JOLIET REGIONAL PORT DISTRICT

FINANCIAL REPORT
DECEMBER 31, 2012

LEWIS UNIVERSITY AIRPORT
OWNED AND OPERATED BY THE
JOLIET REGIONAL PORT DISTRICT

#1 EXECUTIVE TERMINAL
GEORGE MICHAS DRIVE
ROMEOVILLE, ILLINOIS 60446-1806
PHONE (815) 838-9497
FAX (815) 838-9524
www.FLYLOT.com

May 11, 2013

Chairman Daniel Vera,

The Port District's airport enterprise fund continued to meet its operational and financial obligations in 2012, including our bond service financial performance requirements.

Airport Fuel Sales - Jet fuel sales for the year reflected an increase in both Home Base customer sales (10%) and Transient sales (11%). The Avgas sales used by the smaller aircraft did show a 1% decline. Local trends are considered to be representative of national trends, and represent improvements from the 2008 downturn.

On the expense side, extra efforts to control costs have continued. Utilities are a significant airport expense. Electric service costs for 2012 vs. 2011 were down 41% and gas expense for the same was down 27%. Staff efforts and favorable climate trends were responsible for the savings. In 2013, the airport is working towards a grant to overlay of runway 9-27. Within this grant request is funding to re-wire the runway lights and replace old power equipment. Due to the age of the system (extending back to 1992), this improvement is expected to notably reduce electric service fees.

Hangar occupancy-vacancy rate is constantly monitored. National economic trends greatly impact consumer discretionary spending habits. With more funds available, we will expect tenant activity to increase.

Airport Maintenance Hangar #3, vacant since 2011, was recently purchased by the Airport. Staff is working to add tenants and is negotiating with interests to return maintenance availability to the Airport. Not having a mechanic on the airport to make general and emergency repairs has been a crutch to the attractiveness of our airfield.

Staff completed work on a bond refinancing and the Board completed this action in April 2013. The refinance lowers debt service payments and streamlines payments at more consistent levels.

Future impacts: The airport needs to continue efforts for a control tower. That is the single project that would offer safety and organization to the airport. Our elected officials are continually making efforts to cut funding. Air Safety will be greatly compromised with these actions.

Non-aeronautical land lease: Staff has selected parcels of property on the airport and recommended to the board to lease the property to primarily non-aviation interests. The non-aviation related parcels can help the budget diversify from independent aviation income stream. Staff is also working with a party interested in developing a new private storage facility on the Airport.

Sincerely,

Chris Lawson
Director of Aviation

JOLIET REGIONAL PORT DISTRICT
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December 31, 2012 and 2011

DONALD J. BLAESING
CERTIFIED PUBLIC ACCOUNTANT

121 SPRINGFIELD AVENUE
JOLIET, ILLINOIS 60435
(815) 725-6300
Fax (815) 725-3424

REPORT OF INDEPENDENT AUDITOR

Members of the Board of Directors
Joliet Regional Port District
Romeoville, Illinois

I have audited the accompanying financial statements of the Joliet Regional Port District, Romeoville, Illinois, (the District) as of December 31, 2012 and 2011 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joliet Regional Port District, as of December 31, 2012 and 2011 and its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Donald J Blaesing, CPA

April 16, 2013

This section of the financial statements of the Joliet Regional Port District presents our discussion and analysis of the District's financial performance during the year ended December 31, 2012. Please read it in conjunction with the District's transmittal letter at the front of this report and the financial statements which follow this section.

Basic Financial Statements

Previously issued generally accepted accounting principles required the presentation of fund and account group financial information that used primarily modified accrual based accounting methods to present the fund-based assets, liabilities, revenues and expenses. The fund-based approach was used to separately present assets, liabilities and activities that were dedicated to a specific purpose or were restricted by the revenue source.

In 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This accounting standard made substantial changes in the information and formats that were used to present the net assets and financial performance of governments. Governments were required to present information in government-wide financial statement formats to allow the users a better opportunity to understand the net asset position and results of activities for the government as a whole rather than by fund. The new approach incorporates the use of accrual accounting where revenues are reported when the entity has completed the service or delivered the product and expenses are recognized when the service is rendered or the product is received. The *government-wide* Statement of Activities separately reports *governmental activities and business-type activities.* These government-wide financial statements are presented in addition to the fund based financial statements that were previously required.

Statement No. 34 also incorporated some of the reporting components that were requirements under the Government Finance Officers Association's program for a Certificate of Achievement in Excellence for Financial Reporting. The program requires the inclusion of a Letter of Transmittal from the management of the entity which contains information designed to assist users in assessing the government's financial condition. The new format also requires the presentation of this Management Discussion and Analysis which provides condensed financial information and explanations of key transactions and events.

This District's activities are limited to the operation of an airport facility which includes the rental of hangar and office space and the sale of aircraft fuel. All of the District's activities are considered to be business-type activities as defined by Statement No. 34.

Current and prior generally accepted accounting principles required the use of accrual accounting for all proprietary funds. Since the District accounts for its net assets and activities in a single proprietary fund, the financial information that would be presented in the government-wide financial and the fund-based financial statements would be essentially the same. Accordingly, the District's annual report consists of the Management Discussion and Analysis, Statement of Financial Position, Statement of Activities, and Statement of Cash Flows.

The Statement of Financial Position presents the assets, obligations and net assets of the District. This statement is useful in helping the user assess if the net asset position of the District has improved or deteriorated during the reporting period. This statement includes all assets and liabilities of the District using the accrual method of accounting, which is similar to the accounting used by most private-sector companies. Current year revenue and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Activities provides summarized information regarding the financial activities of the District during the period. The statement allows the user to assess the results of operating activities and the components of non-operating activities such as depreciation, amortization, debt servicing costs and capital contributions. Each of these financial items contributes to the change in net assets of the District.

Over the last several years, the District has received significant contributions from the Illinois Department of Transportation which have been used to fund capital improvements including the major expansion of the runways and hangar facilities.

The Statement of Cash Flows is presented to allow the user to assess the sources and uses of cash during the period. The cash flow activities are separately presented for operating activities, capital and related financing activities and investing activities. For example, if the District's receivables increase during the period, it indicates that another party is using the District's cash and thus it is a use of cash. Conversely, if the District's payables increase during the period, it indicates that the District is using another party's cash which is a source of cash. Other significant cash activities include the purchase of capital assets, the issuance and redemption of long-term debt and the receipt of capital contributions.

Financial Highlights
This District's summarized 2012 financial information, with 2008 through 2011 financial data presented for comparative purposes only, is as follows (in thousands of dollars):

Assets	2012	2011	2010	2009	2008
Cash and short-term investments	$ 1,550	1,679	1,112	1,061	1,178
Restricted cash deposits	1,161	1,231	1,100	1,079	1,060
Long-term assets, net of accumulated depreciation	48,963	49,781	50,653	50,516	49,418
Other assets	1,164	1,060	901	980	1,006
Total Assets	$ 52,838	53,751	53,766	53,636	52,662
Liabilities					
Bonds payable - Current	$ 330	320	410	375	345
- Long-term	10,219	10,576	10,003	10,374	10,711
Other obligations	268	272	235	286	319
Total Liabilities	$ 10,817	11,168	10,648	11,035	11,375
Net Assets					
Net invested in capital assets	$ 38,414	38,885	40,240	39,767	38,362
Restricted net assets	1,903	2,111	1,553	1,637	1,769
Unrestricted net assets	1,704	1,587	1,325	1,197	1,156
Total Net Assets	$ 42,021	42,583	43,118	42,601	41,287

During 2011, the District issued a general obligation bond in the amount of $1,675,000 for the purpose of refunding $865,000 of 2002 general obligation bonds and $280,000 of 2004 general obligation bonds.

Total assets decreased by $913,000 in 2012. Changes that impacted assets included state grants, 2012 depreciation and increases in rental income.

Total net assets decreased by $562,000 (1.3%) in 2012. Significant components of the change in net assets included capital contributions from the Illinois Department of Transportation associated with facility expansion projects, fixed asset depreciation and decreases in operating expenses. Non-depreciation operating expenses increased from $912,000 in 2011 to $914,000 in 2012 due to increased facility maintenance reduced by decreases in utility costs.

The amount of unrestricted net assets is a better gauge of the financial position of the District because it represents the level of unencumbered net assets available for working capital and other needs of the District. Unrestricted net assets increased by $117,000 in 2012 which indicates that the District's financial position improved by more than 7% during the year. This change can be attributed to increased rental income and decreased personnel, and maintenance and interest costs offset by increasing depreciation expenses.

Activities	2012	2011	2010	2009	2008
Rental income	$ 1,249	1,220	1,196	1,170	1,173
Net fuel sales	705	642	621	623	766
Investment income	4	2	2	5	62
Intergovernmental support – Will County					90
Other revenue	59	7	62	26	16
Total Revenue	2,017	1,871	1,881	1,824	2,107
Personnel costs	562	556	518	530	594
Depreciation	548	561	546	549	538
Interest	470	476	464	477	528
Repairs and maintenance	166	126	97	120	127
Other expenses	286	328	310	318	291
Total Operating Expenses	2,032	2,047	1,935	1,994	2,078
Income (Loss) before capital contributions and depreciation of grant funded assets	(15)	(176)	(54)	(170)	29
Depreciation – grant funded assets	(1,277)	(1,229)	(1,180)	(986)	(856)
Capital Contributions	730	870	1,751	2,470	2,956
Change in Net Assets	(562)	(535)	517	1,314	2,129
Beginning Net Assets	42,583	43,118	42,601	41,287	39,158
Ending Net Assets	$ 42,021	42,583	43,118	42,601	41,287

Financial Highlights (Continued)

The District sold approximately 696,000, 593,000, 555,000, 515,000 and 560,000 gallons of aircraft fuel in 2008 through 2012, respectively. The District's fuel pricing mechanisms are adjusted periodically in an effort to maintain a consistent overhead contribution rate per gallon but the pricing of fuel is still somewhat dependent upon prevailing rates at nearby airports.

Personnel costs have generally increased each year due to cost of living increases. Personnel costs increased in 2012 because a $17,000 increase in compensation costs was offset by a $12,000 decrease in worker compensation insurance premiums. Depreciation costs have generally been increasing as runway improvements and new building construction is placed in service. The majority of the cost of the expansion of the airport facilities have been funded through grants from the Illinois Department of Transportation (IDOT). In assessing the financial performance of the District, the user should be aware that a significant amount ($1,277,000 in 2012 and $1,229,000 in 2011) of depreciation is recognized on assets that were purchased with Federal, state and local grants.

Capital contributions were received from the IDOT. IDOT functions as the paying agent of Federal and state participation in construction projects. The annual amount of the capital contributions varies based upon the projects in process and the availability of funding for new construction. For the majority of the capital projects, IDOT's portion of the total cost is usually between 90% and 97.5%.

Capital Assets and Long-Term Debt

The components of capital assets and long-term debt were as follows at December 31, 2012 with 2008 through 2011 information presented for comparative purposes only (in thousands of dollars):

Capital Assets	2012	2011	2010	2009	2008
Land	$ 22,066	22,060	21,509	20,453	20,453
Land improvements and buildings	40,710	39,217	38,302	36,132	28,318
Construction in process	2,738	4,668	5,258	6,629	11,955
Other assets	3,515	2,772	2,730	2,722	2.576
Accumulated depreciation	(20,066)	(18,936)	(17,146)	(15,420)	(13,884)
Net Property and Equipment	$ 48,963	49,781	50,653	50,516	49,418

Long-Term Debt	Original Issue Amount	Outstanding Balance 2012	2011	2010	2009
General Obligation Bonds (Alternate Revenue Source)					
Series 2002	$ 995	$.		865	905
Series 2003	805	805	805	805	805
Series 2004	3,970	3,710	3,775	3,830	3,875
Series 2005	6,270	4,570	4,890	5,200	5,490
Series 2011	1,675	1,675	1,675		
Deferred refunding costs, 1997 revenue bonds	(488)	(211)	(249)	(287)	(325)
Total Long-Term Debt		$ 10,549	10,896	10,413	10,750

The District issued $1,675,000 of general obligation bonds in 2011 for the purpose of refunding $805,000 of 2002 general obligation bonds and the 2011 thorough 2014 bond principal obligations under the 2004 general obligation bonds and to provide funding for various construction and improvement projects. At December 31, 2012, the District was holding $269,000 of 2011 bond proceeds for construction costs to be incurred in future periods. The District was also holding $166,000 in a refunding escrow for the retirement of the 2013 and 2014 bond principal obligations under the 2004 general obligation bonds.

As a condition of the general obligation bonds, the District is required to maintain a level of Available Operating Revenues, as defined by Illinois Statutes, equal to 125% of the annual debt service. See the notes to the financial statements for a more detailed discussion of capital assets and long-term debt.

JOLIET REGIONAL PORT DISTRICT
Statements of Net Assets - Proprietary Fund
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,550,025	1,679,186
Receivables	452,461	299,533
Inventory	129,246	160,095
Prepaid insurance and other	110,088	94,700
Restricted deposits (cash equivalents in 2012 and 2011)	1,161,448	1,230,954
Property, equipment and construction in progress, net of accumulated depreciation	48,963,273	49,780,780
Deferred financing costs, net of accumulated amortization	472,356	506,211
Total Assets	$ 52,838,897	53,751,459
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	$ 9,350	38,255
Accrued expenses	50,715	23,922
Deferred revenue	137,284	143,240
Security deposits	70,168	66,740
Current maturities of general obligation bonds	330,000	320,000
General obligation bonds payable - long-term	10,219,475	10,576,198
Total Liabilities	10,816,992	11,168,355
Net Assets		
Invested in capital assets, net of related debt	38,413,798	38,884,582
Restricted for capital projects	269,432	373,931
Restricted for debt service	1,633,804	1,737,165
Unrestricted	1,704,871	1,587,426
Total Net Assets	42,021,905	42,583,104
Total Liabilities and Net Assets	$ 52,838,897	53,751,459

The accompanying notes are an integral part of these financial statements.

JOLIET REGIONAL PORT DISTRICT

Statements of Activities - Proprietary Fund

Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenue		
Fuel and oil sales, net of sales taxes and discounts	$ 2,848,453	2,531,677
Cost of fuel and oil products, net of discounts	(2,143,302)	(1,889,230)
Net fuel sales	705,151	642,447
Rental income	1,249,075	1,220,438
Other operating revenue	62,868	8,601
Total Operating Revenue	2,017,094	1,871,486
Operating Expenses		
Personnel costs	561,512	555,846
Depreciation	1,825,009	1,789,962
Insurance	57,893	59,011
Repairs and maintenance	166,469	126,038
Utilities	79,727	115,766
Administrative and other expenses -		
Advertising	2,850	4,666
Bad debts		15,954
Office supplies and postage	6,591	5,553
Professional fees	13,882	7,120
Telephone	14,081	13,113
Travel & entertainment	5,078	3,977
Miscellaneous	6,142	4,978
Total Operating Expenses	2,739,234	2,701,984
Operating Loss	(722,140)	(830,498)
Nonoperating revenue (expense)		
Investment income	3,963	2,842
Gain on disposal of assets	3,682	
Amortization of deferred financing costs	(33,854)	(32,299)
Interest expense	(508,099)	(514,287)
Insurance - Treasurer's bond		(443)
Insurance - Public Officials Liability	(9,216)	(9,216)
Professional fees	(25,132)	(20,789)
Total Nonoperating Expense	(568,656)	(574,192)
Loss before capital contributions	(1,290,796)	(1,404,690)
Capital Contributions	729,597	869,652
Change in Net Assets	(561,199)	(535,038)
Net Assets, Beginning of Year	42,583,104	43,118,142
Net Assets, End of Year	$ 42,021,905	42,583,104

The accompanying notes are an integral part of these financial statements.

JOLIET REGIONAL PORT DISTRICT
Statements of Cash Flows - Proprietary Fund
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Operating loss	$ (722,140)	(830,498)
Adjustments to reconcile operating loss to net cash provided by operating activities -		
Depreciation	1,825,009	1,789,962
Reserve for doubtful receivables		10,000
Gain on disposal of assets	(3,682)	
Changes in assets and liabilities:		
Receivables	(152,928)	(59,528)
Inventory	30,849	(79,001)
Prepaid expenses	(15,388)	21,143
Accounts payable	(28,905)	35,363
Accrued expenses	26,793	1,457
Deferred revenue	(5,956)	326
Security deposits	3,428	494
Net cash provided by operating activities	957,080	889,718
Cash Flows From Capital and Related Financing Activities		
Proceeds from disposal of assets	50,040	
Purchases of property, equipment and projects in progress	(1,050,177)	(917,954)
Capital contributed from federal and state sources	729,597	869,652
Issuance of bond principal		1,675,000
Payment of bond issuance costs		(85,177)
Payment of bond principal	(385,000)	(1,230,000)
Payment of bond interest	(469,822)	(476,010)
Non-airport related expenses	(34,348)	(30,448)
Net cash used for capital and related financing activities	(1,159,710)	(194,937)
Cash Flows From Investing Activities		
Investment income	3,963	2,842
Net cash provided by investing activities	3,963	2,842
Net increase (decrease) in cash and cash equivalents	(198,667)	697,623
Cash and cash equivalents, beginning of year	2,910,140	2,212,517
Cash and cash equivalents, end of year	$ 2,711,473	2,910,140

The accompanying notes are an integral part of these financial statements.

1. Reporting Entity, Description of Funds, and Significant Accounting Policies

The Joliet Regional Port District, Romeoville, Illinois (the District) was incorporated under the provisions of the State of Illinois. The District operates under a Board of Director form of organization and was established to promote industrial, commercial and transportation activities.

The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of the more significant accounting policies:

Reporting Entity

The District, for financial reporting purposes, includes all funds relevant to the operation of the Joliet Regional Port District. The financial statements, presented herein, do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Joliet Regional Port District.

The criteria of oversight responsibility, special financing relationships and scope of public service, was used in determining the agencies or entities which comprise the District for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, there are no agencies or entities which should be combined with the financial statements of the District. The District is not a component unit of any governmental units.

Description of Funds

The operations of the District are accounted for in an Enterprise Fund which is a Proprietary Fund type. The operations of the Enterprise Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, obligations, fund equity, revenues and expenses.

The Enterprise Fund is used to account for the District's operations (a) that are financed and operated in a manner similar to private business enterprises – where intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control or other purposes.

1. Reporting Entity, Description of Funds, and Significant Accounting Policies (continued)

Significant Accounting Policies

Description of Funds (continued)
In accounting for and reporting on its proprietary activities, the District has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principle Board opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

Basis of Accounting
Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual method of accounting. The revenues of the Enterprise Fund are recognized when earned and expenses are recorded in the period that the goods are received or the services rendered.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, and time deposits with original maturities of three months or less.

Investments - Investments consist primarily of government securities and are stated at market, which approximates cost.

Accounts Receivable - Accounts receivable arise primarily from sales of aircraft fuel and the rental of hangar space, aircraft ports and tie downs. The District uses the direct write-off method to account for bad debts.

Inventories - Inventories consist of gasoline and oil products that are held for resale which are accounted for at the lower of cost (first-in, first-out method) or market.

Property and Equipment- All property and equipment additions are recorded at historical costs except for equipment donated from federal government surplus, for which the value was estimated at 5% of the cost as of the date donated. The sale or disposal of property and equipment is recorded by removing the cost and accumulated depreciation from the accounts and recognizing a resulting gain or loss as other income.

1. Reporting Entity, Description of Funds, and Significant Accounting Policies (continued)

Significant Accounting Policies

Property and Equipment- (continued)

Depreciation is provided using the straight-line method of accounting over the estimated useful lives of the assets.

Land improvements	15 - 20 years
Buildings and improvements	30 years
Furniture, equipment and fuel tanks	5 – 15 years

The District is in the process of undertaking several capital projects which are related to the acquisition of land and airport runway improvements. It is the District's policy to classify each of these capital projects as Construction in Progress until the project is completed.

Deferred Financing Costs - In connection with the issuance of certain bond obligations, the District incurred bond issuance costs that are being amortized over the term of the obligations using straight-line method.

Prepaid and Accrued Project Costs - The District will advance funds and incur certain obligations that are not settled as of the reporting date in connection with certain capital projects that are funded using federal and state grants through the Illinois Department of Transportation and local funds.

Compensated Absences - The District's liability for compensated absences lapses on the reporting date. Accordingly, the accompanying balance sheet does not reflect a liability for unpaid vacation, sick pay and other employee benefits.

Deferred Rental Revenue - Rental revenue is normally invoiced to the tenants approximately 30 days prior to the rental period. For financial reporting purposes, the rental income is not recognized until the period for which the rent applies. Accordingly, the deferred rental revenue, which is equal to approximately two months of rental activity, is reported as a liability in the accompanying balance sheet.

Use of Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates include the collectability of outstanding receivables and the useful lives of capital assets.

1. Reporting Entity, Description of Funds, and Significant Accounting Policies (continued)

Significant Accounting Policies

Subsequent Events - The District has evaluated events occurring after the Statement of Net Assets date through April 16, 2013 in order to determine their potential for recognition and disclosure in the financial statements. The latter date is the same date that the financial statements were available for use.

2. Cash, Cash Equivalents and Restricted Deposits

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Sections 235/2 and 6. The District maintains cash balances in various banks and it invests its funds in short-term instruments. Cash and Cash Equivalents consisted of the following at December 31, 2012:

Checking and Short-Term Investments	Bank Balance	Book Balance
Harris Bank - Checking	$ 1,062,799	858,600
Illinois Funds	690,450	690,450
Petty cash	975	975
Reported Cash and Cash Equivalents	1,754,224	1,550,025
Restricted Cash Deposits		
Goldman Sachs Financial Square Treasury Obligation Fund B -		
Debt Service Accounts – Escrow Funds		
2003 Bonds	40,147	40,147
2004 Bonds	327,798	327,798
2005 Bonds	502,679	502,679
2011 Bonds	75,384	75,384
Lewis University Maintenance Fund	215,440	215,440
Total Cash and Cash Equivalents	$ 2,915,672	2,711,473

The reconciled balance may be different from the bank balance due to the existence of deposits in transit and/or outstanding checks. At various times during the 2012, the District had deposits at financial institutions that exceeded the $250,000 of insurance protection provided by the Federal Deposit Insurance Corporation. Collateral assignments were provided by the financial institutions, when applicable.

The 2004 Debt Service Escrow includes $165,828 at December 31, 2012 which amount represents the funding of the principal obligations of the 2004 General Obligation Bonds that will mature on December 30, 2013 ($75,000) and December 30, 2014 ($85,000).

3. Receivables

Receivables at December 31, 2012 consist of $302,656 of outstanding invoices primarily relating to hangar rentals and fuel sales, $124,142 of outstanding storm related insurance reimbursements and $35,663 of Nascar related refunds. During the year ended December 31, 2011, the District established a $10,000 reserve for uncollectible trade receivables.

4. Property and Equipment

Changes in property and equipment during the year and accumulated depreciation at December 31 are as follows:

	Balance 12/31/11	Additions	Other	Balance 12/31/12	Accumulated Depreciation 12/31/12
Land	$ 22,059,554	6,097		22,065,651	
Land improvements	29,542,575		2,896,247	32,438,822	14,848,320
Buildings	9,674,802	1,646	(81,447)	9,595,001	4,087,611
Field equipment	752,776	18,387		771,163	550,248
Office equipment	101,397	1,507		102,904	91,597
Localizer equipment	536,716			536,716	500,795
Fuel tanks	1,380,935	386		1,381,321	587,518
Construction in progress	4,667,777	966,254	(2,896,247)	2,737,784	.
	$ 68,716,532	994,277	(81,447)	69,629,362	20,066,089

In 2012 and prior years, the District received federal, state and local support for various depreciable airport related projects totaling $30,939,000, excluding amounts relating to land purchases and construction in progress. During 2012, the District recognized $1,276,792 of depreciation on these assets.

Depreciation expense on locally funded property and equipment was $548,217 in 2012.

5. Accrued Expenses

Accrued expenses consisted of the following at December 31, 2012:

Accrued sales taxes	$ 15,739
Accrued repair costs	18,550
Accrued payroll and payroll taxes	16,017
Other	409
	$ 50,715

6. Deferred Revenue

Deferred revenue at December 31, 2012 includes two months of hangar rentals totaling $137,284 that were invoiced prior to year-end.

7. Compliance with Debt Requirements

The District's general obligation bonds have been authorized as "Alternate Bonds" under the provisions of Section 15 of the Local Government Reform Act (Section 350/15 of Chapter 30 of the Illinois Compiled Statutes) and, pursuant thereto, are payable solely from the revenues derived from the terminals, terminal facilities, airfields, airports or port facilities and such other funds that may be pledged by the District. In accordance with the provisions of the Local Government Debt Reform Act (30 ILCS:350), the District is required to produce Available Operating Revenues, as defined, that will equal or exceed 125% of its annual debt service obligations. Compliance with this requirement is calculated as follows:

Available Operating Revenues	
Operating revenue	$ 2,017,094
Operating expenses, net of depreciation of $1,825,009	(914,225)
Investment income	3,963
Available Enterprise Revenues	$ 1,106,832
Aggregate 2012 debt service on the General Obligation Bonds – Series 2003, 2004, 2005 and 2011	$ 854,823
	125%
Required Coverage	$ 1,068,529
Amount of Excess Coverage	$ 38,303

8. General Obligation Refunding Bonds (Alternate Revenue Source) – Series 2002

In September 1991, the District executed a lease-purchase agreement with Municipal Financial Group, Inc. (Municipal) whereby the District leased a portion of land to Municipal, which subleased the land back to the District and financed construction of new storage hangars on that land and related taxiways and aprons (a separate value of this land was not determined). Construction of the hangars was completed in 1992. Municipal transferred the improvements to the District when the agreement was fully funded.

In June 2002, the District issued $995,000 of General Obligation Refunding Bonds (Alternate Revenue Source), Series 2002 for the purpose of refunding the lease purchase agreement described above. Through this bond issue, the District refunded $962,800 of lease purchase certificates including call premiums totaling $17,800. The remaining bond proceeds were used to fund refunding bond issue costs totaling $32,200.

In May 2011, the District issued $1,675,000 of General Obligation Refunding Bonds for the purpose of refunding the $865,000 of outstanding Series 2002 General Obligation Refunding Bonds and accrued interest totaling $19,222.

9. General Obligation Bonds (Alternate Revenue Source) – Series 2003

In February 2003, the District issued $805,000 of General Obligation Bonds (Alternate Revenue Source), Series 2003 for the purpose of financing unspecified capital projects. The bonds provide for principal maturities of $405,000 and $400,000 on December 31, 2020 and 2021, respectively. Interest, at an annual rate of 4.925%, is payable semiannually beginning on June 30, 2004. Payments of principal and interest under the agreement are to be funded with the net revenues of airport operations.

In connection with the issuance of these general obligation bonds, the District incurred bond issuance costs totaling $25,901. These costs are being amortized over the 19-year term of the bond agreement using the straight-line method. Accumulated amortization was $12,897 at December 31, 2012.

Annual cash flow requirements for principal and interest are as follows:

Year	Principal	Interest	Total
2012	$.	39,643	39,643
2013		39,642	39,642
2014		39,643	39,643
2015		39,642	39,642
2016		39,643	39,643
2017		39,642	39,642
2018		39,643	39,643
2019		39,642	39,642
2020	405,000	39,642	444,642
2021	400,000	20,000	420,000
	805,000	376,782	1,181,782
Less: Current Maturities	.	39,643	39,643
	$ 805,000	337,139	1,142,139

10. General Obligation Bonds (Alternate Revenue Source) – Series 2004

In May 2004, the District issued $3,970,000 of General Obligation Bonds (Alternate Revenue Source), Series 2004 for the purpose of financing hangar construction and runway improvement capital projects. The amount of the bonds included capitalized interest of $281,469 which amount was equal to the bond interest requirements through December 31, 2005. The bonds provide for increasing principal maturities beginning with $25,000 on December 30, 2007 and ending with $960,000 on December 30, 2023. Interest, at annual rates ranging from 3.00% to 4.70%, is payable semiannually beginning on December 30, 2004. Payments of principal and interest under the agreement are to be funded with the net revenues of airport operations.

In connection with the issuance of these general obligation bonds, the District incurred bond issuance costs totaling $129,069. These costs are being amortized over the 19-year term of the bond agreement using the straight-line method. Accumulated amortization was $56,571 at December 31, 2012.

Annual cash flow requirements for principal and interest are as follows:

Year	Rate	Principal	Interest	Total
2012	4.00	$ 65,000	170,895	235,895
2013	4.00	75,000	168,295	243,295
2014	4.05	85,000	165,295	250,295
2015	4.15	95,000	161,852	256,852
2016	4.20	105,000	157,910	262,910
2017	4.30	115,000	153,500	268,500
2018	4.40	125,000	148,555	273,555
2019	4.45	345,000	143,055	488,055
2020	4.55	425,000	127,703	552,703
2021	4.55	470,000	108,365	578,365
2022	4.60	910,000	86,980	996,980
2023	4.70	960,000	45,120	1,005,120
		3,775,000	1,637,525	5,412,525
Less: Current Maturities		65,000	170,895	235,895
		$ 3,710,000	1,466,630	5,176,630

In connection with the May 2011 issuance of the $1,675,000 General Obligation Refunding Bonds, Series 2011, the District placed $302,499 in the 2004 Debt Service Escrow account with Amalgamated Bank for the purpose of funding the payment of the 2011 through 2014 principal and interest obligations on the Series 2004 General Obligation Bonds.

11. General Obligation Bonds (Alternate Revenue Source) – Series 2005

In October 2005, the District issued $6,270,000 of General Obligation Bonds (Alternate Revenue Source), Series 2005 for the purpose of refunding the 1997 revenue bonds and to provide funding for various capital projects. The amount of the bonds included capitalized interest of $84,446. The District deposited $5,418,255 in a refunding escrow for the 1997 revenue bonds which were called on July 1, 2007. The 2005 bonds provide for increasing principal maturities beginning with $125,000 on June 30, 2007 and ending with $150,000 on June 30, 2027. Interest, at annual rates ranging from 3.50% to 4.10%, is payable semiannually beginning on June 30, 2006. Payments of principal and interest under the agreement are to be funded with the net revenues of airport operations.

In connection with the issuance of these general obligation refunding bonds, the District incurred bond issuance costs totaling $226,391. These costs, and $199,511 of unamortized 1997 Revenue Bonds issuance costs, are being amortized over the 22-year term of the bond agreement using the straight-line method. Accumulated amortization was $141,152 at December 31, 2012.

Annual cash flow requirements for principal and interest are as follows:

Year	Rate	Principal	Interest	Total
2012	3.50	$ 320,000	183,910	503,910
2013	3.50	330,000	172,622	502,622
2014	4.05	350,000	160,897	510,897
2015	3.50	360,000	148,560	508,560
2016	3.60	375,000	135,780	510,780
2017	3.70	385,000	122,095	507,095
2018	3.70	370,000	107,665	477,665
2019			97,675	97,675
2020			97,675	97,675
2021			97,675	97,675
2022			97,675	97,675
2023			97,675	97,675
2024	4.00	725,000	90,475	815,475
2025	4.10	750,000	60,988	810,988
2026	4.10	775,000	30,033	805,033
2027	4.10	150,000	3,075	153,075
		4,890,000	1,704,475	6,594,475
Less: Current Maturities		320,000	183,910	503,910
		$ 4,570,000	1,520,565	6,090,565

12. General Obligation Bonds (Alternate Revenue Source) – Series 2011

In April 2011, the District issued $1,675,000 of General Obligation Bonds (Alternate Revenue Source), Series 2011 for the purpose of refunding the 2002 General Obligation Bonds and the 2011 through 2014 principal obligations under the 2004 General Obligation Bonds. The bonds also provided $400,000 of funding for various capital projects.

The 2011 bonds provide for increasing principal maturities beginning with $75,000 on December 30, 2015 and ending with $455,000 on December 30, 2028. Interest, at annual rates ranging from 3.00% to 5.10%, is payable semiannually beginning on December 30, 2011. Payments of principal and interest under the agreement are to be funded with the net revenues of airport operations.

In connection with the issuance of these general obligation bonds, the District incurred bond issuance costs totaling $85,177. These costs, and $27,028 of unamortized 2002 General Obligation Bonds issuance costs, are being amortized over the 18-year term of the bond agreement using the straight-line method. Accumulated amortization was $10,104 at December 31, 2012.

Annual cash flow requirements for principal and interest are as follows:

Year	Rate	Principal	Interest	Total
2012		$.	75,375	75,375
2013			75,375	75,375
2014			75,375	75,375
2015	3.00	75,000	75,375	150,375
2016	3.00	75,000	73,125	148,125
2017	3.00	75,000	70,875	145,875
2018			68,475	68,475
2019	4.00	450,000	68,475	518,475
2020			50,475	50,475
2021			50,475	50,475
2022			50,475	50,475
2023			50,475	50,475
2024			50,475	50,475
2025			50,475	50,475
2026			50,475	50,475
2027	5.05	540,000	50,475	590,475
2028	5.10	455,000	23,205	478,205
		1,675,000	1,009,455	2,684,455
Less: Current Maturities		.	75,375	75,375
		$ 1,675,000	934,080	2,609,080

13. Revenue Bonds Payable

In April 1997, the District issued Airport Facilities Revenue Bonds, 1997 Series A, in the amount of $5,590,000 at 7.25% interest with principal and interest payable on January 31st and July 31st of each year, commencing July 31, 1997 and maturing July 31, 2018. In connection with the issuance of the revenue bonds, the District incurred issuance costs totaling $285,662 which were amortized using the straight-line method through the date of the defeasance of the bonds in October 2005. The unamortized balance of $199,511 was added to the costs incurred in the issuance of the 2005 refunding bonds.

In October 2005, the District issued $6,270,000 in General Obligation Bonds with an effective interest rate of 4.36% to advance refund $4,930,000 of outstanding 1997 Airport Facilities Revenue Bonds with an average interest rate of 7.25%. The District completed the advance refunding to reduce its total debt service payments and to obtain funding for various capital projects. A portion of the net proceeds of $5,761,000 (after the payment of $209,000 in underwriting fees, insurance, and other issuance costs) plus an additional $525,000 of 1997 Series sinking fund monies were used to purchase governmental securities and fund capital projects. The district deposited $5,418,000 of governmental securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series A bonds. These bonds were called on July 1, 2007.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $488,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 using the straight-line method. Interest expense for 2012 was increased by $38,277 due to the amortization of this refunding premium. The unamortized refunding premium was $210,525 at December 31, 2012.

14. Contributed Capital

Changes in Contributed Capital were as follows for the year ended December 31, 2012:

Contributed Capital, January 1, 2012	$ 40,205,341
Federal and Illinois participation in projects	729,597
2012 depreciation of assets funded with Federal and State funds	(1,276,792)
Contributed Capital, December 31, 2012	$ 39,658,146

15. Rental Income

Rental income consisted of the following for the year ended December 31, 2012:

Hangar Rentals	
Old Hangars	$ 124,199
Phase I	222,039
Phase II and Hangar 500	64,194
Hangars 4, 700, 800 and Common Area	202,547
Covered Canopies	41,920
Hangars 2 and 900 (Lewis University)	239,089
Tie Downs	4,160
Executive Terminal	237,106
Farm property	97,376
Transient storage	16,445
	$ 1,249,075

The District leases hangars, astroports and tie downs under annual operating lease agreements. The District has secured a single month security deposit from the majority of the tenants.

In 2012, the District received rental income from the lease of farmland. The lease is supported by an operating lease agreement with the tenant which provides for semiannual payments in February and December. The District did not incur any expenses in connection with this lease.

In conjunction with the issuance of Airport Facilities Revenue Bonds, Lewis University entered into a lease agreement dated April 1, 1997 to lease a portion of the facilities financed with the bond issue proceeds. The term of the lease was intended to coincide with the Revenue Bond Issue and will terminate on June 30, 2018.

15. Rental Income (continued)

Due to delays in completing the leased facilities and certain construction overruns, the lease agreement with Lewis University was amended in December 2001. As a condition precedent to Lewis University signing a lease amendment, the District agreed to abate 50% of the University's rental commitment for the 18-month period commencing on July 1, 2018. The value of the rental abatement is not being amortized over the term of the lease based upon management's representation that the discounted rent will approximate the fair market value of the rental property after the bonds are liquidated.

University rental commitments, including trust fees and maintenance costs, are as follows:

2012	$ 240,157
2013	240,790
2014	242,411
2015	243,953
2016	244,580
2017	255,693
2018	111,609
2019	124,567
	1,703,760
Less: Current Maturities	240,157
	$ 1,463,603

16. SIMPLE IRA

In October 1998, the District began contributing to a SIMPLE (savings incentive match plan for employees) IRA. The contribution is currently $353 per pay period (26 payrolls per year), and is limited to 3% of the employee's compensation or $6,000, whichever is less. Employees must have earned $5,000 in any two prior years and expect to earn at least $5,000 in the current year to be eligible for participation in the plan.

17. Risk Management

The District is exposed to various risks of loss related to torts (theft of, damage to and destruction of assets); errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss including worker's compensation and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DONALD J. BLAESING
CERTIFIED PUBLIC ACCOUNTANT

121 SPRINGFIELD AVENUE
JOLIET, ILLINOIS 60435
(815) 725-6300
Fax (815) 725-3424

REPORT OF INDEPENDENT AUDITOR

Members of the Board of Directors
Joliet Regional Port District
Romeoville, Illinois

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Revenue, Expenses and Changes in Retained Earnings has been presented for the purpose of providing 2012 financial information that is comparable to the Statement of Revenue, Expenses and Changes in Retained Earnings that was presented in prior reports. This information does not represent a presentation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, the supplemental information is fairly stated in all material respects in accordance with accounting principles in effect prior to the issuance of GASB Statement No. 34.

Donald J Blaesing, CPA

April 16, 2013

JOLIET REGIONAL PORT DISTRICT

Statements of Revenue, Expenses and Changes in Retained Earnings - Non-GAAP Presentation

Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenue		
Fuel and oil sales, net of sales taxes and discounts	$ 2,848,453	2,531,677
Cost of fuel and oil products, net of discounts	(2,143,302)	(1,889,230)
Net fuel sales	705,151	642,447
Rental income	1,249,075	1,220,438
Other operating revenue	62,868	8,601
Total Operating Revenue	2,017,094	1,871,486
Operating Expenses		
Personnel costs	561,512	555,846
Depreciation	548,217	561,336
Insurance	57,893	59,011
Repairs and maintenance	166,469	126,038
Utilities and real estate taxes	79,727	115,766
Administrative and other expenses -		
Advertising	2,850	4,666
Bad debts		15,954
Office supplies and postage	6,591	5,553
Professional fees	13,882	7,120
Telephone	14,081	13,113
Travel & entertainment	5,078	3,977
Miscellaneous	6,142	4,978
Total Operating Expenses	1,462,442	1,473,358
Operating income	554,652	398,128
Nonoperating revenue (expense)		
Investment income	3,963	2,842
Gain on disposal of assets	3,682	
Amortization of deferred financing costs	(33,854)	(32,299)
Interest expense	(508,099)	(514,287)
Insurance - Treasurer's bond		(443)
Insurance - Public Officials Liability	(9,216)	(9,216)
Professional fees	(25,132)	(20,789)
Total Nonoperating Expense	(568,656)	(574,192)
Net Income (Loss)	(14,004)	(176,064)
Retained Earnings, Beginning of Year	2,172,584	2,348,648
Retained Earnings, End of Year	$ 2,158,580	2,172,584

The accompanying notes are an integral part of these financial statements.