

CITY OF HILLSBORO, ILLINOIS
PROGRAM AUDIT AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED
APRIL 30, 2025

City of Hillsboro, Illinois

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Capital Accounting & Audit, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Hillsboro, Illinois

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards for the Capitalization Grant for Clean Water State Revolving Fund of the City of Hillsboro, Illinois for the year ended April 30, 2025, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards for the Capitalization Grant for Clean Water State Revolving Fund of the City of Hillsboro, Illinois for the year ended April 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the City of Hillsboro, Illinois and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

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 misstatement of the schedule, 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 amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit 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 City of Hillsboro, Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, Patton & Company, P.C. issued a report dated November 5, 2025 of their consideration of City of Hillsboro's internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of their testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Hillsboro's internal control over financial reporting and compliance.

Capital Accounting + Audit, LLC

Certified Public Accountants
Springfield, Illinois

November 5, 2025

Capital Accounting & Audit, LLC

Certified Public Accountants

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217-528-8475

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and City Council
City of Hillsboro, Illinois

Report on Compliance for Capitalization Grant for Clean Water State Revolving Fund

Opinion on Compliance for Capitalization Grant for Clean Water State Revolving Fund

We have audited the City of Hillsboro, Illinois' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its Capitalization Grant for Clean Water State Revolving Fund of the for the year ended April 30, 2025.

In our opinion, the City of Hillsboro, Illinois complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Capitalization Grant for Clean Water State Revolving Fund for the year ended April 30, 2025.

Basis for Opinion Capitalization Grant for Clean Water State Revolving Fund

We conducted our audit 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 are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the City of Hillsboro, Illinois and to meet our other ethical responsibilities, in accordance with the 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 the Capitalization Grant for Clean Water State Revolving Fund. Our audit does not provide a legal determination of the City of Hillsboro, Illinois' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Capitalization Grant for Clean Water State Revolving Fund.

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 City of Hillsboro, Illinois' 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 a 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 City of Hillsboro, Illinois' compliance with the requirements of the 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 City of Hillsboro, Illinois' 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 City of Hillsboro, Illinois' 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 City of Hillsboro, Illinois' 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

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 Auditor's Responsibilities for the Audit of Compliance section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

Capital Accounting & Audit, LLC

Certified Public Accountants
Springfield, Illinois

November 5, 2025

City of Hillsboro, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2025

Federal Grantor/Pass-Through Grantor/ Program Title		Federal Assistance Listing	Federal Expenditure
<u>U.S. Environmental Protection Agency</u>			
Pass Through the State of Illinois, Environmental Protection Agency Capitalization Grant for Clean Water State Revolving Fund *		66.458	<u>\$754,032</u>
<u>U.S. Department of Treasury</u>			
Coronavirus State and Local Recovery Funds		21.027	<u>212,480</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$966,512</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

(* = Major Program)

City of Hillsboro, Illinois
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Hillsboro, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Expenditures represent only the federally funded positions of the programs presented. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, our preparation of the financial statements.

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 2 – ADDITIONAL INFORMATION

Other Federal Assistance

As of and during the year ended April 30, 2025, the City of Hillsboro, Illinois did not receive any noncash federal assistance, federal insurance, or federal loans or loan guarantees.

Sub-recipient Grants

During the year ended April 30, 2025, the City of Hillsboro, Illinois did not pass through federal funds to sub-recipients.

NOTE 3 – FEDERAL DE MINIMIS INDIRECT COST RATE

The City of Hillsboro, Illinois has elected to use the ten percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

City of Hillsboro, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2025

Schedule 2

Section I - Summary Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) 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 deficiencies identified? yes X 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 2 CFR 200.516(a)? yes X no

City of Hillsboro, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2025

Schedule 2

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
66.458	Capitalization Grants for Clean Water State Revolving Fund

**Dollar threshold used to distinguish between
Type A and Type B programs:**

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

City of Hillsboro, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2025

Schedule 2

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings to report at April 30, 2025.

SECTION III – FEDERAL AWARD FINDINGS

There are no findings to report at April 30, 2025.

City of Hillsboro, Illinois
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended April 30, 2025

Schedule 3

There are no prior audit findings to report for the year ended April 30, 2024.