

**KILLEEN INDEPENDENT SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS**

**For the Year Ended  
August 31, 2017**

**KILLEEN INDEPENDENT SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

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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, 2017, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 29, 2017.

**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.

Handwritten signature in cursive script: "Jett, Vernon & Co., P.C."

Killeen, Texas

December 29, 2017





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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, 2017. 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, 2017.

### **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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 29, 2017, 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.

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

December 29, 2017

**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**August 31, 2017**

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>
<i>US Department of Education</i> Impact Aid	84.041
<i>US Department of Agriculture</i>	
Child Nutrition Cluster	
National School Breakfast Program	10.553
National School Lunch Program	10.555
National School Lunch Program (Donated Commodities)	10.555
Summer Feeding Program	10.559

8. Dollar threshold used to distinguish between  
 type A and type B federal programs: \$2,724,697
9. Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no



**KILLEEN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**August 31, 2017**

II. Financial Statement Findings

- None.

III. Federal Awards Findings and Questioned Costs

- None.

KILLEEN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

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>			
<b><u>DIRECT PROGRAMS:</u></b>			
Impact Aid - P.L. 110-417, Section 551	84.041	N/A	2,279,614
Impact Aid - P.L. 81.874	84.041	33014906	54,467,287
Impact Aid - P.L. 107-110, Section 8007	84.041	33014906	210,748
Total CFDA Number 84.041			56,957,649
<b><u>PASS THROUGH PROGRAMS:</u></b>			
PASSED THROUGH TEXAS EDUCATION AGENCY			
ESEA Title I Part A	84.010	16610101014906	2,194
ESEA Title I Part A	84.010	17610101014906	7,774,577
ESEA Title I Part A	84.010	18610101014906	587,412
ESEA Title I Part D, Subpart 2	84.010	16610103014906	-
ESEA Title I Part D, Subpart 2	84.010	17610103014906	77,279
ESEA Title I, 1003(a) Priority and Focus School Grant	84.010	16610112014906120	-
ESEA Title I, 1003(a) Priority and Focus School Grant	84.010	17610112014906120	119,719
Total CFDA Number 84.010			8,561,182
<b><u>SPECIAL EDUCATION CLUSTER</u></b>			
IDEA, Part B, Formula (Deaf)	84.027	166600010149066601	-
IDEA, Part B, Formula	84.027	166600010149066600	960
IDEA, Part B, Formula	84.027	176600010149066600	5,480,391
IDEA, Part B, Formula	84.027	186600010149066600	521,189
IDEA, Part B, Discretionary	84.027	1666000110149066673	1,276
Total CFDA Number 84.027			6,003,815
IDEA, Part B, Preschool	84.173	166610010149066610	-
IDEA, Part B, Preschool	84.173	176610010149066610	67,563
IDEA, Part B, Preschool	84.173	186610010149066610	6,782
IDEA, Part B, Preschool Deaf	84.173	166610010149066611	-
Total CFDA Number 84.173			74,345
<b><u>TOTAL SPECIAL EDUCATION CLUSTER</u></b>			6,078,160
Vocational Education- Basic Grant	84.048	17420006014906	414,452
Vocational Education- Basic Grant	84.048	18420006014906	39,280
Total CFDA Number 84.048			453,732
ESEA, Title X, Part C - Homeless Children and Youth	84.196	16-034	105,506
Title III, Part A, English Language Acquisition and Enhancement	84.365	16671001014906	-
Title III, Part A, English Language Acquisition and Enhancement	84.365	17671001014906	426,458
			426,458
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	17694501014906	917,573
ESEA Title II, Part A, Teacher & Principal Training and Recruiting	84.367	18694501014906	90,937
Total CFDA Number 84.367			1,008,509
<b><u>TOTAL PASSED THROUGH TEXAS EDUCATION AGENCY</u></b>			16,633,548
PASSED THROUGH OHIO STATE UNIVERSITY:			
Mobilizing National Educator Talent	84.350C	U350C110001	24,966
<b><u>TOTAL PASSED THROUGH OHIO STATE UNIVERSITY</u></b>			24,966
<b><u>TOTAL U.S. DEPARTMENT OF EDUCATION</u></b>			73,616,163
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
<b><u>DIRECT PROGRAMS:</u></b>			
ROTC	12.00	N/A	373,154
Promoting K-12 Student Achievement at Military Connected School P.L. 109-364, Section 574(d)	12.556	HE1254-13-1-0009	134,111
Support for Student Achievement at Military Connected Schools/SPED - P.L. 109-364, Section 574(d)	12.556	HE1254-15-1-0016	84,343
Total CFDA Number 12.556			218,454
Support for Student Achievement at Military Connected Schools - P.L. 109-364, Section 574(d)	12.557	HE1254-14-1-0031	145,334
<b><u>TOTAL U.S. DEPARTMENT OF DEFENSE</u></b>			S 736,942

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 AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

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			
CHILD NUTRITION CLUSTER			
National School Breakfast Program	10.553	71401401	\$ 3,329,595
National School Lunch Program	10.555	71301401	11,114,665
National School Lunch Program (Donated Commodities)	10.555	N/A	1,581,555
Total CFDA Number 10.555			<u>12,696,219</u>
Child and Adult Food Care Program	10.558		-
Summer Feeding Program, Texas Department of Agriculture	10.559	N/A	<u>444,313</u>
TOTAL CHILD NUTRITION CLUSTER			16,470,128
TOTAL PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE			16,470,128
TOTAL DEPARTMENT OF AGRICULTURE			<u>16,470,128</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 90,823,232</u>

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, 2017

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.

Since the entity has an agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

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, 2017

**Unresolved Prior Year Findings**

None.