

City of Kankakee, Illinois

Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2007

Prepared by:
The Comptroller's Office
James A. Spice
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2007**

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INTRODUCTORY SECTION



Comptroller
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October 16, 2007

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2007 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Kankakee management. To the best of the Comptroller's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the governmental activities, business-type activities, component units, and funds of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, beginning with the fiscal year ended April 30, 2004. Accordingly, the City implemented the general provisions of the Statement in fiscal year 2004 and elected to retroactively report infrastructure assets acquired prior to April 30, 2003 beginning with the fiscal year ended April 30, 2005.

The GASB is an organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statement No. 34 significantly changed the required format for governmental statements in a number of ways. The most significant of these changes was to require that governments prepare entity-wide financial statements in addition to the fund-based financial statements that governments have traditionally prepared. The entity-wide financial statements present a government's financial position and results of operations in a manner similar to a business. More information about this "new financial reporting model" is provided in Management's Discussion and Analysis (MD&A) located in the Financial Section of this report.

The Reporting Entity and its Services

This report includes all of the funds for the City of Kankakee (the primary government), as well as its component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency ("KRMA"), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais and Aroma Park. Water service is provided by Aqua Illinois Water Company, a private utility.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.2 square miles, an increase of 39% in land area. With a current population of 27,491 (2000 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates as the center of a metropolitan populace of approximately 65,000 people, and is the county seat of Kankakee County, which has a population of 103,833 people.

The Kankakee River

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City from Indiana toward the Illinois River. At the point where it flows through the City, the river is about ¼ of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. At the end of each summer, the City hosts a national speed boat racing championship on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

The Kankakee River serves as the source for the metropolitan region's drinking water supplied by Aqua Illinois, Inc., a private utility. The river has a dam close to the downtown area of the City, which provides energy for a City owned low-head hydroelectric plant. The plant generates electricity for the operation of the wastewater utility of KRMA.

Transportation

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, lies along the eastern side of the City. This places the City of Kankakee approximately one hour traveling distance from the City of Chicago. The City of Kankakee is about 30 miles south of I-80, a major national east-west highway connecting the east and west coasts of the nation.

The City's public road transportation needs are met by Greyhound bus line, as well as the region's metropolitan bus service. Railroads serving the County include Illinois Central Gulf (owned by Canadian National Railroad), Conrail (owned by Norfolk Southern), and Amtrak (providing passenger service). The Kankakee Valley Airport is located two miles south of the City and has hangar space for 110 aircraft. The airport is utilized by both general aviation aircraft and corporate planes.

Education

Kankakee School District No. 111 provides educational services for pre-kindergarten through grade 12 with enrollment of approximately 5,246. One parochial school serves the Kankakee area. Higher education is available through Olivet Nazarene University (a four-year liberal arts college) in Bourbonnais, and Governor's State University, which is located a few miles outside of the County in University Park.

Olivet Nazarene University has increased its enrollment to the current level of 4,652, which includes 2,620 undergraduates. The number of students living on-campus has grown substantially from 1,102 in 1990 to 2,159 in 2007, a 96% increase. The greatest enrollment growth has occurred at the graduate level, where the number of students has grown to the current level of 1,448. Two year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 8,800 students currently enrolled at the community college, which equates to a full-time equivalent of 3,960.

Internal Control Objectives and Inherent Limitations

City of Kankakee management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that sufficiently reliable information is compiled to provide for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of control should not exceed the benefits likely to be derived, the City of Kankakee's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Comptroller's Office is responsible for providing all centralized City financial services, including financial accounting, reporting, budgeting, payroll, accounts payable, cash and investment management, and debt management. The Comptroller, who is appointed by the Mayor to supervise the department's operations, asserts that, to the best of his knowledge and belief, this financial report is complete and reliable in all material respects.

Budget Process

The City of Kankakee adopts annual budgets for the General Fund, Band Fund, Park Fund, IMRF Fund, SSA#2 Fund, and SSA#3 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on page 77 of this report.

Long-term Financial Planning

The City endorses the concept that those who benefit from the use of the City's capital assets should pay a proportionate share of the costs of those assets. The City has financed a host of capital projects (over \$30 million) in the past 10 years through the issuance of bonds. This allows the City to amortize the costs of the projects, at least to a degree, over the life of the constructed assets. The Capital Projects Fund, which provides the financing for major capital improvements over a multi-year basis, has been a useful tool to the City in planning for the replacement and enhancement of its infrastructure assets.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, Cognis Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, Aventis Behring, Rohm & Haas, CIGNA Insurance Claims Processing Center, Baker and Taylor, Provena St. Mary's Hospital, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penny, and Carson Pirie Scott anchor stores. The mall itself employs about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, Lees Inn, Fairfield Inn, Hampton Inn, Best Buy, Red Lobster, Pizza Hut, Pier 1 Imports, Lone Star Steak House, Cracker Barrel, TGI Fridays, Old Country Buffet, Target, Barnes & Noble Booksellers, Staples, and International House of Pancakes.

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). A Gas City service station, which includes Dunkin Donuts, Great American Hotdog, and Subway Sandwich shops, opened in December 2005. A WalMart Super Center is currently under construction, and is scheduled to be open for business in early 2008. The entire project, when it is completed, will include retail stores, a restaurant and other commercial establishments. There is optimism that this project will anchor additional commercial and residential growth in south Kankakee.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have added a substantial amount of additional sales tax revenue to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. The City ranked as the 4th highest among all Illinois cities for annual retail sales tax receipts for the calendar years 2005 and 2006 (as reported in the Annual Report of Sales Tax Receipts by Standard Industrial Classification produced by the Illinois Department of Revenue).

The City's General Fund balance increased by \$0.2 mil. this fiscal year. A key factor in the improvement in General Fund balance is the success of the aforementioned sales tax incentive program, which has resulted in growth of sales tax revenues from \$2.99 mil. in fiscal 2002 to \$6.0 mil. in fiscal 2007. The increased revenues realized from the sales tax incentive program have been used by the City to eliminate the vehicle license fee program three years ago and the COP's fee starting in fiscal 2008. The vehicle license fee program had provided nearly \$0.4 mil. and the COP's fee provided nearly \$0.5 mil. in annual General Fund revenues. Another factor in the growth of the General Fund balance is that the City continues to budget for a \$0.25 mil. growth in fund balance each year, with a goal of maintaining a 2 to 3 months spendable reserve in the General Fund.

Other significant economic events during the past few years include the following:

- completion of approximately \$30 million in curb, gutter, sidewalk, and other capital improvements and additions throughout the City
- leasing of 150,000 square feet of the formerly idle Roper manufacturing facility by Daimler-Chrysler for the warehousing and retooling of equipment
- completion of a new aquatic complex (water slides, a "lazy river", and a zero-depth pool (pool with beach-like entrance))
- completion of a four-story parking garage at Riverside Hospital; and additional expansion of the medical facilities for outpatient care and physician offices completed at a total estimated investment of \$24 million
- construction of a \$9 million education and workforce training facility financed jointly by the Kankakee Community College and a state grant of \$1 million
- construction of a new office building for Peoples Bank at Court and Dearborn Streets completed at an investment of \$2 mil.
- construction of a \$6.6 million ice arena and fitness center (including locker rooms, laundry facilities, a scoreboard, ticket office, concession center, and a 2,000-square foot fitness center) on River Road financed by a state grant (opened September 2005)
- replacement of the North Fifth Avenue bridge and roadway over Soldier Creek, financed in part by a \$500,000 state grant
- construction of the new Kankakee County Jail and Sheriff Administration building on the south side of I57 near Exit 308
- historical restoration and preservation of the Station Street bridge over the Kankakee River at a cost of over \$2.4 million through a state grant (completed August 2006); the project won the American Public Works Association "Project of the Year" award for historical restoration and preservation in 2007

- construction of the IKO Roofing manufacturing facility that employs 55 full time people at a cost of \$40 million (completed April 2006)
- rehabilitation of the newly renamed Clock Tower Centre, a four tower, five story, 50,000 square foot building; the \$3 million project included replacing every window, replacing two elevators, and a complete rehab of the entire interior (completed July 2006)
- creation by Aqua Illinois (the local area water utility) of a Midwest call centre at the new Clock Tower Centre, providing 35 jobs (July 2006)
- first floor occupancy of a branch of the Homestar Bank at the new Clock Tower Centre, providing 7 jobs (February 2006)
- the relocation and expansion of the Jones International truck dealership on seven acres of land in the Eastgate Industrial Park from its current Court Street operation at an investment of over \$1 mil., creating 12 jobs
- construction continues at Cognis Corp on a \$17 mil. expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility
- demolition of the aged former Carson Pirie Scott Building to make room for the construction of an additional downtown parking lot named Illinois Central Plaza (completed July 2006)
- the City's first new subdivision in over 30 years is under way; to date, four single family homes have been completed; the project includes over 180 homes, townhouses, and condos; the second phase of the project was recently approved.
- Kankakee Community College recently established an Adult Training Center in the downtown area
- Kankakee Community College completed construction of a \$9 mil. Arts and Sciences building
- the creation of a partnership between the City and the local newspaper company, the Daily Journal, and several sponsoring companies, to create an internet "Hot Spot" named Wi-fi Kankakee (www.wifikankakee.com) to provide limited free and unlimited affordable internet services for residents, businesses, and visitors

Future economic activities include:

- a state and county cooperative study is being conducted to determine the feasibility of extending commuter rail service from Chicago; the completion of Phase I of the study determined the project is feasible, and local officials have now committed to funding \$300,000 for Phase II

- construction is in progress on the Wal-Mart Store, a new 200,000 square foot, \$10 mil. prototype super center store that will employ between 350 to 500 people, located at Exit 308 of I57 adjacent to the new Hilton Gardens Hotel; the store is scheduled to open in early 2008
- the City of Kankakee is in the process of renovating the existing former Library Building so it can serve as a City Administration Building (scheduled to be completed in early 2008), and plans to renovate the existing City Hall so it can serve as a Public Safety Building at a total cost of almost \$7 million

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Payne, Gray, Groskreutz and Schmidt performed the audit of the records of the City for the fiscal year ending April 30, 2007. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the OMB Circular A-133. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable assurance that the funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2006. This was the tenth consecutive year that the City of Kankakee has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

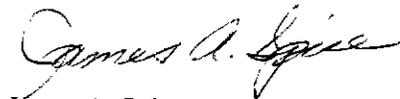
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Sandy Leppert, and Tamie Seedorf) of the Comptroller's Office. We especially appreciate their dependability and the routine manner in which they each consistently, effectively and accurately perform their work.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to plan and conduct the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Payne, Gray, Groskreutz, and Schmidt for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to Stephen Schmidt, partner, and auditors M.J. Abraham, Amy Eshleman, Dale Gerretse, Becky Guidera, Dennis Hillary, Dan Swanson, Carol Jawor, and Rebecca Schatz.

Respectfully submitted,



James A. Spice
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2006

Elected Officials

Mayor

Donald E. Green (1993 – 2009)

Council Members

First Ward

James R. Cox (1985 – 2007)

Leatha A. Coleman (2005 – 2009)

Second Ward

JoAnne Schwade (1991 – 2007)

Cheryl Jones (2005 – 2009)

Third Ward

John Trost (1999 – 2007)

Richard Diersen (2000 – 2009)

Fourth Ward

Kenneth Hearn (1997 – 2009)

Danita Grant Swanson (2003 – 2007)

City Clerk

Anjanita Dumas (2001 – 2009)

Fifth Ward

Hank Williams (2001 – 2009)

Sam Ciaccio (2003 – 2007)

Sixth Ward

Dennis Baron (1987 – 2007)

Nina Epstein (2001 – 2009)

Seventh Ward

Steven Hunter (1973 – 2009)

P. Carl Brown (2001 – 2007)

Appointed Officials

Michael Kinkade
Police Chief

Ronald Young
Fire Chief

Bert Dear
Public Works Superintendent

David Tyson
City Engineer

Larry Nolan
Community Development Director

Richard Simms
Municipal Utility Superintendent

Cindy Fuerst
Librarian

Chris Bohlen
Chief Legal Counsel

L. Patrick Powers
City Attorney

Kenneth A. Leshen
Assistant City Attorney and Treasurer

James Gordon
Personnel Director

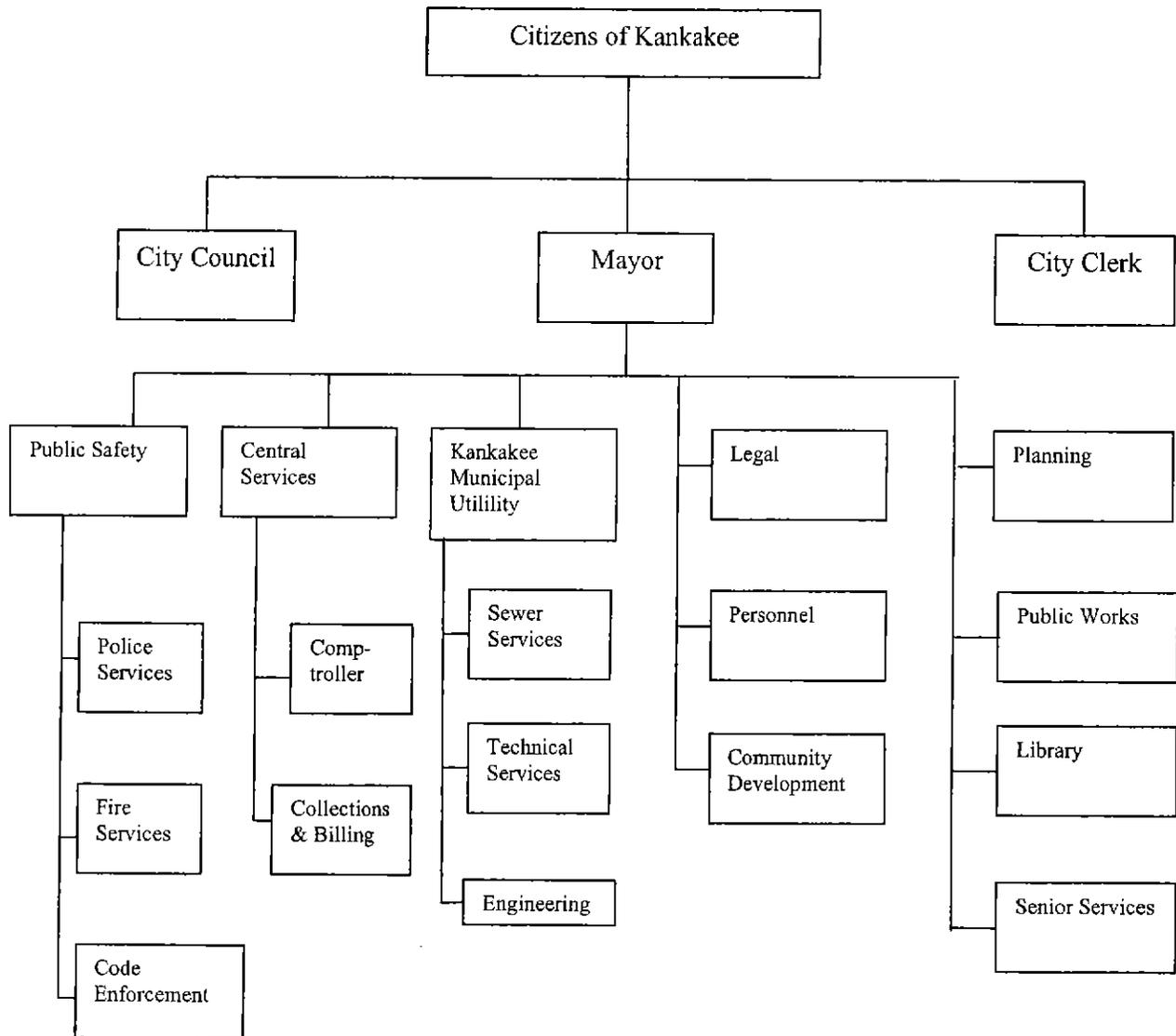
Clifford Cross
Director, Code and Planning

James A. Spice
Comptroller

Julie Herscher
Senior Services and Victim's
Assistance Director

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

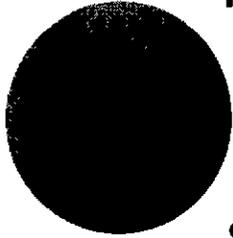


President

Executive Director

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FINANCIAL SECTION



PAYNE
GRAY
GROSKREUTZ
& SCHMIDT

ACCOUNTANTS AND CONSULTANTS

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Kankakee, Illinois 60901
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PARTNERS

Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

Bruce W. Payne, C.P.A., Retired
Michael V. Gray, C.P.A., Deceased

INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 our report dated October 9, 2007, on our consideration of the City of Kankakee, Illinois' 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 management's discussion and analysis and the required supplementary information listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kankakee, Illinois' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Kankakee, Illinois. The combining and individual nonmajor fund financial statements and supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Payne, Gray, Guskreutz + Schmidt

October 9, 2007



Comptroller
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MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2007

The City of Kankakee (the "City") is pleased to present its Management Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2007. The MD&A serves as an introduction to the City's basic financial statements, and is designed to 1) assist the reader in focusing on significant financial issues; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position (its ability to address subsequent years' challenges); 4) identify any material deviations from the financial plan (the approved budget); and 5) identify individual fund issues or concerns.

The City of Kankakee's basic financial statements consist of three components:

- 1) government-wide financial statements (Statement of Net Assets and Statement of Activities)
- 2) fund financial statements (governmental funds financial statements, proprietary fund financial statements, fiduciary fund financial statements (reflecting activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government), and component unit financial statements)
- 3) notes to the financial statements (a series of notes that provide additional information that is essential to a full understanding of the data provided in the City's basic financial statements)

In addition to the basic financial statements themselves, the report also contains required supplementary information, a statistical section, and a section devoted to single audit (Federal grants reporting).

Since this MD&A is designed only as an overview of the current fiscal year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's basic financial statements (beginning on page 15).

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide readers with a broad, long-term view of the City's finances by distinguishing functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). These statements are a consolidation of all of the City's funds with the exclusion of financial information related to the fiduciary funds. The government-wide financial statements can be found on pages 15 - 17 of this report.

The governmental activities of the City include public safety (police, fire, and code enforcement), public works, highways and streets, culture and recreation, economic development, and general administrative services. The business-type activities of the City include sewer and solid waste operations, the production, transmission, and delivery of electric power, and parking operations.

The City also includes two separate legal entities in its report, the City's Public Library and its Special Service Area #1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Financial Highlights, Statement of Net Assets

The focus of the Statement of Net Assets is to report the City's governmental and business-type activities in a "bottom-line" manner similar to private-sector business. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

For the City of Kankakee, assets exceeded liabilities for the total primary government by \$42.3 million at April 30, 2007. The following table reflects the condensed Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2007 and 2006 (in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and Other Assets	\$ 36.96	\$ 38.72	\$ 6.02	\$ 6.76	\$ 42.98	\$ 45.48
Capital Assets	<u>67.84</u>	<u>63.97</u>	<u>28.41</u>	<u>29.15</u>	<u>96.25</u>	<u>93.12</u>
Total Assets	\$ 104.80	\$ 102.69	\$ 34.43	\$ 35.91	\$ 139.23	\$ 138.60
Liabilities						
Long-term Debt Outstanding	\$ 66.72	\$ 65.11	\$ 6.76	\$ 7.06	\$ 73.48	\$ 72.17
Other Liabilities	<u>23.18</u>	<u>27.36</u>	<u>0.27</u>	<u>0.41</u>	<u>23.45</u>	<u>27.77</u>
Total Liabilities	\$ 89.90	\$ 92.47	\$ 7.03	\$ 7.47	\$ 96.93	\$ 99.94
Net Assets						
Invested in Capital Assets, Net of Debt	\$ 36.91	\$ 32.29	\$ 22.02	\$ 22.44	\$ 58.93	\$ 54.73
Restricted	9.77	6.92	1.74	2.83	11.51	9.75
Unrestricted	<u>(31.78)</u>	<u>(29.00)</u>	<u>3.64</u>	<u>3.19</u>	<u>(28.14)</u>	<u>(25.81)</u>
Total Net Assets	\$ 14.90	\$ 10.21	\$ 27.40	\$ 28.44	\$ 42.30	\$ 38.66

(Note: There may be some slight differences in totals due to rounding)

For more detailed information, see the Statement of Net Assets (page 15).

Governmental Activities – Statement of Net Assets highlights

In the governmental activities area, the City issued \$9.6 million in bonds during the fiscal year to refund and restructure the 2003A variable rate debt and to generate \$5.5 million in new money to finance the rehabilitation of two City buildings. With the restructuring of the debt and the normal amortization of the City's other outstanding debt, the City increased long term liabilities by only \$1.6 million. The City's depreciable capital assets increased \$4.1 million (7% to FY 07 balance of \$61.7 million), and accounts payable decreased \$3.3 million (33% to FY 07 balance of \$6.5 million). The bottom line result for all changes in net assets was that the City's net assets from governmental activities increased (improved) by \$4.7 million (46% to FY 07 balance of \$14.9 million).

Business-Type Activities – Statement of Net Assets highlights

The business-type activities columns present financial information for the Kankakee Municipal Utility and the Motor Vehicle Parking Lot. Motor Vehicle Parking Lot total net assets represent about 5% of the total assets of business-type activities, and revenues about 1/10% of the total business-type revenue, so although the Motor Vehicle Parking Lot is included in the total of the above chart to facilitate comparison to the Statement of Net Assets, it is an insignificant factor in the analysis of these activities.

Total net assets for the business-type activities decreased \$1.1 million (3.7% to FY 07 balance of \$27.4 million). Other restricted cash and investments decreased \$1.1 million (39% to FY 07 balance of \$1.7 million). Total capital assets decreased \$0.7 million, which reflects the annual depreciation. The Utility retired scheduled bond principal of \$0.5 million during the fiscal year. No debt was issued related to business-type activities during the fiscal year.

Component Units – Statement of Net Assets highlights

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1. Although legally separate, these "component units" are important because the City is financially accountable for them. One component unit, the Kankakee Public Library, comprises over 90% of the total assets for the component units. The increase in the component units' net assets was \$0.1 million (4.0% to FY 07 balance of \$4.0 million).

Financial Highlights, Statement of Activities

The Statement of Activities presents information that indicates how the City's net assets changed as a result of operations during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The following charts graphically illustrate the composition of the City's revenues and expenses from governmental activities -

Chart 1: Composition of revenues from governmental activities

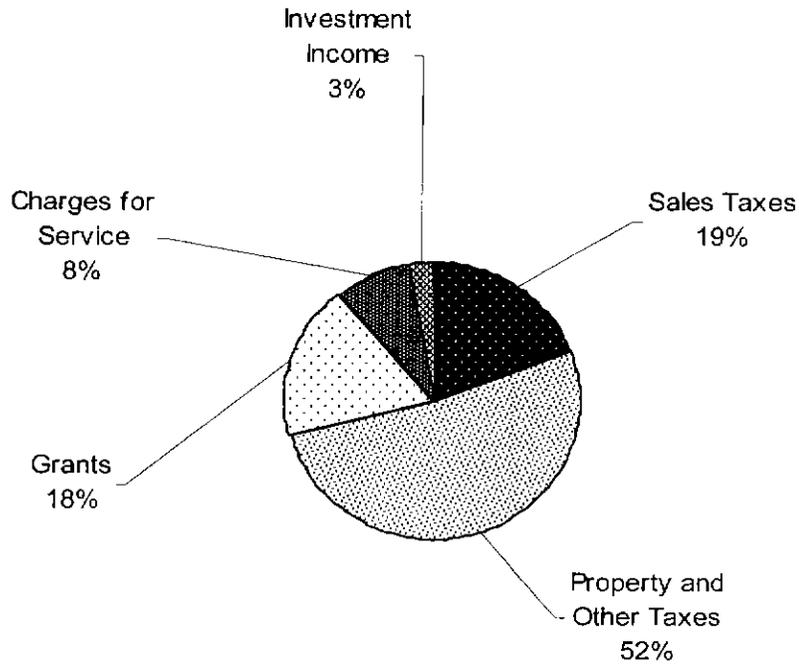
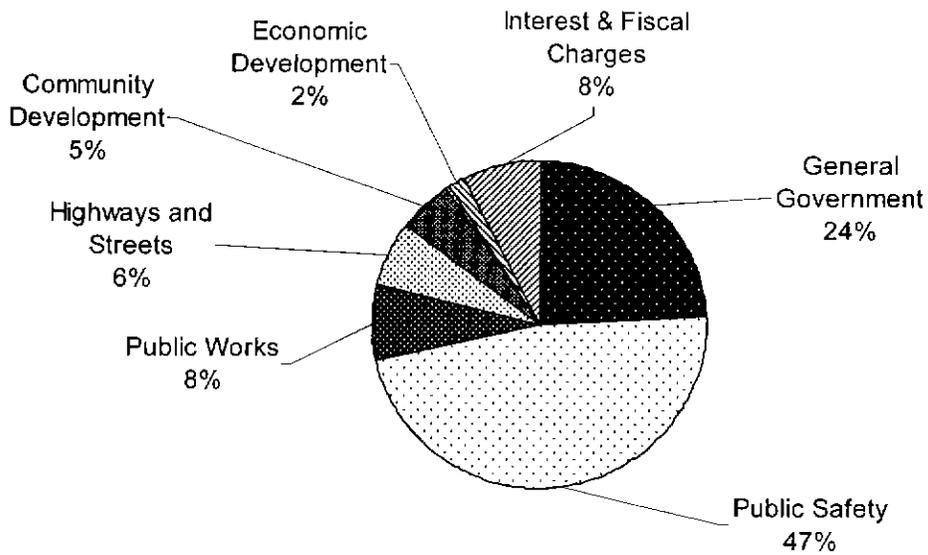


Chart 2: Composition of expenses from governmental activities



The following Statement of Activities table compares the revenues and expenses for the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net assets:

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2007 and 2006 (in millions)

	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total Primary Government Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Program Revenues									
Charges for Service	\$ 2.58	\$ 2.55	\$ 0.03	\$ 8.40	\$ 8.30	\$ 0.10	\$ 10.98	\$ 10.85	\$ 0.13
Capital grants/ contributions	2.88	1.98	0.90				2.88	1.98	0.90
Operating grants/ contributions	2.83	2.88	(0.05)	0.05			2.88	2.88	-
General Revenues									
Property taxes	9.73	9.77	(0.04)				9.73	9.77	(0.04)
Sales taxes	6.02	6.17	(0.15)				6.02	6.17	(0.15)
Utility taxes	3.29	3.35	(0.06)				3.29	3.35	(0.06)
Other taxes	3.44	3.11	0.33				3.44	3.11	0.33
Intergovernmental	0.05	0.05	-				0.05	0.05	-
Investment income	0.86	0.63	0.23	0.15	0.13	0.02	1.01	0.76	0.25
Other	0.07	0.17	(0.10)	0.01	1.69	(1.68)	0.08	1.86	(1.78)
Contributions from developers	-	1.65	(1.65)	-	-	-	-	1.65	(1.65)
Total Revenues	<u>\$ 31.75</u>	<u>\$ 32.31</u>	<u>\$ (0.56)</u>	<u>\$ 8.61</u>	<u>\$ 10.12</u>	<u>\$ (1.51)</u>	<u>\$ 40.36</u>	<u>\$ 42.43</u>	<u>\$ (2.07)</u>
Program Expenses									
General government	\$ 6.70	\$ 6.04	\$ 0.66				\$ 6.70	\$ 6.04	\$ 0.66
Public safety	13.12	12.47	0.65				13.12	12.47	0.65
Public works	2.14	2.20	(0.06)				2.14	2.20	(0.06)
Highways and streets	1.71	3.31	(1.60)				1.71	3.31	(1.60)
Community development	1.45	1.44	0.01				1.45	1.44	0.01
Culture and recreation	0.06	0.06	-				0.06	0.06	-
Economic development	0.46	1.41	(0.95)				0.46	1.41	(0.95)
Interest and fiscal charges	2.13	2.19	(0.06)				2.13	2.19	(0.06)
Proprietary fund expenses	-	-	-	\$ 8.94	\$ 8.94	-	8.94	8.94	0.00
Total Expenses	<u>\$ 27.77</u>	<u>\$ 29.12</u>	<u>\$ (1.35)</u>	<u>\$ 8.94</u>	<u>\$ 8.94</u>	<u>-</u>	<u>\$ 36.71</u>	<u>\$ 38.06</u>	<u>\$ (1.35)</u>
Changes in Net Assets before Transfers	\$ 3.98	\$ 3.19	\$ 0.79	\$ (0.33)	\$ 1.18	\$ (1.51)	\$ 3.65	\$ 4.37	\$ (0.72)
Transfers	<u>0.71</u>	<u>0.86</u>	<u>(0.15)</u>	<u>(0.71)</u>	<u>(0.86)</u>	<u>0.15</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Changes in Net Assets	<u>\$ 4.69</u>	<u>\$ 4.05</u>	<u>\$ 0.64</u>	<u>\$ (1.04)</u>	<u>\$ 0.32</u>	<u>\$ (1.36)</u>	<u>\$ 3.65</u>	<u>\$ 4.37</u>	<u>\$ (0.72)</u>

(Note: There may be some slight differences in totals due to rounding)
For more detailed information, see the Statement of Activities (page 16 - 17)

Governmental Activities – Statement of Activities highlights

Total revenues from governmental activities for the fiscal year ended April 30, 2007 totaled nearly \$32 million, a decrease of \$0.6 million (2%) from the prior fiscal year. During the fiscal year, the City continued to benefit from capital grant income related to the Station Street Bridge project, the Court Street Lighting project, and the old Library Building rehab project. Capital grant income of \$2.9 million was up \$0.9 million (45%) over the prior fiscal year. In fiscal 2006 the City had realized one-time revenue from developer contributions of \$1.6 million as a result of the dedication of roads to the City from the new residential subdivision (Prairie Walk) and from Kankakee County (Varney Road, which serves the new County jail). There was no revenue recognized from developer contributions for fiscal 2007.

Net sales tax revenue represents 19% of the total governmental activities revenue. The City entered into several sales tax sharing agreements with various retail firms starting in fiscal year 2000. These agreements continue to provide substantial amounts of additional sales tax revenues to the City's General Fund (see chart below). This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. These agreements provide that the City will share a portion of the local share of sales taxes generated on the transactions of the partnering companies.

Net sales tax revenues (the one percent share of the State collected tax) decreased nearly \$0.2 million (2% to \$23.7 mil.) this year for the first time since the City's sales tax sharing program was implemented. This decrease came as a result of a substantial sales tax amendment that was made by one of the City's sales tax sharing participants. A substantial adjustment from an amended return is not a normal occurrence, and it is anticipated that this income source will continue to grow, albeit at a much slower pace than experienced over the past 5 years. The following table illustrates the growth in gross and net sales tax revenue over the past six fiscal years –

Table 3: Sales taxes and incentives

<u>Fiscal Year</u>	<u>Gross Accrued Amount Received</u>	<u>less Incentives Paid</u>	<u>Net Sales Tax</u>	<u>\$ Change</u>	<u>Percent Change</u>
2002	4,578,964	1,588,129	2,990,835	747,278	33.3%
2003	8,881,076	5,237,343	3,643,733	652,898	21.8%
2004	14,998,857	10,701,236	4,297,621	653,888	17.9%
2005	22,351,192	17,066,791	5,284,401	986,780	23.0%
2006	25,107,826	18,938,693	6,169,133	884,732	16.7%
2007	23,695,013	17,678,395	6,016,618	(152,515)	-2.5%

Property taxes are also a significant source of revenue, representing 31% to total governmental activities revenue. Property tax rates are affected by the assessed value of property in the City. Assessed values are again growing at a steady rate (see chart below).

Table 4: Equalized Assessed Valuations

	Total	Increase	% Increase
\$	219,866,912		
	225,445,538	\$ 5,578,626	2.5%
	228,353,812	2,908,274	1.3%
	229,476,246	1,122,434	0.5%
	247,167,843	17,691,597	7.7%
	266,311,138	19,143,295	7.7%

Overall, revenues and transfers from governmental activities exceeded expenditures by \$4.7 million, an increase of \$0.8 million (24%) from the prior fiscal year's increase of \$4.0 million. Expenditures from governmental activities totaled \$27.8 million for the fiscal year ended April 30, 2007, a decrease of \$1.3 million (5%) from the prior fiscal year. One expenditure category, Highways and Streets, decreased \$1.6 million (48% to fiscal total of \$1.7 million) as prior year expenditures for the acquisition, demolition, and construction of a downtown parking lot at the former Carson Pirie Building site were not repeated.

The expense category with the largest percentage decrease was Economic Development, which decreased \$0.9 million (67%) to \$0.4 million as one-time TIF incentives expended in fiscal 2006 related to the development of Gas City in the TIF#8 (Exit 308) District and infrastructure improvements along Fifth Avenue which were funded by the TIF#2 (Meadowview) District did not occur again this fiscal year. The City does continue to support various TIF projects each year, although, as noted, at lesser amounts.

Business-Type Activities – Statement of Activities highlights

As noted earlier, business-type activities include the sewer utility and the parking fund, but the parking fund will not be addressed in this analysis. Total revenues for the Kankakee Municipal Utility (KMU) decreased \$1.7 million (17% to FY 07 total of \$8.4 million). In fiscal year 2006, KMU realized one-time income of \$1.6 million from the sale of excess processing capacity to a neighboring community, accounting for most of the decrease in KMU's total revenues. The prior year sale of excess capacity did allow KMU to defer taking action on a usage rate increase for a period of time.

KMU expenses decreased \$0.2 million (2% to FY 07 total of \$8.8 million) as no new major initiatives were taken on for the year. Overall for the year, KMU posted a \$1.1 million planned decrease to its net assets, down by \$1.4 million (435%) from the prior year's increase in net assets. The operating loss of \$0.3 million and transfers to other City funds of \$0.7 million comprised the net asset decrease. There was not a significant change in sewer usage, and there was no change to the usage rates during fiscal 2007. The Utility Board did take action to increase the usage rates at the beginning of fiscal 2008.

Component Unit Activities – Statement of Activities highlights

The component unit revenues decreased \$0.1 (4% to FY '07 total of \$1.6 million) as contributions from the primary government (the City) decreased \$0.2 million (79% to FY 07 total of \$0.04 million). The City, in partnership with Special Service Area #1 (SSA#1) to improve the downtown area, reimburses for a portion of the SSA#1 capital improvements. In the prior fiscal year, the City financed a greater amount of capital improvement projects for the SSA#1 than it did in fiscal 2007.

At the same time, component unit expenses decreased \$0.1 million (7.7% to FY 07 total of \$1.5 million) as fewer capital projects were completed. Overall, the component units posted an increase of \$0.1 million (67%) to end the year with a net asset balance \$4.0 million, an increase of 4% from the prior fiscal year end balance.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for the same functions that are reported as governmental activities in the government-wide financial statements, only from a different perspective. A governmental fund financial statement's focus is on near-term inflows and outflows (sources and uses) of financial resources, on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses. Such information is considered to be useful in evaluating the City's near-term financing requirements. Traditional users of governmental financial statements should find the fund financial statements presentation to be more familiar than the government-wide statements.

Because the focus of governmental funds is near-term, it can be useful to compare the fund statements to the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 19 and 21) to facilitate this comparison between amounts reported in governmental funds and governmental activities.

The City maintained 34 individual governmental funds during fiscal 2007. Information for the City's major funds (General Fund and Capital Projects Fund) is presented separately in the Governmental Fund Balance Sheet (page 18) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 20). Financial information for the other 32 non-major governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 85) of this report.

Financial Analysis of the City's Governmental Funds

For the fiscal year ended April 30, 2007, the Governmental Funds reflect a combined fund balance of \$13.5 million. This was an increase of 19% (\$2.6 million) from the prior year's combined fund balance. The General Fund increased \$0.2 million (5%), Capital Projects Fund increased \$3.9 million (110%), Special Revenue Funds decreased \$0.9 million (28%), and Debt Service Funds decreased \$0.5 million (44%) during the year. Of the total fund balance for all governmental funds, \$3.1 million (23%) is unreserved, indicating availability for continuing City services. Reserved fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, economic development, and capital projects.

Analysis of Balances and Transactions of Individual Funds

The City issued \$5.5 million of new money bonds during the fiscal year as it continues to finance targeted infrastructure improvements. This contributed to the \$3.8 million increase (110% to the FY 07 balance of \$7.4 million) in Capital Projects fund balance at fiscal year end. The Capital Projects Fund expended a total of \$3.0 million for the Station Street Bridge and other infrastructure improvement projects during the fiscal year.

The General Fund's fund balance increased \$0.2 million (5% to FY 07 total of \$3.2 million) as the City continues to strive to implement its implicit policy to increase the General Fund's reserves to a level of 2 to 3 months of spendable reserves. The City continues to budget for a minimum annual \$0.25 million increase in General Fund balance.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, Park, IMRF and Special Service Area No. 2 funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 76. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The following table presents budgetary highlights for the City's General Fund:

Table 5: General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/(Under) Final Budget</u>
Revenues	\$ 19,245,209	\$ 19,245,209	\$ 19,879,653	\$ 634,444
Expenditures	<u>18,700,883</u>	<u>19,193,842</u>	<u>20,588,962</u>	<u>1,395,120</u>
Excess of Revenues over Expenditures	<u>\$ 544,326</u>	<u>\$ 51,367</u>	<u>\$ (709,309)</u>	<u>\$ (760,676)</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$ 284,975	\$ 777,934	\$ 1,346,014	\$ 568,080
Proceeds from disposal of capital assets			10,271	10,271
Transfers to other funds	<u>(479,301)</u>	<u>(479,301)</u>	<u>(481,876)</u>	<u>(2,575)</u>
Net Changes in Fund Balance	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 165,100</u>	<u>\$ (184,900)</u>

The General Fund revenue and expenditure budgets were both amended during the fiscal year, although not to an extent to address the entire planned and known budget changes needed. General Fund actual revenues were \$0.6 million and expenditures were \$1.4 million greater respectively than final budget.

Sales tax revenues were the primary contributor to variances to the revenue budget. Net sales tax revenues (net of related incentives) were \$0.3 million greater than anticipated, even with the unanticipated sales tax amendment previously noted. Other state taxes were \$0.2 million over budget as a result of the continuing recovery of the state's economy. Interest earnings were \$0.1 million over budget as the interest rates nationally have remained higher than anticipated.

The City was in contract negotiations with its Police Patrolmen and Sergeants when the budget was first adopted. The contract was subsequently settled, but the budget was not adjusted for the resultant salary

increases. Additionally, the City was able to secure grant funding that was not in the original budget. The budget was not adjusted for either the grant revenues or the related expenditures. Therefore, the Police uniform salaries and capital accounts combined completed the year at \$0.53 million over budget.

Actual expenditures were greater than budget projections for liability and workers compensation insurance, unemployment tax, and group health insurance collectively by \$0.4 million (13% over budget) as actual costs were higher than projected in the budget. The City contracts for building maintenance with KMU (the sewer utility). Most of the personnel from the building maintenance group have since left the City's employment, so KMU has been contracting out for that work. The result has been higher than anticipated costs allocated to the General Fund for building maintenance (actual costs \$0.2 million greater than budget). Actual expenditures were greater than budget projections for streets and alleys maintenance by \$0.1 million as the City determined for a second year that its General Fund was financially able to reimburse its utility for a greater share of street and traffic light electricity costs than originally planned. No budget adjustment was made to address these changes.

Although actual expenditures were \$1.4 million greater than budget, the City was still able to post a \$0.2 million increase to its General Fund balance for the year after including other financing sources and uses. Interfund transfers are detailed in Footnote 11 on pages 67 – 68. A summary comparison of the General Fund budget to actual results can be found on page 75, and a more detailed comparison can be found on pages 82 – 84.

CAPITAL ASSETS

The following table summarizes the capital assets (in millions, net of depreciation) of the City of Kankakee for the current and prior fiscal years –

Table 6: Capital Asset Highlights (net of depreciation) for the fiscal years ended April 30, 2007 and 2006 (in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 5.24	\$ 5.03	\$ 1.70	\$ 1.70	\$ 6.94	\$ 6.73
Construction in progress	0.91	1.33	0.11	1.23	1.02	2.56
Buildings	2.02	2.06	7.53	7.78	9.55	9.84
Equipment	0.14	0.17	0.68	0.72	0.82	0.89
Vehicles	1.81	1.96	0.08	0.13	1.89	2.09
Land improvements	1.26	0.98	-	-	1.26	0.98
Leasehold improvements	-	-	0.25	0.26	0.25	0.26
Infrastructure	<u>56.46</u>	<u>52.44</u>	<u>18.06</u>	<u>17.33</u>	<u>74.52</u>	<u>69.77</u>
	\$ 67.84	\$ 63.97	\$ 28.41	\$ 29.15	\$ 96.25	\$ 93.12

Additional information on the City's capital assets can be found in Note 5 on pages 51 – 54.

The City's total investment in capital assets for its governmental and business type activities for fiscal 2007 increased by \$3.1 million to \$96.2 million (net of accumulated depreciation), \$3.9 million and (\$0.7) million respectively for the governmental and business type activities. The City's investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges).

Specific major capital asset events during the 2007 fiscal year included the following:

- \$2.4 million for major improvements to the Station Street Bridge (paid for with grant proceeds)
- \$0.9 million for installation of ornamental street lights on Court Street in the downtown area
- \$0.5 million for reconstruction of the Fifth Avenue Bridge
- \$0.4 million for additional construction to the Merchant Street parking area

LONG-TERM DEBT

At year end, the City had \$59.5 million in bonds outstanding versus \$59.2 million the prior year, - an increase of \$0.3 million, as shown in the following table –

Table 7: Bonded Debt Highlights for the fiscal years ended April 30, 2007 and 2006 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	\$ 36.71	\$ 34.56			\$ 36.71	\$ 34.56
Self-supporting GO bonds (backed by revenues of various TIF districts & special service area #1)	14.75	16.06			14.75	16.06
Revenue bonds (backed by specific fee revenues)	-	-	\$ 8.08	\$ 8.59	8.08	8.59
	\$ 51.46	\$ 50.62	\$ 8.08	\$ 8.59	\$ 59.54	\$ 59.21

Additional information on the City's debt can be found in Note 9 on pages 57 – 66.

The City issued \$9.5 million in bonds during fiscal 2007. The City used \$4.0 million of the bond issue to refund and restructure the 2003A taxable variable rate bond issue, replacing it with a tax exempt fixed rate issue. The bond issue also provides \$5.5 million of new money which will finance the renovation of public buildings. The architecturally significant former library building will be completely renovated (most of the financing coming from grant revenues and a portion from the bond issue). The renovated building will serve as the new City Administration Building. The current City Hall will also be completely renovated, and will serve as the new Public Safety Building (Police and Fire).

The City did retire \$6 million in debt with the refunding of the 2003A taxable variable rate issue bonds. Additionally, the City paid scheduled bond principal of \$2.7 million of governmental activities debt and \$0.5 million of business-type activities debt this fiscal year.

The City, under its home rule authority, does not have a legal debt limit. The City had not had an underlying public rating in the past several years, but achieved a Standard and Poors rating of A on the 2006 bond issue noted above. The City also received an insured rating from Standard and Poors of Aaa on the 2006 bond issue. The City issued \$6.8 million in additional bonds in August 2007 to finance long-term infrastructure improvements and for economic development purposes, is in the process of issuing \$3 million in bank bonds for additional economic development purposes, and plans to issue additional bonds in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Income tax revenue from the State, affected over the past few years by the general downturn in the economy, continues to show recovery this fiscal year. The fiscal 2007 sales tax revenue decreased slightly on a year-over-year basis from a one-time sales tax amendment, but should show growth in fiscal 2008 as the City continues its economic development efforts and as the national and local economies grow. The fiscal year 2008 total budgeted expenditures increased \$1.7 million (8%, from \$20.0 million to \$21.7 million) over fiscal 2007. The fiscal 2008 budget does provide for a planned increase in the fund balance of \$0.26 million (anticipated revenues in the budget are \$0.26 million in excess of the budget's anticipated expenditures).

Increases from normal annual salary adjustments (most of which are part of employee labor agreements), health and liability insurance costs, fuel costs, and employer pension contributions all contribute to growth in the City's annual budgeted expenditures. Expenditures for commodities and other contractual services, while increasing, are increasing at a slower pace than other expenditure areas. The fiscal 2008 budget includes additional Police Department employees as part of a new Traffic Control Unit.

The City of Kankakee has not approved any changes in tax rates or fees for the coming fiscal year. The City was awarded a state grant of \$3.3 million, \$1.9 million for the renovation of the old Library building and \$1.4 million for decorative street lighting in the downtown area and the east approach to the City along Highway 17/Court Street, in an earlier fiscal year. The City issued bonds since the beginning of the fiscal year as noted above. The purposes of this bond issue are to finance utility system improvements, to promote economic development in the City's TIF8 Exit 308 district, and to finance additional infrastructure improvements throughout the City.

The unemployment rate (not seasonally adjusted) for the City for June 2007 was 7.9%, which is a decrease from a rate of 8.6% for 2006. It appears that improvements in the national economy are finally having an affect on unemployment in the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Mayor, legislators, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to James A. Spice, Comptroller, City of Kankakee, 385 East Oak Street, Kankakee, Illinois 60901.

BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 18,414,453	\$ 419,222	\$ 18,833,675	\$ 699,519
Restricted cash and investments		45,471	45,471	
Receivables, less allowance for uncollectible amounts:				
Property taxes	10,879,071		10,879,071	1,364,640
Utility taxes	471,297		471,297	
Due from other governmental agencies	4,929,162	169,572	5,098,734	
Due from fiduciary funds	44		44	
Internal balances	(113,526)	113,526	-0-	
Due from component units	68,882		68,882	
Accounts receivable	969,897	2,084,640	3,054,537	70
Materials inventory	27,719		27,719	
Prepaid items	647,881	49,064	696,945	
Other restricted cash and investments		1,736,972	1,736,972	
Capital assets:				
Non-depreciable	6,150,229	1,809,674	7,959,903	
Depreciable (net of accumulated depreciation)	61,687,594	26,600,946	88,288,540	5,841,416
Unamortized bond issuance cost	666,072	272,991	939,063	
Investment in joint venture		1,131,406	1,131,406	
Total assets	<u>104,798,775</u>	<u>34,433,484</u>	<u>139,232,259</u>	<u>7,905,645</u>
Liabilities				
Accounts payable	6,486,233	201,175	6,687,408	35,071
Accrued wages payable	527,034	67,613	594,647	
Interest payable	731,500		731,500	
Due to primary government				68,882
Unearned revenue	15,433,998		15,433,998	1,392,901
Long-term liabilities:				
Due within one year	3,876,557	561,500	4,438,057	63,264
Due within more than one year	62,845,047	6,202,399	69,047,446	2,300,186
Total liabilities	<u>89,900,369</u>	<u>7,032,687</u>	<u>96,933,056</u>	<u>3,860,304</u>
Net Assets				
Invested in capital assets, net of related debt	36,908,903	22,019,221	58,928,124	3,477,966
Restricted for:				
Capital projects	7,302,082		7,302,082	
Debt services	655,645	1,736,972	2,392,617	
Economic development	1,730,603		1,730,603	
Street maintenance programs	85,671		85,671	
Unrestricted	(31,784,498)	3,644,604	(28,139,894)	567,375
Total net assets	<u>\$ 14,898,406</u>	<u>\$27,400,797</u>	<u>\$ 42,299,203</u>	<u>\$ 4,045,341</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 6,704,948	\$ 1,176,508	\$ 150,141	\$ 736,978
Public safety	13,115,543	995,834	413,988	
Public works	2,144,431	266,709		
Highways and streets	1,708,405		797,661	2,147,354
Community development	1,454,627	142,000	1,469,960	
Culture and recreation	58,677			
Economic development	462,521			
Interest and fiscal charges	2,126,330			
Total governmental activities	<u>27,775,482</u>	<u>2,581,051</u>	<u>2,831,750</u>	<u>2,884,332</u>
<u>Business-Type Activities</u>				
Sewer utility	8,942,426	8,391,133	52,300	
Vehicle parking	2,240	12,130		
Total business-type activities	<u>8,944,666</u>	<u>8,403,263</u>	<u>52,300</u>	<u>-0-</u>
Total primary government	<u>\$36,720,148</u>	<u>\$10,984,314</u>	<u>\$ 2,884,050</u>	<u>\$ 2,884,332</u>
Component units:				
Library	\$ 1,407,005	\$ 124,195	\$ 75,145	
Special Service Area No. 1	59,457			
Total component units	<u>\$ 1,466,462</u>	<u>\$ 124,195</u>	<u>\$ 75,145</u>	<u>\$ -0-</u>
General Revenues:				
Property taxes levied for general purposes				
Illinois retailers' tax, net				
Utility taxes				
Other taxes				
Intergovernmental, not restricted to specific programs				
Investment income				
Other				
Contributions from primary government				
Total				
Transfers				
Changes in net assets				
Net assets, May 1, 2006				
Prior period adjustment				
Net assets, May 1, 2006, restated				
Net assets, April 30, 2007				

Net (Expense) Revenue and
Change in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (4,641,321)		\$ (4,641,321)	
(11,705,721)		(11,705,721)	
(1,877,722)		(1,877,722)	
1,236,610		1,236,610	
157,333		157,333	
(58,677)		(58,677)	
(462,521)		(462,521)	
(2,126,330)		(2,126,330)	
<u>(19,478,349)</u>		<u>(19,478,349)</u>	
	\$ (498,993)	(498,993)	
	9,890	9,890	
-0-	<u>(489,103)</u>	<u>(489,103)</u>	
<u>(19,478,349)</u>	<u>(489,103)</u>	<u>(19,967,452)</u>	
			\$ (1,207,665)
			(59,457)
			<u>(1,267,122)</u>
9,726,004		9,726,004	1,333,028
6,016,618		6,016,618	
3,291,910		3,291,910	
3,442,381		3,442,381	
50,000		50,000	
857,099	145,153	1,002,252	30,570
68,771	7,724	76,495	19,395
			40,534
<u>23,452,783</u>	<u>152,877</u>	<u>23,605,660</u>	<u>1,423,527</u>
712,325	(712,325)	-0-	
<u>4,686,759</u>	<u>(1,048,551)</u>	<u>3,638,208</u>	<u>156,405</u>
9,291,082	28,449,348	37,740,430	3,888,936
920,565		920,565	
<u>10,211,647</u>	<u>28,449,348</u>	<u>38,660,995</u>	<u>3,888,936</u>
<u>\$ 14,898,406</u>	<u>\$ 27,400,797</u>	<u>\$ 42,299,203</u>	<u>\$ 4,045,341</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 2,902,324	\$ 9,849,692	\$ 5,662,437	\$18,414,453
Receivables, less allowance for uncollectible amounts:				
Property taxes	3,806,220		7,072,851	10,879,071
Utility taxes	471,297			471,297
Due from other governmental agencies	4,729,612		199,550	4,929,162
Due from fiduciary funds	44			44
Due from other funds	839,916	163,057	249,300	1,252,273
Due from component units	55,638	8,205	5,039	68,882
Accounts receivable	482,254	140,650	346,993	969,897
Materials inventory	27,719			27,719
Prepaid items	570,823	77,058		647,881
Total assets	<u>\$13,885,847</u>	<u>\$10,238,662</u>	<u>\$13,536,170</u>	<u>\$37,660,679</u>
Liabilities				
Accounts payable	\$ 6,172,018	\$ 246,368	\$ 67,847	\$ 6,486,233
Accrued wages payable	496,712		30,322	527,034
Due to other funds			1,365,799	1,365,799
Deferred revenue	3,972,241	2,613,154	9,194,873	15,780,268
Total liabilities	<u>10,640,971</u>	<u>2,859,522</u>	<u>10,658,841</u>	<u>24,159,334</u>
Fund Balance				
Reserved for prepaid items	570,823	77,058		647,881
Reserved for inventories	27,719			27,719
Reserved for debt service			655,645	655,645
Reserved for unexpended street maintenance programs			85,671	85,671
Reserved for economic development			1,730,603	1,730,603
Reserved for capital projects		7,302,082		7,302,082
Unreserved, reported in:				
General Fund	2,646,334			2,646,334
Special Revenue Funds			405,410	405,410
Total fund balance	<u>3,244,876</u>	<u>7,379,140</u>	<u>2,877,329</u>	<u>13,501,345</u>
Total liabilities and fund balance	<u>\$13,885,847</u>	<u>\$10,238,662</u>	<u>\$13,536,170</u>	<u>\$37,660,679</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2007

Amounts reported for governmental activities on the
statement of net assets are different because of the following:

Total Governmental Fund Balance	\$ 13,501,345
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	\$67,837,823
Unamortized bond issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	666,072
Unamortized premium on bond proceeds represents deferred resources which do not provide current financial resources and, therefore, not reported in the funds.	(1,030,732)
Long-term liabilities received for governmental activities are not financial charges and, therefore, not reported in the funds.	(65,690,872)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: Interest payable	(731,500)
Loans receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>346,270</u>
	<u>1,397,061</u>
Net assets of governmental activities	<u><u>\$ 14,898,406</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,666,708		\$ 6,059,296	\$ 9,726,004
Illinois retailers' tax, net	6,016,618			6,016,618
Utility tax	3,291,910			3,291,910
Other taxes	3,442,381			3,442,381
Licenses, permits and fees	1,529,843			1,529,843
Intergovernmental	375,522	\$ 964,159	3,380,630	4,720,311
Charges for services	611,369			611,369
Fines	489,839			489,839
Interest income	351,629	175,406	330,064	857,099
Miscellaneous	103,834		3,403	107,237
Contribution from component unit			93,105	93,105
Total revenues	<u>19,879,653</u>	<u>1,139,565</u>	<u>9,866,498</u>	<u>30,885,716</u>
Expenditures:				
Current:				
General government	5,325,589	887,724	878,808	7,092,121
Public safety	12,920,147	100,608		13,020,755
Public works	2,141,265			2,141,265
Highways and streets		1,837,514	1,933,814	3,771,328
Community development	138,157		1,277,751	1,415,908
Culture and recreation			58,677	58,677
Economic development	28,324		446,253	474,577
Debt Service:				
Principal retirement	32,105	10,000	2,853,076	2,895,181
Interest and fiscal charges	3,375	122,795	2,211,753	2,337,923
Payment to refunded debt escrow			1,628,123	1,628,123
Total expenditures	<u>20,588,962</u>	<u>2,958,641</u>	<u>11,288,255</u>	<u>34,835,858</u>
Excess (deficiency) of revenues over expenditures	<u>(709,309)</u>	<u>(1,819,076)</u>	<u>(1,421,757)</u>	<u>(3,950,142)</u>
Other financing sources (uses):				
Transfers from other funds	1,346,014		2,752,539	4,098,553
Transfers to other funds	(481,876)	(75,158)	(2,829,194)	(3,386,228)
Proceeds from disposal of capital assets	10,271	131,464		141,735
Issuance of bonds		5,270,000		5,270,000
Premium on bonds issued		357,738	185,369	543,107
Issuance of refunding bonds			4,285,000	4,285,000
Payment to refunded debt escrow			(4,371,877)	(4,371,877)
Total other financing sources (uses)	<u>874,409</u>	<u>5,684,044</u>	<u>21,837</u>	<u>6,580,290</u>
Net change in fund balance	<u>165,100</u>	<u>3,864,968</u>	<u>(1,399,920)</u>	<u>2,630,148</u>
Fund balance, May 1, 2006	3,079,776	3,514,172	3,609,498	10,203,446
Prior period adjustment			667,751	667,751
Fund balance, May 1, 2006, as restated	<u>3,079,776</u>	<u>3,514,172</u>	<u>4,277,249</u>	<u>10,871,197</u>
Fund balance, April 30, 2007	<u>\$ 3,244,876</u>	<u>\$ 7,379,140</u>	<u>\$ 2,877,329</u>	<u>\$ 13,501,345</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2007

Amounts reported for governmental activities on the statement of activities
are different because of the following:

Net Change in Fund Balance - Total Governmental Funds	\$ 2,630,148
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.</p>	
Expenditure for capital assets	4,343,518
Donated capital assets not reported in government funds	957,304
Proceeds from disposal of capital assets	(141,735)
Loss on disposal of capital assets	(6,455)
Depreciation	(1,263,142)
<p>Repayment of principal from current financial resources is an expenditure and repayment of principal from refunding bond proceeds is an other financing uses in the governmental funds, but are a reduction of long-term liabilities on the statement of net assets.</p>	
Bonds payable	2,720,000
Payment to refunding debt escrow from bond proceeds	4,371,877
Payment to refunding debt escrow from current resources	1,628,123
Long-term notes payable	85,181
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Amortized bond issue cost	(43,256)
Amortized bond premium	128,877
Amortized deferred loss	(97,717)
Change in accrued interest on long-term debts	(39,000)
Compensated absences payable	(189,000)
Unfunded pension cost	(507,855)
<p>Bond proceeds and premiums, long-term notes and capital lease proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets.</p>	
Proceeds from bonds issued	(9,555,000)
Proceeds from premium on bonds issued	(543,107)
<p>Bond issue costs are expenditures in the governmental funds, but the issuance cost increases the assets on the statement of net assets.</p>	
	216,328
<p>Advances paid on long-term loans receivable are reported as expenditures in the governmental funds, but increase the assets in the statement of net asses. Collection on these loans are reported as revenues in the governmental funds, but reduce the assets in the statement of net assets.</p>	
Advances of new loans	4,000
Collections on loans receivable	(12,330)
Change in net assets of governmental activities	\$ 4,686,759

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2007

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Assets			
Current assets:			
Cash and investments	\$ 363,312	\$ 55,910	\$ 419,222
Restricted cash and investments	45,471		45,471
Receivables, less allowance for uncollectible amounts:			
Due from other funds	120,243		120,243
Accounts receivable	2,084,640		2,084,640
Due from other governmental agencies	169,572		169,572
Prepaid items	49,064		49,064
Total current assets	<u>2,832,302</u>	<u>55,910</u>	<u>2,888,212</u>
Non-current assets:			
Other restricted cash and investments	1,736,972		1,736,972
Capital assets:			
Non-depreciable	365,866	1,443,808	1,809,674
Depreciable (net of accumulated depreciation)	26,600,946		26,600,946
Unamortized bond issuance cost	272,991		272,991
Investment in joint venture	1,131,406		1,131,406
Total non-current assets	<u>30,108,181</u>	<u>1,443,808</u>	<u>31,551,989</u>
Total assets	<u>32,940,483</u>	<u>1,499,718</u>	<u>34,440,201</u>
Liabilities			
Current liabilities:			
Accounts payable	201,175		201,175
Accrued wages payable	67,613		67,613
Due to other funds	6,717		6,717
Accrued employee absences	31,500		31,500
Revenue bonds payable within one year	530,000		530,000
Total current liabilities	<u>837,005</u>	<u>-0-</u>	<u>837,005</u>
Non-current liabilities:			
Accrued employee absences	341,000		341,000
Revenue bonds payable, less portion due within one year	5,861,399		5,861,399
Total non-current liabilities	<u>6,202,399</u>	<u>-0-</u>	<u>6,202,399</u>
Total liabilities	<u>7,039,404</u>	<u>-0-</u>	<u>7,039,404</u>
Net Assets			
Invested in capital assets, net of related debt	20,575,413	1,443,808	22,019,221
Restricted for debt service	1,736,972		1,736,972
Unrestricted	3,588,694	55,910	3,644,604
Total net assets	<u>\$25,901,079</u>	<u>\$ 1,499,718</u>	<u>\$27,400,797</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2007

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Operating revenues:			
Charges for services:			
Sewer charges	\$ 6,655,128		\$ 6,655,128
Solid waste charges	1,561,365		1,561,365
Hydroelectric revenues	174,640		174,640
Parking revenues		\$ 12,130	12,130
Total operating revenues	<u>8,391,133</u>	<u>12,130</u>	<u>8,403,263</u>
Operating expenses:			
Sewer field operations:			
Administration	1,516,762		1,516,762
Sanitary sewers	649,172		649,172
Remote stations	269,686		269,686
Lab and industrial services	396,662		396,662
Technical services	402,500		402,500
Total sewer field operations	<u>3,234,782</u>	<u>-0-</u>	<u>3,234,782</u>
Traffic signals and building maintenance	174,640		174,640
Sewer charges	2,249,284		2,249,284
Solid waste	1,545,116		1,545,116
Parking administration		2,240	2,240
Depreciation	959,671		959,671
Total operating expenses	<u>8,163,493</u>	<u>2,240</u>	<u>8,165,733</u>
Operating income	<u>227,640</u>	<u>9,890</u>	<u>237,530</u>
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	(172,097)		(172,097)
Interest income	144,726	427	145,153
Interest expense	(606,836)		(606,836)
Grant revenue	52,300		52,300
Other income	7,724		7,724
Total nonoperating revenues (expenses)	<u>(574,183)</u>	<u>427</u>	<u>(573,756)</u>
Income (loss) before transfers	<u>(346,543)</u>	<u>10,317</u>	<u>(336,226)</u>
Transfers in (out)	<u>(712,325)</u>		<u>(712,325)</u>
Change in net assets	(1,058,868)	10,317	(1,048,551)
Net assets, May 1, 2006	26,959,947	1,489,401	28,449,348
Net assets, April 30, 2007	<u>\$25,901,079</u>	<u>\$ 1,499,718</u>	<u>\$27,400,797</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2007

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$8,128,554	\$ 10,045	\$8,138,599
Receipts from (payments to) interfund	(2,703)		(2,703)
Other receipts	64,597		64,597
Payments to suppliers	(6,228,313)		(6,228,313)
Payments to employees	(1,272,653)		(1,272,653)
Net cash provided (used) by operating activities	<u>689,482</u>	<u>10,045</u>	<u>699,527</u>
Cash flows provided (used) by noncapital financing activities:			
Transfers	<u>(712,325)</u>		<u>(712,325)</u>
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(217,515)		(217,515)
Additions to construction in progress	(1,910)		(1,910)
Repayment of revenue bonds	(510,000)		(510,000)
Interest paid on revenue bonds	(398,625)		(398,625)
Net cash provided (used) by capital and related financing activities	<u>(1,128,050)</u>	<u>-0-</u>	<u>(1,128,050)</u>
Cash flows provided (used) by investing activities:			
Interest received	144,726	427	145,153
Investment in WIFI	(7,236)		(7,236)
Net cash provided (used) by investing activities:	<u>137,490</u>	<u>427</u>	<u>137,917</u>
Net increase (decrease) in cash and cash equivalents	(1,013,403)	10,472	(1,002,931)
Cash and cash equivalents, May 1, 2006	3,142,787	45,438	3,188,225
Cash and cash equivalents, April 30, 2007	<u>\$2,129,384</u>	<u>\$ 55,910</u>	<u>\$2,185,294</u>
Reconciliation to statement of fund net assets, April 30, 2007:			
Cash and cash equivalents	\$2,129,384	\$ 55,910	\$2,185,294
Investments with maturities greater than 3 months when acquired	16,371		16,371
Total cash and investments	<u>\$2,145,755</u>	<u>\$ 55,910</u>	<u>\$2,201,665</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2007

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 227,640	\$ 9,890	\$ 237,530
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	959,671		959,671
Provision (credit) for bad debts	(16,444)		(16,444)
Other income	64,597		64,597
(Increase) decrease in operating assets:			
Accounts receivable	(246,135)	155	(245,980)
Accounts receivable-Kankakee River Metropolitan Agency	(169,572)		(169,572)
Prepaid insurance and service fees	(17,333)		(17,333)
Increase (decrease) in operating liabilities:			
Accounts payable	52,693		52,693
Accrued compensated absences	30,500		30,500
Accrued payroll	(17,893)		(17,893)
Due to other City funds	(2,703)		(2,703)
Due to other governmental agencies	(175,539)		(175,539)
Net cash provided (used) by operating activities	<u>\$ 689,482</u>	<u>\$ 10,045</u>	<u>\$ 699,527</u>
Noncash transactions related to financing, capital and investing activities:			
Amortization of bond issuance costs	<u>\$ 20,688</u>	<u>\$ -0-</u>	<u>\$ 20,688</u>
Amortization of early debt retirement deferred loss	<u>\$ 187,523</u>	<u>\$ -0-</u>	<u>\$ 187,523</u>
Construction projects capitalized	<u>\$ 1,282,277</u>	<u>\$ -0-</u>	<u>\$ 1,282,277</u>
Net increase (decrease) in the fair value of investments	<u>\$ (4,573)</u>	<u>\$ -0-</u>	<u>\$ (4,573)</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2007

Assets	
Cash and short-term investments	\$ 939,554
Receivables, less allowance for uncollectible amounts:	
Employee contributions	29,561
Interest	117,895
Investments, at fair value:	
Open-end mutual funds	2,715,378
Corporate securities	7,494,545
U.S. treasury and agency securities	9,570,000
Corporate bonds	58,980
Prepaid items	7,648
 Total assets	 <u>20,933,561</u>
 Liabilities	
Accounts payable	325,353
Due to general fund	44
 Total liabilities	 <u>325,397</u>
 Net Assets	
 Net assets held in trust for pension benefits ⁽¹⁾	 <u><u>\$20,608,164</u></u>

(1) A schedule of funding progress is presented in the Required Supplementary Information section of this report.

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2007

Additions:	
Contributions:	
Employer	\$ 2,327,400
Employee	708,432
Total contributions	3,035,832
Investment income:	
Net appreciation in fair value of investments	1,176,808
Interest and dividends	587,058
	1,763,866
Less: investment expense	(131,366)
Net investment income	1,632,500
Total additions	4,668,332
Deductions:	
Benefits	3,528,075
Refunds of contributions	169,699
Administrative expenses	103,568
Total deductions	3,801,342
Net increase	866,990
Net assets held in trust for pension benefits:	
May 1, 2006	19,741,174
April 30, 2007	\$ 20,608,164

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2007

	Library Fund	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 385,793	\$ 313,726	\$ 699,519
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,251,640	113,000	1,364,640
Accounts receivable		70	70
Capital assets:			
Depreciable (net of accumulated depreciation)	5,679,992	161,424	5,841,416
Total assets	<u>7,317,425</u>	<u>588,220</u>	<u>7,905,645</u>
Liabilities			
Accounts payable	35,071		35,071
Due to primary government	68,882		68,882
Unearned revenue	1,279,901	113,000	1,392,901
Long-term liabilities:			
Due within one year	63,264		63,264
Due within more than one year	2,300,186		2,300,186
Total liabilities	<u>3,747,304</u>	<u>113,000</u>	<u>3,860,304</u>
Net Assets			
Invested in capital assets, net of related debt	3,316,542	161,424	3,477,966
Unrestricted	253,579	313,796	567,375
Total net assets	<u>\$ 3,570,121</u>	<u>\$ 475,220</u>	<u>\$ 4,045,341</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2007

	Program Revenues	
Expenses	Charges for Services	Operating Grants
Library Fund:		
Culture and recreation	\$ 1,287,190	\$ 124,195
Interest and fiscal charges	119,815	\$ 75,145
Special Service Area No. 1:		
General government	57,387	
Interest and fiscal charges	2,070	
 Total component units	 \$ 1,466,462	 \$ 124,195

General Revenues:

- Property taxes levied for general purposes
- Interest
- Other
- Contributions from primary government

Total

Changes in net assets

Net assets, May 1, 2006

Net assets, April 30, 2007

Net (Expense) Revenue and
Change in Net Assets

Library Fund	Special Service Area No. 1	Total
\$ (1,087,850)		\$ (1,087,850)
(119,815)		(119,815)
	\$ (57,387)	(57,387)
	(2,070)	(2,070)
<u>(1,207,665)</u>	<u>(59,457)</u>	<u>(1,267,122)</u>
1,219,361	113,667	1,333,028
16,455	14,115	30,570
16,469	2,926	19,395
	40,534	40,534
<u>1,252,285</u>	<u>171,242</u>	<u>1,423,527</u>
44,620	111,785	156,405
3,525,501	363,435	3,888,936
<u>\$ 3,570,121</u>	<u>\$ 475,220</u>	<u>\$ 4,045,341</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City Council is comprised of the Mayor and fourteen council members. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. **Kankakee Municipal Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Kankakee Municipal Utility bylaws, one City Council member from each ward is required to serve on the Kankakee Municipal Utility Board. The Utility accounts for the operation of the sewer and solid waste systems which benefit the citizens of the City.
2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. **Kankakee Public Library (Library)** - The Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. **Special Service Area No. 1 (SSA No. 1)** - SSA No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net assets and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and 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 requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary fund:

Kankakee Municipal Utility Fund- This fund accounts for the City's sewer and solid waste operations and the production, transmission and delivery of electrical power.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary 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 when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2005 levy is recognized as revenue for the year ended April 30, 2007. Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted;

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions associated with a proprietary fund's principal ongoing activities. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - 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. For this purpose, the City considers revenues, except for property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Insurance contracts are valued at contract value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds in the fund balance sheets or fund statements of net assets.

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost. Inventory reported in the governmental funds is not available for appropriation and therefore, results in a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Municipal Utility Fund are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and reservation of net assets.

H. Long-Term Debt, Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amount of bond issue costs amortized during the year ended April 30, 2007, for the governmental and business-type activities was \$43,256 and \$20,688, respectively. The

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

unamortized balance at April 30, 2007, for the governmental and business-type activities was \$666,072 and \$272,991, respectively.

In the fund financial statements, government 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 other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus any material unspent bond proceeds.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Fund Equity - Fund Financial Statements

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Reserved fund balances in pension trust funds represent the net assets held in trust that are required to be reserved for the employees' pension benefits.

O. Investment in Joint Venture

The Kankakee Municipal Utility has two investments in joint ventures which are reported on the equity method of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts. The City's Police and Firefighters' Pension funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers.

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency, and the Senior Aides Program). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

Deposits:

The City, component units and pension trust funds' investment policies require all uninsured deposits with financial institutions to be fully collateralized with the collateral held by an independent third party acting as the City's agent and held in the name of the City, component units and pension trust funds, respectively.

At April 30, 2007, the carrying amount of the City's deposits for governmental and business-type activities was \$4,817,190, and the bank balance was \$5,021,424. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

At April 30, 2007, the carrying amount of deposits of fiduciary activities was \$466,194 and the bank balance was \$466,543 of which \$189,860 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

At April 30, 2007, the carrying amount of deposits of the City's component units was \$384,829 and the bank balance was \$389,411 of which \$254,635 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

Investments:

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2007. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$ 5,719,572	\$ 5,719,572			
Treasury Management Investment Fund	9,743,626	9,743,626			
Illinois Metropolitan Investment Fund (IMET)	319,359	319,359			
Common stock (1)	16,371				
	<u>15,798,928</u>	<u>15,782,557</u>	\$ -0-	\$ -0-	\$ -0-
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	5,525,652		3,777,149	1,389,976	358,527
U.S. Government agencies	4,044,348	423,625	2,699,756	636,762	284,205
Uncategorized investments:					
Mutual funds	2,715,378	2,715,378			
Money market	473,360	473,360			
Common stock (1)	7,494,545				
Corporate bonds	58,980		58,980		
	<u>20,312,263</u>	<u>3,612,363</u>	<u>6,535,885</u>	<u>2,026,738</u>	<u>642,732</u>
Component units:					
Uncategorized investments:					
Illinois funds	34,690	34,690			
Treasury Management Investment Fund	280,000	280,000			
	<u>314,690</u>	<u>314,690</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total investments	<u>\$36,425,881</u>	<u>\$19,709,610</u>	<u>\$6,535,885</u>	<u>\$2,026,738</u>	<u>\$642,732</u>

(1) Risk disclosures does not apply to equities.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Certificates of deposit, which have been presented as bank deposits in this note, are classified as investments for financial reporting purposes.

The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2007 consist of the following:

	<u>Fiduciary</u>
FHLMC	\$ 762,510
FNMA	3,154,600
GNMA	<u>127,238</u>
Total	<u>\$4,044,348</u>

In accordance with the City's investment policy, the City invests in mortgage-backed securities. These securities are reported at fair value and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The City invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAA by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by Allegiance Asset Management Company. The Fund has an average portfolio quality rating of A1+/P1. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated AAA by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

The City's investment policy limits investment maturities in the General Fund and Special Revenue Funds to a maximum of 36 months. Investments in other funds may be purchased with a longer maturity to match future project or liability requirements as limited by bond ordinances. However, in practice, the City generally limits the average duration of its investments to less than one year in order to control fair value losses arising from increasing interest rates and to remain sufficiently liquid to meet operating needs. Interest rate risk for investments held by Pension Trust Funds is managed by establishing investment parameters for the investment managers.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

The City's investment and cash management policy, as well as the investment policies of the Police and Firefighters' Pension Trust Funds, prescribe to the "prudent person" rule, which states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived." The City's investment policy follows the requirements of the State of Illinois Public Funds Investment Act, which prescribes allowable investment vehicles. According to the City's investment policy governing diversification, its investment in Illinois Funds shall not exceed 40 percent of the total investment portfolio unless specifically authorized by the City Council. The City places no limit on the amount the City may invest in any other issuer. The Police and Firefighters' Pension Trust Funds each have separate investment policies, which establish criteria for allowable investments. Both funds follow the requirements of the Illinois Pension Code. The following significant investments (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) in the Police and Firefighters' Pension Plans represent 5 percent or more of the net assets available for benefits of the respective plans:

Police Pension Fund:	
FNMA	\$2,297,876
Firefighters' Pension Fund:	
FHLMC	\$634,292

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The IMRF covers all City employees who occupy a job normally requiring 600 hours or more per year, are paid on a regular payroll from City funds, were under age 60 when first entering employment and are not covered by another state-created retirement system for the same service. Employees not qualifying above are considered "Nonparticipating employees" and are covered under Social Security or under the police pension or firefighters' pension plans. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Funding Policy

Employees participating in IMRF are required to contribute 4.5 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 4.49 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 26 years.

For December 31, 2006, the City's annual pension cost of \$238,011 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from .4 percent to 11.6 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 Experience Study.

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2006	\$238,011	100%	\$-0-
December 31, 2005	244,779	100	-0-
December 31, 2004	252,508	100	-0-
December 31, 2003	50,461	100	-0-
December 31, 2002	54,096	100	-0-
December 31, 2001	55,491	100	-0-
December 31, 2000	155,983	100	-0-
December 31, 1999	369,369	100	-0-
December 31, 1998	390,811	100	-0-
December 31, 1997	428,146	100	-0-

A schedule of funding progress may be found in the required supplementary information immediately following the notes to the financial statements.

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firefighters' Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois legislature. The City

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue financial reports for the Plans.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market are reported at estimated fair value.

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Effective July 1, 1993, the City has until the year 2033 to fully fund the past services costs for the Plans. Administrative costs are financed through investment earnings.

Police Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Firefighters' Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54 percent of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary. The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

Covered employees are required by ILCS to contribute 9.455 percent of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

B. Significant Investments

There are no significant investments (other than those guaranteed or issued by the U.S. government) in any one organization that represent 5 percent or more of the net assets available for benefits except for the following investments:

Police Pension Fund:	
UTS SPDR Trust Fund	\$1,125,866
Firefighters' Pension Fund:	
Dreyfus Premier Core Equity Fund	\$1,303,582

C. Annual Pension Costs, Net Pension Obligation and Other Information

Actuarial valuations are performed annually. Unless otherwise indicated, information on Police and Firefighters' pension in this note is provided as of the latest actuarial valuation date, April 30, 2006. There are no material current year changes to the actuarial assumptions and benefit provisions.

Membership of the plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	50	70
Terminated plan members entitled to but not yet receiving benefits	-0-	8
Active vested plan members	46	23
Active nonvested plan members	<u>26</u>	<u>28</u>
Total	<u>122</u>	<u>129</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Employer contribution rate	25.32% of covered payroll	37.764% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	27 years	27 years
Significant actuarial assumptions:		
(a) Investment rate of return*	8.5% Compounded annually	8.5% Compounded annually
(b) Projected salary increases*	5% Compounded annually	5% Compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

Employer annual pension costs (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual pension costs (APC):	2004	\$1,080,777	\$1,261,558
	2005	1,161,527	1,257,887
	2006	1,229,795	1,396,160
Actual contribution:	2004	\$ 953,821	\$1,084,107
	2005	1,034,354	1,090,926
	2006	1,035,423	1,082,677
Percentage of APC contributed:	2004	88.3%	85.9%
	2005	89.1%	86.7%
	2006	84.2%	77.5%
NPO:	2004	\$4,110,751	\$5,711,527
	2005	4,237,924	5,878,488
	2006	4,432,296	6,191,971

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The NPO at April 30, 2006 has been calculated as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$ 1,104,725	\$1,222,675
Interest on net pension obligation	360,224	499,671
Adjustment to annual required contribution	<u>(235,154)</u>	<u>(326,186)</u>
Annual pension cost	1,229,795	1,396,160
Contributions made	<u>1,035,423</u>	<u>1,082,677</u>
Increase in net pension obligation	194,372	313,483
Net pension obligation, beginning of year	<u>4,237,924</u>	<u>5,878,488</u>
Net pension obligation, end of year	<u>\$4,432,296</u>	<u>\$6,191,971</u>

D. Pension Financial Statements

The following is a combining statement of plan net assets as of April 30, 2007:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 434,492	\$ 505,062	\$ 939,554
Receivables, less allowance for uncollectible amounts:			
Employee contributions	17,576	11,985	29,561
Interest	63,586	54,309	117,895
Investments, at fair value:			
Open-end mutual funds	1,411,796	1,303,582	2,715,378
Corporate bonds		58,980	58,980
Corporate securities	4,338,100	3,156,445	7,494,545
U.S. treasury and agency securities	5,226,890	4,343,110	9,570,000
Prepaid items		<u>7,648</u>	<u>7,648</u>
Total assets	<u>11,492,440</u>	<u>9,441,121</u>	<u>20,933,561</u>
Liabilities:			
Accounts payable	159,610	165,743	325,353
Due to General Fund		<u>44</u>	<u>44</u>
Total liabilities	<u>159,610</u>	<u>165,787</u>	<u>325,397</u>
Net assets:			
Net assets held in trust for pension benefits	<u>\$11,332,830</u>	<u>\$9,275,334</u>	<u>\$20,608,164</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The following is a combining statement of changes in plan net assets for the year ended April 30, 2007:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 1,104,725	\$1,222,675	\$ 2,327,400
Employee	<u>428,217</u>	<u>280,215</u>	<u>708,432</u>
Total contributions	<u>1,532,942</u>	<u>1,502,890</u>	<u>3,035,832</u>
Investment income:			
Net appreciation in fair value of investments	627,845	548,963	1,176,808
Interest and dividends	<u>310,734</u>	<u>276,324</u>	<u>587,058</u>
	938,579	825,287	1,763,866
Less: investment expenses	<u>(77,577)</u>	<u>(53,789)</u>	<u>(131,366)</u>
Net investment income	<u>861,002</u>	<u>771,498</u>	<u>1,632,500</u>
Total additions	<u>2,393,944</u>	<u>2,274,388</u>	<u>4,668,332</u>
Deductions:			
Benefits	1,596,690	1,931,385	3,528,075
Refunds of contributions	154,816	14,883	169,699
Administrative expenses	<u>37,090</u>	<u>66,478</u>	<u>103,568</u>
Total deductions	<u>1,788,596</u>	<u>2,012,746</u>	<u>3,801,342</u>
Net increase	605,348	261,642	866,990
Net assets held in trust for pension benefits:			
May 1, 2006	<u>10,727,482</u>	<u>9,013,692</u>	<u>19,741,174</u>
April 30, 2007	<u>\$11,332,830</u>	<u>\$9,275,334</u>	<u>\$20,608,164</u>

A schedule of funding progress and a schedule of employer contributions may be found in the required supplementary information immediately following the notes to the financial statements.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RESERVED FUND BALANCES:

General Fund

Reserve for Prepaid Insurance

The City is insured through the Illinois Public Risk Fund. The period of coverage is from December 15, 2006, through December 15, 2007. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2007, the fund balance was reserved for

\$570,823

Reserve for Inventories

The City maintains an inventory of gasoline and supplies. The value of the inventory is shown as a reserved fund balance. At April 30, 2007, the fund balance was reserved for

27,719

Total General Fund Reserves

\$598,542

Capital Projects Fund

Reserve for Prepaid Expenditure

The City has reserved the deposit on future purchase of an ambulance in the amount of

\$ 77,058

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2005 and Series 2006 Bonds for future capital projects within the City

7,302,082

Total Capital Project Fund Reserves

\$7,379,140

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RESERVED FUND BALANCES (Continued):

Nonmajor Governmental Funds:

Tax Increment Financing Districts:

Reserve for Economic Development

The City has reserved the unexpended revenues of its various Tax Increment Financing Districts for the future economic development activities of the District. At April 30, 2007, the fund balances were reserved as follows:

Tax Increment Financing District No. 2	\$ 692,310
Tax Increment Financing District No. 3	235,874
Tax Increment Financing District No. 4	280,542
Tax Increment Financing District No. 5	35,080
Tax Increment Financing District No. 6	164,123
Tax Increment Financing District No. 7	62,019
Tax Increment Financing District No. 8	<u>260,655</u>
	<u>\$1,730,603</u>

Motor Fuel Tax Fund

Reserve for Unexpended Street Maintenance Programs

The City of Kankakee has reserved the unexpended amounts for the 2007 street maintenance programs for a total of

\$85,671

Debt Service Funds:

Reserve for Debt Service

The City of Kankakee has a reserve of fund balance for the retirement of General Obligation Bonds. At April 30, 2007, the fund balance was reserved for

\$655,645

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RESERVED FUND BALANCES (Continued):

Fiduciary Funds:

Pension Trust Funds:

Reserve for Employees' Pension Benefits

The City of Kankakee has reserved the net assets held in trust for the benefit of all active members and pensioners of the Firefighters' and Police Pension Funds. At April 30, 2007, the fund balance was reserved as follows:

Firefighters' Pension Fund	\$ 9,275,334
Police Pension Fund	<u>11,332,830</u>
	<u>\$20,608,164</u>

NOTE 5 - CAPITAL ASSETS:

The beginning balances of the capital assets reported in the governmental activities of the primary government were restated by \$252,814 to correct certain errors identified in the prior period. See Note 22.

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2007 is as follows:

	Balance May 1, 2006 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2007 <u> </u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,027,267	\$ 210,242		\$ 5,237,509
Construction in progress	<u>1,329,243</u>	<u>4,530,370</u>	<u>\$4,946,893</u>	<u>912,720</u>
Total capital assets not being depreciated	<u>6,356,510</u>	<u>4,740,612</u>	<u>4,946,893</u>	<u>6,150,229</u>
Capital assets being depreciated:				
Buildings	3,361,298			3,361,298
Equipment	1,420,182	88,631	167,097	1,341,716
Vehicles	4,943,525	148,219	142,485	4,949,259
Land improvements	1,441,829	360,235		1,802,064
Infrastructure	<u>63,847,680</u>	<u>4,910,016</u>	<u>117,716</u>	<u>68,639,980</u>
Total capital assets being depreciated	<u>75,014,514</u>	<u>5,507,101</u>	<u>427,298</u>	<u>80,094,317</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2006 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2007 <u>2007</u>
Less accumulated depreciation:				
Buildings	\$ 1,303,042	\$ 34,146		\$ 1,337,188
Equipment	1,249,670	63,659	\$ 106,644	1,206,685
Vehicles	2,983,128	271,145	110,990	3,143,283
Land improvements	460,354	78,143		538,497
Infrastructure	<u>11,404,906</u>	<u>816,049</u>	<u>39,885</u>	<u>12,181,070</u>
Total accumulated depreciation	<u>17,401,100</u>	<u>1,263,142</u>	<u>257,519</u>	<u>18,406,723</u>
Total capital assets being depreciated, net	<u>57,613,414</u>	<u>4,243,959</u>	<u>169,779</u>	<u>61,687,594</u>
Total capital assets, net	<u>\$63,969,924</u>	<u>\$8,984,571</u>	<u>\$5,116,672</u>	<u>\$67,837,823</u>

Depreciation expense for governmental activities for the year ended April 30, 2007 was charged to functions as follows:

General government	\$ 81,900
Public safety	221,530
Public works	113,274
Highways and streets	816,049
Community development	<u>30,389</u>
	<u>\$1,263,142</u>

	Balance May 1, 2006 <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2007 <u>2007</u>
Business-type activities:				
Kankakee Municipal Utility:				
Capital assets not being depreciated				
Land	\$ 257,359			\$ 257,359
Construction in progress	<u>1,234,529</u>	\$ 156,256	<u>\$1,282,278</u>	<u>108,507</u>
Total capital assets not being depreciated	<u>1,491,888</u>	<u>156,256</u>	<u>1,282,278</u>	<u>365,866</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2007</u>
Capital assets being depreciated:				
Buildings	\$11,695,519			\$11,695,519
Equipment	1,345,902	\$ 45,067		1,390,969
Vehicles	691,223		\$ 32,111	659,112
Leasehold improvements	289,696			289,696
Infrastructure	<u>24,908,630</u>	<u>1,300,382</u>	<u> </u>	<u>26,209,012</u>
Total capital assets being depreciated	<u>38,930,970</u>	<u>1,345,449</u>	<u>32,111</u>	<u>40,244,308</u>
Less accumulated depreciation:				
Buildings	3,918,669	247,375		4,166,044
Equipment	629,454	85,589		715,043
Vehicles	560,276	46,169	32,111	574,334
Leasehold improvements	28,796	8,296		37,092
Infrastructure	<u>7,578,607</u>	<u>572,242</u>	<u> </u>	<u>8,150,849</u>
Total accumulated depreciation	<u>12,715,802</u>	<u>959,671</u>	<u>32,111</u>	<u>13,643,362</u>
Total capital assets being depreciated, net	<u>26,215,168</u>	<u>385,778</u>	<u>-0-</u>	<u>26,600,946</u>
Total capital assets, net	<u>\$27,707,056</u>	<u>\$ 542,034</u>	<u>\$1,282,278</u>	<u>\$26,966,812</u>
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u> </u>	<u> </u>	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>
Less accumulated depreciation:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u> </u>	<u> </u>	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2007</u>
Component Units:				
Library:				
Capital assets being depreciated:				
Buildings	\$6,422,889			\$6,422,889
Equipment	59,489			59,489
Leasehold improvements	<u>156,317</u>	—	—	<u>156,317</u>
Total capital assets being depreciated	<u>6,638,695</u>	\$ -0-	\$-0-	<u>6,638,695</u>
Less accumulated depreciation:				
Buildings	800,661	79,186		879,847
Equipment	35,694	11,898		47,592
Leasehold improvements	<u>23,448</u>	<u>7,816</u>	—	<u>31,264</u>
Total accumulated depreciation	<u>859,803</u>	<u>98,900</u>	-0-	<u>958,703</u>
Total capital assets, net	<u>\$5,778,892</u>	<u>\$(98,900)</u>	\$-0-	<u>\$5,679,992</u>
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements		\$169,920		\$169,920
Less accumulated depreciation:				
Land improvements	—	<u>8,496</u>	—	<u>8,496</u>
Total capital assets, net	\$-0-	<u>\$161,424</u>	\$-0-	<u>\$161,424</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2007 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Kankakee Municipal Utility	\$ 6,717
Nonmajor governmental funds	<u>833,199</u>
Total	<u>\$839,916</u>
Fiduciary Funds:	
Firefighters' Pension Fund	<u>\$44</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued):

Component units:	
Library	<u>\$55,638</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$163,057</u>
Component units:	
Library	<u>\$8,205</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$249,300</u>
Component units:	
Library	<u>\$5,039</u>
Enterprise funds:	
Due to Kankakee Municipal Utility from:	
Nonmajor governmental funds	<u>\$120,243</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2007. The analysis shows that the collection of approximately \$481,000 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2007, the City has deferred economic development loans receivable of \$534,270 (less allowance of \$188,000) since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2008.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

Accounts receivable at April 30, 2007, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:				
Community oriented policing fees and trash collection	\$314,226			\$ 314,226
Franchise fees	21,036			21,036
Economic development loans			\$ 534,270	534,270
Other receivables	<u>201,492</u>	<u>\$140,650</u>	<u>723</u>	<u>342,865</u>
Total	536,754	140,650	534,993	1,212,397
Less: allowance for doubtful accounts	<u>(54,500)</u>	_____	<u>(188,000)</u>	<u>(242,500)</u>
Total accounts receivable, net	<u>\$482,254</u>	<u>\$140,650</u>	<u>\$ 346,993</u>	<u>\$ 969,897</u>
Business-type activities:				
Sewer charges			\$1,422,258	
Garbage collection			789,599	
Other receivables			<u>111,283</u>	
Total			2,323,140	
Less: allowance for doubtful accounts			<u>(238,500)</u>	
Total accounts receivable, net			<u>\$2,084,640</u>	

Kankakee
Municipal
Utility

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:	
General Fund:	
Sales tax	\$4,421,781
Local use tax	81,157
State replacement tax	208,768
Various grants	<u>17,906</u>
Total General Fund	<u>4,729,612</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES (Continued):

Nonmajor governmental funds:	
CDBG Grant	\$ 106,211
HOME Grant	16,926
Senior Aides Grant	11,091
Motor fuel taxes	<u>65,322</u>
Total nonmajor governmental funds	<u>199,550</u>
Total governmental activities	<u>\$4,929,162</u>
Business-type activities:	
Kankakee Municipal Utility:	
Kankakee River Metropolitan Agency	<u>\$169,572</u>

NOTE 9 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2007 is as follows:

	Balance <u>May 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>April 30, 2007</u>	Due within <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$50,620,000	\$ 9,555,000	\$8,720,000	\$51,455,000	\$3,185,000
Premium on bond proceeds	616,502	543,107	128,877	1,030,732	
Less: deferred loss on refunded debt	<u>492,039</u>	<u>324,392</u>	<u>97,717</u>	<u>718,714</u>	
Total bonds payable	50,744,463	9,773,715	8,751,160	51,767,018	3,185,000
Installment notes	444,500		85,181	359,319	74,557
Capital lease obligations	21,591		21,591	-0-	
Unfunded employer pension contributions	10,116,412	507,855		10,624,267	
Compensated absences	<u>3,782,000</u>	<u>189,000</u>		<u>3,971,000</u>	<u>617,000</u>
Total long-term debt	<u>\$65,108,966</u>	<u>\$10,470,570</u>	<u>\$8,857,932</u>	<u>\$66,721,604</u>	<u>\$3,876,557</u>
Business-type activities:					
Bonds Payable:					
Revenue bonds	\$8,585,000		\$510,000	\$8,075,000	\$530,000
Less: deferred loss on refunded debt	<u>1,871,124</u>		<u>187,523</u>	<u>1,683,601</u>	
Total bonds payable	6,713,876	\$ -0-	322,477	6,391,399	530,000
Compensated absences	<u>342,000</u>	<u>30,500</u>		<u>372,500</u>	<u>31,500</u>
Total long-term debt	<u>\$7,055,876</u>	<u>\$30,500</u>	<u>\$322,477</u>	<u>\$6,763,899</u>	<u>\$561,500</u>
Component units:					
General obligation bonds	\$ 90,000		\$ 90,000	\$ -0-	
Capital lease obligations	<u>2,423,635</u>		<u>60,185</u>	<u>2,363,450</u>	<u>\$63,264</u>
Total long-term debt	<u>\$2,513,635</u>	\$ -0-	<u>\$150,185</u>	<u>\$2,363,450</u>	<u>\$63,264</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Long-term liabilities other than debt typically have been liquidated in the General Fund.

Long-term debt is comprised of the following:

<u>General Obligation Bonds</u>	<u>Governmental Activities</u>
<p>The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2007, consist of the following:</p>	
<p>\$3,865,000 City of Kankakee serial bonds dated December 1, 1995, \$1,495,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$200,000 to \$225,000, through January 2008, plus interest ranging from 4.0% to 5.5% payable semiannually.</p>	\$ 210,000
<p>\$7,200,000 City of Kankakee serial bonds dated April 1, 1997, \$5,915,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$40,000 to \$215,000, through January 2013, plus interest ranging from 4.1% to 5.3%, payable semiannually.</p>	490,000
<p>\$6,735,000 City of Kankakee serial bonds dated December 15, 1998, due in annual installments on January 1, of amounts ranging from \$125,000 to \$1,610,000, through January 2015, plus interest ranging from 4.2% to 5.0%, payable semiannually.</p>	5,420,000
<p>\$6,785,000 City of Kankakee serial bonds dated February 1, 1999, due in annual installments on January 1, of amounts ranging from \$215,000 to \$640,000, through January 2015, plus interest ranging from 3.8% to 4.8%, payable semiannually.</p>	4,110,000
<p>\$4,590,000 City of Kankakee serial bonds dated August 15, 2000, due in annual installments on January 1, of amounts ranging from \$25,000 to \$440,000, through January 2025, plus interest ranging from 4.5% to 5.6%, payable semiannually.</p>	3,220,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$3,595,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$80,000 to \$365,000 through January 2015, plus interest ranging from 2.1% to 4.5%, payable semiannually.	\$ 2,495,000
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	140,000
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	140,000
\$3,960,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$35,000 to \$1,240,000, through January 2014, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,805,000
\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$250,000 to \$490,000, through January 2019, plus interest ranging from 2.25% to 5.25%, payable semiannually.	4,350,000
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1, of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.0% to 4.0%, payable semiannually.	8,645,000
\$9,160,000 City of Kankakee serial bonds dated February 1, 2006, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.0% to 4.35%, payable semiannually.	8,915,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$9,515,000 City of Kankakee serial bonds dated September 25, 2006, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.	\$ <u>9,515,000</u>
Total general obligation bonds	51,455,000
Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net	<u>312,018</u>
Total bonds payable	<u>\$51,767,018</u>

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2007, are as follows:

<u>Year Ending April 30.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,185,000	\$ 2,187,313	\$ 5,372,313
2009	3,475,000	2,070,330	5,545,330
2010	3,405,000	1,941,916	5,346,916
2011	3,725,000	1,807,996	5,532,996
2012	3,990,000	1,672,675	5,662,675
2013 - 2017	21,565,000	5,407,221	26,972,221
2018 - 2022	8,380,000	2,061,657	10,441,657
2023 - 2025	<u>3,730,000</u>	<u>367,673</u>	<u>4,097,673</u>
	<u>\$51,455,000</u>	<u>\$17,516,781</u>	<u>\$68,971,781</u>

	<u>Governmental Activities</u>
<u>Installment Notes</u>	
\$262,160 unsecured bank note, dated December 16, 2003, payable in 12 semiannual installments of \$24,243, including interest at 3.23%, through December 16, 2009.	\$137,323
\$97,910 bank note, dated September 15, 2003, secured by equipment, payable in five annual installments of \$21,593, including interest at 3.30%, through September 15, 2008.	41,996
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	<u>180,000</u>
Total installment notes	<u>\$359,319</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2007, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 74,557	\$5,523	\$ 80,080
2009	76,700	3,378	80,078
2010	58,062	423	58,485
2011	10,000		10,000
2012	10,000		10,000
2013 - 2017	50,000		50,000
2018 - 2022	50,000		50,000
2023 - 2025	<u>30,000</u>		<u>30,000</u>
	<u>\$359,319</u>	<u>\$9,324</u>	<u>\$368,643</u>

Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of the library building. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts. The following is a schedule of capital lease obligations and the minimum lease payments.

	<u>Component</u> <u>Units</u>
\$6,422,889 lease, plus interest of \$2,077,111, due in monthly installments of \$15,000, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$2,363,450</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2007:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Component Units - Library:			
Buildings	<u>\$6,422,889</u>	<u>\$879,847</u>	<u>\$5,543,042</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Future minimum lease payments for all capital lease obligations:

Year Ending <u>April 30,</u>	<u>Component Unit - Library</u>	
2008	\$	180,000
2009		180,000
2010		180,000
2011		180,000
2012		180,000
2013 - 2017		900,000
2018 - 2022		900,000
2023 - 2027		900,000
2028 - 2029		<u>255,000</u>
Total minimum lease payments		3,855,000
Less: amount representing interest		(1,491,550)
Present value of minimum lease payments		\$ <u>2,363,450</u>
 <u>Unfunded Employer Pension Contributions</u>		
Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund		\$ 4,432,296
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund		<u>6,191,971</u>
Total unfunded employer pension contributions due from General Fund		<u>\$10,624,267</u>
 <u>Compensated Absences</u>		
	<u>Governmental Activities</u>	<u>Business - type Activities</u>
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds	<u>\$3,971,000</u>	<u>\$372,500</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Revenue Bonds

Details of the revenue bond indebtedness of the City's Enterprise Funds at April 30, 2007, are as follows:

\$7,140,000 Kankakee Municipal Utility serial bonds dated April 1, 1999, due in annual installments on May 1, of amounts ranging from \$215,000 to \$560,000 through May 1, 2018, plus interest at rates ranging from 4.10% to 6.00%, payable semiannually.	\$4,775,000
\$4,270,000 Kankakee Municipal Utility serial bonds dated December 1, 2001, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	<u>3,300,000</u>
Total revenue bonds principal	8,075,000
Less: Deferred loss on early retirement of Sewerage Refunding Revenue Bonds, Series 1991	<u>1,683,601</u>
Total revenue bonds payable	<u>\$6,391,399</u>

Debt service on the above revenue bonds payable at April 30, 2007, are as follows:

Year Ending April 30,	Kankakee Municipal Utility		
	Principal	Interest	Total
2008	\$ 530,000	\$ 377,935	\$ 907,935
2009	555,000	355,576	910,576
2010	580,000	331,535	911,535
2011	600,000	306,223	906,223
2012	630,000	279,432	909,432
2013 - 2017	3,615,000	888,556	4,503,556
2018 - 2022	<u>1,565,000</u>	<u>255,866</u>	<u>1,820,866</u>
	<u>\$8,075,000</u>	<u>\$2,795,123</u>	<u>\$10,870,123</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The revenue bond ordinances require that all monies held in the Kankakee Municipal Utility be segregated and restricted in separate special reserve accounts, in the priority indicated by the order of the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Operation and maintenance	Sufficient amount to pay reasonable monthly expenses	Paying expenses of maintenance and operation of the system
Bond and interest	Monthly payment of 1/6 of next interest due and 1/12 of next principal due until amount is sufficient to pay current bond and interest payment	Paying principal and interest on bonds
Bond reserve	Monthly payment of 1/24 of the difference between the amount on deposit to the credit of the bond reserve account at the time of delivery of the bonds and the maximum annual debt service	Paying principal and interest on bonds when monies are insufficient in Bond and Interest account. After the account reaches \$913,250 (maximum principal and interest due in any one year), such monthly payments may cease.
Reserve and replacement	\$10,000 per month	Paying costs of extraordinary maintenance, repairs and necessary replacements. After the account accumulates to \$500,000 such monthly payment may cease.
Surplus	Annually, the amount remaining after payment into the above four accounts	Reserve for deficiencies in the other reserves and there after, without any priority among them, for one or more of the following purposes: For the purpose of constructing or acquiring repairs, replacements, improvements or extensions to the system; or For the purpose of calling and redeeming outstanding bonds which are callable at the time; or For the purpose of purchasing outstanding bonds which are not callable at the time at a price not to exceed par and accrued interest to the date of purchase; or For the purpose of paying principal of and interest on any subordinate bonds or obligations issued for the purpose of constructing or acquiring repairs, replacements, improvements or extensions to the system; or For any other lawful system purpose.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The Utility met all reserve provisions as required above for the year ended April 30, 2007.

The Kankakee Municipal Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2007, the Kankakee Municipal Utility did comply with this rate covenant. The covenant calculation is included on page 112.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents were insured at April 30, 2007 for \$7,196,000 under the City of Kankakee master policy with the St. Paul Companies. The Kankakee Municipal Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the St. Paul Companies. The April 30, 2007 coverage is as follows:

Property damage	\$2,000,000	Per Wrongful Act
Auto liability	2,000,000	Per Wrongful Act
Comprehensive liability	5,000,000	Per Wrongful Act
Annual aggregate coverage	9,000,000	Each Event

Customer and Flow Information - As of April 30, 2007 there were 8,335 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	8,302	\$2,524,719
Industrial and institutional	<u>33</u>	<u>4,130,409</u>
Total	<u>8,335</u>	<u>\$6,655,128</u>

Most of these customers have a water meter; the number of unmetered customers is negligible.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

User Rates - The rates in effect at April 30, 2007 were as follows:

Flow charge (100 cu. ft.)	\$ 2.50
BOD surcharge (lb.)	.36
SS surcharge (lb.)	.36
FOG surcharge (lb.)	.36
Special waste (gal.)	.05
GW contaminated (100 cu. ft.)	6.50
Septage (1,000 gal.)	34.00
Fixed charge (month)	23.00
Leachate (gal.)/City landfill	N/A
Leachate (gal.)/non-City landfill	N/A
IPP charges	5%

Outstanding Bond Issues - 2001 bonds due May 1, 2007 to 2011 are noncallable in advance of maturity. 2001 bonds due May 1, 2012 to 2022 are callable on any date on or after May 1, 2011. 1999 bonds due May 1, 2007 to 2009 are noncallable in advance of maturity. 1999 bonds due May 1, 2010 to 2018 are callable on any date on or after May 1, 2009.

NOTE 10 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2005 were due, payable, and collected in two installments in June and September 2006.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2005 are intended to finance the fiscal year 2007 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2007 for collections from the calendar year 2005 levy if it was received by June 30, 2007. Property taxes levied for calendar year 2006, which will be collected in fiscal year 2008, are recorded as receivables and deferred revenue as of April 30, 2007. The City and its component units have not deferred property taxes receivable based on the availability criteria at April 30, 2007. The 2007 tax levy, which attaches as an enforceable lien on property as of January 1, 2007, has not been recorded as a receivable as of April 30, 2007, as the tax has not yet been levied by the City and will not be levied until December 2007, and therefore, the levy is not measurable at April 30, 2007.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND TRANSFERS:

Interfund transfers for the year ended April 30, 2007, consisted of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund		\$ 481,876	\$ 481,876
Capital Projects Fund		75,158	75,158
Kankakee Municipal Utility	\$ 712,325		712,325
Nonmajor Governmental Funds	<u>633,689</u>	<u>2,195,505</u>	<u>2,829,194</u>
	<u>\$1,346,014</u>	<u>\$2,752,539</u>	<u>\$4,098,553</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2007:

The General Fund transferred \$477,171 to the Debt Service Fund to provide for bond and interest retirement.

The General Fund transferred \$4,705 to the Park Fund to cover its fund deficit.

The Capital Projects Fund transferred \$75,158 to the Debt Service Fund to provide for interest retirement.

The Kankakee Municipal Utility Fund transferred \$596,325 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

The Kankakee Municipal Utility transferred \$116,000 to General Fund as payment in lieu of taxes.

The following Tax Increment Financing Districts transferred funds to the Debt Service Fund to provide for bond and interest retirement:

Tax Increment Financing District No. 1	\$458,900
Tax Increment Financing District No. 2	72,995
Tax Increment Financing District No. 4	72,995
Tax Increment Financing District No. 5	128,585
Tax Increment Financing District No. 6	193,525
Tax Increment Financing District No. 7	31,208
Tax Increment Financing District No. 8	209,174

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND TRANSFERS (Continued):

The following Tax Increment Financing Districts transferred funds to the General Fund to provide for the public safety costs incurred on behalf of the District:

Tax Increment Financing District No. 2	\$212,500
Tax Increment Financing District No. 3	184,000
Tax Increment Financing District No. 4	220,000

The Tax Increment Financing District No. 8 Fund transferred \$1,028,123 to the Debt Service Fund to aid in the current refunding of Series 2003 - Exit 308 Bonds.

The Civil Defense Fund (a Special Revenue Fund) was closed during the year and transferred its excess funds in the amount of \$17,189 to the General Fund.

NOTE 12 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2007, is composed of the following elements:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 3,806,220
Unexpended grant receipts		32,216
Advance collection of licenses and fees		133,805
Capital Project Fund:		
Unexpended grant receipts		2,613,154
Nonmajor Governmental Funds:		
Property taxes receivable		7,072,851
Loans receivable net of allowance for uncollectible amounts	\$346,270	
Unexpended grant receipts		<u>1,775,752</u>
Total governmental funds	<u>\$346,270</u>	<u>\$15,433,998</u>
Component Units:		
Library Fund:		
Unexpended grant receipts		\$ 28,261
Property taxes receivable		<u>1,251,640</u>
Total Library Fund		1,279,901
Special Service Area # 1:		
Property taxes receivable	—	<u>113,000</u>
Total component units	<u>\$-0-</u>	<u>\$1,392,901</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - RELATED PARTY TRANSACTIONS:

The following describes transactions between the City and its component units for the year ended April 30, 2007:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Special Service Area #1	\$40,534	To provide for various repairs and improvements.
Special Service Area #1	Debt Service Fund	\$93,105	To provide for bond and interest retirement.

NOTE 14 - SEGMENT INFORMATION:

The City maintains two enterprise funds which provide various services to the general public:

Kankakee Municipal Utility - Accounts for the operation of the City sewer and solid waste systems and the production, transmission and delivery of electric power. The City issues revenue bonds to support its utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

Motor Vehicle Parking - Accounts for the parking services of the City including monitoring and maintaining city-owned parking facilities. No segment reporting is required for the parking activity because of the absence of revenue-backed debt.

NOTE 15 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2007, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures, discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - COMMITMENTS:

Operating Leases

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2007 was \$4,693.

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2007 was \$227,296.

Kankakee Municipal Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of \$150,000 per year. In addition, the Village of Manteno will pay \$75,000 annually for the option to lease capacity of an additional 1,000,000 gallons per day of wastewater transport and treatment capacity. This option shall be valid for a period of 5 years from the date of execution of this agreement. The annual lease payment for the year ended April 30, 2007 was \$225,000.

Construction Commitments

The City has several active construction projects as of April 30, 2007. These projects and the City's commitment with contractors at April 30, 2007 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Soldier Creek - phase 2	\$ 5,418	\$ 17,279
2007 MFT street maintenance	99,116	998,007
Public buildings and lighting project	879,036	2,420,964
ICRR - Brookmont	8,752	349,235
Marcotte Road	12,056	1,246,054
Eastgate Retention Pond	<u>6,918</u>	<u>42,643</u>
	<u>\$1,011,296</u>	<u>\$5,074,182</u>
Business-type activities:		
Sanitary sewer extension – Rt. 113	\$65,640	\$ 301,566
Indian Meadows	<u>10,500</u>	<u>2,944,024</u>
	<u>\$76,140</u>	<u>\$3,245,590</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - EXPENDITURES AND APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds for the year ended April 30, 2007 were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$20,588,962	\$19,193,842	\$1,395,120
Park Fund	45,677	35,000	10,677
Special Service Area No. 3	53,455	52,750	705

NOTE 18 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2007, the City has recorded in the Kankakee Municipal Utility an investment in the joint venture of \$1,120,471 relative to its investment in KRMA.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2007 is as follows:

Statement of net assets:	
Current assets	\$ 533,465
Restricted assets	2,171,427
Capital assets, net	21,046,189
Other assets	<u>298,212</u>
Total assets	<u>24,049,293</u>
Current liabilities	1,528,620
Non-current liabilities	<u>20,828,823</u>
Total liabilities	<u>22,357,443</u>
Total net assets	<u>\$ 1,691,850</u>
Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$4,511,993
Operating expenses	4,337,625
Other income (expense)	<u>(494,636)</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 18 - INVESTMENT IN JOINT VENTURE (Continued):

Change in net assets	\$ (320,268)
Ownership percentage	<u>54.89%</u>
Utility's share of net income (equity interest in joint venture income)	\$ (<u>175,796</u>)

Wi-Fi Kankakee, LLC

Effective May 15, 2006, pursuant to a joint operating agreement, the City and *Kankakee Daily Journal* (KDJ), a local newspaper company, formed a limited liability company named Wi-Fi Kankakee, LLC (Wi-Fi), with an equal ownership of 50 percentages each for the City and KDJ. The purpose of Wi-Fi is to design, acquire, establish, install, operate, maintain and own a system by which authorized individual users (residents, businesses, visitors) may obtain and use, within the boundaries of the City, wireless access to the internet. The agreement requires each item of Wi-Fi's income, gain, loss, deduction and credit be allocated equally to the City and KDJ.

As of April 30, 2007, the City has recorded in the Kankakee Municipal Utility an investment in joint venture of \$10,935, relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi were not available. At April 30, 2007, the City has recorded in Kankakee Municipal Utility an equity interest in joint venture income of Wi-Fi in the amount of \$3,699.

NOTE 19 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2007 will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 20 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 20 - SALES TAX INCENTIVES (Continued):

These agreements provide for rebating a portion of the local share of the sales taxes generated on the transactions of the partnering firm conducted within the City. During the fiscal year ended April 30, 2007, \$17,678,395 in sales taxes was rebated under these agreements. At April 30, 2007, the City owed \$4,988,295 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

NOTE 21 - CURRENT REFUNDING:

On September 25, 2006, the City issued \$9,555,000 of General Obligation Bonds, Series 2006, with an average interest rate of 4.23 percent, to finance various public capital improvements in the City (\$5,270,000) and to place resources with the paying agent to provide for the retirement of General Obligation Bonds, Series 2003 - Exit 308 (\$4,285,000) in a current refunding transaction. The refunded bonds were variable rate (current rate 5.38 percent) demand bonds that reset weekly.

The flow of funds relative to the refunding bonds issued is as follows:

Sources of funds:

Principal amount of refunding bonds	\$4,285,000
Premium on bonds	185,369
City contribution for refunding	<u>1,628,123</u>
	<u>\$6,098,492</u>

Use of funds:

Payment to refunded bond escrow	\$6,000,000
Underwriting fees, insurance and other issuance costs	<u>98,492</u>
	<u>\$6,098,492</u>

As a result of the current refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$324,392. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. Based on a current interest rate of 5.38 percent, the City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) by \$4,159,642, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,255,259. Due to the fluctuations in market interest rates, the future debt service payments of the refunded bonds are not certain and could produce significant changes in the amount of repayments. For this reason, the actual debt service savings and economic gain might differ from those calculated at 5.38 percent.

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 22 – RESTATEMENT OF FUND EQUITY/NET ASSETS:

The City has restated fund balance and net assets for its fund financial statements and government-wide financial statements as of May 1, 2006, to (a) recognize revenues deferred in prior periods; (b) record grant expenditures in the appropriate fund and (c) record capital assets inadvertently omitted from infrastructure study.

<u>Fund Statements</u>	<u>Capital Project Fund</u>	<u>Non-Major Governmental</u>
Fund balance, May 1, 2006, as previously reported	\$3,514,172	\$3,609,498
Restated for:		
(a) Deferred revenue	212,650	455,101
(b) Grant expenditures	<u>(212,650)</u>	<u>212,650</u>
Prior period adjustment	<u>-0-</u>	<u>667,751</u>
Fund balance, May 1, 2006, restated	<u>\$3,514,172</u>	<u>\$4,277,249</u>

Government-Wide Financial Statements

Net assets, May 1, 2006, as previously reported	\$ <u>9,291,082</u>
Restated for:	
(a) Deferred revenue	667,751
(c) Capital assets, net of accumulated depreciation	<u>252,814</u>
Prior period adjustment	<u>920,565</u>
Net assets, May 1, 2006, restated	<u>\$10,211,647</u>

NOTE 23 – DEFICIT FUND BALANCE:

At April 30, 2007, the Tax Increment Financing District No. 1 Fund had a deficit fund balance of \$386,550. This deficit is not in violation of any state law.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 24 – SUBSEQUENT EVENTS:

On August 2, 2007, the City of Kankakee issued \$5,405,000 General Obligation Bonds, Series 2007A (the Series 2007A Bonds), and \$1,422,327 General Obligation Capital Appreciation bonds, series 2007B (the Series 2007B Bonds), which mature serially January 1, 2009-2027 at various interest rates.

The flow of funds relative to these bonds are as follows:

	<u>Series 2007A</u>	<u>Series 2007B</u>
Source of Funds:		
Principal amount of bonds	\$5,405,000	\$1,422,327
Reoffering premium	76,569	
Accrued interest	660	
Planned issuer equity contribution	<u>219,438</u>	
	<u>\$5,701,667</u>	<u>\$1,422,327</u>
Use of funds:		
Deposit to Debt Service Fund	\$ 660	
Deposit to Capitalized Interest Fund	219,438	
Deposit to Construction Fund	5,339,055	\$1,390,000
Cost of issuance (1)	105,410	31,372
Rounding amount	<u>37,104</u>	<u>955</u>
	<u>\$5,701,667</u>	<u>\$1,422,327</u>

(1) Includes underwriter's discount, municipal bond insurance premium and other issuance costs.

The Series 2007A Bonds will be used to finance certain ongoing redevelopment project costs within the City's Exit 308 Tax Increment Financing District, including \$58,246 for Wal-Mart site clean-up, \$195,861 for revised phase 1 retention pond, \$831,620 for Marcotte Road projects, \$3,072,132 for second additional development for the Riverstone Parkway extension, and for utility fund projects, including \$500,000 for hydroelectric plant improvements, and \$681,196 for the Indian Meadows sewer project. The balance of the proceeds will be used to pay incidental expenses associated with the issuance of the Series 2007A Bonds.

The Series 2007B Bonds will be used to finance various public capital infrastructure improvements including \$840,000 for curb and sidewalks and \$550,000 for the Marcotte Road project. The balance of the proceeds will be used to pay incidental expenses associated with the issuance of the Series 2007B Bonds.

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**REQUIRED SUPPLEMENTAL
INFORMATION**

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$15,892,781	\$15,892,781	\$ 16,417,617	\$ 524,836
Licenses, permits and fees	1,404,000	1,404,000	1,529,843	125,843
Intergovernmental	403,010	403,010	375,522	(27,488)
Charges for services	595,718	595,718	611,369	15,651
Fines and penalties	544,000	544,000	489,839	(54,161)
Interest	250,000	250,000	351,629	101,629
Miscellaneous	155,700	155,700	103,834	(51,866)
Total revenues	<u>19,245,209</u>	<u>19,245,209</u>	<u>19,879,653</u>	<u>634,444</u>
Expenditures:				
Current:				
General government	4,416,206	4,750,976	5,325,589	574,613
Public safety	12,379,126	12,403,871	12,920,147	516,276
Public works	1,889,301	1,892,479	2,141,265	248,786
Community development		130,266	138,157	7,891
Economic development	16,250	16,250	28,324	12,074
Debt Service:				
Principal retirement			32,105	32,105
Interest and fiscal charges			3,375	3,375
Total expenditures	<u>18,700,883</u>	<u>19,193,842</u>	<u>20,588,962</u>	<u>1,395,120</u>
Excess (deficiency) of revenues over expenditures	<u>544,326</u>	<u>51,367</u>	<u>(709,309)</u>	<u>(760,676)</u>
Other financing sources (uses):				
Transfers:				
From other funds	284,975	777,934	1,346,014	568,080
To other funds	(479,301)	(479,301)	(481,876)	(2,575)
Proceeds from disposal of capital assets			10,271	10,271
Total other financing sources (uses)	<u>(194,326)</u>	<u>298,633</u>	<u>874,409</u>	<u>575,776</u>
Net change in fund balance	<u>\$ 350,000</u>	<u>\$ 350,000</u>	165,100	<u>\$ (184,900)</u>
Fund balance, May 1, 2006			<u>3,079,776</u>	
Fund balance, April 30, 2007			<u>\$ 3,244,876</u>	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
APRIL 30, 2007

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Park Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2 and Special Service Area No. 3. For Civil Defense Fund, Community Development Agency, Senior Aides, Motor Fuel Tax, and Tax Increment Financing District funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

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

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council. The City Council adopted certain supplemental budget appropriations for the General Fund during fiscal year ended April 30, 2007.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

NOTE 2 - EXPENDITURES AND APPROPRIATIONS:

Excess of expenditures over appropriations in General Fund for the year ended April 30, 2007 was \$1,395,120.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2007

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2006	\$15,930,997	\$16,047,139	\$ 116,142	99.28%	\$ 5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	(36.88%)
2001	15,930,360	12,132,670	(3,797,690)	131.30%	5,440,324	(69.81%)
2000	15,265,055	11,279,991	(3,985,064)	135.33%	5,164,986	(77.16%)
1999	13,723,118	10,299,124	(3,423,994)	133.25%	5,018,601	(68.23%)
1998	11,659,097	9,554,996	(2,104,101)	122.02%	4,984,828	(42.21%)
1997	10,176,901	9,279,645	(897,256)	109.67%	4,995,898	(17.96%)

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$17,262,426. On a market basis, the funded ratio would be 107.57%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2007

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2006	\$11,760,602	\$30,146,624	\$18,386,022	39.01%	\$ 4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%
2001	11,191,083	21,482,299	10,291,216	52.09%	3,195,355	322.07%
2000	12,558,886	19,982,474	7,423,588	62.85%	2,914,227	254.74%
1999	11,120,244	18,817,976	7,697,732	59.09%	2,874,407	267.80%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	10,104,437	19,736,436	9,631,999	51.20%	2,936,582	328.00%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2007

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2006	\$10,236,367	\$29,094,938	\$18,858,571	35.18%	\$ 2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%
2001	11,450,544	24,296,512	12,845,968	47.13%	2,213,379	580.38%
2000	12,211,206	23,353,668	11,142,462	52.29%	2,244,729	496.38%
1999	10,944,127	22,235,656	11,291,529	49.22%	2,283,580	494.47%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	9,660,632	23,290,322	13,629,690	41.48%	2,484,264	548.64%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2007

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2007	\$1,104,725	\$1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%
2003	701,806	701,806	100.00%
2002	536,964	536,964	100.00%
2001	540,496	538,428	99.62%
2000	465,000	535,942	115.26%
1999	692,127	283,916	41.02%
1998	634,713	212,121	33.42%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2007

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2007	\$1,222,675	\$1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%
2003	874,715	887,458	101.46%
2002	768,601	769,597	100.13%
2001	763,870	763,606	99.97%
2000	700,000	788,888	112.70%
1999	815,979	525,352	64.38%
1998	767,942	398,682	51.92%

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND
SUPPLEMENT SCHEDULES**

**CITY OF KANKAKEE, ILLINOIS
MAJOR FUNDS**

General Fund

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2007
(With comparative totals for 2006)

	Budgeted Amounts		2007	2006
	Original	Final	Actual	Actual
Taxes:				
Property taxes	\$ 3,721,100	\$ 3,721,100	\$ 3,666,708	\$ 3,563,474
State income tax	2,177,287	2,177,287	2,317,036	2,100,646
Local use tax	324,394	324,394	360,373	325,206
State replacement income tax	700,000	700,000	764,972	688,797
Illinois retailers' tax	23,254,081	23,254,081	23,695,013	25,107,826
Less: sales tax incentives	(17,554,081)	(17,554,081)	(17,678,395)	(18,938,693)
Utility taxes	3,270,000	3,270,000	3,291,910	3,349,709
Total taxes	15,892,781	15,892,781	16,417,617	16,196,965
Licenses, permits and fees:				
Business licenses	105,000	105,000	113,775	95,475
Vehicle sticker fees				3,000
Other licenses	70,000	70,000	55,818	58,574
Franchise fees	230,000	230,000	269,929	221,777
Ambulance fees	410,000	410,000	447,974	417,877
Community oriented policing fee	460,000	460,000	458,140	459,131
Other permits and fees	129,000	129,000	184,207	91,896
Total licenses, permits and fees	1,404,000	1,404,000	1,529,843	1,347,730
Intergovernmental:				
Grants from various governmental agencies	403,010	403,010	375,522	320,227
Charges for services:				
Kankakee Municipal Utility	89,438	89,438	62,940	102,308
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Department of public works	274,000	274,000	266,709	291,835
Community Development Agency	89,000	89,000	142,000	142,000
Fire department	78,280	78,280	67,310	68,926
Police department	15,000	15,000	22,410	39,190
Total charges for services	595,718	595,718	611,369	694,259
Fines and penalties	544,000	544,000	489,839	555,195
Interest	250,000	250,000	351,629	295,834
Miscellaneous revenues:				
Foreign fire insurance tax	38,000	38,000	38,466	38,834
Other revenues	117,700	117,700	65,368	200,663
Total miscellaneous revenues	155,700	155,700	103,834	239,497
Total revenues	\$19,245,209	\$19,245,209	\$19,879,653	\$19,649,707

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2007
(With comparative totals for 2006)

	Budgeted Amounts		2007	2006
	Original	Final	Actual	Actual
General city government:				
Council	\$ 125,000	\$ 125,000	\$ 116,545	\$ 126,426
Mayor	72,310	72,358	81,197	80,186
Commissions and boards	47,200	47,200	32,801	47,064
City clerk	102,210	102,891	116,014	104,539
Adjudication	148,769	148,769	128,280	150,577
Central services	381,360	381,633	297,566	313,197
Collection	53,430	53,430	78,943	85,181
Computer operations	20,150	49,618	73,648	98,307
Corporate counsel	156,989	156,989	171,189	180,242
City planning	3,900	10,152	34,255	9,031
Public buildings and grounds	134,975	134,975	324,421	291,158
Community promotion	75,000	75,000	70,717	74,718
Human relations	85,195	85,195	99,241	76,145
Group insurance	1,340,000	1,340,000	1,376,241	1,551,806
Liability and workers compensation insurance	1,433,400	1,433,400	1,749,308	1,542,625
Unemployment tax	20,000	20,000	40,042	60,648
Transportation support	64,000	64,000	68,798	62,297
Other	152,318	450,366	466,383	200,380
Total general city government	4,416,206	4,750,976	5,325,589	5,054,527
Public safety - police department:				
Administration and operations	4,170,270	4,178,482	4,709,454	4,621,521
Community oriented policing unit	453,988	453,988	482,642	491,615
Training	48,000	48,000	41,779	20,102
Records	262,627	262,627	250,459	143,056
Communications	750,999	750,999	731,284	783,475
Detention and custody	15,500	15,500	15,484	19,274
Pension contribution	1,104,725	1,104,725	1,104,725	1,035,423
Total public safety - police department	6,806,109	6,814,321	7,335,827	7,114,466
Public safety - fire department:				
Administration	543,148	551,242	599,817	603,783
Training	102,100	102,100	94,012	199,373
Alarm and communications system	43,000	43,000	42,522	29,043
Fire prevention	234,750	234,750	164,578	117,628
Fire fighting force	1,885,167	1,885,167	1,862,298	1,756,700
Emergency service	900,785	900,785	886,676	861,361
Foreign fire insurance tax	38,000	38,000	38,466	38,834
Pension contribution	1,222,675	1,222,675	1,222,675	1,082,677
Total public safety - fire department	4,969,625	4,977,719	4,911,044	4,689,399

(Continued)

CITY OF KANAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND

(Continued)

For the year ended April 30, 2007
(With comparative totals for 2006)

	Budgeted Amounts		2007 Actual	2006 Actual
	Original	Final		
Public safety - code enforcement:				
Property maintenance	\$ 402,543	\$ 410,982	\$ 499,437	\$ 438,107
Building safety	170,849	170,849	155,169	82,291
Total public safety - code enforcement	<u>573,392</u>	<u>581,831</u>	<u>654,606</u>	<u>520,398</u>
Public safety:				
Animal control	<u>30,000</u>	<u>30,000</u>	<u>18,670</u>	<u>23,389</u>
Public works:				
Administration	170,347	171,877	192,158	189,523
Streets and alleys	342,653	342,653	435,278	598,535
City garage	292,723	294,371	394,819	354,389
Operations	1,083,578	1,083,578	1,119,010	1,012,411
Total public works	<u>1,889,301</u>	<u>1,892,479</u>	<u>2,141,265</u>	<u>2,154,858</u>
Community development:				
Residential rehabilitation		<u>130,266</u>	<u>138,157</u>	<u>89,725</u>
Economic development:				
Incentives	<u>16,250</u>	<u>16,250</u>	<u>28,324</u>	<u>35,090</u>
Debt service:				
Principal retirement			32,105	31,969
Interest and other fixed charges			3,375	3,510
Total debt service	<u>-0-</u>	<u>-0-</u>	<u>35,480</u>	<u>35,479</u>
Total expenditures	<u>\$18,700,883</u>	<u>\$19,193,842</u>	<u>\$20,588,962</u>	<u>\$19,717,331</u>

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Civil Defense Fund

Accounts for the revenues and expenditures to operate the City's civil defense system.

Band Fund

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

Park Fund

Accounts for the revenues and expenditures necessary to maintain the existing City park facilities.

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to general service employees and which is financed through taxation and contributions from employees, and to the City (employer) FICA, Medicare, and state unemployment taxes, all of which are financed through taxation.

Special Service Area No. 2

Accounts for the revenues and expenditures related to the maintenance and repairs of ornamental street lights in the Riverview Historic District.

Special Service Area No. 3

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

Special Service Area No. 5

Accounts for the revenues and expenditures related to the maintenance and repairs related to the street and roadway infrastructure in the East Side Business District.

Community Development Agency

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

Senior Aides Program Fund

Accounts for the federal revenues and related expenditures of the Senior Community Service Employment Program administered by Senior Service America, Inc.

Tax Increment Financing Districts Nos. 1, 2, 3, 4, 5, 6, 7 and 8

TIF Districts No. 1, 2, 3, 4, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues generated by related redevelopment projects.

Motor Fuel Tax Fund

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

DEBT SERVICE FUNDS

General Obligations Bonds

Each series of general obligation bonds issued is set apart as an individual fund that is used to account for the accumulation of resources for and the payment of debt principal, interest and related costs of each respective issue.

**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2007**

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 5,009,521	\$ 652,916	\$ 5,662,437
Receivables, less allowance for uncollectible amounts:			
Property taxes	3,455,700	3,617,151	7,072,851
Due from other governmental agencies	199,550		199,550
Due from other funds	246,571	2,729	249,300
Due from component units	5,039		5,039
Accounts receivable	346,993		346,993
 Total assets	 <u>\$ 9,263,374</u>	 <u>\$4,272,796</u>	 <u>\$13,536,170</u>
Liabilities			
Accounts payable	\$ 67,847		\$ 67,847
Accrued wages payable	30,322		30,322
Due to other funds	1,365,799		1,365,799
Deferred revenue	5,577,722	\$3,617,151	9,194,873
 Total liabilities	 <u>7,041,690</u>	 <u>3,617,151</u>	 <u>10,658,841</u>
Fund Balance			
Reserved for debt service		655,645	655,645
Reserved for unexpended street maintenance programs	85,671		85,671
Reserved for economic development	1,730,603		1,730,603
Unreserved, reported in: Special Revenue Funds	405,410		405,410
 Total fund balance	 <u>2,221,684</u>	 <u>655,645</u>	 <u>2,877,329</u>
 Total liabilities and fund balance	 <u>\$ 9,263,374</u>	 <u>\$4,272,796</u>	 <u>\$ 13,536,170</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2007

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$2,961,410	\$3,097,886	\$6,059,296
Intergovernmental	3,380,630		3,380,630
Interest income	242,568	87,496	330,064
Miscellaneous	3,403		3,403
Contribution from component unit		93,105	93,105
Total revenues	<u>6,588,011</u>	<u>3,278,487</u>	<u>9,866,498</u>
Expenditures:			
Current:			
General government	878,808		878,808
Highways and streets	1,933,814		1,933,814
Community development	1,277,751		1,277,751
Culture and recreation	58,677		58,677
Economic development	446,253		446,253
Debt Service:			
Principal retirement	43,076	2,810,000	2,853,076
Interest and fiscal charges	5,411	2,206,342	2,211,753
Payment to refunded debt escrow		1,628,123	1,628,123
Total expenditures	<u>4,643,790</u>	<u>6,644,465</u>	<u>11,288,255</u>
Excess (deficiency) of revenues over expenditures	<u>1,944,221</u>	<u>(3,365,978)</u>	<u>(1,421,757)</u>
Other financing sources (uses):			
Transfers:			
From other funds	4,705	2,747,834	2,752,539
To other funds	(2,829,194)		(2,829,194)
Issuance of refunding bonds		4,285,000	4,285,000
Premium on refunding bonds issued		185,369	185,369
Payment to refunded debt escrow		(4,371,877)	(4,371,877)
Total other financing sources (uses)	<u>(2,824,489)</u>	<u>2,846,326</u>	<u>21,837</u>
Net change in fund balances	<u>(880,268)</u>	<u>(519,652)</u>	<u>(1,399,920)</u>
Fund balance, May 1, 2006	2,434,201	1,175,297	3,609,498
Prior period adjustment	667,751		667,751
Fund balance, May 1, 2006, restated	<u>3,101,952</u>	<u>1,175,297</u>	<u>4,277,249</u>
Fund balance, April 30, 2007	<u>\$2,221,684</u>	<u>\$ 655,645</u>	<u>\$2,877,329</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2007

	<u>Civil Defense Fund</u>	<u>Band Fund</u>	<u>Park Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Assets					
Cash and investments		\$ 9,937	\$ 1,901	\$ 472,776	\$ 15,596
Receivables, less allowance for uncollectible amounts:					
Property taxes		13,000	35,000	495,000	3,000
Due from other governmental agencies				2,477	
Due from other funds				5,039	
Due from component units				723	
Accounts receivable					
Total assets	<u>\$ -0-</u>	<u>\$ 22,937</u>	<u>\$ 36,901</u>	<u>\$ 976,015</u>	<u>\$ 18,596</u>
Liabilities					
Accounts payable					
Accrued wages payable			\$ 1,901	\$ 28,421	
Due to other funds					
Deferred revenue		\$ 13,000	35,000	495,000	\$ 3,000
Total liabilities	<u>\$ -0-</u>	<u>13,000</u>	<u>36,901</u>	<u>523,421</u>	<u>3,000</u>
Fund Balance					
Reserved for unexpended street maintenance program					
Reserved for economic development					
Unreserved - undesignated		9,937		452,594	15,596
Total fund balance (deficit)	<u>-0-</u>	<u>9,937</u>	<u>-0-</u>	<u>452,594</u>	<u>15,596</u>
Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ 22,937</u>	<u>\$ 36,901</u>	<u>\$ 976,015</u>	<u>\$ 18,596</u>

<u>Special Service Area No. 3</u>	<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>
\$ 29,099		\$ 207,637	\$ 2,338	\$1,946,783	\$ 122,888	\$ 660,716	\$ 419,874
52,700	\$ 15,400				618,200	426,700	373,500
		123,137	11,091	65,322		244,094	
		47,867					
<u>\$ 81,799</u>	<u>\$ 15,400</u>	<u>\$ 378,641</u>	<u>\$ 13,429</u>	<u>\$2,012,105</u>	<u>\$ 741,088</u>	<u>\$1,331,510</u>	<u>\$ 793,374</u>
		\$ 9,175		\$ 4,711			
\$ 52,700	\$ 15,400	101,470	\$ 11,081	83,714	\$ 509,438	\$ 212,500	\$ 184,000
		47,867		1,775,752	618,200	426,700	373,500
<u>52,700</u>	<u>15,400</u>	<u>158,512</u>	<u>11,081</u>	<u>1,864,177</u>	<u>1,127,638</u>	<u>639,200</u>	<u>557,500</u>
				85,671			
29,099		220,129	2,348	62,257	(386,550)	692,310	235,874
<u>29,099</u>	<u>-0-</u>	<u>220,129</u>	<u>2,348</u>	<u>147,928</u>	<u>(386,550)</u>	<u>692,310</u>	<u>235,874</u>
<u>\$ 81,799</u>	<u>\$ 15,400</u>	<u>\$ 378,641</u>	<u>\$ 13,429</u>	<u>\$2,012,105</u>	<u>\$ 741,088</u>	<u>\$1,331,510</u>	<u>\$ 793,374</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2007

	Tax Increment Financing District No. 4 Fund	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Assets						
Cash and investments	\$ 501,582	\$ 49,809	\$ 164,123	\$ 62,019	\$ 342,443	\$ 5,009,521
Receivables, less allowance for uncollectible amounts:						
Property taxes	595,100	150,000	261,500	57,900	358,700	3,455,700
Due from other governmental agencies						199,550
Due from other funds						246,571
Due from component units						5,039
Accounts receivable	298,403					346,993
Total assets	<u>\$1,395,085</u>	<u>\$ 199,809</u>	<u>\$ 425,623</u>	<u>\$ 119,919</u>	<u>\$ 701,143</u>	<u>\$ 9,263,374</u>
Liabilities						
Accounts payable	\$ 1,040				\$ 52,921	\$ 67,847
Accrued wages payable						30,322
Due to other funds	220,000	\$ 14,729			28,867	1,365,799
Deferred revenue	893,503	150,000	\$ 261,500	\$ 57,900	358,700	5,577,722
Total liabilities	<u>1,114,543</u>	<u>164,729</u>	<u>261,500</u>	<u>57,900</u>	<u>440,488</u>	<u>7,041,690</u>
Fund Balance						
Reserved for unexpended street maintenance program						85,671
Reserved for economic development	280,542	35,080	164,123	62,019	260,655	1,730,603
Unreserved - undesignated						405,410
Total fund balance (deficit)	<u>280,542</u>	<u>35,080</u>	<u>164,123</u>	<u>62,019</u>	<u>260,655</u>	<u>2,221,684</u>
Total liabilities and fund balance	<u>\$1,395,085</u>	<u>\$ 199,809</u>	<u>\$ 425,623</u>	<u>\$ 119,919</u>	<u>\$ 701,143</u>	<u>\$ 9,263,374</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2007

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund	Special Service Area No. 2
Revenues:					
Property taxes		\$ 13,495	\$ 35,997	\$ 494,940	\$ 3,044
Intergovernmental					
Interest income		30	80	1,095	6
Miscellaneous					
Total revenues	<u>\$ -0-</u>	<u>13,525</u>	<u>36,077</u>	<u>496,035</u>	<u>3,050</u>
Expenditures:					
Current:					
General government				521,540	
Highways and streets					
Community development					
Culture and recreation		13,000	45,677		
Economic development					
Debt Service:					
Principal retirement					
Interest and fiscal charges					
Total expenditures	<u>-0-</u>	<u>13,000</u>	<u>45,677</u>	<u>521,540</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>525</u>	<u>(9,600)</u>	<u>(25,505)</u>	<u>3,050</u>
Other financing sources (uses):					
Transfers:					
From other funds			4,705		
To other funds	(17,189)				
Total other financing sources (uses)	<u>(17,189)</u>	<u>-0-</u>	<u>4,705</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>(17,189)</u>	<u>525</u>	<u>(4,895)</u>	<u>(25,505)</u>	<u>3,050</u>
Fund balance, May 1, 2006	17,189	9,412	4,895	478,099	12,546
Prior period adjustment					
Fund balance, May 1, 2006, restated	<u>17,189</u>	<u>9,412</u>	<u>4,895</u>	<u>478,099</u>	<u>12,546</u>
Fund balance, April 30, 2007	<u>\$ -0-</u>	<u>\$ 9,937</u>	<u>\$ -0-</u>	<u>\$ 452,594</u>	<u>\$ 15,596</u>

Special Service Area No. 3	Special Service Area No. 5	Community Development Agency	Senior Aides Program Fund	Motor Fuel Tax Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 2 Fund	Tax Increment Financing District No. 3 Fund
\$ 52,942		\$ 1,469,960	\$ 150,141	\$1,760,529	\$ 565,851	\$ 430,347	\$ 335,662
115		3,181	49	118,021	12,576	13,783	20,279
		3,403					
<u>53,057</u>	<u>\$ -0-</u>	<u>1,476,544</u>	<u>150,190</u>	<u>1,878,550</u>	<u>578,427</u>	<u>444,130</u>	<u>355,941</u>
		192,207	149,340		1,007	3,052	3,047
4,968		1,277,751		1,928,846			
					20,319	1,030	98,043
43,076							
5,411							
<u>53,455</u>	<u>-0-</u>	<u>1,469,958</u>	<u>149,340</u>	<u>1,928,846</u>	<u>21,326</u>	<u>4,082</u>	<u>101,090</u>
(398)	-0-	6,586	850	(50,296)	557,101	440,048	254,851
					(458,900)	(285,495)	(184,000)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(458,900)</u>	<u>(285,495)</u>	<u>(184,000)</u>
(398)	-0-	6,586	850	(50,296)	98,201	154,553	70,851
29,497		213,543	1,498	198,224			
					(484,751)	537,757	165,023
<u>29,497</u>	<u>-0-</u>	<u>213,543</u>	<u>1,498</u>	<u>198,224</u>	<u>(484,751)</u>	<u>537,757</u>	<u>165,023</u>
<u>\$ 29,099</u>	<u>\$ -0-</u>	<u>\$ 220,129</u>	<u>\$ 2,348</u>	<u>\$ 147,928</u>	<u>\$ (386,550)</u>	<u>\$ 692,310</u>	<u>\$ 235,874</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)

For the year ended April 30, 2007

	Tax Increment Financing District No. 4 Fund	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Revenues:						
Property taxes	\$ 471,447	\$ 138,505	\$ 208,551	\$ 54,405	\$ 156,224	\$ 2,961,410
Intergovernmental						3,380,630
Interest income	14,248	1,155	9,383	994	47,573	242,568
Miscellaneous						3,403
Total revenues	<u>485,695</u>	<u>139,660</u>	<u>217,934</u>	<u>55,399</u>	<u>203,797</u>	<u>6,588,011</u>
Expenditures:						
Current:						
General government	3,047	1,047	1,047	3,047	427	878,808
Highways and streets						1,933,814
Community development						1,277,751
Culture and recreation						58,677
Economic development	152,145				174,716	446,253
Debt Service:						
Principal retirement						43,076
Interest and fiscal charges						5,411
Total expenditures	<u>155,192</u>	<u>1,047</u>	<u>1,047</u>	<u>3,047</u>	<u>175,143</u>	<u>4,643,790</u>
Excess (deficiency) of revenues over expenditures	<u>330,503</u>	<u>138,613</u>	<u>216,887</u>	<u>52,352</u>	<u>28,654</u>	<u>1,944,221</u>
Other financing sources (uses):						
Transfers:						
From other funds						4,705
To other funds	(292,995)	(128,585)	(193,525)	(31,208)	(1,237,297)	(2,829,194)
Total other financing sources (uses)	<u>(292,995)</u>	<u>(128,585)</u>	<u>(193,525)</u>	<u>(31,208)</u>	<u>(1,237,297)</u>	<u>(2,824,489)</u>
Net change in fund balances	<u>37,508</u>	<u>10,028</u>	<u>23,362</u>	<u>21,144</u>	<u>(1,208,643)</u>	<u>(880,268)</u>
Fund balance, May 1, 2006					1,469,298	2,434,201
Prior period adjustment	243,034	25,052	140,761	40,875		667,751
Fund balance, May 1, 2006, restated	<u>243,034</u>	<u>25,052</u>	<u>140,761</u>	<u>40,875</u>	<u>1,469,298</u>	<u>3,101,952</u>
Fund balance, April 30, 2007	<u>\$ 280,542</u>	<u>\$ 35,080</u>	<u>\$ 164,123</u>	<u>\$ 62,019</u>	<u>\$ 260,655</u>	<u>\$ 2,221,684</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,000	\$ 13,000	\$ 13,495	\$ 495
Interest income			30	30
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>13,525</u>	<u>525</u>
Expenditures:				
Current:				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	525	<u>\$ 525</u>
Fund balance, May 1, 2006			9,412	
Fund balance, April 30, 2007			<u>\$ 9,937</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
For the year ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$35,000	\$35,000	\$ 35,997	\$ 997
Interest income			80	80
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>36,077</u>	<u>1,077</u>
Expenditures:				
Current:				
Culture and recreation	<u>35,000</u>	<u>35,000</u>	<u>45,677</u>	<u>10,677</u>
Excess (deficiency) of revenues over expenditures	-0-	-0-	(9,600)	(9,600)
Other financing sources:				
Transfers from other funds			4,705	4,705
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(4,895)</u>	<u>\$ (4,895)</u>
Fund balance, May 1, 2006			4,895	
Fund balance, April 30, 2007			<u>\$ -0-</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND
For the year ended April 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 495,000	\$ 495,000	\$ 494,940	\$ (60)
Interest income			1,095	1,095
Total revenues	495,000	495,000	496,035	1,035
Expenditures:				
Current:				
General government	540,000	540,000	521,540	(18,460)
Net change in fund balance	\$ (45,000)	\$ (45,000)	(25,505)	\$ 19,495
Fund balance, May 1, 2006			478,099	
Fund balance, April 30, 2007			\$ 452,594	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,044	\$ 44
Interest income			6	6
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,050</u>	<u>50</u>
Expenditures:				
Current:				
General government	<u>3,000</u>	<u>3,000</u>		<u>(3,000)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,050	<u>\$ 3,050</u>
Fund balance, May 1, 2006			12,546	
Fund balance, April 30, 2007			<u>\$ 15,596</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 3
For the year ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$52,750	\$52,750	\$ 52,942	\$ 192
Interest income			115	115
Total revenues	<u>52,750</u>	<u>52,750</u>	<u>53,057</u>	<u>307</u>
Expenditures:				
Current:				
Highways and streets	4,223	4,223	4,968	745
Debt service:				
Principal retirement	43,076	43,076	43,076	-0-
Interest and fiscal charges	5,451	5,451	5,411	(40)
Total expenditures	<u>52,750</u>	<u>52,750</u>	<u>53,455</u>	<u>705</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	(398)	<u>\$ (398)</u>
Fund balance, May 1, 2006			29,497	
Fund balance, April 30, 2007			<u>\$ 29,099</u>	

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2007

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998A	General Obligation Bonds, Series 1999
Assets				
Cash and investments	\$ 5,154	\$ 2,187	\$ 109,473	\$ 50,284
Receivables, less allowance for uncollectible amounts:				
Property taxes	220,500	65,568	441,358	769,935
Due from other funds	2,729			
Total assets	\$ 228,383	\$ 67,755	\$ 550,831	\$ 820,219
Liabilities				
Deferred revenue	\$ 220,500	\$ 65,568	\$ 441,358	\$ 769,935
Fund Balance				
Reserved for debt service	7,883	2,187	109,473	50,284
Total liabilities and fund balance	\$ 228,383	\$ 67,755	\$ 550,831	\$ 820,219

<u>General Obligation Bonds, Series 2000A</u>	<u>General Obligation Bonds, Series 2001A</u>	<u>General Obligation Bonds, Series 2001B</u>	<u>General Obligation Bonds, Series 2001C</u>	<u>General Obligation Bonds, Series 2003A</u>	<u>General Obligation Bonds, Series 2003B</u>
\$ 6,048	\$ 324,346			\$ 20,820	
393,310				203,400	
<u>\$ 399,358</u>	<u>\$ 324,346</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 224,220</u>	<u>\$ -0-</u>
\$ 393,310				\$ 203,400	
6,048	324,346			20,820	
<u>\$ 399,358</u>	<u>\$ 324,346</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 224,220</u>	<u>\$ -0-</u>

(Continued)

**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS**

(Continued)

April 30, 2007

	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	Totals
Assets					
Cash and investments		\$ 15,077	\$ 106,866	\$ 12,661	\$ 652,916
Receivables, less allowance for uncollectible amounts:					
Property taxes		743,402	449,265	330,413	3,617,151
Due from other funds					2,729
Total assets	<u>\$ -0-</u>	<u>\$ 758,479</u>	<u>\$ 556,131</u>	<u>\$ 343,074</u>	<u>\$4,272,796</u>
Liabilities					
Deferred revenue		\$ 743,402	\$ 449,265	\$ 330,413	3,617,151
Fund Balance					
Reserved for debt service		15,077	106,866	12,661	655,645
Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ 758,479</u>	<u>\$ 556,131</u>	<u>\$ 343,074</u>	<u>\$4,272,796</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2007

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998A	General Obligation Bonds, Series 1999
Revenues:				
Property taxes	\$ 220,257	\$ 67,515	\$ 372,536	\$ 799,266
Interest income	4,029	954	8,959	14,279
Contribution from component unit				
Total revenues	<u>224,286</u>	<u>68,469</u>	<u>381,495</u>	<u>813,545</u>
Expenditures:				
Debt service:				
Principal retirement	200,000	40,000	125,000	590,000
Interest and fiscal charges	20,300	27,528	247,608	209,420
Payment to refunded debt escrow				
Total expenditures	<u>220,300</u>	<u>67,528</u>	<u>372,608</u>	<u>799,420</u>
Excess (deficiency) of revenues over expenditures	<u>3,986</u>	<u>941</u>	<u>8,887</u>	<u>14,125</u>
Other financing sources (uses):				
Transfers from other funds				
Issuance of refunding bonds				
Premium on refunding bonds issued				
Payment to refunded debt escrow				
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	3,986	941	8,887	14,125
Fund balance (deficit), May 1, 2006	3,897	1,246	100,586	36,159
Fund balance, April 30, 2007	<u>\$ 7,883</u>	<u>\$ 2,187</u>	<u>\$ 109,473</u>	<u>\$ 50,284</u>

General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A	General Obligation Bonds, Series 2003B
\$ 379,162 5,108	\$ 16,997 93,105			\$ 203,361 5,888	
<u>384,270</u>	<u>110,102</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>209,249</u>	<u>\$ -0-</u>
235,000 175,443	365,000 115,245	65,000 7,995	65,000 7,995	120,000 173,431	260,000 198,900
<u>410,443</u>	<u>480,245</u>	<u>72,995</u>	<u>72,995</u>	<u>293,431</u>	<u>458,900</u>
<u>(26,173)</u>	<u>(370,143)</u>	<u>(72,995)</u>	<u>(72,995)</u>	<u>(84,182)</u>	<u>(458,900)</u>
31,208	387,140	72,995	72,995	90,031	458,900
<u>31,208</u>	<u>387,140</u>	<u>72,995</u>	<u>72,995</u>	<u>90,031</u>	<u>458,900</u>
5,035	16,997	-0-	-0-	5,849	-0-
1,013	307,349			14,971	
<u>\$ 6,048</u>	<u>\$ 324,346</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,820</u>	<u>\$ -0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
(Continued)

For the year ended April 30, 2007

	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	Totals
Revenues:					
Property taxes		\$ 754,732	\$ 301,057		\$3,097,886
Interest income	\$ 12,847	11,094	7,035	\$ 306	87,496
Contribution from component unit					93,105
Total revenues	<u>12,847</u>	<u>765,826</u>	<u>308,092</u>	<u>306</u>	<u>3,278,487</u>
Expenditures:					
Debt service:					
Principal retirement		590,000	115,000	40,000	2,810,000
Interest and fiscal charges	246,263	293,463	364,140	118,611	2,206,342
Payment to refunded debt escrow	1,628,123				1,628,123
Total expenditures	<u>1,874,386</u>	<u>883,463</u>	<u>479,140</u>	<u>158,611</u>	<u>6,644,465</u>
Excess (deficiency) of revenues over expenditures	<u>(1,861,539)</u>	<u>(117,637)</u>	<u>(171,048)</u>	<u>(158,305)</u>	<u>(3,365,978)</u>
Other financing sources (uses):					
Transfers from other funds	1,141,489	128,585	193,525	170,966	2,747,834
Issuance of refunding bonds	4,285,000				4,285,000
Premium on refunding bonds issued	185,369				185,369
Payment to refunded debt escrow	(4,371,877)				(4,371,877)
Total other financing sources (uses)	<u>1,239,981</u>	<u>128,585</u>	<u>193,525</u>	<u>170,966</u>	<u>2,846,326</u>
Net change in fund balance	(621,558)	10,948	22,477	12,661	(519,652)
Fund balance, May 1, 2006	621,558	4,129	84,389		1,175,297
Fund balance, April 30, 2007	<u>\$ -0-</u>	<u>\$ 15,077</u>	<u>\$ 106,866</u>	<u>\$ 12,661</u>	<u>\$ 655,645</u>

**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

A pension trust which accounts for the police officers' pension. Revenue includes City contributions, contributions from participants and investment earnings.

Firefighters' Pension Fund

A pension trust which accounts for the firefighters' pension. Revenue includes City contributions, contributions from participants and investment earnings.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2007

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 434,492	\$ 505,062	\$ 939,554
Receivables, less allowance for uncollectible amounts:			
Employee contributions	17,576	11,985	29,561
Interest	63,586	54,309	117,895
Investments, at fair value:			
Open-end mutual funds	1,411,796	1,303,582	2,715,378
Corporate securities	4,338,100	3,156,445	7,494,545
U. S. treasury and agency securities	5,226,890	4,343,110	9,570,000
Corporate bonds		58,980	58,980
Prepaid items		7,648	7,648
Total assets	<u>11,492,440</u>	<u>9,441,121</u>	<u>20,933,561</u>
Liabilities			
Accounts payable	159,610	165,743	325,353
Due to General Fund		44	44
Total liabilities	<u>159,610</u>	<u>165,787</u>	<u>325,397</u>
Net Assets			
Net assets held in trust for pension benefits	<u>\$11,332,830</u>	<u>\$ 9,275,334</u>	<u>\$20,608,164</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2007

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 1,104,725	\$ 1,222,675	\$ 2,327,400
Employee	428,217	280,215	708,432
Total contributions	<u>1,532,942</u>	<u>1,502,890</u>	<u>3,035,832</u>
Investment income:			
Net appreciation in fair value of investments	627,845	548,963	1,176,808
Interest and dividends	310,734	276,324	587,058
	938,579	825,287	1,763,866
Less: investment expense	<u>(77,577)</u>	<u>(53,789)</u>	<u>(131,366)</u>
Net investment income	<u>861,002</u>	<u>771,498</u>	<u>1,632,500</u>
Total additions	<u>2,393,944</u>	<u>2,274,388</u>	<u>4,668,332</u>
Deductions:			
Benefits	1,596,690	1,931,385	3,528,075
Refunds of contributions	154,816	14,883	169,699
Administrative expenses	37,090	66,478	103,568
Total deductions	<u>1,788,596</u>	<u>2,012,746</u>	<u>3,801,342</u>
Net increase	605,348	261,642	866,990
Net assets held in trust for pension benefits:			
May 1, 2006	<u>10,727,482</u>	<u>9,013,692</u>	<u>19,741,174</u>
April 30, 2007	<u>\$ 11,332,830</u>	<u>\$ 9,275,334</u>	<u>\$ 20,608,164</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

Accounts for the revenues and expenses of the local public library. A majority of the revenues are from a property tax levy approved by the City Council.

Special Service Area #1

Accounts for activities to promote and develop downtown Kankakee. The major source of revenues is from a property tax levy approved by the City Council.

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2007

	General Operating	Adjustment	Statement of Net Assets
Assets			
Cash and investments	\$ 385,793		\$ 385,793
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,251,640		1,251,640
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 5,679,992	5,679,992
Total assets	\$ 1,637,433	\$ 5,679,992	\$ 7,317,425
Liabilities			
Accounts payable	\$ 35,071		\$ 35,071
Due to primary government	68,882		68,882
Deferred revenue	1,279,901		1,279,901
Long-term liabilities:			
Due within one year		\$ 63,264	63,264
Due within more than one year		2,300,186	2,300,186
Total liabilities	1,383,854	2,363,450	3,747,304
Fund Balances			
Unreserved - undesignated	253,579	(253,579)	-0-
Net Assets			
Invested in capital assets, net of related debt		3,316,542	3,316,542
Unrestricted		253,579	253,579
Total fund balances/net assets	253,579	3,316,542	3,570,121
Total liabilities and fund balances/net assets	\$ 1,637,433	\$ 5,679,992	\$ 7,317,425

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2007

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 1,219,361		\$ 1,219,361
Fees	30,101		30,101
Intergovernmental	169,239		169,239
Interest	16,455		16,455
Other	16,469		16,469
 Total revenues	 <u>1,451,625</u>	 <u>\$ -0-</u>	 <u>1,451,625</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,188,290	98,900	1,287,190
Debt service:			
Principal retirement	60,185	(60,185)	-0-
Interest and fiscal charges	119,815		119,815
 Total expenditures/expenses	 <u>1,368,290</u>	 <u>38,715</u>	 <u>1,407,005</u>
 Net change in fund balances/net assets	 83,335	 (38,715)	 44,620
 Fund balances/net assets, May 1, 2006	 <u>170,244</u>	 <u>3,355,257</u>	 <u>3,525,501</u>
 Fund balances/net assets, April 30, 2007	 <u>\$ 253,579</u>	 <u>\$ 3,316,542</u>	 <u>\$ 3,570,121</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2007

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 313,726		\$ 313,726
Receivables, less allowance for uncollectible amounts:			
Property taxes	113,000		113,000
Accounts receivable	70		70
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 161,424	161,424
Total assets	<u>\$ 426,796</u>	<u>\$ 161,424</u>	<u>\$ 588,220</u>
Liabilities			
Deferred revenue	<u>\$ 113,000</u>		<u>\$ 113,000</u>
Fund Balances			
Unreserved - undesignated	313,796	\$ (313,796)	-0-
Net Assets			
Invested in capital assets, net of related debt		161,424	161,424
Unrestricted		313,796	313,796
Total fund balances/net assets	<u>313,796</u>	<u>161,424</u>	<u>475,220</u>
Total liabilities and fund balances/net assets	<u>\$ 426,796</u>	<u>\$ 161,424</u>	<u>\$ 588,220</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2007

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 113,667		\$ 113,667
Interest	14,115		14,115
Other	2,926		2,926
Contribution from primary government	40,534		40,534
 Total revenues	<u>171,242</u>	<u>\$ -0-</u>	<u>171,242</u>
Expenditures/expenses:			
Current:			
General government	218,811	(161,424)	57,387
Debt service:			
Principal retirement	90,000	(90,000)	-0-
Interest and fiscal charges	3,105	(1,035)	2,070
 Total expenditures/expenses	<u>311,916</u>	<u>(252,459)</u>	<u>59,457</u>
 Net change in fund balances/net assets	(140,674)	252,459	111,785
 Fund balances/net assets, May 1, 2006	<u>454,470</u>	<u>(91,035)</u>	<u>363,435</u>
 Fund balances/net assets, April 30, 2007	<u>\$ 313,796</u>	<u>\$ 161,424</u>	<u>\$ 475,220</u>

SUPPLEMENTAL SCHEDULES

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2006 LEVY TO BE COLLECTED IN 2007
April 30, 2007

	<u>Taxes extended</u>	<u>Estimated losses</u>	<u>Estimated net taxes receivable</u>
Primary Government:			
General Fund	\$ 3,811,839	\$ 5,619	\$ 3,806,220
Special revenue funds:			
Band Fund	14,386	1,386	13,000
Park Fund	35,965	965	35,000
Illinois Municipal Retirement Fund	496,320	1,320	495,000
Special Service Area No. 2	3,039	39	3,000
Special Service Area No. 3	52,751	51	52,700
Special Service Area No. 5	15,408	8	15,400
Tax Increment Financing District #1	618,294	94	618,200
Tax Increment Financing District #2	426,799	99	426,700
Tax Increment Financing District #3	373,545	45	373,500
Tax Increment Financing District #4	595,116	16	595,100
Tax Increment Financing District #5	150,012	12	150,000
Tax Increment Financing District #6	261,571	71	261,500
Tax Increment Financing District #7	57,938	38	57,900
Tax Increment Financing District #8	358,784	84	358,700
Total special revenue funds	<u>3,459,928</u>	<u>4,228</u>	<u>3,455,700</u>
Debt service funds	<u>3,618,103</u>	<u>952</u>	<u>3,617,151</u>
Total Primary Government	<u>\$ 10,889,870</u>	<u>\$ 10,799</u>	<u>\$ 10,879,071</u>
Component Units:			
Library	\$ 1,253,988	\$ 2,348	\$ 1,251,640
Special Service Area No. 1	114,917	1,917	113,000
Total Component Units	<u>\$ 1,368,905</u>	<u>\$ 4,265</u>	<u>\$ 1,364,640</u>

**CITY OF KANKAKEE, ILLINOIS
 PROPRIETARY FUND TYPES
 KANKAKEE MUNICIPAL UTILITY
 SCHEDULE OF BOND RATE COVENANT CALCULATION
 APRIL 30, 2007**

Debt service requirements	\$ 908,626
120% covenant	<u> x120%</u>
 Total required revenues	 <u>\$1,090,351</u>
Net revenues generated by Kankakee Municipal Utility:	
Sewer charges	\$ 6,655,128
Field operations expenses	<u>(3,234,782)</u>
 Net revenues generated	 3,420,346
Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's plant operations expense	 (2,249,284)
Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's net income	 (175,796)
Interest income	<u>144,726</u>
 Total net revenues available	 <u>\$ 1,139,992</u>
 Bond covenant coverage (deficiency)	 <u>\$49,641</u>

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**CITY OF KANKAKEE, ILLINOIS
 PROPRIETARY FUND TYPES
 KANKAKEE MUNICIPAL UTILITY
 SCHEDULE OF REVENUE BONDS PAYABLE
 April 30, 2007**

Series 1999			Series 2001		
Date of issue	April 1, 1999		December 1, 2001		
Interest rates	4.1% to 6.0%		2.45% to 5.00%		
Principal redemption date	May 1		May 1		
Interest payment dates	May 1 and November 1		May 1 and November 1		
Original issue	\$ 7,140,000		\$ 4,270,000		
Paid to date	2,365,000		970,000		
Balance, April 30, 2007	<u>\$ 4,775,000</u>		<u>\$ 3,300,000</u>		
Date as follows:					
<u>Year ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 370,000	\$ 227,932	\$ 160,000	\$ 150,003	
2009	385,000	211,653	170,000	143,923	
2010	405,000	194,327	175,000	137,208	
2011	420,000	176,103	180,000	130,120	
2012	440,000	156,782	190,000	122,650	
2013	460,000	136,103	195,000	114,670	
2014	485,000	114,022	205,000	106,188	
2015	505,000	90,500	215,000	97,065	
2016	530,000	65,250	225,000	87,498	
2017	560,000	38,750	235,000	77,260	
2018	215,000	10,750	245,000	66,215	
2019			255,000	54,455	
2020			270,000	42,088	
2021			285,000	28,858	
2022			295,000	14,750	
	<u>\$ 4,775,000</u>	<u>\$ 1,422,172</u>	<u>\$ 3,300,000</u>	<u>\$ 1,372,951</u>	

Totals

\$11,410,000
3,335,000

\$ 8,075,000

<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
\$ 530,000	\$ 377,935	\$ 907,935
555,000	355,576	910,576
580,000	331,535	911,535
600,000	306,223	906,223
630,000	279,432	909,432
655,000	250,773	905,773
690,000	220,210	910,210
720,000	187,565	907,565
755,000	152,748	907,748
795,000	116,010	911,010
460,000	76,965	536,965
255,000	54,455	309,455
270,000	42,088	312,088
285,000	28,858	313,858
295,000	14,750	309,750
<u>\$ 8,075,000</u>	<u>\$ 2,795,123</u>	<u>\$10,870,123</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2007

	Series 1995		Series 1997		Series 1998A	
Date of issue	December 1, 1995		April 1, 1997		December 15, 1998	
Interest rates	4.0% to 5.5%		4.1% to 5.3%		4.2% to 5.0%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 3,865,000		\$ 7,200,000		\$ 6,735,000	
Paid to date	<u>3,655,000</u>		<u>6,710,000</u>		<u>1,315,000</u>	
Balance, April 30, 2007	<u>\$ 210,000</u>		<u>\$ 490,000</u>		<u>\$ 5,420,000</u>	
Due as follows:						
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 210,000	\$ 10,500	\$ 40,000	\$ 25,568	\$ 200,000	\$ 241,358
2009			40,000	23,568	500,000	231,357
2010			45,000	21,528	600,000	210,357
2011			160,000	19,187		184,858
2012			155,000	10,788		184,858
2013			50,000	2,650	1,085,000	184,858
2014					1,425,000	136,575
2015					1,610,000	72,450
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 210,000</u>	<u>\$ 10,500</u>	<u>\$ 490,000</u>	<u>\$ 103,289</u>	<u>\$5,420,000</u>	<u>\$1,446,671</u>

Series 1999A		Series 2000A		Series 2001A		Series 2001B	
February 1, 1999 3.8% to 4.8%		August 15, 2000 4.5% to 5.6%		December 1, 2001 2.10% to 4.5%		December 1, 2001 3.05% to 3.90%	
January 1		January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 6,785,000		\$ 4,590,000		\$ 3,595,000		\$ 450,000	
<u>2,675,000</u>		<u>1,370,000</u>		<u>1,100,000</u>		<u>310,000</u>	
<u>\$ 4,110,000</u>		<u>\$ 3,220,000</u>		<u>\$ 2,495,000</u>		<u>\$ 140,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 585,000	\$ 184,935	\$ 265,000	\$ 164,280	\$ 285,000	\$ 102,653	\$ 70,000	\$ 5,460
610,000	160,365	290,000	151,560	295,000	91,965	70,000	2,730
640,000	134,440	310,000	137,640	305,000	80,460		
215,000	106,600	345,000	122,140	320,000	68,260		
250,000	97,032	375,000	105,235	330,000	55,140		
610,000	85,658	405,000	86,485	345,000	41,445		
615,000	57,292	440,000	65,830	360,000	26,955		
585,000	28,080	430,000	42,950	255,000	11,475		
		25,000	20,160				
		25,000	18,760				
		30,000	17,360				
		30,000	15,680				
		35,000	14,000				
		35,000	12,040				
		40,000	10,080				
		45,000	7,840				
		45,000	5,320				
		50,000	2,800				
<u>\$4,110,000</u>	<u>\$ 854,402</u>	<u>\$3,220,000</u>	<u>\$1,000,160</u>	<u>\$2,495,000</u>	<u>\$ 478,353</u>	<u>\$ 140,000</u>	<u>\$ 8,190</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2007

	Series 2001C		Series 2003A		Series 2003B	
Date of issue	December 1, 2001		June 1, 2003		June 1, 2003	
Interest rates	3.05% to 3.90%		2.25% to 5.25%		2.25% to 5.25%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 450,000		\$ 3,960,000		\$ 4,860,000	
Paid to date	<u>310,000</u>		<u>155,000</u>		<u>510,000</u>	
Balance, April 30, 2007	<u>\$ 140,000</u>		<u>\$ 3,805,000</u>		<u>\$ 4,350,000</u>	
Due as follows:						
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 70,000	\$ 5,460	\$ 200,000	\$ 170,431	\$ 270,000	\$ 192,400
2009	70,000	2,730	255,000	164,931	280,000	184,975
2010			85,000	157,281	295,000	176,575
2011			425,000	154,519	310,000	166,989
2012			510,000	140,175	325,000	156,525
2013			1,090,000	122,325	340,000	145,150
2014			1,240,000	65,100	360,000	132,825
2015					380,000	113,925
2016					405,000	93,975
2017					435,000	72,712
2018					460,000	49,875
2019					490,000	25,724
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 140,000</u>	<u>\$ 8,190</u>	<u>\$3,805,000</u>	<u>\$ 974,762</u>	<u>\$4,350,000</u>	<u>\$1,511,650</u>

Series 2004		Series 2005		Series 2006	
April 1, 2004 2.0% to 4.0%		February 1, 2005 3.0% to 4.35%		September 15, 2006 3.5% to 5.25%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 9,600,000		\$ 9,160,000		\$ 9,555,000	
<u>955,000</u>		<u>245,000</u>		<u>40,000</u>	
<u>\$ 8,645,000</u>		<u>\$ 8,915,000</u>		<u>\$ 9,515,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 590,000	\$ 280,188	\$ 295,000	\$ 360,690	\$ 105,000	\$ 443,390
495,000	265,437	380,000	351,102	190,000	439,610
455,000	253,062	350,000	337,803	320,000	432,770
1,470,000	240,550	220,000	323,803	260,000	421,090
1,520,000	196,450	255,000	315,002	270,000	411,470
290,000	147,810	520,000	304,803	320,000	401,345
120,000	138,385	550,000	284,002	335,000	389,505
135,000	134,425	595,000	262,003	655,000	376,775
1,350,000	129,835	635,000	238,202	675,000	351,885
1,820,000	81,910	675,000	212,803	375,000	325,898
130,000	15,480	720,000	185,802	540,000	311,460
130,000	10,605	755,000	154,843	585,000	290,400
140,000	5,600	780,000	124,642	645,000	259,688
		815,000	92,663	730,000	222,600
		500,000	58,840	790,000	184,275
		510,000	37,590	880,000	142,800
		360,000	15,660	715,000	96,600
				1,125,000	59,063
<u>\$8,645,000</u>	<u>\$1,899,737</u>	<u>\$8,915,000</u>	<u>\$3,660,253</u>	<u>\$9,515,000</u>	<u>\$5,560,624</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2007

Totals

Original issue	\$ 70,805,000
Paid to date	<u>19,350,000</u>
Balance, April 30, 2007	<u><u>\$ 51,455,000</u></u>

Due as follows:

<u>Year ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 3,185,000	\$ 2,187,313	\$ 5,372,313
2009	3,475,000	2,070,330	5,545,330
2010	3,405,000	1,941,916	5,346,916
2011	3,725,000	1,807,996	5,532,996
2012	3,990,000	1,672,675	5,662,675
2013	5,055,000	1,522,529	6,577,529
2014	5,445,000	1,296,469	6,741,469
2015	4,645,000	1,042,083	5,687,083
2016	3,090,000	834,057	3,924,057
2017	3,330,000	712,083	4,042,083
2018	1,880,000	579,977	2,459,977
2019	1,990,000	497,252	2,487,252
2020	1,600,000	403,930	2,003,930
2021	1,580,000	327,303	1,907,303
2022	1,330,000	253,195	1,583,195
2023	1,435,000	188,230	1,623,230
2024	1,120,000	117,580	1,237,580
2025	1,175,000	61,863	1,236,863
	<u><u>\$51,455,000</u></u>	<u><u>\$17,516,781</u></u>	<u><u>\$68,971,781</u></u>

STATISTICAL SECTION



STATISTICAL SECTION

The objective of this part of the City of Kankakee's Comprehensive Annual Financial Report is to provide financial statement users with additional historical perspective, context, and detail. It is intended that the information in the financial statements, notes to financial statements, required supplementary information, and the statistical section, taken as a whole, will assist readers in understanding and assessing the City's economic condition.

<u>Contents</u>	<u>Page(s)</u>
(A) <u>Financial Trends</u> These schedules contain trend information that indicates how the City's financial performance has changed over time.	120-124
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant local revenue sources, the property tax	125-129
(C) <u>Debt Capacity</u> These schedules provide information about the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	130-132
(D) <u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators about the environment within which the City operates. This information is intended to facilitate comparisons of the City's finances over time and among other cities.	133-134
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs	135-137

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2004; schedules presenting government-wide data include information beginning in that year.

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CITY OF KANKAKEE, ILLINOIS
NET ASSETS BY COMPONENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2007
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ 27,487,071	\$ 29,096,617	\$ 32,294,623	\$ 36,908,903
Restricted	4,925,929	9,436,473	6,921,618	9,774,001
Unrestricted	<u>(28,155,368)</u>	<u>(31,984,966)</u>	<u>(29,004,594)</u>	<u>(31,784,498)</u>
Total governmental activities net assets	<u>\$ 4,257,632</u>	<u>\$ 6,548,124</u>	<u>\$ 10,211,647</u>	<u>\$ 14,898,406</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 18,455,154	\$ 22,474,636	\$ 22,436,988	\$ 22,019,221
Restricted	2,199,162	2,219,025	2,826,972	1,736,972
Unrestricted	<u>7,781,854</u>	<u>3,981,605</u>	<u>3,185,388</u>	<u>3,644,604</u>
Total business-type activities net assets	<u>\$ 28,436,170</u>	<u>\$ 28,675,266</u>	<u>\$ 28,449,348</u>	<u>\$ 27,400,797</u>
Primary government				
Invested in capital assets, net of related debt	\$ 45,942,225	\$ 51,571,253	\$ 54,731,611	\$ 58,928,124
Restricted	7,125,091	11,655,498	9,748,590	11,510,973
Unrestricted	<u>(20,373,514)</u>	<u>(28,003,361)</u>	<u>(25,819,206)</u>	<u>(28,139,894)</u>
Total primary government net assets	<u>\$ 32,693,802</u>	<u>\$ 35,223,390</u>	<u>\$ 38,660,995</u>	<u>\$ 42,299,203</u>

Source: Audited Financial Statements

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (Unaudited)
Fiscal Years Ended April 30, 2004 to 2007
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Program Revenues				
Charges for services:				
General government	\$ 1,576,289	\$ 1,379,193	\$ 1,128,225	\$ 1,176,508
Public safety	860,393	847,569	985,124	995,834
Public works	269,522	541,321	291,835	266,709
Community development	77,000	142,000	142,000	142,000
Operating grants and contributions	2,675,738	4,023,626	2,879,712	2,831,750
Capital grants and contributions	87,975	1,061,458	1,981,927	2,884,332
Total program revenues	<u>5,546,917</u>	<u>7,995,167</u>	<u>7,408,823</u>	<u>8,297,133</u>
Expenses				
General government	4,934,200	5,077,821	6,041,575	6,704,948
Public safety	11,337,768	11,660,927	12,471,779	13,115,543
Public works	2,076,822	2,129,150	2,195,201	2,144,431
Highways and streets	915,760	2,601,004	3,311,116	1,708,405
Community development	2,034,246	2,650,184	1,435,082	1,454,627
Culture and recreation	61,092	61,735	58,281	58,677
Economic development	6,836,280	686,555	1,414,560	462,521
Interest and fiscal charges	2,521,204	1,951,802	2,187,496	2,126,330
Total Expenses	<u>30,717,372</u>	<u>26,819,178</u>	<u>29,115,090</u>	<u>27,775,482</u>
Net Revenue (Expense)	<u>\$ (25,170,455)</u>	<u>\$ (18,824,011)</u>	<u>\$ (21,706,267)</u>	<u>\$ (19,478,349)</u>
General Revenues and Other Changes in Net Assets				
Property taxes	\$ 8,601,168	\$ 8,530,300	\$ 9,767,005	\$ 9,726,004
Illinois retailers' tax, net	4,297,631	5,284,401	6,169,133	6,016,618
Utility taxes	3,243,741	3,314,122	3,349,709	3,291,910
Other taxes	2,422,366	2,691,593	3,114,649	3,442,381
Intergovernmental, not restricted to specific programs	781,979	50,000	50,000	50,000
Investment income	80,141	160,386	632,342	857,099
Gain (loss) on disposal of property and equipment			(40,673)	
Other	429,885	212,604	211,145	68,771
Contributions from developers	-	665,896	1,645,903	
Transfers	(316,828)	205,201	858,432	712,325
Total general revenues and other changes	<u>\$ 19,540,083</u>	<u>\$ 21,114,503</u>	<u>\$ 25,757,645</u>	<u>\$ 24,165,108</u>
Total change in net assets	<u>\$ (5,630,372)</u>	<u>\$ 2,290,492</u>	<u>\$ 4,051,378</u>	<u>\$ 4,686,759</u>

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
AND TOTAL PRIMARY GOVERNMENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2007
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Business-type activities				
Charges for services	\$ 7,930,135	\$ 8,267,473	\$ 8,299,435	\$ 8,403,263
Operating grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,300</u>
Total program revenues	7,930,135	8,267,473	8,299,435	8,455,563
Expenses	<u>8,757,406</u>	<u>9,109,691</u>	<u>8,938,116</u>	<u>8,944,666</u>
Net business-type revenues (expenses)	<u>(827,271)</u>	<u>(842,218)</u>	<u>(638,681)</u>	<u>(489,103)</u>
Other income and changes in net assets -				
Investment income	41,168	53,744	131,951	145,153
Gain (loss) on disposal of property and equipment	442	459		
Other	1,909,291	192,916	1,690,364	7,724
Contributions from developers	2,531,000	1,039,396		
Transfers	<u>316,828</u>	<u>(205,201)</u>	<u>(858,432)</u>	<u>(712,325)</u>
Total other income and changes in net assets	<u>4,798,729</u>	<u>1,081,314</u>	<u>963,883</u>	<u>(559,448)</u>
Total change in net assets	<u>\$ 3,971,458</u>	<u>\$ 239,096</u>	<u>\$ 325,202</u>	<u>\$ (1,048,551)</u>
Total Primary Government				
Program revenues	\$ 13,477,052	\$ 16,262,640	\$ 15,708,258	\$ 16,752,696
Expenses	<u>(39,474,778)</u>	<u>(35,928,869)</u>	<u>(38,053,206)</u>	<u>(36,720,148)</u>
Net revenues (expenses)	(25,997,726)	(19,666,229)	(22,344,948)	(19,967,452)
General revenues and other changes in net assets	<u>24,338,812</u>	<u>22,195,817</u>	<u>26,721,528</u>	<u>23,605,660</u>
Total change in net assets	<u>\$ (1,658,914)</u>	<u>\$ 2,529,588</u>	<u>\$ 4,376,580</u>	<u>\$ 3,638,208</u>

Source: Audited Financial Statements

CITY OF KANKAKEE, ILLINOIS
FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2007
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 408,930	\$ 490,374	\$ 514,107	\$ 598,542
Unreserved	<u>2,216,428</u>	<u>2,086,589</u>	<u>2,565,669</u>	<u>2,646,334</u>
Total general fund	<u>\$ 2,625,358</u>	<u>\$ 2,576,963</u>	<u>\$ 3,079,776</u>	<u>\$ 3,244,876</u>
All Other Governmental Funds				
Reserved, reported in:				
Capital projects fund	\$ 1,556,391	\$ 5,934,780	\$ 3,514,172	\$ 7,379,140
Special revenue funds	1,561,805	2,001,132	2,242,149	1,816,274
Debt service funds	1,828,760	1,500,561	1,175,297	655,645
Unreserved, reported in:				
Special revenue funds	1,496,164	1,243,111	859,803	405,410
Debt service funds	<u>(21,027)</u>	<u>(33,601)</u>	-	-
Total all other governmental funds	<u>\$ 6,422,093</u>	<u>\$ 10,645,983</u>	<u>\$ 7,791,421</u>	<u>\$ 10,256,469</u>
Total, all governmental funds	<u>\$ 9,047,451</u>	<u>\$ 13,222,946</u>	<u>\$ 10,871,197</u>	<u>\$ 13,501,345</u>

Source: Audited Financial Statements

CITY OF KANKAKEE, ILLINOIS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2007
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 18,526,742	\$ 19,820,416	\$ 22,400,496	\$ 22,476,913
Licenses, fees and permits	1,612,984	1,357,586	1,351,238	1,529,843
Intergovernmental	3,545,692	5,046,428	4,822,805	4,720,311
Charges for services	526,945	900,443	694,259	611,369
Fines and penalties	693,275	752,054	551,687	489,839
Investment earnings	80,141	160,387	632,342	857,099
Other revenues	<u>407,179</u>	<u>289,650</u>	<u>340,889</u>	<u>200,342</u>
Total revenues	<u>\$ 25,392,958</u>	<u>\$ 28,326,964</u>	<u>\$ 30,793,716</u>	<u>\$ 30,885,716</u>
Expenditures				
General government	\$ 4,696,381	\$ 5,439,767	\$ 6,519,192	\$ 7,092,121
Public safety	11,232,102	11,882,783	12,414,696	13,020,755
Public works	2,141,577	2,020,207	2,154,858	2,141,265
Highways and streets	1,010,531	2,911,035	5,002,391	3,771,328
Community development	2,010,817	2,605,424	1,400,929	1,415,908
Culture and recreation	61,092	61,735	58,281	58,677
Economic development	4,070,688	686,555	1,414,560	474,577
Debt Service:				
Principal retirement	5,084,904	2,505,770	2,840,533	2,895,181
Interest and fiscal charges	1,907,476	1,997,609	2,198,457	2,337,923
Payment to refunded debt escrow	-	-	-	1,628,123
Total expenditures	<u>\$ 32,215,568</u>	<u>\$ 30,110,885</u>	<u>\$ 34,003,897</u>	<u>\$ 34,835,858</u>
Other Financing Sources (Uses)				
Proceeds from borrowing	\$ 16,769,979	\$ 6,355,078		\$ 5,813,107
Proceeds from refunding	8,049,638	3,160,000		4,285,000
Payments to escrow agent	(7,945,828)	(3,136,096)		(4,371,877)
Proceeds from disposal of capital assets				141,735
Transfers in	3,795,281	1,878,041	\$ 2,888,472	4,098,553
Transfers out	<u>(7,471,774)</u>	<u>(1,672,839)</u>	<u>(2,030,040)</u>	<u>(3,386,228)</u>
Total other financing sources (uses)	<u>\$ 13,197,296</u>	<u>\$ 6,584,184</u>	<u>\$ 858,432</u>	<u>\$ 6,580,290</u>
Net change in fund balances	<u>\$ 6,374,686</u>	<u>\$ 4,800,263</u>	<u>\$ (2,351,749)</u>	<u>\$ 2,630,148</u>
Capital Outlay (included in expenditures above)	<u>\$ 1,408,906</u>	<u>\$ 2,337,829</u>	<u>\$ 3,972,136</u>	<u>\$ 4,343,518</u>
Debt service as a percentage of non-capital expenditures	<u>22.7%</u>	<u>16.2%</u>	<u>16.8%</u>	<u>22.5%</u>

Source: Audited financial statements

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
LEVY YEARS 1997 - 2006

Levy Year	Residential	Commercial	Industrial	Farm	Railroad	Valuation, City of Kankakee		Ratio,
						Assessed	Actual	Assessed/ Actual
2006	\$ 168,328,634	\$ 75,596,355	\$ 20,812,689	\$ 483,254	\$ 1,090,206	\$ 266,311,138	\$ 798,933,414	33.3%
2005	153,858,874	70,978,107	20,782,574	482,506	1,065,782	247,167,843	741,503,529	33.3%
2004	138,098,922	68,246,503	21,439,393	488,177	1,203,251	229,476,246	688,428,738	33.3%
2003	140,737,615	64,576,073	21,167,724	505,454	1,366,946	228,353,812	685,061,436	33.3%
2002	138,201,636	64,106,550	21,289,432	478,488	1,369,432	225,445,538	676,336,614	33.3%
2001	133,996,738	63,390,332	20,627,505	507,987	1,344,350	219,866,912	659,600,736	33.3%
2000	127,561,655	63,892,456	19,260,964	336,545	1,326,195	212,377,815	637,133,445	33.3%
1999	126,783,784	65,471,979	19,095,750	400,729	1,415,246	213,167,488	639,502,464	33.3%
1998	121,589,519	64,964,830	19,076,955	415,486	1,257,678	207,304,468	621,913,404	33.3%
1997	115,300,602	66,830,764	19,395,105	281,993	1,253,996	203,062,460	609,187,380	33.3%

Source: Office of the Kankakee County Clerk

Note: State law prescribes an assessment ration of 33% of actual value.

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (UNAUDITED)
LEVY YEARS 1997 - 2006

LEVY YEAR	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rates										
General Fund:										
General Corporate	\$0.236	\$0.230	\$0.224	\$0.000	\$0.000	\$0.010	\$0.010	\$0.010	\$0.009	\$0.009
Fire Protection	0.110	0.108	0.105	0.103	0.099	0.108	0.106	0.107	0.098	0.092
Police Protection	0.085	0.083	0.081	0.080	0.076	0.083	0.082	0.082	0.076	0.071
Firemen's Pension	0.250	0.280	0.305	0.303	0.384	0.426	0.473	0.523	0.482	0.510
Police Pension	0.139	0.156	0.170	0.228	0.268	0.342	0.412	0.460	0.461	0.461
School Crossing Guard	0.013	0.013	0.013	0.013	0.012	0.013	0.012	0.013	0.012	0.011
Liability Insurance	0.127	0.124	0.124	0.343	0.328	0.460	0.454	0.455	0.421	0.378
Audit	0.015	0.015	0.015	0.015	0.014	0.015	0.015	0.016	0.015	0.014
Debt Service	<u>1.227</u>	<u>1.189</u>	<u>1.210</u>	<u>1.271</u>	<u>1.370</u>	<u>1.169</u>	<u>1.248</u>	<u>1.421</u>	<u>1.377</u>	<u>1.509</u>
Total General Fund	<u>\$2.202</u>	<u>\$2.198</u>	<u>\$2.247</u>	<u>\$2.356</u>	<u>\$2.551</u>	<u>\$2.626</u>	<u>\$2.812</u>	<u>\$3.087</u>	<u>\$2.951</u>	<u>\$3.055</u>
Special Revenue Funds										
Parks	\$0.022	\$0.020	\$0.020	\$0.020	\$0.019	\$0.018	\$0.017	\$0.017	\$0.016	\$0.015
Band	0.008	0.008	0.007	0.007	0.007	0.007	0.007	0.007	0.006	0.006
IMRF	0.241	0.245	0.250	0.259	0.247	0.241	0.238	0.239	0.220	0.207
Library	<u>0.199</u>	<u>0.204</u>	<u>0.204</u>	<u>0.254</u>	<u>0.264</u>	<u>0.276</u>	<u>0.619</u>	<u>0.573</u>	<u>0.542</u>	<u>0.523</u>
Total Special Revenue Funds	<u>\$0.470</u>	<u>\$0.477</u>	<u>\$0.481</u>	<u>\$0.540</u>	<u>\$0.537</u>	<u>\$0.542</u>	<u>\$0.881</u>	<u>\$0.836</u>	<u>\$0.784</u>	<u>\$0.751</u>
Total City Direct Rate	<u>\$2.672</u>	<u>\$2.675</u>	<u>\$2.728</u>	<u>\$2.896</u>	<u>\$3.088</u>	<u>\$3.168</u>	<u>\$3.693</u>	<u>\$3.923</u>	<u>\$3.735</u>	<u>\$3.806</u>
Special District and Overlapping Unit Rates										
Special Service Area No 1	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$1.986	\$1.963
Special Service Area No 2	0.108	0.055	0.053	0.053	0.051	0.050	0.048	0.047	0.047	0.043
Special Service Area No 3							1.249	1.198	1.087	1.008
Special Service Area No 5										0.300
Kankakee Township (including Road & Bridge)	0.696	0.602	0.578	0.573	0.559	0.550	0.551	0.536	0.515	0.508
School District No 111	4.678	4.688	4.636	4.667	4.613	4.577	4.620	4.664	4.455	4.320
Kankakee Valley Airport Authority	0.054	0.071	0.067	0.061	0.064	0.056	0.051	0.049	0.045	0.043
Kankakee Valley Park District	0.591	0.580	0.576	0.580	0.566	0.564	0.568	0.577	0.549	0.531
Kankakee County Forest Preserve District	0.056	0.055	0.056	0.058	0.059	0.060	0.060	0.060	0.058	0.056
Kankakee County	0.882	0.873	0.863	0.881	0.877	0.874	0.881	0.881	0.842	0.833
Kankakee Community College Dist #520	<u>0.213</u>	<u>0.209</u>	<u>0.208</u>	<u>0.208</u>	<u>0.238</u>	<u>0.280</u>	<u>0.311</u>	<u>0.304</u>	<u>0.320</u>	<u>0.348</u>
Total Overlapping Units	<u>\$9.278</u>	<u>\$9.133</u>	<u>\$9.037</u>	<u>\$9.081</u>	<u>\$9.027</u>	<u>\$9.011</u>	<u>\$10.339</u>	<u>\$10.316</u>	<u>\$9.904</u>	<u>\$9.953</u>
Overall Tax Rate	<u>\$11.950</u>	<u>\$11.808</u>	<u>\$11.765</u>	<u>\$11.977</u>	<u>\$12.115</u>	<u>\$12.179</u>	<u>\$14.032</u>	<u>\$14.239</u>	<u>\$13.639</u>	<u>\$13.759</u>

Note: Each taxing unit levies a total dollar amount. The rate is then determined by the County by dividing the levy by the taxable equalized assessed value of the property within each taxing unit's district.

Source: Tax bills for respective years

CITY OF KANKAKEE
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
LEVY YEARS 1997 AND 2006 (10 YEARS PRIOR AND CURRENT LEVY YEARS)

<u>Taxpayer</u>	<u>Levy year 1997</u>			<u>Levy year 2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Cognis Corporation	\$ 4,430,308	1	2.18%	\$ 6,774,059	1	2.54%
Great Oak LLC				3,931,262	2	1.48%
Riverside Senior Living Center	2,821,979	3	1.39%	2,849,634	3	1.07%
Riverside Medical Center				2,797,696	4	1.05%
Armstrong World Industries, Inc.	2,457,075	5	1.21%	2,775,201	5	1.04%
Riverwoods Association	2,584,353	4	1.27%	2,609,679	6	0.98%
Space Center Chicago, Inc.	3,155,318	2	1.55%	2,557,311	7	0.96%
Heritage Executive Center, Inc.	1,799,820	7	0.89%	2,116,658	8	0.79%
Provena Senior Services	1,428,483	10	0.70%	1,999,204	9	0.75%
GNB Industrial Battery	1,938,391	6	0.95%	1,938,391	10	0.73%
National City Bank MI/IL	1,753,158	8	0.86%			
Rohm & Haas	<u>1,515,217</u>	9	<u>0.75%</u>	<u>-</u>		<u>0.00%</u>
Total	<u>\$ 23,884,102</u>		11.75%	<u>\$ 30,349,095</u>		11.39%
Total EAV	<u>\$ 203,062,460</u>			<u>\$ 266,311,138</u>		

Source: Kankakee County Clerk

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LEVY YEARS 1997 - 2006

Levy Year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
EXTENDED LEVIES				
General Fund:				
General Corporate	\$422,714	\$423,242	\$423,379	\$0
Fire Protection	197,022	198,734	198,459	197,441
Police Protection	152,244	152,731	153,097	153,353
Firemen's Pension	447,776	515,237	576,476	580,823
Police Pension	248,964	287,061	321,314	437,055
School Crossing Guard	23,284	23,922	24,571	24,920
Liability Insurance	227,470	228,176	234,371	657,499
Audit	26,867	27,602	28,351	28,754
Road & Bridge	<u>95,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total General Fund Tax Extensions	<u>1,841,341</u>	<u>1,956,705</u>	<u>2,060,018</u>	<u>2,179,845</u>
Special Revenue Funds				
Parks	39,404	36,803	37,802	38,338
Band	14,329	14,721	13,231	13,418
IMRF	431,656	450,832	472,521	496,479
Library	356,431	375,388	385,577	486,894
Special Service Area No 1	79,797	118,544	117,116	118,376
Special Service Area No 2	6,033	3,025	3,009	3,009
Special Service Area No 3				
Special Service Area No 5	-	-	-	-
Total Special Revenue Funds	<u>927,650</u>	<u>999,313</u>	<u>1,029,256</u>	<u>1,156,514</u>
Debt Service Funds	<u>2,197,686</u>	<u>2,187,917</u>	<u>2,287,003</u>	<u>2,436,389</u>
Total Extensions	<u>\$4,966,677</u>	<u>\$5,143,935</u>	<u>\$5,376,277</u>	<u>\$5,772,748</u>
TOTAL COLLECTIONS				
General Fund	\$1,818,919	\$1,923,539	\$2,030,902	\$2,156,996
Park Fund	38,776	36,070	37,215	37,846
Band Fund	14,100	14,428	13,026	13,249
IMRF	424,771	441,860	465,207	490,109
Library Fund	349,514	365,000	379,610	480,755
Special Service Area No. 1	150,944	118,732	108,258	118,518
Special Service Area No. 2	6,012	3,017	3,008	3,009
Special Service Area No. 3				
Debt Service Funds	<u>2,162,807</u>	<u>2,144,371</u>	<u>2,251,606</u>	<u>2,405,125</u>
Total Collected	<u>\$4,965,843</u>	<u>\$5,047,017</u>	<u>\$5,288,832</u>	<u>\$5,705,607</u>
Percent of Extensions Collected	<u>99.9%</u>	<u>98.1%</u>	<u>98.4%</u>	<u>98.8%</u>

Source: City records

Table B-4

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$0	\$20,556	\$20,843	\$20,790	\$20,258	\$21,579
198,468	222,003	220,936	222,449	220,585	220,587
152,359	170,613	170,913	170,475	171,066	170,235
769,815	875,677	985,874	1,087,296	1,084,918	1,222,818
537,266	703,008	858,731	956,322	1,037,650	1,105,332
24,057	26,723	31,264	27,026	27,010	26,375
657,550	945,567	946,272	945,927	947,615	906,324
28,066	30,834	25,012	33,263	33,763	33,568
<u>100,000</u>	<u>100,000</u>	<u>109,556</u>	<u>166,828</u>	<u>125,782</u>	<u>105,022</u>
<u>2,467,581</u>	<u>3,094,981</u>	<u>3,369,401</u>	<u>3,630,376</u>	<u>3,668,647</u>	<u>3,811,840</u>
38,090	37,000	35,433	35,342	36,014	35,965
14,033	14,389	14,590	14,553	13,505	14,386
495,167	495,395	496,063	496,872	495,191	496,320
529,248	567,340	1,290,182	1,191,244	1,219,970	1,253,988
101,065	113,242	117,666	110,346	113,582	114,917
3,007	3,030	3,050	3,017	3,052	3,039
-	-	52,750	52,947	53,047	52,751
-	-	-	-	-	<u>31,168</u>
<u>1,180,610</u>	<u>1,230,396</u>	<u>2,009,734</u>	<u>1,904,321</u>	<u>1,934,361</u>	<u>2,002,534</u>
<u>2,746,474</u>	<u>2,402,973</u>	<u>2,601,206</u>	<u>2,954,203</u>	<u>3,099,444</u>	<u>3,618,103</u>
<u>\$6,394,665</u>	<u>\$6,728,350</u>	<u>\$7,980,341</u>	<u>\$8,488,900</u>	<u>\$8,702,452</u>	<u>\$9,432,477</u>
\$2,434,613	\$3,066,754	\$3,354,623	\$3,569,334	\$3,674,542	
37,509	36,564	35,255	35,135	36,077	
13,821	14,217	14,514	14,466	13,525	
487,621	489,556	493,595	494,002	496,035	
521,315	560,193	1,282,830	1,182,348	1,219,360	
101,146	112,465	116,942	109,986	113,667	
3,009	3,031	3,050	3,003	3,050	
		52,407	51,962	53,057	
<u>2,704,603</u>	<u>2,374,663</u>	<u>2,588,274</u>	<u>2,937,134</u>	<u>3,104,738</u>	
<u>\$6,303,637</u>	<u>\$6,657,443</u>	<u>\$7,941,490</u>	<u>\$8,397,370</u>	<u>\$8,714,051</u>	
<u>98.6%</u>	<u>98.9%</u>	<u>99.5%</u>	<u>98.9%</u>	<u>100.1%</u>	

CITY OF KANKAKEE, ILLINOIS
OUTSTANDING DEBT (PRINCIPAL AND INTEREST)
BY TYPE AND LEGAL DEBT MARGIN (Unaudited)
Fiscal Years Ended April 30, 1998 to 2007

Fiscal Year Ended	Governmental Activities				Total Net Direct Debt (A-B+C)	Business-type	Total Primary Government (A+C+D)
	General Obligation Bonds (A)	Self-supporting TIF Bonds (B)	Net Direct Bonds (A-B)	Capital Leases (C)		Activities Revenue Bonds (D)	
2007	\$68,971,781	\$ 15,595,858	\$ 53,375,923	\$ 3,855,000	\$57,230,923	\$ 11,778,749	\$ 84,605,530
2006	67,136,462	17,229,031	49,907,431	4,035,000	53,942,431	11,778,749	82,950,211
2005	71,848,228	18,690,366	53,157,862	4,215,000	57,372,862	12,686,679	88,749,907
2004	66,867,713	20,147,351	46,720,362	4,395,000	51,115,362	13,592,502	84,855,215
2003	46,645,722	21,759,438	24,886,284	4,604,769	29,491,053	14,500,357	65,750,848
2002	50,430,323	10,050,366	40,379,958	43,315	40,423,273	15,409,040	65,882,678
2001	55,560,265	10,978,988	44,581,277	-	44,581,277	9,776,057	65,336,322
2000	52,252,202	12,090,173	40,162,030	-	40,162,030	10,374,259	62,626,461
1999	55,669,694	13,322,274	42,347,421	-	42,347,421	10,969,621	66,639,315
1998	47,807,186	14,127,511	33,679,675	-	33,679,675	40,605,715	88,412,901

COMPUTATION OF LEGAL DEBT MARGIN (Unaudited)

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule Community, no statutory debt limit exists.

CITY OF KANKAKEE, ILLINOIS
RATIOS OF TOTAL NET DIRECT DEBT OUTSTANDING (Unaudited)
Fiscal Years Ended April 30, 1998 to 2007

<u>Fiscal Year Ended</u>	<u>Total Net Direct Debt</u>	<u>Direct Debt as Percentage of Personal Income</u>	<u>Amount of direct debt per Capita</u>	<u>Debt as a Percentage of EAV</u>	<u>Revenue Coverage, TIF Bonds</u>	<u>Revenue Coverage, Utility Bonds</u>
2007	\$ 50,836,295	11.9%	\$ 1,849	19.1%	1.92	1.31
2006	45,719,351	10.7%	1,663	17.2%	1.16	0.99
2005	48,628,804	11.4%	1,769	18.3%	1.25	0.74
2004	42,096,570	9.9%	1,531	15.8%	(3.58)	0.71
2003	29,886,080	7.0%	1,087	11.2%	(7.54)	0.46
2002	39,709,536	9.3%	1,444	14.9%	2.04	1.62
2001	45,169,081	10.6%	1,643	17.0%	0.73	2.43
2000	41,482,716	9.7%	1,504	15.6%	0.80	3.29
1999	44,082,869	10.4%	1,599	16.6%	0.36	1.31
1998	35,531,668	8.3%	1,289	13.3%	(3.93)	0.96

Population and personal income from Table D - 1

Source of revenue coverage calculation: City records

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
April 30, 2007

<u>Jurisdiction</u>	Outstanding <u>Debt</u>	Estimate Applicable to City	
		<u>Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 37,695,000	100.00%	\$ 37,695,000
Overlapping ⁽²⁾			
Kankakee School District No. 111	19,643,710	67.94%	13,345,937
Herscher Community Unit School District No. 2	8,315,000	0.22%	18,293
Kankakee Valley Airport Authority	910,000	37.92%	345,072
Kankakee Valley Park District	566,000	67.94%	384,540
School District No. 61	1,610,000	4.86%	78,246
High School District No. 307	3,433,400	1.63%	55,964
Community Unit School District No. 4 (Clifton)	7,853,794	0.45%	35,342
Bourbonnais Park District	600,000	1.79%	10,740
Community College 520	2,985,000	12.19%	363,872
Kankakee County	7,635,000	14.57%	1,112,420
Total Overlapping Debt	<u>53,551,904</u>		<u>15,750,426</u>
Total Net Direct and Overlapping Debt	<u>\$ 91,246,904</u>		<u>\$ 53,445,426</u>
2006 Equalized Assessed Valuation (EAV)			\$ 266,311,138
2006 Estimated Full Valuation			\$ 798,933,414
Population - Current Estimate			27,491
Full Valuation per Capita			\$ 29,062
<u>Debt Ratios</u>			
		%	
		<u>EAV</u>	<u>Value</u>
Net Direct Debt: \$	37,695,000	14.15%	4.72%
Net Direct and Overlapping Debt: \$	53,445,426	20.07%	6.69%
			Per Capita
			\$ 1,371
			\$ 1,944

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt Information current to 06/01/07

CITY OF KANKAKEE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Fiscal Years Ended April 30, 1998 to 2007

Fiscal Year Ended	Population	Per Capita Personal Income	Total Personal Income	Unemployment Rate
2007	27,491	\$ 15,479	\$ 425,533,189	7.5%
2006	27,491	15,479	425,533,189	7.9%
2005	27,491	15,479	425,533,189	10.1%
2004	27,491	15,479	425,533,189	11.7%
2003	27,491	15,479	425,533,189	12.7%
2002	27,491	15,479	425,533,189	11.9%
2001	27,491	15,479	425,533,189	9.5%
2000	27,575	10,349	285,373,675	8.0%
1999	27,575	10,349	285,373,675	9.0%
1998	27,575	10,349	285,373,675	9.9%

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (Unaudited)
Fiscal Years Ended April 30, 1998 and April 30, 2007

<u>Employer</u>	<u>1998</u>			<u>2007</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total City Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total City Population</u>
Riverside Healthcare	1,475	1	5.4%	2,100	1	7.6%
Shapiro Developmental Center	1,375	2	5.1%	1,288	2	4.7%
St. Mary's Hospital (Provena)	1,000	4	3.7%	1,000	3	3.6%
CIGNA (Connecticut General Insurance)	400	13	1.5%	900	4	3.3%
Kankakee School District No. 111	660	6	2.4%	800	5	2.9%
Baker & Taylor Company	539	9	2.0%	640	6	2.3%
Sears Logistics Services	725	5	2.7%	633	7	2.3%
Kankakee County Government	430	11	1.6%	550	8	2.0%
ZLB Behring	1,050	3	3.9%	550	8	2.0%
K-Mart Distribution Center	550	7	2.0%	460	9	1.7%
Olivet Nazarene University			0.0%	400	10	1.5%
Kankakee Community College	442	10	1.6%	396	11	1.4%
Armstrong World Industries, Inc.	370	14	1.4%	367	12	1.3%
City of Kankakee	350	15	1.3%	352	13	1.3%
Bunge Edible Oils			0.0%	320	14	1.2%
Nucor Steel			0.0%	304	15	1.1%
Super K-Mart Store	540	8	2.0%			
Cognis Corporation	415	12	1.5%			
Herscher School District #2	306	16	1.1%			
GNB, Incorporated	<u>295</u>	17	<u>1.1%</u>	<u>-</u>		<u>0.0%</u>
Total	<u>10,922</u>		<u>40.1%</u>	<u>11,060</u>		<u>40.2%</u>

Source: Kankakee Regional Chamber of Commerce

CITY OF KANKAKEE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)
Fiscal Years Ended April 30, 1998 to 2007

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Affirmative Action/Personnel Clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5
	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Finance/Central Services										
Accounting	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Billing and Collections	6.5	6.5	6.5	2.0	2.0	2.0	1.0	1.0	1.5	1.5
Legal										
Counsel and Legal Adjudication	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
	-	-	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Senior Aides	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Building Maintenance	2.0	2.0	2.0	2.0	3.0	-	-	-	-	-
Public Safety										
Police										
Officers	74.0	74.0	74.0	74.0	74.0	73.0	71.0	70.0	70.0	73.0
Civilians	23.0	24.0	25.0	25.0	25.0	14.0	15.0	15.0	15.0	15.0
Fire										
Firefighters and Officers	46.0	47.0	47.0	50.0	50.0	50.0	50.0	50.0	51.0	52.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Code	16.0	18.0	18.0	17.0	17.0	17.0	15.0	15.0	16.0	16.0
Planning	2.0	2.0	1.0	1.0	1.0	1.0	-	-	-	-
Animal Control	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Engineering	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Public Works										
Administration	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0
Garage	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Streets and Alleys	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Parks	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community Development Agency	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Sewer Utility										
Administration and clerical	7.0	7.0	7.0	8.0	7.0	8.0	8.0	7.0	4.0	4.0
Lab	6.0	7.0	6.0	6.0	5.0	6.0	6.0	6.0	6.0	6.0
Sewer services	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Technical services	4.0	4.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	5.0
Building maintenance	2.0	2.0	2.0	2.0	2.0	3.0	4.0	4.0	4.0	2.0
Plant operations and maintenance	<u>10.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	-	-	-	-	-	-
Total	263.5	265.5	268.0	267.0	256.0	242.0	238.0	237.0	237.5	240.5

Source: City records

CITY OF KANKAKEE, ILLINOIS
OPERATING INDICATORS (Unaudited)
Fiscal Years Ended April 30, 1998 to April 30, 2007

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Total arrests	3,175	3,219	3,059	3,016	3,055	3,039	2,809	2,478	2,633	2,575
Traffic citations	4,964	5,878	6,572	4,939	5,834	5,778	7,670	7,328	3,459	4,265
Fire										
Fire runs	1,601	1,412	1,270	1,585	1,401	1,330	2,232	2,378	2,479	2,643
Structure fires	86	86	92	100	125	79	102	94	123	124
EMS calls	3,381	2,926	3,018	3,052	3,221	3,127	3,314	3,371	3,394	3,445
Public Works										
Refuge collected (cu. yds)									19,627	22,718
Brush collected/processed (cu. yds.)									13,238	
Wastewater										
Number of customers										
Residential and commercial	8,510	8,698	8,737	8,550	8,461	8,459	8,433	8,383	8,337	8,302
Industrial and institutional	39	47	50	49	47	47	42	38	38	33
Sewer charges (in thousands of \$'s)										
Residential	\$2,009	\$2,266	\$2,302	\$2,453	\$2,326	\$2,437	\$2,397	\$2,436	\$2,558	\$2,525
Commercial	\$4,023	\$4,023	\$4,218	\$3,958	\$4,256	\$4,152	\$3,816	\$4,197	\$3,979	\$4,130
Treatment capacity (MGPD)	25	25	25	25	25	25	25	25	14	14
Present Load (MGPD)	13	13	13	12	12	12	12	12	7	13

Source: City records

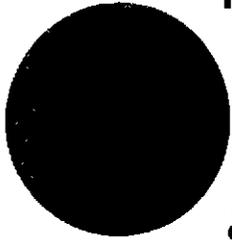
CITY OF KANKAKEE, ILLINOIS
CAPITAL ASSET STATISTICS (Unaudited)
Fiscal Years Ended April 30, 1998 to April 30, 2007

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	24	24	24	24
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Front-line apparatus	6	6	6	6	6	6	6	6	6	6
Public works										
Streets (miles)							248	249	254	256
Alleys (miles)							113	113	113	113
Bridges							17	17	17	17
Sidewalks (miles)							219	219	221	222
Streetlights							135	135	180	192
Traffic signals (intersections)							9	9	9	33
Storm sewers (miles)							117	117	119	120
Wastewater										
Sanitary sewers (miles)	118	118	118	118	118	118	118	130	145	145

Capital assets information (Public works section) are not available for years prior to fiscal 2004

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SINGLE AUDIT SECTION



**PAYNE
GRAY
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& SCHMIDT**

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Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

Bruce W. Payne, C.P.A., Retired
Michael V. Gray, C.P.A., Deceased

**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**

To the Mayor and the City Council
City of Kankakee
Kankakee, IL 60901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of and for the year ended April 30, 2007, which collectively comprise the City of Kankakee, Illinois' basic financial statements and have issued our report thereon dated October 9, 2007. 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

In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over financial reporting as a basis for designing our auditing procedures 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 City of Kankakee, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kankakee, Illinois' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kankakee, Illinois' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kankakee, Illinois' financial statements that is more than inconsequential will not be prevented or detected by the City of Kankakee, Illinois' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Kankakee, Illinois' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

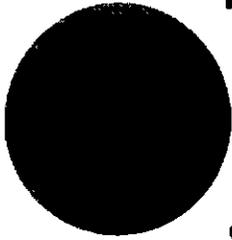
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kankakee, Illinois' 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*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Hoskroty + Schmidt

October 9, 2007



PAYNE
GRAY
GROSKREUTZ
& SCHMIDT

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**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and the The City Council
The City of Kankakee
Kankakee, Illinois 60901

Compliance

We have audited the compliance of the the City of Kankakee, Illinois, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2007. The City of Kankakee, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express an opinion on the City of Kankakee, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kankakee, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Kankakee, Illinois' compliance with those requirements.

In our opinion, the City of Kankakee, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2007.

Internal Control Over Compliance

The management of the City of Kankakee, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Kankakee, Illinois' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Grookrentz & Schmidt

October 9, 2007

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>MAJOR PROGRAMS</u>			
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant:			
Program year 2007	14.218	B-06-MC-17-0026	\$ 445,392
Program year 2006	14.218	B-05-MC-17-0026	370,276
			<u>815,668</u>
Passed-through Illinois Housing Development			
Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-2087	119,004
Single Family Owner-Occupied Rehab Program	14.239	HO-2374	254,875
Small Rental Properties Program	14.239	HS-2370	153,990
			<u>527,869</u>
Total Department of Housing and Urban Development			<u>1,343,537</u>
<u>OTHER PROGRAMS</u>			
<u>Department of Labor</u>			
Passed-through Senior Service America, Inc:			
Senior Aides Program - FY 07	17.235		118,082
Senior Aides Program - FY 06	17.235	AD-13734-04-60	32,059
Total Department of Labor			<u>150,141</u>
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILLHBO155-00	<u>126,422</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighters - Fire Prevention and Safety	97.044	EMW-2005-FP-03160	\$ 26,020
Assistance to Firefighters - Fire Prevention and Safety	97.044	EMW-2004-FP-01949	48,859
Total Department of Homeland Security			<u>74,879</u>
<u>Department of Justice</u>			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1955	7,348
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0595	19,800
			<u>27,148</u>
Bullet Proof Vest Partnership Program	16.607		<u>7,063</u>
FY2005 Justice Assistance Grant Program	16.738	2005-DJ-BX-1179	51,627
FY2006 Justice Assistance Grant Program	16.738	2006-DJ-BX-0852	16,895
			<u>68,522</u>
Gang Resistance Education and Training	16.737	2006-JV-FX-0002	<u>25,095</u>
Passed-through Kankakee Area Metro Enforcement Group: Expanding Multi-jurisdictional Narcotics Unit	16.579	2004-DB-BX-0043	<u>32,509</u>
Passed-through Illinois Criminal Justice Information Authority: Law Enforcement/Prosecutor-Based Victim Assistance Service	16.575	206044	4,903
Law Enforcement/Prosecutor-Based Victim Assistance Service	16.575	204544	15,763
			<u>20,666</u>
Community Prosecution & Project Safe Neighborhood	16.609	106025	<u>38,254</u>
Total Department of Justice			<u>219,257</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation:			
State and Community Highway Safety	20.600-605	AL6-2915-255	\$ 7,084
State and Community Highway Safety	20.600-605	OP7-2915-289	4,096
Total Department of Transportation			<u>11,180</u>
<u>Institute of Museum and Library Services</u>			
Passed-through Illinois State Library, Office of the Secretary of State:			
Library Service and Technology Act	45.310	07-9238	3,000
Library Service and Technology Act	45.310	07-8012	4,000
Total Office of Library Services			<u>7,000</u>
Total Other Programs			<u>588,879</u>
Total Federal Awards			<u>\$1,932,416</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2007

SIGNIFICANT ACCOUNTING POLICIES:

The City's accounting records are maintained in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board.

The significant accounting policies followed by the City are as follows:

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Under 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. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until earned.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2007

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

1. The auditors' report, dated October 9, 2007, expresses an unqualified opinion on the basic financial statements of the City of Kankakee.
2. No significant deficiencies or material weaknesses on internal control relating to the audit of the basic financial statements of the City of Kankakee are reported.
3. No instances of noncompliance material to the basic financial statements of the City of Kankakee were disclosed during the audit.

Federal Awards

1. No significant deficiencies on internal control relating to the audit of the major federal award programs of the City of Kankakee are reported.
2. The auditors' report on compliance for the major federal award programs for the City of Kankakee expresses an unqualified opinion on all major federal programs.
3. No audit findings relating to the major federal award programs of the City of Kankakee are reported.
4. Community Development Block Grant (CFDA #14.218) and Home Investment Partnerships Program (CFDA #14.239) were tested as major programs for the year ended April 30, 2007.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Kankakee qualified as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.