

# **VILLAGE OF LAKE ZURICH, ILLINOIS**

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2020

# VILLAGE OF LAKE ZURICH, ILLINOIS

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**Independent Auditors' 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***

To the Honorable President and  
Members of the Board of Trustees  
Village of Lake Zurich, Illinois

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 Lake Zurich, Illinois as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Lake Zurich's basic financial statements, and have issued our report thereon dated June 14, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 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 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Oak Brook, Illinois  
June 14, 2021

**Independent Auditors' Report on Compliance  
for the Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

To the Honorable President and  
Members of the Board of Trustees of  
Village of Lake Zurich, Illinois

**Report on Compliance for the Major Federal Program**

We have audited the Village of Lake Zurich's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Village's major federal program for the year ended December 31, 2020. The Village's major federal program is identified in the summary of auditors' 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 program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Village's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on the 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 its major federal program for the year ended December 31, 2020.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

### ***Village's Response to Finding***

The Village's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Village 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

### ***Village's Response to Finding***

The Village's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Zurich, Illinois as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Lake Zurich's basic financial statements. We issued our report thereon dated June 14, 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 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.

*Baker Tilly US, LLP*

Oak Brook, Illinois  
June 14, 2021

**VILLAGE OF LAKE ZURICH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Fiscal Period 1/1/2020 - 12/31/2020

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF AGRICULTURE</b>									
<i>URBAN AND COMMUNITY FORESTRY PROGRAM</i>	10.675	MORTON ARBORETUM TREE GRANT - US FOREST SERVICE	ILLINOIS DEPARTMENT OF NATURAL RESOURCES; THE MORTON ARBORETUM	0810-009		\$63,134	\$63,134	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						<u>\$63,134</u>			
<b>DEPARTMENT OF JUSTICE</b>									
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607					\$11,465	\$11,465	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>						<u>\$11,465</u>			
<b>DEPARTMENT OF TRANSPORTATION</b>									
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	NATIONAL PRIORITY SAFETY PROGRAMS	ILLINOIS DEPARTMENT OF TRANSPORTATION	HS-21-0106, 04-02		\$39,445	\$39,445	HIGHWAY SAFETY CLUSTER	\$39,445
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>						<u>\$39,445</u>			
<b>DEPARTMENT OF TREASURY</b>									
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	LAKE COUNTY, ILLINOIS	N/A		\$919,407	\$919,407	N/A	\$0
<b>TOTAL DEPARTMENT OF TREASURY</b>						<u>\$919,407</u>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
COVID-19 PROVIDER RELIEF FUND	93.498	COVID-19				\$20,642	\$20,642	N/A	\$0
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>\$20,642</u>			
<b>DEPARTMENT OF HOMELAND SECURITY</b>									
COVID-19 DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FEMA COVID-19				\$33,496	\$33,496	N/A	\$0
ASSISTANCE TO FIREFIGHTERS GRANT	97.044					\$356,906	\$356,906	N/A	\$0
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067	MABAS OVERTIME REIMBURSEMENT FOR TRAINING (FIRE)	ILLINOIS EMERGENCY MANAGEMENT AGENCY; MUTUAL AID BOX ALARM SYSTEM	N/A		\$19,930	\$19,930	N/A	\$0
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>						<u>\$410,332</u>			
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>						<u>\$1,464,425</u>			

**Please Note:**

*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.



# VILLAGE OF LAKE ZURICH, ILLINOIS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2020

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### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Village of Lake Zurich, Illinois (the Village) under programs of the federal government for the year ended December 31, 2020. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village.

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

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### **NOTE 3 – INDIRECT COST RATE**

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The Village of Lake Zurich has not elected to use the 10% de minimis indirect cost rate.

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### **NOTE 4 – LOAN AND LOAN GUARANTEE PROGRAMS**

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The Village of Lake Zurich participates as a subrecipient of federal awards from the Illinois Environmental Protection Agency (IEPA) under the Capitalization Grants for Clean Water State Revolving Funds program (CFDA #66.458). Expenditures incurred for the program are reimbursed with a combination of federal and non-federal funds by the IEPA and, for those costs reimbursed with federal funds, included in the Schedule. The balance of the loans outstanding at December 31, 2020, including both federal and non-federal portions, is \$1,526,081.

# VILLAGE OF LAKE ZURICH, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2020

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

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#### *FINANCIAL STATEMENTS*

Type of report the auditor issued: Unmodified

Internal control over financial reporting:

- > Material weakness (es) identified?             yes        X   no
- > Significant deficiency (ies) identified?             yes        X   none reported

Noncompliance material to financial statements noted?

       yes        X   no

#### *FEDERAL AWARDS*

Internal control over major programs:

- > Material weakness (es) identified?             yes        X   no
- > Significant deficiency (ies) identified?        X   yes             none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?

  X   yes             no

Auditee qualified as low-risk auditee?

       yes        X   no

Identification of major federal programs:

CFDA Number(s)

21.019

Name of Federal Program or Cluster

COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

# VILLAGE OF LAKE ZURICH, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2020

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### **SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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None noted.

# VILLAGE OF LAKE ZURICH, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2020

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### SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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**Finding No.** 2020-001  
**CFDA No.** 21.019  
**Program Title:** COVID-19 Coronavirus Relief Fund  
**Federal Agency:** U.S. Department of the Treasury  
**Pass-through Entity:** Lake County, Illinois

**Criteria:** Eligible expenditures to the Coronavirus Relief Fund are those that are that are (1) Necessary expenditures incurred due to the public health emergency with respect to COVID–19; (2) Not accounted for in the governments’ most recently approved as of March 27, 2020; and (3) Incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

**Condition/Context:** The Village incurred eligible expenditures in excess of the Coronavirus Relief Fund allocation. The Village submitted payroll detail for payroll checks paid from March 1, 2020 through September 4, 2020 as eligible expenditures. The first payroll of March was March 6, 2020 and covered the pay period for February 16, 2020 through February 29, 2020. As such, the Village improperly included payroll for time worked in February 2020 in the support for eligible expenditures submitted for reimbursement. The sample was not statistically valid.

**Cause:** Internal control reviews at the Village did not identify the payroll detail provided to support the eligible expenditures included payroll from time worked in February 2020.

**Effect:** A portion of the payroll submitted as eligible expenditures were not allowable and the Village controls failed to detect the unallowable payroll. The total eligible expenditures submitted by the Village was \$1,441,214 and the portion that related to February 2020 payroll was \$114,131. As such, the Village's remaining eligible expenditures of \$1,327,083 exceeded their allocation of \$919,407.

**Questioned Costs:** None Noted.

**Recommendations for Corrective Action:** We recommend the implementation of additional reviews over future eligible expenditures to ensure they are in line with grant requirements.

**Management’s Response:** The Village agrees with the finding and will will evaluate their internal controls and the cost effectiveness of receiving training in the grant requirements to ensure proper reviews are in place.

**VILLAGE OF LAKE ZURICH, ILLINOIS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended December 31, 2020

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None.