

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**

**FINANCIAL AUDIT AND  
COMPLIANCE EXAMINATION**

For the Year Ended June 30, 2012

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2012

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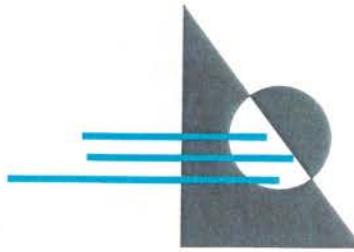
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**AUTHORITY OFFICIALS**

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**

Chairman	Vacant
Vice Chairman	Mr. Phillip Kambic
Treasurer	Vacant
Secretary	Mr. Greg Dralle

The Authority's office is located at:  
350 N. Wall Street  
Kankakee, Illinois 60901



KRVA

ILLINOIS' THIRD AIRPORT AUTHORITY

March 22, 2013

Honorable William G. Holland  
Auditor General  
State of Illinois  
Iles Park Plaza  
740 E. Ash Street  
Springfield, Illinois 62703-3154

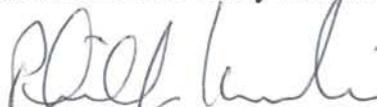
Dear Mr. Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Kankakee River Valley Area Airport Authority (Authority). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following assertions during the one year period ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, the Authority has materially complied with the assertions below.

- A. The Authority has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received and used public funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Authority has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Kankakee River Valley Area Airport Authority

  
Phillip Kambic, Vice Chairman

## COMPLIANCE REPORT

### SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

### ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

### SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	2	2
Repeated findings	2	2
Prior recommendations implemented or not repeated	0	0

### SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
12-1	9	Inadequate Segregation of Duties	Significant Deficiency
FINDINGS ( <i>STATE COMPLIANCE</i> )			
12-2	10	Noncompliance with Kankakee River Valley Area Airport Authority Act	Material Weakness and Material Noncompliance

In addition, the following finding which is reported as a current finding related to *Government Auditing Standards* also meets the reporting requirements for State compliance.

12-1	9	Inadequate Segregation of Duties	Significant Deficiency
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### EXIT CONFERENCE

The Authority waived an exit conference in correspondence dated March 15, 2013. Responses to the recommendations were provided by the Authority's Vice Chairman, Phillip Kambic in correspondence dated March 15, 2013.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND  
ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland  
Auditor General  
State of Illinois

And

Mr. Phillip Kambic  
Vice Chairman  
Kankakee River Valley Area Airport Authority

**Compliance**

We have examined the Kankakee River Valley Area Airport Authority's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2012. The management of the Kankakee River Valley Area Airport Authority is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Kankakee River Valley Area Airport Authority's compliance based on our examination.

- A. The Kankakee River Valley Area Airport Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Kankakee River Valley Area Airport Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Kankakee River Valley Area Airport Authority has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected by the Kankakee River Valley Area Airport Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Kankakee River Valley Area Airport Authority on behalf of the State or held in trust by the Kankakee River Valley Area Airport Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Kankakee River Valley Area Airport Authority's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Kankakee River Valley Area Airport Authority's compliance with specified requirements.

As described in finding 12-2 in the accompanying schedule of findings, the Kankakee River Valley Area Airport Authority did not comply with applicable laws and regulations in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Kankakee River Valley Area Airport Authority to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Kankakee River Valley Area Airport Authority complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 12-1.

### **Internal Control**

Management of the Kankakee River Valley Area Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Kankakee River Valley Area Airport Authority's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kankakee River Valley Area Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as finding 12-2 to be a material weakness.

*A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as finding 12-1 to be a significant deficiency.

There were no immaterial findings that have been excluded from this report.

The Kankakee River Valley Area Airport Authority's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Kankakee River Valley Area Airport Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Kankakee River Valley Area Airport Authority and its Boards and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

March 22, 2013

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

Honorable William G. Holland  
Auditor General  
State of Illinois

And

Mr. Phillip Kambic  
Vice Chairman  
Kankakee River Valley Area Airport Authority

We have audited the financial statements of the business-type activities of the Kankakee River Valley Area Airport Authority, as of and for the year ended June 30, 2012, which collectively comprise the Kankakee River Valley Area Airport Authority's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Kankakee River Valley Area Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Kankakee River Valley Area Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kankakee River Valley Area Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kankakee River Valley Area Airport Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as finding 12-1 that we consider to be significant deficiencies in internal control over financial reporting. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Kankakee River Valley Area Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Kankakee River Valley Area Airport Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Kankakee River Valley Area Airport Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Kankakee River Valley Area Airport Authority and its Boards and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

March 22, 2013

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2012  
(Government Auditing Standards)

12-1. **FINDING** (Inadequate Segregation of Duties)

The Kankakee River Valley Area Airport Authority (Authority) did not have adequate segregation of duties in the area of expenditure control.

During testing, we noted that the Authority's Vice Chairman had the ability to write and sign checks, reconcile bank statements, and maintain all Authority records. However, the Authority had not written a check since August 2004.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls would require the Authority to maintain an adequate segregation of duties in order to help ensure the safeguarding of assets and ensure the accuracy and reliability of accounting data. Further, the recordkeeping functions should be adequately segregated from the expenditure approval or signature and the reconciliation process.

Authority officials stated, as they did during the prior engagements, they are unable to properly segregate duties due to the size of the Board and the lack of activity within the Authority.

A lack of adequate segregation of duties increases the likelihood that a loss from errors or irregularities could occur and would not be found in the normal course of members carrying out their assigned duties. (Finding Code No. 12-1, 11-1, 10-1, 09-1, 08-1)

**RECOMMENDATION**

We recommend the Authority implement adequate segregation of duties over recordkeeping, expenditure approval, and reconciliation.

**AUTHORITY RESPONSE**

The Authority agrees with the finding and recommendation.

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2012  
(State Compliance)

12-2. **FINDING** (Noncompliance with Kankakee River Valley Area Airport Authority Act)

The Kankakee River Valley Area Airport Authority (Authority) failed to comply with certain provisions of the Kankakee River Valley Area Airport Authority Act (Act). We noted the following deficiencies:

- The Authority did not create and submit a written statement and report to the Governor covering its activities for the preceding fiscal year by November 15<sup>th</sup> as required by statute. The Act (70 ILCS 15/18(a)) states the Authority shall file with the Governor, by November 15 of each year, a written statement and report covering its activities for the preceding fiscal year.
- The Authority had one vacancy requiring appointment by the Will County Board. As of June 30, 2012, Will County did not appoint an individual to fill the vacant Authority member seat. The Act (70 ILCS 15/4) states four members shall be appointed by the Kankakee County Board and four members shall be appointed by the Will County Board.
- Seven (100%) Authority members did not file bonds in the amount of \$100,000 or file their constitutional oath of office with the Office of the Secretary of State in accordance with the Act. The Act (70 ILCS 15/4) states that each Authority member shall, before entering upon the duties of his office, take and subscribe to the constitutional oath of office and give bond in the penal sum of \$100,000 conditioned upon the faithful performance of his duties. The oath and bond shall be filed with the Office of the Secretary of State.

The Authority stated, as they did during prior engagements, they did not comply with the requirements due to the lack of Authority activity as well as uncertainty of the Authority's role in the future.

Failure to properly appoint members, file the constitutional oath and bonds with the Secretary of State, and submit the required annual report to the Governor renders the Authority in noncompliance with State law. (Finding Code No. 12-2, 11-2, 10-2, 09-2, 08-2, 07-1, 06-1, 05-1)

**RECOMMENDATION**

We recommend the Authority prepare and submit a written statement and report covering its activities over the preceding fiscal year to the Governor by November 15<sup>th</sup> of each year as required. In addition, we recommend the Authority ensures members are appointed as required by the Act. Further, we recommend the Authority strengthen

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2012  
(State Compliance)

controls to ensure the Authority obtains the constitutional oath of office and bond in the penal sum of \$100,000 for appointed members and that the oaths and bonds are filed with the Office of the Secretary of State or seek legislative remedy.

**AUTHORITY RESPONSE**

The Authority agrees with the finding and recommendation.

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2012

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying basic financial statements of the Kankakee River Valley Area Airport Authority was performed by staff of the Office of the Auditor General.

Based on our audit, we expressed an unqualified opinion of the Kankakee River Valley Area Airport Authority's basic financial statements.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

And

Mr. Phillip Kambic  
Vice Chairman  
Kankakee River Valley Area Airport Authority

We have audited the accompanying financial statements of the business-type activities of the Kankakee River Valley Area Airport Authority, as of and for the year ended June 30, 2012, which collectively comprise the Kankakee River Valley Area Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kankakee River Valley Area Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kankakee River Valley Area Airport Authority, as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2013 on our consideration of the Kankakee River Valley Area Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is

to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

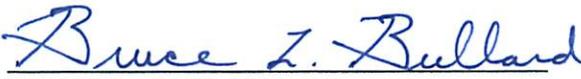
The Kankakee River Valley Area Airport Authority has omitted a management's discussion and analysis and budgetary comparison information for the Kankakee River Valley Area Airport Authority Operating Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kankakee River Valley Area Airport Authority's basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in Schedule 1 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Kankakee River Valley Area Airport Authority's basic financial statements for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011, which contained an unqualified opinion on the respective financial statements of the business-type activities. The accompanying supplementary information for the year ended June 30, 2011 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The accompanying supplementary information for the year ended June 30, 2011 has been subjected to the auditing procedures applied in the audit of the June 30, 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2011 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Kankakee River Valley Area Airport Authority management and its Boards and is not intended to be and should not be used by anyone other than these specified parties.

  
BRUCE L. BULLARD, CPA  
Director of Financial and Compliance Audits

March 22, 2013

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
 June 30, 2012

	<u>Operating Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents (Note 3)	\$ 2,052
Total Assets	2,052
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	-
Total Liabilities	-
 <b>NET ASSETS</b>	
Unrestricted	2,052
Total Net Assets	\$ 2,052

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

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND**

For the Year Ended June 30, 2012

	<u>Operating Fund</u>
<b>OPERATING EXPENSES</b>	\$ -
<b>NON-OPERATING REVENUES</b>	
Interest Income	1
Total Non-Operating Revenues	1
Change in Net Assets	1
Net Assets - Beginning of the Year	2,051
Net Assets - End of the Year	\$ 2,052

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

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2012

	<u>Operating Fund</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	\$ 1
Net Cash Provided (Used) by Investing Activities	1
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1
Cash and Cash Equivalents - July 1, 2011	2,051
<b>Cash and Cash Equivalents - June 30, 2012</b>	\$ 2,052

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

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 - ORGANIZATION:**

The Kankakee River Valley Area Airport Authority (Authority) was established by the Kankakee River Valley Area Airport Authority Act (Act) (70 ILCS 15/ et seq.). The Authority was created to facilitate safe and convenient air travel and transportation to and from the Kankakee River Valley Area, by the acquisition or construction, maintenance and operation of one or more airports in the Kankakee River Valley Area.

The Authority is authorized to issue debt to finance construction of an Area airport. Currently, no debt has been issued.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

a. Financial Reporting Entity

The Authority is not a part of the State of Illinois reporting entity. The accompanying financial statements present the balances and results of operations of the Authority.

The Authority does not receive appropriations, or any other financial assistance, from the State of Illinois. The Authority does not administer any nonshared funds held in the State Treasury or receive or expend federal financial assistance.

b. Basis of Presentation

The financial activities of the Authority are organized in an individual fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. A Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows has been presented for the Authority's Operating Fund.

The activities of the Authority have been classified as a proprietary fund – enterprise fund. An enterprise fund is used to account for operations when the cost of providing goods or

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

services to the general public on a continuing basis is primarily financed with user charges. An enterprise fund may also be used when the periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority's operating fund is used to pay its administrative expenses. The fund was funded with donations received in periods prior to fiscal year 2004 and interest is earned on deposits.

c. Basis of Accounting

The proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include donations and interest income. On an accrual basis, revenues from donations are recognized in the fiscal year in which the underlying exchange transaction occurs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance as it relates to the Authority's operations.

d. Cash and Cash Equivalents

Cash and Cash Equivalents for the Authority include cash held in its bank account. See Note 3 - Deposits with Financial Institutions for further detail.

e. Net Assets

In the proprietary fund financial statements, equity is displayed as "unrestricted." Unrestricted consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

f. Fixed Assets

The Authority does not own or lease any fixed assets.

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

g. Compensated Absences or Pension Benefit Obligations

The Authority had no full-time employees during Fiscal Year 2012. Therefore, the Authority had no obligation for pension benefits or compensated absences as of June 30, 2012.

h. Risk Management

The Authority makes no provision for anticipated losses in the event of involuntary conversions.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS:**

The Authority maintains funds outside the State Treasury (locally held funds) and has independent authority to manage those funds. On June 30, 2012, the carrying amount and the bank balance of the Authority's cash deposits was \$2,052. The funds are held at PNC Bank and are covered by federal depository insurance.

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2012

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

Schedule of Receipts, Disbursements and Fund Balance  
(Cash Basis) - Locally Held Funds

- Analysis of Operations (Unaudited):

Functions and Planning Program (Unaudited)  
Personnel (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Financial Statement Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The auditors' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**  
**(CASH BASIS) - LOCALLY HELD FUNDS**  
For the Year Ended June 30, 2012

	<u>Operating Fund</u>
Cash Balance at July 1, 2011	\$ 2,051
Receipts	1
Disbursements	-
Cash Balance at June 30, 2012	<u>\$ 2,052</u>

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
ANALYSIS OF OPERATIONS (UNAUDITED)  
For the Year Ended June 30, 2012

**FUNCTIONS AND PLANNING PROGRAM**

The Kankakee River Valley Area Airport Authority (Authority) was created through the power of the Kankakee River Valley Area Airport Authority Act (Act) (70 ILCS 15/ et seq.), approved September 10, 1990. The purpose of the Authority is to facilitate safe and convenient air travel and transportation to and from the Kankakee River Valley area by the acquisition or construction, maintenance and operation of one or more airports in the Kankakee River Valley area, and to promote the economic development of the surrounding area. Pursuant to the Act, the Authority has statutory power to:

- acquire land for a new airport and related facilities and to construct, operate and maintain the facilities, as well as grant concessions or privileges within the facilities;
- acquire, by purchase, lease or otherwise, other existing airports in the Kankakee River Valley Area and to improve, operate and maintain any such airports;
- acquire land within the perimeter area of the airport and to construct, operate and maintain related facilities in the perimeter area of the airport; and to let or grant concessions in any part or all of the perimeter area of the airport and the perimeter area facilities;
- exercise the right of eminent domain to acquire land for airports at such locations within the Kankakee River Valley area as the Authority shall deem necessary;

The Authority consists of an eight-member governing board. The Kankakee County Board and the Will County Board each appoints four members. Authority members can receive up to \$150 per day of regular or special service on behalf of the Authority, not to exceed \$7,500 in any one year. However, Board members did not accept this compensation during the current fiscal year. In addition, State law requires Board members subscribe to the constitutional oath of office and give a bond in the penal sum of \$100,000 conditioned upon the faithful performance of the members' duties.

The Board members at June 30, 2012 were:

Appointed by Kankakee County  
Phillip Kambic, Vice Chairman  
Greg Dralle, Secretary  
Steven Magruder  
Steven Liehr

KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY  
**ANALYSIS OF OPERATIONS (UNAUDITED)**  
For the Year Ended June 30, 2012

Appointed by Will County  
John Shea, Commissioner  
Bernard Ward, Commissioner  
Vacant, Commissioner  
Charles P. Peterson, Commissioner

**PERSONNEL**

An eight-member board, comprised of four members appointed by each of the Will County and the Kankakee County Boards, manages the Authority. The Authority has no full-time employees.