calendar year and was not repaired or replaced in a timely manner. Hard copies of student files were not in an organized manner. Disorganization made it difficult for the District to meet required deadlines.

Effect: A sample of forty seven students was selected for testing in the current fiscal year. The testing found that signed documents were missing for fourteen student files. These included signature pages of the Admission, Review and Dismissal (ARD) committee, proposal/refusal of services, etc. Also, required deadlines were missed on three occasions. This included deadlines for written consent provided to parents, performing the Full Individual Assessment (FIE) and performing the Admission, Review and Dismissal (ARD).

It is noted that there could have been additional deadlines missed in regards to the aforementioned fourteen student files with missing signed source documents. This is due to the fact that for these files the auditor placed reliance on the dates in the special education software which may be unreliable due to lack of source documentation.

Recommendation: The District should ensure that special education files are kept in an orderly manner and all required dates are entered correctly into the system and efficiently monitored.

District Response: The district scanning system SPEDX, is currently operational at this time. In addition to scanning documents in SPEDX, signature pages of ARD documents are also scanned into EASY IEP, the district's IEP software. The district has also created a data base to track all required dates and efficiently monitor timelines. This system provides email notifications to staff of pending deadlines.

Responsible Official to Implement Corrective Actions: Diana Miller, Assistant Superintendent Curriculum & Instruction

**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**August 31, 2015**

Significant Deficiency:

2015-2 U.S. Department of Education, IDEA Part B,  
CFDA#: 84.027, Special Education

Condition: During the testing of Time and Effort documentation for Special Education Employees, it was noted that the District had no signed semi-annual certifications on file for the Special Education Bus Monitors for the Fall of 2014. These Bus Monitors' salaries are paid from the Idea B program.

It was also noted that certifications were prepared only on a semi-annual basis for those Special Education Employees tested whose salary is charged between the Special Education Federal Program and a non-federal program.

Criteria: Compliance with Special Education Time and Effort documentation requires that an employee whose salary is paid in whole from one federal source must certify on a semi-annual basis that they worked solely on that program. An employee who works on a combination of a federal program and a non-federal program ("split-time") must maintain a Time and Effort monthly log that shows the percentage of time the employee spends on each program.

Cause: The semi-annual certifications were not completed by the Special Education Bus Monitors for the Fall of 2014. Individuals in charge of split-time employees were unaware of monthly Time and Effort requirements.

Effect: A sample of twenty nine Special Education Employees was selected for testing in the current fiscal year. Out of that sample, ten employees were bus monitors and three were split-time employees. The testing found that the semi-annual certifications were missing for all ten bus monitors tested for the Fall of 2014. The testing also found that semi-annual and not monthly certifications were prepared for all three split-time employees tested for the year.

Recommendation: The District should ensure that semi-annual certifications are obtained for all individuals whose salary is paid from a federal source. For those split-time employees, this certification should be prepared on a monthly basis.

District Response: A process has been created to monitor Time and Effort for bus monitors. Time and Effort documentation sheets are completed by the employee, collected by the Director of Transportation each semester, submitted to the Special Education Department and will be reviewed by the Director of Special Education.

Responsible Official to Implement Corrective Actions: Diana Miller, Assistant Superintendent Curriculum & Instruction

KILLEEN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF DEFENSE EDUCATION ACTIVITY</u></b>			
<b><u>DIRECT PROGRAMS:</u></b>			
Promoting K-12 Student Achievement at Military Connected School P.L. 109-364, Section 574(d)	12.556	HE1254-13-1-0009	\$ 582,429
Support for Student Achievement at Military Connected Schools - P.L. 109-364, Section 574(d)	12.557	HE1254-14-1-0031	118,243
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
<b><u>DIRECT PROGRAMS:</u></b>			
ROTC	12.00	N/A	364,008
Impact Aid - P.L. 110-417, Section 551 *	84.041	N/A	1,928,117
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>DIRECT PROGRAMS:</u></b>			
Impact Aid - P.L. 81.874 *	84.041	33014906	59,739,678
Impact Aid - P.L. 107-110, Section 8007 *	84.041	33014906	2,057,212
Total CFDA Number 84.041			63,725,007
<b><u>PASS THROUGH PROGRAMS:</u></b>			
PASSED THROUGH OHIO STATE UNIVERSITY:			
Mobilizing National Educator Talent	84.350C	U350C110001	131,910
TOTAL PASSED THROUGH OHIO STATE UNIVERSITY			131,910
PASSED THROUGH TEXAS EDUCATION AGENCY			
ESEA Title I Part A *	84.010	14610101014906	6,157
ESEA Title I Part A *	84.010	15610101014906	7,964,345
ESEA Title I Part A *	84.010	16610101014906	372,611
ESEA Title I Part D, Subpart 2 *	84.010	15610103014906	38,228
ESEA Title I, 1003(a) Priority and Focus School Grant *	84.010	14610112014906100	12
ESEA Title I, 1003(a) Priority and Focus School Grant *	84.010	15610112014906120	23,217
Total CFDA Number 84.010			8,404,570
IDEA, Part B, Formula (Deaf) *	84.027	156600010149066601	17,217
IDEA, Part B, Formula *	84.027	146600010149066600	436
IDEA, Part B, Formula *	84.027	156600010149066600	5,238,303
IDEA, Part B, Formula *	84.027	166600010149066600	341,402
IDEA, Part B, Discretionary *	84.027	156600110149066673	19,652
Total CFDA Number 84.027			5,617,010
Vocational Education- Basic Grant	84.048	15420006014906	411,500
Vocational Education- Basic Grant	84.048	16420006014906	8,319
Total CFDA Number 84.048			419,819
IDEA, Part B, Preschool *	84.173	156610010149066610	96,838
IDEA, Part B, Preschool Deaf *	84.173	156610010149066611	2,918
Total CFDA Number 84.173			99,756
ESEA, Title X, Part C - Homeless Children and Youth	84.196	15-034	111,200
Title III, Part A, English Language Acquisition and Enhancement	84.365	15671001014906	283,073
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	14694501014906	5,282
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	15694501014906	1,194,334
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	16694501014906	86,405
Total CFDA Number 84.367			1,286,021
TOTAL PASSED THROUGH TEXAS EDUCATION AGENCY			16,221,449
<b>TOTAL U.S. DEPARTMENT OF DEFENSE AND EDUCATION</b>			<b>\$ 81,143,046</b>

\* 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, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE			
National School Breakfast Program *	10.553	71401401	\$ 2,966,505
National School Lunch Program *	10.555	71301401	10,732,918
National School Lunch Program (Donated Commodities) *	10.555	N/A	<u>1,429,013</u>
Total CFDA Number 10.555			<u>12,161,931</u>
Child and Adult Care Food Program	10.558	N/A	\$ 28,212
Summer Feeding Program, Texas Department of Agriculture *	10.559	N/A	<u>549,684</u>
TOTAL PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE			<u>15,706,332</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>15,706,332</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$ 96,849,378</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, 2015

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 2015 Revision.

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2015

**Unresolved Prior Year Findings**

None.