



AGENDA

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING March 21, 2012 7:30 a.m.

Metro-East Park and Recreation District Office
104 United Drive, Collinsville, Illinois 62234

1. Call to Order
John Conrad, President
2. Approval of Minutes of February 15, 2012
3. Program Status Report and Budget Update
Les Sterman, Chief Supervisor
4. Approval of Disbursements
5. Presentation of FY2011 Audit Report
Steve Langendorf, Scheffel & Co.
6. Project Permitting Issues and Design Progress
Jay Martin, AMEC Environment & Infrastructure
7. Other Business

Executive Session (if necessary)
8. Adjournment

Next Meeting: April 18, 2012

MINUTES

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

February 15, 2012

The regular meeting of the Board of Directors was held at the Metro-East Park and Recreation District Office, 104 United Drive, Collinsville, Illinois at 7:30 a.m. on Wednesday February 15, 2012.

Members in Attendance

John Conrad, President (Chair, Monroe County Flood Prevention District)
James Pennekamp, Vice-President (Chair, Madison County Flood Prevention District)
Dan Maher, Secretary/Treasurer (Chair, St. Clair County Flood Prevention District)
Paul Bergkoetter, St. Clair County Flood Prevention District
Tom Long, Madison County Flood Prevention District
Ron Motil, Madison County Flood Prevention District
Bruce Brinkman, Monroe County Flood Prevention District
Ronald Polka, Monroe County Flood Prevention District

Members Absent

Alvin Parks, Jr., St. Clair County Flood Prevention District

Others in Attendance

Alan Dunstan, Madison County Board Chair
Mark Kern, St. Clair County Board Chair
Delbert Wittenauer, Monroe County Board Chair
Les Sterman, SW Illinois FPD Council
Kathy Andria, American Bottoms Conservancy
Gary Andruska, U.S. Army Corps of Engineers
Ron Auld, Volkert Assoc.
Richard Bird, URS
Bob Brown, Juneau Assoc.
David Busse, U.S. Army Corps of Engineers
Doug Campion, Campion Group
Rich Connor, Ameren Illinois/Leadership Council Southwestern Illinois
Maggie Hales, East-West Gateway Council of Governments
Mike Feldmann, U.S. Army Corps of Engineers
Walter Greathouse, Metro-East Sanitary District
Scott Harding, SCI Engineering
Mark Harms, SCI Engineering
Julie Hauser, Hauser Group
Bill Hladick, AMEC Earth & Environmental
Pam Hobbs, Geotechnology
Rosemary Heath, Metro-East Sanitary District
Gary Hoelscher, Hoelscher Engineering

Mitchell Jenkins, ARDL, Inc.
Randy Jenkins, ARDL, Inc.
Charles Juneau, Juneau Associates
Joe Juneau, Juneau Associates
Kevin Koenigstein, Monroe County Treasurer
Linda Lehr, Monroe County
Jay Martin, AMEC Earth & Environmental
Matt Macanarny, Office of Sen. Durbin
Frank Miles, America's Central Port
Bruce Munholand, U.S. Army Corps of Engineers
Jack Norman
Jon Omvig, AMEC
Alan Ortvals, Illinois Business Journal
Joe Parente, Madison County
Kate Pawasant, Washington University Environmental Law Clinic
Mike Peterson, U.S. Army Corps of Engineers
Brian Power, Roxana Landfill, Inc.
Scott Schanuel, Leadership Council Southwestern Illinois
Cas Sheppard, SMS Engineers
Bob Shipley, Metro-East Sanitary District
Bill Stahlman, America's Central Port
Dale Stewart, Southern Illinois Building & Trades Council
Steve Tomaszewski, Office of Rep. Shimkus
Chuck Unger, Bank of Edwardsville
Dennis Wilmsmeyer, America's Central Port
Julie Ziino, U.S. Army Corps of Engineers

Call to order

President John Conrad called the meeting to order.

Approval of minutes of December 15, 2011

A motion was made by Jim Pennekamp, seconded by Tom Long, to approve the minutes of the December 15, 2011 meeting. The motion was approved by voice vote, all members voting aye.

Program Status Report and Budget Update

Mr. Conrad asked Mr. Sterman to provide a status report for the project.

Following the submission of the 60% design documents by AMEC on December 16, Corps staff has been reviewing the construction plans, and the calculations and analyses that support those plans. Their comments were released to us on February 8. Our design team is reviewing those comments and you will have a full report from Jay Martin later in the agenda. Nothing in the comments was very surprising to us. However, the Corps did raise significant concerns that had not been previously raised regarding one significant design element – “graded filters.” Even after days of meetings to go over design details, the Corps did not previously reveal the fully scope of their concerns to us. One of the continuing problems in our relationship with the Corps is communication. The consistent withholding of essential information by the Corps – usually attributed to internal policy of not releasing “pre-decisional” reports and information -- inhibits

the cooperative design process and the free flow of ideas and opinions that is essential to a timely and cost-effective completion of the project. It makes the review process a lot more time consuming and costly.

We still do not have the “review plan” that will be used to grant permission to alter the levee system under Sec. 408, a document that was originally promised to be in our hands by August 17. This has simply reached the point of absurdity. The contents of the plan are less of a concern right now than the process by which the plan is being approved. By all accounts, this document has made the rounds of Corps offices for nearly four months following two months of development in the St. Louis District.

The regulatory review process (as opposed to the technical review referenced above) seems to be proceeding on schedule. The Corps has issued a public notice concerning our application for the Section 404 permit as well as the availability of the Environmental Assessment and the Draft Finding of No Significant Impact. We have gotten some comments and I have received a FOEA request that I have responded to. The comment period is 30 days, concluding on February 20, although we are now told that the Corps will extend the comment period for ten days, which should not affect the schedule very much.

On February 6, AMEC submitted the 100% design documents for the first of nine tentative construction packages. This package is a pretty simple one, mainly consisting of operations and maintenance items such as the lining of deteriorating corrugated metal pipe. One of the purposes of this early submittal is to test the review process.

In early December, the Federal Emergency Management Agency issued a notice of proposed revised mapping procedures in response to a request by Congress to stop the practice of treating areas behind un-accredited levees as if there was no flood protection at all, commonly known as the “without levees” approach. On January 30 I submitted comments on the notice on behalf of the Council to FEMA.

At this point, these proposed procedures would not apply to us, since our levees are not (yet) de-accredited. Should our levees be de-accredited, the proposed procedures would provide very little relief from the impact of that action. While it is possible that we might be able to exclude some small areas in our region from the mandatory flood insurance requirement, FEMA would still label such areas as having undetermined risk, a label that would result in the same chilling impact on our economy.

Our primary problem all along has been what we regard as a faulty process (both analytical and administrative) by which FEMA makes decisions to de-accredit levees in the first place. The proposed new procedures do nothing to affect the de-accreditation process.

Over the past several months we have been soliciting proposals for mitigation to replace wetlands that will be affected by the project. We will need to have an agreement in place to do so prior to the issuance of a Section 404 permit from the Corps. You will hear more about that process a little later in the agenda.

The Corps has thus far declined to certify either the Chain of Rocks levee, which is owned by the Corps, and the portion of the Wood River levee that is the responsibility of the Corps to repair from the damage caused by the construction of the Mel Price Lock and Dam. In the absence of the Corps properly accepting responsibility for certifying these levee reaches, we must do so and Our continuing agreement with AMEC is structured with a Master Services Agreement that defines contractual terms and conditions, and then we adopt work orders that define the scope of work for each assignment. I have asked AMEC to submit a work order to do the initial inspection. Col. Hall may want to add something on that subject when he speaks later in the agenda.

Scheffel & Co. is winding up the audit of the Council's 2011 financial statements. The audit should be available at the March Board meeting.

Jim Pennekamp asked where the FEMA mapping process now stands and when new maps will be released for public review. He also asked how this proposed new mapping process will affect us.

Mr. Sterman responded that we don't know at this time when we will receive new preliminary maps. Rumors suggest that it might be in 2014. We hope that FEMA is watching the work that we are doing and notes that we should have improvements in place by that time, so they might hold off issuing new maps. We have not specifically asked that question of FEMA at this time. Mr. Sterman described the proposed mapping procedure and suggested that it would not significantly reduce the economic impact on our area.

A motion was made by Ron Motil, seconded by Jim Pennekamp, to accept the program status report. At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman - Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long - Aye
Mr. Maher - Aye
Mr. Motil - Aye
Mr. Parks - Absent
Mr. Pennekamp - Aye

The motion was approved unanimously with eight members present voting aye.

Mr. Sterman provided a budget update including budget reports for December 2011 and January 2012 prepared by our fiscal agent, LarsonAllen.

Accrued expenditures for the current fiscal year are \$5,417,278, while revenues amounted to \$3,697,659. Expenditures included a surplus refunded to the counties after payment of bond principal and interest and the Council's administrative costs. This amount was \$1,234,104 that

was returned to the counties as required by the bond indenture. We did not budget for the return of surplus, so it contributes to negative budget variance.

Sales tax receipts for October and November are relatively flat year over year, but through 11 months of 2011 sales tax receipts are up a little over 2%, but after a 7% rate of growth in 2010 we are well within our overall projected rate of growth.

A motion was made by Jim Pennekamp, seconded by Paul Bergkoetter, to approve the budget report for the two months concluding on January 31, 2012. At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved unanimously with all eight members present voting aye.

Mr. Sterman reported that total disbursements for December were \$1,360,075.19 and for January were \$461,597.55. The largest amounts were payments to AMEC for design and pre-construction activities, to the Prairie DuPont/Fish Lake levee districts for previously committed expenditures to reline two gravity drains, and to East-West Gateway for FPD administrative services.

A motion was made by Mr. Pennekamp, seconded by Mr. Motil, to approve the disbursements for December 2011 and January 2012. At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved unanimously with all eight members present voting aye

Progress Report on Design and Construction

Mr. Conrad called on Jay Martin, AMEC's project manager, to provide a report.

Mr. Martin used a slide presentation (copy attached) to support his remarks.

Mr. Martin reviewed the list of documents that were submitted to the Corps as part of the 60% design submittal. The purpose of this extensive submittal is to ease the review of 100% documents when they are submitted later in the process.

The Corps is using a system known as Dr. Checks to catalog all comments. Mr. Martin summarized the comments by subject matter, such as eligibility for cost-share, various design features, and procedural requirements. He described AMEC's approach to responding comments.

Some of the comments, especially those related to graded filters and trench drains will require additional analysis and testing. Mr. Sterman asked Mr. Martin to describe the Corps' concerns with the graded filters. Mr. Martin responded that the Corps was concerned about the performance of graded filters at the 500-year flood event. AMEC's initial analysis suggests that this is not a problem, but they will be doing more analysis. The Corps is also concerned about ongoing maintenance of graded filters.

Mr. Long questioned why we are concerned with the 500-year event when our objective is to design for the 100-year event. Mr. Martin said that we need to assure the Corps that we are not creating a situation that will make things worse than they are now at the 500-year event.

Mr. Martin reviewed progress on the 100% design and described the first couple of design packages.

Mr. Maher asked whether an "agreement to disagree" with the Corps will allow us to proceed with the project. Mr. Martin said that where decisions relate to "designers choice" of how to accomplish a particular objective he was hopeful that we could move forward even though we might disagree.

Mr. Wittenauer asked how we would be handling the additional flow of water from graded filters and relief wells. Mr. Martin indicated that we would handle all of the additional flow that we are creating by building additional pumping capacity. Places where there is ponding now will likely experience ponding in the future.

Mr. Martin reviewed the status of the various permit applications to the Corps and the State of Illinois. He went on to describe upcoming activities on the project, as well as issues and concerns. He noted potential risks related to the various design review and permitting processes.

Mr. Long expressed frustration about about us having to certify a Corps levee.

Kathy Andria asked if there was a comment period on the 408 review. Mr. Martin said that there was not, since it was a process rather than a permit.

Mr. Conrad asked for a motion to accept Mr. Martin's progress report. A motion was made by Mr. Long with a second by Mr. Bergkoetter to accept the AMEC progress report. At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved unanimously with eight members present voting aye

Authorization to Negotiate Agreement for Wetland Mitigation

Section 404(b)(1) of the Federal Clean Water Act requires that we demonstrate that we have considered all appropriate reasonable and prudent measures to avoid and minimize impact to wetlands. Because of the floodplain location of the levee systems and the proximity of wetland and streams that in some cases directly abut the levee, complete avoidance of all impacts is not feasible. In total, it looks like we will need to replace nearly 51 acres of wetland of various types to fully compensate for the wetlands that will be affected by the project.

In addition to impacts on wetlands, about 1,600 feet of existing streams will be affected. In accordance with existing state and federal guidance, we will need to secure 2,869 stream mitigation credits (e.g. restoration or enhancement of existing streams) to compensate for project impacts.

While the Council will ultimately carry the legal responsibility, under the terms of our Section 404 permit, for monitoring and maintenance of mitigation sites, we do not have in-house operations capability nor do we want to own property long-term if we can avoid it. We would like, therefore, to have a mitigation arrangement that divests ownership and operational responsibilities to a third-party. We also would benefit from an arrangement that would provide mitigation at a single site to minimize administrative and operational complexity and cost. Because time is of the essence on our project, we favored sites that had either been already acquired by proposers or could be imminently acquired. Lastly, because our budget and financing are constrained, cost is important.

Over the last several months, we have undertaken a process to identify parties that could provide the necessary mitigation on terms favorable to the Council and at a cost that is consistent with our budget. An initial meeting was held with representatives from Madison, St. Clair, and Monroe Counties on September 8, 2011, to provide information about wetland mitigation needs for the project. Mitigation needs were presented and ideas were discussed for potential mitigation sites and opportunities, including opportunities for partnering with others to satisfy project mitigation needs while also addressing recreational, conservation, stormwater management, or other needs within the counties. Based on these discussions and the earlier work

performed by the Corps, several candidate mitigation sites were identified and were eventually included in the conceptual mitigation plan presented as part of our Section 404 permit application to the Corps.

Subsequent to this initial meeting, several interested parties contacted the Council offering mitigation ideas or services. On October 18, 2011 a request for proposal for third party mitigation services for the subject project was issued to those who had contacted the Council in response to our informal inquiries and discussion.

None of the proposals that we received completely met our objectives, so we continued to solicit for a more favorable proposal. Two local landfill companies came forward with informal proposals to create wetland credits for the project, while potentially utilizing soils excavated from those sites for landfill cover and liner. These proposals create a mutually beneficial arrangement that provides an opportunity for cost-sharing.

In early January letters were sent to Republic Services and Waste Management soliciting formal proposals to provide the required mitigation. Due to the uncertain process of property acquisition, Waste Management was not able to respond with a specific site, definitive approach or timely schedule. Republic Services was able to provide a fully responsive proposal that identified a mitigation site – a 60-acre portion of a larger parcel that the company already owns near an existing landfill in Madison County.

While the Republic proposal would accomplish the Council's objectives most predictably and expeditiously, we believe that our objectives could be met with other options as well, notably Fountain Creek and Elm Slough. In the end, we must balance cost against our other objectives, including reducing our long-term liability for maintenance of the selected sites.

Mr. Sterman asked for authorization to begin negotiations to determine the cost, terms, and conditions of an agreement with Republic Services to provide wetland and stream mitigation for the project. In the event that these negotiations are not successful, the Chief Supervisor is authorized to negotiate for the Fountain Creek and/or American Bottoms sites. Any such agreement would require Board consideration and approval at a subsequent meeting.

Mr. Long asked what exactly we would be paying for as part of the proposed agreement. Mr. Sterman and Mr. Omvig from AMEC described the responsibilities of the mitigation provider to construct and maintain the wetland as well as to provide assurance that the wetland will continue to function according to the plan approved by the Corps.

There was additional discussion about the Council's continuing responsibilities for maintaining the wetlands mitigation properties over time.

Mr. Conrad asked for a motion to approve the staff recommendation to authorize the Chief Supervisor to begin negotiations to determine the cost, terms, and conditions of an agreement with Republic Services to provide wetland and stream mitigation for the project. In the event that these negotiations are not successful, the Chief Supervisor is authorized to negotiate for the Fountain Creek and/or American Bottoms sites. Any such agreement would require Board consideration and approval at a subsequent meeting.

A motion was made by Mr. Pennekamp with a second by Mr. Long to approve the staff recommendation. At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved unanimously with all eight members present voting aye

Renewal of Government Relations Contract with Dorgan/McPike

For the last four years, the firm of Dorgan-McPike has been providing advocacy services first to the county Flood Prevention Districts, and then to the Flood Prevention District Council for matters before the Illinois General Assembly. The current two-year contract between the Council and Dorgan-McPike concludes on April 20, 2012.

Dorgan-McPike has effectively and successfully represented the Council for the last three years. The firm was instrumental in assembling support for the passage of the original enabling legislation that authorized the FPD sales tax and related actions to implement the area's efforts to restore the levee systems. Dorgan McPike also successfully helped secure the passage of SB 2520, which now allows the Metro-East Sanitary District to annex areas that are currently protected by the levee system maintained by the District. The firm also helped win support for successful passage for SB 2556, which addressed the problems caused by the Governor's Executive Order on Floodplain Management.

We anticipate that services over the next two years will involve support for regulatory approvals for the project with Illinois state agencies, as well as amendments to authorizing legislation for area levee districts to modernize and expand their revenue base to provide for additional funds to support adequate maintenance of existing and new facilities.

The cost of the current contract is \$36,000 a year, payable in monthly installments.

A motion was made by Mr. Motil with a second by Mr. Polka to authorize the Chief Supervisor to execute a contract with Dorgan-McPike Assoc., Ltd to represent the Council before the Illinois General Assembly and executive branch on matters affecting financing and reconstruction of the levee systems for two years concluding on April 20, 2014 at a annual cost of \$36,000.

At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved unanimously with all eight members present voting aye.

AMEC Task Order 5 – Inspection of Chain of Rocks and Mel Price Levee Reaches

We have discussed this matter over the last several months and Col. Hall may want to discuss this issue further when he speaks later in the agenda. The Corps of Engineers owns, maintains, and operates the Chain of Rocks levee, a 9.6 mile segment of levee contiguous with the levee system owned by the Metro-East Sanitary District. It is an integral component of the levee system that protects the American Bottom from flooding by the Mississippi River. In order to secure FEMA accreditation of the levee system, appropriate information must be developed to certify that this segment of levee meets FEMA criteria for 100-year flood protection.

In 2009, the Corps of Engineers identified a serious problem of uncontrolled underseepage in the vicinity of the Mel Price Locks and Dam. The agency concluded that these problems were a direct result of the construction of the Locks and Dam project and determined that the cost of addressing this underseepage problem would be paid by the Corps of Engineers. The Corps has not yet approved a permanent fix, but they have designed interim operational measures to reduce the danger of failure of the adjacent levee. No funds have been appropriated yet, nor is there any schedule to implement the permanent improvement to solve the underseepage problem. Nevertheless, this segment of levee must be certified before the levee system can be accredited.

We have asked the Corps certify the Chain of Rocks and Mel Price levee reaches. The Corps has declined to do so, citing internal policy that limits the agency to certifying an entire levee system, rather than discrete segments. Notwithstanding the insubstantial arguments made by the Corps to deny responsibility for certifying these levee segments, we have little choice but to undertake this work ourselves, since we will be unable to reach our goal of accreditation of the levee system if these segments are missing.

In response to a question from Mr. Long, Mr. Sterman said that we did not include certification of these segments in our original scope of work or budget for the project since we made what he thought to be a reasonable assumption that the Corps would certify their own levees, especially with significant improvements made to the Chain of Rocks levee in recent years as well as the ongoing Corps studies relating to improvement of the Mel Price reach. We do not know the cost of this additional work. That will become clear after the inspection. We may need additional borings or analysis that will come later. The certification process will involve at least three distinct steps: inspection, testing and analysis, and documentation. If these steps result in the identification of deficiencies that require correction it would be an additional problem that would face in the future. The bigger problem will likely be the Mel Price reach, where the interim fix

could be problematic, especially since the Corps cannot commit to having the funds to implement it during a high water event.

A proposed AMEC Work Order 5 was provided in your packet. The cost of this work would be \$155,000. This cost is consistent with AMEC's previously incurred costs to inspect the rest of the system. Once this work is completed, we will likely need to undertake borings and other testing and analysis activities to confirm compliance with regulatory criteria that the Corps does not typically address.

A discussion ensued among the members about the FPD being forced to accept the responsibility for certifying the Corps' levees.

Mr. Sterman reiterated that he was making the recommendation reluctantly, and only because we have little choice but to undertake this additional work. Between the additional certification work and the added Corps-imposed internal and external reviews, our unbudgeted costs will likely exceed \$1,000,000.

Mr. Bergkoetter suggested that we postpone a decision on this matter until later in the agenda after we hear from Col. Hall.

Report by the U.S. Army Corps of Engineers

Mr. Conrad welcomed Col. Hall to the meeting and asked that he come forward to speak to the group. Col. Hall used a slide presentation (copy attached) to support his presentation.

Col. Hall indicated that the Corps' first priority is public safety. He introduced other members of his staff, including Dave Busse and Mike Feldmann.

He summarized the Corps projects for which they have authority to proceed at this time as well as those that they are seeking authorization. Col. Hall then discussed the legislative background of the Sec. 408 permission and presented Mr. Sterman with the adopted Sec. 408 review plan. He discussed the current status of the review and suggested that the majority of the work would be approved within the FPD's expected timeline. There are, however, several areas that are of concern for approval and for meeting the timeline. These will include cutoff walls and graded filters. He explained the specific Corps concerns with the performance of graded filters at the 500-year event.

Col. Hall discussed the levee certification issue with the Corps. He confirmed that it is the Corps' policy not to certify levee segments, only levee systems. The District will provide information that AMEC can use to document the certification. Col. Hall indicated that he is constrained by Corps policy on this question.

Col. Hall summarized the Corps' current cost estimate to restore the levee systems back to their authorized level of protection. The estimate does not include work in the Prairie DuPont levee district or the Mel Price reach. The District continues to send the message to Washington that we need more money to finish these projects.

Mr. Sterman asked about the cost figures, particularly the additional \$36 million estimated to finish Wood River. That number doesn't seem right, particularly in light of the cost of the cutoff wall required to address underseepage in Wood River. Mr. Kellett indicated that this was the authorized cost estimate, which does not now include the cutoff wall and other underseepage controls. Mr. Sterman said that the numbers still don't seem right; these cost estimates are fiction.

Col. Hall addressed the issue of work-in-kind credit and described how we are not eligible under the existing law. He concluded his remarks by saying that the Corps is focused on reducing risks. He then asked for questions.

Mr. Dunstan asked whether the levees are better today than they were in 1993. Col. Hall said that the answer is generally yes, but with each flood event and given the age of the system, deterioration takes place. We need to keep investing in these systems.

Mr. Dunstan asked why the Corps can't pay AMEC to certify the Chain of Rocks Levee. Col. Hall indicated that he didn't know the answer to that question, but they are exploring all avenues to address this concern.

Mr. Kern asked what steps have been taken to eliminate delays in the review of this project, especially given the delay in producing the review plan. Col. Hall said that the delay in producing the review plan has not affected the project schedule. The complexity of this project affected the time taken to produce the review plan, but we now have agreement within the vertical team within the Corps and that will be important to moving this project through the process. That will allow us some flexibility to deal with problems as they arise.

Col. Hall mentioned the requirement for the Safety Assurance Review and the importance of the technical review of the project. Mr. Sterman noted that the SAR is not a requirement for locally sponsored projects, and the District could not say how the project schedule would be affected once the review process leaves the District.

Mr. Maher asked whether the information provided by the Corps would be sufficient for AMEC to perform the certification. Mr. Martin responded by describing AMEC's requirements and concerns affecting their ability to provide certification documentation to FEMA. Some of the information that would be required by FEMA is typically not addressed by the Corps. Mr. Kellett responded that the Corps may be able to provide additional data to meet AMEC's requirements. The District may not have the money today, but it is within the realm of possibility.

Mr. Pennekamp questioned how the Corps could discuss the issue of safety without considering the time that it takes for the Corps to accomplish these projects. We need to act with urgency; we are not infringing on the Corps' responsibilities or taking anyone's job. Col. Hall said that the Corps understands that concern and hopefully it will drive discussion within the Corps about efficiency within their own organization.

Mr. Sterman emphasized that although it is important to get the project started in keeping with our schedule, it is more important to finish the project on schedule, and it seems unlikely, given

the nature of the review process, that this can happen – despite pledges to the contrary. He also noted that the review plan had a date on it of January 24 and here we are at February 15. This emphasizes that the communication process is a problem. This is not a partnership, as the Corps likes to describe the relationship, because partners don't withhold information from each other. This has to get better or we will not reach our goal.

Mr. Long made a motion, seconded by Mr. Pennekamp, to authorize the Chief Supervisor to execute Work Order #5 – Chain of Rocks and Mel Price Area Inspection Services. The cost of the providing the services described in the work order will not exceed \$155,000 and cover a period between February 15 and August 31, 2012.

At Mr. Conrad's request, Mr. Maher called the roll and the following votes were made on the motion:

Mr. Polka - Aye
Mr. Brinkman – Aye
Mr. Bergkoetter - No
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Maher – Aye
Mr. Motil – Aye
Mr. Parks – absent
Mr. Pennekamp – Aye

The motion was approved by a vote of 7 Aye and 1 No.

Illinois Open Meetings Act Training

Mr. Conrad described that a new requirement of Illinois state statutes requires all members of public bodies to go through a brief online training module on the provisions of the Illinois Open Meetings Act (OMA). He has gone through the training and it takes about a half hour.

Discussion ensued on the effect that this requirement would have on getting citizens to volunteer for boards and commissions. Mr. Long described the penalty for failure to comply with this requirement.

Other Business

Mr. Conrad asked if there was any comment from the public. Kathy Andria noted her concern with the proposal by a landfill operator to create a wetland. In her experience, they would be removing soil to create open water and the site would lose its ability to serve as storage for stormwater.

Adjournment

Motion made by Mr. Motil, seconded by Mr. Pennekamp to adjourn the meeting. The motion was approved unanimously by voice vote, all voting aye.

Respectfully submitted,

Dan Maher,
Secretary/Treasurer, Board of Directors

Progress Report

February 15, 2012

SW IL Levee System

By Jay Martin



Design Activities – 60% December 16, 2011

- Design and Construction Documents
 - Berms
 - Cut off walls
 - Interior drainage
 - Pump stations
 - Ditching
 - Seepage blankets/toe drains
 - Wetlands mitigation
 - Utility relocations
 - Temporary construction access roads
 - Limits of disturbance
 - Existing roadway relocation

Information Provided for 408 Approval



Document and File Type ⁴	Levee System		
	Wood River	MESD	Prairie du Pont / Fish Lake
60% Plans (provided under separate cover)	X	X	X
60% Specifications (provided under separate cover)	X (One set inclusive of all levees)		
Pipe Hydraulics	X	X	X
Utility Conflicts	X	X	X
Technical Decision Record (TDR) Log, listing conclusion or action for each levee segment (.pdf)	X	X	X
Computations and input, sequential from beginning to end of each levee, identified by station (.pdf)	X	X	X
Leaky Blanket Spreadsheet, including Basic Data, Well Design and Seepage Berm tabs (.pdf)	X	X	X
Leaky Blanket Spreadsheet, including Basic Data, Well Design* and Seepage Berm tabs (.xls) ⁵	X	X	X
Underseepage models from Seep/W (.pdf) ³	X	X	X
Underseepage models from Seep/W (.gsz)	X	X	X
Trench stability analyses, LWR deep cutoff wall (.pdf and .gsz)	X	N/A	N/A
SWMM Models	X	X	X
HEC-HMS Models	X	X	X
HEC-RAS Models	X	X	X

3

Corps Review Comments – 60% (February 8, 2012)



	Wood River	MESD	PdP/FL
Total Comments	42	29	41
Match	13	5	19
Filters/Trenches	12	10	-
Cut off Walls	2	-	-
GD/PS/RW	4	3	4
General	11	11	18

4

Format of 408 comments



- REVIEW CONCERN
- BASIS FOR THE CONCERN
- SIGNIFICANCE OF THE CONCERN
- ACTION NEEDED TO RESOLVE THE CONCERN

5

Approach to Response



- Reviewed comments
- Distributed to design team
- Currently drafting responses to the more straight forward comments
- Others – particularly those regarding the “graded filters and trenches” will require...
 - More effort to analyze the “what if” scenarios raised
 - Additional funding for the evaluations and potentially additional field and laboratory analysis.
 - Time to execute, review and discuss with the Corps
- We remain comfortable with design concepts and committed to adequately addressing the concerns raised.

6

Performance at 54' on the St Louis gauge ("500-year")



- How will the "graded filters/trenches" function at the 500 year event?
- Are the flows from those features managed?
- Our current design addresses the 'extra' water that the improvements will produce.

7

Design Activities – 100%



- Reviewed and evaluated design sequencing
- Package #1 Gravity Drains/Toe Drain Rehab (WR & MESD)
 - 100% submitted the USACE February 6, 2012
- Package #2A Pump Stations (PdP,FL) – June, 2012

8

Permits Application



- 404
 - Under review, public comment along with EA, 10 day extension granted (30 day requested), earliest approval date May 15, 2012
 - Wetlands mitigation – potential property identified
 - Cultural – Field activities complete on all accessible properties
 - Onsite agency coordination meeting - Corps lead
 - Wetland open wetland to upland forest
 - IN bat – potential construction timing
- 401
 - Under review, public comment soon

9

Field activities



- Land surveying
- Supplemental Geotechnical data collection



10

Issues & Concerns



- USACE 408 process
 - Additional reviews (HQ, SAR, etc)
- Weather and river levels
- Permits 404 & 401
- Chair of Rocks and Mel Price certification

11

Look Ahead



- Respond to technical comments from the Corps on the back up shared at 60%
- Track permit application (404, 401) – answer questions, information requests
- Push forward on completion of 100% submittals and 408 requirements, package by package
- Negotiate for wetland mitigation
- Mel Price & Chain of Rocks evaluation

12

QUESTIONS?



Southwestern Illinois Flood Prevention District

February 15, 2012

Colonel Chris Hall
District Engineer



US Army Corps of Engineers
BUILDING STRONG®



Public Safety is the Top Priority

Agenda

- USACE Restoration Projects in the Metro East
- 408 Permissions
- Levee Certification for FEMA Accreditation
- Work-In-Kind Credit



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USACE Projects

- USACE has the legislative authority and necessary approvals to restore MESD and the majority of the Wood River Drainage and Levee District and improve the Chain of Rocks Levee.
- The St. Louis District is preparing Limited Re-Evaluation Reports (LLR) to obtain approval for restoring the Prairie Du Pont/Fish Lake Drainage and Levee Districts and the Wood River/Mel Price levee segment.
- USACE has consistently supported the Metro East by constructing and improving levees since 1936.



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USACE Projects

- Original Legislative Authorization for Levee Construction
 - ▶ Prairie Du Pont Levee – 1936
 - ▶ Fish Lake Levee – 1954
 - ▶ Metro East – 1936, Additional constr approved 2010
 - ▶ Chain of Rocks – 1945, Additional constr approved 1999
 - ▶ Wood River– 1938, Additional constr approved 2005 & 2011
- Legislative Authorization for Reconstruction
 - ▶ Metro East Sanitary – 1988
 - ▶ Wood River - 2007



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408 Permission

- United States Code
 - ▶ Title 33: Navigation and Navigable Waters
 - ▶ Chapter 9, Subchapter 1, Section 408
- *(Condensed)* It shall not be lawful for any person or person to build upon, alter, deface, destroy, move, injure, obstruct or in any manner whatever impair the usefulness of any levee or other work built by the United States
- ... That the Secretary may, on the recommendation of the Chief of Engineers, grant permission for the alteration or permanent occupation or use of any of the aforementioned public works when in the judgment of the Secretary **such occupation or use will not be injurious to the public interest and will not impair the usefulness of such work**



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408 Permission

- Currently expecting 8 applications for 408 permissions from the Southwestern Illinois Flood Prevention District (FPD).
- The first application was received on 6 Feb 2012. USACE expects to provide approval within the FPDs required timeline.
- USACE expects to provide approval for the majority of the applications within the FPDs required timeline.
- Areas of Concern for approval and to meet the FPDs timeline.
 - ▶ Cutoff Walls
 - ▶ Graded Filters
 - ▶ Alterations for additional interior water (H&H)
 - ▶ 404 Permit – Public Review Period



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Levee Certification

- USACE owns and/or operates levee segments within MESD and the Wood River Drainage & Levee District.
- USACE policy only allows certification of levee systems.
- The St. Louis District will provide the FPD with a levee performance evaluation, which essentially meets FEMA requirements for certification.
- The St. Louis District intends to operate these two segments until they are completely restored and can be operated by the local levee district.



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Funding for USACE Metro East Projects

- USACE has the authority and approval to restore MESD and the majority of the Wood River and improve the Chain of Rocks. The current total cost estimate is \$336.4 Million.
- The total cost estimate will grow with the addition of Prairie Du Pont/Fish Lake and the Wood River/Mel Price segment.
- The St. Louis District has already restored a significant portion of the Metro East Levees. USACE and the Metro East Levee districts have already expended \$146.9 Million.
- Currently, \$189.5 Million is needed to complete the authorized reconstruction.



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Funding for USACE Metro East Projects

Project	Authorized (Millions)	Expended To Date (Millions)	Remaining (Millions)
Prairie Du Pont/Fish Lake (Cost Shared)	\$ 3.4	\$ 2.7	\$ 0.7
Metro East Sanitary District (Cost Shared)	\$ 201.4	\$ 54.8	\$146.6
Chain of Rocks (100% Federal)	\$ 59.3	\$ 53.7	\$ 5.6
Wood River (Cost Shared)	\$ 72.3	\$ 35.7	\$ 36.6
Wood River/Mel Price (100% Federal)	TBD	TBD	TBD
Total	\$ 336.4	\$ 146.9	\$ 189.5

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Funding for USACE Metro East Projects

Work-in-Kind Credit

- Current administration policy requires a 35% cost share from the local sponsor for a USACE project.
- Work-in-kind credits rather than cash contributions can be allowed for USACE projects, however, the Metro East Levees do not currently qualify.



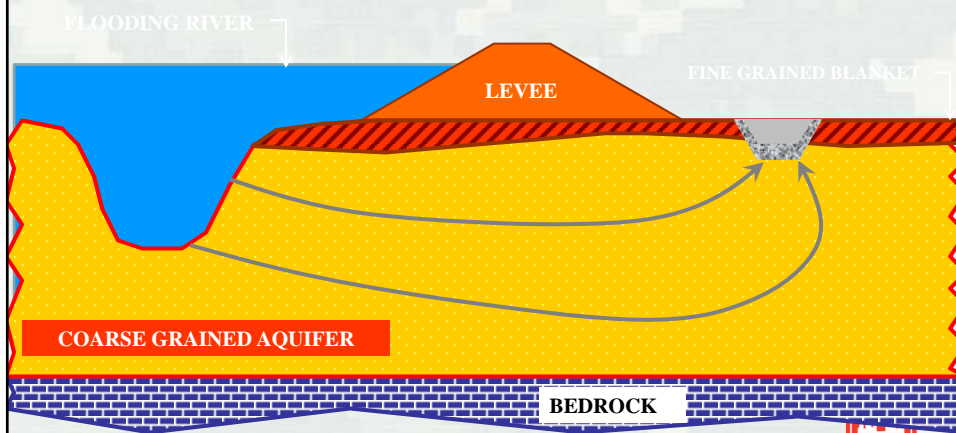
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Flooded St. Louis Riverfront 1993



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Typical Levee Stratigraphy with Gravel Filter in Bottom of Drainage Trench.



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Memo to: Board of Directors
From: Les Sterman
Subject: Program Status Report for March, 2012
Date: March 16, 2012

Design/Construction

Our design team is responding to Corps comments on the 60% submission. For the most part these comments can be addressed easily, except for the concerns regarding one significant design element – “graded filters.” AMEC has prepared additional support analysis and documentation to verify the safety and efficacy of this design feature. Our entire design team is fully satisfied that this design feature is cost-effective and safe at both the 100-year and 500-year flood elevations. The Corps’ objections appear to stem from their relative unfamiliarity with graded filters and the lack of internal design guidance. Unfortunately, Corps staff has provided us with little guidance as to the information they would require to approve this design. Essentially they have said “we’ll know it when we see it.” I have emphasized to Corps staff that this is not a reasonable approach and their continued recalcitrance could put the project in jeopardy.

As you know, the Corps provided the long-awaited Sec. 408 review plan at our last Board meeting on February 15, at least six months later than originally promised. The review plan leaves many questions unanswered and continues to leave the schedule of the review process uncertain. The plan does little or nothing to resolve my fear that the Sec. 408 review is a significant threat to the project schedule and budget.

The first 100% design package was submitted to the Corps on February 6. Along with the design documents, I submitted the request for Section 408 review to the Corps. 100% design documents for the remaining construction packages will be submitted sequentially throughout the year. The Corps responded with comments to our design team on or about March 8. AMEC should have a complete response to those comments shortly. Assuming that the various environmental permits are approved, we expect the Sec. 408 approval to be granted in late May, which will allow us to proceed with construction. The first construction package consists principally of maintenance items, but it will signal the beginning of the construction process, an important milestone in the project. We anticipate advertising for bids shortly, so we can receive bids, get Board approval of an award and the required county board signoff prior to the end of May.

The regulatory review process (as opposed to the technical review referenced above) is ongoing. The Corps received a number of comments to the Environmental Assessment, Finding of No Significant Impact and Section 404 applications. The more critical comments have come from the U.S. Environmental Protection Agency, the American Bottom Conservancy, and the Washington University Environmental Law Clinic. We are in the process of addressing those comments and will provide our responses to the Corps who will make a decision on the next steps in the environmental process. Separately, we recently met with the Illinois Environmental Protection Agency to address comments on our Section 401 (water quality) application. Timely granting of these various environmental permits and approvals, and conditions attached thereto, remains in doubt.

I travelled to Washington D.C. on March 6-8 for meetings with congressional staff and members to brief them on the status of the project, and to discuss and refine a legislative proposal for rationalizing the Sec. 408 review process to advance the construction of locally sponsored flood protection projects. A scheduled meeting with the Assistant Secretary of the Army and Corps leadership was postponed because of scheduling conflicts, but this meeting should be rescheduled in the near future. I am pressing two issues in particular: eliminating the need for external technical reviews and compelling the Corps to certify its own levees.

After Board action last month, our attorneys have drafted a proposed contract with Republic Services to provide wetland mitigation. Republic has also drafted a mitigation plan that we have reviewed.

Administrative

Scheffel & Co. has completed the audit of the Council's 2011 financial statements and they will present the document at the March Board meeting.



Memo to: Board of Directors
From: Les Sterman
Subject: Budget Report for February 2012
Date: March 19, 2012

Attached is the budget report for February 2012 prepared by our fiscal agent, LarsonAllen. The report includes an accounting of revenues and expenditures for the two months ending February 28, 2012, as compared to our fiscal year budget for the year ending on September 30, 2012.

Accrued expenditures for the current fiscal year are \$6,059,373, while revenues amounted to \$4,736,246. Expenditures included a surplus held by the bond Trustee of \$1,667,641 that was returned to the counties as required by the bond indenture. We did not budget for the return of surplus, so it contributes to negative budget variance. All other costs remain well within budgeted amounts.

Sales tax receipts for December were up about 1.4% year over year; for all of 2011 sales tax receipts were up about 2%. After a 7% rate of growth in 2010 we are well within our overall annual projected rate of growth of 3%.

**SOUTHWESTERN ILLINOIS FLOOD REVENTION
DISTRICT COUNCIL**

**GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
FIVE MONTHS ENDING FEBRUARY 2011 AND 2010**



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Board Members
Southwestern Illinois Flood Prevention District Council
Collinsville, Illinois

We have compiled the accompanying General Fund Statement of Revenues and Expenditures – Budget and Actual of Southwestern Illinois Flood Prevention District Council (the “Council”) for the five months ended February 2011 and 2010. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements. During our compilation we did become aware of departures from accounting principles generally accepted in the United States of America that are described in the following paragraph.

Management has omitted the management discussion and analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activity. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The change in fund balance for the Council's governmental activity is not reasonably determinable.

Management has not presented a balance sheet for the general fund. Accounting principles generally accepted in the United States of America require the presentation of a balance sheet for each fund contained in the financial statements. The amounts that would be reported in a balance sheet of the general fund for the Council are not reasonably determinable.

Management has not presented a change in fund balance on the Statement of Revenues and Expenditures – Budget and Actual. Accounting principles generally accepted in the United States of America require the Statement of Revenues, Expenditures and Changes in Fund Balance include a presentation of changes in fund balance. The amounts that would be reported in government-wide financial statements for the Council's governmental activity is not reasonably determinable.

Management has also elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included with the financial statements, they might influence the user's conclusions about the Council's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying original and final budget amounts presented on the General Fund Statement of Revenues and Expenditures – Budget and Actual presented for the year ending September 30, 2012 and 2011, have not been compiled or examined by us, and, accordingly, we do not express an opinion or any other form of assurance on them.

We are not independent with respect to Southwestern Illinois Flood Prevention District Council.


CliftonLarsonAllen LLP

St. Louis, Missouri
March 15, 2012

**SOUTHWESTERN ILLINOIS FLOOD PROTECTION DISTRICT COUNCIL
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FIVE MONTHS ENDED FEBRUARY 29, 2012 (Actual)
FISCAL YEAR ENDING SEPTEMBER 30, 2012 (Budget)**

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Sales Tax Proceeds From Districts	\$ 11,000,000	\$ 11,000,000	\$ 4,646,408	\$ 6,353,592
Interest Income	878,365	878,365	89,838	788,527
Other Contributions	-	-	-	-
Total Revenues	11,878,365	11,878,365	4,736,246	7,142,119
EXPENDITURES				
Current				
Design and Construction				
Engineering Design & Construction	6,000,000	6,000,000	1,669,275	4,330,725
Management				
Construction	20,000,000	20,000,000	226,754	19,773,246
Construction and design by US ACE	1,100,000	1,100,000	-	1,100,000
Federal Cost-Share	-	-	-	-
Total Design and Construction	27,100,000	27,100,000	1,896,029	25,203,971
Professional Services				
Legal & Legislative Consulting	126,000	126,000	27,845	98,155
Construction Oversight	160,000	160,000	40,147	119,853
Impact Analysis/Research	1,000	1,000	-	1,000
Financial Advisor	20,000	20,000	941	19,059
Bond Underwriter/Conduit Issuer	93,529	93,529	-	93,529
Total Design and Construction	400,529	400,529	68,933	331,596
Refund of Surplus Funds to County FPD Accounts				
Madison County	-	-	788,327	(788,327)
Monroe County	-	-	802,035	(802,035)
St. Clair County	-	-	77,279	(77,279)
Total Refund of Surplus Funds to County	-	-	1,667,641	(1,667,641)
Debt Service				
Principal and Interest	6,197,300	6,197,300	2,323,270	3,874,030
Total Debt Service	6,197,300	6,197,300	2,323,270	538,748
Total Operating Expenses	33,697,829	33,697,829	5,955,873	24,406,674
General and Administrative Costs				
Salaries, Benefits	189,365	189,365	74,477	114,888
Advertising	2,500	2,500	-	2,500
Bank Service Charges	420	420	283	137
Conference Registration	700	700	25	675
Equipment and Software	2,300	2,300	-	2,300
Fiscal Agency Services	20,000	20,000	21,792	(1,792)
Furniture	300	300	-	300
Meeting Expenses	1,000	1,000	83	917
Miscellaneous Startup Expenses	-	-	-	-
Office Rental	-	-	-	-
Postage/Delivery	600	600	143	457
Printing/Photocopies	2,500	2,500	351	2,149
Professional Services	18,000	18,000	651	17,349
Publications/Subscriptions	200	200	-	200
Supplies	1,350	1,350	429	921
Telecommunications/Internet	3,500	3,500	1,082	2,418
Travel	12,500	12,500	3,194	9,306
Other Business Expenses	-	-	-	-
Insurance	3,000	3,000	990	2,010
Total General & Administrative Costs	258,235	258,235	103,500	154,735
Total Expenditures	33,956,064	33,956,064	6,059,373	24,561,409
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,077,699)	(22,077,699)	(1,323,127)	20,754,572
OTHER FINANCING SOURCES				
Proceeds From Borrowing	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ (22,077,699)	\$ (22,077,699)	\$ (1,323,127)	\$ 20,754,572

**SOUTHWESTERN ILLINOIS FLOOD PROTECTION DISTRICT COUNCIL
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FIVE MONTHS ENDED FEBRUARY 28, 2011 (Actual)
FISCAL YEAR ENDING SEPTEMBER 30, 2011 (Budget)**

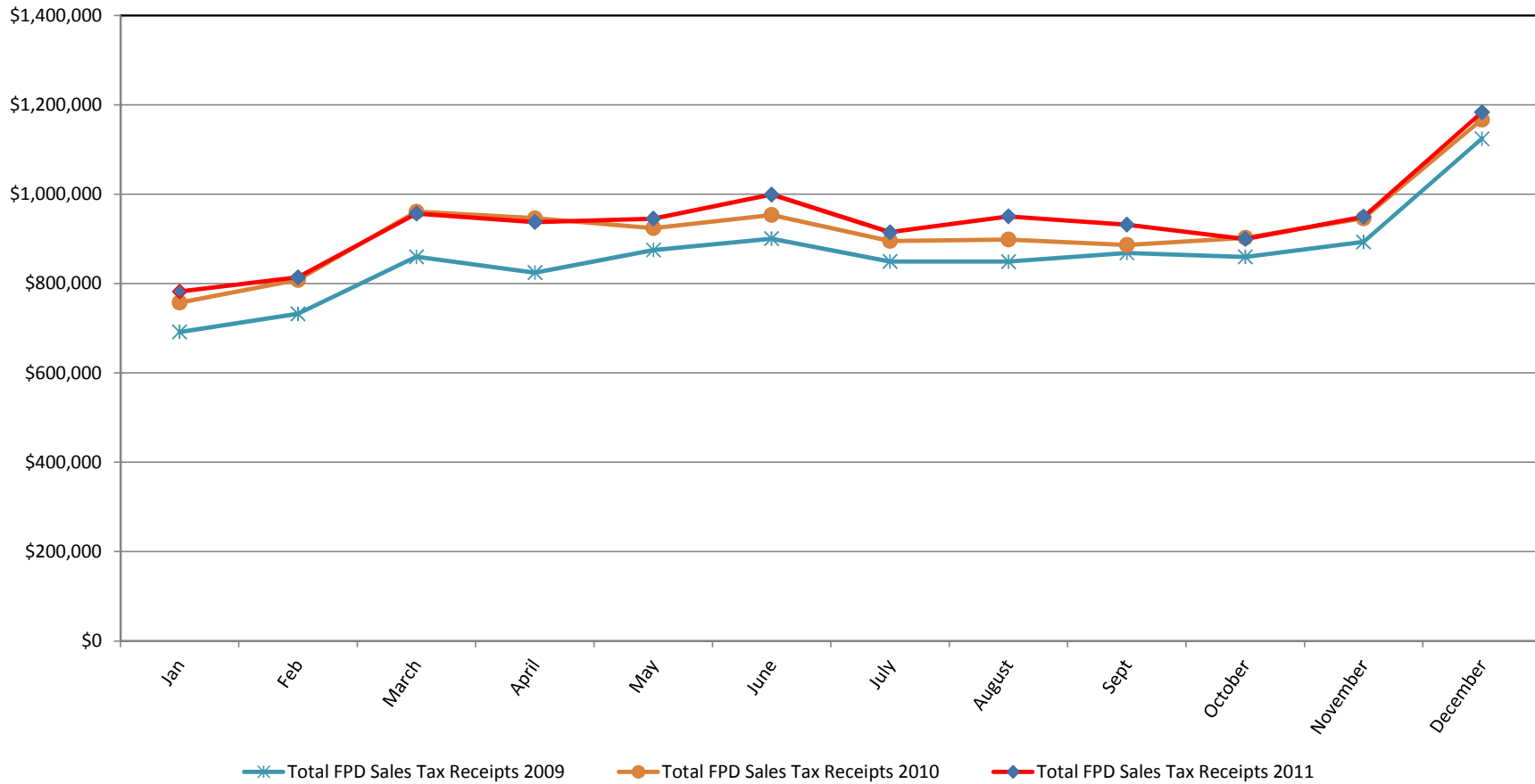
	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Sales Tax Proceeds From Districts	\$ 10,510,886	\$ 10,510,886	\$ 4,497,950	\$ 6,012,936
Interest Income	335,060	335,060	3,192	331,868
Other Contributions	-	-	-	-
Total Revenues	10,845,946	10,845,946	4,501,142	6,344,804
EXPENDITURES				
Current				
Design and Construction				
Engineering Design & Construction Management	6,598,265	6,598,265	1,886,540	4,711,725
Construction	50,000,000	50,000,000	2,359,136	47,640,864
Construction and design by US ACE	1,650,000	1,650,000	1,137,564	512,436
Federal Cost-Share	-	-	-	-
Total Design and Construction	58,248,265	58,248,265	5,383,240	52,865,025
Professional Services				
Legal & Legislative Consulting	126,000	126,000	47,866	78,134
Construction Oversight	140,833	140,833	-	140,833
Impact Analysis/Research	20,000	20,000	-	20,000
Financial Advisor	-	-	15,484	(15,484)
Bond Underwriter/Conduit Issuer	-	-	-	-
Total Design and Construction	286,833	286,833	63,350	223,483
Bond Issuance Costs	1,152,000	1,152,000	1,356,974	(204,974)
Reimbursement of Advance Funding	3,501,778	3,501,778	3,241,072	260,706
Debt Service				
Supplemental Bond Reserve Fund	5,731,238	5,731,238	-	5,731,238
Principal and Interest	4,987,151	4,987,151	-	4,987,151
Total Debt Service	10,718,389	10,718,389	-	10,718,389
Total Operating Expenses	73,907,265	73,907,265	10,044,636	63,862,629
General and Administrative Costs				
Salaries, Benefits	183,885	183,885	66,192	117,693
Advertising	2,500	2,500	-	2,500
Bank Service Charges	420	420	215	205
Conference Registration	700	700	-	700
Equipment and Software	3,800	3,800	4,625	(825)
Fiscal Agency Services (EWG)	16,500	16,500	9,970	6,530
Furniture	1,000	1,000	641	359
Meeting Expenses	400	400	-	400
Miscellaneous Startup Expenses	-	-	-	-
Office Rental	7,200	7,200	-	7,200
Postage/Delivery	500	500	92	408
Printing/Photocopies	1,350	1,350	-	1,350
Professional Services	12,500	12,500	-	12,500
Publications/Subscriptions	200	200	-	200
Supplies	1,260	1,260	856	404
Telecommunications/Internet	3,190	3,190	1,231	1,959
Travel	8,200	8,200	3,034	5,166
Other Business Expenses	1,750	1,750	61	1,689
Insurance	3,000	3,000	978	2,022
Total General & Administrative Costs	248,355	248,355	87,895	160,460
Total Expenditures	74,155,620	74,155,620	10,132,531	64,023,089
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,309,674)	(63,309,674)	(5,631,389)	57,678,285
OTHER FINANCING SOURCES				
Proceeds From Borrowing	84,268,762	84,268,762	95,863,994	11,595,232
NET CHANGE IN FUND BALANCE	<u>\$ 20,959,088</u>	<u>\$ 20,959,088</u>	<u>\$ 90,232,605</u>	<u>\$ 69,273,517</u>

Flood Prevention District Sales Tax Trends 2009-2011

	2009													County Share
	Jan	Feb	March	April	May	June	July	August	Sept	October	November	December	Total	
Madison	\$321,968	\$336,765	\$397,425	\$387,385	\$414,350	\$421,402	\$399,616	\$401,188	\$400,090	\$404,847	\$405,930	\$492,814	\$4,783,780	46.319%
St. Clair	\$337,979	\$362,696	\$424,556	\$398,395	\$419,126	\$438,230	\$411,968	\$410,484	\$429,852	\$412,637	\$446,806	\$581,721	\$5,074,450	49.134%
Monroe	\$31,641	\$32,903	\$37,830	\$38,757	\$41,326	\$40,847	\$37,817	\$37,497	\$38,652	\$42,270	\$40,332	\$49,755	\$469,627	4.547%
Total Month	\$691,588	\$732,364	\$859,811	\$824,537	\$874,802	\$900,479	\$849,401	\$849,169	\$868,594	\$859,754	\$893,068	\$1,124,290	\$10,327,857	
Cumulative Total	\$691,588	\$1,423,952	\$2,283,763	\$3,108,300	\$3,983,102	\$4,883,581	\$5,732,982	\$6,582,151	\$7,450,745	\$8,310,499	\$9,203,567	\$10,327,857		
2010														
Madison	\$353,146	\$374,416	\$456,795	\$462,697	\$440,815	\$452,308	\$427,329	\$433,047	\$419,455	430,210	\$442,904	\$529,069	\$5,222,191	47.272%
St. Clair	\$367,458	\$399,480	\$464,089	\$439,748	\$439,139	\$458,299	\$421,447	\$423,718	\$424,971	\$429,581	\$457,927	587067	\$5,312,924	48.094%
Monroe	\$36,770	\$34,324	\$39,884	\$43,769	\$44,358	\$43,102	\$46,499	\$41,816	\$42,207	\$42,746	\$45,411	\$51,004	\$511,890	4.634%
Total Month	\$757,374	\$808,220	\$960,768	\$946,214	\$924,312	\$953,709	\$895,275	\$898,581	\$886,633	\$902,537	\$946,242	\$1,167,140	\$11,047,005	
Cumulative Total	\$757,374	\$1,565,594	\$2,526,362	\$3,472,576	\$4,396,888	\$5,350,597	\$6,245,872	\$7,144,453	\$8,031,086	\$8,933,623	\$9,879,865	\$11,047,005		
% change/month	9.51%	10.36%	11.74%	14.8%	5.7%	5.9%	5.4%	5.8%	2.1%	5.0%	6.0%	3.8%		
% change/total	9.51%	9.95%	10.62%	11.72%	10.39%	9.56%	8.95%	8.54%	7.79%	7.50%	7.35%	6.96%	6.96%	
2011														
Madison	\$380,021	\$383,976	\$460,129	\$454,562	\$466,904	\$477,396	\$436,637	\$473,303	\$448,256	\$444,204	\$455,842	\$538,000	\$5,419,230	48.108%
St. Clair	\$363,984	\$395,231	\$455,562	\$437,820	\$436,490	\$475,972	\$433,460	\$433,777	\$441,030	\$412,793	\$451,390	\$594,129	\$5,331,638	47.330%
Monroe	\$38,315	\$34,759	\$41,192	\$44,975	\$41,786	\$45,836	\$44,887	\$43,323	\$42,564	\$42,690	\$42,252	\$51,266	\$513,845	4.562%
Total Month	\$782,320	\$813,966	\$956,883	\$937,357	\$945,180	\$999,204	\$914,984	\$950,403	\$931,850	\$899,687	\$949,484	\$1,183,395	\$11,264,713	
Cumulative Total	\$782,320	\$1,596,286	\$2,553,169	\$3,490,526	\$4,435,706	\$5,434,910	\$6,349,894	\$7,300,297	\$8,232,147	\$9,131,834	\$10,081,318	\$11,264,713		
% change/month	3.29%	0.71%	-0.40%	-0.94%	2.26%	4.77%	2.20%	5.77%	5.10%	-0.32%	0.34%	1.39%		
% change/total	3.29%	1.96%	1.06%	0.52%	0.88%	1.58%	1.67%	2.18%	2.50%	2.22%	2.04%	1.97%	1.97%	

FPD Sales Tax Trends

Actual Receipts 2009-2011





Memo to: Board of Directors
From: Les Sterman
Subject: February 2012 Disbursements
Date: February 13, 2012

Attached are lists of bank transactions for February 2012. Total disbursements for the month were \$271,390.32. The largest amounts were payments to AMEC for design and pre-construction activities and to East-West Gateway for FPD administrative services.

Design costs are paid from funds held in the Construction Account by the bond Trustee. Legal and administrative costs are paid from the Administration Account held by the Trustee.

Recommendation:

Accept the disbursement report for February 2012.

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
SUPPLEMENTARY SUPPORTING SCHEDULE
BANK TRANSACTIONS
29-Feb-12**

Beginning Bank Balance February 1				33,688.45
Receipts				
Funds Transfer	02/13/2012	Funds Transfer	37,509.72	
Funds Transfer	02/13/2012	Funds Transfer	277,060.87	
Bank of Edwardsville Interest	02/29/2012	Bank of Edwardsville Interest	64.80	
Total Receipts				314,570.59
Disbursements				
Dorgan, McPike & Assoc, LTD	02/06/2012	Services	3,000.00	
Husch Blackwell Sanders	02/06/2012	Services	425.70	
Wisper ISP, Inc.	02/06/2012	Internet	54.99	
AMEC Earth & Environmental, Inc.	02/11/2012	Services	250,783.21	
East-West Gateway Council of Governments	02/11/2012	Services	14,446.73	
LarsonAllen LLP	02/11/2012	Services	1,800.00	
Southwestern IL Council of Mayors	02/11/2012		25.00	
Wire Transfer	02/13/2012	Wire Transfer	20.00	
T-Mobile	02/16/2012	Phone	50.00	
AMEC Earth & Environmental, Inc.	02/25/2012	Services	668.08	
Walmart	02/25/2012	Supplies	34.45	
Micro Center	02/26/2012	Supplies	67.80	
Monthly Bank Charges	02/29/2012	Bank charges	14.36	
Total Disbursements				271,390.32
				76,868.72



Memo to: Board of Directors
From: Les Sterman
Subject: Fiscal Year 2011 Audit Report and Financial Statements
Date: March 19, 2012

Attached is the fiscal year 2011 audit report and financial statements prepared by our auditor, Scheffel & Co. Representatives of the firm will be at our March Board meeting to present the report and answer questions.

The report will be submitted to the county boards as required by our authorizing legislation and submitted to the bond rating agencies to meet their requirements.

Recommendation: Accept the Fiscal Year 2011 Audit Report and Financial Statements and forward copies to the counties and to the bond rating agencies.

SOUTHWESTERN ILLINOIS FLOOD
PREVENTION DISTRICT COUNCIL

REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
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Certified Public Accountants

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Steven C. Pembroke, CPA
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Mark J. Korte, CPA

INDEPENDENT AUDITOR'S REPORT

February 9, 2012

To the Southwestern Illinois Flood
Prevention District Council

We have audited the accompanying financial statements of the governmental activities and major fund of the Southwestern Illinois Flood Prevention District Council (the Council) as of and for the year ended September 30, 2011 which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Southwestern Illinois Flood Prevention District Council as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schepel & Company P.C.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

This section of the Southwestern Illinois Flood Prevention District Council's annual financial report offers a narrative overview and analysis of the financial activities during the fiscal year ended September 30, 2011. It should be read in conjunction with the Southwestern Illinois Flood Prevention District Council's financial statements, which follow this section.

Southwestern Illinois Flood Prevention District Council's Overview

The formation of the Southwestern Illinois Flood Prevention District Council was authorized by the Illinois Flood Prevention District Act (70 ILCS 750). The Council was formed in June of 2009 by intergovernmental agreement between county flood prevention districts in Madison, St. Clair and Monroe counties and is governed by a nine member Board of Directors, three from each county. The Council's fiscal year end is September 30. The purpose of the Council is to finance, design and manage the reconstruction of the flood protection systems along the Mississippi River in the Illinois counties of Madison, St. Clair and Monroe. The Council's activities are funded by a ¼ cent sales tax collected in the three counties.

Required Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements report information of the Southwestern Illinois Flood Prevention District Council and its component activities using accounting methods similar to those used by private sector companies and offer short and long-term financial information about the fiscal year 2011.

The statement of net assets presents information on all of the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Southwestern Illinois Flood Prevention District Council is improving or deteriorating.

The current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the operations and programs are included here.

In addition, the notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Council currently uses only one fund type – governmental – and is presented based on the sources and uses of liquid resources. The financial plan (budget) is developed in accordance with the use of the governmental fund.

Financial Highlights

Net asset deficit as of September 30, 2011, was (\$5,340,197), a decrease of \$5,345,641, compared to net assets of \$5,444 as of September 30, 2010, decreasing the Council's capital position.

Total assets and liabilities both increased as a result of the issuance of term and serial bonds to finance the levee improvements in the Illinois counties of Madison, St. Clair, and Monroe.

Statement of Net Assets for 2011 Compared to 2010

Condensed Statement of Net Assets	2011	2010	Difference
Current Assets	\$85,608,008	833,746	84,774,262
Noncurrent Assets	<u>7,277,870</u>	<u>5,444</u>	<u>7,272,426</u>
Total Assets	<u>\$92,885,878</u>	<u>839,190</u>	<u>92,046,688</u>
 Total Current Liabilities	 \$ 6,167,632	 833,746	 5,333,886
Long-Term Liabilities	<u>92,058,443</u>	<u>-</u>	<u>92,058,443</u>
Total Liabilities	<u>\$98,226,075</u>	<u>833,746</u>	<u>97,392,329</u>
 Invested in Net Capital Assets	 \$ 7,335	 5,444	 1,891
Restricted Net Assets	6,194,424	-	6,194,424
Unrestricted Net Assets (Deficit)	<u>(11,541,956)</u>	<u>-</u>	<u>(11,541,956)</u>
Total Net Assets (Deficit)	<u>\$(5,340,197)</u>	<u>5,444</u>	<u>(5,345,641)</u>
 Total Liabilities and Net Assets	 <u>\$92,885,878</u>	 <u>839,190</u>	 <u>92,046,688</u>

Statement of Activities for 2011 Compared to 2010

Revenues:	2011	2010	Difference
Sales Tax Proceeds from Districts	\$11,506,734	7,809,955	3,696,779
County Contributions	-	75,921	(75,921)
Interest Income	<u>700,357</u>	<u>2,162</u>	<u>698,195</u>
Total Revenues	<u>\$12,207,091</u>	<u>7,888,038</u>	<u>4,319,053</u>
 Expenditures:			
General and Administration	\$ 231,986	200,010	31,976
Design and Construction	10,573,653	6,206,512	4,367,141
Professional Services	119,791	1,482,626	(1,362,835)
Reimbursement of County Advances	3,501,778	-	3,501,778
Interest and Fiscal Charges	<u>3,125,524</u>	<u>-</u>	<u>3,125,524</u>
Total Expenditures	<u>\$17,552,732</u>	<u>7,889,148</u>	<u>9,663,584</u>
 Change in Net Assets	 \$(5,345,641)	 (1,110)	 (5,344,531)
 Net Assets – Beginning of Year	 <u>5,444</u>	 <u>6,554</u>	 <u>(1,110)</u>
 Net Assets (Deficit) – End of Year	 <u>\$(5,340,197)</u>	 <u>5,444</u>	 <u>(5,345,641)</u>

Analysis of Financial Activities

Current assets increased \$84.7 million due largely from the bond issuance proceeds.

Noncurrent assets increased in 2011 by \$7.3 million reflecting \$6.2 million of the bond proceeds held in reserve and \$1.1 million of deferred bond issuance costs to be amortized over the life of the bonds.

Current liabilities increased by \$5.3 million primarily related to interest and principle payments due on the bonds payable.

Long-term liabilities increased \$92 million reflecting the bonds payable and unamortized premium on the bonds.

The sales tax revenues increased by \$3.7 million. These receipts represent the ¼ cent sales tax collected in Madison, St. Clair and Monroe County Flood Prevention Districts.

Interest income increased by \$698 thousand as a result of the investment of the bond proceeds during the year.

The overall expenditures increased by \$9.7 million. Design and construction costs for the levee improvements increased by \$4.4 million during the year and the Council was able to reimburse the county flood prevention districts for expenditures that they incurred for levee repairs and related expenses prior to the formation of the Council. This reimbursement totaled \$3.5 million. Interest and financing costs increased by \$3.1 million which was related to the issuance of the bonds in November 2010.

Long-Term Debt

Southwestern Illinois Flood Prevention District Council issued \$94,195,000 of revenue bonds during the year. The maturity of the bonds varies in maturity from 2012 through 2035. See the accompanying financial statement notes for additional information related to outstanding debt.

Economic Conditions

Southwestern Illinois Flood Prevention District Council continues to rely on the ¼ cent sales tax collected in the three Illinois counties of Madison, Monroe and St. Clair. Retail sales have been affected by the difficult economic conditions but tax receipts have continued to grow at a modest pace (6% in 2010 and about 2% in 2011). The design of levee system improvements along the Mississippi river in the three counties is nearly complete and construction is expected to be well underway in 2012. We remain confident that the Council's financial position is strong.

Contacting the Council's Financial Management

This financial report is designed to provide a general overview of the Southwestern Illinois Flood Prevention District Council's finances for all those with an interest in the Council. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Supervisor of Construction and the Works, Southwestern Illinois Flood Prevention District Council, 104 United Drive, Collinsville, IL 62234.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 83,109,916
Accounts Receivable	1,966,387
Interest Receivable	399,128
Prepaid Expenses	3,423
Deferred Charges - Bond Issuance Costs	129,154
Total Current Assets	<u>85,608,008</u>
Noncurrent Assets:	
Bond Reserve	6,194,424
Deferred Charges - Bond Issuance Costs (Net of Current Portion)	1,076,111
Capital Assets, Net of Accumulated Depreciation	7,335
Total Noncurrent Assets	<u>7,277,870</u>
Total Assets	<u><u>92,885,878</u></u>
<u>LIABILITIES AND NET ASSETS:</u>	
Current Liabilities:	
Accounts Payable and Accrued Interest	3,546,896
Bonds Payable	2,455,000
Unamortized Premium on Bond Issuance	165,736
Total Current Liabilities	<u>6,167,632</u>
Noncurrent Liabilities:	
Bonds Payable (Net of Current Portion)	91,740,000
Unamortized Premium on Bond Issuance (Net of Current Portion)	318,443
Total Noncurrent Liabilities	<u>92,058,443</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	7,335
Restricted for:	
Bond Reserve	6,194,424
Unrestricted (Deficit)	<u>(11,541,956)</u>
Total Net Assets (Deficit)	<u>(5,340,197)</u>
Total Liabilities and Net Assets	<u><u>\$ 92,885,878</u></u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Capital Grants</u>	Net (Expense) Revenue and Changes in Net Assets
			<u>Operating Grants</u>			<u>Primary Government Total Governmental Activities</u>
Primary Government						
Governmental Activities:						
General and Administrative	\$ 231,986	-	-	-	-	(231,986)
Design and Construction	10,573,653	-	-	-	-	(10,573,653)
Professional Services	119,791	-	-	-	-	(119,791)
Reimbursement of County Advances	3,501,778	-	-	-	-	(3,501,778)
Interest and Fiscal Charges (Net of Subsidy)	3,125,524	-	-	-	-	(3,125,524)
Total Governmental Activities	<u>17,552,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,552,732)</u>
General Revenues:						
Sales Tax Proceeds From Districts						11,506,734
Interest Income						<u>700,357</u>
Total General Revenues						<u>12,207,091</u>
Changes in Net Assets						(5,345,641)
Net Assets - Beginning						<u>5,444</u>
Net Assets (Deficit) - Ending						<u>\$ (5,340,197)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2011

ASSETS

Cash and Investments	\$ 83,109,916
Accounts Receivable	1,966,387
Interest Receivable	399,128
Prepaid Expenses	3,423
Bond Reserve	6,194,424
Total Assets	<u>91,673,278</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable	<u>1,414,134</u>
------------------	------------------

Fund Balances:

Nonspendable	3,423
Restricted	6,194,424
Committed	4,354,016
Unassigned	79,707,281
Total Fund Balances	<u>90,259,144</u>

Total Liabilities and Fund Balances	<u>\$ 91,673,278</u>
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See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2011

Total governmental fund balances	\$ 90,259,144
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore are not reported in the funds.	7,335
Bond issuance costs are expensed in the governmental funds but are required to be amortized over the life of the bond issuance.	1,205,265
Bond premiums are recognized as other financing sources in the governmental funds but are required to be amortized over the life of the bond issuance.	(484,179)
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.	(2,132,762)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(94,195,000)</u>
Net assets of governmental activities	<u>\$ (5,340,197)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

REVENUES:

Sales Tax Proceeds From Districts	\$ 11,506,734
Interest Income	700,357
Total Revenues	<u>12,207,091</u>

EXPENDITURES:

Current:

General and Administrative	227,565
Design and Construction	10,573,653
Professional Services	119,791
Reimbursement of County Advances	3,501,778

Capital Outlay:

Equipment/Software	6,311
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Debt Service:

Interest	1,832,801
Less Federal Interest Subsidy	(814,069)
Bond Issuance Costs	1,325,272
Other Fiscal Charges	3,081

Total Expenditures	<u>16,776,183</u>
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EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES

(4,569,092)

OTHER FINANCING SOURCES:

Proceeds from Bond Issuance	94,195,000
Premium on Bond Issuance	633,236
Total Other Financing Sources	<u>94,828,236</u>

NET CHANGE IN FUND BALANCE

90,259,144

FUND BALANCES:

Beginning of Year	-
End of Year	<u>\$ 90,259,144</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balance - total governmental funds	\$ 90,259,144
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities 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 exceeded depreciation in the current period.	1,891
Bond issuance costs are expensed in the governmental funds but are required to be amortized over the life of the bond issuance.	1,205,265
Bond premiums are recognized as other financing sources in the governmental funds but are required to be amortized over the life of the bond issuance.	(484,179)
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.	(2,132,762)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(94,195,000)</u>
Change in net assets of governmental activities	<u>\$ (5,345,641)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southwestern Illinois Flood Prevention District Council (the Council) was formed in June 2009 as authorized by the Illinois Flood Prevention Council Act (70 ILCS 750). The Council is responsible for the reconstruction of flood protection systems along the Mississippi River in parts of three Illinois counties – Madison, St. Clair, and Monroe; and four levee districts – Fish Lake, Prairie DuPont, Metro East Sanitary District, and Wood River. The initial design and cost estimates for the project total approximately \$160 million.

The accounting policies and financial reporting practices of the Council conform to generally accepted accounting principles (GAAP) applicable to governmental entities.

A. Reporting Entity

The Council defines its reporting entity in accordance with provisions established by the Governmental Accounting Standards Board (GASB). GASB requirements for inclusion of component units are based upon whether the Council's governing body has a significant amount of financial accountability for another entity.

The following criteria have been developed to determine whether related organizations should be included within the financial reporting entity. The criteria include, but are not limited to, whether the Council exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public services, and special financing relationships.

The Council has determined that no other outside agency meets any of the above criteria (except scope of public service) and therefore, no other agency has been included as a component unit in the Council's financial statements. The Council is not a component unit of any other government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Currently, the Council does not have any business-type activities.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements report detailed information about the Council. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Council consists of one major fund.

General Fund – The General Fund is the operating fund of the Council. It accounts for all financial resources that are not required to be accounted for in another fund. It is currently the only fund of the Council.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However interest on long-term debt is recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets and Budgetary Accounting

The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

The Council adopts its annual budget prior to the commencement of the fiscal year to allow time for the budget to be reviewed and approved by each flood prevention district prior to August 31. The budget is prepared on the accrual basis of accounting.

The budget for the Council was approved August 18, 2010.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual presents a comparison of budgetary data to actual results. The fund utilizes the same basis of accounting for both budgetary purposes and actual results.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

The Council has defined cash to include cash on hand and demand deposits.

Receivables

All receivables are reported net of estimated uncollectible amounts.

Capital Assets

Capital assets, which include equipment and software, are reported in the government-wide financial statements. All capital assets are defined by the Council as assets with an initial, individual cost of more than \$200. Fixed assets are valued at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Assets capitalized are depreciated using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Software	3
Equipment	3-5
Furniture	10

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Long term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported gross of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Council classifies governmental fund balance as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Council board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Council board that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned by the Council board taking action to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period. As of September 30, 2011, the Council does not have assigned funds.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.

Instead of a formal fund balance policy addressing the order in which unrestricted resources are to be used when amounts are available for expenditure, the Council uses the default approach allowed by Governmental Accounting Standards Board Statement No. 54. Committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts. The Council does not expect to encounter an expenditure that could be applied to multiple fund balance accounts.

NOTE 2. CASH AND INVESTMENTS

Cash as of September 30, 2011 totaled \$478,433 and bank balances totaled \$1,052,617.

Amount insured by the FDIC	\$ 250,000
Amount collateralized with securities held by a Pledging institution's trust department or agent in the Council's name	802,617
Uncollateralized	-
Total	<u>\$1,052,617</u>

As of September 30, 2011, the Council had investments of \$88,825,907 held in repurchase agreements and money market mutual funds.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 2. CASH AND INVESTMENTS (CONT'D)

The Council's investment policy states that bond proceeds are to be invested into investment agreements that are collateralized with treasuries and agencies. Two and three year duration investments will be used for the bond reserve and 18 month duration investments will be used for the remaining bond proceeds.

A. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Council manages its exposure to interest rate risk is by purchasing shorter term investments as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Council's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Council's investments by maturity.

	<u>Remaining Maturity (in months)</u>		
	<u>Total</u>	<u>18 months or less</u>	<u>18 months - 3 years</u>
Repurchase Agreements	\$85,030,816	78,836,392	\$6,194,424
Money Market Mutual Funds	<u>3,795,091</u>	<u>3,795,091</u>	<u>-</u>
Total	<u>\$88,825,907</u>	<u>82,631,483</u>	<u>\$6,194,424</u>

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, a government will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Council manages its exposure to custodial credit risk by investing in accounts secured by collateral.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 3. CAPITAL ASSETS

A summary of capital assets follows:

	<u>Balance</u> <u>September 30,</u> <u>2010</u>	<u>Current</u> <u>Year</u> <u>Additions</u>	<u>Current</u> <u>Year</u> <u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2011</u>
Capital Assets:				
Equipment	\$5,689	3,414	-	\$ 9,103
Furniture	279	760	-	1,039
Software	<u>1,584</u>	<u>630</u>	<u>-</u>	<u>2,214</u>
Subtotal	<u>\$7,552</u>	<u>4,804</u>	<u>-</u>	<u>\$12,356</u>
Accumulated Depreciation:				
Equipment	\$1,608	2,139	-	\$ 3,747
Furniture	33	77	-	110
Software	<u>467</u>	<u>697</u>	<u>-</u>	<u>1,164</u>
Subtotal	<u>\$2,108</u>	<u>2,913</u>	<u>-</u>	<u>\$ 5,021</u>
Net Capital Assets	<u>\$5,444</u>	<u>1,891</u>	<u>-</u>	<u>\$ 7,335</u>

Depreciation expense of \$2,913 was charged to the General and Administrative function of the primary government.

NOTE 4. LONG-TERM DEBT

Southwestern Illinois Development Authority on behalf of the Council issued \$94.195 million in revenue bonds providing approximately \$94.828 million for the costs of design and construction of improvements to levees and related facilities that protect large areas in Madison, St. Clair, and Monroe counties from flooding of the Mississippi River and certain tributaries. These bonds are payable from sales tax revenues from Madison, St. Clair, and Monroe County Flood Prevention Districts. \$59.145 million were issued as term bonds and \$35.050 million were issued as serial bonds.

Of the bonds issued, \$9.5 million are Build America Bonds and \$21.13 million are Recovery Zone Economic Development Bonds. The Council is to receive a direct federal subsidy payment from the U.S. Government for a portion of their borrowing costs equal to a percentage of the total coupon interest paid to investors. The Build America Bonds will receive a 35% interest subsidy and the Recovery Zone Economic Development bonds will receive a 45% interest subsidy.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 4. LONG-TERM DEBT (CONT'D)

Revenue bonds payable consist of the following:

	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2011</u>	Amount Due in <u>One Year</u>
Series A Bonds Dated November 23, 2010 2.00% to 5.00%, payable in varying amounts through 2030	\$ -	64,015,000	-	64,015,000	\$2,455,000
Series B Bonds Dated November 23, 2010 7.03%, payable April 15, 2032	-	9,050,000	-	9,050,000	-
Series C Bonds Dated November 23, 2010 7.23%, payable October 15, 2035	-	21,130,000	-	21,130,000	-
Total	<u>\$ -</u>	<u>94,195,000</u>	<u>-</u>	<u>94,195,000</u>	<u>\$2,455,000</u>

The following is a summary of the Council's future annual debt service requirements net of federal interest subsidy on long-term obligations:

Year Ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2012	\$ 2,455,000	4,646,539	(910,140)	\$ 6,191,399
2013	2,505,000	4,597,439	(910,140)	6,192,299
2014	2,555,000	4,547,339	(910,140)	6,192,199
2015	2,605,000	4,496,239	(910,140)	6,191,099
2016	2,685,000	4,418,089	(910,140)	6,192,949
2017-2021	15,265,000	20,244,295	(4,550,699)	30,958,596
2022-2026	14,325,000	17,243,420	(4,550,699)	27,017,721
2027-2031	21,620,000	12,896,395	(4,550,699)	29,965,696
2032-2036	<u>30,180,000</u>	<u>5,107,166</u>	<u>(1,814,189)</u>	<u>33,472,977</u>
	<u>\$94,195,000</u>	<u>78,196,921</u>	<u>(20,016,986)</u>	<u>\$152,374,935</u>

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2011

NOTE 5. FUND BALANCES

Governmental fund balances reported on the fund financial statements at September 30, 2011 include the following:

Nonspendable	
Prepaid Items	\$ 3,423
Restricted	
Bond Reserve	6,194,424
Committed	4,354,016
Unassigned	<u>79,707,281</u>
	<u>\$90,259,144</u>

Restricted Funds:

The Council was required to fund a Bond Reserve. This reserve will be applied to the bonds' last payment as long as the bonds are not defaulted on. The Council has restricted \$6,194,424.

Committed Funds:

As of September 30, 2011, the Council is committed to the following contracts. These expenditures will be provided for by existing reserves.

<u>Contract</u>	<u>Remaining Commitment</u>
AMEC Earth and Environmental, Inc	\$4,161,139
Campion Group	6,977
Dorgan-McPike	21,000
East-West Gateway	143,300
LarsonAllen, LLP	<u>21,600</u>
Total	<u>\$4,354,016</u>

NOTE 6. SUBSEQUENT EVENTS

The effect of subsequent events on the financial statements has been evaluated through the report date, which is the date the financial statements were available to be issued.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND -
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>ACTUAL OVER (UNDER) BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Sales Tax Proceeds From Districts	\$ 10,510,886	10,510,886	11,506,734	995,848
Interest Income	335,060	335,060	700,357	365,297
Total Revenues	<u>10,845,946</u>	<u>10,845,946</u>	<u>12,207,091</u>	<u>1,361,145</u>
EXPENDITURES:				
Current:				
General and Administrative	243,555	243,555	227,565	(15,990)
Design and Construction	58,248,265	58,248,265	10,573,653	(47,674,612)
Professional Services	286,833	286,833	119,791	(167,042)
Reimbursement of County Advances	3,501,778	3,501,778	3,501,778	-
Capital Outlay:				
Equipment and Software	4,800	4,800	6,311	1,511
Debt Service:				
Interest	6,267,037	6,267,037	1,832,801	(4,434,236)
Less Federal Interest Subsidy	(1,279,886)	(1,279,886)	(814,069)	465,817
Bond Issuance Costs	1,152,000	1,152,000	1,325,272	173,272
Other Fiscal Charges	-	-	3,081	3,081
Total Expenditures	<u>68,424,382</u>	<u>68,424,382</u>	<u>16,776,183</u>	<u>(51,648,199)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,578,436)	(57,578,436)	(4,569,092)	53,009,344
OTHER FINANCING SOURCES:				
Proceeds from Bond Issuance	<u>84,268,762</u>	<u>84,268,762</u>	<u>94,828,236</u>	<u>10,559,474</u>
NET CHANGE IN FUND BALANCE	<u>\$ 26,690,326</u>	<u>26,690,326</u>	90,259,144	<u>63,568,818</u>
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			<u>\$ 90,259,144</u>	

See accompanying notes to the basic financial statements.