

SOUTHWESTERN ILLINOIS FLOOD  
PREVENTION DISTRICT COUNCIL

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2020

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

## INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 2020, 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, as listed in the table of contents, 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  
February 9, 2021

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020

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, 2020. 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 using accounting methods similar to those used by private sector companies and offer short and long-term financial information about the fiscal year 2020.

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 position 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, 2020, was an overall deficit of (\$113,970,515), a decrease of \$5,899,859 compared to an overall deficit of (\$108,070,656) as of September 30, 2019.

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

### Condensed Statement of Net Position (Compared to 2019)

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Current Assets	\$ 33,630,709	\$ 39,144,804	\$ (5,514,095)
Noncurrent Assets	12,444,261	12,915,960	(471,699)
Total Assets	<u>\$ 46,074,970</u>	<u>\$ 52,060,764</u>	<u>\$ (5,985,794)</u>
Current Liabilities	\$ 10,280,332	\$ 8,406,956	\$ 1,873,376
Long-Term Liabilities	149,765,153	151,724,464	(1,959,311)
Total Liabilities	<u>\$ 160,045,485</u>	<u>\$ 160,131,420</u>	<u>\$ (85,935)</u>
Net Investment in Capital Assets	\$ 954	\$ 1,236	\$ (282)
Restricted	35,544,599	41,541,155	(5,996,556)
Unrestricted (Deficit)	(149,516,068)	(149,613,047)	96,979
Total Net Position (Deficit)	<u>\$ (113,970,515)</u>	<u>\$ (108,070,656)</u>	<u>\$ (5,899,859)</u>
Total Liabilities and Net Position	<u>\$ 46,074,970</u>	<u>\$ 52,060,764</u>	<u>\$ (5,985,794)</u>

### Statement of Activities (Compared to 2019)

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Revenues			
District Sales Tax	\$ 12,153,947	\$ 12,249,272	\$ (95,325)
Less: Return of Excess Sales Tax to Districts	(3,621,918)	(2,366,976)	(1,254,942)
Reimbursements - East St. Louis	-	768,900	(768,900)
Investment Income	782,444	1,198,962	(416,518)
Total Revenues	<u>\$ 9,314,473</u>	<u>\$ 11,850,158</u>	<u>\$ (2,535,685)</u>
Expenses			
General and Administration	\$ 271,285	\$ 260,666	\$ 10,619
Design and Construction	7,876,789	5,550,195	2,326,594
Professional Services	191,188	108,678	82,510
Interest and Fiscal Charges (Net of Subsidy)	6,875,070	6,385,229	489,841
Total Expenses	<u>\$ 15,214,332</u>	<u>\$ 12,304,768</u>	<u>\$ 2,909,564</u>
Change in Net Position	\$ (5,899,859)	\$ (454,610)	\$ (5,445,249)
Net Position (Deficit) - Beginning of Year	(108,070,656)	(107,616,046)	(454,610)
Net Position (Deficit) - End of Year	<u>\$ (113,970,515)</u>	<u>\$ (108,070,656)</u>	<u>\$ (5,899,859)</u>

Current assets decreased by \$5,514,095 due to expenditure of design and construction activities and debt service payments on bonds.

Noncurrent assets decreased by \$471,699 due to a lower debt service reserve requirement under the Series 2020 bond issue.

Current liabilities increased by \$1,873,376 due to construction payables related to start of 500-year improvements project.

Long-term liabilities decreased by \$1,959,311 due to bond principal payments and bond premium/discount amortization.

District sales tax decreased by \$95,325. These receipts represent the ¼ cent sales tax collected in Madison, St. Clair and Monroe County Flood Prevention Districts.

Under the terms of the 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 \$3,621,918, an increase of \$1,254,942. This increase is due to the 2010 series bond refunding and related debt service savings under the 2020 series bond issue.

Investment income decreased by \$416,518 due to continued reductions in investments balances from construction expenditures and fluctuations in investment income based on financial market conditions.

Overall expenditures increased by \$2,909,564. Design and construction costs for the levee improvements and professional fees increased by \$2,409,104 due to the start of construction under the 500-year improvements project and interest and fiscal charges (net of subsidy) increased due to bond issuance costs on the Series 2020 bond issue. The remaining net increase was due to changes in general and administration.

### **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 \$2,736,171, which is primarily the result of the bond issue and repayment of bonds. The bond issue is reported as other financing sources in the governmental funds but as long-term debt in the statement of net position. 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 \$1,404,563 below the final budget amount, actual expenditures are \$50,748,856 above the final budget and other financing sources is \$71,676,031 above the final budget amount. The significant variance in budgeted revenues is due to additional return of excess sales tax to districts as a result of the bond refunding and related debt service savings noted above. The significant variance in budgeted expenditures is due to \$20 million in less design and construction expenditures and \$70 million in refunding of the 2010 series bonds. The significant variance in other financing sources (uses) is due to the Council not budgeting for the 2020 series bond issue.

## **Long-Term Debt**

The Council issued \$94,195,000 of revenue bonds in fiscal year 2011 and an additional \$83,835,000 of revenue bonds in fiscal year 2016. In 2020, the Council issued \$60,970,000 of senior revenue bonds for the purpose of refunding the remaining series 2010 revenue bonds. The maturity of the bonds varies through 2041. 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. With COVID-19, estimated sales tax receipts for FY 2021 were reduced by 25%. While sales tax receipts for April and May were 20.15% and 12.58% lower than last year, respectively, receipts for June thru October have been the highest ever for those particular months. For the first ten months of 2020, receipts were only down 1.02% from 2019.

The construction of the 100-year levee system improvements along the Mississippi River in the three counties has been completed. The total construction cost for the eleven construction bid packages was \$74,763,497. On April 29, 2019, FEMA accepted the MESD Levee System as structurally sound. On November 14, 2019, FEMA issued their letter of continued accreditation for the Prairie Du Pont/Fish Lake Levee System. On December 15, 2021, the Council made a final submittal to FEMA for accreditation for the Wood River East & West Forks, and Lower Wood River Systems. The Corps of Engineers is completing its work with FEMA on the accreditation for Upper Wood River. All accreditations are anticipated to be received by April 2021.

The Council continues concentrating on the design and construction of the most critical and cost-effective projects to restore the federal Authorized Level of flood protection in the Metro-East. Fiscal year 2021 will be a year of continued design, with the completion of two construction packages and the award of two more construction packages with a total estimated cost of \$12 million dollars. With a fund balance of almost \$41 million dollars as of September 30, 2020, and the ability to issue additional bonds, we remain confident that the Council's financial position is strong to complete the overall project and provide the Metro-East area with the authorized level (500-year) of flood protection.

## **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, 2020

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 31,060,578
Accounts Receivable, Net	2,390,836
Reimbursements Receivable - East St. Louis	76,890
Interest Receivable	99,405
Prepaid Expenses	3,000
Total Current Assets	<u>\$ 33,630,709</u>
Noncurrent Assets:	
Investments - Bond Reserve	\$ 11,905,077
Reimbursements Receivable - East St. Louis	538,230
Capital Assets, Net of Accumulated Depreciation	954
Total Noncurrent Assets	<u>\$ 12,444,261</u>
Total Assets	<u>\$ 46,074,970</u>
<u>LIABILITIES AND NET POSITION:</u>	
Current Liabilities:	
Accounts Payable	\$ 4,118,339
Accrued Interest	2,741,993
Bonds Payable	3,420,000
Total Current Liabilities	<u>\$ 10,280,332</u>
Noncurrent Liabilities:	
Bonds Payable (Net of Current Portion)	<u>\$ 149,765,153</u>
Total Liabilities	<u>\$ 160,045,485</u>
Net Position:	
Net Investment in Capital Assets	\$ 954
Restricted for:	
Capital Projects	21,991,746
Debt Service	1,647,776
Bond Reserve	11,905,077
Unrestricted (Deficit)	<u>(149,516,068)</u>
Total Net Position (Deficit)	<u>\$ (113,970,515)</u>
Total Liabilities and Net Position	<u>\$ 46,074,970</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<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>	<u>Net (Expense) Revenue and Changes in Net Assets Primary Government</u>
Primary Government						
Governmental Activities:						
General and Administrative	\$ 271,285	\$ -	\$ -	\$ -	\$ (271,285)	\$ (271,285)
Design and Construction	7,876,789	-	-	-	(7,876,789)	(7,876,789)
Professional Services	191,188	-	-	-	(191,188)	(191,188)
Interest and Fiscal Charges (Net of Subsidy)	6,875,070	-	-	-	(6,875,070)	(6,875,070)
Total Governmental Activities	<u>\$ 15,214,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,214,332)</u>	<u>\$ (15,214,332)</u>
General Revenues:						
District Sales Tax					\$ 12,153,947	\$ 12,153,947
Less: Return of Excess Sales Tax to Districts					(3,621,918)	(3,621,918)
Investment Income					782,444	782,444
Total General Revenues					<u>\$ 9,314,473</u>	<u>\$ 9,314,473</u>
Changes in Net Position						
Net Position (Deficit) - Beginning						\$ (5,899,859)
Net Position (Deficit) - Ending						<u>(108,070,656)</u>
						<u>\$ (113,970,515)</u>

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2020

ASSETS	
Cash and Investments	\$ 42,965,655
Accounts Receivable, Net	2,390,836
Interest Receivable	99,405
Prepaid Expenses	<u>3,000</u>
Total Assets	<u>\$ 45,458,896</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$ 4,118,339</u>
Deferred Inflows of Resources:	
Unearned Revenue - Sales Tax	<u>\$ 826,326</u>
Fund Balance:	
Nonspendable	\$ 3,000
Restricted	38,286,593
Unassigned	<u>2,224,638</u>
Total Fund Balance	<u>\$ 40,514,231</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 45,458,896</u>

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, 2020

Total governmental fund balance	\$ 40,514,231
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.	826,326
Reimbursements received more than sixty days after the end of the fiscal year are not financial resources and therefore are not reported in the governmental funds.	615,120
Capital assets used in the governmental activities are not financial resources and, therefore are not reported in the funds.	954
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable - current	(3,420,000)
Bonds payable - noncurrent	(149,765,153)
Accrued Interest	<u>(2,741,993)</u>
Net position (deficit) of governmental activities	<u>\$ (113,970,515)</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, 2020

REVENUES:	
District Sales Tax	\$ 12,068,248
Less: Return of Excess Sales Tax to Districts	(3,527,145)
Reimbursements - East St. Louis	76,890
Investment Income	<u>782,444</u>
Total Revenues	<u>\$ 9,400,437</u>
EXPENDITURES:	
Current:	
General and Administrative	\$ 271,003
Design and Construction	7,876,789
Professional Services	191,188
Debt Service:	
Principal	73,480,000
Interest	7,785,567
Bond Issuance Costs	367,262
Less: Federal Interest Subsidy	<u>(259,311)</u>
Total Expenditures	<u>\$ 89,712,498</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (80,312,061)
OTHER FINANCING SOURCES (USES):	
Refunding Bond Issuance, Par Value	\$ 60,970,000
Refunding Bond Discount	(211,497)
Refunding Bond Premium	<u>10,917,528</u>
Total Other Financing Sources (Uses)	<u>\$ 71,676,031</u>
NET CHANGE IN FUND BALANCE	\$ (8,636,030)
FUND BALANCE:	
Beginning of Year	<u>49,150,261</u>
End of Year	<u>\$ 40,514,231</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, 2020

Net change in fund balance - total governmental funds \$ (8,636,030)

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  
unearned revenue in the governmental funds. However, in the government-  
wide financial statements this is treated as revenues. (9,074)

Proceeds from reimbursements receivable is revenue in the governmental funds, but  
the proceeds reduces reimbursements receivable in the statement of net position. (76,890)

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. (282)

The issuance of long-term debt provides current financial resources to governmental  
funds, while the repayment of the principal of long-term debt consumes the current  
financial resources of governmental funds. Neither transaction has any effect on net  
position. Also, governmental funds report the effect of premiums, discounts and  
similar items when debt is first issued, whereas these amounts are deferred and  
amortized in the statement of activities. This amount is the net effect of these  
differences in the treatment of long-term debt and related items:

Bond issuance (net of bond discount/premium)	(71,676,031)
Principal payments	73,480,000
Amortization of bond premiums and discounts	430,342
Changes in accrued interest	588,106

Change in net position of governmental activities \$ (5,899,859)

See accompanying notes to the basic financial statements.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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 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, 2020

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, 2020

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.

As part of the bond covenants, sales tax collected is forwarded directly from the State of Illinois to the Council's Sales Tax Fund and held in trust to comply with required reserves and sinking fund requirements until all bonds have matured. After meeting bond requirements and any administrative costs, residual (excess) funds are remitted back to the individual districts on a monthly basis and reported as a decrease in sales tax collected.

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. 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 money market mutual funds, U.S. Treasury securities, Agency securities, and a repurchase agreement. Investment income is stated net of amortization of municipal bond premiums and discounts.

G. Receivables

All receivables are reported net of estimated return of excess sales tax to Districts and allowance for doubtful accounts. As of September 30, 2020, the Council's estimated return of excess sales tax to Districts and allowance for doubtful accounts was \$834,399.

H. Prepaid Expenses

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

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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

I. 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).

J. 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 net 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 an other 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.

K. 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, 2020

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

L. 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, 2020.

**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, 2020.

**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, 2020. 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, 2020

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

M. 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.

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.

N. Implementation of GASB Statement No. 88

As of October 1, 2019, the Council adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this standard is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The additional disclosures required by this standard are included in Note 6.

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.

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.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 2. CASH AND INVESTMENTS (CONT'D)

As of September 30, 2020, the carrying value of the Council's cash was \$1,176,374 and the total bank balances were \$1,196,315.

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	946,315
Uncollateralized	-
Total	\$ 1,196,315

As of September 30, 2020, the Council had the following investments:

Investment Type	Cost	Fair Value
Repurchase Agreement	\$ 6,194,424	\$ 6,194,424
Money Market Mutual Funds	18,688,325	18,688,325
Treasury Bills	8,383,817	8,370,187
Agency Securities	8,557,383	8,536,345
Total	\$ 41,823,949	\$ 41,789,281

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:

Investment Type	Fair Value	Investment Maturities (in Years)			
		<1	1-5	6-10	>10
Repurchase Agreement	\$ 6,194,424	\$ -	\$ -	\$ -	\$ 6,194,424
Money Mkt Mutual Funds	18,688,325	18,688,325	-	-	-
U.S. Treasury Securities	8,370,187	8,370,187	-	-	-
Agency Securities	8,536,345	3,541,727	2,999,410	1,995,208	-
Total	\$ 41,789,281	\$ 30,600,239	\$ 2,999,410	\$ 1,995,208	\$ 6,194,424

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 2. CASH AND INVESTMENTS (CONT'D)

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 \$18,688,325 are rated AAA by Standard and Poor's and Aaa by 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.

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, 2020, 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, 2020, 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	14.82%
Money Market Mutual Fund		
Fidelity Institutional Money Market		
Treasury Portfolio - Class III	18,688,325	44.72%
U.S. Treasury Securities		
Treasury Bills	5,298,467	12.68%
Treasury Notes	3,071,715	7.35%
Agency Securities		
Federal Farm Credit Bank	2,365,603	5.66%

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 3. FAIR VALUE MEASUREMENT

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents the fair value hierarchy for the balances of the investments of the Council measured at fair value on a recurring basis as of September 30, 2020:

Investment Type	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Repurchase Agreement	\$ 6,194,424	\$ -	\$ -	\$ 6,194,424
Money Market Mutual Funds	18,688,325	-	-	18,688,325
U.S. Treasury Securities	8,370,187	-	-	8,370,187
Agency Securities	-	8,536,345	-	8,536,345
	<u>\$ 33,252,936</u>	<u>\$ 8,536,345</u>	<u>\$ -</u>	<u>\$ 41,789,281</u>

Level 1 Fair Value Measurements

The fair value of the repurchase agreement, money market mutual funds, and U.S. Treasury securities are determined by quoted market prices in active markets for identical assets.

Level 2 Fair Value Measurements

The fair value for agency securities is determined by reference to quoted market prices for similar investments, yield curves, and other relevant information.

NOTE 4. REIMBURSEMENTS RECEIVABLE

On October 11, 2018, the Council and the City of East St. Louis entered into a contract to reimburse the Council the sum of \$768,900 which is the cost of construction for the East St. Louis 126-inch sewer rehabilitation project. The repayment is to be made in ten equal installments of \$76,890 with the first installment being due December 31, 2018. As of September 30, 2020, the balance on the reimbursements receivable is \$615,120.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 5. CAPITAL ASSETS

A summary of capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Furniture & Equipment	\$ 12,295	\$ -	\$ -	\$ 12,295
Software	1,477	-	-	1,477
Subtotal	<u>\$ 13,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,772</u>
Accumulated Depreciation:				
Furniture & Equipment	\$ 11,059	\$ 282	\$ -	\$ 11,341
Software	1,477	-	-	1,477
Subtotal	<u>\$ 12,536</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 12,818</u>
Net Capital Assets	<u>\$ 1,236</u>	<u>\$ (282)</u>	<u>\$ -</u>	<u>\$ 954</u>

Depreciation expense was charged to the general and administrative function/program of the governmental activities.

NOTE 6. LONG-TERM DEBT

2010 Series Bonds

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 a pledge of the 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 5.9% for fiscal year 2020.

In fiscal year 2020, these bonds were refunded with the issuance of 2020 Series Senior Bonds.



SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 6. LONG-TERM DEBT (CONT'D)

Series 2015 Bonds

On December 30, 2015, Southwestern Illinois Development Authority on behalf of the Council issued an additional \$83.835 million in revenue bonds providing funds for the construction, financing, design and oversight of levee improvement projects in order to qualify for the 500-year flood protection certification by Federal Emergency Management Agency (FEMA). These bonds are payable from a pledge of the sales tax revenues from Madison, St. Clair, and Monroe County Flood Prevention Districts. \$53.240 million were issued as term bonds and \$30.595 million were issued as serial bonds.

Series 2020 Senior Bonds

On February 4, 2020, Southwestern Illinois Development Authority on behalf of the Council issued \$60.970 million in senior revenue bonds to provide funds to refund the 2010 series bonds. The proceeds were set aside in escrow to pay the refunded bonds. These bonds are payable from a pledge of the sales tax revenues from Madison, St. Clair, and Monroe County Flood Prevention Districts. \$7.625 million were issued as term bonds and \$53.345 million were issued as serial bonds. There was an economic gain from the refunding of \$11,393,754.

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>
<u>Series 2010</u>					
Series A Bonds					
Dated November 23, 2010					
2.00% to 5.00%, refunded					
in full in 2020					
	\$ 42,370,000	\$ -	\$ 42,370,000	\$ -	\$ -
Series B Bonds					
Dated November 23, 2010					
7.03%, refunded in full					
in 2020					
	9,050,000	-	9,050,000	-	-
Series C Bonds					
Dated November 23, 2010					
7.23%, refunded in full					
in 2020					
	21,130,000	-	21,130,000	-	-
Bond Discount	(326,699)	-	(326,699)	-	-
Bond Premium	187,248	-	187,248	-	-
Total Series 2010	<u>\$ 72,410,549</u>	<u>\$ -</u>	<u>\$ 72,410,549</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 6. LONG-TERM DEBT (CONT'D)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
<u>Series 2015</u>					
Series A Bonds Dated December 30, 2015 3.625% to 3.875%, payable in varying amounts through 2041	\$ 27,705,000	\$ -	\$ -	\$ 27,705,000	\$ -
Series B Bonds Dated December 30, 2015 2.00% to 5.00%, payable in varying amounts through 2041	55,075,000	-	535,000	54,540,000	630,000
Bond Discount	(981,610)	-	(52,628)	(928,982)	-
Bond Premium	<u>1,210,525</u>	<u>-</u>	<u>153,116</u>	<u>1,057,409</u>	<u>-</u>
Total Series 2015	<u>\$ 83,008,915</u>	<u>\$ -</u>	<u>\$ 635,488</u>	<u>\$ 82,373,427</u>	<u>\$ 630,000</u>
<u>Series 2020</u>					
Senior Bonds Dated February 4, 2020 3.00% to 5.00%, payable in varying amounts through 2036	\$ -	\$ 60,970,000	\$ 395,000	\$ 60,575,000	\$ 2,790,000
Bond Discount	-	(211,497)	(9,272)	(202,225)	-
Bond Premium	<u>-</u>	<u>10,917,528</u>	<u>478,577</u>	<u>10,438,951</u>	<u>-</u>
Total Series 2020	<u>\$ -</u>	<u>\$ 71,676,031</u>	<u>\$ 864,305</u>	<u>\$ 70,811,726</u>	<u>\$ 2,790,000</u>
Total Bonds Payable	<u>\$ 155,419,464</u>	<u>\$ 71,676,031</u>	<u>\$ 73,910,342</u>	<u>\$ 153,185,153</u>	<u>\$ 3,420,000</u>

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 6. LONG-TERM DEBT (CONT'D)

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

Year Ending September 30:	Principal	Interest	Total
2021	\$ 3,420,000	\$ 5,973,082	\$ 9,393,082
2022	3,630,000	5,844,782	9,474,782
2023	3,845,000	5,704,732	9,549,732
2024	4,075,000	5,548,732	9,623,732
2025	4,355,000	5,352,082	9,707,082
2026-2030	26,500,000	23,234,785	49,734,785
2031-2035	35,615,000	16,368,739	51,983,739
2036-2040	43,005,000	7,974,001	50,979,001
2041	18,375,000	234,300	18,609,300
Total	<u>\$ 142,820,000</u>	<u>\$ 76,235,235</u>	<u>\$ 219,055,235</u>

NOTE 7. FUND BALANCES

Governmental fund balances reported on the fund financial statements at September 30, 2020 include the following:

Nonspendable - Prepaid Expenses	\$ 3,000
Restricted - Capital Projects	21,991,746
Restricted - Debt Service	4,389,770
Restricted - Bond Reserve	11,905,077
Unassigned	<u>2,224,638</u>
Total	<u>\$ 40,514,231</u>

NOTE 8. LEASING ARRANGEMENT

The Council has an office and meeting space and services lease with the Metro East Park and Recreation District. The lease expires on December 31, 2023, 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, 2020

NOTE 9. CONSTRUCTION COMMITMENTS

Outstanding construction commitments were approximately \$12,700,000 at September 30, 2020.

NOTE 10. CONTINGENCY - 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 have been no material changes in insurance coverage limits during the year ended September 30, 2020.

NOTE 11. UNCERTAINTY - COVID 19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen and the potential financial impact is unknown at this time.

NOTE 12. SUBSEQUENT EVENTS

The effect of subsequent events on the financial statements has been evaluated through February 9, 2021, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>ACTUAL OVER (UNDER) BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Sales Tax Proceeds From Districts	\$ 12,455,000	\$ 12,455,000	\$ 12,068,248	\$ (386,752)
Less: Return of Excess Sales Tax to Districts	(2,000,000)	(2,000,000)	(3,527,145)	(1,527,145)
Reimbursements - East St. Louis	-	-	76,890	76,890
Investment Income	350,000	350,000	782,444	432,444
Total Revenues	<u>\$ 10,805,000</u>	<u>\$ 10,805,000</u>	<u>\$ 9,400,437</u>	<u>\$ (1,404,563)</u>
<b>EXPENDITURES:</b>				
Current:				
General and Administrative	\$ 298,000	\$ 298,000	\$ 271,003	\$ (26,997)
Design and Construction	28,192,883	28,192,883	7,876,789	(20,316,094)
Professional Services	374,500	374,500	191,188	(183,312)
Debt Service:				
Principal	3,695,000	3,695,000	73,480,000	69,785,000
Interest	7,254,970	7,254,970	7,785,567	530,597
Bond Issuance Costs	-	-	367,262	367,262
Less: Federal Interest Subsidy	(853,711)	(853,711)	(259,311)	594,400
Capital Outlay	2,000	2,000	-	(2,000)
Total Expenditures	<u>\$ 38,963,642</u>	<u>\$ 38,963,642</u>	<u>\$ 89,712,498</u>	<u>\$ 50,748,856</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (28,158,642)</b>	<b>\$ (28,158,642)</b>	<b>\$ (80,312,061)</b>	<b>\$ (52,153,419)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding Bond Issuance, Par Value	\$ -	\$ -	\$ 60,970,000	\$ 60,970,000
Refunding Bond Discount	-	-	(211,497)	(211,497)
Refunding Bond Premium	-	-	10,917,528	10,917,528
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,676,031</u>	<u>\$ 71,676,031</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ (28,158,642)</u></b>	<b><u>\$ (28,158,642)</u></b>	<b><u>\$ (8,636,030)</u></b>	<b><u>\$ 19,522,612</u></b>
FUND BALANCE, BEGINNING OF YEAR			<u>49,150,261</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 40,514,231</u></u>	

See accompanying notes to the required supplementary information.

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020

NOTE 1. BUDGET 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.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund had expenditures that exceeded the appropriations by \$50,748,856, which were funded by fund balance. The excess was the result of the refunding of the series 2010 revenue bonds.



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON

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, 2020, 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.

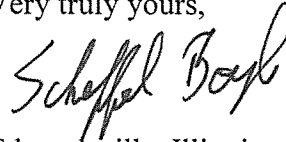
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Council's internal control to be significant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

**Finding 2020-01: 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.

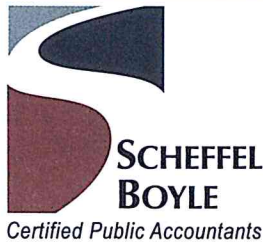
This communication is intended solely for the information and use of management, the Board of Directors, and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Scheffel Boyk". The signature is written in a cursive style with a large, looping initial "S".

Edwardsville, Illinois  
February 9, 2021





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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON

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, 2020. 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 July 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *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 debt and long-term liability disclosures by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, during the year ended June 30, 2020. We noted no transactions entered into by the Council 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.

*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 9, 2021.

*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.

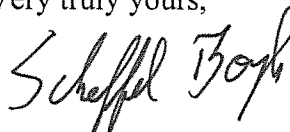
Other Matters

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 information and 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,

A handwritten signature in black ink, appearing to read "Scheffel Boyd". The signature is written in a cursive, flowing style.

Edwardsville, Illinois

February 9, 2021

**SOUTHWESTERN ILLIN**

Year End: September 30, 2021

GASB 34 Journal Entries

80495

Date: 10/1/2019 To 9/30/2021

Prepared by	Reviewed by	A and A	Principal
MTB 1/27/2021			

AJE

Number	Date	Account No	Name	Debit	Credit
AJE 01	9/30/2020	112000	ACCOUNTS RECEIVABLE		468,679.70
AJE 01	9/30/2020	411000	TAX PROCEEDS - MADISON CO	511,145.75	
AJE 01	9/30/2020	411100	TAX PROCEEDS - ST CLAIR	460,785.20	
AJE 01	9/30/2020	411200	TAX PROCEEDS - MONROE CO	46,828.75	
AJE 01	9/30/2020	557005	RETURN OF EXCESS SALES TAX - YEAR-EN		550,080.00
To reverse PY September sales tax received in December, net of allowance					
AJE 02	9/30/2020	112000	ACCOUNTS RECEIVABLE	270,059.98	
AJE 02	9/30/2020	411000	TAX PROCEEDS - MADISON CO		592,392.46
AJE 02	9/30/2020	411100	TAX PROCEEDS - ST CLAIR		461,982.97
AJE 02	9/30/2020	411200	TAX PROCEEDS - MONROE CO		50,083.55
AJE 02	9/30/2020	557005	RETURN OF EXCESS SALES TAX - YEAR-EN	834,399.00	
To record CY September sales tax received in December					
AJE 03	9/30/2020	125000	INTEREST RECEIVABLE		810.89
AJE 03	9/30/2020	451000	INTEREST INCOME - BOND PROCEEDS	810.89	
To adjust accrued interest receivable to calculation.					
AJE 04	9/30/2020	200005	RETAINAGE PAYABLE		164,518.94
AJE 04	9/30/2020	551075	CONSTRUCTION	164,518.94	
To adjust retainage payable to actual.					
AJE 05	9/30/2020	551020	SUPERVISOR MGT SERVICES		15,001.43
AJE 05	9/30/2020	551071	ENGINEERING DESIGN & CONSTR MGT.	15,001.43	
To reclass payment sent to Wood in error that was applied against future bills.					
AJE 06	9/30/2020	111500	CASH & INVESTMENTS -TRUSTEE	140,660.16	
AJE 06	9/30/2020	140000	BOND RESERVE		140,660.16
To adjust bond reserve to calculation.					
				<b>2,444,210.10</b>	<b>2,444,210.10</b>

Net Income (Loss) (5,899,859.12)

**SOUTHWESTERN ILLIN**

Year End: September 30, 2021

Fund journal entries

Date: 10/1/2019 To 9/30/2021

Prepared by	Reviewed by	A and A	Principal
MTB 1/27/2021			

OJE

Number	Date	Account No	Name	Debit	Credit
OJE 01	9/30/2020	120000	NOTE RECEIVABLE		692,010.00
OJE 01	9/30/2020	165500	EQUIPMENT AND FURNITURE		12,293.31
OJE 01	9/30/2020	166500	SOFTWARE		1,478.28
OJE 01	9/30/2020	169000	ACCUMULATED DEPRECIATION	12,536.00	
OJE 01	9/30/2020	205500	ACCRUED LIABILITIES	3,330,098.87	
OJE 01	9/30/2020	210000	DEFERRED SALES TAX REVENUE		835,399.70
OJE 01	9/30/2020	211000	BOND LIABILITY S/T	3,695,000.00	
OJE 01	9/30/2020	211017	PREMIUM ON BOND - SERIES 2010	187,247.74	
OJE 01	9/30/2020	272010	BONDS PAYABLE - A	39,210,000.00	
OJE 01	9/30/2020	272012	BONDS PAYABLE - B	9,050,000.00	
OJE 01	9/30/2020	272014	BONDS PAYABLE - C	21,130,000.00	
OJE 01	9/30/2020	272017	DISCOUNT ON BONDS PAYABLE - SERIES 20		326,699.56
OJE 01	9/30/2020	272018	DISCOUNT ON BONDS PAYABLE - SERIES A		495,226.15
OJE 01	9/30/2020	272019	PREMIUM ON BONDS PAYABLE - SERIES B 20	1,210,524.95	
OJE 01	9/30/2020	272020	DISCOUNT ON BONDS PAYABLE - SERIES B		486,383.50
OJE 01	9/30/2020	272021	BONDS PAYABLE - SERIES A 2015	27,705,000.00	
OJE 01	9/30/2020	272022	BONDS PAYABLE - SERIES B 2015	54,540,000.00	
OJE 01	9/30/2020	300250	NONSPENDABLE		3,000.00
OJE 01	9/30/2020	300500	RESTRICTED		3,380,377.00
OJE 01	9/30/2020	300750	COMMITTED		2,100,000.00
OJE 01	9/30/2020	320000	UNASSIGNED		151,739,162.97
OJE 01	9/30/2020	320500	INVESTED IN CAPITAL ASSETS	1,622.91	
To adjust to beginning fund balance.					
OJE 02	9/30/2020	210000	DEFERRED SALES TAX REVENUE		85,699.28
OJE 02	9/30/2020	210000	DEFERRED SALES TAX REVENUE	94,773.00	
OJE 02	9/30/2020	411000	TAX PROCEEDS - MADISON CO	81,246.71	
OJE 02	9/30/2020	411100	TAX PROCEEDS - ST CLAIR	1,197.77	
OJE 02	9/30/2020	411200	TAX PROCEEDS - MONROE CO	3,254.80	
OJE 02	9/30/2020	557005	RETURN OF EXCESS SALES TAX - YEAR-EN		94,773.00
To adjust deferred sales tax to actual.					
OJE 03	9/30/2020	120000	NOTE RECEIVABLE	76,890.00	
OJE 03	9/30/2020	470000	REIMBURSEMENTS - CITY OF ESL		76,890.00
To reclass ESL note receivable payment for fund accounting.					
OJE 04	9/30/2020	169000	ACCUMULATED DEPRECIATION	281.78	
OJE 04	9/30/2020	564001	DEPR & AMORT ALLOWABLE		281.78
To reclass capital asset activity for fund accounting.					