

December XX, 2017

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, 2017, 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 increased the General Fund's fund balance in the amount of \$1,364,281 resulting in an ending fund balance of \$12,211,522. The Board should continue to monitor fund balance and if possible continue to increase future fund balances. The District should also 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 \$4,089,275.

Federal Grant Requirements & Cash Management

As noted in the Schedule of Findings and Questioned Cost, we noted the District's federal grant manual that was adopted and in place for the fiscal year 2017 was not updated to include 2 CFR 200 requirements. The District has updated the Federal Grant Manual in Fiscal Year 2018 to be in compliance with 2 CFR 200.

As noted in the Schedule of Findings and Questioned Cost, during our single audit testing of IDEA-B we noted not all reimbursement requests agreed to amounts expended by the District. Total expenditures agreed to total revenues for the fiscal year but there were instances that resulted in advanced funds for a short period but were later expensed for appropriate grant related costs. The District should design and implement procedures to ensure that costs are paid prior to the date of the reimbursement request in compliance with 2 CFR 200.

During our single audit testing of IDEA-B, we noted the budgeted expenditures in Skyward for funds 224 and 225 did not agree to the program budget in the approved grant application. We recommend the District agree the budgets in Skyward to the approved grant application to enhance controls and ensure grant funds are spent appropriately.

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.