

**ASSOCIATION OF ILLINOIS SOIL AND WATER
CONSERVATION DISTRICTS AND RELATED ENTITY
Springfield, Illinois**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015**

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control	3-4
Independent Auditors Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	5-6
Consolidated Statements of Assets, Liabilities, and Net Assets	7
Consolidated Statements of Support, Revenue and Expenses	8-9
Consolidated Statement of Functional Expenses	10-11
Notes to Financial Statements	12-17
<i>Supplementary Information</i>	
Independent Auditor's Report on Supplementary Information	18
Consolidating Statements of Assets, Liabilities, and Net Assets	19
Consolidated Statements of Support, Revenue and Expenses	20
Consolidating Comparison of Budgeted Revenue and Expenses to Actual	21
<i>Supplementary Information required by U.S. Department of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23-25
Schedule of Findings and Questioned Costs	26-28
Corrective Action Plan for Current Year Audit Findings	29

J. Timothy Cravens, C.P.A.
Todd J. Anderson, C.P.A.
Dorinda L. Fitzgerald, C.P.A.
Jamie L. Nichols, C.P.A.

Joseph E. Pehlman, C.P.A. (1941 - 1984)
Joseph B. Dold, C.P.A. (1953 - 2005)
Robert E. Ritter, C.P.A., Retired

Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

100 North Amos Avenue
Springfield, IL 62702
217-787-0563
FAX 217-787-9266

May 5, 2017

To the Board of Directors
Association of Illinois Soil and Water Conservation Districts and Related Entity
Springfield, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Association of Illinois Soil and Water Conservation Districts and Related Entity (a nonprofit organization), which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related consolidated statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting as 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 an opinion 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 of 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Association of Illinois Soil and Water Conservation Districts and Related Entity as of December 31, 2016 and 2015, and their support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as 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 basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2017, on our consideration of the Association of Illinois Soil and Water Conservation District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standard in considering the Association of Illinois Soil and Water Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Pehlman & Dold, P.C.".

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

Pehlman & Dold, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Springfield, IL 62702
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May 5, 2017

To the Board of Directors
Association of Illinois Soil and Water Conservation Districts and Related Entity
Springfield, Illinois

***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***

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 Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois, which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related consolidated statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' 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 Association of Illinois Soil and Water Conservation Districts, Springfield, Illinois' financial statements are free of 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Pehlman & Dold PC".

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

Pehlman & Dold, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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May 5, 2017

To the Board of Directors
Association of Illinois Soil and Water Conservation Districts and Related Entity
Springfield, Illinois

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

Report on Compliance for Each Major Federal Program

We have audited the Association of Soil and Water Conservation Districts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association of Soil and Water Conservation Districts' major federal programs for the year ended December 31, 2016. The Association of Soil and Water Conservation Districts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association of Soil and Water Conservation Districts' compliance.

Basis of Qualified Opinion on Conservation Technical Assistance

As described in the accompanying schedule of findings and questioned costs, the Association of Illinois Soil and Water Conservation Districts did not comply with requirements regarding CFDA 10.902 Conservation Technical Assistance as described in finding number 2016-001 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for the Association of Illinois Soil and Water Conservation Districts to comply with the requirement applicable to this program.

Qualified Opinion on Conservation Technical Assistance

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion Paragraph, the Association of Illinois Soil and Water Conservation Districts complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on Conservation of Technical Assistance for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Association of Soil and Water Conservation Districts 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 Association of Soil and Water Conservation Districts' 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 the Association of Soil and Water Conservation Districts' 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 of employees, in the normal course of performing their assigned function, 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.

Respectfully submitted,



PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$260,420	\$131,698
Total current assets	<u>260,420</u>	<u>131,698</u>
Fixed Assets		
Furniture, fixtures & equipment	44,377	41,928
Land and building	273,416	273,416
Vehicles	19,372	19,372
Accumulated depreciation	(138,020)	(122,240)
Total fixed assets	<u>199,145</u>	<u>212,476</u>
TOTAL ASSETS	<u>\$459,565</u>	<u>\$344,174</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payroll taxes payable	\$ 496	\$ 23,531
Current maturities of long-term-debt	4,089	3,997
Current maturities of capital lease obligation	<u>1,140</u>	<u>1,140</u>
Total current liabilities	<u>5,725</u>	<u>28,668</u>
Long term debt – net of current maturities	4,163	8,258
Capital lease obligation – net of current maturities	<u>2,185</u>	<u>3,325</u>
Total long-term liabilities	<u>6,348</u>	<u>11,583</u>
Total liabilities	<u>12,073</u>	<u>40,251</u>
Net Assets		
Unrestricted	410,248	275,557
Temporarily restricted	17,244	8,366
Permanently restricted	<u>20,000</u>	<u>20,000</u>
Total net assets	<u>447,492</u>	<u>303,923</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$459,565</u>	<u>\$344,174</u>

The notes to financial statements are an integral part of this statement.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Support and Revenue</i>				
Grants	\$	\$2,285,936	\$	\$2,285,936
Interest	670			670
Program services	13,237	1,000		14,237
Insurance revenue	98,891			98,891
Meetings and conferences	22,299			22,299
Strategic plan		12,500		12,500
Miscellaneous	2,184			2,184
Net assets released from restrictions	<u>2,290,558</u>	<u>(2,290,558)</u>		
<i>Total support and revenue</i>	<u>2,427,839</u>	<u>8,878</u>		<u>2,436,717</u>
<i>Expenses</i>				
Program services	2,183,932			1,183,932
General and administrative	<u>109,216</u>			<u>109,216</u>
<i>Total expenses</i>	<u>2,293,148</u>			<u>2,293,148</u>
<i>Change in Net Assets</i>	134,691	8,878		143,569
<i>Net Assets – Beginning of Year</i>	<u>275,557</u>	<u>8,366</u>	<u>20,000</u>	<u>303,923</u>
<i>Net Assets – End of Year</i>	<u>\$ 410,248</u>	<u>\$ 17,244</u>	<u>\$ 20,000</u>	<u>\$ 447,492</u>

The notes to financial statements are an integral part of this statement.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Support and Revenue</i>				
Dues	\$ 78,527	\$	\$	\$ 78,527
Grants		1,095,052		1,095,052
Interest	730	16		746
Program services	18,372	3,400		21,772
Insurance revenue	61,841			61,841
Meetings and conferences	34,356			34,356
Affiliate membership	431			431
Miscellaneous	4,618			4,618
Net assets released from restrictions	<u>1,123,708</u>	<u>(1,123,708)</u>		
<i>Total support and revenue</i>	<u>1,322,583</u>	<u>(25,240)</u>		<u>1,297,343</u>
<i>Expenses</i>				
Program services	1,287,190			1,287,190
General and administrative	<u>109,603</u>			<u>109,603</u>
<i>Total expenses</i>	<u>1,396,793</u>			<u>1,396,793</u>
<i>Change in Net Assets</i>	(74,210)	(25,240)		(99,450)
<i>Net Assets – Beginning of Year</i>	<u>349,767</u>	<u>33,606</u>	<u>20,000</u>	<u>403,373</u>
<i>Net Assets – End of Year</i>	<u>\$ 275,557</u>	<u>\$ 8,366</u>	<u>\$ 20,000</u>	<u>\$ 303,923</u>

The notes to financial statements are an integral part of this statement.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2016

	Program Services	General & Administrative	Total
Salaries	\$ 77,582	\$ 25,860	\$ 103,442
Payroll taxes	725	242	967
Employee health insurance	12,578	4,192	16,770
Insurance expense	88,183		88,183
Contractual services		24,000	24,000
Professional fees		11,925	11,925
Travel	1,723	1,722	3,445
Annual meeting	14,817		14,817
Board meeting	1,830	1,831	3,661
Depreciation		15,780	15,780
Legislative expenses		1,845	1,845
AISWCD officer expense		3,875	3,875
Envirothon	11,826		11,826
Office expense		13,204	13,204
Building maintenance		2,147	2,147
Dues	2,238		2,238
McKibben scholarship		500	500
Grants	1,959,995		1,959,995
Vehicle costs	757	378	1,135
NACD expense	3,942		3,942
Annual report filing fees	980		980
Farm progress show	939		939
Earth stewardship day	4,122		4,122
Training	1,695		1,695
Miscellaneous	<u> </u>	<u>1,715</u>	<u>1,715</u>
Total	<u>\$2,183,932</u>	<u>\$109,216</u>	<u>\$2,293,148</u>

The notes to financial statements are an integral part of this statement.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2015

	Program Services	General & Administrative	Total
Salaries	\$ 60,000	\$ 20,000	\$ 80,000
Payroll taxes	10,255	3,418	13,673
Employee health insurance	9,815	3,271	13,086
Insurance expense	50,115		50,115
Contractual services		24,000	24,000
Professional fees		9,670	9,670
Travel	1,477	1,478	2,955
Annual meeting	19,654		19,654
Board meeting	2,558	2,559	5,117
Depreciation		15,467	15,467
Legislative expenses		3,075	3,075
AISWCD officer expense		9,243	9,243
Envirothon	18,198		18,198
Office expense		10,615	10,615
Interest		316	316
Building maintenance		3,390	3,390
Dues	1,665		1,665
McKibben scholarship		500	500
Grants	1,061,270		1,061,270
Vehicle costs	764	382	1,146
NACD expense	10,186		10,186
Illinois River Conference	25,000		25,000
Annual report filing fees	15		15
Farm progress show	6,347		6,347
Earth stewardship day	2,654		2,654
Training	562		562
Miscellaneous	<u>6,655</u>	<u>2,219</u>	<u>8,874</u>
Total	<u>\$1,287,190</u>	<u>\$109,603</u>	<u>\$1,396,793</u>

The notes to financial statements are an integral part of this statement.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

Note 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Association is organized as a not-for-profit corporation for the purpose of advancing the conservation and orderly development, management, improvement and multiple use of natural resources of the State of Illinois through serving Soil and Water Conservation Districts as the State Association of Soil and Water Conservation Districts.

The Association was established to assist in developing and furthering the interest, objectives, and purposes of the Association of Illinois Soil and Water Conservation Districts.

A summary of the significant accounting policies follows:

Principles of Consolidation:

The consolidated financial statements include the accounts of the Association of Illinois Soil and Water Conservation Districts (an Illinois corporation, not-for-profit) and the Association of Illinois Soil and Water Conservation Districts Foundation (a related entity). All material intercompany accounts and transactions are eliminated in consolidation.

Basis of Accounting:

The Association and the Foundation maintain their accounts and file their information returns on the modified cash basis of accounting. Under this method, income and grants with multiple-deliverable-agreements are recorded when received rather than when earned and expenses are recorded when paid rather than when incurred. However, fixed assets are capitalized when placed in service and long-term debt has been recorded for the acquisition of the land, building, and equipment.

Basis of Presentation:

Net assets, support and revenue are classified based on the existence or absence of donor-imposed restrictions. Net assets are reported as follows:

Unrestricted Net Assets - Unrestricted net assets are reflective of revenue and expenses associated with the general operations and programs and are not subject to donor-imposed stipulation.

Temporarily Restricted Net Assets - Temporarily restricted net assets subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor imposed stipulations that they be maintained permanently by the Organization. In the absence of donor specifications earnings on such funds are considered unrestricted income.

Contributions:

The Association has also adopted Statements of Financial Accounting Standards No. 116 (SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of support, revenue and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2016 and 2015

Note 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Estimates:

The preparation of financial statements required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Association considers all highly-liquid investments with a maturity of one year or less to be cash equivalents.

Fixed Assets:

It is the Association's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Association reclassified temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method over their estimated useful lives:

	<u>Years</u>
Buildings	39
Improvements	15
Furniture and equipment	5-10
Vehicles	10

Subsequent Events:

The Organization reviewed events for inclusion in the financial statements through May 5, 2017, the date through which subsequent events have been evaluated and the date the financial statements were available to be issued.

Note 2. INCOME TAXES

The Association of Illinois Soil and Water Conservation Districts is a not-for-profit organization under Section 501(c)(4) of the Internal Revenue Code and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code. The Association is required to file Form 990, Return of Organization Exempt from Income Tax.

The Association of Illinois Soil and Water Conservation Districts Foundation is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code. The Foundation is required to file Form 990, Return of Organization Exempt from Income Tax.

The Association is no longer subject to income tax examinations by the U.S. Federal and State Taxing Authorities prior to 2013.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2016 and 2015

Note 3. CAPITAL LEASES

The Association entered into a capital lease for office equipment during the year ended December 31, 2014. The economic substance of the lease is that the Association is financing the acquisition of the equipment through the lease, and accordingly, it is recorded in the Association's assets and liabilities.

The leased asset is included in furniture, fixtures, and equipment as follows:

Copier	\$5,700
Less accumulated depreciation	<u>(2,470)</u>
	<u>\$3,230</u>

The following is a schedule of future minimum lease payments under capital lease obligations.

For the year Ending December 31	Amount
2017	\$ 1,140
2018	1,140
2019	<u>1,045</u>
	3,325
Less current maturities	<u>(1,140)</u>
Long-term portion	<u>\$ 2,185</u>

Note 4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31:

	<u>2016</u>	<u>2015</u>
Assets not being depreciated:		
Land	\$ 23,683	\$ 23,683
Assets being depreciated:		
Building	249,733	249,733
Furniture, fixtures and equipment	44,377	41,928
Vehicles	<u>19,372</u>	<u>19,372</u>
Total property and equipment	337,165	334,716
Less accumulated depreciation	<u>(138,020)</u>	<u>(122,240)</u>
Net property and equipment	<u>\$199,145</u>	<u>\$212,476</u>

Depreciation expense for the years ended December 31, 2016 and 2015 were \$15,780 and \$15,467, respectively.

Note 5. LONG-TERM DEBT

	Balance <u>12/31/15</u>	Increase	Decrease	Balance <u>12/31/16</u>
National Bank of Petersburg	<u>\$12,255</u>	\$ 0	<u>\$(4,003)</u>	<u>\$ 8,252</u>

On February 27, 2014, the Association obtained a commercial loan from National Bank of Petersburg used to finance the purchase of a 2014 Dodge Grand Caravan, which serves as collateral. Total amount of the loan was \$19,372 with an interest rate of 2.25%. The loan required 60 monthly principle and interest payments of \$353. The original maturity date was February 27, 2019. Due to early payments made by the Association, the loan is expected to mature on December 27, 2018.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2016 and 2015

Note 5. LONG-TERM DEBT

Annual principal requirements of the loan are as follows:

For the year Ended December 31	Principal Payments
2017	\$ 4,089
2018	<u>4,163</u>
	8,252
Less current portion	<u>4,089</u>
Long-term portion	<u>\$ 4,163</u>

Note 6. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in the temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Support, Revenue and Expenses – Modified Cash Basis.

Any unexpended support received from the multiple-grant-agreements must be refunded back to the grantor unless either written or oral permission is given by the grantor to expend the funds on other relevant projects or programs.

The Foundation has been entrusted with administering the George McKibben Scholarship Fund, which provides an annual scholarship of up to \$1,000 to an agriculture student from one of four selected Illinois universities. Temporarily restricted net assets consist of the earnings from the \$20,000 permanently restricted George McKibben Scholarship Fund.

Following is a summary of temporarily and permanently restricted net assets at December 31:

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
George McKibben Scholarship Fund	\$ 3,263	\$ 20,000	\$ 3,763	\$ 20,000
Other Grants:				
Strategic Plan	12,500			
Earth Stewardship Day	<u>1,481</u>		<u>4,603</u>	
Total	<u>\$ 17,244</u>	<u>\$ 20,000</u>	<u>\$ 8,366</u>	<u>\$ 20,000</u>

Note 7. CONCENTRATION OF CREDIT RISK – CASH AND CASH EQUIVALENTS

The Association maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Association has not experienced any loss on such accounts and believes it is not exposed to any significant credit risk on its cash balance.

Note 8. MAJOR SOURCES OF SUPPORT

The Association received the majority of its support from the Natural Resource Conservation Service. The percentage of support for the year ending December 2016 and 2015 were approximately 83% and 55%.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2016 and 2015

Note 9. *ENDOWMENT*

The Foundation's endowment fund was established for scholarship purposes. The fund is donor-restricted and as required by GAAP, net assets associated with endowment funds is classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Illinois' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as required the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate appreciation of donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the organization and the endowment fund
- (3) General economic conditions
- (4) The effects of inflation or deflation
- (5) The expected total return from investments
- (6) Other resources of the organization
- (7) The investment policy of the organization

**Endowment Net Asset Composition by Type of Fund
As of December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ <u>3,263</u>	\$ <u>20,000</u>	\$ <u>23,263</u>

**Changes in Endowment Net Assets
For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____	\$ 3,763	\$ 20,000	\$ 23,763
Appropriation of endowment assets for expenditures	_____	(500)	_____	(500)
Endowment net assets, end of year	\$ _____	\$ <u>3,263</u>	\$ <u>20,000</u>	\$ <u>23,263</u>

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
For the Years Ended December 31, 2016 and 2015

Note 9. *ENDOWMENT*

**Endowment Net Asset Composition by Type of Fund
As of December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ _____	\$ <u>3,763</u>	\$ <u>20,000</u>	\$ <u>23,763</u>

**Changes in Endowment Net Assets
For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____	\$ 4,246	\$ 20,000	\$ 25,490
Investment return:				
Investment income		17		17
Appropriation of endowment assets for expenditures	_____	(500)	_____	(500)
Endowment net assets, end of year	\$ _____	\$ <u>3,763</u>	\$ <u>20,000</u>	\$ <u>23,763</u>

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only)**

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>20,000</u>	\$ <u>20,000</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>20,000</u>	\$ <u>20,000</u>
Temporarily Restricted Net Assets		
(1) Income from perpetual endowment funds subject to purpose restrictions	\$ <u>3,263</u>	\$ <u>3,763</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>3,263</u>	\$ <u>3,763</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2016.

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to achieve a maximum total return to fund the Foundation's objective of providing scholarships while assuming a prudent degree of risk. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to achieve a maximum return consistent with reasonable risk as defined by current industry practices and standards.

SUPPLEMENTARY INFORMATION

Pehlman & Dold, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

100 North Amos Avenue
Springfield, IL 62702
217-787-0563
FAX 217-787-9266

J. Timothy Cravens, C.P.A.
Todd J. Anderson, C.P.A.
Dorinda L. Fitzgerald, C.P.A.
Jamie L. Nichols, C.P.A.

Joseph E. Pehlman, C.P.A. (1941 - 1984)
Joseph B. Dold, C.P.A. (1953 - 2005)
Robert E. Ritter, C.P.A., Retired

May 5, 2017

To the Board of Directors
Association of Illinois Soil and Water Conservation Districts and Related Entity
Springfield, Illinois

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

We have audited the basic financial statements of the Association of Illinois Soil and Water Districts and Related Entity as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated May 5, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,



PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CONSOLIDATING STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
For the Years Ended December 31, 2016 and 2015

ASSETS

	<u>Association</u>	<u>Foundation</u>	<u>2016</u>	<u>2015</u>
Current Assets				
Cash and cash equivalents	\$223,670	\$ 36,750	\$260,420	\$131,698
Due from foundation	242		242	
Total current assets	<u>223,912</u>	<u>36,750</u>	<u>260,662</u>	<u>131,698</u>
Fixed Assets				
Furniture, fixtures & equipment	44,377		44,377	41,928
Land and building	273,416		273,416	273,416
Vehicles	19,372		19,372	19,372
Accumulated depreciation	(138,020)		(138,020)	(122,240)
Total fixed assets	<u>199,145</u>	<u>—</u>	<u>199,145</u>	<u>212,476</u>
TOTAL ASSETS	<u>\$423,057</u>	<u>\$ 36,750</u>	<u>\$459,807</u>	<u>\$344,174</u>

LIABILITIES AND NET ASSETS

Current Liabilities				
Due to association	\$	\$ 242	\$ 242	\$
Payroll taxes payable	496		496	23,531
Current portion – long-term debt	4,089		4,089	3,997
Current maturities – capital lease obligation	1,140		1,140	1,140
Total current liabilities	<u>5,725</u>	<u>242</u>	<u>5,967</u>	<u>28,668</u>
Long-term debt	4,163		4,163	8,258
Capital lease obligation	2,185		2,185	3,325
Total long-term liabilities	<u>6,348</u>	<u>—</u>	<u>6,348</u>	<u>11,583</u>
Total liabilities	<u>12,073</u>	<u>242</u>	<u>12,315</u>	<u>40,251</u>
Net Assets				
Unrestricted	397,003	13,245	410,248	275,557
Temporarily restricted	13,981	3,263	17,244	8,366
Permanently restricted		20,000	20,000	20,000
Total net assets	<u>410,984</u>	<u>36,508</u>	<u>447,492</u>	<u>303,923</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$423,057</u>	<u>\$ 36,750</u>	<u>\$459,807</u>	<u>\$344,174</u>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois**

**CONSOLIDATING STATEMENTS OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
For the Years Ended December 31, 2016 and 2015**

	<u>Association</u>	<u>Foundation</u>	<u>2016</u>	<u>2015</u>
<i>Support and Revenue</i>				
2015 Dues	\$	\$	\$	\$ 78,527
Grants	2,285,936		2,285,936	1,095,052
Interest	670		670	746
Program services	14,237		14,237	21,772
Insurance revenue	98,891		98,891	61,841
Meetings and conferences	22,299		22,299	34,356
Affiliate membership				431
Strategic plan	12,500		12,500	
Miscellaneous	<u>2,184</u>	<u> </u>	<u>2,184</u>	<u>4,618</u>
<i>Total support and revenue</i>	<u>2,436,717</u>	<u> </u>	<u>2,436,717</u>	<u>1,297,343</u>
<i>Expenses</i>				
Salaries	103,442		103,442	80,000
Payroll taxes	967		967	13,673
Employee health insurance	16,770		16,770	13,086
Insurance expense	88,183		88,183	50,115
Contractual services	24,000		24,000	24,000
Professional fees	11,925		11,925	9,670
Travel	3,445		3,445	2,955
Annual meeting	14,817		14,817	19,654
Board meeting	3,661		3,661	5,117
Depreciation	15,780		15,780	15,467
Legislative expense	1,845		1,845	3,075
AISWCD officer expense	3,875		3,875	9,243
Envirothon	11,826		11,826	18,198
Office expense	13,204		13,204	10,615
Interest				316
Building maintenance	2,147		2,147	3,390
Dues	2,238		2,238	1,665
McKibben scholarship		500	500	500
Grants	1,959,995		1,959,995	1,061,270
Vehicle costs	1,135		1,135	1,146
NACD expense	3,942		3,942	10,186
Illinois River Conference				25,000
Annual report filing fees	980		980	15
Farm progress show	939		939	6,347
Earth stewardship day	4,122		4,122	2,654
Training	1,695		1,695	562
Miscellaneous	<u>1,691</u>	<u>24</u>	<u>1,715</u>	<u>8,874</u>
<i>Total expenses</i>	<u>2,292,624</u>	<u>524</u>	<u>2,293,148</u>	<u>1,396,793</u>
<i>Change in Net Assets</i>	144,093	(524)	143,569	(99,450)
<i>Net Assets – Beginning of Year</i>	<u>266,891</u>	<u>37,032</u>	<u>303,923</u>	<u>403,373</u>
<i>Net Assets – End of Year</i>	<u>\$ 410,984</u>	<u>\$ 36,508</u>	<u>\$ 447,492</u>	<u>\$303,923</u>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois**

**CONSOLIDATED COMPARISON OF BUDGETED REVENUE AND EXPENSES TO ACTUAL
MODIFIED CASH BASIS**

For the Year Ended December 31, 2016

	<u>Consolidated</u>	<u>Budget</u>	Over (Under) <u>Budget</u>
Support and Revenue			
Grants	\$2,285,936	\$ 192,167	\$2,093,769
Interest	670	250	420
<i>Program services:</i>			
Envirothon revenue	10,993		10,993
Earth stewardship day	1,000	4,600	(3,600)
Illinois river conference			
Farm progress show	2,244		2,244
Insurance revenue	98,891	80,000	18,891
Meeting and conferences	22,299	10,500	11,799
Affiliate membership	12,500		12,500
Miscellaneous	<u>2,184</u>	<u> </u>	<u>2,184</u>
Total support and revenue	<u>2,436,717</u>	<u>287,517</u>	<u>2,149,200</u>
Expenses			
Salaries	103,442	108,000	(4,558)
Payroll taxes	967		967
Employee health insurance	16,770	12,900	3,870
Insurance expense	88,183	80,000	8,183
Contractual services	24,000	24,000	
Professional fees	11,925	6,600	5,325
Travel	3,445	2,000	1,445
Annual meeting	14,817	3,000	11,817
Board meeting	3,661	500	(3,161)
Depreciation	15,780		15,780
Legislative expenses AISWCD President	1,845	1,500	345
AISWCD officer expense	3,875	6,750	(2,875)
Envirothon	11,826		11,826
Office expense	13,204	10,300	2,904
Building maintenance	2,147	1,200	947
Dues	2,238	1,040	1,198
McKibbin scholarship	500		500
Grants	1,959,995		1,959,995
Vehicle costs	1,135	5,675	(4,541)
NACD expense	3,942	2,500	1,442
Annual report filing fees	980	500	480
Farm progress show	939		939
Earth stewardship day	4,122	4,600	(478)
Training	1,695	2,540	(845)
Miscellaneous	<u>1,715</u>	<u>1,195</u>	<u>520</u>
Total expenses	<u>2,293,148</u>	<u>274,810</u>	<u>2,018,347</u>
Net Income	<u>\$ 143,569</u>	<u>\$ 12,716</u>	<u>\$ 130,853</u>

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016**

Source of Funds	Federal CFDA #	Project or Contract #	Revenues 12/31/15	Revenues 12/31/16	Total Revenues	Expenditures 12/31/15	Expenditures 12/31/16	Total Expenditures	Passed through to Subrecipients	Budget
US Department of Agriculture										
<i>Passed through Natural Resources</i>										
<i>Conservation Services:</i>										
Conservation Technical Assistance										
Program (M)	10.902	65-5812-15-416	\$ 231,151	\$ 1,404,516	\$ 1,635,667	\$ 251,195	\$ 1,457,682	\$ 1,708,877	\$ 1,223,766	\$ 2,765,000
Conservation Stewardship Program	10.924	65-5812-15-416	116,331	148,926	265,255	126,419	149,944	276,363	125,882	385,000
Environmental Quality Incentive										
Program	10.912	65-5812-15-416	22,662	29,011	51,673	24,627	29,210	53,837	24,523	75,000
Wildlife Habitat Incentive Program	10.914	65-5812-15-416	7,554	9,670	17,224	8,209	9,737	17,946	8,174	25,000
Conservation Reserve Program	10.069	65-5812-15-416	339,927	435,166	775,093	369,405	438,147	807,552	367,838	1,125,000
Total US Department of Agriculture			<u>717,625</u>	<u>2,027,287</u>	<u>2,744,912</u>	<u>779,855</u>	<u>2,084,720</u>	<u>2,864,575</u>	<u>1,750,183</u>	
Environmental Protection Agency										
<i>Passed through Illinois Environmental Protection Agency:</i>										
Conservation Reserve Enhancement										
Program	66.460	3191404	221,546	163,620	385,166	251,409	133,757	385,166	12,985	389,448
Conservation Reserve Enhancement										
Program	66.460	3191202	72,727	163,620	236,347	38,473	133,757	172,220	12,985	791,100
Total CFDA 66.460			<u>294,273</u>	<u>327,240</u>	<u>621,513</u>	<u>289,882</u>	<u>267,514</u>	<u>557,386</u>	<u>25,970</u>	
Water Quality Management Planning										
Water Quality Management Planning	66.454	604152	83,153	95,028	178,181	79,251	115,016	194,267	18,958	110,000
Total CFDA 66.454			<u>83,153</u>	<u>95,028</u>	<u>178,181</u>	<u>79,251</u>	<u>115,016</u>	<u>194,267</u>	<u>18,958</u>	<u>220,000</u>
Total Environmental Protection Agency			<u>377,426</u>	<u>258,648</u>	<u>636,074</u>	<u>369,133</u>	<u>248,773</u>	<u>617,906</u>	<u>31,943</u>	
Total Federal Financial Assistance			<u>\$ 1,095,051</u>	<u>\$ 2,285,935</u>	<u>\$ 3,380,986</u>	<u>\$ 1,148,988</u>	<u>\$ 2,333,493</u>	<u>\$ 3,482,481</u>	<u>\$ 1,782,126</u>	

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Association of Illinois Soil and Water Conservation Districts. Federal awards passed through other government agencies are included on the schedule. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting.

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The Association maintains its accounting records for all account groups on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts which cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Relationship to the Association's Financial Statements

All Federal Programs:

Federal Awards received are reflected in the Association's financial statements as grant revenue.

Non-Cash Awards:

The Association of Illinois Soil and Water Conservation Districts received no non-cash federal awards during the year ended December 31, 2016.

Indirect Cost Rate:

The Association has elected to use the 10% de minimis indirect cost rate.

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois**

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016**

Note 2 - SUBRECIPIENTS (Payments to Districts)

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Association of Illinois Soil and Water Conservation Districts provided awards to the following subrecipients.

District	US Department of Agriculture					Environmental Protection Agency	
	CFDA #10.902	CFDA #10.924	CFDA #10.069	CFDA #10.912	CFDA #10.914	CFDA #66.460	CFDA #66.454
Adams County SWCD	\$13,012	\$1,338	\$3,911	\$ 261	\$ 87		
Bond County SWCD	4,308	443	1,295	86	29		
Boone County SWCD	3,991	410	1,199	80	27		
Brown County SWCD	7,048	725	2,118	141	47		
Bureau County SWCD	33,666	3,463	10,119	675	225	1,435	
Calhoun County	5,983	615	1,798	121	40		
Carroll County	13,313	1,369	4,002	267	89		
Cass County SWCD	18,981	1,952	5,705	381	127		
Champaign County SWCD	3,415	351	1,026	68	23		
Christian County SWCD	15,022	1,545	4,515	302	100		
Clark County SWCD	25,381	2,611	7,628	509	170		
Clay County SWCD	8,087	832	2,431	162	54		
Clinton County SWCD	10,479	1,078	3,150	210	70		
Coles County SWCD	4,610	474	1,386	92	31		
Crawford County SWCD	19,536	2,010	5,872	391	130		
Cumberland County SWCD	30,364	3,123	9,127	608	203		
Dewitt County SWCD	26,090	2,684	7,842	523	174		
Douglas County SWCD	3,524	363	1,059	71	23		
Edwards County SWCD	10,425	1,072	3,134	209	70		
Edgar County SWCD	1,404	144	422	29	9		
Effingham County SWCD	28,861	2,969	8,675	578	193		
Fayette County SWCD	15,197	1,563	4,568	305	102		
Ford County SWCD	41,705	4,290	12,536	835	279		
Fulton County SWCD	16,295	1,676	4,898	327	109		
Gallatin County SWCD	6,126	630	1,841	123	41		
Greene County SWCD	7,213	742	2,168	145	48		
Grundy County SWCD	3,116	321	937	62	21		
Hamilton County SWCD	29,325	3,017	8,815	588	195		
Hancock County SWCD	25,084	2,580	7,540	503	167		
Henderson County SWCD	25,750	2,649	7,740	516	172		
Henry County SWCD	8,945	920	2,689	179	60		
Iroquois County SWCD	29,788	3,064	8,954	597	198		
Jackson County SWCD	4,783	492	1,438	96	32		
Jasper County SWCD	30,123	3,099	9,054	603	201		
Jefferson County SWCD	15,599	1,605	4,689	312	104		
Jersey County SWCD	23,587	2,426	7,090	472	158		
Jo Daviess County SWCD	16,350	1,682	4,915	328	109		
Johnson County SWCD	8,162	840	2,453	163	55		
Kane DuPage County SWCD	3,524	363	1,059	70	24		
Kankakee County SWCD	4,154	427	1,249	83	28		
Kendall County SWCD	7,682	790	2,309	154	51		
Knox County SWCD	11,546	1,188	3,471	231	77		
LaSalle County SWCD	11,610	1,194	3,490	232	78	2,310	
Lawrence County SWCD	9,388	966	2,822	188	63		
Lee County SWCD	3,524	363	1,059	70	24		
Livingston County SWCD	2,589	266	778	51	17		
Logan County SWCD	11,033	1,135	3,316	220	74		
Macon County SWCD	2,589	266	778	52	17		
Macoupin County SWCD	21,808	2,243	6,555	437	146		
Madison County SWCD	29,239	3,008	8,789	586	195		
Marion County SWCD	9,125	939	2,743	182	61		
Marshall-Putman SWCD	35,584	3,660	10,696	712	238		
Mason County SWCD	49,701	5,112	14,939	996	332		

**ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois**

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016**

Note 2 - SUBRECIPIENTS (Payments to Districts) – cont.

District	US Department of Agriculture					Environmental Protection Agency	
	CFDA #10.902	CFDA #10.924	CFDA #10.912	CFDA #10.914	CFDA #10.069	CFDA #66.460	CFDA #66.454
Massac County SWCD	5,291	544	1,590	107	35		
McDonough County SWCD	4,049	416	1,217	81	27	2,310	
McHenry/Lake Cnty SWCD	3,524	363	1,059	70	24		
McLean County SWCD	2,903	299	873	58	19		
Menard County SWCD	17,637	1,814	5,301	354	118		
Mercer County SWCD	3,524	363	1,059	70	24		
Monroe County SWCD	7,205	741	2,166	144	48		
Montgomery County SWCD	28,513	2,933	8,571	572	190		
Morgan County SWCD	6,278	646	1,887	125	42		
Moultrie County SWCD	5,732	590	1,723	115	38		
North Cook County SWCD	2,163	222	650	44	14		
Ogle County SWCD	10,110	1,040	3,039	204	68		18,958
Peoria County SWCD	8,423	866	2,532	170	56	2,310	
Perry County SWCD	6,180	636	1,857	124	41		
Piatt County SWCD	9,652	993	2,901	192	64		
Pike County SWCD	33,793	3,476	10,157	677	226		
Pope-Hardin County SWCD	1,224	126	368	24	8		
Pulaski-Alexander SWCD	5,884	605	1,769	118	39		
Randolph County SWCD	9,305	957	2,797	187	62		
Richland County SWCD	3,524	363	1,059	70	24		
Rock Island County SWCD	18,562	1,909	5,579	373	124		
Saline County SWCD	5,311	546	1,596	107	35		
Sangamon County SWCD	2,744	282	825	56	18	2,310	
Schuyler County SWCD	6,255	643	1,880	125	42	2,310	
Scott County SWCD	28,690	2,951	8,624	574	192		
Shelby County SWCD	5,119	527	1,539	102	34		
St. Clair County SWCD	5,989	616	1,800	120	40		
Stark County SWCD	14,103	1,451	4,239	283	94		
Stephenson County SWCD	21,511	2,213	6,466	430	144		
Tazwell County SWCD	2,806	289	843	56	19		
Union County SWCD	29,929	3,079	8,996	600	200		
Vermillion County SWCD	6,608	680	1,986	132	44		
Wabash County SWCD	5,876	604	1,766	119	39		
Warren County SWCD	4,082	420	1,227	82	27		
Washington County SWCD	3,116	321	937	62	21		
Wayne County SWCD	21,011	2,161	6,315	422	140		
White County SWCD	6,073	625	1,826	121	41		
Whiteside County SWCD	11,058	1,138	3,324	221	74		
Will South Cook SWCD	3,524	363	1,059	70	24		
Williamson County SWCD	5,000	514	1,503	101	33		
Winnebago County SWCD	15,159	1,559	4,556	305	101		
Woodford County SWCD	18,582	1,911	5,585	374	124		
	<u>\$1,223,766</u>	<u>\$125,882</u>	<u>\$367,838</u>	<u>\$24,523</u>	<u>\$8,174</u>	<u>\$12,985</u>	<u>\$18,958</u>

Note 3 - CONTINGENCIES

The Association of Soil and Water Conservation District receives awards under various federal grant programs which must be expended according to provisions established by the various grants. Compliance with the grant provisions are subject to audit by the various granting agencies which may impose sanctions in the event of non-compliance. Management believes they have complied with all aspects of the grant provisions and they feel the results of any adjustments would have an immaterial impact on the financial statements taken as a whole.

Note 4 - INSURANCE, LOANS AND LOAN GUARANTEES OUTSTANDING

As of December 31, 2016, there was no federal insurance in effect and no loans or loan guarantees outstanding.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Part 1: SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on whether the financial statements of the Association of Illinois Soil and Water Conservation Districts were prepared in accordance with GAAP.
2. Our audit disclosed no significant deficiencies in internal control that were required to be reported.
3. No instances of noncompliance material to the financial statements of the Association of Illinois Soil and Water Conservation Districts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Our audit disclosed one reportable condition in internal control or major programs
5. The auditor's report on compliance for the major federal award programs for the Association of Illinois Soil and Water Conservation Districts expresses an unmodified opinion on all major federal programs
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

	<u>CFDA #</u>
Conservation Technical Assistance Program	10.902
8. The threshold used to distinguish between Type A and Type B major programs was \$750,000.
9. The Association of Illinois Soil and Water Conservation Districts was determined to be a high-risk auditee.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
For the Year Ended December 31, 2016

Part 1: *AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT*

None

Part 2: *AUDIT FINDINGS AND QUESTIONED COSTS*

See finding number 2016-001

Part 3: *PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS*

None

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
For the Year Ended December 31, 2016

Financial Statement Findings

Finding No:	2016-001
This Finding is:	New
Criteria or specific requirement:	Annual risk assessments must be documented for all grant subrecipients.
Context:	Without proper risk assessments being performed, subrecipient monitoring performed may not be adequate.
Effect:	Did not have risk assessments for grant subrecipients. Assessment needed in order to prove adequate amount of subrecipient monitoring was performed.
Cause:	Management or accounting personnel had not kept up on changes in compliance requirements, to ensure that proper subrecipient monitoring had been performed.
Recommendation:	AISWCD should review internal controls over this area to ensure they are adequate to ensure annual risk assessments are performed for each subrecipient.
Management's Response:	Management is aware of the issue and plans to work on improving internal Controls in this area.

ASSOCIATION OF ILLINOIS SOIL AND WATER CONSERVATION DISTRICTS
AND RELATED ENTITY
Springfield, Illinois

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2016

Corrective Action Plan

Finding No:	2016-001
Condition:	Risk assessments of subrecipients were not documented.
Plan:	The Association has assigned the Executive Director with verifying how annual risk assessments are performed and documenting monitoring of each subrecipient.
Anticipated Date of Completion:	As soon as possible.
Contact Person:	Executive Director
Management Response:	Managements is in agreement with this finding.