



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

December 6, 2016

Stephenville Independent School District
2655 W. Overhill Drive
Stephenville, Texas 76401

In connection with our audit of the financial statements of Stephenville Independent School District for the year ended August 31, 2016, we have made a review of the accounting procedures and internal controls. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for management's consideration, suggestions for changes in procedures which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such a review. The review was not designed for the purpose of expressing an opinion on internal controls, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our audit of the above-mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements. However, we offer for your review the internal control weaknesses, as noted on the following pages.

We have discussed the following comments in detail with the appropriate staff of the District to ensure understanding of the comments and implementation of recommendations. If you have any questions regarding these or any other matters, please feel free to contact us.

This letter is intended solely for the information and use of the Board of Trustees, management, and others within the District and is not intended to be used and should not be used by anyone other than these specified parties.

Finally, we take this opportunity to thank you and your staff for your courtesy and cooperation during our audit. Thank you for your business.

Sincerely yours,

Snow Garrett Williams
Certified Public Accountants

Fund Balance

As noted in Exhibit C-2, the District decreased the General Fund's fund balance in the amount of \$2,038,329 resulting in an ending fund balance of \$10,847,241. This decrease includes the expenditure for roof repairs of approximately \$1,300,000 from insurance proceeds received during fiscal year 2015. As noted in Exhibit J-2, the District's optimum unassigned fund balance should be approximately \$12,734,817. The Board should continue to monitor fund balance and if possible continue to increase future fund balances.

The District should continue to review construction and facilities improvements as well as capital expenditures for equipment and determine the amount of additional reserves, if any, that should be committed or assigned for future needs. The District currently has committed fund balance in the amount of \$3,789,275.

Bank Accounts

During our review of cash, we noted that on August 31st, the District's cash deposits were not fully secured. The District should closely monitor the depository bank to ensure that deposits are fully collateralized.

Student/Campus Activity

In order for the Business Office to have a clear understanding of the activity that has occurred during the fiscal year for student and campus activity funds, we recommend each sponsor complete an activity report detailing the beginning fund balance, fundraisers and any other revenue received (by source), items purchased by category and the total increase/decrease in fund balance for the year.

OBJECTIVE OF INTERNAL CONTROL

The objective in internal control is to provide reasonable, but not absolute, assurance that the District's assets will be safeguarded against loss from unauthorized use or disposition, and that the reliability of financial records for preparing financial statements and maintaining accountability for assets will be preserved. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily required estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, mistakes of judgment, carelessness, or other personal factors may occur. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.