

SOUTHWESTERN ILLINOIS FLOOD
PREVENTION DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO

INDEPENDENT AUDITOR'S REPORT

February 18, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

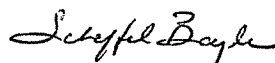
Opinions

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 the Southwestern Illinois Flood Prevention District Council, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 6 and 25 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.



Edwardsville, Illinois

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

This section of the Southwestern Illinois Flood Prevention District Council's (the Council) annual financial report offers a narrative overview and analysis of the financial activities during the fiscal year ended September 30, 2014. It should be read in conjunction with the Council's financial statements, which follow this section.

Southwestern Illinois Flood Prevention District Council's Overview

The formation of the Council was authorized by the Illinois Flood Prevention District Act (70 ILCS 750). The Council was formed in June of 2009 by an 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 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 2014.

The statement of net position presents information on all of the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the 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.

The fund-based financial statements consist of a series of statements that provide information about the Council's only governmental fund, the general fund.

Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balance.

The fund financial statements include reconciliations between the government-wide and fund financial statements because of the differences in basis of accounting. The differences are primarily in how capital assets and bonds are treated and the timing for recording some revenues and expenses.

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

Financial Analysis of the Council's Government-Wide Financial Statements

Net position as of September 30, 2014, was an overall deficit of (\$32,967,116), a decrease of \$23,161,827 compared to an overall deficit of (\$9,805,289) as of September 30, 2013, decreasing the Council's capital position.

Total assets and liabilities reflect the issuance of term and serial bonds in November 2010 to finance the levee improvements in the Illinois counties of Madison, St. Clair, and Monroe.

Condensed Statement of Net Position (Compared to 2013)

	<u>2014</u>	<u>2013</u> (Restated)	<u>Difference</u>
Current Assets	\$ 53,303,001	\$ 77,082,310	\$ (23,779,309)
Noncurrent Assets	6,743,286	6,197,711	545,575
Total Assets	<u>\$ 60,046,287</u>	<u>\$ 83,280,021</u>	<u>\$ (23,233,734)</u>
Current Liabilities	\$ 8,486,889	\$ 6,375,129	\$ 2,111,760
Long-Term Liabilities	84,526,514	86,710,181	(2,183,667)
Total Liabilities	<u>\$ 93,013,403</u>	<u>\$ 93,085,310</u>	<u>\$ (71,907)</u>
Net Investment in Capital Assets	\$ 2,700	\$ 3,288	\$ (588)
Restricted	51,202,912	76,572,224	(25,369,312)
Unrestricted (Deficit)	(84,172,728)	(86,380,801)	2,208,073
Total Net Position (Deficit)	<u>\$ (32,967,116)</u>	<u>\$ (9,805,289)</u>	<u>\$ (23,161,827)</u>
Total Liabilities and Net Position	<u>\$ 60,046,287</u>	<u>\$ 83,280,021</u>	<u>\$ (23,233,734)</u>

Statement of Activities (Compared to 2013)

	<u>2014</u>	<u>2013</u> (Restated)	<u>Difference</u>
Revenues			
District Sales Tax	\$ 11,242,506	\$ 11,082,764	\$ 159,742
Less: Return of Excess Sales Tax to Districts	(5,739,485)	(4,109,580)	(1,629,905)
Intergovernmental Grant	100,000	-	100,000
Interest Income	670,341	782,144	(111,803)
Unrealized Loss on Investments	(203,806)	-	(203,806)
Total Revenues	<u>\$ 6,069,556</u>	<u>\$ 7,755,328</u>	<u>\$ (1,685,772)</u>
Expenses			
General and Administration	\$ 266,964	\$ 271,516	\$ (4,552)
Design and Construction	25,040,804	5,239,838	19,800,966
Professional Services	383,376	343,337	40,039
Interest and Fiscal Charges (Net of Subsidy)	3,540,239	3,552,629	(12,390)
Total Expenses	<u>\$ 29,231,383</u>	<u>\$ 9,407,320</u>	<u>\$ 19,824,063</u>
Change in Net Position	\$ (23,161,827)	\$ (1,651,992)	\$ (21,509,835)
Net Position (Deficit) - Beginning of Year	(9,805,289)	(8,153,297)	(1,651,992)
Net Position (Deficit) - End of Year	<u>\$ (32,967,116)</u>	<u>\$ (9,805,289)</u>	<u>\$ (23,161,827)</u>

Current assets decreased by \$23,779,309 mainly due to expenditure of bond issue proceeds on design and construction activities and debt service payments on bonds.

Noncurrent assets increased by \$545,575 mainly due to change in presentation of unamortized bond discount. In prior years, the discount was netted with the premium.

Current liabilities increased by \$2,111,760 mainly due to increase in payables on design and construction activities.

Long-term liabilities decreased by \$2,183,667 reflecting the reduction in bonds payable and unamortized premium on the bonds.

District sales tax increased by \$159,742. These receipts represent the ¼ cent sales tax collected in Madison, St. Clair and Monroe County Flood Prevention Districts.

Under the terms of the series 2010 bond indenture, all flood prevention district sales tax is remitted to the bond trustee by the State of Illinois. After payment of principal, interest and other costs, any excess sales tax is sent by the trustee to the county flood prevention districts in an amount proportional to the sales tax collections in each county. This reimbursement totaled \$5,739,485, an increase of \$1,629,905. This fluctuation is mainly due to timing of receipts and expenditures.

Intergovernmental grant increased by \$100,000 due to a grant received from the State of Illinois Capital Development Board.

Interest income decreased by \$111,803 due to the reduction in investments as a result of design and construction expenditures and debt service payments on bonds.

Unrealized loss on investments increased by \$203,806 due to purchase of corporate and municipal bond investments at a premium.

Overall expenditures increased by \$19,824,063. Design and construction costs for the levee improvements increased by approximately \$19,800,966 from prior year due to increased design and construction activity and cost share funding with the Corps of Engineers on various levee projects. The remaining increase was mainly due to legal and consulting services.

Financial Analysis of the Council's Fund Financial Statements

The financial analysis of the Council's governmental fund is not provided since the differences are primarily in how capital assets and bonds are treated and the timing for recording some revenues and expenses. The difference in the net change in net position/fund balance between the government-wide and fund financial statements is \$2,652,055, which is primarily the result of the \$2,555,000 repayment of bonds. The repayment of bonds is reported as an expenditure in the governmental funds but as a reduction of principal outstanding in the statement of net position.

General Fund Budgetary Highlights

Actual General Fund revenues are \$952,596 below the final budget amount, actual expenditures are \$40,073,095 below the final budget, and actual other financing sources are \$10,000,000 below the final budget. This amounts to a total net increase in fund balance of \$29,120,499 below budget. The significant variance in budgeted revenues is mainly due to \$841,642 increase in return of excess sales tax to districts as a result of timing of receipts and expenditures. The significant variance in budgeted expenditures is mainly due to delays in the start of construction of the projects and the continuing process of obtaining project permits, approvals, and permissions from regulatory agencies. The project is still on track for completion by the end of 2015 or early 2016, but disruptions in the anticipated schedule because of external factors such as regulatory, weather events, or high river elevations are a continuing risk. The significant variance in budgeted other financing sources is due to projected additional borrowings not needed.

Long-Term Debt

The Council issued \$94,195,000 of revenue bonds in fiscal year 2011. The maturity of the bonds varies from 2012 through 2035. See the accompanying financial statement notes for additional information related to outstanding debt.

Economic Conditions

The 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. Tax receipts increased by approximately \$160,000 or 1.42% in fiscal year 2014. Design of levee system improvements along the Mississippi river in the three counties is complete. As of September 30, 2014 the amount of construction completed on the first six projects was \$14,535,971, which represented 35.6% of the total cost of these projects. To control costs and continue its commitment to the local workforce, the Council assumed responsibility for the remaining two projects. These two projects were bid in August 2014 and awarded in September 2014. Easement obtainment, high river, and weather have delayed the project completion to late 2015 or early 2016, with accreditation by FEMA to follow in 2016. We remain confident that the Council's financial position is strong to complete the overall project and provide the Council with additional financial capacity for future maintenance and capital improvements.

Contacting the Council's Financial Management

This financial report is designed to provide a general overview of the 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 POSITION
SEPTEMBER 30, 2014

	Governmental Activities
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 51,462,586
Accounts Receivable, Net	1,441,268
Interest Receivable	339,978
Prepaid Expenses	3,660
Unamortized Discount on Bond Issuance	55,509
Total Current Assets	\$ 53,303,001
Noncurrent Assets:	
Investments - Bond Reserve	\$ 6,194,424
Unamortized Discount on Bond Issuance (Net of Current Portion)	546,162
Capital Assets, Net of Accumulated Depreciation	2,700
Total Noncurrent Assets	\$ 6,743,286
Total Assets	\$ 60,046,287
<u>LIABILITIES AND NET POSITION:</u>	
Current Liabilities:	
Accounts Payable and Accrued Interest	\$ 5,701,551
Bonds Payable	2,605,000
Unamortized Premium on Bond Issuance	180,338
Total Current Liabilities	\$ 8,486,889
Noncurrent Liabilities:	
Bonds Payable (Net of Current Portion)	\$ 84,075,000
Unamortized Premium on Bond Issuance (Net of Current Portion)	451,514
Total Noncurrent Liabilities	\$ 84,526,514
Total Liabilities	\$ 93,013,403
Net Position:	
Net Investment in Capital Assets	\$ 2,700
Restricted for:	
Capital Projects	44,462,038
Debt Service	546,450
Bond Reserve	6,194,424
Unrestricted (Deficit)	(84,172,728)
Total Net Position (Deficit)	\$ (32,967,116)
Total Liabilities and Net Position	\$ 60,046,287

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Primary Governmental Activities:					
General and Administrative	\$ 266,964	\$ -	\$ -	-	\$ (266,964)
Design and Construction	25,040,804	-	100,000	-	(24,940,804)
Professional Services	383,376	-	-	-	(383,376)
Interest (Net of Subsidy)	3,540,239	-	-	-	(3,540,239)
Total Governmental Activities	<u>\$ 29,231,383</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (29,131,383)</u>
Net (Expense) Revenue and Changes in Net Assets					
Primary Government					
General Revenues:					
District Sales Tax					
Less: Return of Excess Sales Tax to Districts					
Interest Income					
Unrealized Loss on Investments					
Total General Revenues					
Changes in Net Position					
Net Position (Deficit) - Beginning					
Prior Period Adjustment					
Net Position (Deficit) - Ending					

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2014

ASSETS

Cash and Investments	\$ 51,462,586
Accounts Receivable, Net	1,441,268
Interest Receivable	339,978
Prepaid Expenses	3,660
Investments - Bond Reserve	<u>6,194,424</u>

Total Assets	<u>\$ 59,441,916</u>
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Liabilities:

Accounts Payable	<u>\$ 3,640,775</u>
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Deferred Inflows of Resources:

Unearned Revenue - Sales Tax	<u>\$ 484,453</u>
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Fund Balance:

Nonspendable	\$ 3,660
Restricted	53,263,688
Unassigned	<u>2,049,340</u>
Total Fund Balance	<u>\$ 55,316,688</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 59,441,916</u>
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See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total governmental fund balance	\$ 55,316,688
Amounts reported for governmental activities in the statement of net position are different because:	
Sales tax proceeds from districts (net of return of excess sales tax to districts) received more than sixty days after the end of the fiscal year are not financial resources and therefore are reported in the governmental funds as unearned revenue.	484,453
Capital assets used in the governmental activities are not financial resources and, therefore are not reported in the funds.	2,700
Bond premiums and discounts are recognized as other financing sources and uses in the governmental funds but are required to be amortized over the life of the bond issuance.	(30,181)
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.	(2,060,776)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(86,680,000)</u>
Net position (deficit) of governmental activities	<u>\$ (32,967,116)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES:

District Sales Tax	\$ 11,209,511
Less: Return of Excess Sales Tax to Districts	(5,641,642)
Intergovernmental Grant	100,000
Interest Income	670,341
Unrealized Loss on Investments	<u>(203,806)</u>
 Total Revenues	 <u>\$ 6,134,404</u>

EXPENDITURES:

Current:	
General and Administrative	\$ 265,323
Design and Construction	25,040,804
Professional Services	383,376
Debt Service:	
Principal	2,555,000
Interest	4,547,339
Less: Federal Interest Subsidy	(844,610)
Capital Outlay	<u>1,054</u>
 Total Expenditures	 <u>\$ 31,948,286</u>

NET CHANGE IN FUND BALANCE \$ (25,813,882)

FUND BALANCE:

Beginning of Year	<u>81,130,570</u>
End of Year	<u>\$ 55,316,688</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 BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balance - total governmental funds	\$ (25,813,882)
Amounts reported for governmental activities in the statement of activities are different because:	
Sales tax proceeds from districts (net of return of excess sales tax to districts) received more than sixty days after the end of the fiscal year are reported as deferred revenue in the governmental funds. However, in the government-wide financial statements this is treated as revenues.	(64,848)
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 depreciation exceeded capital outlay in the current period.	(588)
Bond premiums and discounts are recognized as other financing sources and uses in the governmental funds but are required to be amortized over the life of the bond issuance.	139,069
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.	23,422
The repayment of long-term debt is reported as an expenditure when due in the governmental funds but as a reduction of principal outstanding in the statement of net position.	<u>2,555,000</u>
Change in net position of governmental activities	<u>\$ (23,161,827)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 of the Council conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

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

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position 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
SEPTEMBER 30, 2014

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Accounting

The accounts of the Council are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Council does not have any proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

The Council reports the following major governmental funds:

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.

D. Measurement Focus and Basis of Accounting

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.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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.

E. 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 modified accrual basis of accounting. All annual fund appropriations lapse at the end of the fiscal year.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) 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.

F. 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.

G. Cash and Investments

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

Investments are stated at fair value and are comprised of certificates of deposit, money market mutual funds, municipal bonds, and a repurchase agreement.

H. Receivables

All receivables are reported net of estimated return of excess sales tax to Districts and allowance for doubtful accounts. As of September 30, 2014, the Council's estimated return of excess sales tax to Districts and allowance for doubtful accounts was \$1,361,490 and \$-0-, respectively.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

J. 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: software (3 years), equipment (3-5 years), and furniture (10 years).

K. 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 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. Bond issuance costs are expensed in the year incurred and reported as debt service expenditures.

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.

L. Net Position

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Council applies the expense to restricted resources first.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

M. Fund Balance

According to Government Accounting Standards, fund balance is to be classified into five major classifications; nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. Below are definitions of the differences and how these balances are reported:

Nonspendable Fund Balance - 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. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts.

Restricted Fund Balance - Includes fund balance amounts 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.

Committed Fund Balance - 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. The Board of Directors through a formal action (ordinance or resolution) commits fund balance amounts for the Council. 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 that originally created the commitment. The Council does not have committed funds at September 30, 2014.

Assigned Fund Balance - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Intent may be expressed by the Board of Directors itself to assign amounts to be used for specific purposes. The Council does not have assigned funds at September 30, 2014.

Unassigned Fund Balance - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Council had not adopted a fund balance spending policy at September 30, 2014. GASB Statement No. 54 set the default spending policy for fund balance as follows: expenditures are spent from restricted fund balances first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, unless there are legal requirements that prohibit doing this. When restricted fund balances are not available, the default policy considers expenditures to be spent from committed fund balance first, then assigned and then unassigned. Expenditures for a specifically identified purpose will act to reduce the specific classification of the fund balance that is identified.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

N. New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the Council has reviewed for application to their accounting and reporting.

For the year ended September 30, 2014, the Council has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, which requires the reclassification of some assets and liabilities to deferred outflows and inflows of resources. In addition, GASB Statement No. 65 requires the removal of bond issuance costs from assets, when applicable, in the government-wide financial statements as a change in accounting standards.

O. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Council has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council has only one type of this item, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category in the governmental funds. There is sales tax revenue which is collected more than 60 days after year-end. According, this item, unearned revenue – sales tax, is reported only in the governmental funds balance sheet.

NOTE 2. CASH AND INVESTMENTS

Illinois Compiled Statutes authorize the Council to invest in interest-bearing savings accounts, certificates of deposit, other time deposits, obligations of savings and loan associations incorporated under the laws of Illinois or any other state or under the laws of the United States, obligations of the U.S. Treasury and U.S. government agencies, short-term obligations of the Federal National Mortgage Associations, and in short-term obligations of corporations organized in the United States with assets exceeding \$500 million if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and (iii) no more than 1/3 of the public agency's funds may be invested in short-term obligations of corporations.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONT'D)

In addition, the Council may invest its funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency. The bonds shall be registered in the name of the governmental entity or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

As of September 30, 2014, the carrying value of the Council's cash was \$382,359 and the total bank balances were \$1,546,104.

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		1,296,104
Uncollateralized		<u>-</u>
Total	\$	<u>1,546,104</u>

As of September 30, 2014, the Council had the following investments:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>
Repurchase Agreement	\$ 6,194,424	\$ 6,194,424
Money Market Mutual Funds	15,893,190	15,893,190
Certificates of Deposit	6,950,951	6,943,922
Municipal Bonds	<u>28,439,892</u>	<u>28,243,115</u>
Total	\$ <u>57,478,457</u>	\$ <u>57,274,651</u>

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. The Council uses the segmented time distribution method to analyze interest rate risk as follows:

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONT'D)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Segmented Time Distribution</u> <u>Investment Maturities (in Years)</u>			
		<u><1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
Repurchase Agreement	\$ 6,194,424	\$ -	\$ -	\$ -	\$ 6,194,424
Money Market Mutual Funds	15,893,190	15,893,190	-	-	-
Certificates of Deposit	6,943,922	6,943,922	-	-	-
Municipal Bonds	28,243,115	27,214,568	51,086	508,810	468,651
Total	\$ 57,274,651	\$ 50,051,680	\$ 51,086	\$ 508,810	\$ 6,663,075

B. Credit Risk

Credit risk is the risk that the security issuer or backer will not fulfill its obligations. The Council minimizes credit risk by prequalifying the financial institutions and advisors with which the District will do business. The Council diversifies the portfolio so that potential losses on individual securities will be minimized.

The Council's investments in money market mutual funds of \$15,893,190 are rated AAA by Standard and Poor's and Aaa by Moody's.

The Council's investments in municipal bonds are rated as follows:

<u>Credit Rating (S&P/Moody's)</u>	<u>S&P</u>	<u>Moody's</u>
AAA/Aaa	\$ 2,361,202	\$ 2,164,960
AA+/Aa1	2,348,037	1,671,810
AA/Aa2	13,431,345	4,354,671
AA-/Aa3	1,209,513	6,043,569
A+/A1	1,318,845	2,516,216
A/A2	540,272	1,423,469
A-/A3	4,327,207	4,605,263
Not Rated	2,706,694	5,463,157
Total	\$ 28,243,115	\$ 28,243,115

All municipal bond securities are rated by either S&P or Moody's.

C. 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.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONT'D)

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. As of September 30, 2014, the \$6,194,424 in securities underlying the repurchase agreement were uninsured and held by the custodian's trust department, not in the name of the District.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Council's investment in a single issuer. At September 30, 2014, the Council had investments greater than 5 percent of its total portfolio as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement		
Deutsche Bank Securities, Inc.	\$ 6,194,424	10.82%
Money Market Mutual Fund		
Fidelity Institutional Money Market		
Treasury Portfolio - Class III	15,893,190	27.75%
Municipal Bonds		
Illinois State	4,939,231	8.62%
JobsOhio Beverage System Ohio State	4,005,800	7.00%

NOTE 3. CAPITAL ASSETS

A summary of capital assets follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital Assets:				
Furniture & Equipment	\$ 10,627	\$ 1,054	\$ -	\$ 11,681
Software	1,477	-	-	1,477
Subtotal	<u>\$ 12,104</u>	<u>\$ 1,054</u>	<u>\$ -</u>	<u>\$ 13,158</u>
Accumulated Depreciation:				
Furniture & Equipment	\$ 7,461	\$ 1,575	\$ -	\$ 9,036
Software	1,355	67	-	1,422
Subtotal	<u>\$ 8,816</u>	<u>\$ 1,642</u>	<u>\$ -</u>	<u>\$ 10,458</u>
Net Capital Assets	<u>\$ 3,288</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ 2,700</u>

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3. CAPITAL ASSETS (CONT'D)

Depreciation expense of \$1,642 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 funds 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, \$9.05 million are Build America Bonds and \$21.130 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 receive a 35% interest subsidy and the Recovery Zone Economic Development bonds receive a 45% interest subsidy.

As a result of federal sequestration, the Council's interest subsidy on the Build America and Recovery Zone Economic Development Bonds was reduced by 7.2% for fiscal year 2014.

Revenue bonds payable consist of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Series A Bonds Dated November 23, 2010 2.00% to 5.00%, payable in varying amounts through 2030	\$ 59,055,000	\$ -	\$ 2,555,000	\$ 56,500,000	\$ 2,605,000
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	<u>21,130,000</u>	<u>-</u>	<u>-</u>	<u>21,130,000</u>	<u>-</u>
Total	<u>\$ 89,235,000</u>	<u>\$ -</u>	<u>\$ 2,555,000</u>	<u>\$ 86,680,000</u>	<u>\$ 2,605,000</u>

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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

<u>Year Ending</u> <u>September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2015	\$ 2,605,000	\$ 4,496,239	\$ (844,610)	\$ 6,256,629
2016	2,685,000	4,418,089	(844,610)	6,258,479
2017	2,820,000	4,283,839	(844,610)	6,259,229
2018	2,950,000	4,150,339	(844,610)	6,255,729
2019	3,070,000	4,032,339	(844,610)	6,257,729
2020-2024	16,955,000	18,553,870	(4,223,049)	31,285,821
2025-2029	20,695,000	14,818,945	(4,223,049)	31,290,896
2030-2034	4,720,000	8,876,707	(3,027,676)	10,569,031
2035-2036	<u>30,180,000</u>	<u>775,237</u>	<u>(312,347)</u>	<u>30,642,890</u>
Total	\$ <u>86,680,000</u>	\$ <u>64,405,604</u>	\$ <u>(16,009,171)</u>	\$ <u>135,076,433</u>

NOTE 5. FUND BALANCES

Governmental fund balances reported on the fund financial statements at September 30, 2014 include the following:

Nonspendable	
Prepaid Expenses	\$ 3,660
Restricted	
Capital Projects	44,462,038
Debt Service	2,607,226
Bond Reserve	6,194,424
Unassigned	<u>2,049,340</u>
Total	\$ <u>55,316,688</u>

NOTE 6. LEASING ARRANGEMENT

The Council has an office and meeting space and services lease with the Metro East Park and Recreation District. The lease expires in February 2015, unless extended by the written consent of both parties. No rent will be charged by the Metro East Park and Recreation District for the office and meeting space. The Council agrees to pay any fees and expenses related to its use of the premises, including, but not limited to, the costs of cleaning and janitorial services, equipment use or rental, repairs or damages to the premises, insurance, utilities, postage, facsimile or copy costs and/or secretarial services.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7. CONSTRUCTION COMMITMENTS

Outstanding construction commitments were approximately \$37,053,723 at September 30, 2014.

NOTE 8. RISK MANAGEMENT

The Council is exposed to various risks of loss for which it carries commercial general liability and property insurance. The Council purchases this insurance from a third party and thus retains no significant amount of risk. No settlements have exceeded insurance coverage for the past three years. There has been no material changes in insurance coverage limits during the year ended September 30, 2014.

NOTE 9. PRIOR PERIOD ADJUSTMENT

The government-wide financial statements contain a prior period adjustment for \$967,104 to remove deferred bond issuance costs from the statement of net position. This is a result of a change in accounting standard due to the implementation of GASB Statement No. 65.

NOTE 10. 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 (GAAP BASIS) AND ACTUAL - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGETED AMOUNTS</u>			<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER (UNDER)</u>
			<u>ACTUAL</u>	<u>BUDGET</u>
REVENUES:				
Sales Tax Proceeds From Districts	\$ 11,237,000	\$ 11,237,000	\$ 11,209,511	\$ (27,489)
Less: Return of Excess Sales Tax to Districts	(4,800,000)	(4,800,000)	(5,641,642)	(841,642)
Intergovernmental Grant	-	-	100,000	100,000
Interest Income	650,000	650,000	670,341	20,341
Unrealized Loss on Investments	-	-	(203,806)	(203,806)
Total Revenues	<u>\$ 7,087,000</u>	<u>\$ 7,087,000</u>	<u>\$ 6,134,404</u>	<u>\$ (952,596)</u>
EXPENDITURES:				
Current:				
General and Administrative	\$ 260,081	\$ 260,081	\$ 265,323	\$ 5,242
Design and Construction	65,000,000	65,000,000	25,040,804	(39,959,196)
Professional Services	560,000	560,000	383,376	(176,624)
Debt Service:				
Principal	2,555,000	2,555,000	2,555,000	-
Interest	4,552,440	4,552,440	4,547,339	(5,101)
Less: Federal Interest Subsidy	(910,140)	(910,140)	(844,610)	65,530
Capital Outlay	4,000	4,000	1,054	(2,946)
Total Expenditures	<u>\$ 72,021,381</u>	<u>\$ 72,021,381</u>	<u>\$ 31,948,286</u>	<u>\$ (40,073,095)</u>
OTHER FINANCING SOURCES:				
Proceeds from Borrowing	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ (10,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (54,934,381)</u>	<u>\$ (54,934,381)</u>	<u>\$ (25,813,882)</u>	<u>\$ 29,120,499</u>
FUND BALANCE, BEGINNING OF YEAR			<u>81,130,570</u>	
FUND BALANCE, END OF YEAR			<u>\$ 55,316,688</u>	

See accompanying notes to the basic financial statements.



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO
February 18, 2015

To Board of Directors and Management
Southwestern Illinois Flood Prevention District Council
Collinsville, Illinois 62234

In planning and performing our audit of the financial statements of the governmental activities and major fund of Southwestern Illinois Flood Prevention District Council (the Council) as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Council's internal control to be significant deficiencies:

Finding 2014-01: Segregation of Duties

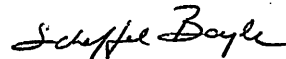
The small size of the Council's office staff limits the extent of separation of duties. The basic premise is that no one employee should have access to cash receipts and disbursements. Because of the limitations in the size of the office staff, management review of the work performed on a monthly basis is critical to maintain a reasonable level of oversight.

Finding 2014-02: Journal Entries

We proposed a number of journal entries as part of our audit. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



SCHEFFEL BOYLE



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO

February 18, 2015

To the Board of Directors and Management
Southwestern Illinois Flood Prevention District Council
Collinsville, Illinois 62234

We have audited the financial statements of the governmental activities and major fund of Southwestern Illinois Flood Prevention District Council (the Council) for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 8, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Council changed accounting policies related to Deferred Inflows and Outflows of Resources by adopting Statement of Governmental Accounting Standards No. 65, "Items Previously Reported as Assets and Liabilities." Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Council's financial statements was:

Management's estimate of the return of excess sales tax on accounts receivable is based on historical analysis. We evaluated the key factors and assumptions used to develop the return of excess sales tax on accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The attached schedule (adjusting journal entries) shows the misstatements detected as a result of audit procedures, some of which are material, and corrected by management.

The attached schedule (passed journal entries) summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 18, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



SCHEFFEL BOYLE

SOUTHWESTERN ILLIN

Year End: September 30, 2014

Adjusting Journal Entries

80495

Date: 10/1/2013 To 9/30/2014

Prepared by	Reviewed by	A and A	Principal
MTB 2/10/2015			

AJE

Number	Date	Account No	Name	Debit	Credit
AJE 01	9/30/2014	124000	PURCHASED ACCRUED INTEREST	96,036.60	
AJE 01	9/30/2014	124500	AMORTIZED ACCRUED INTEREST		171,641.98
AJE 01	9/30/2014	451000	INTEREST INCOME - BOND PROCEEDS	75,605.38	
TO RECLASS PURCHASED ACCRUED INTEREST AND AMORTIZATION OF BOND PREMIUMS ON INVESTMENTS TO INVESTMENT INCOME.					
AJE 02	9/30/2014	111600	MARKET VALUE ADJUSTMENT		203,806.18
AJE 02	9/30/2014	451500	UNREALIZED (GAINS) LOSSES ON INVESTMI	203,806.18	
TO RECORD UNREALIZED GAINS ON INVESTMENTS.					
AJE 03	9/30/2014	200000	ACCOUNTS PAYABLE	119,714.65	
AJE 03	9/30/2014	557001	RETURN OF EXCESS SALES TAX - MADISON		56,340.11
AJE 03	9/30/2014	557003	RETURN OF EXCESS SALES TAX - MONROE		5,898.34
AJE 03	9/30/2014	557004	RETURN OF EXCESS SALES TAX - ST. CLAIF		57,476.20
TO REVERSE CLIENT ACCRUAL FOR SEPTEMBER 2014 SURPLUS.					
AJE 04	9/30/2014	112000	ACCOUNTS RECEIVABLE		10,740.00
AJE 04	9/30/2014	210000	DEFERRED SALES TAX REVENUE		484,453.29
AJE 04	9/30/2014	411300	TAX PROCEEDS - DEFERRED SALES TAX FL	549,301.19	
AJE 04	9/30/2014	557005	RETURN OF EXCESS SALES TAX - YEAR-EN		54,107.90
TO ADJUST FUND BALANCES TO ACTUAL.					
AJE 05	9/30/2014	125000	INTEREST RECEIVABLE	50,687.96	
AJE 05	9/30/2014	451000	INTEREST INCOME - BOND PROCEEDS		50,687.96
TO ADJUST ACCRUED INTEREST INCOME TO SCHEDULE.					
AJE 06	9/30/2014	205500	ACCRUED LIABILITIES		94.01
AJE 06	9/30/2014	320000	UNASSIGNED	92.96	
AJE 06	9/30/2014	452500	INTEREST EXPENSE - BONDS	1.05	
TO ADJUST BEGINNING FUND BALANCE TO ACTUAL.					
AJE 07	9/30/2014	551140	OFFICE SUPPLIES	714.48	
AJE 07	9/30/2014	564006	EQUIPMENT		714.48
TO RECLASS SMALL EQUIPMENT PURCHASES TO OFFICE SUPPLIES.					

SOUTHWESTERN ILLIN

Year End: September 30, 2014

Adjusting Journal Entries

80495

Date: 10/1/2013 To 9/30/2014

Prepared by	Reviewed by	A and A	Principal
MTB 2/10/2015			

AJE-1

Number	Date	Account No	Name	Debit	Credit
AJE 08	9/30/2014	551060	FISCAL AGENT		14,100.00
AJE 08	9/30/2014	552102	PROFESSIONAL FEES	14,100.00	
TO RECLASS AUDIT FEES.					
AJE 09	9/30/2014	300500	RESTRICTED		54,620,392.96
AJE 09	9/30/2014	320000	UNASSIGNED	54,620,392.96	
TO RECLASS RESTRICTED FUND BALANCE TO ACTUAL.					
				55,730,453.41	55,730,453.41
Net Income (Loss)				(24,457,177.36)	

SOUTHWESTERN ILLINOIS

Year End: September 30, 2014

GASB 34 journal entries

80495

Date: 10/1/2013 To 9/30/2014

Prepared by	Reviewed by	A and A	Principal
MTB 2/10/2015			

OJE

Number	Date	Account No	Name	Debit	Credit
OJE 01	9/30/2014	150000	BOND ISSUANCE COSTS CURRENT	86,632.45	
OJE 01	9/30/2014	150500	BOND ISSUANCE COSTS NON CURRENT	784,283.30	
OJE 01	9/30/2014	165500	EQUIPMENT AND FURNITURE	11,679.64	
OJE 01	9/30/2014	166500	SOFTWARE	1,478.28	
OJE 01	9/30/2014	169000	ACCUMULATED DEPRECIATION		10,457.94
OJE 01	9/30/2014	205500	ACCRUED LIABILITIES		2,060,870.22
OJE 01	9/30/2014	211000	BOND LIABILITY S/T		2,605,000.00
OJE 01	9/30/2014	211017	PREMIUM ON BOND - SHORT TERM		124,828.54
OJE 01	9/30/2014	272010	BONDS PAYABLE - A		53,895,000.00
OJE 01	9/30/2014	272012	BONDS PAYABLE - B		9,050,000.00
OJE 01	9/30/2014	272014	BONDS PAYABLE - C		21,130,000.00
OJE 01	9/30/2014	272017	PREMIUM ON BONDS PAYABLE	94,647.92	
OJE 01	9/30/2014	300250	NONSPENDABLE	3,660.00	
OJE 01	9/30/2014	300500	RESTRICTED	76,572,225.25	
OJE 01	9/30/2014	320000	UNASSIGNED	13,395,661.79	
OJE 01	9/30/2014	320500	INVESTED IN CAPITAL ASSETS		2,699.98
OJE 01	9/30/2014	411300	TAX PROCEEDS - DEFERRED SALES TAX FL	549,301.19	
OJE 01	9/30/2014	452500	INTEREST EXPENSE - BONDS		66,300.77
OJE 01	9/30/2014	564001	DEPR & AMORT ALLOWABLE	1,641.28	
OJE 01	9/30/2014	564006	EQUIPMENT		1,053.65
OJE 01	9/30/2014	800000	BOND REPAYMENTS		2,555,000.00
TO RECORD CLIENT PREPARED GASB 34 ADJUSTMENTS.					
OJE 02	9/30/2014	150000	BOND ISSUANCE COSTS CURRENT		96,187.82
OJE 02	9/30/2014	150000	BOND ISSUANCE COSTS CURRENT	9,555.37	
OJE 02	9/30/2014	150500	BOND ISSUANCE COSTS NON CURRENT		870,915.75
OJE 02	9/30/2014	150500	BOND ISSUANCE COSTS NON CURRENT	86,632.45	
OJE 02	9/30/2014	320000	UNASSIGNED	967,103.57	
OJE 02	9/30/2014	452500	INTEREST EXPENSE - BONDS		96,187.82
TO REVERSE CURRENT YEAR ENTRY AND RECORD PRIOR PERIOD ADJUSTMENT FOR BOND ISSUANCE COSTS PER GASB 65.					
OJE 03	9/30/2014	210000	DEFERRED SALES TAX REVENUE	484,453.29	
OJE 03	9/30/2014	411000	TAX PROCEEDS - MADISON CO		12,266.68
OJE 03	9/30/2014	411100	TAX PROCEEDS - ST CLAIR		15,405.48
OJE 03	9/30/2014	411200	TAX PROCEEDS - MONROE CO		5,322.94
OJE 03	9/30/2014	411300	TAX PROCEEDS - DEFERRED SALES TAX FL		549,301.19
OJE 03	9/30/2014	557005	RETURN OF EXCESS SALES TAX - YEAR-EN	97,843.00	
TO ADJUST GASB 34 BALANCES TO ACTUAL.					
OJE 04	9/30/2014	205500	ACCRUED LIABILITIES	94.01	
OJE 04	9/30/2014	320000	UNASSIGNED		92.96

SOUTHWESTERN ILLIN

Year End: September 30, 2014
 GASB 34 journal entries
 80495
 Date: 10/1/2013 To 9/30/2014

Prepared by	Reviewed by	A and A	Principal
MTB 2/10/2015			

OJE-1

Number	Date	Account No	Name	Debit	Credit
OJE 04	9/30/2014	452500	INTEREST EXPENSE - BONDS		1.05
TO ADJUST BEGINNING NET POSITION TO ACTUAL.					
OJE 05	9/30/2014	300500	RESTRICTED		74,511,449.04
OJE 05	9/30/2014	320000	UNASSIGNED	74,511,449.04	
TO RECLASS RESTRICTED NET POSITION TO ACTUAL.					
				167,658,341.83	167,658,341.83

Net Income (Loss) (24,457,177.36)

SOUTHWESTERN IL

Year End: September 30, :
Passed journal entries
80495
Date: 10/1/2013 To 9/30/:

Prepared by	Reviewed by	A and A	Principal
MTB 2/10/2015			

PJE

Number	Date	Name	Account No	Debit	Credit
PJE 01	9/30/2014	ACCOUNTS PAYABLE	200000		6,233.00
PJE 01	9/30/2014	CONSTRUCTION	551075	6,233.00	
		TO ACCRUE FOR UNRECORDED CONSTRUCTION PAYABLES.			
				6,233.00	6,233.00
Net Income (Loss)			(24,463,410.36)		