



VILLAGE OF FOX LAKE, ILLINOIS

SINGLE AUDIT REPORT

For the Fiscal Year Ended April 30, 2023

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VILLAGE OF FOX LAKE, ILLINOIS

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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

Opinion on Each Major Federal Program

We have audited the Village of Fox Lake, Illinois' (the Village) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility for the Auditor Compliance section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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 a 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023, and the related notes to financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated January 29, 2024, 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 29, 2024

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2023

Federal Grantor	Pass-Through Grantor	Program Title	Federal ALN	Pass-Through Grant Number	Expenditures/ Expenses	Payment to Sub- Recipients
Highway Safety Cluster						
U.S. Department of Transportation	Illinois Department of Transportation	State and Community Highway Safety	20.600	HS220102	\$ 4,626	\$ -
U.S. Department of Transportation	Illinois Department of Transportation	State and Community Highway Safety	20.600	HS230077	4,813	-
		Total Highway Safety Cluster			9,439	-
Highway Planning and Construction Cluster						
U.S. Department of Transportation	Illinois Department of Transportation	Highway Planning and Construction	20.205	C-91-108-14	70,584	-
		Total U.S. Department of Transportation			80,023	-
U.S. Department of Treasury	N/A	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027*	N/A	1,043,977	-
U.S. Department of Justice	N/A	Bulletproof Vest Partnership Program	16.607	N/A	3,676	-
U.S. Department of Health and Human Services	N/A	Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	1,210	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,128,886	\$ -

*Denotes major federal program

VILLAGE OF FOX LAKE, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2023

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, 2023.

Note C - Illinois Environmental Protection Agency Loans

The Village had Illinois Environmental Protection Agency Loans outstanding in the amount of \$21,948,735 at April 30, 2023. 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, 2023

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>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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, 2023

Section II - Findings - Financial Statement Audit

2023-001 Internal Control over Financial Reporting - Month-End and Year-End Close Process

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 delays and requiring significant adjusting journal entries by new management. We consider this finding to be a material weakness.

Effect: During our audit upon review of the preliminary trial balances, we noted many accounts were not adjusted to accurately reflect balances as of the fiscal year end date. 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.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section II - Findings - Financial Statement Audit (Continued)

2023-002 Internal Control over Financial Reporting - Interfund Balances

Criteria: Interfund balances (payables and receivables) should be in balance and reflect short-term interfund borrowings.

Condition/Context: At the Village, there is a lack of timely completion of certain reconciliations and of review of interfund balances as recorded by the system. We consider this finding to be a significant deficiency.

Effect: During our audit we noted interfund balances per the preliminary trial balances were not in balance and balances were not reconciled and cleared on a regular basis. With regular and timely review, management could ensure interfund activity recorded by the system remains in balance, as well as ensure balances are cleared as interfund borrowings are repaid, to ensure balances recorded are reflective of actual short-term interfund borrowings.

Cause: System entries and limited reconciliation of interfund activity.

Recommendation: We recommend that the Village complete reconciliations of all interfund activity on a regular basis, ideally monthly. Reviewing the activity and completing reconciliations regularly ensures that the interfund balances in the system stay in balance and are cleared as balances are repaid.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section II - Findings - Financial Statement Audit (Continued)

2023-003 Internal Control over Financial Reporting - Bank Reconciliations

Criteria: Bank Reconciliations should be prepared on a timely basis and reviewed by an individual separate from the preparer.

Condition/Context: At the Village, there is a lack of timely completion of cash accounts and no documentation of review of bank account reconciliations once prepared. We consider this finding to be a significant deficiency.

Effect: During our audit we noted certain bank reconciliations were not completed in a timely manner. Once prepared, it was noted no documentation of review of the reconciliation.

Cause: Limited number of employees and employee turnover.

Recommendation: We recommend that the Village complete reconciliations of cash accounts on a monthly basis, within the first few weeks of the subsequent month. Reviewing the activity and completing reconciliations in a timely and consistent manner ensures that any potential errors can be noted and resolved immediately, and account activity is recorded properly. A review completed by an individual separate from the preparer reduces the risk that reconciliation variances remain unreconciled.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section III - Federal Award Findings and Questioned Costs

None

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section IV - Prior Year Award Findings and Questioned Costs

2022-001 Internal Control over Financial Reporting - Month-End and Year-End Close Process

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. We consider this finding to be a material weakness.

Effect: During our audit upon review of the preliminary trial balances, we noted many accounts were not adjusted to accurately reflect balances as of the fiscal year end date. Several adjusting journal entries to balance the funds, correct fund balance roll forward issues, 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.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

Status: This is repeated for the year ended April 30, 2023. See finding 2023-001

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section IV - Prior Year Award Findings and Questioned Costs (Continued)

2022-002 Internal Control over Financial Reporting - Interfund Balances

Criteria: Interfund balances (payables and receivables) should be in balance and reflect short-term interfund borrowings.

Condition/Context: At the Village, there is a lack of timely completion of certain reconciliations and of review of interfund balances as recorded by the system. We consider this finding to be a significant deficiency.

Effect: During our audit we noted interfund balances per the preliminary trial balances were not in balance and balances were not reconciled and cleared on a regular basis. With regular and timely review, management could ensure interfund activity recorded by the system remains in balance, as well as ensure balances are cleared as interfund borrowings are repaid, to ensure balances recorded are reflective of actual short-term interfund borrowings.

Cause: System entries and limited reconciliation of interfund activity.

Recommendation: We recommend that the Village complete reconciliations of all interfund activity on a regular basis, ideally monthly. Reviewing the activity and completing reconciliations regularly ensures that the interfund balances in the system stay in balance and are cleared as balances are repaid.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

Status: This is repeated for the year ended April 30, 2023. See finding 2023-002

VILLAGE OF FOX LAKE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2023

Section IV - Prior Year Award Findings and Questioned Costs (Continued)

2022-003 Internal Control over Financial Reporting - Bank Reconciliations

Criteria: Bank Reconciliations should be prepared on a timely basis and reviewed by an individual separate from the preparer.

Condition/Context: At the Village, there is a lack of timely completion of cash accounts and no documentation of review of bank account reconciliations once prepared. We consider this finding to be a significant deficiency.

Effect: During our audit we noted certain bank reconciliations were not completed in a timely manner. Once prepared, it was noted no documentation of review of the reconciliation, as well as discrepancies between the bank reconciliation and recorded cash balances due to unposted adjustments.

Cause: Limited number of employees and employee turnover.

Recommendation: We recommend that the Village complete reconciliations of cash accounts on a monthly basis, within the first few weeks of the subsequent month. Reviewing the activity and completing reconciliations in a timely and consistent manner ensures that any potential errors can be noted and resolved immediately, and account activity is recorded properly. A review completed by an individual separate from the preparer reduces the risk that reconciliation variances remain unreconciled.

Views of Responsible Officials: Management agrees with this finding and response is included in Corrective Action Plan.

Status: This finding was repeated for the year ended April 30, 2023. See finding 2023-003.



Corrective Action

For the Fiscal Year Ended April 30, 2023

2023-001 Internal Control over Financial Reporting – Month-End and Year-End Close Process

Condition/Context: At the Village, there is a lack of timely review of financial records, resulting in delays and requiring significant adjusting journal entries by new management. We consider this finding to be a material weakness.

Corrective Action Plan:

A new Finance Director, hired July 31, 2023, is a Certified Public Accountant and has extensive public accounting and related government experience. A major portion of her first five months was spent completing the fiscal year ending April 30, 2022 with extended hours to reconcile accounts and research/provide analysis for the Village's financial reporting through April 30, 2023. She has begun bringing the Village current with financial information for the current fiscal year. Once the backlog of reconciliations is completed, appropriate month-end and year-end close and reporting will commence.

Responsible Person for Corrective Action Plan:

Mary Locher- Finance Director

Implementation Date of Corrective Action Plan:

February-March 2024



2023-002 Internal Control over Financial Reporting – Interfund Balances

Condition/Context: At the Village, there is a lack of timely completion of certain reconciliations and of review of interfund balances as recorded by the system. We consider this finding to be a significant deficiency.

Corrective Action Plan:

As of November 2023, interfund balances are now reconciled monthly. Repayments of larger balances have been repaid, cash permitting. As the Village becomes current with bank reconciliations, the final potential repayments will be completed.

Responsible Person for Corrective Action Plan:

Mary Locher- Finance Director

Implementation Date of Corrective Action Plan:

Processes in place December 2023



2023-003 Internal Control over Financial Reporting – Bank Reconciliations

Condition/Context: At the Village, there is a lack of timely completion of cash accounts and no documentation of review of bank account reconciliations once prepared. We consider this finding to be a significant deficiency.

Corrective Action Plan:

The new Finance Director and the Accounting Manager, who has many years of experience with the Village, are working on bringing bank reconciliations current. Both have found the accounting software provides the appropriate process for reconciling. Bank reconciliations will be reviewed by an individual separate from the preparer to ensure timely clearings of outstanding items.

Responsible Person for Corrective Action Plan:

Mary Locher- Finance Director

Implementation Date of Corrective Action Plan:

February 2024