



VILLAGE OF FOX LAKE, ILLINOIS

SINGLE AUDIT REPORT

For the Fiscal Year Ended April 30, 2020

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**INDEPENDENT AUDITOR'S 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 Honorable Mayor
Members of the Board of Trustees
Village of Fox Lake, Illinois

Ladies and Gentlemen:

We have audited, in accordance with the 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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Fox Lake, Illinois (the Village), as of and for the year ended April 30, 2020, and the related notes to financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Single Audit Finding 2020-001 that we consider to be a material weakness and Single Audit Finding 2020-002 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 financial statements. 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*.

The Village's Response to Finding

The Village of Fox Lake's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Naperville, Illinois

January 26, 2021

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor
Members of the Board of Trustees
Village of Fox Lake, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Village of Fox Lake, Illinois' (the Village) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended April 30, 2020. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2020.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited, in accordance with the 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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Fox Lake, Illinois (the Village), as of and for the year ended April 30, 2020, and the related notes to financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated January 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
January 26, 2021

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2020

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures/ Expenses	Payment to Sub-Recipients
Clean Water State Revolving Funds Cluster						
* U.S. Environmental Protection Agency	Illinois Environmental Protection Agency	Capitalization Grants for State Revolving Funds	66.458	L17-3974	\$ 1,894,775	\$ -
		Total Clean Water State Revolving Funds Cluster			1,894,775	-
Drinking Water State Revolving Funds Cluster						
* U.S. Environmental Protection Agency	Illinois Environmental Protection Agency	Capitalization Grants for State Revolving Funds	66.468	L17-5581	904,897	-
		Total Drinking Water State Revolving Funds Cluster			904,897	-
Highway Safety Cluster						
U.S. Department of Transportation	Illinois Department of Transportation	STEP Grant - Highway Safety Purposes	20.600		3,282	-
		Total Highways Safety Cluster			3,282	-
U.S. Department of Transportation	Illinois Department of Transportation	Grand Avenue	20.509		101,271	-
U.S. Department of Justice	N/A	Bulletproof Vest Partnership Program	16.607		906	-
CDBG - Entitlement Grants Cluster						
U.S. Department of Housing and Urban Development	Lake County	Mural Program	14.218		18,200	-
		Total CDBG - Entitlement Grants Cluster			18,200	-
Federal Emergency Management Agency	Illinois Emergency Management Agency	COVID-19 - Disaster COVID 19	97.036		19,994	-
U.S. Department of Health and Human Services	Department of Health and Human Services	COVID-19 - HHS CARES Act COVID-19 Provider Relief Fund	93.498		43,118	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 2,986,443	\$ -

*Denotes major federal program

VILLAGE OF FOX LAKE, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2020

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of the Village's federal awards programs prepared on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

Note B - Other Information

The Village did not receive any federal insurance or noncash assistance and provided no Federal awards to subrecipients during the year ended April 30, 2020.

Note C - Illinois Environmental Protection Agency Loans

The Village had Illinois Environmental Protection Agency Loans outstanding in the amount of \$6,406,821 at April 30, 2020. The loans currently in repayment phase have no continuing compliance requirements aside from loan repayment.

Note D - Indirect Cost Rate

The Village has not elected the 10% federal de minimis indirect cost rate.

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended April 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>			
Internal control over financial reporting:				
Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

Federal Awards

Internal Control over major federal programs:				
Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

Type of auditor's report issued on compliance for major federal programs:	<i>Unmodified</i>		
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Cluster
66.468	Drinking Water State Revolving Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2020

Section II - Findings - Financial Statement Audit

2020-001 Internal Control over Financial Reporting – Fund Financial Statement Reconciliation

Criteria: Review of financial records by management on a timely basis is necessary to correct errors and misstatements. Additionally, timely review by management would assist in tracking accurate balances of accounts, and provide management reliable insight of trends and variances.

Condition/Context: At the Village, there is a lack of timely review of financial records, resulting in several audit adjusting journal entries.

Effect: During our audit we noted preliminary trial balances were materially out of balance on a fund by fund basis. Additionally, certain accounts were not adjusted to accurately reflect balances as of the fiscal year end date. Several adjusting journal entries to balance the funds, adjust balances to actual and correct misstatements were recommended. With regular and timely review, management could maintain up to date records of account balances and detail.

Cause: Limited number of employees and employee turnover.

Recommendation: We recommend, as part of month-end procedures, a review of the trial balances by fund be performed to ensure the system balances are recorded properly and to verify that each fund properly balances. Additionally, we recommend agreeing balances recorded to underlying reports and schedules to verify system balances are accurate. Doing so on a timely basis would help prevent the necessity of future audit adjustments and would help to timely identify and correct other potential errors or misstatements.

2020-002 Internal Control over Financial Reporting – Bank Reconciliations

Criteria: Completion of bank reconciliations on a timely basis is necessary to correct errors and misstatements, record all bank transactions, and review for incorrect or unusual activity.

Condition/Context: At the Village, there is a lack of timely completion of certain reconciliations and of certain external reports to the balances as recorded in the Village's system.

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2020

Section II - Findings - Financial Statement Audit Continued)

2020-002 Internal Control over Financial Reporting – Bank Reconciliations (Continued)

Effect: During our audit we noted certain bank accounts were not reconciled to the Village's records on a timely basis. With regular and timely review, management could review for incorrect or unusual cash transactions and maintain reliable cash balances.

Cause: Limited number of employees.

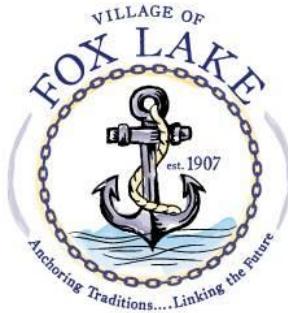
Recommendation: We recommend that the Village complete reconciliations of all bank accounts on a timely basis, in the subsequent month. Completing bank reconciliations in a timely manner ensures that the Village has accurate information regarding bank activity and consistent review of cash transactions for unusual activity is being performed regularly.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Award Findings and Questioned Costs

None



**Corrective Action
For the Fiscal Year Ended April 30, 2020**

2020-001 Internal Control over Financial Reporting – Fund Financial Statement Reconciliation

Condition/Context: At the Village there is a lack of timely review of financial records resulting in several audit adjusting journal entries.

Corrective Action Plan: Retain Interim Finance Director/Municipal Finance Consultant and resume monthly financial reports to the Village Board and Village Administrator.

Responsible Party: Village Administrator Anne Marrin at 847-587-3942 and Municipal Consultant Susan Griffin 847-587-3968.

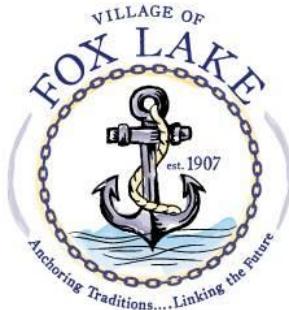
Management Response: This occurred due to the hiring of a Finance Director who overstated his knowledge of accounting and financial reporting and had a lack of initiative appropriate to understanding this municipal organization, learning a new software system, and following the directives of the Consultant and Auditors regarding preparation of the audit fieldwork documentation. This Director was terminated in September 2020 once it was realized that he was unable to correctly, adequately and timely complete the audit process. A Consultant was re-engaged full time to balance the trial balances, repair incorrect and incomplete schedules and to transition the replacement Finance Director.

Anticipated Completion Date: Municipal Finance Consultant was re-engaged for full time in September 2020 to complete the audit, to resume providing monthly financial reports to the Board and Administrator, and assist in the hiring process of a subsequent Finance Director. The Consultant will be engaged until June 2021 to provide transition assistance to the new Director (hired January 25, 2021) and to review, revise and document the Village's financial policies and procedures.

2020-002 Internal Control over Financial Reporting – Bank Reconciliations

Condition/Context: At the Village there is a lack of timely completion of certain reconciliations and of certain external reports to the balances as recorded in the Village's system.

Corrective Action Plan: The Municipal Finance Consultant, initially hired in June 2019 as an Interim Finance Director for 6 months, was unable due to time constraints to assist in reconciling some statements that staff did not have adequate understanding of the software system or accounting knowledge appropriate to their level of responsibility. With the retention of the Interim Finance Director as a Finance Consultant the Village Administrator is contemplating a



reallocation of responsibilities and/or a restructuring of the department to match skills with requirements. Further the Finance Consultant has been retained to review, revise or develop, document, and maintain appropriate controls and protocols.

Responsible Party: Village Administrator Anne Marrin at 847-587-3942 and Municipal Consultant Susan Griffin 847-587-3968.

Anticipated Completion Date: Monthly financial reports were presented to the Board beginning in November 2020. Finance Consultant expects to have documented protocols and controls completed by June 2021.