



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2015

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, 2015, 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 \$1,939,490 resulting in an ending unassigned fund balance of \$12,885,570. Unassigned fund balance includes approximately \$1,300,000 for insurance proceeds received during fiscal year 2015 that will be expended for roof repairs in fiscal year 2016. As noted in Exhibit J-2, the District's optimum unassigned fund balance should be approximately \$10,596,692. 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.

Lunchroom Procedures

As noted in the Schedule of Findings and Questioned Costs in the audit report, in our single audit testing of compliance with special tests and provisions requirements, we noted procedures were not properly designed and implemented over the verification of free and reduced price eligibility requirement. Districts are required to have a confirming official review and sign each application selected for verification. The District implemented an online application system and was not aware that the confirming official's signature was required for online applications selected for verification. Therefore, this step was not included in the District's procedures, and this was not evident on the online applications verified. The District has implemented procedures in the 2015-2016 year requiring signatures for both the reviewing official and confirming official on all online applications selected for verification.

Journal Entries

In our examination of journal entries, we noted that journal entries were not being reviewed and approved by a person independent of the journal entry process. We recommend that a person independent of the journal entry originator review and approve all non-standard journal entries and sign to indicate approval.

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.