

(Final - 9/8/16)

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

Required Communication Letters

Year Ended June 30, 2016



3957 75th Street, Aurora, IL 60504
Phone 630.898.5578 | Fax 630.225.5128
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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, 2016, 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 August 17, 2016.

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



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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, 2016 and have issued our report thereon dated August 17, 2016.

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:

① Treasurers Bond

The District's treasurers bond was not sufficient to cover 25% of the District's total cash and investments during the year.

We recommend the District increase this bond to ensure adequate coverage.

② OPEB Valuation

The District has not performed an actuarial valuation for its post-employment benefits to determine if any liability exists.

We recommend the District perform this valuation to adequately measure this potential liability, if one exists.

③ 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.

④ 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.



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Communication with Those Charged with Governance

August 17, 2016

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frankfort Community Consolidated School District 157-C for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 22, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Frankfort Community Consolidated School District 157-C are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Frankfort Community Consolidated School District 157-C during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We noted no particularly sensitive estimates made by management.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

We were engaged to report on combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the 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.

Very truly yours,

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

Klein, Hall CPAs
Aurora, Illinois