



Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2014

City of Kankakee, Illinois

Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2014

Prepared by:
The Comptroller's Office
Elizabeth D. Kubal
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2014**

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INTRODUCTORY SECTION



Comptroller

304 South Indiana Avenue

Kankakee, Illinois 60901

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October 24, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois (City) for the fiscal year ended April 30, 2014 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 financial statements presented here are in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This letter of transmittal should be read in conjunction with management's discussion and analysis (MD&A) to obtain the most complete assessment of the City's current financial status and its future outlook.

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 two component units, the Kankakee Public Library and Special Service Area #1 (SSA). 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, 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, Inc., 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 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 14.5 square miles, an increase of 42% in land area. With a current population of 27,537 (2010 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates at

the center of a metropolitan populace of approximately 75,000 people, and is the county seat of Kankakee County, which has a population of 113,551 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. At the point where it flows through the City, the river is about one quarter of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. 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. The water behind the dam powers a City owned low-head hydroelectric plant. The plant generates electricity that is used for the operation of the KRMA wastewater treatment plant.

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, passes along the eastern side of the City. This interstate highway provides access to the heart of the City of Chicago in approximately one hour driving time. 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. The Kankakee Valley Airport, located two miles south of the City's downtown area, 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 5,200 students. The four parochial schools serving the Kankakee area (Aquinas Catholic Academy, Bishop McNamara Catholic High School, Grace Christian Academy, and Kankakee Trinity Academy) have an approximate total enrollment of 1,000 students. Higher education is available through Olivet Nazarene University, a four-year liberal arts college, in Bourbonnais, and Governor's State University, located in University Park, which is located about ten miles north of the county line in Will County. Olivet Nazarene University has increased its enrollment to the current level of approximately 4,800, which includes 3,335 undergraduates. The number of residential students has grown substantially from 1,100 in 1990 to 2,212 in 2014. The number of graduate level students in 2014 is approximately 1,900. Two-year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 4,500 students currently enrolled at the community college. The college reports that it has a total of 18,900 students taking classes each year.

Internal Control Objectives and Inherent Limitations

The 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 GAAP. Because the cost of controls 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, collections, 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 her 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, IMRF Fund, SSA#2 Fund, SSA#3 Fund, and SSA#5 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are used to control expenditures on a project or designated purpose basis, and are carried forward each year until the project is completed or the designated purpose has concluded. No legally adopted budgets are prepared for the capital projects 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 78 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 \$54.0 million, over the past 20 years through the issuance of bonds. This has enabled 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.

City Government Operations and Finances

The City of Kankakee continues to find ways to operate in a cost-effective manner while not diminishing the quality of the services delivered. In response to the national economic downturn beginning in 2008, the City Administration responded and has continued to in recent years. Beginning in May 2010, the Public Works Department moved from the General Fund to the Environmental Services Utility to more properly match the Public Works environmental control of storm water management and solid waste handling responsibilities with the related utility revenues. The City's General Fund did contribute \$0.3 million to the Sewer Fund in fiscal year 2014 to pay for those Public Works costs not directly attributable to either environmental control or solid waste handling.

City Administration has further responded by reducing its General Fund payroll costs over the years. The City has negotiated with its various organized labor groups to help with cost containment and the additional financial constraints through both non-wage cost reductions and direct wage concessions. Over

the past five years, the City of Kankakee has decreased the workforce by over 12% from 262 employees in 2009 to 230 employees in 2014.

As a result of this restructuring of the past five years, the City has adopted fiscally responsible budgets. The fiscal year 2014 General Fund budget projected a small surplus of \$0.25 million and finished with a positive fund balance increase of \$0.8 million. The current fiscal year 2015 also projects the City of Kankakee will increase this fund balance.

In fiscal year 2000, the City entered into direct and indirect sales tax sharing agreements with various 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 the 1% municipal portion of the sales taxes that are generated on the transactions of the partnering companies as an economic development incentive.

Legal action was filed by the Regional Transportation Authority, Cook County and the City of Chicago contesting these agreements and whether the plaintiffs have any right to the sales tax proceeds. The City of Kankakee strongly defended the lawsuits and showed that there has been almost no shifting of the sales tax from the jurisdiction of the plaintiffs. The City believed that the contracts it established had not shifted the point of sale from other Illinois locations and that the City agreements are legally valid.

On November 21, 2013, the Illinois Supreme Court, in the case entitled *Hartney Fuel Oil v. Brian Hamer, Director of the Illinois Department of Revenue* (IDOR), considered the issue of the proper siting of a retail sales business for purposes of determining which municipality should be entitled to claim the local share of the sales tax generated by that particular business. As part of its decision, the Supreme Court declared tax sharing agreements, such as the ones in place in the City of Kankakee, were valid under the previous Illinois Administrative Rules and Regulations (pre-November 21, 2013). All of the City's agreements were executed prior to that date. Going forward (post-November 21, 2013), the Court declared the Administrative Rules and Regulations need to change in order to be consistent with the statute upon which they were based. IDOR issued emergency rules that govern the siting issue. Permanent rules will be forthcoming. The emergency rules now in place have helped retail sale businesses have greater assurance that its sales tax will be allocated to the proper site. The pending litigation continues and will hopefully be soon settled.

The City completed renovations to the former Library Building in July 2008, and that building now acts as the City Administration Building (Mayor, Clerk, Legal, Personnel, Comptroller, and Adjudication). The old City Hall was also renovated, and opened in April 2009 as the Public Safety Center. It houses the Police Department and the Fire Department Administration Division. City Council meetings are conducted in the Council Chambers located on the second floor of the Public Safety Center.

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, BASF Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, Bunge, CSL Behring, Dow International, CIGNA Insurance Claims Processing Center, Peddinghaus Industries, Valspar, Baker and Taylor, Presence St. Mary's Hospital, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

Interstate Exit #308 Development

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 which was completed late summer of 2004. A Gas City service station, which includes Dunkin Donuts and Subway, opened in December 2005. A Taco Bell/Kentucky Fried Chicken Restaurant opened in late 2007, and a Wal-Mart Super Center opened for business in April 2008. During fiscal 2009, a Dollar Tree Store, the El Mexicano Restaurant, Best Mattress Store, and the Cash Store commenced operations in a retail outlet complex located between the hotel and the Wal-Mart. Aldi constructed a new store just outside this project area, which opened in November 2009. In 2013, a new Love's Truck Stop and Arby's opened on the east side of this development area. There is interest and optimism that this project will continue to act as an anchor for additional commercial and residential growth in south Kankakee.

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

City of Kankakee Economic Improvements

- continued investments in infrastructure improvements throughout the City including street overlays, sidewalks, curbs, and sewers of over \$54.0 million including the development of the new park as part of a neighborhood stabilization plan
- redevelopment of Meadowview Shopping Center by new developer including O'Reilly Auto Parts, City Trends, Shelby's Café, Embrace Consignment and Riverside Audiology totaling \$4.5 million and a \$1.8 million build out of a new Planet Fitness
- development of the K4 Wind Farm LLC electrical substation-\$4.0 million
- expansion of silos and SBS at IKO Midwest Roofing-\$3.6 million
- addition at Kankakee Ring Container which added 9 new full-time job-\$3.5 million
- completion of a new Save-a-lot grocery store in downtown Kankakee creating 25 new full-time jobs-\$2.0 million
- major redevelopment/site reconstruction, Kankakee Gas and Wash LLC, bordering downtown Kankakee adding 15 full-time jobs-\$1.8 million
- development of Murphy Oil gas station by the Walmart creating 10 jobs-\$1.7 million
- the second expansion of J. Edwards Brush adding more than 20 jobs-\$1.0 million
- expansion of Westwood Oaks Senior Living facility-\$2.4 million
- expansion of the Riverside Medical Center facilities for new ICU unit, and catheterization lab-\$2.0 million
- completion of the Riverside Mental Health Transition facility-\$0.6 million

- relocation of the Heartland Harvest manufacturing facility to an empty building in the Eastgate Industrial Park
- purchase of the empty American Spring Wire facility located in the Eastgate Industrial Park by Peddinghaus Industries for future expansion

Future City of Kankakee economic improvements

- West Downtown Redevelopment area, created by the Lakota Group, anchored by Presence St. Mary's Hospital to the north, the Kankakee River to the west and River Street to the south
 - ▶ City was awarded a \$2.2 million Federal Emergency Management Agency grant to acquire and demolish 22 properties on River Street to create a River Walk Bike Path along the Kankakee River
 - ▶ the development of the Mercy Independent Living Center with Presence St. Mary's Clinic will be completed in late 2015 and was awarded \$15 million in tax credits by Illinois Housing Development Authority
- The National Guard Training and Maintenance facility moving to the Greater Kankakee Airport with completion targeted at the end 2015-\$52.0 million
- The K-Mart property at Exit 312 was sold with plans for redevelopment along with the Exit 312 interchange redesign currently in Phase 1 engineering with Phase 2 funded
- BASF, Millipore, and Sun Chemical Corporations have planned expansions to be completed in early 2015

In summary, from January of 2012 through the end of October 2014, more than \$19,632,846 in capital investment has been made in the City of Kankakee resulting in the retention of 354 jobs as well as adding 148 new full time positions. The City's infrastructure, location and an established home to a large percentage of the industry within Kankakee County places it in an excellent position to prosper as the economy continues to improve and become stronger.

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 Groskreutz Schmidt Abraham Eshleman & Gerretse performed the audit of the records of the City for the fiscal year ending April 30, 2014. 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 grant 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, 2013. This was the seventeenth 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.

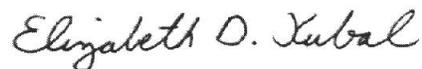
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 would not have been possible without the efficient and dedicated services of the entire Comptroller's Office staff comprised of Jeannette Holden, Maureen Kambic, Elyssa Macias, and Tamie Seedorf.

We would like to express our appreciation to the Mayor and City Aldermen for their unfailing support in maintaining the highest standard of professionalism in the management of the City of Kankakee's finances. We would also like to express our appreciation to the firm of Groskreutz Schmidt Abraham Eshleman & Gerretse for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to M.J. Abraham, Partner, Rebecca Schatz, Manager, and auditors Dan Brough, Juan Diaz, Jessica Gerretse, Jason Guest and Ryan Williamson.

Respectfully submitted,



Elizabeth D. Kubal
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2014

Elected Officials

Mayor

Nina Epstein (2009 – 2017)

Council Members

First Ward

James R. Cox (1999-2015)
Glenn E. Davidson (2009-2017)

Second Ward

James H. Stokes, Jr. (2011-2015)
Stacy Gall (2013-2017)

Third Ward

Stephen Linneman (2008-2015)
Larry A. Osenga (2009-2017)

Fourth Ward

Danita Grant Swanson (2003-2015)
James A. Faford (2009-2017)

City Clerk

Anjanita Dumas (2001 – 2017)

Fifth Ward

Dexter Thompson (2011-2015)
Tyler D. Tall (2010-2017)

Sixth Ward

Dennis Baron (1987-2015)
Christopher Curtis (2012-2017)

Seventh Ward

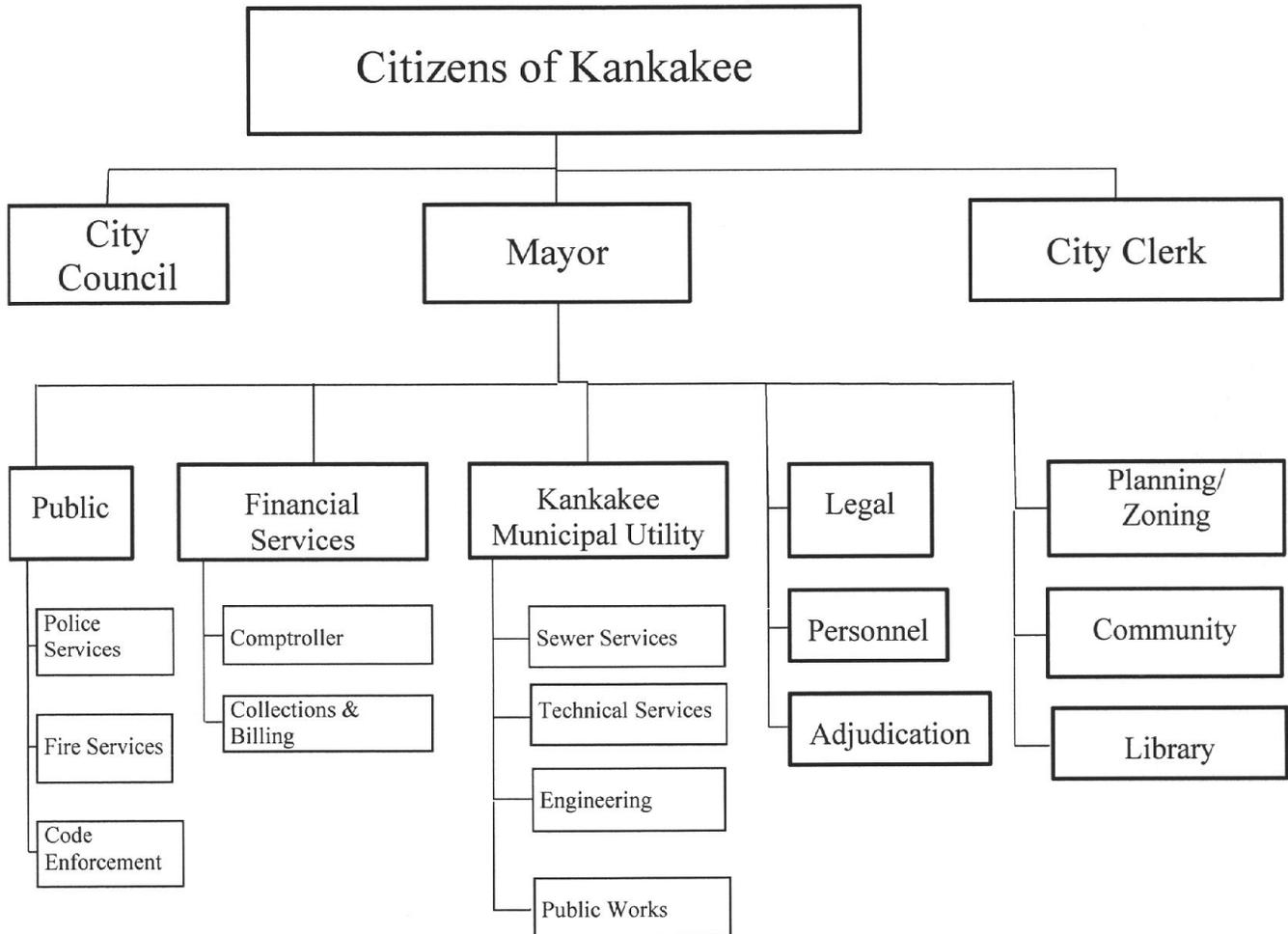
Fred Tetter (2013-2017)
P. Carl Brown (2001-2015)

Appointed Officials

Larry Regnier	Police Chief
Ronald Young	Fire Chief
Richard Simms	Municipal Utility Superintendent
Chris Bohlen	Chief Legal Counsel
L. Patrick Power	City Attorney and Treasurer
Kristine Schmitz	Adjudication Director
Elizabeth Kubal	Comptroller
Clifford Cross	Community Development Director
James Gordon	Code Enforcement Director/City Planner
William Yohnka	Personnel Director
David Tyson	Economic Development Director
Steve Bertrand	City Engineer
Bert Dear	Library Director
Dennis Doyle	Assistant Superintendent-Public Works
Randy Collins	Assistant Superintendent-Public Works
Peter Schiel	Assistant Superintendent-Utility Operations
Patricia Schatz	Assistant Superintendent-Utility Operations
	Assistant Superintendent-Laboratory Services

City of Kankakee, Illinois

Organizational Structure





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

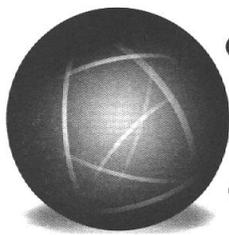
**City of Kankakee
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2013

Executive Director/CEO

FINANCIAL SECTION



PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of 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 (the City), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

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Naples, Florida 34108
Phone: (239) 593-8162

216 Hack Street
Cullom, Illinois 60929
Phone: (815) 689-2174

214 South Center Street
Forrest, Illinois 61741
Phone: (815) 657-8433

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, as of April 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

The combining and individual fund financial statements, the supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information has been derived from the City's 2013 financial statements and, in our prior year report dated November 8, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
October 22, 2014

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2014**

The City of Kankakee's (City) is pleased to present its Management's Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2014. 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.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$37 million (net position) at the end of the fiscal year 2014.
- The City's total net position increased by \$3.2 million. The governmental net position increased by \$6.5 million and the business-type net position decreased by \$3.3 million.
- The City's governmental funds reported combined ending fund balances of \$9.8 million. Approximately 28% of this amount, \$2.8 million is available for spending at the City's discretion (unassigned fund balance).
- The City's total bonded debt remained roughly flat. The governmental total bonded debt decreased by \$7.3 million and the business-type total bonded debt increased by \$5.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The City of Kankakee's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements in Table 1, or page 15, are designed to provide readers with a broad overview of the City's finances, in a manner that is congruent to private-sector business. The focus of the Statement of Net Position (the Unrestricted Net Position) is designed to be similar to the bottom line results for the City and its governmental and business-type activities. 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.

The Statement of Activities on pages 16-17 is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services. Also, these statements include similar financial information for the various business-type activities and component units.

The government-wide financial 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 are found on pages 15-17. The business-type financial statements are found on pages 22-26.

The governmental activities reflect the City's basic services, including public safety (police, fire, and code enforcement), transportation, general administrative services, and culture and recreation. The business-type activities reflect private sector-type operations of the City which include environmental services (storm water management and sewer collection and treatment), solid waste (trash) collection services and public works.

The City also includes financial information for 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 in this report from the financial information presented for the primary government itself.

GOVERNMENTAL 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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The focus of governmental funds financial statements is on near-term financial resource inflows and outflows (sources and uses), 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. The financial statements for the governmental funds are presented for a second time, but in a different format. This second presentation of the financial statements by funds provides a comparison of the fund statements to the government-wide financial statements so a reader may better understand the long-term impact of the government's near-term financial decisions. Both the Governmental Funds Balance Sheet on page 18 and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances on page 20 provide reconciliations on pages 19 and 21 to facilitate comparisons between the amounts reported in governmental funds to the amounts reported as governmental activities.

The City maintained 23 individual governmental funds during fiscal 2014, and two additional governmental funds were reported on as component units. Information for the City's major governmental funds: General Fund and Capital Projects Fund is presented separately in the Governmental Fund Balance Sheet on page 18 and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances on page 20. Financial information for the other 21 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 which begins on page 86 of this report.

Proprietary Funds

The proprietary funds are accounted for as business-type activities. The basic proprietary fund financial statements can be found on pages 22-26 of this report. Those financial statements do not change (and therefore, are not redisplayed) as fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 27 and 28.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison to actual for the General Fund, as well as the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 77-85 of this report.

Notes to the Financial Statements

The notes provide additional information that is critical to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-76 of this report.

STATEMENT OF NET POSITION

The City of Kankakee's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources for the total primary government by \$37 million at April 30, 2014. The largest portion of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to eliminate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are thereby restricted.

The following table presents a condensed, comparative Statement of Net Position:

Table 1: Statement of Net Position as of April 30, 2014 and 2013 (in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current and Other Assets	\$34.8	\$34.2	\$7.7	\$7.9	\$42.5	\$42.1
Capital Assets	<u>84.0</u>	<u>85.0</u>	<u>28.4</u>	<u>29.2</u>	<u>112.4</u>	<u>114.2</u>
Total Assets	<u>118.8</u>	<u>119.2</u>	<u>36.1</u>	<u>37.1</u>	<u>154.9</u>	<u>156.3</u>
Deferred Outflows of Resources	<u>\$0.7</u>	<u>\$0.6</u>	<u>\$0.1</u>	<u>\$0.1</u>	<u>\$0.8</u>	<u>\$0.7</u>
Total Assets and Deferred Outflows of Resources	<u>119.5</u>	<u>119.8</u>	<u>36.2</u>	<u>37.2</u>	<u>155.7</u>	<u>157.0</u>
Liabilities						
Long-term Debt Outstanding	76.6	83.5	15.3	13.6	91.9	97.1
Other Liabilities	<u>7.7</u>	<u>8.1</u>	<u>1.5</u>	<u>0.9</u>	<u>9.2</u>	<u>9.0</u>
Total Liabilities	<u>84.3</u>	<u>91.6</u>	<u>16.8</u>	<u>14.5</u>	<u>101.1</u>	<u>106.1</u>
Deferred Inflows of Resources	<u>17.6</u>	<u>17.1</u>	<u>0.0</u>	<u>0.0</u>	<u>17.6</u>	<u>17.1</u>
Total Liabilities and Deferred Inflows of Resources	<u>101.9</u>	<u>108.7</u>	<u>16.8</u>	<u>14.5</u>	<u>118.7</u>	<u>123.2</u>
Net Position						
Net investment in capital assets	44.7	49.0	20.1	20.9	64.8	69.9
Restricted	5.9	6.3	2.7	1.7	8.6	8.0
Unrestricted	<u>(33.0)</u>	<u>(44.2)</u>	<u>(3.4)</u>	<u>0.1</u>	<u>(36.4)</u>	<u>(44.1)</u>
Total Net Position	<u>\$17.6</u>	<u>\$11.1</u>	<u>\$19.4</u>	<u>\$22.7</u>	<u>\$37.0</u>	<u>\$33.8</u>

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

For more detailed information, see the Statement of Net Position on page 15.

Governmental Activities – Statement of Net Position highlights

The governmental activities columns present a consolidated view of all of the City’s governmental funds. Net position from governmental activities increased \$6.5 million (59% to FY`14 balance of \$17.6 million), total assets and deferred outflows of resources decreasing \$0.3 million and total liabilities decreasing \$7.3 million, as a result of the following major shifts in assets and liabilities:

- cash increased \$ 2.0 million (24.3% to FY`14 balance of \$10.3 million)
- depreciable assets decreased \$1.5 million (2%) as a result of the \$1.7 million charge for normal depreciation
- long-term liabilities due in more than one year decreased \$6.7 million (8.7% to FY`14 balance of \$70.0 million); this includes the normal amortization of existing debt and increases in other long-term liabilities
- accounts payable decreased \$0.7 million as a result of regular City operations

Business-Type Activities – Statement of Net Position Highlights

The business-type activities column presents financial information for the Environmental Service Utility (ESU, a major fund) and the Motor Vehicle Parking Lot (non-major fund). As the non-major fund represents less than 10% of the total business-type fund balance, only changes to the major fund are highlighted in the following analysis.

Total net position for the business-type activities decreased \$3.3 million (15.6% to FY`14 balance of \$17.8 million), with total assets decreasing by \$1.2 million (3.4% to FY`14 balance of \$36.1 million) and total liabilities increasing by \$ 2.1 million (13.9% to FY`14 balance of \$16.9 million). The following major shifts in the Utility fund assets and liabilities included:

- total cash increased by \$1.8 million (85.7% to FY`14 balance of \$3.9 million) as ESU continued strong revenues due to increased demand from the industrial customers and received bond proceeds
- receivables from joint ventures and other governments decreased \$4.1 million (99.4% to FY`14 balance of \$0.02 million) as Kankakee River Metro Agency (KRMA, the waste processing agency for the metro region) paid in full the line-of-credit which the ESU had previously acted as a conduit to provide interim financing for repairs and improvements to the treatment plant after an accidental explosion at the agency in December 2010 severely damaged the treatment plant
- long-term liabilities for FY`14 increased by \$2.1 million (13.9% to FY`14 balance of \$16.9 million) due to the issuance of taxable sewer revenue bonds.

Component Units – Statement of Net Position Highlights

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1 (SSA #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 nearly 89% of the total assets for the combined component units. There were no significant financial changes in the component units this fiscal year.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information that indicates how the City’s net position changed during the fiscal year. All changes in net position 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 Statement of Activities table compares the revenues and expenses of the current and most recent fiscal years for the City’s governmental and business activities, and the resulting changes in net position:

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2014 and 2013 (in millions)

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2014 and 2013 (in millions)

	Governmental			Business-type			Total Primary		
	<u>Activities</u>			<u>Activities</u>			<u>Government Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Program Revenues									
Charges for service	\$ 1.8	\$ 2.1	\$ (0.3)	\$ 14.8	\$ 12.6	\$ 2.3	\$ 16.6	\$ 14.7	\$ 1.9
Capital grants/ contributions	0.0	0.3	(0.3)				0.0	0.3	(0.3)
Operating grants/ contributions	3.0	3.2	(0.2)				3.0	3.2	(0.2)
General Revenues									
Property taxes	14.6	13.9	0.7				14.6	13.9	0.7
Sales taxes	16.5	18.5	(2.0)				16.5	18.5	(2.0)
Utility taxes	4.0	4.1	(0.1)				4.0	4.1	(0.1)
Other taxes	3.9	3.6	0.3				3.9	3.6	0.3
Intergovernmental	0.0	0.1	(0.1)				0.0	0.1	(0.1)
Investment income	0.1	0.1	0.0				0.1	0.1	0.0
Other	1.0	0.4	0.6	0.0	0.1	(0.1)	1.0	0.5	0.5
Equity interest in joint venture	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.7</u>	<u>(0.1)</u>	<u>1.8</u>	<u>1.7</u>	<u>(0.1)</u>	<u>1.8</u>
Total Revenues	<u>44.9</u>	<u>46.3</u>	<u>(1.4)</u>	<u>16.5</u>	<u>12.6</u>	<u>4.1</u>	<u>61.4</u>	<u>58.9</u>	<u>2.5</u>
Program Expenses									
General government	7.8	7.8	0.0				7.8	7.8	0.0
Public safety	17.6	17.1	0.5				17.6	17.1	0.5
Highways and streets	2.4	2.6	(0.2)				2.4	2.6	(0.2)
Community development	1.5	1.9	(0.4)				1.5	1.9	(0.4)
Culture and recreation	0.0	0.1	(0.1)				0.0	0.1	(0.1)
Economic development	10.8	12.9	(2.1)				10.8	12.9	(2.1)
Interest and fiscal charges	2.2	2.6	(0.3)	0.7	0.4	0.3	2.9	3.0	(0.1)
Proprietary fund expenses	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>14.9</u>	<u>14.1</u>	<u>0.8</u>	<u>14.9</u>	<u>14.1</u>	<u>0.8</u>
Total Expenses	<u>42.3</u>	<u>45.0</u>	<u>(2.6)</u>	<u>15.6</u>	<u>14.5</u>	<u>1.1</u>	<u>57.9</u>	<u>59.5</u>	<u>(1.6)</u>
Changes in Net Position before Transfers	2.6	1.3	1.3	0.9	(1.9)	2.8	3.5	(0.6)	4.1
Transfers	<u>3.9</u>	<u>0.1</u>	<u>3.8</u>	<u>(3.9)</u>	<u>(0.1)</u>	<u>(3.8)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Changes in Net Position	<u>\$ 6.5</u>	<u>\$ 1.4</u>	<u>\$ 5.1</u>	<u>\$ (3.0)</u>	<u>\$ (2.0)</u>	<u>\$ (1.0)</u>	<u>\$ 3.5</u>	<u>\$ (0.6)</u>	<u>\$ 4.1</u>

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

Governmental Activities – Statement of Activities Highlights

The City posted an increase in net position from governmental activities before transfers of \$2.6 million, an increase of \$1.3 million from the prior year. Sales taxes began to decline in light of the Illinois Supreme Court ruling (see the Letter of Transmittal for greater detail) and decreased by \$2.0 million from \$18.5 million to \$16.5 million as compared to the prior year. Sales tax incentive costs (economic development) also decreased at the same rate of \$2.1 million from \$12.9 million to \$10.8 million as compared to the prior year.

The City began expenditure reduction in FY '14 as a result of the decreased sales tax which occurred due to the ruling in the *Hartney Fuel Oil v. Brian Hamer, Director of the Illinois Department of Revenue*, Illinois Supreme Court case. As part of the Court's decision, the Court declared tax sharing agreements, such as the ones in place in the City of Kankakee, were valid under the previous Illinois Administrative Rules and Regulations (pre-November 21, 2013). All of the City's agreements were executed prior to that date. However, going forward (post-November 21, 2013), the Court declared the Administrative Rules and Regulations needed to change in order to be consistent with the statute upon which they were based. In light of this ruling, the City began the FY '15 budget restructuring plan. From our analysis, the City expected to lose approximately \$2.4 million annually of net sales tax revenues. The City planned for permanent reduced expenditures of \$1.7 million and added two new revenue streams: the public safety tax and the vehicle sticker tax slated to generate \$0.9 million and \$0.35 million, respectively. These measures were taken to ensure that a balanced budget was adopted.

Table 3: Sales taxes and incentives

Fiscal Year	Gross Amount Received	less Incentives Paid	Net Sales Tax	\$ Change	Percent Change
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%
2008	26,611,558	20,109,951	6,501,607	484,989	8.1%
2009	24,419,114	17,617,181	6,801,933	300,326	4.6%
2010	21,098,621	15,658,977	5,439,644	(1,362,289)	-20.0%
2011	21,276,641	14,799,988	6,476,953	1,037,309	19.1%
2012	18,699,437	12,250,191	6,449,246	(27,707)	-0.4%
2013	18,584,185	12,670,343	5,913,842	(535,404)	-8.3%
2014	16,514,574	10,625,086	5,889,488	(24,354)	-0.4%

The City transferred \$0.3 million to ESU to reimburse for the City related operations of public works that ESU assumed. ESU transferred \$1.0 million to the General Fund to provide for payments in arrears to the Debt Service Fund for the 1992A General Obligation Bond, provided for by the General Fund, and \$3.3 million to the Debt Service Fund to provide for bond and interest retirement. These and other interfund transfers are listed in Note 12 of the Notes to the Financial Statements.

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

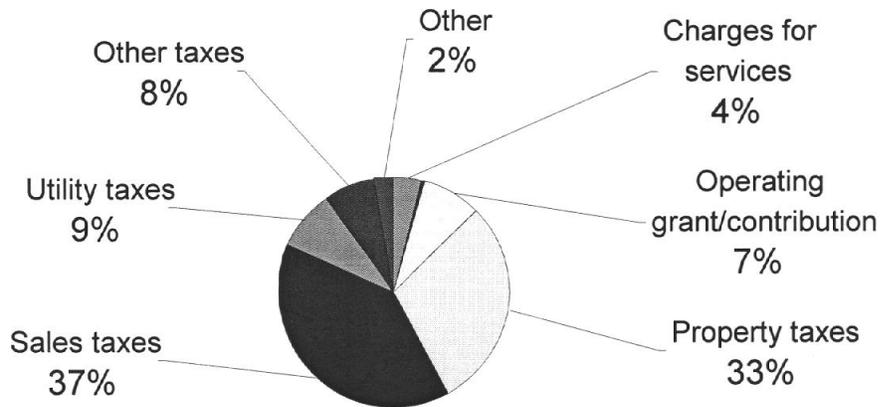
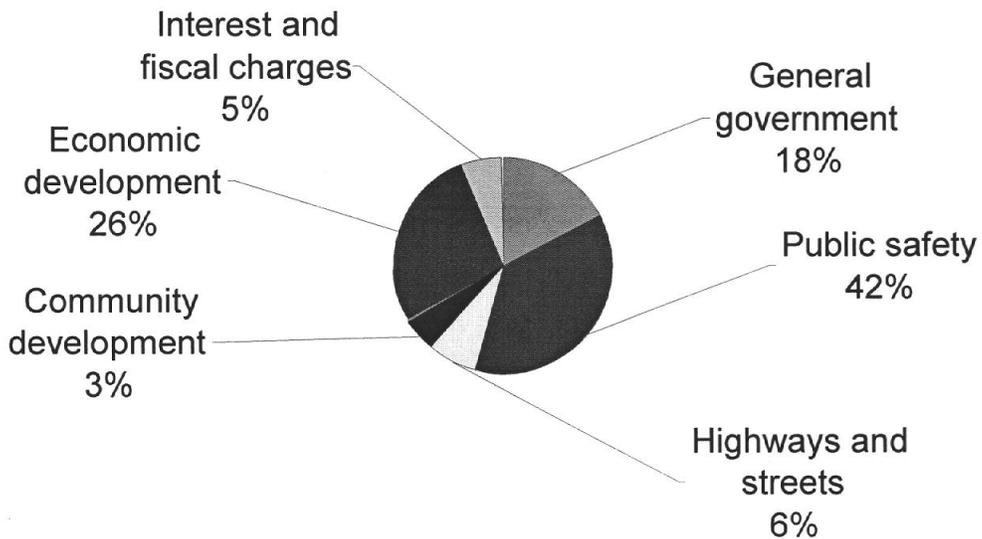


Chart 2: Composition of expenses from governmental activities



Business-Type Activities – Statement of Activities Highlights

ESU's normal depreciation expense of \$1.3 million and the \$3.3 million payment for bond retirement contributed to the decline of \$3.3 million in business-type net position for the fiscal year. ESU realized a gain from its equity interest its joint venture with the Kankakee Municipal Regional Agency (KRMA) in the amount of \$1.7 million as compared to a \$0.1 million equity loss in the prior year. KRMA operates the regional sewer treatment plant.

The KRMA treatment plant experienced a major explosion at the plant in late 2010, leading to additional treatment costs because the treatment plant was not fully functional. ESU increased its sewer service rate at the beginning of FY'12, which provided funds to offset the increased costs that resulted from the KRMA treatment plant incident.

ESU transferred \$3.3 million to the Debt Service Fund for the bond refunding of Utility debt of governmental general obligation debt, and \$1.0 million to the General Fund as payment for the arrearage in a prior year bond obligation. ESU received \$0.3 million from the General Fund as reimbursement for public works services that were non-sewer and solid waste service related.

Component Unit Activities – Statement of Activities Highlights

The component units, the Library and the SSA#1, saw no significant change in net position from the previous year.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

For the fiscal year ended April 30, 2014, the governmental funds reflect a combined fund balance of \$9.8 million, an increase of \$0.6 million or 6.1% from the prior fiscal year. Major changes within the individual funds are analyzed below. Of the total fund balance for all governmental funds, \$2.8 million (28.3%) is unassigned, indicating availability for continuing City services. Nonspendable and restricted fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, culture and recreation, economic development, retirement obligations, and capital projects.

Analysis of Balances and Transactions of Individual Funds

The fund balance of the General Fund increased insignificantly as the City continues to prudently manage its resources in light of the national economic challenges. The Capital Projects Fund declined \$1.6 million (52.9% to FY'14 balance of \$1.5 million) as the City continued to finance various capital acquisitions and infrastructure improvements as planned from bond proceeds of an earlier financing.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, IMRF, Special Service Area No. 2, Special Service Area No. 3, and Special Service Area No. 5 Funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 78. As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The General Fund revenue and expenditure budgets were not amended during the fiscal year. A table presenting budgetary highlights for the City's General Fund is provided below.

Because of the City administration's awareness of the national economic conditions, over the past five years the City reorganized its operations, laid off employees and realized additional personnel reductions through attrition, allowing the City to adopt a break even budget again for FY '14. The FY '15 budget reduced sales tax revenue by \$2.4 million, added the two new revenue streams totaling \$1.25 million along with the permanent annual reduction of \$1.7 million from expenditures through reorganization and other adjustments. As a result of these measures, the City was able to adopt a FY '15 budget that includes a small \$0.05 million surplus.

A summary comparison of the General Fund budget to actual results can be found on page 77, and a more detailed comparison can be found on pages 86 – 88. Interfund transfers are listed in Footnote 12.

Sales tax declined from budget in FY '14 on both the revenue and expenditure side respectively by about \$ 2.0 million. Overall, net sales tax revenue for the year was about the same as the prior fiscal year. Police Department expenditures were greater than budget because of increased salary costs.

Similarly, the City was awarded a federal flow-through grant for the Kankakee Area Metro Enforcement Group after the budget was adopted, so neither the revenues nor corresponding expenditures charged to the Police Department were included in the budget. City administration did not feel it was necessary to amend the original budget for these items. Other individual budget variances for the most part offset one another, and were not further analyzed in this MD&A.

Table 4: General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/(Under) Final Budget</u>
Revenues	\$39,511,967	\$39,511,967	\$33,671,566	\$ 5,840,401
Expenditures	<u>\$38,939,322</u>	<u>\$38,939,322</u>	<u>\$33,539,479</u>	<u>\$ (5,399,843)</u>
Excess of revenues over expenditures	\$ 572,645	\$ 572,645	\$ 132,087	\$ (440,558)
Other financing sources (uses)				
Transfers from other funds	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Transfers to other funds	<u>\$ (330,000)</u>	<u>\$ (330,000)</u>	<u>\$ (330,000)</u>	<u>\$ -</u>
Net changes in fund balance	<u>\$ 242,645</u>	<u>\$ 242,645</u>	<u>\$ 802,087</u>	<u>\$ 559,442</u>

CAPITAL ASSETS

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). The City’s total combined investment in capital assets for fiscal 2014 decreased slightly to \$112.3 million (net of accumulated depreciation).

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

**Table 5: Capital Asset Highlights (net of depreciation) for the fiscal years ended
April 30, 2014 and 2013 (in millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 5.3	\$ 5.3	\$ 2.1	\$ 2.1	\$ 7.4	\$ 7.4
Construction in progress	1.5	1.0	0.9	0.9	2.4	1.9
Buildings	12.4	12.6	5.9	6.1	18.3	18.7
Equipment	0.2	0.2	0.7	0.8	0.9	1.0
Vehicles	1.7	1.8	0.8	0.9	2.5	2.7
Land improvements	1.9	2.2			1.9	2.2
Leasehold improvements			0.2	0.2	0.2	0.2
Infrastructure	60.9	61.9	17.8	18.2	78.7	80.1
Total capital assets, net	<u>\$ 83.9</u>	<u>\$ 85.0</u>	<u>\$ 28.4</u>	<u>\$ 29.2</u>	<u>\$ 112.3</u>	<u>\$ 114.2</u>

Additional information on the City's capital assets can be found in Note 5 on pages 55 – 57.

LONG-TERM DEBT

At fiscal year end, the City's governmental activities had an overall decrease of \$6.9 million (8%) in debt as the City had a net decrease of \$7.3 million in general obligation bonds and employee related costs (employer pension contributions and compensated absences) increased \$0.5 million. Due to the issuance of the 2013A & B revenue bonds, ESU's debt liability increased \$5.7 million compared to the prior fiscal year. During the previous FY '13, ESU's debt liability of \$4.3 million was from a line-of-credit where the ESU was acting as a conduit for KRMA. At the end of FY '14, the line-of-credit was paid in full therefore removing the liability from ESU. The net effect of this activity was a total \$1.7 million increase to the debt liability. The following table further summarizes the City's debt for the current and prior fiscal years:

**Table 6: Debt Highlights for the fiscal years ended April 30, 2014 and 2013 (in millions, as
adjusted for premiums and deferred losses)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 54.3	\$ 61.6			\$ 54.3	\$ 61.6
Revenue bonds			\$ 14.0	\$ 8.3	14.0	8.3
Line of Credit				4.3		4.3
Installment notes	2.0	2.3			2.0	2.3
Unfunded employer pension contributions	14.4	14.0			14.4	14.0
Compensated absences	5.2	5.1	1.1	0.8	6.3	5.9
Net other post employment benefit obligations	0.7	0.5	0.2	0.2	0.9	0.7
Total Debt	<u>\$ 76.6</u>	<u>\$ 83.5</u>	<u>\$ 15.3</u>	<u>\$ 13.6</u>	<u>\$ 91.9</u>	<u>\$ 97.1</u>

Additional information related to the City's long-term debt can be found in Note 10 on pages 60-69.

The City, under its home rule authority, does not have a legal debt limit. The City had a public rating from Standard and Poor's of A beginning in 2006. In November 2013, the City of Kankakee received a rating of A-. This rating was mostly assigned due to the lack of cash reserve, great uncertainty hovering with the sales tax litigation, and increasing pension liabilities. The City has been taking measures to ensure greater financial stability which are written in the Economic Factors and Next Year's Budget section below. The City anticipates issuing additional bonds in the future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continued to face economic challenges as it started to develop its General Fund budget for FY '15, and used a combination of attrition and restructuring as the primary steps to balance the FY '15 budget. The City faces on going contractual wage increases, increases in employer contributions for pensions, increases in medical insurance and increases in other operating costs for the foreseeable future in this new era of what appears to be continued municipal revenue shrinkage.

In efforts to provide the City with greater financial strength, the City enacted several measures. First, in the FY '15 budget only \$3.6 million of net sales tax revenue was budgeted compared to \$6.0 million in FY '14. This was done to account for the uncertainty of the new rules from the Illinois Department of Revenue. Also, during FY '14, the City established an unrestricted cash reserve of \$3.0 million to ensure greater long-term stability. Additionally, the revenue enhancements that were adopted in FY '14, the public safety fee and the vehicle sticker fee together totaling \$1.2 million for FY '15, will continue for the upcoming fiscal years.

ESU increased its rates for sewer services beginning May 1, 2014 by 10.5% to a rate of \$5.25 per 100 cubic feet of water used, and will again on May 1, 2015 by 9.5% to a rate of \$5.75 per 100 cubic feet of water used. The sewer rate increases will help offset some of the cost increases that ESU has realized as the regional sewer treatment facility passes on its increased costs of operations.

The solid waste collection fee increases have been beneficial in offsetting some of the General Fund costs the City incurred in collecting and disposing of solid waste. These rate increases facilitated the transfer of responsibility for the Public Works Department to the Utility. The General Fund had absorbed most of the costs incurred to provide solid waste disposal services over the years, but given current economic conditions, determined that it could no longer maintain that practice.

The unemployment rate (not seasonally adjusted) for the City in June 2014 was 8.6% compared to 11.3% for 2013. The City is greatly pleased as this more closely mirrors the national and state unemployment rates of 6.1% and 7.1%, respectively. The City's outlook is more favorable than recent years past as the City has begun to see stronger investment in economic development and greater employment. The City continues to monitor its General Fund finances on a monthly basis to determine when it might need to implement additional strategies to respond to the economic challenges faced by municipalities today.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Kankakee's finances for all those with an interest in the government's finances. Any questions concerning this report or requests for additional financial information should be addressed to the Comptroller, City of Kankakee, 304 South Indiana Avenue, Kankakee, Illinois 60901.

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BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 10,341,044	\$ 250,480	\$ 10,591,524	\$ 958,327
Restricted cash and investments		3,732,997	3,732,997	
Receivables, less allowance for uncollectible amounts:				
Property taxes	15,830,500		15,830,500	1,845,100
Utility taxes	508,814		508,814	
Due from joint ventures		37,262	37,262	
Due from other governmental agencies	4,336,077	24,174	4,360,251	
Internal balances	(206,973)	206,973	-0-	
Due from primary government				977
Due from component units	87,790		87,790	
Accounts receivable	1,958,438	2,138,688	4,097,126	100
Special assessments	1,567,426		1,567,426	
Materials inventory	4,102	52,128	56,230	
Prepaid items	442,883	161,320	604,203	
Capital assets:				
Non-depreciable	6,742,599	3,030,802	9,773,401	
Depreciable (net of accumulated depreciation)	77,157,299	25,389,471	102,546,770	7,167,138
Investment in joint venture		1,067,806	1,067,806	
Total assets	<u>118,769,999</u>	<u>36,092,101</u>	<u>154,862,100</u>	<u>9,971,642</u>
Deferred Outflows of Resources				
Deferred charge on refunding loss	692,221	106,822	799,043	-0-
Liabilities				
Accounts payable	5,933,462	459,287	6,392,749	35,310
Accrued wages payable	613,740	207,495	821,235	
Interest payable	748,400	395,472	1,143,872	
Due to joint venture		430,712	430,712	
Due to primary government				87,790
Due to component units	977		977	
Due to other government agencies	600		600	
Employer pension contribution payable	379,700		379,700	
Long-term liabilities:				
Due within one year	6,626,276	843,000	7,469,276	126,699
Due within more than one year	69,960,872	14,461,022	84,421,894	2,481,164
Total liabilities	<u>84,264,027</u>	<u>16,796,988</u>	<u>101,061,015</u>	<u>2,730,963</u>
Deferred Inflows of Resources				
Unearned property tax revenue	15,830,500		15,830,500	1,845,100
Unearned special assessments	1,567,426		1,567,426	
Deferred grant revenue	25,082		25,082	4,043
Deferred licenses and fees	146,579		146,579	
Total deferred inflows of resources	<u>17,569,587</u>	<u>-0-</u>	<u>17,569,587</u>	<u>1,849,143</u>
Net Position				
Net investment in capital assets	44,708,704	20,114,383	64,823,087	4,559,275
Restricted for:				
Capital projects	1,452,279		1,452,279	
Debt service	790,797	2,741,757	3,532,554	
Economic development	1,844,300		1,844,300	
Street maintenance programs	1,845,666		1,845,666	
Unrestricted	<u>(33,013,140)</u>	<u>(3,454,205)</u>	<u>(36,467,345)</u>	<u>832,261</u>
Total net position	<u>\$ 17,628,606</u>	<u>\$ 19,401,935</u>	<u>\$ 37,030,541</u>	<u>\$ 5,391,536</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 7,803,797	\$ 1,140,743		
Public safety	17,625,154	558,522	\$ 391,430	
Highways and streets	2,392,092		957,798	\$ 988
Community development	1,479,712	100,000	1,603,876	
Culture and recreation	16,000			
Economic development	10,755,087			
Interest and fiscal charges	2,283,050			
Total governmental activities	42,354,892	1,799,265	2,953,104	988
<u>Business-Type Activities</u>				
Sewer utility	10,470,787	13,240,107		
Solid waste utility	5,188,052	3,350,427		
Vehicle parking	1,175	324		
Total business-type activities	15,660,014	16,590,858	-0-	-0-
Total primary government	\$ 58,014,906	\$ 18,390,123	\$ 2,953,104	\$ 988
Component units:				
Library	\$ 1,870,587	\$ 72,633	\$ 107,347	
Special Service Area No. 1	185,884			
Total component units	\$ 2,056,471	\$ 72,633	\$ 107,347	\$ -0-

General Revenues:

Property taxes levied for general purposes
Special assessments
Utility taxes
Intergovernmental, not restricted to specific programs:
 State replacement income tax
 State income tax
 Local use tax
 State sales tax
 Other
Investment income
Other

Total

Transfers

Changes in net position

Net position, May 1, 2013

Prior period adjustment

Net position, May 1, 2013, restated

Net position, April 30, 2014

Net (Expense) Revenue and
Change in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (6,663,054)		\$ (6,663,054)	
(16,675,202)		(16,675,202)	
(1,433,306)		(1,433,306)	
224,164		224,164	
(16,000)		(16,000)	
(10,755,087)		(10,755,087)	
(2,283,050)		(2,283,050)	
<u>(37,601,535)</u>		<u>(37,601,535)</u>	
	\$ 2,769,320	2,769,320	
	(1,837,625)	(1,837,625)	
	(851)	(851)	
<u>-0-</u>	<u>930,844</u>	<u>930,844</u>	
(37,601,535)	930,844	(36,670,691)	
			\$ (1,690,607)
			<u>(185,884)</u>
			<u>(1,876,491)</u>
14,629,309		14,629,309	1,782,916
449,074		449,074	
4,001,543		4,001,543	
714,450		714,450	
2,683,375		2,683,375	
483,716		483,716	
16,514,574		16,514,574	
50,000		50,000	
104,121		104,121	2,048
<u>535,448</u>	<u>63,995</u>	<u>599,443</u>	<u>172,240</u>
<u>40,165,610</u>	<u>63,995</u>	<u>40,229,605</u>	<u>1,957,204</u>
<u>3,946,279</u>	<u>(3,946,279)</u>	<u>-0-</u>	
<u>6,510,354</u>	<u>(2,951,440)</u>	<u>3,558,914</u>	<u>80,713</u>
11,118,252	22,698,013	33,816,265	5,310,823
	(344,638)	(344,638)	
<u>11,118,252</u>	<u>22,353,375</u>	<u>33,471,627</u>	<u>5,310,823</u>
<u>\$ 17,628,606</u>	<u>\$ 19,401,935</u>	<u>\$ 37,030,541</u>	<u>\$ 5,391,536</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,752,010	\$ 1,299,052	\$ 5,289,982	\$ 10,341,044
Receivables, less allowance for uncollectible amounts:				
Property taxes	7,030,720		8,799,780	15,830,500
Utility taxes	508,814			508,814
Due from other governmental agencies	4,011,524		324,553	4,336,077
Due from other funds	709,704	171,344	1,217,038	2,098,086
Due from component units	61,586		26,204	87,790
Accounts receivable	1,411,582		546,856	1,958,438
Special assessments		1,567,426		1,567,426
Materials inventory	4,102			4,102
Prepaid items	442,883			442,883
Total assets	<u>\$ 17,932,925</u>	<u>\$ 3,037,822</u>	<u>\$ 16,204,413</u>	<u>\$ 37,175,160</u>
Liabilities				
Accounts payable	\$ 5,709,854	\$ 14,390	\$ 209,218	\$ 5,933,462
Accrued wages payable	563,756		49,984	613,740
Due to other governmental agencies	600			600
Due to other funds	511,590	2,750	1,790,719	2,305,059
Employer pension contribution payable	379,700			379,700
Due to component units		977		977
Total liabilities	<u>7,165,500</u>	<u>18,117</u>	<u>2,049,921</u>	<u>9,233,538</u>
Deferred Inflows of Resources				
Unavailable loan receivable			537,705	537,705
Unavailable franchise fees	22,294			22,294
Unavailable property tax revenue	7,030,720		8,799,780	15,830,500
Unavailable special assessments		1,567,426		1,567,426
Deferred grant revenue	25,082			25,082
Deferred licenses and fees	146,579			146,579
Total deferred inflows of resources	<u>7,224,675</u>	<u>1,567,426</u>	<u>9,337,485</u>	<u>18,129,586</u>
Fund Balance				
Nonspendable	446,985			446,985
Restricted for:				
Debt service			790,797	790,797
Street maintenance programs			1,845,666	1,845,666
Economic development			1,844,300	1,844,300
Culture and recreation			19,291	19,291
Retirement obligations			539,820	539,820
Community development			97,516	97,516
Capital projects		1,452,279		1,452,279
Unassigned (deficit)	3,095,765		(320,383)	2,775,382
Total fund balance	<u>3,542,750</u>	<u>1,452,279</u>	<u>4,817,007</u>	<u>9,812,036</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 17,932,925</u>	<u>\$ 3,037,822</u>	<u>\$ 16,204,413</u>	<u>\$ 37,175,160</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2014

Amounts reported for governmental activities in the statement of net position are different because of the following:

Total fund balance - governmental funds		\$ 9,812,036
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		83,899,898
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.		
Bonds payable	\$ (54,301,207)	
Installment notes	(1,970,020)	
Unfunded employer pension contributions	(14,408,596)	
Compensated absences	(5,224,000)	
Net other post-employment benefit obligations	<u>(683,325)</u>	
Total long-term liabilities (See Note 10)		(76,587,148)
Deferred charge on bond refunding loss not recorded in funds		692,221
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(748,400)
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Loan receivable	537,705	
Franchise fee receivable	<u>22,294</u>	
		<u>559,999</u>
Net position of governmental activities		<u><u>\$ 17,628,606</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, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 6,506,059		\$ 8,123,250	\$ 14,629,309
Special assessments			449,074	449,074
Utility taxes	4,001,543			4,001,543
Licenses, permits and fees	1,332,011			1,332,011
Charges for services	149,102			149,102
Fines and penalties	318,152			318,152
Intergovernmental	20,836,804	\$ 39,200	2,523,462	23,399,466
Interest income	13		104,108	104,121
Miscellaneous	527,882		7,716	535,598
Total revenues	<u>33,671,566</u>	<u>39,200</u>	<u>11,207,610</u>	<u>44,918,376</u>
Expenditures:				
Current:				
General government	5,575,819	602,638	936,242	7,114,699
Public safety	17,328,574	113,285		17,441,859
Highways and streets		952,786	492,332	1,445,118
Community development			1,479,712	1,479,712
Culture and recreation			16,000	16,000
Economic development	10,625,086		130,001	10,755,087
Debt service:				
Principal retirement	10,000		4,616,899	4,626,899
Interest and fiscal charges			2,370,646	2,370,646
Total expenditures	<u>33,539,479</u>	<u>1,668,709</u>	<u>10,041,832</u>	<u>45,250,020</u>
Excess (deficiency) of revenues over expenditures	<u>132,087</u>	<u>(1,629,509)</u>	<u>1,165,778</u>	<u>(331,644)</u>
Other financing sources (uses):				
Issuance of refunding bonds			2,635,000	2,635,000
Premium on issuance of refunding bonds			36,064	36,064
Payment to refunded debt escrow			(5,723,135)	(5,723,135)
Transfers from other funds	1,000,000		5,274,418	6,274,418
Transfers to other funds	(330,000)		(1,998,139)	(2,328,139)
Total other financing sources (uses)	<u>670,000</u>	<u>-0-</u>	<u>224,208</u>	<u>894,208</u>
Net change in fund balance	802,087	(1,629,509)	1,389,986	562,564
Fund balance, May 1, 2013	<u>2,740,663</u>	<u>3,081,788</u>	<u>3,427,021</u>	<u>9,249,472</u>
Fund balance, April 30, 2014	<u>\$ 3,542,750</u>	<u>\$ 1,452,279</u>	<u>\$ 4,817,007</u>	<u>\$ 9,812,036</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, 2014

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

Net change in fund balance - total governmental funds	\$ 562,564
<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.</p>	
Expenditure for capital assets	634,842
Depreciation	(1,746,869)
<p>Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net position.</p>	
Principal payments on bonds payable	4,310,000
Principal payments on long-term notes payable	316,899
Payment to refunding debt escrow from bond proceeds	5,723,135
<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 premium	201,209
Amortized deferred loss	(166,513)
Change in accrued interest on long-term debts	52,900
Net change in compensated absences payable	(104,500)
Unfunded pension cost	(445,028)
Change in net other post-employment benefit obligations payable	(157,812)
<p>Proceeds from issuance of long-term debt obligations are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position. Premiums related to these long-term debt obligations also are reported as other financing sources in the governmental funds, but they increase liabilities on the statement of net position.</p>	
Proceeds from refunding bonds issued	(2,635,000)
Premium on issuance of bonds	(36,064)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Franchise fee - long term receivable	591
Change in net position of governmental activities	\$ 6,510,354

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

April 30, 2014

	Enterprise Funds		Total
	Kankakee	Nonmajor	
	Environmental Services Utility	Motor Vehicle Parking	
Assets			
Current assets:			
Cash and investments	\$ 118,903	\$ 131,577	\$ 250,480
Restricted cash and investments	1,665,083		1,665,083
Receivables, less allowance for uncollectible amounts:			
Due from joint venture	37,262		37,262
Due from other funds	261,965		261,965
Due from other governmental agencies	24,174		24,174
Accounts receivable	2,138,688		2,138,688
Inventory	52,128		52,128
Prepaid items	161,320		161,320
Total current assets	4,459,523	131,577	4,591,100
Non-current assets:			
Restricted cash and investments	2,067,914		2,067,914
Capital assets:			
Non-depreciable	1,586,994	1,443,808	3,030,802
Depreciable (net of accumulated depreciation)	25,389,471		25,389,471
Investment in joint venture	1,067,806		1,067,806
Total non-current assets	30,112,185	1,443,808	31,555,993
Total assets	34,571,708	1,575,385	36,147,093
Deferred Outflows of Resources			
Deferred charge on refunding loss	106,822	-0-	106,822
Liabilities			
Current liabilities:			
Accounts payable	459,287		459,287
Accrued wages payable	207,495		207,495
Accrued interest	395,472		395,472
Due to joint venture	430,712		430,712
Due to other funds	54,992		54,992
Accrued employee absences	378,000		378,000
Revenue bonds payable within one year	465,000		465,000
Total current liabilities	2,390,958	-0-	2,390,958
Non-current liabilities:			
Accrued employee absences	704,700		704,700
Net other post-employment benefit obligations	248,084		248,084
Revenue bonds payable, less portion due within one year	13,508,238		13,508,238
Total non-current liabilities	14,461,022	-0-	14,461,022
Total liabilities	16,851,980	-0-	16,851,980
Net Position			
Net investment in capital assets	18,670,575	1,443,808	20,114,383
Restricted for debt service	2,741,757		2,741,757
Unrestricted	(3,585,782)	131,577	(3,454,205)
Total net position	\$ 17,826,550	\$ 1,575,385	\$ 19,401,935

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended April 30, 2014

	Enterprise Funds		Total
	Kankakee	Nonmajor	
	Environmental Services Utility	Motor Vehicle Parking	
Operating revenues:			
Charges for services:			
Sewer charges	\$ 11,502,262		\$ 11,502,262
Solid waste charges	2,620,711		2,620,711
Public works revenue	607,178		607,178
Intergovernmental	111,996		111,996
Parking revenues		\$ 324	324
Miscellaneous charges	30,709		30,709
Total operating revenues	<u>14,872,856</u>	<u>324</u>	<u>14,873,180</u>
Operating expenses:			
Utility operations:			
Sewer utility:			
Administration	1,860,180		1,860,180
Sanitary sewers	931,352		931,352
Lab and industrial services	550,827		550,827
Technical services	658,445		658,445
Total sewer utility	<u>4,000,804</u>	<u>-0-</u>	<u>4,000,804</u>
Solid waste utility:			
Solid waste	3,623,744		3,623,744
Public works	1,484,210		1,484,210
Total solid waste utility	<u>5,107,954</u>	<u>-0-</u>	<u>5,107,954</u>
Total utility operations	<u>9,108,758</u>	<u>-0-</u>	<u>9,108,758</u>
Treatment charges	4,525,499		4,525,499
Parking administration		1,175	1,175
Depreciation	1,287,710		1,287,710
Total operating expenses	<u>14,921,967</u>	<u>1,175</u>	<u>14,923,142</u>
Operating income (loss)	<u>(49,111)</u>	<u>(851)</u>	<u>(49,962)</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2014

	Enterprise Funds		Total
	Kankakee		
	Environmental Services Utility	Nonmajor Motor Vehicle Parking	
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	\$ 1,717,678		\$ 1,717,678
Bond interest rebates	63,995		63,995
Interest and debt-related expenses	(736,872)		(736,872)
 Total nonoperating revenues (expenses)	 1,044,801	 \$ -0-	 1,044,801
 Income (loss) before transfers	 995,690	 (851)	 994,839
 Transfers in	 330,000		 330,000
Transfers out	(4,276,279)		(4,276,279)
 Total transfers	 (3,946,279)	 -0-	 (3,946,279)
 Change in net position	 (2,950,589)	 (851)	 (2,951,440)
 Net position, May 1, 2013	 21,121,777	 1,576,236	 22,698,013
 Prior period adjustment	 (344,638)		 (344,638)
 Net position, May 1, 2013, restated	 20,777,139	 1,576,236	 22,353,375
 Net position, April 30, 2014	 \$ 17,826,550	 \$ 1,575,385	 \$ 19,401,935

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2014

	Enterprise Funds		
	Kankakee		Total
	Environmental Services Utility	Nonmajor Motor Vehicle Parking	
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 14,606,198	\$ 324	\$ 14,606,522
Payments to other funds	(221,011)		(221,011)
Payments to suppliers	(9,520,051)	(1,175)	(9,521,226)
Payments to employees	(3,779,290)		(3,779,290)
Net cash provided (used) by operating activities	<u>1,085,846</u>	<u>(851)</u>	<u>1,084,995</u>
Cash flows provided (used) by noncapital financing activities:			
Payment on notes payable	(3,225,000)		(3,225,000)
Noncapital transfers to other funds	(4,276,279)		(4,276,279)
Noncapital transfers from other funds	330,000		330,000
Net cash provided (used) by noncapital financing activities	<u>(7,171,279)</u>	<u>-0-</u>	<u>(7,171,279)</u>
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(270,046)		(270,046)
Additions to construction in progress	(238,689)		(238,689)
Issuance of revenue bonds	5,665,372		5,665,372
Interest and fiscal charges	(203,905)		(203,905)
Bond issue costs	(128,422)		(128,422)
Bond interest rebates received	63,995		63,995
Net cash provided (used) by capital and related financing activities	<u>4,888,305</u>	<u>-0-</u>	<u>4,888,305</u>
Cash flows provided (used) by investing activities:			
Repayments of loans to joint venture	<u>2,975,000</u>		<u>2,975,000</u>
Net change in cash and cash equivalents	1,777,872	(851)	1,777,021
Cash and cash equivalents, May 1, 2013	<u>2,074,028</u>	<u>132,428</u>	<u>2,206,456</u>
Cash and cash equivalents, April 30, 2014	<u>\$ 3,851,900</u>	<u>\$ 131,577</u>	<u>\$ 3,983,477</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2014

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental Services Utility	Motor Vehicle Parking	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (49,111)	\$ (851)	\$ (49,962)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,287,710		1,287,710
(Increase) decrease in operating assets:			
Accounts receivable	(490,388)		(490,388)
Due from other funds	220,130		220,130
Due from other governmental agencies	8,600		8,600
Inventory	(19,874)		(19,874)
Prepaid insurance and service fees	2,112		2,112
Increase (decrease) in operating liabilities:			
Accounts payable	(7,640)		(7,640)
Accrued wages payable	(10,563)		(10,563)
Due to joint venture	216,334		216,334
Accrued employee absences	94,100		94,100
Due to other funds	(221,011)		(221,011)
Net other post-employment benefit obligations	55,447		55,447
Net cash provided (used) by operating activities	\$ 1,085,846	\$ (851)	\$ 1,084,995
Noncash transactions related to financing, capital and investing activities:			
Amortization of early debt retirement deferred loss	\$ 8,217	\$ -0-	\$ 8,217
Construction projects capitalized	\$ 205,146	\$ -0-	\$ 205,146
General Fund payment on note payable	\$ 1,125,000	\$ -0-	\$ 1,125,000

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
April 30, 2014

Assets	
Cash and short-term investments	\$ 2,847,461
Receivables, less allowance for uncollectible amounts:	
Employee contributions	35,800
Employer contributions	379,700
Interest	75,792
Investments, at fair value:	
Open-end mutual funds	7,056,631
Corporate securities	6,368,093
U.S. treasury and agency securities	6,359,521
Corporate bonds	3,675,246
State and local obligations	620,461
Prepaid items	<u>9,457</u>
 Total assets	 27,428,162
 Liabilities	
Benefits and other payables	<u>424,646</u>
 Net Position	
Net position held in trust for pension benefits	<u><u>\$27,003,516</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the year ended April 30, 2014

Additions:	
Contributions:	
Employer	\$ 4,625,978
Employee	<u>888,154</u>
Total contributions	<u>5,514,132</u>
Investment income:	
Net change in fair value of investments	1,063,732
Interest and dividends	<u>493,623</u>
	1,557,355
Less: investment expense	<u>(174,851)</u>
Net investment income	<u>1,382,504</u>
Total additions	<u>6,896,636</u>
Deductions:	
Benefits	4,890,870
Refunds of contributions	49,549
Administrative expenses	<u>93,552</u>
Total deductions	<u>5,033,971</u>
Change in net position-restricted for pension benefits	1,862,665
Net position held in trust for pension benefits	
May 1, 2013	<u>25,140,851</u>
April 30, 2014	<u><u>\$ 27,003,516</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
April 30, 2014

	Kankakee Public Library	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 747,849	\$ 210,478	\$ 958,327
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,720,750	124,350	1,845,100
Pledges	100		100
Due from primary government		977	977
Capital assets:			
Depreciable (net of accumulated depreciation)	<u>6,401,902</u>	<u>765,236</u>	<u>7,167,138</u>
Total assets	<u>8,870,601</u>	<u>1,101,041</u>	<u>9,971,642</u>
Liabilities			
Accounts payable	33,148	2,162	35,310
Due to primary government	71,538	16,252	87,790
Long-term liabilities:			
Due within one year	126,699		126,699
Due within more than one year	<u>2,481,164</u>		<u>2,481,164</u>
Total liabilities	<u>2,712,549</u>	<u>18,414</u>	<u>2,730,963</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	1,720,750	124,350	1,845,100
Deferred grant revenue	<u>4,043</u>		<u>4,043</u>
Total deferred inflows of resources	<u>1,724,793</u>	<u>124,350</u>	<u>1,849,143</u>
Net Position			
Net investment in capital assets	3,794,039	765,236	4,559,275
Unrestricted	<u>639,220</u>	<u>193,041</u>	<u>832,261</u>
Total net position	<u>\$ 4,433,259</u>	<u>\$ 958,277</u>	<u>\$ 5,391,536</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2014

	Program Revenues	
Expenses	Charges for Services	Operating Grants
Kankakee Public Library:		
Culture and recreation	\$ 1,736,905	\$ 72,633
Interest and fiscal charges	133,682	\$ 107,347
Special Service Area No. 1:		
General government	185,884	
Total	\$ 2,056,471	\$ 107,347

General Revenues:

Property taxes levied for general purposes

Interest

Other

Total

Changes in net position

Net position, May 1, 2013

Net position, April 30, 2014

Net (Expense) Revenue and
Change in Net Position

Kankakee Public Library	Special Service Area No. 1	Total
\$ (1,556,925)		\$ (1,556,925)
(133,682)		(133,682)
	\$ (185,884)	(185,884)
(1,690,607)	(185,884)	(1,876,491)
1,658,617	124,299	1,782,916
1,838	210	2,048
154,627	17,613	172,240
1,815,082	142,122	1,957,204
124,475	(43,762)	80,713
4,308,784	1,002,039	5,310,823
\$ 4,433,259	\$ 958,277	\$ 5,391,536

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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.

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 Environmental Services Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Utility bylaws, one City Council member from each ward is required to serve on the Utility Board. The Utility accounts for the operation of the sewer and solid waste systems, including the public works services 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.

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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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 position 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.

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 has elected to treat the Capital Projects Fund as major, although it has not met the criteria requiring such treatment for fiscal year 2014.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

The City reports the following major proprietary fund:

Kankakee Environmental Services Utility - This fund accounts for the provision of sewer services to the residents of the City and operation of the City's waste collection and disposal services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, public works, billing and collection. Activities are funded with user fees.

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 2012 levy is recognized as revenue for the year ended April 30, 2014.

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; 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 come from 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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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 and income tax, 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. Revenues for the income taxes are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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 unavailable/unearned revenue on its financial statements. Unavailable/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unavailable/unearned 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 or deferred inflow 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 inflows of resources until earned.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair 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 position. 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 nonspendable fund balance account in applicable governmental funds to indicate that they are not expendable available financial resources.

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 position.

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 position.

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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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.

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.

Inventory and prepaids reported in the governmental funds are not available for appropriation and therefore result in nonspendable fund balance.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Environmental Services Utility are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and restrictions of financial position.

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

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts 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 issue costs are expensed in the period incurred.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issue 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 expenditures in the period incurred.

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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

J. Net Position

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

Net Investment in Capital Assets - 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 position that is 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 practice to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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, deferred outflows, liabilities and deferred inflows 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.

N. Fund Equity – Governmental Fund Financial Statements

Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported for amounts that are either not in a spendable form or legally or contractually required to be maintained intact. Restrictions in fund balance are reported for amounts constrained by legal restrictions from outside entities. Committed fund balance is constrained by an ordinance of the City Council, which is considered the City's highest level of decision making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose but do not meet the criteria to be classified as committed. The City Council by resolution authorized the Comptroller to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first, followed by assigned and then unassigned.

O. Investment in Joint Venture

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of these items, which qualify for reporting in this category, including grant, license and fee revenue received in advance of meeting the time requirements as well as property taxes and special assessment revenue received or reported as a receivable prior to the period for which it was levied. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are intended to finance on both the government-wide statement of net position and the governmental fund balance sheet. The City also has other deferred inflows of resources that arise only under a modified accrual basis of accounting that also qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund report unavailable revenues from two sources: franchise fees and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

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 and the Community Development Agency). 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, 2014, the carrying amount of the City's deposits for governmental and business-type activities was \$10,424,017 and the bank balance was \$10,763,682. 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.

At April 30, 2014, the carrying amount of deposits of fiduciary activities was \$762,424 and the bank balance was \$762,561 of which \$27,628 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, 2014, the carrying amount of deposits of the City's component units was \$957,843 and the bank balance was \$969,102 of which \$507,941 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, 2014. 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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

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	\$3,755,982	\$3,755,982			
Illinois Metropolitan Investment Fund (IMET)	<u>142,585</u>	<u>142,585</u>	—	—	—
	<u>3,898,567</u>	<u>3,898,567</u>	\$ -0-	\$ -0-	\$ -0-
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	4,547,196	579,801	2,463,823	1,083,026	420,546
U.S. Government agencies	1,812,325	191,143	1,299,491	10,087	311,604
State and local obligation	620,461		193,864	225,601	200,996
Uncategorized investments:					
Illinois Funds	59	59			
Corporate bonds	3,675,246	95,483	1,075,864	2,083,047	420,852
Mutual funds	7,056,631	7,056,631			
Money market	2,084,978	2,084,978			
Common stock (1)	<u>6,368,093</u>				
	<u>26,164,989</u>	<u>10,008,095</u>	<u>5,033,042</u>	<u>3,401,761</u>	<u>1,354,998</u>
Total investments	<u>\$30,063,556</u>	<u>\$13,906,662</u>	<u>\$5,033,042</u>	<u>\$3,401,761</u>	<u>\$1,354,998</u>

(1) Risk disclosures do not apply to equities.

The investments in the securities of U.S. government agencies were all rated AA+ by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2014 consist of the following:

	Fiduciary
FHLMC	\$ 860,111
FNMA	826,287
GNMA	48,835
TVA	39,080
FFC	<u>38,012</u>
Total	<u>\$1,812,325</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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. 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 AAAs/S1 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.

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 position available for benefits of the respective plans:

Firefighters' Pension Fund:	
FHMLC	<u>\$601,154</u>

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 and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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 for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013, used by the City, was 11.42 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2013 was 13.33 percent. The City employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation

For the fiscal year ending April 30, 2014, the employer's actual contributions for pension cost were \$739,277. Its required contribution for calendar year 2013 was \$833,380. The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.0 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

Three-Year Trend Information:

<u>Fiscal Year</u> <u>Ended April 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation (NPO)</u>
2014	\$850,777	87%	\$627,329
2013	792,219	83%	515,829
2012	718,005	78%	380,582

The City's APC and NPO are calculated as follows:

Annual required contribution	\$840,303
Interest on net pension obligation	38,687
Adjustment to annual required contribution	<u>(28,213)</u>
Annual pension cost	850,777
Contributions made	<u>739,277</u>
Increase in net pension obligation	111,500
Net pension obligation, beginning of year	<u>515,829</u>
Net pension obligation, end of year	<u>\$627,329</u>

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the City's IMRF plan was 78.19 percent funded. The actuarial accrued liability for benefits was \$22,012,290 and the actuarial value of assets was \$17,210,709, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,801,581. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$6,251,915 and the ratio of the UAAL to the covered payroll was 77 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 accounts for the Plans as pension trust funds. The City does not, however, separately issue audited financial reports for the Plans.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of three percent or 50 percent of the Consumer Price Index beginning the later of the anniversary and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefit at the time of death.

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.

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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

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.

For employees hired after January 1, 2011, the annual retirement benefit is 2.5 percent of final average salary for each year of service up to 30 years, to a maximum of 75 percent of such salary, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and early retirement factor of 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of 3 percent or 50 percent of Consumer Price Index beginning the later of the anniversary date and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefits at the time of death.

Membership of the Plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	55	68
Terminated plan members entitled to but not yet receiving benefits	1	8
Active vested plan members	51	30
Active nonvested plan members	<u>15</u>	<u>21</u>
Total	<u>122</u>	<u>127</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

exchange are valued at the last reported sales price. Investments without an established market are reported at estimated fair value. Administrative costs are financed through investment earnings.

C. 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 position available for benefits except for the following investments:

Police Pension Fund:	
SPDR S&P Midcap 400	\$ 876,282
SPDR Trust Series	<u>1,316,971</u>
	<u>\$2,193,253</u>
Firefighters' Pension Fund:	
Thornburg Intl Value	\$ 533,077
SPDR Trust Series	<u>941,550</u>
	<u>\$1,474,627</u>

D. Funding Policy and Actuarial Assumptions

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. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation date	April 30, 2013	April 30, 2013
Employer contribution rate	42.76% of covered payroll	59.87% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	28 years	28 years
Significant actuarial assumptions:		
(a) Investment rate of return*	7.0% compounded annually	7.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	Tier 1: 3% per year, compounded Tier 2: 2% per year, simple	Tier 1: 3% per year, compounded Tier 2: 2% per year, simple
* Includes inflation at	3%	3%

E. Annual Pension Cost and Net Pension Obligation

Employer APC, percentage of APC contributed and the 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>
APC:	2014	\$2,238,219	\$2,395,450
	2013	2,126,197	2,279,047
	2012	2,073,464	2,269,936
Percentage of APC contributed:	2014	94.0%	91.7%
	2013	93.5%	92.9%
	2012	95.0%	90.1%
NPO:	2014	\$5,583,865	\$8,197,402
	2013	5,448,727	7,999,012
	2012	5,310,998	7,836,985

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

The City's APC and NPO are calculated as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$2,103,081	\$2,197,060
Interest on net pension obligation	381,411	559,931
Adjustment to annual required contribution	<u>(246,273)</u>	<u>(361,541)</u>
Annual pension cost	2,238,219	2,395,450
Contributions made	<u>2,103,081</u>	<u>2,197,060</u>
Increase in net pension obligation	135,138	198,390
Net pension obligation, beginning of year	<u>5,448,727</u>	<u>7,999,012</u>
Net pension obligation, end of year	<u>\$5,583,865</u>	<u>\$8,197,402</u>

F. Pension Financial Statements

The following is a combining statement of plan net position as of April 30, 2014:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 1,446,013	\$1,401,448	\$ 2,847,461
Receivables, less allowance for uncollectible amounts:			
Employee contributions	21,614	14,186	35,800
Employer contributions	153,926	225,774	379,700
Interest	41,000	34,792	75,792
Investments, at fair value:			
Open-end mutual funds	4,004,556	3,052,075	7,056,631
Corporate securities	5,304,514	1,063,579	6,368,093
U.S. treasury and agency securities	3,749,127	2,610,394	6,359,521
Corporate bonds	2,290,056	1,385,190	3,675,246
State and local obligations	406,746	213,715	620,461
Prepaid items	<u> </u>	<u>9,457</u>	<u>9,457</u>
Total assets	17,417,552	10,010,610	27,428,162
Liabilities:			
Benefits and other payables	<u>194,598</u>	<u>230,048</u>	<u>424,646</u>
Net position held in trust for pension benefits	<u>\$17,222,954</u>	<u>\$9,780,562</u>	<u>\$27,003,516</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

The following is a combining statement of changes in plan net position for the year ended April 30, 2014:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 2,231,894	\$2,394,084	\$ 4,625,978
Employee	<u>523,141</u>	<u>365,013</u>	<u>888,154</u>
Total contributions	<u>2,755,035</u>	<u>2,759,097</u>	<u>5,514,132</u>
Investment income:			
Net change in fair value of investments	816,540	247,192	1,063,732
Interest and dividends	<u>268,898</u>	<u>224,725</u>	<u>493,623</u>
	1,085,438	471,917	1,557,355
Less: investment expenses	<u>(114,175)</u>	<u>(60,676)</u>	<u>(174,851)</u>
Net investment income	<u>971,263</u>	<u>411,241</u>	<u>1,382,504</u>
Total additions	<u>3,726,298</u>	<u>3,170,338</u>	<u>6,896,636</u>
Deductions:			
Benefits	2,262,725	2,628,145	4,890,870
Refund of contributions	49,549		49,549
Administrative expenses	<u>43,257</u>	<u>50,295</u>	<u>93,552</u>
Total deductions	<u>2,355,531</u>	<u>2,678,440</u>	<u>5,033,971</u>
Net increase	1,370,767	491,898	1,862,665
Net position held in trust for pension benefits:			
May 1, 2013	<u>15,852,187</u>	<u>9,288,664</u>	<u>25,140,851</u>
April 30, 2014	<u>\$17,222,954</u>	<u>\$9,780,562</u>	<u>\$27,003,516</u>

G. Funded Status and Funding Progress

The funded status of the Plans based on actuarial valuations performed as of April 30, 2013, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial accrued liability (AAL)	\$53,641,749	\$48,053,263
Actuarial value of plan assets	17,955,268	9,288,664
Unfunded actuarial accrued liability (UAAL)	35,686,481	38,764,599
Funded ratios (actuarial value of plan assets / AAL)	33.5%	19.3%
Covered payroll (active plan members)	4,917,819	3,669,527
UAAL as a percentage of covered payroll	725.7%	1,056.4%

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care benefits for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and any employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activities of the plan are reported in the City’s governmental and business-type activities.

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City’s retirement plans or meet Consolidated Omnibus Budget Reconciliation Act (COBRA) requirements.

All health care benefits are provided through the City’s health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; and prescriptions. Eligibility in the City sponsored health care plan is not discontinued upon eligibility for federally sponsored health care benefits. The retirees may continue on the City’s health plan as a supplement to other plans for which the retirees are eligible.

Membership

At April 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	-0-
Active vested plan members	166
Active nonvested plan members	<u>76</u>
Total	<u>262</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Environmental Services Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2014 retirees contributed \$136,951 and the City contributed \$95,141 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

The City had its actuarial valuation performed for the plan as of April 30, 2013. The net OPEB obligation has been updated through April 30, 2014. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ending April 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$308,400	\$95,141	30.9%	\$931,409
2013	366,387	145,422	39.7%	718,150
2012	367,658	145,422	39.6%	497,185

The net OPEB obligation (NOPEBO) as of April 30, 2014, was calculated as follows:

Annual required contribution	\$303,612
Interest on net OPEB obligation	28,726
Adjustment to annual required contribution	<u>(23,938)</u>
Annual OPEB cost	308,400
Contributions made	<u>95,141</u>
Increase in net OPEB obligation	213,259
Net OPEB obligation, beginning of year	<u>718,150</u>
Net OPEB obligation, end of year	<u>\$931,409</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$4,352,020
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	4,352,020
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,839,261
UAAL as a percentage of covered payroll	29.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate starting at 8.00 % initially and 6.00% ultimately. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2013, was 30 years.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2014 is as follows:

	<u>Balance</u> May 1, 2013	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> April 30, 2014
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,268,162			\$ 5,268,162
Construction in progress	1,046,678	\$ 427,759	—	1,474,437
Total capital assets not being depreciated	<u>6,314,840</u>	<u>427,759</u>	\$ -0-	<u>6,742,599</u>
Capital assets being depreciated:				
Buildings	14,282,745			14,282,745
Equipment	780,803	71,141		851,945
Vehicles	4,476,068	135,942	56,022	4,555,988
Land improvements	3,530,558			3,530,558
Infrastructure	79,720,293	—	—	79,720,293
Total capital assets being depreciated	<u>102,790,467</u>	<u>207,083</u>	<u>56,022</u>	<u>102,941,529</u>
Less accumulated depreciation:				
Buildings	1,690,371	195,777		1,886,148
Equipment	574,707	104,309		679,018
Vehicles	2,632,633	293,378	56,022	2,869,989
Land improvements	1,376,050	164,568		1,540,617
Infrastructure	17,819,621	988,837	—	18,808,458
Total accumulated depreciation	<u>24,093,382</u>	<u>1,746,869</u>	<u>56,022</u>	<u>25,784,230</u>
Total capital assets being depreciated, net	<u>78,697,085</u>	<u>(1,539,786)</u>	<u>-0-</u>	<u>77,157,299</u>
Total capital assets, net	<u>\$ 85,011,925</u>	<u>\$(1,112,027)</u>	<u>\$ -0-</u>	<u>\$ 83,899,898</u>

Depreciation expense for governmental activities for the year ended April 30, 2014 was charged to functions as follows:

General government	\$ 387,190
Public safety	370,842
Highways and streets	<u>988,837</u>
	<u>\$1,746,869</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 - CAPITAL ASSETS (Continued):

The beginning balance of the capital assets reported for the Kankakee Environmental Services Utility was restated to reclassify a project in the amount of \$24,028 from infrastructure assets to construction in progress.

	Balance May 1, 2013 (Restated)	Additions	Deletions	Balance April 30, 2014
Business-type activities:				
Kankakee Environmental Services Utility:				
Capital assets not being depreciated:				
Land	\$ 642,263			\$ 642,263
Construction in progress	<u>911,188</u>	\$ <u>238,689</u>	<u>\$205,146</u>	<u>944,731</u>
Total capital assets not being depreciated	<u>1,553,451</u>	<u>238,689</u>	<u>205,146</u>	<u>1,586,994</u>
Capital assets being depreciated:				
Buildings	11,965,986			11,965,986
Equipment	3,399,725	95,486		3,495,211
Vehicles	2,660,784	93,483		2,754,267
Leasehold improvements	289,696			289,696
Infrastructure	<u>30,138,048</u>	<u>286,223</u>	<u> </u>	<u>30,424,271</u>
Total capital assets being depreciated	<u>48,454,239</u>	<u>475,192</u>	<u>-0-</u>	<u>48,929,431</u>
Less accumulated depreciation:				
Buildings	5,820,233	243,198		6,063,431
Equipment	2,661,229	151,979		2,813,208
Vehicles	1,799,662	183,887		1,983,549
Leasehold improvements	82,032	7,019		89,051
Infrastructure	<u>11,889,094</u>	<u>701,627</u>	<u> </u>	<u>12,590,721</u>
Total accumulated depreciation	<u>22,252,250</u>	<u>1,287,710</u>	<u>-0-</u>	<u>23,539,960</u>
Total capital assets being depreciated, net	<u>26,201,989</u>	<u>(812,518)</u>	<u>-0-</u>	<u>25,389,471</u>
Total capital assets, net	<u>\$27,755,440</u>	<u>\$ (573,829)</u>	<u>\$205,146</u>	<u>\$26,976,465</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>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, <u>2014</u>
Less accumulated depreciation:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	\$ -0-	\$ -0-	<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>
Component Units:				
Kankakee Public Library:				
Capital assets being depreciated:				
Buildings	\$7,758,883			\$7,758,883
Equipment	59,489			59,489
Leasehold improvements	<u>294,670</u>	—	—	<u>294,670</u>
Total capital assets being depreciated	<u>8,113,042</u>	\$ -0-	\$ -0-	<u>8,113,042</u>
Less accumulated depreciation:				
Buildings	1,445,394	99,527		1,544,921
Equipment	59,489			59,489
Leasehold improvements	<u>91,996</u>	<u>14,734</u>	—	<u>106,730</u>
Total accumulated depreciation	<u>1,596,879</u>	<u>114,261</u>	<u>-0-</u>	<u>1,711,140</u>
Total capital assets, net	<u>\$6,516,163</u>	<u>\$(114,261)</u>	<u>\$ -0-</u>	<u>\$6,401,902</u>
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	<u>\$1,126,132</u>	\$ -0-	\$ -0-	<u>\$1,126,132</u>
Less accumulated depreciation:				
Land improvements	<u>305,978</u>	<u>54,918</u>	<u>-0-</u>	<u>360,896</u>
Total capital assets, net	\$ <u>820,154</u>	\$ <u>(54,918)</u>	<u>\$ -0-</u>	\$ <u>765,236</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2014 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Capital Projects Fund	\$ 2,750
Kankakee Environmental Services Utility	52,906
Nonmajor governmental funds	<u>654,048</u>
Total	<u>\$709,704</u>
Component units:	
Library	<u>\$61,586</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$171,344</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$ 703,362
General Fund	511,590
Kankakee Environmental Services Utility	<u>2,086</u>
Total	<u>\$1,217,038</u>
Component units:	
Library	<u>\$26,204</u>
Enterprise funds:	
Due to Kankakee Environmental Services Utility from:	
Nonmajor governmental funds	<u>\$261,965</u>
Component units:	
Due to Special Service Area #1 from:	
Capital Projects Fund	<u>\$977</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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, Community Development Agency loans and other receivables was performed as of April 30, 2014. The analysis shows that the collection of approximately \$394,024 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2014, the City has deferred economic development loans receivable of \$537,705 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, 2015.

Accounts receivable at April 30, 2014, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Trash collection	\$ 160,024		\$ 160,024
Franchise fees	99,285		99,285
Economic development loans		\$ 734,443	734,443
Other receivables	<u>1,312,297</u>	<u>413</u>	<u>1,312,710</u>
Total	1,571,606	734,856	2,306,462
Less: allowance for doubtful accounts	(160,024)	(188,000)	(348,024)
Accounts receivable, net	<u>\$1,411,582</u>	<u>\$ 546,856</u>	<u>\$1,958,438</u>
		Kankakee Environmental Services Utility	
Business-type activities:			
Sewer charges	\$1,729,673		
Garbage collection	<u>455,015</u>		
Total	2,184,688		
Less: allowance for doubtful accounts	(46,000)		
Accounts receivable, net	<u>\$2,138,688</u>		

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

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

Governmental activities:	
General Fund:	
Sales tax	\$3,300,958
Local use tax	114,199
State replacement tax	117,900
Income tax	421,536
Gaming tax	19,938
Various grants	<u>36,993</u>
Total General Fund	<u>\$4,011,524</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

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

Nonmajor governmental funds:	
CDBG Grant	\$ 76,957
Lead Grant	25,542
Home Grant	41,979
Home Modification Grant	9,924
Motor Fuel Taxes	<u>170,151</u>
Total nonmajor governmental funds	<u>324,553</u>
Total governmental activities	<u>\$4,336,077</u>
Business-type activities:	
Kankakee Environmental Services Utility:	
Kankakee Township	<u>\$24,174</u>

NOTE 9 - SPECIAL ASSESSMENTS:

The special assessments receivable of \$1,567,426 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$1,398,000 of the special assessments receivable is not expected to be collected within one year.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2014 is as follows:

	Balance <u>May 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>April 30, 2014</u>	Due within <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$60,842,327	\$2,635,000	\$ 9,790,000	\$53,687,327	\$4,462,672
Premium on bond proceeds	<u>779,025</u>	<u>36,064</u>	<u>201,209</u>	<u>613,880</u>	<u> </u>
Total bonds payable	61,621,352	2,671,064	9,991,209	54,301,207	4,462,672
Installment notes	2,286,919		316,899	1,970,020	329,604
Unfunded employer pension contributions	13,963,568	445,028		14,408,596	
Compensated absences	5,119,500	1,484,500	1,380,000	5,224,000	1,834,000
Net other post employment benefit obligation	<u>525,513</u>	<u>228,216</u>	<u>70,404</u>	<u>683,325</u>	<u> </u>
Total long-term debt	<u>\$83,516,852</u>	<u>\$4,828,808</u>	<u>\$11,758,512</u>	<u>\$76,587,148</u>	<u>\$6,626,276</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Business-type activities:					
Kankakee Environmental Services Utility:					
Bonds Payable:					
Revenue bonds	\$ 8,315,000	\$5,720,000		\$14,035,000	\$465,000
Discount on bond proceeds	<u>(10,068)</u>	<u>(54,628)</u>	\$ <u>(2,934)</u>	<u>(61,762)</u>	<u> </u>
Total bonds payable	8,304,932	5,665,372	(2,934)	13,973,238	465,000
Note payable	4,350,000		4,350,000	-0-	
Compensated absences	774,300	718,300	409,900	1,082,700	378,000
Net other post employment benefit obligation	<u>192,637</u>	<u>55,447</u>	<u> </u>	<u>248,084</u>	<u> </u>
Total long-term debt	<u>\$13,621,869</u>	<u>\$6,439,119</u>	<u>\$4,756,966</u>	<u>\$15,304,022</u>	<u>\$843,000</u>
Component units:					
Capital lease obligations	<u>\$2,728,396</u>	<u>\$-0-</u>	<u>\$120,533</u>	<u>\$2,607,863</u>	<u>\$126,699</u>

Long-term liabilities other than debt typically have been liquidated in the General Fund and Kankakee Environmental Services Utility.

Long-term debt is comprised of the following:

	<u>Governmental Activities</u>
<u>General Obligation Bonds</u>	
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, 2014, consist of the following:	
\$9,555,000 City of Kankakee serial bonds dated September 15, 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.	\$7,715,000
\$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$110,000 to \$700,000, through January 2027, plus interest ranging from 4.00% to 5.00%, payable semiannually.	3,765,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.	\$1,422,327
\$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from \$315,000 to \$1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,930,000
\$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$80,000 to \$1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	9,850,000
\$14,905,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$35,000 to \$2,275,000, through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	6,120,000
\$5,000,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$105,000 to \$955,000 through January 2025, plus interest ranging from 2.50% to 4.90% payable semiannually.	4,895,000
\$370,000 City of Kankakee bonds dated April 27, 2011, due in a single installment on January 1, 2020, plus interest of 4.10% payable semiannually.	370,000
\$1,310,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$255,000 to \$365,000 through January 2015, plus interest ranging from 2.00% to 3.00% payable semiannually.	255,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$2,645,000 City of Kankakee serial bonds dated March 13, 2012, due in annual installments on January 1 of amounts ranging from \$80,000 to \$465,000, through January 2019, plus interest ranging from 2.00% to 2.50% payable semiannually.	\$ 2,175,000
\$3,915,000 City of Kankakee serial bonds dated October 11, 2012, due in annual installments on January 1 of amounts ranging from \$20,000 to \$535,000, through January 2024, plus interest ranging from 2.00% to 2.90% payable semiannually.	3,895,000
\$3,790,000 City of Kankakee serial bonds dated November 1, 2012, due in annual installments on January 1 of amounts ranging from 100,000 to 1,820,000 through January 2020 plus interest ranging from 2.00% to 3.00% payable semiannually.	3,660,000
\$2,635,000 City of Kankakee serial bonds dated December 23, 2013, due in annual installments on January 1 of amounts ranging from \$120,000 to \$620,000 through January 2024 plus interest ranging from 2.00% to 3.95% payable semiannually.	<u>2,635,000</u>
Total general obligation bonds	53,687,327
Add: Unamortized premium on bond issuance	<u>613,880</u>
Total general obligation bonds payable	<u>\$54,301,207</u>

The annual requirements to amortize all general obligation bonds outstanding at April 30, 2014, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,462,672	\$ 2,188,827	\$ 6,651,499
2016	4,645,125	2,064,865	6,709,990
2017	5,002,496	1,929,250	6,931,746
2018	4,817,034	1,899,475	6,716,509
2019	5,245,000	1,502,984	6,747,984
2020-2024	21,125,000	4,682,895	25,807,895
2025-2029	<u>8,390,000</u>	<u>872,103</u>	<u>9,262,103</u>
	<u>\$53,687,327</u>	<u>\$15,140,399</u>	<u>\$68,827,726</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

<u>Installment Notes</u>	<u>Governmental Activities</u>
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.	\$110,000
\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.	1,360,020
\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid semi-annually at 1.64%.	<u>500,000</u>
Total installment notes	<u>\$1,970,020</u>

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2014, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 329,604	\$ 64,533	\$ 394,137
2016	342,836	51,301	394,137
2017	356,615	37,522	394,137
2018	870,965	19,058	890,023
2019	10,000		10,000
2020-2024	50,000		50,000
2025	<u>10,000</u>		<u>10,000</u>
	<u>\$1,970,020</u>	<u>\$172,414</u>	<u>\$2,142,434</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

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 accompanying financial statements. The following is a schedule of capital lease obligations and the minimum lease payments:

	<u>Component Unit - Library</u>
\$7,758,882 lease, plus interest of \$2,628,206, due in monthly installments of \$21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$2,607,863</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2014:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Component Units - Library:			
Buildings	<u>\$7,758,883</u>	<u>\$1,554,921</u>	<u>\$6,203,962</u>

Future minimum lease payments for all capital lease obligations:

<u>Year Ending April 30,</u>	<u>Component Unit - Library</u>
2015	\$ 254,215
2016	254,215
2017	254,215
2018	254,215
2019	254,215
2020-2024	1,271,076
2025-2029	<u>1,122,784</u>
 Total minimum lease payments	 3,664,935
Less: amount representing interest	 <u>(1,057,072)</u>
 Present value of minimum lease payments	 <u>\$ 2,607,863</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental</u>	
	<u>Activities</u>	
<u>Unfunded Employer Pension Contributions</u>		
Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 5,583,865	
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	8,197,402	
Cumulative difference between the annual required pension cost and the contributions funded for Illinois Municipal Retirement Fund	<u>627,329</u>	
Total unfunded employer pension contributions due from General Fund	<u>\$14,408,596</u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
<u>Compensated Absences</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>\$5,224,000</u>	<u>\$1,082,700</u>
<u>Net Other Post Employment Benefits</u>		
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds.	<u>\$683,325</u>	<u>\$248,084</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Environmental Services Utility Fund at April 30, 2014, are as follows:

	<u>Business-type</u>
	<u>Activities</u>
\$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1 of amounts ranging from \$220,000 to \$385,000, through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	<u>\$3,325,000</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Business-type Activities</u>
\$2,700,000 Taxable Sewer Utility serial bonds dated December 2, 2010, due in annual installments beginning on May 1, 2022 of amounts ranging from \$300,000 to \$330,000, through May 2025, with a final single payment of \$1,440,000 due on May 1, 2030, plus interest at rates ranging from 5.35% to 5.75%, payable semiannually.	\$ 2,700,000
\$2,740,000 Sewer Utility serial bonds dated December 2, 2010, due in annual installments on May 1 of amounts ranging from \$15,000 to \$290,000, through May 2022, plus interest at rates ranging from 2.00% to 3.90%, payable semiannually.	2,290,000
\$2,170,000 Taxable Sewer Utility serial bonds dated August 6, 2013, due in annual installments on May 1 of amounts ranging from \$215,000 to \$285,000, through May 2025, plus interest at rates ranging from 2.91% to 5.13%, payable semiannually.	2,170,000
\$3,550,000 Taxable Sewer Utility serial bonds dated August 6, 2013, due in annual installments on May 1 of amounts ranging from \$95,000 to \$460,000, through May 2034, plus interest at rates ranging from 4.38% to 4.88%, payable semiannually.	<u>3,550,000</u>
Total revenue bonds	14,035,000
Less: Unamortized discount on bond issuance	<u>(61,762)</u>
Total revenue bonds payable	<u>\$13,973,238</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Debt service on the above revenue bonds payable at April 30, 2014, are as follows:

Year Ending April 30,	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 465,000	\$ 589,788	\$ 1,054,788
2016	480,000	642,685	1,122,685
2017	500,000	625,295	1,125,295
2018	730,000	606,017	1,336,017
2019	750,000	578,798	1,328,798
2020-2024	4,280,000	2,371,332	6,651,332
2025-2029	2,930,000	1,322,571	4,252,571
2030-2034	3,440,000	456,744	3,896,744
2035	460,000	22,425	482,425
	<u>\$14,035,000</u>	<u>\$7,215,655</u>	<u>\$21,250,655</u>

Revenue bond ordinances of the Kankakee Environmental Services Utility require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. The following shows such required reserve balances and the amounts actually reserved at April 30, 2014 in the Utility:

	Required	Actual	Surplus (Deficit)
Operation and maintenance	\$ 710,525	\$ 991,240	\$ 280,715
Bond reserve	1,932,531	1,567,914	(364,617)
Reserve and replacement	500,000	500,000	-0-
Bond and interest	<u>858,394</u>	<u>673,843</u>	<u>(184,551)</u>
	<u>\$4,001,450</u>	<u>\$3,732,997</u>	<u>\$(268,453)</u>

Activity in the reserve accounts during the year ended April 30, 2014 was as follows:

Restricted balance as of May 1, 2013	\$1,993,063
Additions to restricted balance	1,943,340
Revenue bond interest	<u>(203,406)</u>
Restricted balance as of April 30, 2014	<u>\$3,732,997</u>

The reserve account balances are represented in the Utility as restricted cash and investments. At April 30, 2014, the above amounts were sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinance.

The 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 outstanding 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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve 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, 2014, the Utility did comply with this rate covenant. The covenant calculation is included on page 113.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents of the Kankakee Environmental Services Utility were insured at April 30, 2014 for \$8,557,296 under the City of Kankakee master policy with the Liberty Mutual Insurance Company. The Utility is also included on the master umbrella liability policy with the Chubb Insurance Company and on the City's general liability and auto liability policies with Governmental Insurance Exchange. The master policy includes the following significant coverages:

	<u>Policy limits</u>
Property damage	\$31,666,736
General liability	10,000,000
Auto liability	6,000,000

Customer and Flow Information - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2014 there were 7,729 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	7,683	\$ 4,064,780
Industrial and institutional	46	7,437,482
Total	7,729	\$11,502,262

User Rates - The rates in effect at April 30, 2014 were as follows:

Flow charge (100 cu. ft.)	\$ 4.75
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.40
GW contaminated (100 cu. ft.)	10.00
Fixed charge (month)	30.00
IPP charges	10%

Outstanding Bond Issues - 2009 bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2009 bonds due May 1, 2020 to 2024 are callable on or after May 1, 2019. 2010A and B bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2010A and B bonds due May 1, 2020 to 2030 are callable on or after May 1, 2020. 2013A bonds due May 1, 2017 to 2025 are noncallable in advance of maturity. 2013B bonds due May 1, 2014 to 2022 are noncallable in advance of maturity. 2013B bonds due May 1, 2023 to 2034 are callable on or after May 1, 2023.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 11 - 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 2012 were due, payable, and collected in two installments in June and September 2013.

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 2012 were intended to finance the fiscal year 2014 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2014 for collections from the calendar year 2012 levy if it was received by June 30, 2014. Property taxes levied for calendar year 2013, which will be collected in fiscal year 2015, are recorded as receivables and unavailable revenue as of April 30, 2014. The 2014 tax levy, which attaches as an enforceable lien on property as of January 1, 2014, has not been recorded as a receivable as of April 30, 2014, as the tax has not yet been levied by the City and will not be levied until December 2014, and therefore, the levy is not measurable at April 30, 2014.

NOTE 12 - INTERFUND TRANSFERS:

	Fund Transferred To			
Fund Transferred From	General Fund	Kankakee Environmental Services Utility	Nonmajor Governmental	Total
General Fund		\$330,000		\$ 330,000
Kankakee Environmental Services Utility	\$1,000,000		\$3,276,279	4,276,279
Nonmajor Governmental			1,998,139	1,998,139
	<u>\$1,000,000</u>	<u>\$330,000</u>	<u>\$5,274,418</u>	<u>\$6,604,418</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2014:

The General Fund transferred \$330,000 to the Kankakee Environmental Services Utility to provide for the operations of the Department of Public Works.

The Kankakee Environmental Services Utility made the following transfers:

Transferred \$1,000,000 to the General Fund to provide for payments in arrears to the Debt Service Fund for the 1992A General Obligation Bond, provided for by the General Fund.

Transferred \$3,276,279 to the Debt Service Fund to provide for bond and interest retirement.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 12 - INTERFUND TRANSFERS (Continued):

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	\$450,150
Tax Increment Financing District No. 5	194,294
Tax Increment Financing District No. 6	225,655
Tax Increment Financing District No. 7	41,608
Tax Increment Financing District No. 8	633,993

The General Obligation Bonds, Series 2005 Fund transferred \$452,439 to the General Obligation Bonds, Series 2013 Fund from its excess cash upon the refunding of the 2005 bonds.

NOTE 13 - SEGMENT INFORMATION:

Kankakee Environmental Services Utility - Accounts for the operation of the City sewer and solid waste systems. The City has issued revenue bonds to support its sewer utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

NOTE 14 - 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, 2014, 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.

NOTE 15 - COMMITMENTS:

Lease Commitments

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. The annual lease payment for the year ended April 30, 2014 was \$1,967.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 15 – COMMITMENTS (Continued):

Kankakee Environmental Services 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, 2014 was \$102,470.

Kankakee Environmental Services 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. The annual lease payment received for the year ended April 30, 2014 was \$150,000.

Kankakee Environmental Services Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to connect to the City's sewer system for providing sanitary sewer service for the residents of Chebanse. For the year ended April 30, 2014, the Utility received \$93,069 based upon the number of connections established for the residents of Chebanse.

Construction Commitments

The City has several active construction projects as of April 30, 2014. These projects and the City's commitment with contractors at April 30, 2014 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Traffic camera project	\$ 43,530	\$65,000
Martin Luther King Park	<u>342,366</u>	<u>20,052</u>
Total	<u>\$385,896</u>	<u>\$85,052</u>
Business-type activities:		
Stone Street lift station	\$712,893	\$ 9,210
Sanitary sewer project	<u>31,155</u>	<u>1,050</u>
Total	<u>\$744,048</u>	<u>\$10,260</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 16 - 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, 2014, the City has recorded in the Kankakee Environmental Services Utility an investment in the joint venture of \$1,086,512 relative to its investment in KRMA and a due to joint venture in the amount of \$430,712. During the year ended April 30, 2014, KRMA billed the Utility \$4,525,499 for treatment charges.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2014 is as follows:

Statement of net position:	
Current assets	\$ 3,468,349
Restricted assets	1,007,320
Capital assets, net	<u>61,844,489</u>
Total assets	66,320,158
Deferred outflows of resources	<u>540,897</u>
Total assets and deferred outflows of resources	<u>66,861,055</u>
Current liabilities	7,629,450
Long-term liabilities	<u>53,846,492</u>
Total liabilities	<u>61,475,942</u>
Total net position	\$ <u>5,385,113</u>
Statement of revenues, expenses and changes in net position:	
Operating revenues	\$10,923,841
Operating expenses	(7,328,227)
Other income (expense), net	<u>(879,707)</u>
Change in net position	2,715,907
Ownership percentage	<u>63.44%</u>
Utility's share of change in net position (equity interest in joint venture income)	<u>\$ 1,722,971</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 16 - INVESTMENT IN JOINT VENTURE (Continued):

An explosion at the facility on December 27, 2010, destroyed a building and certain plant equipment. Before insurance proceeds arrived, KRMA required funding to facilitate repairs and reconstruction work at its facility. Therefore, KRMA entered into an agreement with the City on July 19, 2011, requiring the City to establish a \$2,500,000 line of credit at a local bank on behalf of KRMA. This agreement required KRMA to satisfy any balance due on the line of credit and pay all costs incurred by the City in establishing this line of credit, and the maximum on the line of credit was extended to \$5,000,000 on January 17, 2012. The line of credit note to the bank was paid off by April 30, 2014, with City's General Fund contributing \$1,125,000 towards the payment. KRMA reimbursed the Utility \$2,975,000 in principal payments on the line of credit during the year ended April 30, 2014 and reimbursed General Fund \$1,125,000 subsequent to April 30, 2014.

At April 30, 2014, the interest payable on the line of credit was \$2,078. Accordingly, the Utility has recorded interest payable and a due from joint venture of \$2,078 at April 30, 2014.

As discussed in Note 21 below, the Kankakee Environmental Services Utility restated its net position at May 1, 2013, in order to report its share of a prior period adjustment reported by KRMA. The Utility recorded a \$130,338 decrease in its investment in the joint venture (KRMA) as a result of this adjustment.

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 percent 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, 2014, the City has recorded in the Environmental Services Utility an investment in joint venture of \$(18,706) relative to its investment in Wi-Fi. A due from joint venture in the amount of \$35,184 is reported in the Environmental Services Utility from City paying for certain initial costs of Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2014, the City has recorded in the Environmental Services Utility an equity interest in joint venture income (loss) of Wi-Fi in the amount of \$(5,293).

NOTE 17 - 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.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 17 - RISK MANAGEMENT AND LITIGATION (Continued):

The City is a defendant in various lawsuits. Most recently, the City has been named in two lawsuits in regards to its sales tax incentive agreements. See Note 18 for additional details about the agreements. The City has also been named in a lawsuit in regards to a contract for services dispute. Although the outcome of these lawsuits is presently not determinable, in the opinion of the City's Attorney and management, the resolution of these matters 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 18 - 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. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2014, \$10,625,086 in sales taxes were rebated under these agreements. At April 30, 2014, the City owed \$4,632,029 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

NOTE 19 - DEFICIT FUND BALANCE:

At April 30, 2014, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 6 Fund	\$303,403
General Obligation Bonds, Series 2008	16,980

NOTE 20 - BOND REFUNDING:

Refunding of General Obligation Bonds, Series 2005

On December 12, 2013, the City issued \$2,635,000 of General Obligation Bonds, Series 2013C, with an average interest rate of 3.27 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the current refunding of \$2,600,000 of General Obligation Bonds, Series 2005 with an average interest rate of 4.17 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$61,124. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 11 years by \$73,335 which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$63,202.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2014

NOTE 20 – BOND REFUNDING (Continued):

Refunding of General Obligation Bonds, Series 2007 and 2009

On August 6, 2013 the Kankakee Environmental Services Utility transferred \$3,276,279 to the Debt Service Fund to provide for bond and interest retirement, which was used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the advanced partial refundings of \$505,000 of General Obligation Bonds, Series 2007A with an average interest rate of 4.20 percent and \$2,375,000 of General Obligation Bonds, Series 2009B with an average interest rate of 3.50 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of net position. The amount placed with the debt escrow agent exceeded the net carrying amount of the old debt by \$182,011. The amount is being amortized over the remaining lives of the refunded debt.

NOTE 21 – RESTATEMENT OF FUND EQUITY/NET POSITION:

The Kankakee Environmental Services Utility has restated net position as of May 1, 2013, to correct an understatement of its compensated absences liability in prior years and to adjust for its share of bond issue costs no longer amortized due to KRMA's adoption of GASB No. 65.

	<u>Kankakee Environmental Services Utility Fund</u>	<u>Business-Type Activities</u>
Net position, May 1, 2013, as previously reported	<u>\$21,121,777</u>	<u>\$22,698,013</u>
Restated for:		
Compensated absences	(214,300)	(214,300)
Bond issue costs	<u>(130,338)</u>	<u>(130,338)</u>
Prior period adjustment	<u>(344,638)</u>	<u>(344,638)</u>
Net position, May 1, 2013, restated	<u>\$20,777,139</u>	<u>\$22,353,375</u>

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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 10,792,450	\$ 10,792,450	\$ 10,507,602	\$ (284,848)
Licenses, permits and fees	1,299,000	1,299,000	1,332,011	33,011
Charges for services	140,000	140,000	149,102	9,102
Fines and penalties	400,000	400,000	318,152	(81,848)
Intergovernmental	26,460,017	26,460,017	20,836,804	(5,623,213)
Interest			13	13
Miscellaneous	420,500	420,500	527,882	107,382
Total revenues	39,511,967	39,511,967	33,671,566	(5,840,401)
Expenditures:				
Current:				
General government	5,643,808	5,643,808	5,575,819	(67,989)
Public safety	16,785,514	16,785,514	17,328,574	543,060
Economic development	16,500,000	16,500,000	10,625,086	(5,874,914)
Debt Service:				
Principal retirement	10,000	10,000	10,000	-0-
Total expenditures	38,939,322	38,939,322	33,539,479	(5,399,843)
Excess (deficiency) of revenues over expenditures	572,645	572,645	132,087	(440,558)
Other financing sources (uses):				
Transfers:				
From other funds			1,000,000	1,000,000
To other funds	(330,000)	(330,000)	(330,000)	-0-
Total other financing sources (uses)	(330,000)	(330,000)	670,000	1,000,000
Net change in fund balance	\$ 242,645	\$ 242,645	802,087	\$ 559,442
Fund balance, May 1, 2013			2,740,663	
Fund balance, April 30, 2014			\$ 3,542,750	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
April 30, 2014

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2, Special Service Area No. 3 and Special Service Area No. 5. For Community Development Agency, 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.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2014

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)
2013	\$ 17,210,709	\$ 22,012,290	\$ 4,801,581	78.19%	\$ 6,251,915	76.80%
2012	15,043,081	20,703,923	5,660,842	72.66%	5,950,270	95.14%
2011	15,490,536	20,485,433	4,994,897	75.62%	5,818,925	85.84%
2010	14,660,404	19,042,169	4,381,765	76.99%	5,853,164	74.86%
2009	14,047,445	17,989,344	3,941,899	78.09%	5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
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%)

On a market value basis, the actuarial value of assets as of December 31, 2013, is \$20,643,144. On a market basis, the funded ratio would be 93.78%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2014

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)
2013	\$ 17,955,268	\$ 53,641,749	\$ 35,686,481	33.47%	\$ 4,917,819	725.66%
2012	16,153,885	50,112,894	33,959,009	32.23%	5,040,621	673.71%
2011	15,528,178	47,690,763	32,162,585	32.56%	4,694,622	685.09%
2010	13,443,659	40,648,322	27,204,663	33.07%	4,888,208	556.54%
2009	11,900,298	35,675,410	23,775,112	33.36%	4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
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%

**CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2014**

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)
2013	\$ 9,288,664	\$ 48,053,263	\$ 38,764,599	19.33%	\$ 3,669,529	1056.39%
2012	8,874,137	44,289,836	35,415,699	20.04%	3,739,227	947.14%
2011	8,820,435	41,794,307	32,973,872	21.10%	3,680,655	895.87%
2010	8,284,059	37,037,202	28,753,143	22.37%	3,634,232	791.18%
2009	7,716,547	34,495,541	26,778,994	22.37%	3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
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%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2014

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Active Members' Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2014	\$ -0-	\$ 4,352,020	0.00%	\$ 4,352,020	\$ 14,839,261	29.33%
2013	-0-	4,352,020	0.00%	4,352,020	14,730,118	29.55%
2012	-0-	5,835,321	0.00%	5,835,321	14,194,202	41.11%
2011	-0-	5,835,321	0.00%	5,835,321	14,375,604	40.59%
2010	-0-	3,220,549	0.00%	3,220,549	14,145,833	22.77%
2009	-0-	3,220,549	0.00%	3,220,549	12,852,862	25.06%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2014

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 2,103,081	\$ 2,103,081	100.00%
2013	1,988,469	1,988,469	100.00%
2012	1,968,889	1,968,889	100.00%
2011	1,794,582	1,794,582	100.00%
2010	1,417,545	1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
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%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2014

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 2,197,060	\$ 2,197,060	100.00%
2013	2,075,813	2,075,813	100.00%
2012	2,117,020	2,117,020	100.00%
2011	2,046,132	2,046,132	100.00%
2010	1,518,183	1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
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%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2014

<u>Year Ended April 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2014	\$ 303,612	\$ 95,141	31.34%
2013	363,074	145,422	40.05%
2012	363,074	145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SUPPLEMENTAL 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, 2014
(With comparative totals for 2013)

	Budgeted Amounts		2014	2013
	Original	Final	Actual	Actual
Taxes:				
Property taxes	\$ 6,622,450	\$ 6,622,450	\$ 6,506,059	\$ 6,116,420
Utility taxes	4,170,000	4,170,000	4,001,543	4,072,779
Total taxes	10,792,450	10,792,450	10,507,602	10,189,199
Licenses, permits and fees:				
Business licenses	120,000	120,000	128,825	123,775
Other licenses	30,000	30,000	13,502	24,379
Franchise fees	300,000	300,000	362,437	361,693
Ambulance fees	500,000	500,000	509,670	538,059
Other permits and fees	349,000	349,000	317,577	579,260
Total licenses, permits and fees	1,299,000	1,299,000	1,332,011	1,627,166
Charges for services:				
Environmental Services Utility	10,000	10,000	250	54,827
Community Development Agency	89,000	89,000	100,000	100,000
Fire Department	26,000	26,000	37,782	35,898
Police Department	15,000	15,000	11,070	11,790
Total charges for services	140,000	140,000	149,102	202,515
Fines and penalties	400,000	400,000	318,152	268,300
Intergovernmental:				
State replacement income tax	589,000	589,000	714,450	681,707
State income tax	2,627,030	2,627,030	2,683,375	2,481,649
State sales tax	22,500,000	22,500,000	16,514,574	18,584,185
Local use tax	446,099	446,099	483,125	441,914
Grants from various governmental agencies	247,888	247,888	391,280	595,336
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Total intergovernmental	26,460,017	26,460,017	20,836,804	22,834,791
Interest			13	396
Miscellaneous revenues	420,500	420,500	527,882	442,126
Total revenues	\$ 39,511,967	\$ 39,511,967	\$ 33,671,566	\$ 35,564,493

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2014
(With comparative totals for 2013)

	Budgeted Amounts		2014 Actual	2013 Actual
	Original	Final		
General city government:				
Council	\$ 160,500	\$ 160,500	\$ 151,691	\$ 151,958
Mayor	102,250	102,250	119,834	119,561
Commissions and boards	27,200	27,200	20,519	25,563
City clerk	130,600	130,600	141,679	125,890
Central services	484,000	484,000	324,539	247,517
Collection	25,800	25,800	27,404	22,176
Computer operations	30,500	30,500	47,088	8,741
Corporate counsel	194,600	194,600	211,672	169,708
Adjudication	129,300	129,300	118,236	119,039
City planning	41,200	41,200	2,933	4,327
Public buildings and grounds	125,000	125,000	140,593	145,250
Community promotion	117,100	117,100	128,744	125,829
Human relations	101,750	101,750	97,742	96,876
Group insurance	1,622,500	1,622,500	1,759,876	1,462,982
Liability and workers compensation insurance	1,314,514	1,314,514	1,442,882	1,515,052
Unemployment tax	65,000	65,000	49,203	63,020
Transportation support	76,000	76,000	75,994	75,988
Other	895,994	895,994	715,190	556,572
Total general city government	5,643,808	5,643,808	5,575,819	5,036,049
Public safety - police department:				
Administration and operations	6,036,983	6,036,983	6,437,705	6,293,857
Training	45,800	45,800	20,911	21,470
Records	337,068	337,068	402,879	325,204
Communications	778,496	778,496	759,019	745,861
Detention and custody	18,900	18,900	99,398	52,891
Pension contribution	2,120,000	2,120,000	2,231,894	2,103,081
Total public safety - police department	9,337,247	9,337,247	9,951,806	9,542,364
Public safety - fire department:				
Administration	593,241	593,241	659,049	735,562
Training	152,996	152,996	136,262	123,960
Alarm and communications system	41,600	41,600	1,070	6,118
Supplies and maintenance	20,900	20,900	40,446	
Fire prevention	255,449	255,449	249,514	246,814
Fire fighting force	2,483,531	2,483,531	2,234,460	2,142,233
Emergency service	890,784	890,784	967,363	987,529
Pension contribution	2,211,000	2,211,000	2,394,084	2,197,060
Total public safety - fire department	6,649,501	6,649,501	6,682,248	6,439,276

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
(Continued)
For the year ended April 30, 2014
(With comparative totals for 2013)

	Budgeted Amounts		2014 Actual	2013 Actual
	Original	Final		
Public safety - code enforcement:				
Property maintenance	\$ 528,278	\$ 528,278	\$ 470,369	\$ 515,157
Building safety	174,988	174,988	154,278	151,784
Total public safety - code enforcement	<u>703,266</u>	<u>703,266</u>	<u>624,647</u>	<u>666,941</u>
Public safety - other:				
Animal control	30,000	30,000	19,095	25,145
Crossing guards	65,500	65,500	50,778	47,106
Total public safety - other	<u>95,500</u>	<u>95,500</u>	<u>69,873</u>	<u>72,251</u>
Total public safety	<u>16,785,514</u>	<u>16,785,514</u>	<u>17,328,574</u>	<u>16,720,832</u>
Community development:				
Residential rehabilitation				2,262
Economic development:				
Sales tax incentives	16,500,000	16,500,000	10,625,086	12,670,343
Debt service:				
Principal retirement	10,000	10,000	10,000	10,000
Total expenditures	<u>\$ 38,939,322</u>	<u>\$ 38,939,322</u>	<u>\$ 33,539,479</u>	<u>\$ 34,439,486</u>

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

SPECIAL REVENUE FUNDS

Band Fund

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

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 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 of maintenance and repairs 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.

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

TIF Districts Nos. 1, 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.

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

DEBT SERVICE FUNDS

General Obligation 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 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, 2014**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 4,930,061	\$ 359,921	\$ 5,289,982
Receivables, less allowance for uncollectible amounts:			
Property taxes	3,327,175	5,472,605	8,799,780
Due from other governmental agencies	324,553		324,553
Due from other funds	394,394	822,644	1,217,038
Due from component units	26,204		26,204
Accounts receivable	546,856		546,856
Total assets	<u>\$ 9,549,243</u>	<u>\$ 6,655,170</u>	<u>\$16,204,413</u>
Liabilities			
Accounts payable	\$ 179,218	\$ 30,000	\$ 209,218
Accrued wages payable	49,984		49,984
Due to other funds	1,411,971	378,748	1,790,719
Total liabilities	<u>1,641,173</u>	<u>408,748</u>	<u>2,049,921</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	3,327,175	5,472,605	8,799,780
Unavailable loan receivable	537,705		537,705
Total deferred inflows of resources	<u>3,864,880</u>	<u>5,472,605</u>	<u>9,337,485</u>
Fund Balance			
Restricted for:			
Debt service		790,797	790,797
Street maintenance programs	1,845,666		1,845,666
Economic development	1,844,300		1,844,300
Culture and recreation	19,291		19,291
Retirement obligations	539,820		539,820
Community development	97,516		97,516
Unassigned (deficit)	(303,403)	(16,980)	(320,383)
Total fund balance	<u>4,043,190</u>	<u>773,817</u>	<u>4,817,007</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 9,549,243</u>	<u>\$ 6,655,170</u>	<u>\$16,204,413</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2014

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 2,806,862	\$ 5,316,388	\$ 8,123,250
Special assessments		449,074	449,074
Intergovernmental	2,523,462		2,523,462
Interest income	792	103,316	104,108
Miscellaneous	7,716		7,716
	<u>5,338,832</u>	<u>5,868,778</u>	<u>11,207,610</u>
Expenditures:			
Current:			
General government	936,242		936,242
Highways and streets	492,332		492,332
Community development	1,479,712		1,479,712
Culture and recreation	16,000		16,000
Economic development	130,001		130,001
Debt service:			
Principal retirement		4,616,899	4,616,899
Interest and fiscal charges	7,700	2,362,946	2,370,646
	<u>3,061,987</u>	<u>6,979,845</u>	<u>10,041,832</u>
Excess (deficiency) of revenues over expenditures	<u>2,276,845</u>	<u>(1,111,067)</u>	<u>1,165,778</u>
Other financing sources (uses):			
Issuance of refunding bonds		2,635,000	2,635,000
Premium on issuance of refunding bonds		36,064	36,064
Payment to refunded debt escrow		(5,723,135)	(5,723,135)
Transfers:			
From other funds		5,274,418	5,274,418
To other funds	(1,545,700)	(452,439)	(1,998,139)
	<u>(1,545,700)</u>	<u>1,769,908</u>	<u>224,208</u>
Net change in fund balances	731,145	658,841	1,389,986
Fund balance, May 1, 2013	<u>3,312,045</u>	<u>114,976</u>	<u>3,427,021</u>
Fund balance, April 30, 2014	<u>\$ 4,043,190</u>	<u>\$ 773,817</u>	<u>\$ 4,817,007</u>

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**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2014**

Assets	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Cash and investments	\$ 19,291	\$ 614,749	\$ 34,900
Receivables, less allowance for uncollectible amounts:			
Property taxes	16,600	841,700	3,000
Due from other governmental agencies		12,073	
Due from other funds		9,952	
Due from component units		413	
Accounts receivable			
Total assets	<u>\$ 35,891</u>	<u>\$ 1,478,887</u>	<u>\$ 37,900</u>
Liabilities			
Accounts payable		\$ 47,383	
Accrued wages payable		49,984	
Due to other funds			
Total liabilities	<u>\$ -0-</u>	<u>97,367</u>	<u>\$ -0-</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	16,600	841,700	3,000
Unavailable loan receivable			
Total deferred inflows of resources	<u>16,600</u>	<u>841,700</u>	<u>3,000</u>
Fund Balance			
Restricted for:			
Street maintenance program			34,900
Economic development			
Culture and recreation	19,291		
Retirement obligations		539,820	
Community development			
Unassigned (deficit)			
Total fund balance (deficit)	<u>19,291</u>	<u>539,820</u>	<u>34,900</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 35,891</u>	<u>\$ 1,478,887</u>	<u>\$ 37,900</u>

<u>Special Service Area No. 3</u>	<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 5 Fund</u>
\$ 50,713	\$ 122,090	\$ 348,173	\$ 1,719,275	\$ 383,970	\$ 99,599
3,200	17,650			943,775	205,750
		154,402	170,151		
				369,816	
				16,252	
		<u>546,443</u>			
<u>\$ 53,913</u>	<u>\$ 139,740</u>	<u>\$ 1,049,018</u>	<u>\$ 1,889,426</u>	<u>\$ 1,713,813</u>	<u>\$ 305,349</u>
		\$ 131,835			
		<u>281,962</u>	<u>\$ 43,760</u>	<u>\$ 277,438</u>	<u>\$ 25,050</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>413,797</u>	<u>43,760</u>	<u>277,438</u>	<u>25,050</u>
3,200	17,650			943,775	205,750
		<u>537,705</u>			
<u>3,200</u>	<u>17,650</u>	<u>537,705</u>	<u>-0-</u>	<u>943,775</u>	<u>205,750</u>
			1,845,666		
50,713	122,090			492,600	74,549
		97,516			
<u>50,713</u>	<u>122,090</u>	<u>97,516</u>	<u>1,845,666</u>	<u>492,600</u>	<u>74,549</u>
<u>\$ 53,913</u>	<u>\$ 139,740</u>	<u>\$ 1,049,018</u>	<u>\$ 1,889,426</u>	<u>\$ 1,713,813</u>	<u>\$ 305,349</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2014

	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		\$ 53,267	\$ 1,484,034	\$ 4,930,061
Receivables, less allowance for uncollectible amounts:				
Property taxes	\$ 240,450	39,650	1,015,400	3,327,175
Due from other governmental agencies				324,553
Due from other funds		12,505		394,394
Due from component units				26,204
Accounts receivable				546,856
Total assets	<u>\$ 240,450</u>	<u>\$ 105,422</u>	<u>\$ 2,499,434</u>	<u>\$ 9,549,243</u>
Liabilities				
Accounts payable				\$ 179,218
Accrued wages payable				49,984
Due to other funds	\$ 303,403		\$ 480,358	1,411,971
Total liabilities	<u>303,403</u>	<u>\$ -0-</u>	<u>480,358</u>	<u>1,641,173</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	240,450	39,650	1,015,400	3,327,175
Unavailable loan receivable				537,705
Total deferred inflows of resources	<u>240,450</u>	<u>39,650</u>	<u>1,015,400</u>	<u>3,864,880</u>
Fund Balance				
Restricted for:				
Street maintenance program				1,845,666
Economic development		65,772	1,003,676	1,844,300
Culture and recreation				19,291
Retirement obligations				539,820
Community development				97,516
Unassigned (deficit)	(303,403)			(303,403)
Total fund balance (deficit)	<u>(303,403)</u>	<u>65,772</u>	<u>1,003,676</u>	<u>4,043,190</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 240,450</u>	<u>\$ 105,422</u>	<u>\$ 2,499,434</u>	<u>\$ 9,549,243</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, 2014

	<u>Band Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>
Revenues:			
Property taxes	\$ 16,214	\$ 822,356	\$ 3,025
Intergovernmental			
Interest income		21	
Miscellaneous			
	<u>16,214</u>	<u>822,377</u>	<u>3,025</u>
Total revenues			
Expenditures:			
Current:			
General government		758,275	
Highways and streets			
Community development			
Culture and recreation	16,000		
Economic development			1,800
Debt service:			
Interest and fiscal charges			
	<u>16,000</u>	<u>758,275</u>	<u>1,800</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>214</u>	<u>64,102</u>	<u>1,225</u>
Other financing sources (uses):			
Transfer to other funds			
	<u>214</u>	<u>64,102</u>	<u>1,225</u>
Net change in fund balances			
Fund balance (deficit), May 1, 2013	<u>19,077</u>	<u>475,718</u>	<u>33,675</u>
Fund balance (deficit), April 30, 2014	<u>\$ 19,291</u>	<u>\$ 539,820</u>	<u>\$ 34,900</u>

Special Service Area No. 3	Special Service Area No. 5	Community Development Agency	Motor Fuel Tax Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 5 Fund
\$ 795	\$ 15,294	\$ 1,603,876	\$ 919,586	\$ 801,964	\$ 187,332
		7,716	162	20	
<u>795</u>	<u>15,294</u>	<u>1,611,592</u>	<u>919,748</u>	<u>801,984</u>	<u>187,332</u>
		177,967			
		1,479,712	492,332		
	6,149			117,258	1,528
		7,700			
<u>-0-</u>	<u>6,149</u>	<u>1,665,379</u>	<u>492,332</u>	<u>117,258</u>	<u>1,528</u>
<u>795</u>	<u>9,145</u>	<u>(53,787)</u>	<u>427,416</u>	<u>684,726</u>	<u>185,804</u>
				(450,150)	(194,294)
795	9,145	(53,787)	427,416	234,576	(8,490)
<u>49,918</u>	<u>112,945</u>	<u>151,303</u>	<u>1,418,250</u>	<u>258,024</u>	<u>83,039</u>
<u>\$ 50,713</u>	<u>\$ 122,090</u>	<u>\$ 97,516</u>	<u>\$ 1,845,666</u>	<u>\$ 492,600</u>	<u>\$ 74,549</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, 2014

	Tax Increment Financing District <u>No. 6 Fund</u>	Tax Increment Financing District <u>No. 7 Fund</u>	Tax Increment Financing District <u>No. 8 Fund</u>	<u>Totals</u>
Revenues:				
Property taxes	\$ 21,239		\$ 938,643	\$ 2,806,862
Intergovernmental				2,523,462
Interest income	2	\$ 73	514	792
Miscellaneous				7,716
	<u>21,241</u>	<u>73</u>	<u>939,157</u>	<u>5,338,832</u>
Total revenues				
Expenditures:				
Current:				
General government				936,242
Highways and streets				492,332
Community development				1,479,712
Culture and recreation				16,000
Economic development	800	1,666	800	130,001
Debt service:				
Interest and fiscal charges				7,700
	<u>800</u>	<u>1,666</u>	<u>800</u>	<u>3,061,987</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>20,441</u>	<u>(1,593)</u>	<u>938,357</u>	<u>2,276,845</u>
Other financing sources (uses):				
Transfer to other funds	<u>(225,655)</u>	<u>(41,608)</u>	<u>(633,993)</u>	<u>(1,545,700)</u>
Net change in fund balances	(205,214)	(43,201)	304,364	731,145
Fund balance (deficit), May 1, 2013	<u>(98,189)</u>	<u>108,973</u>	<u>699,312</u>	<u>3,312,045</u>
Fund balance (deficit), April 30, 2014	<u>\$ (303,403)</u>	<u>\$ 65,772</u>	<u>\$ 1,003,676</u>	<u>\$ 4,043,190</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 16,000	\$ 16,000	\$ 16,214	\$ 214
Expenditures:				
Current:				
Culture and recreation	16,000	16,000	16,000	-0-
Net change in fund balance	\$ -0-	\$ -0-	214	\$ 214
Fund balance, May 1, 2013			19,077	
Fund balance, April 30, 2014			\$ 19,291	

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 810,000	\$ 810,000	\$ 822,356	\$ 12,356
Interest income			21	21
Total revenues	810,000	810,000	822,377	12,377
Expenditures:				
Current:				
General government	810,000	810,000	758,275	(51,725)
Net change in fund balance	\$ -0-	\$ -0-	64,102	\$ 64,102
Fund balance, May 1, 2013			475,718	
Fund balance, April 30, 2014			\$ 539,820	

**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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,025	\$ 25
Expenditures:				
Current:				
Economic development	<u>3,000</u>	<u>3,000</u>	<u>1,800</u>	<u>(1,200)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	1,225	<u>\$ 1,225</u>
Fund balance, May 1, 2013			<u>33,675</u>	
Fund balance, April 30, 2014			<u>\$ 34,900</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 4,500	\$ 4,500	\$ 795	\$ (3,705)
Expenditures:				
Current:				
Economic development	4,500	4,500		(4,500)
Net change in fund balance	\$ -0-	\$ -0-	795	\$ 795
Fund balance, May 1, 2013			49,918	
Fund balance, April 30, 2014			\$ 50,713	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 5
For the year ended April 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 16,600	\$ 16,600	\$ 15,294	\$ (1,306)
Expenditures:				
Current:				
Economic development	50,000	50,000	6,149	(43,851)
Net change in fund balance	\$ (33,400)	\$ (33,400)	9,145	\$ 42,545
Fund balance, May 1, 2013			112,945	
Fund balance, April 30, 2014			\$ 122,090	

**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2014**

	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007A	Indian Meadows Debt Service
Assets				
Cash and investments	\$ -0-	\$ 20,342	\$ 675	\$ 3,137
Receivables, less allowance for uncollectible amounts:				
Property taxes		643,550	550,000	\$ 80,000
Due from other funds		55,000		511,590
Total assets	\$ -0-	\$ 718,892	\$ 550,675	\$ 594,727
Liabilities				
Accounts payable				
Due to other funds		\$ 7,625		\$ 266,938
Total liabilities	\$ -0-	7,625	\$ -0-	266,938
Deferred Inflows of Resources				
Unavailable property tax revenue	-0-	643,550	550,000	80,000
Fund Balance				
Restricted for debt service		67,717	675	247,789
Unassigned (deficit)				
Total fund balance	-0-	67,717	675	247,789
Total liabilities, deferred inflows of resources and fund balance	\$ -0-	\$ 718,892	\$ 550,675	\$ 594,727

<u>General Obligation Bonds, Series 2008</u>	<u>General Obligation Bonds, Series 2009</u>	<u>General Obligation Bonds, Series 2011</u>	<u>General Obligation Bonds, Series 2012</u>	<u>General Obligation Bonds, Series 2013</u>	<u>Totals</u>
	\$ 21,418	\$ 29,880	\$ 190,185	\$ 94,284	\$ 359,921
\$ 284,970	2,345,370	500,575	372,130	696,010	5,472,605
	41,980	139,024	75,050		822,644
<u>\$ 284,970</u>	<u>\$ 2,408,768</u>	<u>\$ 669,479</u>	<u>\$ 637,365</u>	<u>\$ 790,294</u>	<u>\$ 6,655,170</u>
	\$ 30,000				\$ 30,000
\$ 16,980	20,792		\$ 66,413		378,748
<u>16,980</u>	<u>50,792</u>	<u>\$ -0-</u>	<u>66,413</u>	<u>\$ -0-</u>	<u>408,748</u>
<u>284,970</u>	<u>2,345,370</u>	<u>500,575</u>	<u>372,130</u>	<u>696,010</u>	<u>5,472,605</u>
	12,606	168,904	198,822	94,284	790,797
<u>(16,980)</u>					<u>(16,980)</u>
<u>(16,980)</u>	<u>12,606</u>	<u>168,904</u>	<u>198,822</u>	<u>94,284</u>	<u>773,817</u>
<u>\$ 284,970</u>	<u>\$ 2,408,768</u>	<u>\$ 669,479</u>	<u>\$ 637,365</u>	<u>\$ 790,294</u>	<u>\$ 6,655,170</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2014

	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006	General Obligation Bonds, Series 2007A	Indian Meadows Debt Service
Revenues:				
Property taxes	\$ 464,985	\$ 335,519		\$ 368,401
Special assessments				449,074
Interest income	12	8		103,193
Total revenues	<u>464,997</u>	<u>335,527</u>	<u>\$ -0-</u>	<u>920,668</u>
Expenditures:				
Debt service:				
Principal retirement		335,000	80,000	306,899
Interest and fiscal charges	124,064	393,630	182,233	69,042
Total expenditures	<u>124,064</u>	<u>728,630</u>	<u>262,233</u>	<u>375,941</u>
Excess (deficiency) of revenues over expenditures	<u>340,933</u>	<u>(393,103)</u>	<u>(262,233)</u>	<u>544,727</u>
Other financing sources (uses):				
Issuance of refunding bonds	2,635,000			
Premium on issuance of refunding bonds	36,064			
Payment to refunded debt escrow	(2,661,124)		(537,570)	
Transfers:				
From other funds	22,810	382,148	799,803	
To other funds	(452,439)			
Total other financing sources (uses)	<u>(419,689)</u>	<u>382,148</u>	<u>262,233</u>	<u>-0-</u>
Net change in fund balance	<u>(78,756)</u>	<u>(10,955)</u>	<u>-0-</u>	<u>544,727</u>
Fund balance (deficit), May 1, 2013	<u>78,756</u>	<u>78,672</u>	<u>675</u>	<u>(296,938)</u>
Fund balance (deficit), April 30, 2014	<u>\$ -0-</u>	<u>\$ 67,717</u>	<u>\$ 675</u>	<u>\$ 247,789</u>

General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	General Obligation Bonds, Series 2013	Totals
\$ 279,283	\$ 1,708,328	\$ 1,807,386	\$ 352,486		\$ 5,316,388
6	43	45	9		449,074
279,289	1,708,371	1,807,431	352,495	\$ -0-	103,316
	1,240,000	1,565,000	540,000	550,000	4,616,899
284,975	748,957	279,225	269,820	11,000	2,362,946
284,975	1,988,957	1,844,225	809,820	561,000	6,979,845
(5,686)	(280,586)	(36,794)	(457,325)	(561,000)	(1,111,067)
	(2,524,441)				2,635,000
	2,769,929		644,444	655,284	36,064
-0-	245,488	-0-	644,444	655,284	(5,723,135)
(5,686)	(35,098)	(36,794)	187,119	94,284	5,274,418
(11,294)	47,704	205,698	11,703	-0-	(452,439)
\$ (16,980)	\$ 12,606	\$ 168,904	\$ 198,822	\$ 94,284	\$ 1,769,908
					658,841
					114,976
					\$ 773,817

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**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

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

Firefighters' Pension Fund

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

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
April 30, 2014

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 1,446,013	\$ 1,401,448	\$ 2,847,461
Receivables, less allowance for uncollectible amounts:			
Employee contributions	21,614	14,186	35,800
Employer contributions	153,926	225,774	379,700
Interest	41,000	34,792	75,792
Investments, at fair value:			
Open-end mutual funds	4,004,556	3,052,075	7,056,631
Corporate securities	5,304,514	1,063,579	6,368,093
U. S. treasury and agency securities	3,749,127	2,610,394	6,359,521
Corporate bonds	2,290,056	1,385,190	3,675,246
State and local obligations	406,746	213,715	620,461
Prepaid items		9,457	9,457
	17,417,552	10,010,610	27,428,162
Liabilities			
Benefits and other payables	194,598	230,048	424,646
Net Position			
Net position held in trust for pension benefits	\$17,222,954	\$ 9,780,562	\$27,003,516

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the year ended April 30, 2014

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 2,231,894	\$ 2,394,084	\$ 4,625,978
Employee	523,141	365,013	888,154
Total contributions	2,755,035	2,759,097	5,514,132
Investment income:			
Net change in fair value of investments	816,540	247,192	1,063,732
Interest and dividends	268,898	224,725	493,623
	1,085,438	471,917	1,557,355
Less: investment expense	(114,175)	(60,676)	(174,851)
Net investment income	971,263	411,241	1,382,504
Total additions	3,726,298	3,170,338	6,896,636
Deductions:			
Benefits	2,262,725	2,628,145	4,890,870
Refunds of contributions	49,549		49,549
Administrative expenses	43,257	50,295	93,552
Total deductions	2,355,531	2,678,440	5,033,971
Change in net position-restricted for pension benefits	1,370,767	491,898	1,862,665
Net position held in trust for pension benefits:			
May 1, 2013	15,852,187	9,288,664	25,140,851
April 30, 2014	<u>\$ 17,222,954</u>	<u>\$ 9,780,562</u>	<u>\$ 27,003,516</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 Are #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 POSITION AND GOVERNMENTAL FUND BALANCE SHEET
April 30, 2014

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 747,849		\$ 747,849
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,720,750		1,720,750
Pledges	100		100
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 6,401,902	6,401,902
Total assets	<u>\$ 2,468,699</u>	<u>\$ 6,401,902</u>	<u>\$ 8,870,601</u>
Liabilities			
Accounts payable	\$ 33,148		\$ 33,148
Due to primary government	71,538		71,538
Long-term liabilities:			
Due within one year		\$ 126,699	126,699
Due within more than one year		2,481,164	2,481,164
Total liabilities	<u>104,686</u>	<u>2,607,863</u>	<u>2,712,549</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	1,720,750		1,720,750
Deferred grant revenue	4,043		4,043
Total deferred inflows of resources	<u>1,724,793</u>	<u>-0-</u>	<u>1,724,793</u>
Fund Balance / Net Position			
Net investment in capital assets		3,794,039	3,794,039
Unassigned / Unrestricted	639,220		639,220
Total fund balances/net position	<u>639,220</u>	<u>3,794,039</u>	<u>4,433,259</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 2,468,699</u>	<u>\$ 6,401,902</u>	<u>\$ 8,870,601</u>

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, 2014

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 1,658,617		\$ 1,658,617
Fees	72,633		72,633
Intergovernmental	107,347		107,347
Interest	1,838		1,838
Other	154,627		154,627
	<u>1,995,062</u>		<u>1,995,062</u>
Total revenues	1,995,062	\$ -0-	1,995,062
Expenditures/expenses:			
Current:			
Culture and recreation	1,622,644	114,261	1,736,905
Debt service:			
Principal retirement	120,533	(120,533)	-0-
Interest and fiscal charges	133,682		133,682
	<u>1,876,859</u>	<u>(6,272)</u>	<u>1,870,587</u>
Total expenditures/expenses	1,876,859	(6,272)	1,870,587
Net change in fund balances/net position	118,203	6,272	124,475
Fund balances/net position, May 1, 2013	521,017	3,787,767	4,308,784
Fund balances/net position, April 30, 2014	<u>\$ 639,220</u>	<u>\$ 3,794,039</u>	<u>\$ 4,433,259</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET POSITION AND GOVERNMENT FUND BALANCE SHEET
April 30, 2014

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 210,478		\$ 210,478
Receivables, less allowance for uncollectible amounts:			
Property taxes	124,350		124,350
Due from primary government	977		977
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 765,236	765,236
Total assets	<u>\$ 335,805</u>	<u>\$ 765,236</u>	<u>\$ 1,101,041</u>
Liabilities			
Accounts payable	\$ 2,162		\$ 2,162
Due to primary government	16,252		16,252
Total liabilities	<u>18,414</u>	<u>\$ -0-</u>	<u>18,414</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	124,350		124,350
Fund Balance / Net Position			
Net investment in capital assets		765,236	765,236
Unassigned / Unrestricted	193,041		193,041
Total fund balances/net position	<u>193,041</u>	<u>765,236</u>	<u>958,277</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 335,805</u>	<u>\$ 765,236</u>	<u>\$ 1,101,041</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, 2014

	General Operating	Adjustment	Statement of Activities
Revenues:			
Property taxes	\$ 124,299		\$ 124,299
Interest	210		210
Other	17,613		17,613
Total revenues	142,122	\$ -0-	142,122
Expenditures/expenses:			
Current:			
General government	130,966	54,918	185,884
Net change in fund balances/net position	11,156	(54,918)	(43,762)
Fund balances/net position, May 1, 2013	181,885	820,154	1,002,039
Fund balances/net position, April 30, 2014	\$ 193,041	\$ 765,236	\$ 958,277

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2013 LEVY TO BE COLLECTED IN 2014
April 30, 2014

	<u>Taxes extended</u>	<u>Estimated losses</u>	<u>Estimated net taxes receivable</u>
Primary Government:			
General Fund	\$ 7,031,777	\$ 1,057	\$ 7,030,720
Special Revenue Funds:			
Band Fund	16,738	138	16,600
Illinois Municipal Retirement Fund	841,748	48	841,700
Special Service Area No. 2	3,000		3,000
Special Service Area No. 3	3,249	49	3,200
Special Service Area No. 5	17,682	32	17,650
Tax Increment Financing District #1	943,798	23	943,775
Tax Increment Financing District #5	205,757	7	205,750
Tax Increment Financing District #6	240,484	34	240,450
Tax Increment Financing District #7	39,668	18	39,650
Tax Increment Financing District #8	1,015,419	19	1,015,400
Total Special Revenue Funds	<u>3,327,543</u>	<u>368</u>	<u>3,327,175</u>
Debt Service Funds	<u>5,472,687</u>	<u>82</u>	<u>5,472,605</u>
Total Primary Government	<u>\$ 15,832,007</u>	<u>\$ 1,507</u>	<u>\$ 15,830,500</u>
Component Units:			
Library	\$ 1,720,937	\$ 187	\$ 1,720,750
Special Service Area No. 1	<u>124,360</u>	<u>10</u>	<u>124,350</u>
Total Component Units	<u>\$ 1,845,297</u>	<u>\$ 197</u>	<u>\$ 1,845,100</u>

CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF BOND RATE COVENANT CALCULATION
April 30, 2014

Debt service requirements	\$ 1,054,788	
120% covenant	<u>x 120%</u>	
Total required revenues	<u>\$ 1,265,746</u>	
Net revenues generated by sewer utility:		
Sewer charges	\$ 11,502,262	
Utility operations expenses	<u>(4,000,804)</u>	
Net revenues generated	7,501,458	
Sewer Utility's share of Kankakee River Metropolitan Agency's plant operations expenses	<u>(4,525,499)</u>	
Total net revenues available (expressed in dollars and as a percentage of debt service requirements)	<u>\$ 2,975,959</u>	<u>282%</u>
Bond covenant coverage over the required revenues	<u>\$ 1,710,213</u>	

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CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2014

	Series 2009		Series 2010A		Series 2010B	
Date of issue	December 1, 2009		December 2, 2010		December 2, 2010	
Interest rates	2.00% to 5.80%		5.35% to 6.50%		2.00% to 3.90%	
Principal redemption date	May 1		May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Original issue	\$ 4,000,000		\$ 2,700,000		\$ 2,740,000	
Paid to date	<u>675,000</u>		<u>-0-</u>		<u>450,000</u>	
Balance, April 30, 2014	<u>\$ 3,325,000</u>		<u>\$ 2,700,000</u>		<u>\$ 2,290,000</u>	
Date as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 240,000	\$ 162,988		\$ 163,755	\$ 225,000	\$ 73,058
2016	250,000	154,038		163,755	230,000	66,795
2017	260,000	143,698		163,755	240,000	59,745
2018	270,000	131,695		163,755	245,000	52,470
2019	280,000	118,283		163,755	250,000	44,920
2020	295,000	103,686		163,755	260,000	36,430
2021	310,000	87,875		163,755	270,000	27,023
2022	325,000	70,885		163,755	280,000	16,770
2023	345,000	52,623		163,755	290,000	5,655
2024	365,000	32,733	\$ 300,000	155,730		
2025	385,000	11,165	310,000	139,180		
2026			320,000	121,615		
2027			330,000	103,088		
2028				82,550		
2029				59,963		
2030				36,563		
2031			1,440,000	12,350		
2032						
2033						
2034						
2035						
	<u>\$ 3,325,000</u>	<u>\$ 1,069,669</u>	<u>\$ 2,700,000</u>	<u>\$ 2,184,834</u>	<u>\$ 2,290,000</u>	<u>\$ 382,866</u>

Series 2013A		Series 2013B		Totals		
August 6, 2013 2.91% to 5.13%		August 6, 2013 4.375% to 4.875%				
May 1		May 1				
May 1 and November 1		May 1 and November 1				
\$ 2,170,000		\$ 3,550,000		\$ 15,160,000		
<u>-0-</u>		<u>-0-</u>		<u>1,125,000</u>		
<u>\$ 2,170,000</u>		<u>\$ 3,550,000</u>		<u>\$ 14,035,000</u>		
Principal	Interest	Principal	Interest	Principal	Interest	Totals
	\$ 68,713		\$ 121,274	\$ 465,000	\$ 589,788	\$ 1,054,788
	93,347		164,750	480,000	642,685	1,122,685
	93,347		164,750	500,000	625,295	1,125,295
\$ 215,000	93,347		164,750	730,000	606,017	1,336,017
220,000	87,090		164,750	750,000	578,798	1,328,798
230,000	80,248		164,750	785,000	548,869	1,333,869
235,000	71,439		164,750	815,000	514,842	1,329,842
245,000	62,438		164,750	850,000	478,598	1,328,598
260,000	50,727		164,750	895,000	437,510	1,332,510
270,000	38,300		164,750	935,000	391,513	1,326,513
285,000	25,393		164,750	980,000	340,488	1,320,488
210,000	10,773	\$ 95,000	164,750	625,000	297,138	922,138
		320,000	160,594	650,000	263,682	913,682
		330,000	146,594	330,000	229,144	559,144
		345,000	132,156	345,000	192,119	537,119
		365,000	117,063	365,000	153,626	518,626
		380,000	100,181	1,820,000	112,531	1,932,531
		400,000	82,606	400,000	82,606	482,606
		415,000	64,106	415,000	64,106	479,106
		440,000	43,875	440,000	43,875	483,875
		460,000	22,425	460,000	22,425	482,425
<u>\$ 2,170,000</u>	<u>\$ 775,162</u>	<u>\$ 3,550,000</u>	<u>\$ 2,803,124</u>	<u>\$ 14,035,000</u>	<u>\$ 7,215,655</u>	<u>\$ 21,250,655</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2014

	Series 2006		Series 2007A		Series 2007B	
Date of issue	September 15, 2006		August 2, 2007		August 2, 2007	
Interest rates	3.50% to 5.25%		4.00% to 5.00%		4.25% to 4.36%	
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	\$ 9,555,000		\$ 5,405,000		\$ 1,422,327	
Paid to date	<u>1,840,000</u>		<u>1,640,000</u>		<u>-0-</u>	
Balance, April 30, 2014	<u>\$ 7,715,000</u>		<u>\$ 3,765,000</u>		<u>\$ 1,422,327</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 655,000	\$ 376,775	\$ 90,000	\$ 168,445	\$ 402,672	\$ 147,329
2016	675,000	351,885	90,000	164,845	350,125	149,875
2017	375,000	325,898	95,000	161,155	267,496	132,504
2018	540,000	311,460	110,000	157,260	402,034	227,965
2019	585,000	290,400	125,000	152,750		
2020	645,000	259,688	140,000	147,625		
2021	730,000	222,600	160,000	141,745		
2022	790,000	184,275	170,000	135,025		
2023	880,000	142,800	180,000	127,885		
2024	715,000	96,600	600,000	120,325		
2025	1,125,000	59,063	635,000	90,325		
2026			670,000	58,575		
2027			700,000	30,100		
2028						
2029						
	<u>\$ 7,715,000</u>	<u>\$ 2,621,444</u>	<u>\$ 3,765,000</u>	<u>\$ 1,656,060</u>	<u>\$ 1,422,327</u>	<u>\$ 657,673</u>

Series 2008		Series 2009A		Series 2009B	
June 1, 2008 3.45% to 5.25%		April 15, 2009 2.30% to 5.00%		April 15, 2009 3.00% to 5.00%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 6,930,000		\$ 10,180,000		\$ 14,905,000	
<u>-0-</u>		<u>330,000</u>		<u>8,785,000</u>	
<u>\$ 6,930,000</u>		<u>\$ 9,850,000</u>		<u>\$ 6,120,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	\$ 284,975	\$ 90,000	\$ 434,593	\$ 1,745,000	\$ 230,638
\$ 315,000	284,975	135,000	431,803	430,000	169,212
425,000	274,108	165,000	427,078	475,000	153,812
585,000	259,020	735,000	421,303	1,145,000	137,322
670,000	228,308	1,025,000	384,553	1,500,000	96,103
900,000	193,808	635,000	333,303	610,000	39,853
900,000	159,603	660,000	306,633	35,000	9,353
985,000	124,953	690,000	278,913	40,000	7,830
1,075,000	86,538	715,000	249,933	45,000	6,090
1,075,000	43,538	745,000	219,903	45,000	4,133
		780,000	187,868	50,000	2,175
		810,000	154,328		
		850,000	119,093		
		890,000	81,693		
		925,000	42,088		
<u>\$ 6,930,000</u>	<u>\$ 1,939,826</u>	<u>\$ 9,850,000</u>	<u>\$ 4,073,085</u>	<u>\$ 6,120,000</u>	<u>\$ 856,521</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2014

	Series 2011A		Series 2011B		Series 2011C	
Date of issue	April 27, 2011		April 27, 2011		April 27, 2011	
Interest rates	2.50% to 4.90%		4.10%		2.00% to 3.00%	
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	\$ 5,000,000		\$ 370,000		\$ 1,310,000	
Paid to date	<u>105,000</u>		<u>-0-</u>		<u>1,055,000</u>	
Balance, April 30, 2014	<u>\$ 4,895,000</u>		<u>\$ 370,000</u>		<u>\$ 255,000</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015		\$ 222,755		15,170	\$ 255,000	\$ 7,650
2016	165,000	222,755		15,170		
2017	225,000	216,980		15,170		
2018		209,105		15,170		
2019		209,105		15,170		
2020	440,000	209,105	\$ 370,000	15,170		
2021	600,000	190,185				
2022	725,000	164,385				
2023	855,000	132,123				
2024	930,000	92,365				
2025	955,000	46,795				
2026						
2027						
2028						
2029						
	<u>\$ 4,895,000</u>	<u>\$ 1,915,658</u>	<u>\$ 370,000</u>	<u>\$ 91,020</u>	<u>\$ 255,000</u>	<u>\$ 7,650</u>

Series 2012		Series 2012A		Series 2012B	
March 13, 2012 2.00% to 2.50%		October 11, 2012 2.00% to 2.90%		November 1, 2012 2.00% to 3.00%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 2,645,000		\$ 3,915,000		\$ 3,790,000	
470,000		20,000		130,000	
<u>\$ 2,175,000</u>		<u>\$ 3,895,000</u>		<u>\$ 3,660,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 405,000	\$ 52,350	\$ 40,000	\$ 95,835	\$ 160,000	\$ 76,300
420,000	44,250	460,000	95,035	1,370,000	73,100
435,000	33,750	475,000	85,835	1,820,000	45,700
450,000	22,875	495,000	76,335	100,000	9,300
465,000	11,625	510,000	63,960	100,000	6,300
		520,000	51,210	110,000	3,300
		535,000	38,210		
		320,000	24,300		
		320,000	15,500		
		220,000	6,380		
<u>\$ 2,175,000</u>	<u>\$ 164,850</u>	<u>\$ 3,895,000</u>	<u>\$ 552,600</u>	<u>\$ 3,660,000</u>	<u>\$ 214,000</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2014

	Series 2013C		Totals		
Date of issue	December 23, 2013				
Interest rates	2.00% to 3.95%				
Principal redemption date	January 1				
Interest payment dates	July 1 and January 1				
Original issue	\$ 2,635,000		\$ 68,062,327		
Paid to date	<u>-0-</u>		<u>14,375,000</u>		
Balance, April 30, 2014	<u>\$ 2,635,000</u>		<u>\$ 53,687,327</u>		
Due as follows:					
Year ending April 30,	Principal	Interest	Principal	Interest	Totals
2015	\$ 620,000	\$ 76,012	\$ 4,462,672	\$ 2,188,827	\$ 6,651,499
2016	235,000	61,960	4,645,125	2,064,865	6,709,990
2017	245,000	57,260	5,002,496	1,929,250	6,931,746
2018	255,000	52,360	4,817,034	1,899,475	6,716,509
2019	265,000	44,710	5,245,000	1,502,984	6,747,984
2020	270,000	36,760	4,640,000	1,289,822	5,929,822
2021	280,000	27,310	3,900,000	1,095,639	4,995,639
2022	170,000	17,510	3,890,000	937,191	4,827,191
2023	175,000	11,390	4,245,000	772,259	5,017,259
2024	120,000	4,740	4,450,000	587,984	5,037,984
2025			3,545,000	386,226	3,931,226
2026			1,480,000	212,903	1,692,903
2027			1,550,000	149,193	1,699,193
2028			890,000	81,693	971,693
2029			925,000	42,088	967,088
	<u>\$ 2,635,000</u>	<u>\$ 390,012</u>	<u>\$ 53,687,327</u>	<u>\$ 15,140,399</u>	<u>\$ 68,827,726</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, combining and individual fund financial statements and supplemental schedules, and the statistical section, taken as a whole, will assist readers in further 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.	121-125
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant and locally controlled revenue sources, the property tax	126-129
(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	130-133
(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.	134-135
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs	136-138

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF KANKAKEE, ILLINOIS
NET POSITION BY COMPONENT (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 29.1	\$ 32.3	\$ 36.9	\$ 40.7	\$ 45.3	\$ 43.7	\$ 46.9	\$ 42.8	\$ 49.1	\$ 44.7
Restricted	9.4	6.9	9.8	8.9	10.8	6.3	9.6	7.6	6.3	5.9
Unrestricted	<u>(32.0)</u>	<u>(29.0)</u>	<u>(31.8)</u>	<u>(33.6)</u>	<u>(47.5)</u>	<u>(41.1)</u>	<u>(45.6)</u>	<u>(40.0)</u>	<u>(44.2)</u>	<u>(33.0)</u>
Total governmental activities net position	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 14.9</u>	<u>\$ 15.9</u>	<u>\$ 8.6</u>	<u>\$ 9.0</u>	<u>\$ 10.8</u>	<u>\$ 10.4</u>	<u>\$ 11.1</u>	<u>\$ 17.6</u>
Business-type activities										
Net investment in capital assets	\$ 22.5	\$ 22.4	\$ 22.0	\$ 22.0	\$ 24.9	\$ 21.3	\$ 22.3	\$ 21.8	\$ 20.9	\$ 20.1
Restricted	2.2	2.8	1.7	1.1	2.2	1.4	1.5	2.0	1.7	2.7
Unrestricted	<u>4.0</u>	<u>3.2</u>	<u>3.6</u>	<u>3.7</u>	<u>2.6</u>	<u>5.3</u>	<u>2.8</u>	<u>1.2</u>	<u>0.1</u>	<u>(3.5)</u>
Total business-type activities net position	<u>\$ 28.7</u>	<u>\$ 28.4</u>	<u>\$ 27.4</u>	<u>\$ 26.8</u>	<u>\$ 29.7</u>	<u>\$ 28.0</u>	<u>\$ 26.6</u>	<u>\$ 25.0</u>	<u>\$ 22.7</u>	<u>\$ 19.4</u>
Primary government										
Net investment in capital assets	\$ 51.6	\$ 54.7	\$ 58.9	\$ 62.7	\$ 70.2	\$ 65.0	\$ 69.1	\$ 64.6	\$ 70.0	\$ 64.8
Restricted	11.7	9.7	11.5	10.0	13.0	7.7	11.0	9.6	8.0	8.7
Unrestricted	<u>(28.0)</u>	<u>(25.8)</u>	<u>(28.1)</u>	<u>(29.9)</u>	<u>(44.9)</u>	<u>(35.8)</u>	<u>(42.8)</u>	<u>(38.8)</u>	<u>(44.1)</u>	<u>(36.5)</u>
Total primary government net position	<u>\$ 35.2</u>	<u>\$ 38.7</u>	<u>\$ 42.3</u>	<u>\$ 42.8</u>	<u>\$ 42.8</u>	<u>\$ 37.0</u>	<u>\$ 37.4</u>	<u>\$ 35.4</u>	<u>\$ 33.8</u>	<u>\$ 37.0</u>

Source: Audited Financial Statements

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

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues										
Charges for services:										
General government	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.1
Public safety	0.8	1.0	1.0	0.5	0.6	0.6	0.6	0.5	0.6	0.6
Public works	0.5	0.3	0.3	0.2	0.4	0.6	0.1			
Community development	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating grants and contributions	4.0	2.9	2.8	3.5	4.0	3.4	4.3	3.9	3.2	3.0
Capital grants and contributions	<u>1.1</u>	<u>2.0</u>	<u>2.9</u>	<u>6.9</u>	<u>0.7</u>	<u>4.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>	
Total program revenues	<u>7.9</u>	<u>7.4</u>	<u>8.3</u>	<u>12.4</u>	<u>7.0</u>	<u>10.2</u>	<u>6.5</u>	<u>5.9</u>	<u>5.6</u>	<u>4.8</u>
Expenses										
General government	\$ 5.1	\$ 6.0	\$ 6.7	\$ 6.2	\$ 8.6	\$ 8.3	\$ 8.8	\$ 8.2	\$ 7.8	\$ 7.8
Public safety	11.7	12.5	13.1	13.6	14.2	16.1	16.2	17.0	17.1	17.6
Public works	2.1	2.2	2.1	2.5	3.6	2.4	0.3			
Highways and streets	2.6	3.3	1.7	7.2	2.2	3.3	1.2	3.1	2.6	2.4
Community development	2.7	1.4	1.5	1.8	2.5	1.9	2.4	2.2	1.9	1.5
Culture and recreation	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2	0.0	
Economic development	0.7	1.4	0.5	23.5	18.8	17.0	16.4	12.3	12.9	10.8
Interest and fiscal charges	<u>2.0</u>	<u>2.2</u>	<u>2.1</u>	<u>2.3</u>	<u>2.8</u>	<u>2.8</u>	<u>2.9</u>	<u>2.8</u>	<u>2.6</u>	<u>2.3</u>
Total expenses	<u>27.0</u>	<u>29.1</u>	<u>27.8</u>	<u>57.1</u>	<u>53.0</u>	<u>51.9</u>	<u>48.2</u>	<u>45.8</u>	<u>44.9</u>	<u>42.3</u>
Net revenue (expense)	<u>\$(19.1)</u>	<u>\$(21.7)</u>	<u>\$(19.5)</u>	<u>\$(44.7)</u>	<u>\$(46.0)</u>	<u>\$(41.7)</u>	<u>\$(41.7)</u>	<u>\$(39.9)</u>	<u>\$(39.3)</u>	<u>\$(37.6)</u>
General Revenues and Other Changes in Net Position										
Property taxes	\$ 8.5	\$ 9.8	\$ 9.7	\$ 10.7	\$ 11.4	\$ 12.1	\$ 14.6	\$ 13.5	\$ 13.9	\$ 14.6
Special assessments					0	0.3	0.3	0.3	0.0	0.4
Illinois retailers' tax, net	5.3	6.2	6.0	26.6	24.4	21.1	21.3	18.7	18.6	16.5
Utility taxes	3.3	3.3	3.3	3.5	3.4	3.4	3.6	3.9	4.1	4.0
Other taxes	2.7	3.1	3.4	3.8	3.6	3.1	3.3	3.3	3.6	3.9
Intergovernmental, not restricted										
to specific programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1	0.0	0.1
Other	0.2	0.2	0.1	0.1	0.3	0.4	0.8	0.9	0.5	0.5
Contributions from developers	0.7	1.6								
Transfers	<u>0.2</u>	<u>0.9</u>	<u>0.7</u>	<u>(0.0)</u>	<u>(4.9)</u>	<u>1.5</u>	<u>(0.4)</u>	<u>(0.1)</u>	<u>0.1</u>	<u>3.9</u>
Total general revenues and other changes	<u>\$ 21.2</u>	<u>\$ 25.8</u>	<u>\$ 24.2</u>	<u>\$ 45.7</u>	<u>\$ 39.0</u>	<u>\$ 42.1</u>	<u>\$ 43.7</u>	<u>\$ 40.7</u>	<u>\$ 40.9</u>	<u>\$ 44.1</u>
Total change in net position	<u>\$ 2.1</u>	<u>\$ 4.1</u>	<u>\$ 4.7</u>	<u>\$ 1.0</u>	<u>\$ (7.0)</u>	<u>\$ 0.4</u>	<u>\$ 2.0</u>	<u>\$ 0.8</u>	<u>\$ 1.6</u>	<u>\$ 6.5</u>

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

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES
AND TOTAL PRIMARY GOVERNMENT (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities										
Charges for services	\$ 8.3	\$ 8.3	\$ 8.4	\$ 8.8	\$ 10.0	\$ 12.6	\$ 12.0	\$ 12.6	\$ 12.7	\$ 16.6
Expenses	<u>9.1</u>	<u>8.9</u>	<u>8.9</u>	<u>9.6</u>	<u>12.2</u>	<u>14.2</u>	<u>13.9</u>	<u>14.3</u>	<u>14.6</u>	<u>15.7</u>
Net business-type revenues (expenses)	<u>(0.8)</u>	<u>(0.6)</u>	<u>(0.5)</u>	<u>(0.8)</u>	<u>(2.2)</u>	<u>(1.6)</u>	<u>(1.9)</u>	<u>(1.7)</u>	<u>(1.9)</u>	<u>0.9</u>
Other income and changes in net position:										
Investment income	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	1.7	0.0	0.1	(0.0)	0.1	0.0	0.1	0.1	0.1
Contributions from developers	1.0									
Transfers	<u>(0.2)</u>	<u>(0.9)</u>	<u>(0.7)</u>	<u>0.0</u>	<u>4.9</u>	<u>1.2</u>	<u>(0.8)</u>	<u>0.1</u>	<u>(0.1)</u>	<u>(3.9)</u>
Total other income and changes in net position	<u>1.1</u>	<u>0.9</u>	<u>(0.6)</u>	<u>0.2</u>	<u>4.9</u>	<u>1.3</u>	<u>(0.8)</u>	<u>0.2</u>	<u>0.0</u>	<u>(3.9)</u>
Total change in net position	<u>0.3</u>	<u>0.3</u>	<u>(1.1)</u>	<u>(0.6)</u>	<u>2.7</u>	<u>(0.3)</u>	<u>(2.7)</u>	<u>(1.5)</u>	<u>(1.9)</u>	<u>(3.0)</u>
Total Primary Government										
Program revenues	\$ 16.3	\$ 15.7	\$ 16.7	\$ 21.4	\$ 17.0	\$ 22.7	\$ 18.5	\$ 18.5	\$ 18.3	\$ 21.3
Expenses	<u>(35.9)</u>	<u>(38.1)</u>	<u>(36.7)</u>	<u>(66.7)</u>	<u>(65.4)</u>	<u>(66.2)</u>	<u>(62.1)</u>	<u>(60.8)</u>	<u>(59.6)</u>	<u>(58.0)</u>
Net revenues (expenses)	(19.6)	(22.4)	(20.0)	(45.3)	(48.4)	(43.5)	(43.6)	(42.3)	(41.3)	(36.7)
General revenues and other changes in net position	<u>22.2</u>	<u>26.8</u>	<u>23.6</u>	<u>45.9</u>	<u>43.8</u>	<u>43.4</u>	<u>42.9</u>	<u>40.3</u>	<u>40.8</u>	<u>40.2</u>
Total change in net position	<u>\$ 2.6</u>	<u>\$ 4.4</u>	<u>\$ 3.6</u>	<u>\$ 0.6</u>	<u>\$ (4.6)</u>	<u>\$ (0.1)</u>	<u>\$ (0.7)</u>	<u>\$ (2.0)</u>	<u>\$ (0.5)</u>	<u>\$ 3.6</u>

Source: Audited Financial Statements

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

Table A-4

CITY OF KANKAKEE, ILLINOIS
FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.8	\$ 0.9	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4
Unassigned	<u>2.1</u>	<u>2.6</u>	<u>2.6</u>	<u>2.3</u>	<u>1.3</u>	<u>0.0</u>	<u>1.0</u>	<u>1.4</u>	<u>2.4</u>	<u>3.1</u>
Total General Fund	<u>\$ 2.6</u>	<u>\$ 3.1</u>	<u>\$ 3.2</u>	<u>\$ 3.1</u>	<u>\$ 2.2</u>	<u>\$ 0.5</u>	<u>\$ 1.6</u>	<u>\$ 1.8</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>
All Other Governmental Funds										
Restricted for:										
Capital projects fund	\$ 5.9	\$ 3.5	\$ 7.4	\$ 5.4	\$ 7.9	\$ 4.4	\$ 8.0	\$ 5.0	\$ 3.1	\$ 1.5
Unexpended street maintenance								1.3	1.4	1.8
Economic development								0.9	1.3	1.8
Culture & recreation								0.0	0.0	0.0
Retirement obligations								0.4	0.5	0.5
Community development								0.2	0.2	0.1
Special revenue funds	2.0	2.2	1.8	2.5	1.9	1.6	1.3			
Debt service funds	1.5	1.2	0.7	0.9	1.0	0.3	0.3	0.4	0.4	0.8
Unassigned, reported in:										
Special revenue funds	1.2	0.9	0.4	1.7	0.7	0.3	0.8	(0.1)	(0.4)	(0.3)
Capital projects funds										
Debt service funds	<u>(0.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.0)</u>
Total all other governmental funds	<u>\$ 10.6</u>	<u>\$ 7.8</u>	<u>\$ 10.3</u>	<u>\$ 10.5</u>	<u>\$ 11.5</u>	<u>\$ 6.6</u>	<u>\$ 10.4</u>	<u>\$ 8.1</u>	<u>\$ 6.5</u>	<u>\$ 6.3</u>
Total, all governmental funds	<u>\$ 13.2</u>	<u>\$ 10.9</u>	<u>\$ 13.5</u>	<u>\$ 13.6</u>	<u>\$ 13.7</u>	<u>\$ 7.1</u>	<u>\$ 12.0</u>	<u>\$ 9.9</u>	<u>\$ 9.3</u>	<u>\$ 9.8</u>

Source: Audited Financial Statements

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

CITY OF KANKAKEE, ILLINOIS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014
(modified accrual basis of accounting)
(amounts expressed in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 19.8	\$ 22.4	\$ 22.5	\$ 44.6	\$ 42.9	\$ 39.8	\$ 42.7	\$ 38.8	\$ 40.1	\$ 39.0
Special assessments					0.3	0.3	0.3	0.3	0.0	0.4
Licenses, fees and permits	1.4	1.4	1.5	1.1	1.1	1.2	1.3	1.4	1.6	1.3
Intergovernmental	5.0	4.8	4.7	7.9	4.7	3.6	4.5	4.1	3.6	3.0
Charges for services	0.9	0.7	0.6	0.5	0.7	0.8	0.3	0.2	0.2	0.1
Fines and penalties	0.8	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3
Investment earnings	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1	0.5	0.1
Other revenues	0.3	0.3	0.2	0.1	0.3	0.7	0.8	0.9	0.0	0.5
Total revenues	<u>\$ 28.4</u>	<u>\$ 30.8</u>	<u>\$ 30.9</u>	<u>\$ 55.6</u>	<u>\$ 50.8</u>	<u>\$ 46.9</u>	<u>\$ 50.4</u>	<u>\$ 46.2</u>	<u>\$ 46.3</u>	<u>\$ 44.9</u>
Expenditures										
General government	\$ 5.4	\$ 6.5	\$ 7.1	\$ 9.1	\$ 8.2	\$ 7.6	\$ 7.2	\$ 6.8	\$ 6.7	\$ 7.1
Public safety	11.9	12.4	13.0	14.2	22.8	16.0	16.1	16.9	17.0	17.4
Public works	2.0	2.2	2.1	2.7	3.5	2.6	0.3			
Highways and streets	2.9	5.0	3.8	7.7	4.0	2.8	1.3	2.2	1.7	1.4
Community development	2.6	1.4	1.4	2.3	2.5	1.9	2.4	2.2	1.9	1.5
Culture and recreation	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2	0.0	0.0
Economic development	0.7	1.4	0.5	24.2	18.8	16.5	16.4	12.4	12.9	10.8
Debt service:										
Principal retirement	2.5	2.8	2.9	3.3	3.9	4.2	4.6	4.8	4.9	4.6
Interest and fiscal charges	2.0	2.2	4.0	2.3	3.4	2.7	3.1	2.9	2.8	2.4
Total expenditures	<u>\$ 30.1</u>	<u>\$ 34.0</u>	<u>\$ 34.9</u>	<u>\$ 65.9</u>	<u>\$ 67.4</u>	<u>\$ 54.4</u>	<u>\$ 51.4</u>	<u>\$ 48.4</u>	<u>\$ 47.9</u>	<u>\$ 45.3</u>
Other Financing Sources (Uses)										
Proceeds from borrowing	\$ 6.4		\$ 5.8	\$ 10.3	\$ 17.6		\$ 5.0			
Proceeds from refunding	3.2		4.3		15.1		1.7	\$ 4.8	\$ 7.9	\$ 2.7
Payments to escrow agent	(3.1)		(4.4)		(11.0)		(1.7)	(4.7)	(7.7)	(5.7)
Proceeds from disposal of capital assets			0.1							
Transfers in	1.9	2.9	\$ 4.1	4.0	4.7	4.4	\$ 4.5	2.9	3.0	6.3
Transfers out	(1.7)	(2.0)	(3.4)	(4.1)	(9.6)	(2.9)	(3.7)	(3.0)	(2.9)	(2.3)
Total other financing sources (uses)	<u>\$ 6.7</u>	<u>\$ 0.9</u>	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 16.8</u>	<u>\$ 1.5</u>	<u>\$ 5.8</u>	<u>\$ -</u>	<u>\$ 0.3</u>	<u>\$ 0.9</u>
Net change in fund balances	<u>\$ 5.0</u>	<u>\$ (2.3)</u>	<u>\$ 2.5</u>	<u>\$ (0.1)</u>	<u>\$ 0.2</u>	<u>\$ (6.0)</u>	<u>\$ 4.8</u>	<u>\$ (2.2)</u>	<u>\$ (1.3)</u>	<u>\$ 0.6</u>
Capital outlay (included in expenditures above)	<u>\$ 2.3</u>	<u>\$ 4.0</u>	<u>\$ 4.3</u>	<u>\$ 6.7</u>	<u>\$ 12.2</u>	<u>\$ 1.6</u>	<u>\$ 1.6</u>	<u>\$ (0.0)</u>	<u>\$ (0.0)</u>	<u>\$ 0.6</u>
Debt service as a percentage of non-capital expenditures	16.2%	16.8%	22.5%	9.5%	13.2%	13.2%	15.3%	16.0%	16.0%	15.7%

Source: Audited Financial Statements

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

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (Unaudited)
LEVY YEARS 2004 - 2013
(amounts expressed in thousands)

Levy Year	Residential ²	Commercial ²	Industrial ²	Farm ²	Railroad ²	Valuation, City of Kankakee		Ratio, Assessed/ Actual	City Direct Rate ¹
						Assessed ²	Actual ²		
2013	\$ 130,167	\$ 80,839	\$ 22,486	\$ 395	\$ 2,310	\$ 236,198	\$ 708,594	33.3%	6.817
2012	147,614	81,104	21,058	371	2,256	252,403	757,209	33.3%	6.156
2011	164,041	79,539	21,613	374	2,185	267,752	803,255	33.3%	5.448
2010	182,769	82,501	21,676	448	1,887	289,282	867,845	33.3%	4.880
2009	182,470	83,328	21,645	428	1,682	289,554	868,661	33.3%	4.785
2008	183,737	81,298	20,377	467	1,382	287,261	861,782	33.3%	3.997
2007	181,232	79,317	22,242	482	1,135	284,408	853,225	33.3%	3.808
2006	168,329	75,596	20,813	483	1,090	266,311	798,933	33.3%	3.806
2005	153,859	70,978	20,783	483	1,066	247,168	741,504	33.3%	3.735
2004	138,099	68,247	21,439	488	1,203	229,476	688,429	33.3%	3.923

Source: Office of the Kankakee County Clerk

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

¹City direct rate is per \$100 EAV

²Amounts expressed in thousands

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

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (Unaudited)
LEVY YEARS 2004 - 2013

LEVY YEAR	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Direct Rates										
General Fund:										
General Corporate	\$0.010	\$0.009	\$0.009	\$0.008	\$0.008	\$0.008	\$0.006	\$0.007	\$0.008	\$0.009
Fire Protection	0.107	0.098	0.092	0.087	0.087	0.086	0.163	0.183	0.201	0.225
Police Protection	0.082	0.076	0.071	0.067	0.067	0.067	0.173	0.194	0.213	0.238
Firemen's Pension	0.523	0.482	0.510	0.511	0.547	0.797	0.753	0.826	0.936	1.087
Police Pension	0.460	0.461	0.461	0.484	0.501	0.699	0.661	0.792	0.897	1.014
School Crossing Guard	0.013	0.012	0.011	0.010	0.010	0.010	0.011	0.012	0.013	0.014
Liability Insurance	0.455	0.421	0.378	0.371	0.370	0.369	0.401	0.452	0.496	0.554
Audit	0.016	0.015	0.014	0.013	0.013	0.013	0.015	0.017	0.019	0.021
Debt Service	<u>1.421</u>	<u>1.377</u>	<u>1.509</u>	<u>1.465</u>	<u>1.550</u>	<u>1.812</u>	<u>1.773</u>	<u>1.961</u>	<u>2.295</u>	<u>2.485</u>
Total General Fund	<u>\$3.087</u>	<u>\$2.951</u>	<u>\$3.055</u>	<u>\$3.016</u>	<u>\$3.153</u>	<u>\$3.861</u>	<u>\$3.956</u>	<u>\$4.444</u>	<u>\$5.078</u>	<u>\$5.646</u>
Special Revenue Funds										
Parks	\$0.017	\$0.016	\$0.015	\$0.014	\$0.014	\$0.014	\$0.000	\$0.000	\$0.000	\$0.000
Band	0.007	0.006	0.006	0.006	0.006	0.006	0.006	0.007	0.007	0.008
IMRF	0.239	0.220	0.207	0.194	0.203	0.280	0.295	0.323	0.355	0.382
Library	<u>0.573</u>	<u>0.542</u>	<u>0.523</u>	<u>0.578</u>	<u>0.621</u>	<u>0.624</u>	<u>0.623</u>	<u>0.674</u>	<u>0.716</u>	<u>0.781</u>
Total Special Revenue Funds	<u>\$0.836</u>	<u>\$0.784</u>	<u>\$0.751</u>	<u>\$0.792</u>	<u>\$0.844</u>	<u>\$0.924</u>	<u>\$0.924</u>	<u>\$1.004</u>	<u>\$1.078</u>	<u>\$1.171</u>
Total City Direct Rate	<u>\$3.923</u>	<u>\$3.735</u>	<u>\$3.806</u>	<u>\$3.808</u>	<u>\$3.997</u>	<u>\$4.785</u>	<u>\$4.880</u>	<u>\$5.448</u>	<u>\$6.156</u>	<u>\$6.817</u>
Special District and Overlapping Unit Rates										
Special Service Area No. 1	\$2.000	\$1.986	\$1.963	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
Special Service Area No. 2	0.047	0.047	0.043	0.041	0.039	0.040	0.040	0.044	0.049	0.057
Special Service Area No. 3	1.198	1.087	1.008	0.947	0.952	0.083	0.083	0.100	0.100	0.100
Special Service Area No. 5			0.300	0.300	0.300	0.300	0.300	0.145	0.154	0.163
Kankakee Township (including Road & Bridge)	0.536	0.515	0.508	0.494	0.511	0.515	0.533	0.569	0.618	0.674
School District No. 111	4.664	4.455	4.320	4.196	4.294	4.319	4.325	4.695	4.491	5.377
Kankakee Valley Airport Authority	0.049	0.045	0.043	0.039	0.039	0.038	0.038	0.040	0.041	0.044
Kankakee Valley Park District	0.577	0.549	0.531	0.511	0.518	0.519	0.526	0.568	0.618	0.464
Kankakee County Forest Preserve District	0.060	0.058	0.056	0.054	0.056	0.057	0.059	0.060	0.600	0.060
Kankakee County	0.881	0.842	0.833	0.833	0.816	0.807	0.833	0.890	0.953	1.022
Kankakee Community College District #520	<u>0.304</u>	<u>0.320</u>	<u>0.348</u>	<u>0.381</u>	<u>0.377</u>	<u>0.384</u>	<u>0.396</u>	<u>0.404</u>	<u>0.417</u>	<u>0.451</u>
Total Overlapping Units	<u>\$10.316</u>	<u>\$9.904</u>	<u>\$9.953</u>	<u>\$9.796</u>	<u>\$9.902</u>	<u>\$9.062</u>	<u>\$9.133</u>	<u>\$9.515</u>	<u>\$10.041</u>	<u>\$10.411</u>
Overall Tax Rate	<u>\$14.239</u>	<u>\$13.639</u>	<u>\$13.759</u>	<u>\$13.604</u>	<u>\$13.899</u>	<u>\$13.847</u>	<u>\$14.013</u>	<u>\$14.963</u>	<u>\$16.197</u>	<u>\$17.228</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

Note: There may be some slight differences due to rounding.

CITY OF KANKAKEE
PRINCIPAL PROPERTY TAXPAYERS (Unaudited)
LEVY YEARS 2004 AND 2013 (10 YEARS, PRIOR AND CURRENT LEVY YEAR)

<u>Taxpayer</u>	<u>Levy year 2004</u>			<u>Levy year 2013</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>
BASF Cognis Corporation	\$ 6,414,135	1	2.80%	\$ 4,795,798	1	2.03%
Great Oak LLC	4,052,572	2	1.77%	-		
Walmart				3,658,733	2	1.55%
Armstrong World Industries, Inc.	2,774,970	4	1.21%	2,864,843	3	1.21%
Riverside Senior Living Center	2,793,759	3	1.22%	2,849,634	4	1.21%
Riverside Medical Center	2,742,962	5	1.20%			
Presence Properties (Med Centers)			0.00%	2,702,837	5	1.14%
IKO Midwest, Inc.				2,637,716	6	1.12%
Riverwoods Association	2,558,509	6	1.11%	2,609,679	7	1.10%
Space Center Chicago, Inc.	2,556,417	7	1.11%	2,557,311	8	1.08%
Rohm & Haas (Cor Unum)	1,960,004	8	0.85%	2,169,030	9	0.92%
Riverstone Hotel Partners LLC				2,033,130	10	0.86%
GNB Industrial Battery	1,938,391	9	0.84%	-		0.00%
Heritage Executive Center, Inc.	1,840,155	10	0.80%			0.00%
Total	<u>\$ 29,631,874</u>		<u>12.91%</u>	<u>\$ 28,878,711</u>		<u>12.23%</u>
Total EAV	<u>\$ 229,476,246</u>			<u>\$ 236,197,879</u>		

Source: Kankakee County Supervisor of Assessments

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited)
LEVY YEARS 2004 - 2013

Tax Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy Amount	Percentage of Levy
2013	\$ 15,107,818		
2012	14,542,067	\$ 14,338,748	98.6%
2011	13,699,916	13,878,101	101.3%
2010	13,293,730	13,273,991	99.9%
2009	12,300,212	12,328,309	100.2%
2008	10,438,232	10,325,580	98.9%
2007	10,015,994	9,822,065	98.1%
2006	9,432,477	9,238,993	97.9%
2005	8,702,452	8,714,051	100.1%
2004	8,488,900	8,397,370	98.9%

Property taxes levied during the current fiscal year are not extended and/or collected until the subsequent fiscal year. Therefore, no property taxes are collected for the most recent tax levy year at the close of the current fiscal year.

Property taxes not paid at the time of the payment deadline are sold by the County Treasurer at auction. The proceeds from the sale of the unpaid taxes are remitted by the County to the City by the end of each calendar year. Therefore, there are no tax collections for subsequent years. The property owners then have two years to purchase the taxes back through the County before title to the property passes to the holder of the paid taxes.

The County Clerk rounds the levy to assure the full levy is extended. Periodically, this results in property tax collections slightly greater than 100% for a particular levy year.

Table C-1

**CITY OF KANKAKEE, ILLINOIS
OUTSTANDING DEBT (PRINCIPAL AND INTEREST) BY TYPE AND LEGAL DEBT MARGIN (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014**

Fiscal Year Ended	Governmental Activities		Business-type Activities			Total Primary Government (A+B+E)	Total Debt per Capita	Total Debt as a % of Personal Income
	General Obligation Bonds (A)	Installment Loans (B) ²	Revenue Bonds (C)	Other Loans (D) ¹	Total Business- type (C+D=E)			
2014	\$53,687,327	\$1,970,020	\$14,035,000		14,035,000	\$ 69,692,347	2,531	7.2%
2013	60,842,327	2,286,919	8,315,000	\$4,350,000	12,665,000	75,794,246	2,752	7.9%
2012	65,302,327	2,591,617	8,765,000	\$4,000,000	12,765,000	80,658,944	2,929	8.7%
2011	69,687,327	2,884,600	9,205,000		9,205,000	81,776,927	2,970	9.2%
2010	68,912,327	3,166,333	6,795,000		6,795,000	78,873,660	2,869	8.9%
2009	72,817,327	3,484,556	2,970,000		2,970,000	79,271,883	2,884	8.8%
2008	55,097,327	3,660,534	7,545,000		7,545,000	66,302,861	2,412	7.8%
2007	51,455,000	359,319	8,075,000		8,075,000	59,889,319	2,179	7.4%
2006	50,620,000	444,500	8,585,000		8,585,000	59,649,500	2,170	7.6%
2005	53,110,000	703,023	9,075,000		9,075,000	62,888,023	2,288	8.2%

¹Line of credit

²Installment loan

COMPUTATION OF LEGAL DEBT MARGIN -

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 GENERAL OBLIGATION DEBT OUTSTANDING (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014

<u>Fiscal Year Ended</u>	<u>GO Bonds</u>	<u>GO Debt Per Capita</u>	<u>GO Debt as a % of Personal Income</u>	<u>GO Debt as a % of Actual Property EAV</u>	<u>Value</u>	<u>Revenue Coverage, Utility Bonds</u>
2014	\$ 53,687,327	\$ 1,950	5.6%	22.7%	7.6%	2.82
2013	60,842,327	2,209	6.3%	24.1%	8.0%	1.06
2012	65,302,327	2,371	7.1%	22.6%	7.5%	2.48
2011	69,687,327	2,531	7.5%	24.1%	8.0%	0.69
2010	68,912,327	2,507	7.8%	23.8%	7.9%	3.80
2009	72,817,327	2,649	8.1%	25.3%	8.4%	0.19
2008	55,097,327	2,004	6.4%	19.4%	6.5%	1.36
2007	51,455,000	1,872	6.3%	19.3%	6.4%	1.31
2006	50,620,000	1,841	6.5%	20.5%	6.8%	0.99
2005	53,110,000	1,932	6.9%	23.1%	7.7%	0.74

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, 2014

<u>Jurisdiction</u>	Outstanding <u>Debt</u>	Estimate Applicable to City	
		<u>Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 40,033,385	100.00%	\$ 40,033,385
Overlapping ⁽²⁾			
Kankakee School District No. 111	14,177,034	64.89%	9,199,477
Herscher School District No. 2	8,460,000	0.72%	60,912
Bradley School District No. 61	3,095,000	4.88%	151,036
Bradley-Bourbonnais High School District No. 307	12,980,000	1.48%	192,104
Clifton School District No. 4	9,048,792	1.89%	171,022
Bourbonnais Park District	2,405,000	1.66%	39,923
Kankakee Community College Dist. No. 520	13,925,000	10.13%	1,410,603
Kankakee County ³	-	12.58%	-
Total Overlapping Debt	<u>64,090,826</u>		<u>11,225,077</u>
Total Net Direct and Overlapping Debt	<u>\$104,124,211</u>		<u>\$ 51,258,462</u>
2013 Equalized Assessed Valuation (EAV)			\$ 236,197,879
2013 Estimated Full Valuation			\$ 708,593,637
Population - 2010 Census			27,537
Full Valuation per Capita			\$ 25,732

Debt Ratios

	<u>%</u>	<u>% Full</u>	<u>Per</u>
	<u>EAV</u>	<u>Value</u>	<u>Capita</u>
Net Direct Debt: \$ 40,033,385	16.95%	5.65%	\$ 1,454
Net Direct and Overlapping Debt: \$ 51,258,462	21.70%	7.23%	\$ 1,861

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

(2) Debt Information current to April 2014; overlapping bonded debt as of September 2014; source is Kankakee County

(3) The County's bonded debt totals \$21,320,000, all of which is self-supporting

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF UTILITY REVENUE SUPPORTED BOND COVERAGE (UNAUDITED)
Fiscal Years Ended April 30, 2005 to 2014

<u>Fiscal Year</u>	<u>Sewer Revenue</u>	<u>Sewer Expense (1)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2014	\$ 11,502,262	\$ 8,526,303	\$ 2,975,959	\$ 465,000	\$ 589,788	\$ 1,054,788	2.82
2013	9,293,626	8,374,382	919,244	450,000	420,195	870,195	1.06
2012	9,426,813	7,284,586	2,142,227	440,000	424,515	864,515	2.48
2011	8,626,955	7,212,080	2,409,054	3,030,000	438,202	3,468,202	0.69
2010	7,872,919	6,392,731	1,480,188	175,000	214,788	389,788	3.80
2009	7,692,088	7,053,293	638,795	3,078,923	356,250	3,435,173	0.19
2008	8,836,943	7,598,441	1,238,502	530,000	377,936	907,936	1.36
2007	8,391,133	7,203,822	1,187,311	510,000	398,626	908,626	1.31
2006	8,290,892	7,393,728	897,164	490,000	417,930	907,930	0.99
2005	8,257,237	7,588,837	668,400	470,000	435,823	905,823	0.74

(1) Total operating expenses exclusive of depreciation.

(2) Net revenues available for debt service divided by debt service payments.

**CITY OF KANKAKEE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014**

<u>Fiscal Year Ended</u>	<u>Population</u> ¹	<u>Per Capita Personal Income</u> ²	<u>Total Personal Income</u>	<u>Unemployment Rate</u> ³
2014	27,537	\$ 34,997	\$ 963,712,389	8.6%
2013	27,537	34,997	963,712,389	11.3%
2012	27,537	33,603	925,325,811	14.5%
2011	27,537	32,443	893,382,891	15.0%
2010	27,491	32,205	885,347,655	16.7%
2009	27,491	32,650	897,581,150	15.5%
2008	27,491	31,079	854,392,789	12.0%
2007	27,491	29,625	814,420,875	8.8%
2006	27,491	28,442	781,899,022	7.9%
2005	27,491	27,821	764,827,111	9.1%

¹ Census Bureau, 2010

² Bureau of Economic Analysis for Kankakee/Bradley Metro Statistical Area

³ June 2014, Illinois Department of Employment Security

Table D-2

**CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (Unaudited)
Fiscal Years Ended April 30, 2005 and April 30, 2014**

<u>Employer</u>	2005			2014		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>
Riverside Healthcare	2,000	1	1.9%	2,254	1	2.0%
Shapiro Developmental Center	1,300	2	1.3%	1,400	2	1.2%
Presence St. Mary's Hospital	800	5	0.8%	1,199	3	1.1%
CIGNA (Connecticut General Insurance)	1,111	3	1.1%	900	4	0.8%
CSL Behring	900	4	0.9%	804	5	0.7%
Kankakee School District No. 111	800	7	0.8%	760	6	0.7%
Baker & Taylor Company	800	6	0.8%	600	7	0.5%
Kankakee County Government	550	9	0.5%	536	8	0.5%
Olivet Nazarene University	400	12	0.4%	531	9	0.5%
Kankakee Community College	396	13	0.4%	385	10	0.3%
Flanders-Precisionaire ¹				370	11	0.3%
City of Kankakee	352	14	0.3%	357	12	0.3%
Illinois Veterans Home ¹				335	13	0.3%
Van Drunen Farms ¹				302	14	0.3%
K-Mart Distribution Center	400	11	0.4%	300	15	0.3%
Total	<u>9,809</u>		<u>9.4%</u>	<u>11,033</u>		<u>9.7%</u>

¹Employer was not in top 15 in calendar 2005

Source: Economic Alliance of Kankakee County
City of Kankakee records from fiscal 2005 audit

Table E-1

CITY OF KANKAKEE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)
Fiscal Years Ended April 30, 2005 to 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	17.0
Affirmative Action/Personnel	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clerk	3.5	3.5	3.5	3.5	3.0	3.0	3.0	2.5	2.5	2.5
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	1.0	1.5	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5
Legal										
Counsel and Legal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Adjudication	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
Senior Aides	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-	-
Public Safety										
Police										
Officers	70.0	70.0	73.0	73.0	74.0	74.0	70.0	69.0	70.0	69.0
Civilians	15.0	15.0	15.0	15.0	13.0	13.0	12.0	7.0	7.5	9.0
Fire										
Firefighters and Officers	50.0	51.0	52.0	52.0	58.0	58.0	56.0	52.0	53.0	51.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	3.0
Code	15.0	16.0	16.0	16.0	15.0	15.0	12.0	9.0	9.0	12.0
Planning	-	-	-	-	-	-	-	-	-	-
Public Works										
Administration	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Garage	2.0	2.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Streets, Alleys, and Solid Waste	10.0	10.0	19.0	21.0	21.0	21.0	22.0	25.0	29.0	24.0
Parks	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Community Development Agency	6.0	6.0	6.0	6.0	9.0	9.0	9.0	9.0	7.0	5.5
Sewer Utility										
Administration and clerical	7.0	4.0	4.0	4.0	3.0	3.0	2.0	1.0	5.0	5.0
Lab	6.0	6.0	6.0	6.0	5.0	5.0	5.0	6.0	6.0	4.0
Sewer services	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0	7.0	6.0
Technical services	4.0	4.0	5.0	5.0	11.0	11.0	11.0	9.0	8.0	5.0
Building maintenance	4.0	4.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Total	<u>237.0</u>	<u>237.5</u>	<u>251.5</u>	<u>253.5</u>	<u>262.0</u>	<u>262.0</u>	<u>248.0</u>	<u>232.5</u>	<u>238.0</u>	<u>230.0</u>

Source: City records

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

CITY OF KANKAKEE, ILLINOIS
OPERATING INDICATORS (Unaudited)
Fiscal Years Ended April 30, 2005 to April 30, 2014

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety										
Police										
Total arrests	2,478	2,633	2,575	3,750	2,366	2,225	2,038	2,038	2,230	1,494
Traffic citations	7,328	3,459	4,265	6,983	5,279	3,540	5,260	5,260	3,330	4,217
Fire										
Fire runs	2,378	2,479	2,643	2,564	2,727	2,328	2,509	5,377	5,372	4,299
Structure fires	94	123	124	114	144	173	123	88	57	168
EMS calls	3,371	3,394	3,445	3,755	3,723	3,768	3,782	3,658	3,685	3,941
Public Works										
Street Sweepings (tons)		932	1,079	1,079	1,079	903	478	478	475	568
Non-demolition waste (tons)		629	922	922	922	613	656	656	665	774
Wastewater										
Number of customers										
Residential and commercial	8,383	8,337	8,302	8,162	8,043	7,907	7,985	7,957	7,683	7,683
Industrial and institutional	38	38	33	36	40	40	40	44	45	46
Sewer charges (in thousands of \$'s)										
Residential	\$2,436	\$2,558	\$2,525	\$2,516	\$2,737	\$3,222	\$3,373	\$3,718	\$3,491	\$4,065
Industrial	\$4,197	\$3,979	\$4,130	\$4,714	\$4,372	\$4,729	\$5,076	\$5,709	\$5,355	\$7,437
Treatment capacity (MGD)	16	15	14	14	14	14	14	14	14	25
Present Load (MGD)	9	8	8	8	8	8	8	8	8	12

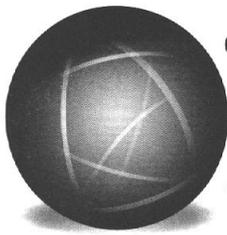
Source: City records

CITY OF KANKAKEE, ILLINOIS
CAPITAL ASSET STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2005 to April 30, 2014

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	25	25	25	25	25	22
Fire										
Stations	6	6	6	6	7	7	7	7	7	7
Front-line apparatus	6	6	6	6	7	7	7	7	7	7
Public works										
Streets (miles)	249	254	256	270	270	270	270	270	270	270
Alleys (miles)	113	113	113	113	113	113	113	113	113	113
Bridges	17	17	17	17	17	17	17	17	17	17
Sidewalks (miles)	219	221	222	222	222	222	222	222	222	222
Streetlights	135	180	192	192	192	192	192	192	192	192
Traffic signals (intersections)	9	9	33	33	33	33	33	33	33	33
Storm sewers (miles)	117	119	120	122	122	122	122	122	122	122
Wastewater										
Sanitary sewers (miles)	130	145	145	145	145	145	145	145	145	145

Source: City records

SINGLE AUDIT SECTION



**GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

ACCOUNTANTS AND CONSULTANTS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and City Council
City of Kankakee, Illinois

We have audited, in accordance with the 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, 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 (the City), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

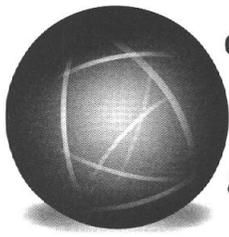
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Groskreutz, Schmidt, Abraham, Eskleman & Geretse

Kankakee, Illinois
October 22, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and City Council
City of Kankakee, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Kankakee, Illinois' (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended April 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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's 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2014.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

Kankakee, Illinois
October 22, 2014

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2014

<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 2012	14.218	B-12-MC-17-0026	\$ 30,958
Program year 2013	14.218	B-13-MC-17-0026	478,467
Program year 2014	14.218	B-14-MC-17-0026	15,369
			<u>524,794</u>
Passed-through Illinois Housing Development Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50436	6,018
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50653	37,299
Single Family Owner-Occupied Rehabilitation Program	14.239	HO-50229	105,380
			<u>148,697</u>
Total Major Programs			<u>673,491</u>
<u>OTHER PROGRAMS</u>			
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation:			
Highway Planning and Construction	20.205	P-93-035-10	988
Highway Planning and Construction	20.205	C-93-121-12	39,200
			<u>40,188</u>
Highway Safety Project	20.616	AL-13-0480	7,197
Highway Safety Project	20.602	MM-13-393	3,603
Highway Safety Project	20.600	AP-14-0092	9,919
Total Department of Transportation			<u>60,907</u>
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILL HB 0526-12	723,526
Economic Development Initiative	14.251	B-09-SP-IL-0137	81,282
Total Department of Housing and Urban Development			<u>804,808</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2014

<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 Justice</u>			
Passed-through Illinois Criminal Justice Information Authority:			
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	212044	\$ 9,515
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	213044	<u>20,776</u>
			<u>30,291</u>
JAG Program Cluster:			
FY2007 Justice Assistance Grant Program	16.738	2007-DJ-BX-0341	1,087
FY2010 Justice Assistance Grant Program	16.738	2010-DJ-BX-1386	16,454
FY2012 Justice Assistance Grant Program	16.738	2012-DJ-BX-0210	18,577
Passed-through Illinois Criminal Justice Information Authority:			
Edward Byrne Memorial Justice Assistance	16.738	411005	62,978
Edward Byrne Memorial Justice Assistance	16.738	410005	<u>74,627</u>
			173,723
Edward Byrne Memorial Justice Assistance (2009) - ARRA	16.803	809023	<u>41,744</u>
Total JAG Program Cluster			<u>215,467</u>
Total Department of Justice			<u>245,758</u>
Total Other Programs			<u>1,111,473</u>
Total Federal Awards			<u>\$1,784,964</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2014

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.

Subrecipients

The City did not have any subrecipients.

Other information

The City did not receive any federal insurance or non-cash assistance.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2014

SECTION I – SUMMARY OF AUDITORS RESULTS:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ___X___ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes ___X___ none reported

Noncompliance material to financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ___X___ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes ___X___ none reported

Type of auditors report issued on compliance for major programs: Unqualified

Any audit finding disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133? _____ yes ___X___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___X___ yes _____ no

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
For the year ended April 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No findings are reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.

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