

**FRANKFORT COMMUNITY CONSOLIDATED
SCHOOL DISTRICT 157-C**

Required Communication Letters

Year Ended June 30, 2015

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**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***

The Board of Education
Frankfort Community Consolidated School District 157-C
Frankfort, IL

We have audited, in accordance with 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 Frankfort Community Consolidated School District 157-C as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Frankfort Community Consolidated School District 157-C's basic financial statements, and have issued our report thereon dated September 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frankfort Community Consolidated School District 157-C'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 Frankfort Community Consolidated School District 157-C's internal control. Accordingly, we do not express an opinion on the effectiveness of Frankfort Community Consolidated School District 157-C'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Frankfort Community Consolidated School District 157-C'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.

Klein Hall CPAs

Klein Hall CPAs
Aurora, Illinois
September 3, 2015



MANAGEMENT LETTER

Board of Education
Frankfort Community Consolidated School District 157-C
Frankfort, Illinois

We have audited the financial statements of Frankfort Community Consolidated School District 157-C for the year ended June 30, 2015 and have issued our report thereon dated September 3, 2015.

As stated in our report on internal accounting controls, our study and evaluation disclosed no material weaknesses in your accounting system.

We would, however, like to address the following items and offer recommendations for your consideration:

Personal Property Replacement Taxes

We noted that no personal property replacement taxes (PPRT) were deposited into the IMRF/Social Security Fund as required by statute.

We recommend the PPRT monies be allocated to the IMRF/Social Security Fund according to the formula established by the Illinois State Board of Education.

Capital Lease Payments Through the Debt Service Fund

We noted that payments on certain capital leases were made from the Educational Fund rather than the Debt Service Fund as required by the Illinois State Board of Education.

We recommend these lease payments be made from the Debt Service Fund in future years.

Professional Standards Update

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, which will change the accounting and financial reporting requirements for state and local governments that provide their employees with other postemployment benefits (OPEB). This Statement replaces the requirements of GASB Statement Nos. 45 and 57. These changes will affect your financial statements for the year ended June 30, 2018.

The scope of the Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, the Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In the Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

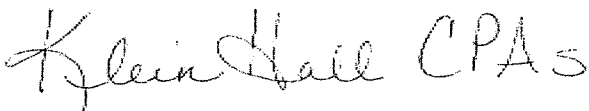
Positive Attributes

Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the District's financial management systems, which are not specifically covered herein.

We would like to take this opportunity to thank the Business Office and their personnel for the cooperation and courtesies extended to us during our audit.

This report is intended solely for management and should not be used for any other purposes.

Sincerely,

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs
Aurora, Illinois
September 3, 2015



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Frankfort Community Consolidated School District 157-C
Frankfort, IL

We have audited the financial statements of Frankfort Community Consolidated School District 157-C as of and for the year ended June 30, 2015, and have issued our report thereon dated September 3, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 29, 2015, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Frankfort Community Consolidated School District 157-C solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Frankfort Community Consolidated School District 157-C is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2015, with the exception of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The district has no particularly sensitive accounting estimates.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Frankfort Community Consolidated School District 157-C's financial statements relate to revenue recognition, fair value estimates, and IMRF and TRS pension liabilities.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Frankfort Community Consolidated School District 157-C's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated September 3, 2015.

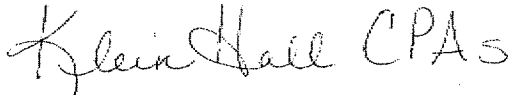
Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Frankfort Community Consolidated School District 157-C, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Frankfort Community Consolidated School District 157-C's auditors.

This report is intended solely for the information and use of the Board of Education and management of Frankfort Community Consolidated School District 157-C and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein, Hall CPAs
Aurora, Illinois
September 3, 2015