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***VILLAGE OF CAPRON
BOONE COUNTY, ILLINOIS***

ANNUAL FINANCIAL REPORT

APRIL 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Capron
Capron, Illinois

Report on the Financial Statements

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of

Village of Capron

as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the Village as of April 30, 2021, and the respective changes in financial position - modified cash basis and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of Village of Capron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Capron's internal control over financial reporting and compliance.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
April 12, 2022



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

To the Board of Trustees
Village of Capron
Capron, 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, and each major fund of the

Village of Capron

as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise Village of Capron's basic financial statements, and have issued our report thereon dated April 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Capron's internal control over financial reporting (internal control) as a basis for designing 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 Village of Capron's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Capron'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 Village'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 were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003 and 2021-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Capron'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*.

Village of Capron's Response to Findings

Village of Capron's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Village of Capron's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

McHenry, Illinois
April 12, 2022

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

BASIC FINANCIAL STATEMENTS

VILLAGE OF CAPRON
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 747,361	\$ 306,249	\$ 1,053,610
Restricted Cash and Cash Equivalents	-	122,086	122,086
Capital Assets			
Land	2,353	37,932	40,285
Construction in Progress	-	3,911,267	3,911,267
Other Capital Assets, Net of Depreciation	205,390	2,428,023	2,633,413
TOTAL ASSETS	\$ 955,104	\$ 6,805,557	\$ 7,760,661
LIABILITIES			
Deposits in Escrow	\$ 7,500	\$ -	\$ 7,500
Water Deposits	-	4,430	4,430
Non-Current Liabilities			
Due Within One Year	-	279,000	279,000
Due in More Than One Year	-	2,673,000	2,673,000
TOTAL LIABILITIES	\$ 7,500	\$ 2,956,430	\$ 2,963,930
NET POSITION			
Net Investment in Capital Assets	\$ 207,743	\$ 3,425,222	\$ 3,632,965
Restricted For			
Public Works	221,652	-	221,652
Debt Service	-	122,086	122,086
Audit	1,635	-	1,635
Unrestricted / (Deficit)	516,574	301,819	818,393
TOTAL NET POSITION	\$ 947,604	\$ 3,849,127	\$ 4,796,731

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities							
General Government	\$ 318,573	\$ 78,293	\$ -	\$ -	\$ (240,280)	\$ -	\$ (240,280)
Public Works	330,985	-	101,616	-	(229,369)	-	(229,369)
Interest and Fees on Long-Term Debt	114	-	-	-	(114)	-	(114)
	<u>\$ 649,672</u>	<u>\$ 78,293</u>	<u>\$ 101,616</u>	<u>\$ -</u>	<u>\$ (469,763)</u>	<u>\$ -</u>	<u>\$ (469,763)</u>
Business-Type Activities							
Sewer and Water	\$ 330,294	\$ 594,584	\$ -	\$ 1,092,100	\$ -	\$ 1,356,390	\$ 1,356,390
TOTAL PRIMARY GOVERNMENT	<u>\$ 979,966</u>	<u>\$ 672,877</u>	<u>\$ 101,616</u>	<u>\$ 1,092,100</u>	<u>\$ (469,763)</u>	<u>\$ 1,356,390</u>	<u>\$ 886,627</u>
GENERAL REVENUES							
Taxes							
Property Taxes					\$ 82,697	\$ -	\$ 82,697
Utility Tax					42,705	-	42,705
State Sales Tax					46,569	-	46,569
State Income Tax					243,264	-	243,264
Replacement Tax					3,163	-	3,163
Other Taxes					5,930	-	5,930
Other Income					10,446	-	10,446
Unrestricted Investment Earnings					1,304	225	1,529
Transfers					33,124	(33,124)	-
TOTAL GENERAL REVENUES					<u>\$ 469,202</u>	<u>\$ (32,899)</u>	<u>\$ 436,303</u>
CHANGE IN NET POSITION					\$ (561)	\$ 1,323,491	\$ 1,322,930
NET POSITION - BEGINNING OF YEAR					<u>948,165</u>	<u>2,525,636</u>	<u>3,473,801</u>
NET POSITION - END OF YEAR					<u>\$ 947,604</u>	<u>\$ 3,849,127</u>	<u>\$ 4,796,731</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
STATEMENT OF ASSETS, LIABILITIES, AND
FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF APRIL 30, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 525,709	\$ 221,652	\$ 747,361
TOTAL ASSETS	<u>\$ 525,709</u>	<u>\$ 221,652</u>	<u>\$ 747,361</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Deposits in Escrow	\$ 7,500	\$ -	\$ 7,500
TOTAL LIABILITIES	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 7,500</u>
FUND BALANCE			
Restricted For			
Public Works	\$ -	\$ 221,652	\$ 221,652
Audit	1,635	-	1,635
Unassigned	516,574	-	516,574
TOTAL FUND BALANCE	<u>\$ 518,209</u>	<u>\$ 221,652</u>	<u>\$ 739,861</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 525,709</u>	<u>\$ 221,652</u>	<u>\$ 747,361</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,
 AND FUND BALANCE - MODIFIED CASH BASIS TO THE
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 APRIL 30, 2021

Total Fund Balances - Governmental Funds	\$	739,861
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Amounts reported for governmental activities in the Statement of Net
 Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds.

Capital Assets, Net of Accumulated Depreciation		<u>207,743</u>
Net Position of Governmental Activities	\$	<u><u>947,604</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES			
Local Taxes			
Property Tax	\$ 82,697	\$ -	\$ 82,697
Utility Tax	42,705	-	42,705
Intergovernmental			
State Sales Tax	46,569	-	46,569
State Income Tax	243,264	-	243,264
State Replacement Tax	3,163	-	3,163
State Motor Fuel Tax	-	44,405	44,405
State Gaming Tax	4,756	-	4,756
Cannabis Use Tax	1,174	-	1,174
State and Federal Grants	11,869	45,342	57,211
Other Local Sources			
Franchise Fees	808	-	808
Building Permits	73,885	-	73,885
Interest	852	452	1,304
Miscellaneous			
Rental	3,600	-	3,600
Other Miscellaneous Income	10,446	-	10,446
	<u>\$ 525,788</u>	<u>\$ 90,199</u>	<u>\$ 615,987</u>
EXPENDITURES			
Current			
General Government	\$ 283,430	\$ -	\$ 283,430
Public Works	254,346	76,639	330,985
Capital Outlay	15,012	-	15,012
Debt Service			
Interest	114	-	114
	<u>\$ 552,902</u>	<u>\$ 76,639</u>	<u>\$ 629,541</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (27,114)	\$ 13,560	\$ (13,554)
TRANSFERS	<u>33,124</u>	<u>-</u>	<u>33,124</u>
NET CHANGE IN FUND BALANCES	\$ 6,010	\$ 13,560	\$ 19,570
FUND BALANCES - MAY 1, 2020	<u>512,199</u>	<u>208,092</u>	<u>720,291</u>
FUND BALANCES - APRIL 30, 2021	<u><u>\$ 518,209</u></u>	<u><u>\$ 221,652</u></u>	<u><u>\$ 739,861</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS TO THE
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	19,570
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Amounts reported for governmental activities in the Statement of Activities -
Modified Cash Basis are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities - Modified Cash Basis the cost of those
assets is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital outlay
exceeds depreciation expense in the current period.

Depreciation Expense	\$	(22,726)	
Capital Outlays		2,595	
			(20,131)

Change in Net Position of Governmental Activities	\$	(561)
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The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2021

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 306,249
Restricted Cash and Cash Equivalents	122,086
	<u>\$ 428,335</u>
Non-Current Assets	
Capital Assets	
Land	\$ 37,932
Construction in Progress	3,911,267
Equipment	184,449
Water and Sewer System	5,079,127
Less: Accumulated Depreciation	(2,835,553)
	<u>\$ 6,377,222</u>
TOTAL ASSETS	<u>\$ 6,805,557</u>
LIABILITIES	
Current Liabilities	
Water Deposits	\$ 4,430
Debt Payable - Current	279,000
	<u>\$ 283,430</u>
Long-Term Liabilities	
Debt Payable - Long-Term	<u>\$ 2,673,000</u>
TOTAL LIABILITIES	<u>\$ 2,956,430</u>
NET POSITION	
Investment in Capital Assets	\$ 3,425,222
Restricted for	
Debt Service	122,086
Unrestricted / (Deficit)	301,819
TOTAL NET POSITION	<u><u>\$ 3,849,127</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2021

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
OPERATING REVENUES	
Charges for Sales and Services	\$ 594,584
	<u>\$ 594,584</u>
OPERATING EXPENSES	
Water and Sewer Department	
Personnel Services	\$ 70,509
Commodities	39,947
Contractual Services	48,689
Depreciation	116,667
	<u>\$ 275,812</u>
OPERATING INCOME/(LOSS)	<u>\$ 318,772</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest Income	\$ 225
Interest Expense	(54,482)
TOTAL NON-OPERATING REVENUES/(EXPENSES)	<u>\$ (54,257)</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 264,515
CAPITAL CONTRIBUTIONS (GRANTS)	1,092,100
TRANSFER (TO)/FROM OTHER FUNDS	<u>(33,124)</u>
CHANGE IN NET POSITION	\$ 1,323,491
NET POSITION - BEGINNING OF YEAR	<u>2,525,636</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,849,127</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2021

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 594,584
Payments to Suppliers for Goods and Services	(88,636)
Payments to Employees for Services	(70,509)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 435,439</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Transfers (to)/from Other Funds	\$ (33,124)
Net Cash Provided/(Used) by Non Capital Financing Activities	<u>\$ (33,124)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Federal Grants (Capital)	\$ 1,092,100
Interest Paid on Debt	(54,482)
Purchase of Capital Assets	(1,382,743)
Principal Paid on Debt	(235,000)
Proceeds from Debt Payable	282,000
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ (298,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents	\$ 225
Net Cash Provided/(Used) by Investing Activities	<u>\$ 225</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 104,415
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BALANCE - BEGINNING OF YEAR	<u>323,920</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BALANCE - END OF YEAR	<u><u>\$ 428,335</u></u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ 318,772
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	116,667
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 435,439</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CAPRON
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Capron's (Village) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the Village are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement, in that the financial statements include all organizations, activities, and functions that comprise the Village. Component units are legally separate entities for which the Village (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Village. Using these criteria, the Village has no components units. In addition, the Village is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Statements*

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's general government and public works services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position – Modified Cash Basis, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a modified cash, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales taxes, income taxes, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function (general government and public works) or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

NOTES TO FINANCIAL STATEMENTS (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized in a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The Village electively added all funds as major. The Village views this fund as particularly important to the financial users.

The following fund types are used by the Village:

1. Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Motor Fuel Tax Fund includes revenues from motor fuel tax and other state road grants along with the related expenditures.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows which is similar to accounting practices of businesses in the private sector. The following is a description of the proprietary fund of the Village:

Enterprise Funds – Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In the government-wide Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Village utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all Village funds. Instead, the funds maintain their cash balances in a common bank account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Village funds and are, therefore, interfund loans that have not been authorized by Village Board action.

No Village fund had a cash overdraft at April 30, 2021.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

F. *Restricted Cash and Investments*

Certain cash accounts in the Water and Sewer Fund are classified as restricted cash and cash equivalents on the Statement of Net Position – Modified Cash Basis as they are restricted to help establish an emergency fund for maintenance, repairs, and replacements on the water utility system.

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

H. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on governmental activities assets and business-type activities assets is provided on the straight-line, half-year basis over the following estimated useful lives:

Buildings	50 years
Equipment and Vehicles	5 - 10 years
Water and Sewer Systems	20 - 45 years

I. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis and Statement of Net Position – Modified Cash Basis will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resource until that time.

J. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities and proprietary fund Statement of Net Position – Modified Cash Basis. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the current year. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. *Government-Wide and Proprietary Fund Net Position*

Government-wide net position is divided into three components:

1. Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grants (both federal and state), and by other contributors.
3. Unrestricted net position – all other net position is reported in this category.

NOTES TO FINANCIAL STATEMENTS (Continued)

L. *Governmental Fund Balances*

Governmental fund balances are divided between non-spendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

1. **Restricted** – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
2. **Committed** – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action (e.g. legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
3. **Assigned** – Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted, nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Trustees has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Village itself. All other assigned fund balances are the residual amounts of the fund.

4. **Unassigned** – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Village permits funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

M. *Property Tax Calendar and Revenues*

The Village's property tax is levied each calendar year on all taxable real property located in the Village's district. The 2020 levy was passed by the Board on January 12, 2021. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

N. *Defining Operating Revenues and Expenses*

The Village's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's Water and Sewer Fund consist of charges for services (including tap on fees for the Water Fund and systems development charges for the Sewer Fund) and the costs of providing those services, including depreciation and excluding interest cost. All other revenue and expenses are reported as nonoperating.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Article 2 and 6.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village has a policy that all deposits and investments in excess of any insurance shall be collateralized by pledged securities and the market value of the pledged securities shall equal or exceed the portion of deposit requiring collateralization. As of April 30, 2021, \$795,284 of the Village's bank balance of \$1,180,350 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized: \$795,284

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2021 was as follows:

	Balance May 1, 2020	Increases	Decreases	Balance April 30, 2021
Governmental Activities:				
Capital Assets not being depreciated				
Land	\$ 2,353	\$ -	\$ -	\$ 2,353
Total Capital Assets not being depreciated	\$ 2,353	\$ -	\$ -	\$ 2,353
Other Capital Assets				
Buildings	\$ 337,338	\$ -	\$ -	\$ 337,338
Equipment and Vehicles	134,382	2,595	-	136,977
Total Other Capital Assets at historical cost	\$ 471,720	\$ 2,595	\$ -	\$ 474,315
Less: Accumulated Depreciation for:				
Buildings	\$ 133,830	\$ 9,814	\$ -	\$ 143,644
Equipment and Vehicles	112,369	12,912	-	125,281
Total Accumulated Depreciation	\$ 246,199	\$ 22,726	\$ -	\$ 268,925
Other Capital Assets, net	\$ 225,521	\$ (20,131)	\$ -	\$ 205,390
Governmental Activities Capital Assets, net	\$ 227,874	\$ (20,131)	\$ -	\$ 207,743
Business-Type Activities				
Capital Assets not being depreciated				
Land	\$ 37,932	\$ -	\$ -	\$ 37,932
Construction in Progress	2,532,831	1,378,436	-	3,911,267
Total Capital Assets not being depreciated	\$ 2,570,763	\$ 1,378,436	\$ -	\$ 3,949,199
Other Capital Assets				
Water and Sewer System Plant	\$ 5,074,820	\$ 4,307	\$ -	\$ 5,079,127
Equipment	184,449	-	-	184,449
Total Other Capital Assets at historical cost	\$ 5,259,269	\$ 4,307	\$ -	\$ 5,263,576
Less: Accumulated Depreciation	\$ 2,718,886	\$ 116,667	\$ -	\$ 2,835,553
Total Accumulated Depreciation	\$ 2,718,886	\$ 116,667	\$ -	\$ 2,835,553
Other Capital Assets, net	\$ 2,540,383	\$ (112,360)	\$ -	\$ 2,428,023
Business-Type Activities Capital Assets, net	\$ 5,111,146	\$ 1,266,076	\$ -	\$ 6,377,222

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 22,726
Total Governmental Activities Depreciation Expense	\$ 22,726
Business-Type Activities	
Water and Sewer	\$ 116,667
Total Business-Type Activities Depreciation Expense	\$ 116,667

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended April 30, 2021 was as follows:

	Balance May 1, 2020	Additions	Retirements	Balance April 30, 2021	Amounts Due Within One Year
Business-Type Activities:					
Long-Term Debt					
General Obligation Bond	\$ 1,005,000	\$ -	\$ 235,000	\$ 770,000	\$ 245,000
Revenue Bond	1,900,000	-	-	1,900,000	30,000
Revenue Bond	-	282,000	-	282,000	4,000
Total Long-Term Debt	<u>\$ 2,905,000</u>	<u>\$ 282,000</u>	<u>\$ 235,000</u>	<u>\$ 2,952,000</u>	<u>\$ 279,000</u>

Long-term liabilities payable consisted of the following at April 30, 2021.

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Business-type Activities:					
General Obligation Bond*	11/15/2004	12/15/2023	3.00%-5.00%	\$ 3,000,000	\$ 770,000
Revenue Bond	1/28/2020	5/1/2058	2.25%	1,900,000	1,900,000
Revenue Bond	11/20/2020	5/1/2060	1.50%	282,000	282,000

*The Village has pledged future water and sewer customer net revenues, net of specific operating expense, plus income tax and sales taxes to repay the \$3,000,000 in waterworks and sewerage bonds issued in November 2004. The bonds are payable solely from water and sewer customer net revenues and are payable through 2024. Total principal and interest remaining on these bonds is \$848,005 payable through 2024.

The bond ordinance requires that pledged revenues less certain operating expenses must be at least 1.25% of current year debt service.

All debt is contained within the Water and Sewer Fund and will be liquidated by that fund.

At April 30, 2021 the annual debt service requirement to service long-term debt attributable to business-type activities are:

Year Ending April 30	Principal	Interest	Total
2022	\$ 279,000	\$ 91,937	\$ 370,937
2023	289,000	79,084	368,084
2024	306,000	65,471	371,471
2025	36,000	51,094	87,094
2026	36,000	50,217	86,217
2027-2031	210,000	236,738	446,738
2032-2036	230,000	208,763	438,763
2037-2041	270,000	178,163	448,163
2042-2046	300,000	142,725	442,725
2047-2051	340,000	102,450	442,450
2052-2056	380,000	57,975	437,975
2057-2061	276,000	11,131	287,131
	<u>\$ 2,952,000</u>	<u>\$ 1,275,748</u>	<u>\$ 4,227,748</u>

NOTE 5 - INTERFUND TRANSFERS

The following funds had transfers for the year ended April 30, 2021:

Transfer From	Transfer To	Amount
Water and Sewer Fund	General Fund	\$ 33,124

NOTES TO FINANCIAL STATEMENTS (Continued)

The transfer was made to reimburse the General Fund to help cover capital projects.

NOTE 6 - DEFICIT FUND BALANCE

No Village fund had a deficit fund balance at April 30, 2021.

NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2019 levy (\$82,697). A summary of the assessed valuation, rates, and extensions for the years 2020, 2019, and 2018 follows:

Tax Year	2020		2019		2018	
Assessed Valuation	\$15,972,157		\$15,020,686		\$13,745,888	
	Rate	Extension	Rate	Extension	Rate	Extension
Corporate	0.186	\$ 29,662	0.194	\$ 29,089	0.206	\$ 28,275
Road and Bridge	-	23,110	-	22,311	-	35,412
Audit	0.084	13,404	0.088	13,146	0.093	12,777
Liability Insurance	0.066	10,532	0.069	10,328	0.073	10,039
Street Lighting	0.013	2,112	0.014	2,070	0.015	2,011
Social Security	0.037	5,938	0.039	5,828	0.041	5,661
	<u>0.386</u>	<u>\$ 84,758</u>	<u>0.403</u>	<u>\$ 82,772</u>	<u>0.427</u>	<u>\$ 94,175</u>

NOTE 8 - SOCIAL SECURITY

All employees are covered under Social Security. The Village paid the total required contribution for the current fiscal year.

NOTE 9 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchased insurance coverage through Illinois Municipal League Risk Management Association. During fiscal year 2021, there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There is the potential for the Village to be assessed additional premiums for its share of any losses of the pool. Historically, the Village has not been assessed any additional premiums.

NOTE 10 - CONTINGENCIES

The Village is not aware of any pending litigation or potential nondisclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 11 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limit the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Village.

2020 EAV	\$ 15,972,157
x	<u>8.625%</u>
Debt Margin	\$ 1,377,599
Current Debt	<u>-</u>
Remaining Debt Margin	<u>\$ 1,377,599</u>

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Trustees
Village of Capron
Capron, Illinois

Report on Compliance for Each Major Federal Program

We have audited the

Village of Capron's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Village of Capron's major federal programs for the year ended April 30, 2021. Village of Capron'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 Village of Capron'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 Village of Capron'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 Village of Capron's compliance.

Opinion on Each Major Federal Program

In our opinion, Village of Capron 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, 2021.

Report on Internal Control Over Compliance

Management of Village of Capron 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 Village of Capron'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 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 Village of Capron'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.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
April 12, 2022

VILLAGE OF CAPRON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2021

Federal Agency (Pass-Through Agency)	Federal Program	Federal CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Total
United States Department of Agriculture (M)	Water and Waste Disposal Systems for Rural Communities	10.760	Not Applicable	\$ -	\$ 1,340,976	\$ 1,340,976
Subtotal CFDA 10.760				\$ -	\$ 1,340,976	\$ 1,340,976
Total CFDA "10"				\$ -	\$ 1,340,976	\$ 1,340,976
Department of Treasury (via Illinois Department of Commerce & Economic Opportunity)	COVID-19 Coronavirus Relief Fund	21.019	Not Applicable	\$ 11,869	\$ -	\$ 11,869
Subtotal CFDA 21.019				\$ 11,869	\$ -	\$ 11,869
Total CFDA "21"				\$ 11,869	\$ -	\$ 11,869
Total Federal Awards Expended:				\$ 11,869	\$ 1,340,976	\$ 1,352,845

VILLAGE OF CAPRON, ILLINOIS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Village of Capron under programs of the federal government for the year ended April 30, 2021. The information in this Schedule is presented in accordance with requirements of the 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 of Capron, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Village of Capron.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash 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.

NOTE 3 - INDIRECT COST RATE

The Village has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Village did not provide federal awards to subrecipients during the year ended April 30, 2021.

NOTE 5 - FEDERAL LOANS

Federal loans and loan guarantees outstanding is \$2,182,000 at April 30, 2021.

NOTE 6 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

The Village was not the recipient of donated PPE in the current year.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2021

- 1) Summary of auditor's results:
 - a) The auditor's report expresses an unmodified opinion on whether the financial statements of the Village of Capron were prepared in accordance with the modified cash basis.
 - b) No material weaknesses and four significant deficiencies were disclosed during the audit of the financial statements and are reported in the 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*.
 - c) No instances of noncompliance material to the financial statements of the Village of Capron, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.
 - d) No significant deficiencies in internal control over major federal award programs are reported during the audit of the financial statements. No material weaknesses in internal control over major federal award programs are reported.
 - e) The auditor's report on compliance for the major federal award programs for the Village of Capron expresses an unmodified opinion on all major federal programs.
 - f) There are no audit findings that are required to be reported in accordance with Uniform Guidance 2 CFR section 200.516(a).
 - g) The program tested as a major program was: Water and Waste Disposal Systems for Rural Communities (CFDA #10.760).
 - h) The threshold used for distinguishing between Type A and Type B programs was \$750,000.
 - i) The Village of Capron was determined to not be a low-risk auditee.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Section II – Financial Statement Findings)
FOR THE YEAR ENDED APRIL 30, 2021

FINDING NUMBER: 2021-001

Criteria or specific requirement:

A critical element of internal control is that proper backup documentation substantiating employee time records is kept and updated regularly.

Condition:

The Village did not properly maintain documentation on employee time records at certain points during the year.

Context:

Certain employee timesheets could not be produced by the Village.

Effect:

Without proper documentation it is reasonably possible that payroll expense could have been misstated.

Cause:

The Village did not ensure that physical copies of employee timesheets were kept on file.

Recommendation:

The Village needs to ensure that proper employee timesheet records are maintained for all payroll periods within the fiscal year.

Management's response:

This issue has already been resolved in the following fiscal year.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Section II – Financial Statement Findings)
FOR THE YEAR ENDED APRIL 30, 2021

FINDING NUMBER: 2021-002

Criteria or specific requirement:

A critical element of internal control is that invoices throughout the year are properly documented and available.

Condition:

There were various vendor invoices that the Village could not provide when requested.

Context:

Due to not having appropriate documentation of invoices, during fieldwork it was necessary to reach out to certain vendors to retrieve invoices.

Effect:

Certain invoices were not available, which caused additional time to obtain said invoices from certain vendors.

Cause:

The Village did not have a process implemented to make sure to request and file all vendor invoices.

Recommendation:

The Village should retain all vendor invoices on-site for the fiscal year.

Management's response:

This issue has already been resolved in the following fiscal year.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Section II – Financial Statement Findings)
FOR THE YEAR ENDED APRIL 30, 2021

FINDING NUMBER: 2021-003

Criteria or specific requirement:

Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition:

There is inadequate control over general ledger accounting, expense transaction record keeping, revenue and cash receipt and disbursement transaction record keeping and monthly financial statement preparation at the Village due to the inadequate segregation of duties stemming from limited personnel.

Context:

Since personnel constraints limits the ability to achieve proper segregation of duties, it was required that we discuss the procedures in place to minimize risk of error.

Effect:

As a result of this, there is a higher risk that errors could occur and not be detected and fixed within a timely period.

Cause:

The Village Clerk prepares payroll checks, uploads the direct deposit to the bank, distributes the checks, and edits the payroll master file. The Clerk also has the authority to disburse monies and has access to the general ledger.

Recommendation:

It does not appear economically feasible to hire additional personnel to help segregate the accounting functions. However, close supervision and review of accounting information helps to prevent and detect any errors in the financial reporting process.

Management's response:

This deficiency was communicated with the Village. They are aware of the issue, however at this point the personnel constraints do not allow for total segregation of duties.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Section II – Financial Statement Findings)
FOR THE YEAR ENDED APRIL 30, 2021

FINDING NUMBER: 2021-004

Criteria or specific requirement:

A critical element of internal control is that there are written procedures in place detailing the internal controls of the Village.

Condition:

The Village does not have written procedures regarding their internal control processes.

Context:

No documentation of internal control procedures was available from the Village during fieldwork.

Effect:

Since there were no written procedures relating to internal controls, processes were not consistently followed resulting in missing documentation and information, and this could result in future issues as well.

Cause:

The Village did not document the internal control procedures they were following.

Recommendation:

The Village should take the necessary time to walk through all procedures relating to the financial processes and record them to have written documentation of internal control procedures on file.

Management's response:

The Village is aware of this deficiency and will ensure that there is proper documentation for internal control procedures in the future.

VILLAGE OF CAPRON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Section III – Federal Award Findings and Questioned Costs)
FOR THE YEAR ENDED APRIL 30, 2021

There were no federal award findings for the current year

VILLAGE OF CAPRON, ILLINOIS
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2021

FINDING NUMBER: 2020-001

Criteria or specific requirement:

Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition:

There is inadequate control over general ledger accounting, expense transaction record keeping, revenue and cash receipt and disbursement transaction record keeping, and monthly financial statement preparation at the Village due to the inadequate segregation of duties stemming from limited personnel.

Current Status:

Not resolved. This does not appear economically feasible to hire additional personnel to help segregate the accounting functions. However, close supervision and review of accounting information helps to prevent and detect any errors in the financial reporting process.

FINDING NUMBER: 2020-002

Criteria or specific requirement:

The Village engaged the auditor to draft the financial statements and accompanying notes.

Condition:

The Village's financial statements and accompanying notes are prepared by external auditors.

Current Status:

Resolved.

VILLAGE OF CAPRON

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended April 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Payroll Documentation

Contact Person: Steven Bank, Village President

Corrective Action: This issue has been resolved and will be reviewed during next year's audit.

Proposed Completion Date: April 30, 2022

VILLAGE OF CAPRON

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended April 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-002 – Invoices

Contact Person: Steven Bank, Village President

Corrective Action: This issue has been resolved and will be reviewed during next year's audit.

Proposed Completion Date: April 30, 2022

VILLAGE OF CAPRON

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended April 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-003 – Segregation of Duties

Contact Person: Steven Bank, Village President

Corrective Action: This deficiency was communicated with the Village. They are aware of the issue, however at this point the personnel constraints do not allow for total segregation of duties.

Proposed Completion Date: April 30, 2022

VILLAGE OF CAPRON

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended April 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-004 – Internal Control Documentation

Contact Person: Steven Bank, Village President

Corrective Action: The Village is aware of this deficiency and will ensure that there is proper documentation for internal control procedures in the future.

Proposed Completion Date: April 30, 2022