



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

City of Kankakee, Illinois

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

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

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**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2006**

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Comptroller
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Kankakee, Illinois 60901
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September 2, 2006

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

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2006 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 our 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, and component units 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 CAFR is presented in four sections:

Introductory – Includes this transmittal letter, a list of the City's principal officials, the City's organizational chart, and a copy of the 2005 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association;

Financial – Contains the independent auditors' report on the City's financial statements and schedules, management's discussion and analysis (MD&A) of the City's financial report, the City's basic financial statements, required supplemental information, and combining and individual fund statements and supplemental schedules;

Statistical – Displays selected financial and demographic information, generally presented on a multi-year basis, and supplementary bond debt service schedules and continuing disclosure information in accordance with requirements under the SEC and MSRB;

Single Audit – Provides information related to a single audit in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* that the City of Kankakee is required to undergo annually as a result of the City's participation in a number of federally assisted grant programs. This Single Audit section includes a schedule of expenditures of federal awards, the independent auditors' reports on internal control and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

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

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

The Reporting Entity and its Services

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

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

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Water service is provided by Aqua Illinois Water Company, a private utility. 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.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.1 square miles, an increase of 38% in land area. With a current population of 27,491 (2000 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates as the center of a metropolitan populace of approximately 65,000 people, and is the county seat of Kankakee County, which has a population of 103,833 people.

The Kankakee River

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

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

Transportation

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, lies along the eastern side of the City and places the City approximately one hour from Chicago. The City is about 30 miles south of I-80, one of the major east-west highways 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 City's metropolitan bus service. Railroads serving the County include Illinois Central Gulf (owned by Canadian National Railroad) and Conrail (owned by Norfolk Southern), with Amtrak providing passenger service. The Kankakee Valley Airport is located two miles south of the City and has hangar space for 76 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 5,270. One parochial school serves the Kankakee area. Higher education is available through Olivet Nazarene University in Bourbonnais, a four-year liberal arts college, and Governor's State University, which is located a few miles outside of the County in University Park.

Olivet Nazarene University has increased its enrollment to the current level of 4,373, which includes 2,642 undergraduates. The number of students living on-campus has grown substantially from 1,102 in 1990 to 1,829 in 2006, a 66% increase. The greatest enrollment growth has occurred at the graduate level, where the number of students has grown to the current level of 1,731. Two year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 6,372 students currently enrolled at the community college, which equates to a full-time equivalent of 2,825.

Internal Control Objectives and Inherent Limitations

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

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

Budget Process

The City of Kankakee adopts annual budgets for the General Fund and special revenue funds with the exception of the Civil Defense Fund, Community Development Agency, Senior Aides Program, Motor Fuel Tax and Tax Increment Financing District funds. For these funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on page 76 of the audit report.

Long-term Financial Planning

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

Major Initiatives and Economic Outlook

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

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

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

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have begun to provide substantial amounts of additional sales tax revenues to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. The City ranked as the 3rd highest among all Illinois cities for annual retail sales tax receipts for the calendar year 2005 (as reported in the Quarterly Report of Sales Tax Receipts by Standard Industrial Classification produced by the Illinois Department of Revenue).

The City's General Fund balance increased by \$0.50 mil. this fiscal year. A key factor in the improvement in General Fund balance is the success of the aforementioned sales tax incentive program, which grew \$0.88 mil. (17%) over the prior year's amount. The increased revenues realized from the sales tax incentive program were used by the City to eliminate the vehicle license fee program two years ago. The vehicle license fee program had provided nearly \$0.40 mil. annually in General Fund revenues during the fiscal years the program existed. Another factor in the growth of the General Fund balance is that the City continues to budget for a \$0.25 mil. growth in fund balance each year, with a goal of maintaining a 2 to 3 months spendable reserve in the General Fund.

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

- completion of approximately \$30 million in curb, gutter, sidewalk, and other capital improvements and additions throughout the City
- leasing of 150,000 square feet of the formerly idle Roper manufacturing facility by Daimler-Chrysler for the warehousing and retooling of equipment
- completion of a new aquatic complex (water slides, a "lazy river", and a zero-depth pool (pool with beach-like entrance))
- completion of a four-story parking garage at Riverside Hospital; and additional expansion of the medical facilities for outpatient care and physician offices completed at a total estimated investment of \$24 million
- construction of a \$9 million education and workforce training facility financed jointly by the Kankakee Community College and a state grant of \$1 million
- opening of a new office for Peoples Bank at Court and Dearborn Streets completed at an investment of \$2 mil.

City of Kankakee
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- construction of a \$6.6 million ice arena and fitness center (including locker rooms, laundry facilities, a scoreboard, ticket office, concession center, and a 2,000-square foot fitness center) on River Road financed by a state grant (opened September 2005)
- replacement of the North 5th Avenue bridge and roadway over Soldier Creek financed in part by a \$500,000 state grant
- completion of the new Kankakee County Jail and Sheriff Administration building on the south side of I57 near Exit 308
- reconstruction of Station Street bridge over the Kankakee River at a cost of over \$4 million through a state grant (completed August 2006)
- construction of the IKO Roofing manufacturing facility that employs 55 full time people at a cost of \$40 million (completed April 2006)
- rehabilitation of the newly renamed Clock Tower Centre, a four tower, five story, 50,000 square foot building; the \$3 million project included replacing every window, replacing two elevators, and a complete rehab of the entire interior (completed July 2006)
- creation by Aqua Illinois (the local area water utility) of a Midwest call centre at the new Clock Tower Centre, providing 35 jobs (July 2006)
- recent announcement that Jones International truck dealership purchased seven acres of land in the Eastgate Industrial Park as it relocates and expands from its current Court Street operation at an investment of over \$1 mil., creating 12 jobs
- construction continues at Cognis Corp on a \$17 mil. expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility
- demolition of the aged former Carson Pirie Scott Building to make room for the construction of an additional downtown parking lot named Illinois Central Plaza (completed July 2006)
- the City's first new subdivision in over 30 years is under way; to date, four single family homes have been completed; the project includes over 180 homes, townhouses, and condos; the second phase of the project was recently approved.
- Kankakee Community College recently established an Adult Training Center in the downtown area

Future economic activities include:

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

City of Kankakee
September 2, 2006

- recent announcement that Wal-Mart is building a new 200,000 square foot, \$10 mil. prototype super center store that will employ between 350 to 500 people, located at Exit 308 of I57 adjacent to the new Hilton Gardens Hotel
- recent announcement that Kankakee Community College will be constructing a \$9 mil. Arts and Sciences building
- the City of Kankakee plans to renovate the existing former Library Building so it can serve as a City Administration Building, and to renovate the existing City Hall so it can serve as a Public Safety Building at a total cost of almost \$7 million

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Payne, Gray, Groskreutz and Schmidt performed the audit of the records of the City for the fiscal year ending April 30, 2006. Their report is included herein.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2005. This was the ninth 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

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Sandy Leppert, and Tamie Seedorf) of the Comptroller's Office. We especially appreciate their dependability and the routine

City of Kankakee
September 2, 2006

manner in which they each consistently, effectively and accurately perform their work. 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.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to plan and conduct the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Payne, Gray, Groskreutz, and Schmidt for their professionalism, expertise, and assistance in the preparation of this report.

Respectfully submitted,

James A. Spice
Comptroller

City of Kankakee, Illinois

Officers and Officials

April 30, 2006

Elected Officials

Mayor

Donald E. Green (1993 – 2005)

Council Members

First Ward

James R. Cox (1985 – 2007)

Leatha A. Coleman (2005 – 2009)

Second Ward

JoAnne Schwade (1991 – 2007)

Cheryl Jones (2005 – 2009)

Third Ward

John Trost (1999 – 2007)

Richard Diersen (2000 – 2009)

Fourth Ward

Kenneth Hearn (1997 – 2009)

Danita Grant Swanson (2003 – 2007)

City Clerk

Anjanita Dumas (2001 – 2009)

Fifth Ward

Hank Williams (2001 – 2009)

Sam Ciaccio (2003 – 2007)

Sixth Ward

Dennis Baron (1987 – 2007)

Nina Epstein (2001 – 2009)

Seventh Ward

Steven Hunter (1973 – 2009)

P. Carl Brown (2001 – 2007)

Appointed Officials

Michael Kinkade

Police Chief

Ronald Young

Fire Chief

Bert Dear

Public Works Superintendent

David Tyson

City Engineer

Larry Nolan

Community Development Director

Richard Simms

Municipal Utility Superintendent

Cindy Fuerst

Librarian

Chris Bohlen

Chief Legal Counsel

L. Patrick Powers

City Attorney

Kenneth A. Leshen

Assistant City Attorney and Treasurer

James Gordon

Personnel Director

Clifford Cross

Director, Code and Planning

James A. Spice

Comptroller

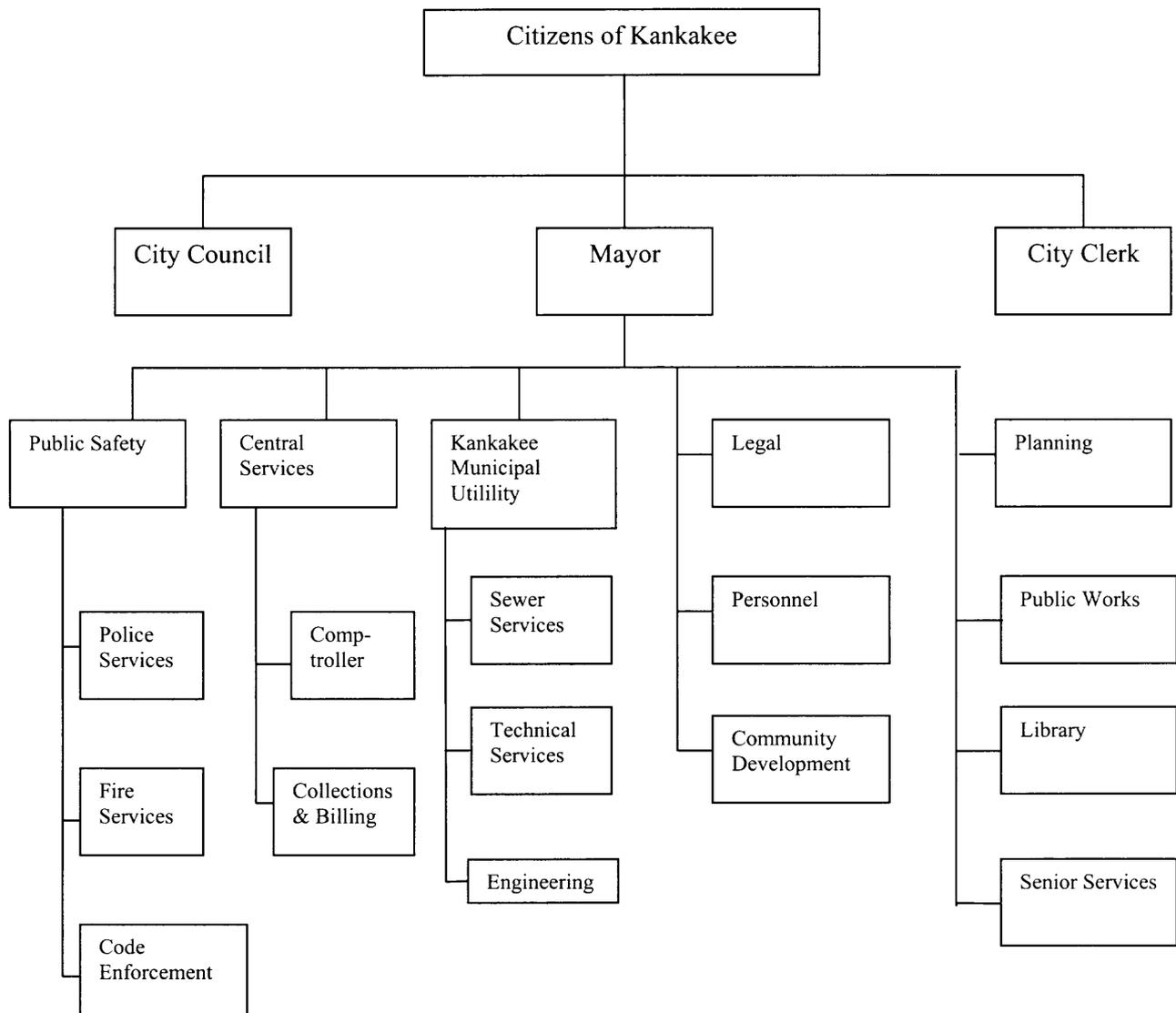
Julie Herscher

Senior Services and Victim's

Assistance Director

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2005

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



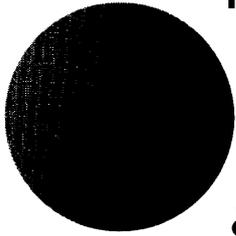
Carla E. Judge

President

Jeffrey R. Emmer

Executive Director

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PAYNE
GRAY
GROSKREUTZ
& SCHMIDT

ACCOUNTANTS AND CONSULTANTS

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Bruce W. Payne, C.P.A.
Michael V. Gray, C.P.A.
Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the City Council
Kankakee, Illinois

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

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006, on our consideration of the City of Kankakee, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

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

A handwritten signature in black ink, reading "Payne, Gray, Stockert & Schmidt". The signature is written in a cursive, flowing style with large, connected letters.

August 10, 2006



Comptroller
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Kankakee, Illinois 60901
(815) 933-0491 Fax (815) 936-7329

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2006

The City of Kankakee (the "City") is pleased to present its Management Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2006. The MD&A serves as an introduction to the City's basic financial statements, and has been designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address subsequent years' challenges), 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues or concerns.

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

- 1) government-wide financial statements
- 2) fund financial statements
- 3) notes to the financial statements

The report also contains required supplementary information in addition to the basic financial statements themselves.

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

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL REPORT

The City's annual report consists of a series of basic financial statements. This includes a government-wide financial statement presentation (Statement of Net Assets and Statement of Activities), a governmental funds financial statement presentation, a proprietary fund financial statement presentation, and additional financial statements reflecting activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. The basic financial statement section also includes a series of notes that provide additional information that is essential to a full understanding of the data provided in the City's basic financial statements.

GOVERNMENT-WIDE STATEMENTS

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

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

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

Financial Highlights, Statement of Net Assets

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

For the City of Kankakee, assets exceeded liabilities for the total primary government by \$37.74 mil. at April 30, 2006. The following table reflects the condensed Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2006 and 2005 (in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 38.71	\$ 31.46	\$ 6.76	\$ 6.93	\$ 45.47	\$ 38.39
Capital Assets	<u>63.72</u>	<u>60.01</u>	<u>29.15</u>	<u>29.49</u>	<u>92.87</u>	<u>89.50</u>
Total Assets	\$ 102.43	\$ 91.47	\$ 35.91	\$ 36.42	\$ 138.34	\$ 127.89
Long-term Debt Outstanding	\$ 65.11	\$ 67.22	\$ 7.05	\$ 7.33	\$ 72.16	\$ 74.55
Other Liabilities	<u>28.03</u>	<u>17.70</u>	<u>0.41</u>	<u>0.41</u>	<u>28.44</u>	<u>18.11</u>
Total Liabilities	\$ 93.14	\$ 84.92	\$ 7.46	\$ 7.74	\$ 100.60	\$ 92.66
Invested in Capital Assets, Net of Debt	\$ 32.29	\$ 29.10	\$ 22.44	\$ 22.47	\$ 54.73	\$ 51.57
Restricted	6.25	9.44	2.83	2.22	9.08	11.66
Unrestricted	<u>(29.26)</u>	<u>(31.98)</u>	<u>3.18</u>	<u>3.98</u>	<u>(26.08)</u>	<u>(28.00)</u>
Total Net Assets	\$ 9.29	\$ 6.55	\$ 28.45	\$ 28.68	\$ 37.74	\$ 35.23

(Note: There may be some slight differences in totals due to rounding)
For more detailed information, see the Statement of Net Assets (page 15).

Governmental Activities

In the governmental activities area, the City received grant funds of \$6.36 mil. that had not yet been earned at the end of the fiscal year (and are according recognized as a liability, unearned revenue), and accounts payable increased \$4.25 mil. over the prior fiscal year, primarily due to accruals occurring at the end of the fiscal year related to sales tax incentives. These items resulted in an increase to "Other Liabilities" of \$10.33 mil. (58% increase to FY'06 balance of \$28.03 mil.). The grant proceeds are being invested in accounts until such time as the grant related expenditures are incurred.

The City retired scheduled bond principal of \$2.5 mil. for the governmental activities during the fiscal year. No debt was issued related to governmental activities during the fiscal year. The bottom line result for all changes in net assets was that the City's net assets from governmental activities increased (improved) \$2.74 mil. (42% to FY'06 balance of \$9.29 mi.).

Business-Type Activities

The business-type activities columns present financial information for the Kankakee Municipal Utility and the Motor Vehicle Parking Lot. Motor Vehicle Parking Lot total net assets represent about 5% of the total assets of business-type activities, and revenues about 1/10% of the total business-type revenue, so although the Motor Vehicle Parking Lot is included in the total of this analysis to facilitate comparison to the Statement of Net Assets, it is not a large factor in the analysis.

Total net assets for the business-type activities decreased an insignificant \$0.2 mil (0.8% to FY'06 balance of \$28.45 mil.). The Utility retired scheduled bond principal of \$0.5 mil. during the fiscal year. No debt was issued related to business-type activities during the fiscal year.

Component Units

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for the component units is reported separately from the financial information for the primary government itself.

One component unit, the Kankakee Public Library, comprises over 90% of the total assets for the component units. The increase in the component units' net assets was less than \$0.1 mil. (2.5% to FY'06 balance of \$3.89 mil.).

Financial Highlights, Statement of Activities

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

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

Chart 1: Composition of revenues from governmental activities

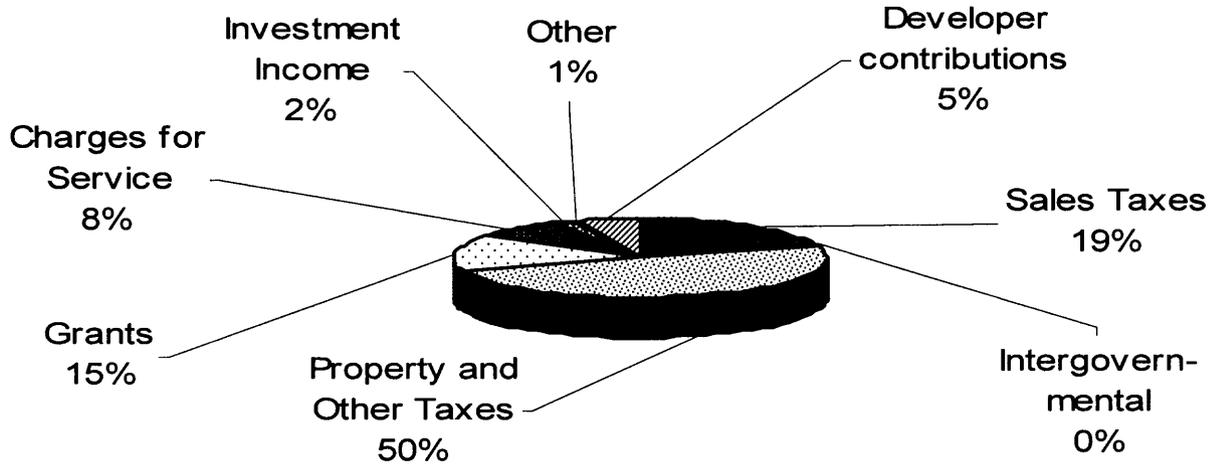
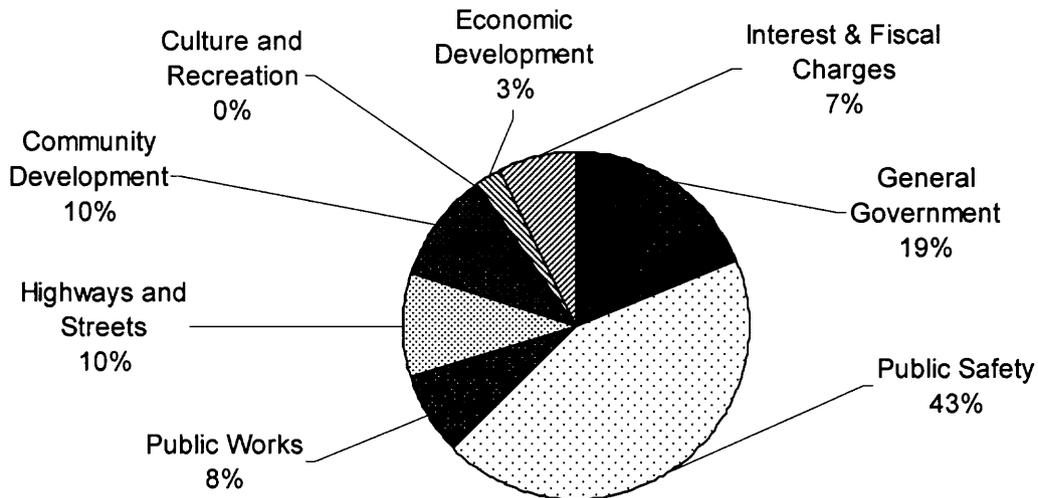


Chart 2: Composition of expenses from governmental activities



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

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2006 and 2005 (in millions)

	Governmental Activities			Business-type Activities			Total Primary Government Activities		
	2006	2005	Change	2006	2005	Change	2006	2005	Change
Program Revenues									
Charges for Service	\$ 2.55	\$ 2.91	\$ (0.36)	\$ 8.30	\$ 8.26	\$ 0.04	\$ 10.85	\$ 11.17	\$ (0.32)
Capital grants/ contributions	1.77	1.06	0.71				1.77	1.06	0.71
Operating grants/ contributions	2.88	4.02	(1.14)				2.88	4.02	(1.14)
General Revenues									
Property taxes	9.31	8.53	0.78				9.31	8.53	0.78
Sales taxes	6.17	5.28	0.89				6.17	5.28	0.89
Utility taxes	3.35	3.31	0.04				3.35	3.31	0.04
Other taxes	3.11	2.69	0.42				3.11	2.69	0.42
Intergovernmental	0.05	0.05	-				0.05	0.05	-
Investment income	0.63	0.16	0.47	0.13	0.05	0.08	0.76	0.21	0.55
Other	0.21	0.21	(0.00)	1.69	0.19	1.50	1.90	0.41	1.49
Contributions from developers	1.65	0.66	0.99	-	1.04	(1.04)	1.65	1.70	(0.05)
Total Revenues	\$ 31.68	\$ 28.90	\$ 2.78	\$ 10.12	\$ 9.55	\$ 0.57	\$ 41.80	\$ 38.44	\$ 3.36
Program Expenses									
General government	\$ 6.04	\$ 5.08	\$ 0.96				\$ 6.04	\$ 5.08	\$ 0.96
Public safety	12.47	11.66	0.81				12.47	11.66	0.81
Public works	2.20	2.13	0.07				2.20	2.13	0.07
Highways and streets	3.10	2.60	0.50				3.10	2.60	0.50
Community development	1.44	2.65	(1.21)				1.44	2.65	(1.21)
Culture and recreation	0.06	0.06	-				0.06	0.06	-
Economic development	1.63	0.69	0.94				1.63	0.69	0.94
Interest and fiscal charges	2.19	1.95	0.24				2.19	1.95	0.24
Proprietary fund expenses	-	-	-	\$ 8.94	\$ 9.11	\$ (0.17)	8.94	9.11	(0.17)
Total Expenses	\$ 29.13	\$ 26.82	\$ 2.31	\$ 8.94	\$ 9.11	\$ (0.17)	\$ 38.07	\$ 35.93	\$ 2.14
Changes in Net Assets before Transfers									
Transfers	\$ 2.55	\$ 2.08	\$ 0.47	\$ 1.18	\$ 0.44	0.74	\$ 3.73	\$ 2.51	\$ 1.22
Transfers	0.86	0.21	0.65	(0.86)	(0.21)	(0.65)	-	-	-
Total Changes in Net Assets	\$ 3.41	\$ 2.29	\$ 1.12	\$ 0.32	\$ 0.23	\$ 0.09	\$ 3.73	\$ 2.51	\$ 1.22

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

Revenues from governmental activities for the fiscal year ended April 30, 2006 totaled \$31.64 mil., an increase of \$2.74 mil. (9.5%) over the prior fiscal year. During the fiscal year, the City continued to benefit from capital grant income related to the Station Street Bridge project. Capital grant income of \$1.77 mil. was up \$0.70 mil. (66.7%) over the prior fiscal year. At the same time, operating grant income decreased \$1.14 mil. (28.4%) from the prior fiscal year to \$2.88 mil. as the Lead grant program was scaled back. Developer contributions increased \$0.98 mil. (147%) to \$1.65 mil. as a result of the dedication of roads to the City from the new residential sub division (Prairie Walk) and from Kankakee County (Varney Road) for the road serving the new County jail.

Net sales tax revenues (one percent share of the State collected tax) continue to grow, increasing \$0.88 mil. (17%) to \$6.17 mil.. Net sales tax revenue comprised 19.5% of the total governmental activities revenue this fiscal year compared to 18.0% the prior fiscal year. The City has entered into several sales tax sharing agreements with various retail firms starting in fiscal year 2000. These agreements continue to provide substantial amounts of additional sales tax revenues to the City's General Fund (see chart below). This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. These agreements provide that the City will share a portion of the local share of sales taxes generated on the transactions of the partnering companies. The following table illustrates the growth in gross and net sales tax revenue over the past few fiscal years –

Table 3: Sales taxes and incentives

<u>Fiscal Year</u>	<u>Sales Taxes Received</u>	<u>Incentives Paid</u>	<u>Net Sales Tax</u>	<u>\$ Change</u>	<u>Percent Change</u>
2002	\$ 4,578,964	\$ 1,588,129	\$ 2,990,835	\$ 747,278	33.3%
2003	8,881,076	5,237,343	3,643,733	652,898	21.8%
2004	15,023,494	10,701,236	4,322,258	678,525	18.6%
2005	22,351,192	17,066,791	5,284,401	962,143	22.3%
2006	25,107,826	18,938,693	6,169,133	884,732	16.7%

Investment income, which comprises only 2% of the governmental activities revenue, grew \$0.47 mil. (294%) to \$0.63 mil., reflecting interest rate increases experienced in the general economy. Other taxes (property tax, local utility tax and other per capita tax revenue) make up 50% of the total Governmental Activity revenue. Other taxes grew by \$1.24 mil. (8%) to \$15.78 mil. Property taxes rates are affected by the assessed value of property in the City. Assessed values continue to grow at a moderate rate (see chart below).

Table 4: Equalized Assessed Valuations

<u>Levy Year</u>	<u>Total</u>	<u>Increase</u>	<u>% Increase</u>
2001	\$ 219,866,912		
2002	225,445,538	\$ 5,578,626	2.5%
2003	228,353,812	2,908,274	1.3%
2004	229,476,246	1,122,434	0.5%
2005	247,167,843	17,691,597	7.7%

Overall, revenues from governmental activities exceeded expenditures (including transfers) by \$3.38 mil., an increase of \$1.09 mil. (48%) from the prior fiscal year's increase of \$2.29 mil.

Expenses from governmental activities totaled \$29.11 mil. for the fiscal year ended April 30, 2006, , an increase of \$2.30 mil. (9%) from the prior year. The expense category with the largest percentage increase was Economic Development, which increased \$0.94 mil. (137%) to \$1.63 mil. as a result of TIF incentives related to the development of Gas City in the TIF#8 (Exit 308) District (\$0.60 mil.), and infrastructure improvements along Fifth Avenue that were funded by the TIF#2 (Meadowview) District. These TIF projects were in addition to the normal TIF activities the City funds each year.

The City took on charges for the electric utility costs for street and traffic lights from its Utility this fiscal year, resulting in an increase of \$0.50 (19%) to the Highways and Streets category, and leading to a total of \$3.10 mil. in Highways and Streets expenses for the fiscal year. The expense increase for the General Government category of \$0.96 mil. (19%) to a total of \$6.04 mil. comes primarily from the acquisition, demolition, and construction of a downtown parking lot at the former Carson Pirie Building site.

Community Development expenses, representing 5% of the year's total governmental activities expenses, decreased \$1.21 mil. (46%) to \$1.43 mil. as the agency did not have the funds to continue its aggressive community outreach for Lead rehabilitation projects due to cuts in grant funding.

Business-Type Revenues, Expenses, and Changes in Net Assets (Utility):

Total revenues for the Kankakee Municipal Utility (KMU) increased \$0.57 mil. (5.9% to FY'06 total of \$10.12 mil.) for the fiscal year. The largest increase was to the Other Revenue category, where KMU realized \$1.63 mil. in revenue from the sale of excess capacity to a neighboring community. The infrequent Contribution from Developers did not reoccur in fiscal 2006, resulting in a \$1.04 mil. decrease in that category over the previous fiscal year. KMU also posted a \$0.08 mil. increase (145%) to interest revenue for the year for a total of \$0.13 mil. in interest for the fiscal year. There was not a significant change in sewer usage revenue.

KMU expenses decreased \$0.17 mil. (2% to FY'06 total of \$8.94 mil.) as no new major initiatives were taken on for the year and because the utility shifted building maintenance costs and electricity costs to the general government. This helped KMU to post a \$1.18 mil. increase to its net assets, up \$0.74 mil. over the prior year's increase in net assets. At the same time, KMU increased its transfers to the General Government to a total of \$0.86 mil., an increase of \$0.65 (318%) over the prior fiscal year transfers out.

Overall, KMU's net assets increased \$0.32 mil. (36%) after transfers over the prior year's increase in net assets. KMU's total net asset ending balance increased 1% over the prior fiscal year.

Component Unit Revenues, Expenses, and Changes in Net Assets (Public Library):

The Library decreased its property tax levy, so property tax receipts provided \$0.10 mil. less (8%), or a total of \$1.18 mil. toward Library operations in fiscal 2006. The Library did contract for services with a neighboring community, providing a \$0.08 increase (366%) to the Charges for Services category for a total of \$0.11 mil. in Charges for this category for the fiscal year.

Contributions from the City to its Special Service Area #1 increased \$0.08 mil. (66%) to a total of \$0.19 mil. for the fiscal year as the City reimbursed the Special Service Area #1 for infrastructure improvements the SSA#1 had accomplished. Overall, the component units posted an increase of \$0.09 mil. (2%) to end the year with a net asset balance of \$3.89 mil.

FUND FINANCIAL STATEMENTS

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

Financial Analysis of the City's Governmental Funds

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

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

The City maintains 33 individual governmental funds. Information for the City's major funds (General Fund, Capital Projects Fund, and Motor Fuel Tax Fund) is presented separately in the Governmental Fund Balance Sheet (page 18) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 20). Financial information for the other 30 non-major governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 85) of this report.

For the fiscal year ended April 30, 2006, the Governmental Funds reflect a combined fund balance of \$10.20 mil. This was a decrease of 23% (\$3.22 mil.) from the prior year's combined fund balance. The General Fund increased \$0.50 mil. (19%), Capital Projects Fund decreased \$2.42 mil. (41%), MFT Fund decreased \$0.31 mil. (61%), and Other Governmental Funds decreased \$0.79 mil. (19%) during the year. Of the total fund balance of \$10.20 mil., \$3.42 mil. (34%) is unreserved, indicating availability for continuing City services. Reserved fund balances include amounts for prepaid insurance, inventories, debt service, unexpended street maintenance programs, economic development, and capital projects.

Analysis of Balances and Transactions of Individual Funds

The City continued to spend prior year bond proceeds to accomplish its targeted infrastructure improvements, which resulted in the 41% decrease in Capital Projects Fund balance to the \$3.15 mil. balance at fiscal year end. Major projects and amounts expended included the acquisition of property, demolition of existing buildings, and construction of the Merchant Street parking lot (\$1.07 mil.), road improvements related to the new Prairie Walk sub division (\$0.31 mil.), improvements to the public access area at the Kankakee River Dam at River Street and Washington Avenue (\$0.25 mil.), and completion of Ray's sub division started in the prior fiscal year (\$0.08 mil.). The City will continue to

provide financing for improvements to its infrastructure and capital equipment through its capital financing and through the use of various grants.

A key factor in this year's \$0.50 mil. increase in General Fund balance is the success of the sales tax incentive program, which grew \$0.88 mil. (17%) over the prior year's amount. The increased revenues realized from the sales tax incentive program were used by the City to eliminate the vehicle license fee program two years ago. The vehicle license fee program had provided nearly \$0.40 mil. annually in General Fund revenues during the time the program existed. The City has an implicit policy to increase the General Fund's reserves to a level of 2 to 3 months of spendable reserves, and continues to budget for an annual \$0.25 mil. increase in General Fund balance.

The Motor Fuel Tax (MFT) Fund is recognized as a major fund this year due to the grant funding for the Station Street Bridge improvements being recognized in this fund. The Station Street Bridge Project was completed in August 2006. Construction continues on the Station Street Bridge, which contributed largely to the planned decrease of 61% (\$0.31 mil.) to the MFT Fund balance.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, Park, IMRF and Special Service Area No. 2 and No. 3 funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 76. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The General Fund revenue and expenditure budgets were both amended during the fiscal year. General Fund actual revenues were \$1.24 mil. greater than final budget. Sales tax revenues were the primary contributor to variances to the revenue budget. Net sales tax revenues (net of related incentives) were \$0.68 mil. greater than anticipated when the budget was developed due in large part to the continuing success of the various sales tax sharing agreements that the City has negotiated. Other state taxes grew \$0.34 mil. over budget as a result of the better than anticipated recovery of the state's economy, Utility taxes grew \$0.11 over budget due to a colder than anticipated winter, ambulance fees increased \$0.10 over budget as a result of an increase in the fee structure at the beginning of the fiscal year, and interest earnings grew \$0.28 mil. over budget as the interest rates nationally have been steadily increasing.

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

Table 5: General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/(Under) Final Budget</u>
Revenues	\$ 18,406,267	\$ 18,413,578	\$ 19,649,707	\$ 1,236,129
Expenditures	<u>17,931,387</u>	<u>18,248,325</u>	<u>19,717,331</u>	<u>1,469,006</u>
Excess of Revenues over Expenditures	<u>\$ 474,880</u>	<u>\$ 165,253</u>	<u>\$ (67,624)</u>	<u>\$ (232,877)</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$ -	\$ -	\$ 1,069,007	\$ 1,069,007
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(498,570)</u>	<u>(498,570)</u>
Net Changes in Fund Balance	<u>\$ 474,880</u>	<u>\$ 165,253</u>	<u>\$ 502,813</u>	<u>\$ 337,560</u>

General Fund actual expenditures were \$1.47 mil. greater than final budget. Actual expenditures were greater than budget projections for liability and workers compensation insurance and group health insurance by \$0.34 mil. (29% over budget) and \$0.31 mil. (25% over budget) respectively. Actual expenditures were greater than budget projections for building and grounds maintenance by \$0.16 mil. (116% over budget) as the City determined that it was financially able to reimburse its utility for a greater share of the costs for this area than originally planned. The City determined that it was financially able to reimburse its utility for a greater share of the costs for electricity to operate street and traffic lights this year, contributing \$0.31 mil. of unbudgeted costs to the Public Works budget (which was \$0.26 mil., or 14%, over budget).

Each year, the City funds from the General Fund but does not budget for various residential rehabilitation projects. Those projects totaled \$0.09 mil. this fiscal year. Correspondingly, the City does not budget for sale of rehabilitated property, from which the City realized \$0.07 mil. in revenues this year.

Although actual expenses were \$1.47 mil. greater than budget, the City was still able to post a significant \$0.50 mil. increase to its General Fund balance for the year after including other financing sources and uses. Other financing sources and uses accounted for all of the increase to the General Fund balance. These significant transfers are further detailed in Footnote 11 on pages 67 – 68. A summary comparison of the General Fund budget to actual results can be found on page 75, and a more detailed comparison can be found on pages 82 – 84.

Capital Assets Analysis

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

Table 6: Capital Asset Highlights (net of depreciation) for the fiscal years ended April 30, 2006 and 2005 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 5.03	\$ 4.13	\$ 1.70	\$ 1.70	\$ 6.73	\$ 5.83
Construction in progress	1.33	2.29	1.23	2.26	2.56	4.55
Buildings	2.06	2.09	7.78	8.03	9.84	10.12
Equipment	0.16	0.16	0.72	0.78	0.88	0.94
Vehicles	1.96	2.10	0.13	0.11	2.09	2.21
Land improvements	0.98	0.33	-	-	0.98	0.33
Leasehold improvements	-	-	0.26	0.27	0.26	0.27
Infrastructure	<u>52.20</u>	<u>48.27</u>	<u>17.33</u>	<u>16.19</u>	<u>69.53</u>	<u>64.46</u>
	\$ 63.72	\$ 59.37	\$ 29.15	\$ 29.34	\$ 92.87	\$ 88.71

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

The City’s investment in capital assets for its governmental and business type activities for fiscal 2006 amounts to a total of \$89.50 mil. (net of accumulated depreciation), \$60.01 mil. and \$28.49 mil. respectively for the governmental and business type activities. This investment in capital assets includes construction in progress, land, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges).

The total increase in the City's investment in capital assets for the current fiscal year was \$4.16 mil. (5%). Major capital asset events during the 2006 fiscal year included the following:

- \$0.90 mil. for governmental activities land with the acquisition of the former Carson's Building (\$0.52 mil.) and contributed capital accounting for the balance
- \$0.96 mil. decrease in total construction in progress as a number of projects were completed and fewer projects in progress at the end of this fiscal year
- \$3.93 mil. in governmental activities infrastructure, including the contribution of Varney Road (\$1.20 mil.), completion of Ray's sub division work (\$0.83 mil.), completion of Fifth Avenue improvements (\$0.50), and various new or rebuilt streets, sidewalks, storm and sanitary sewers (\$1.30 mil.)

Long-term Debt Analysis

The City did not issue bonds during fiscal 2006. The City did retire scheduled bond principal of \$2.49 mil. of governmental activities debt and \$0.49 mil. of business-type activities debt this fiscal year.

The City, under its home rule authority, does not have a legal debt limit. The City has not had an underlying public rating in the past several years. The City's most recent bond issue received an insured rating from Moody's of Aaa. The City plans to issue additional bonds in the future to finance long-term infrastructure improvements and for economic development purposes.

At year end, the City had \$59.30 mil. in bonds outstanding versus \$62.37 mil. the prior year, - a decrease of \$3.06 mil. (3%), as shown in the following table -

Table 7: Bonded Debt Highlights for the fiscal years ended April 30, 2006 and 2005 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the City)	\$ 34.56	\$ 36.52	\$ -	\$ -	\$ 34.56	\$ 36.52
Self-supporting general obligation bonds (backed by revenues of various TIF districts and special service area #1)	16.15	16.77			16.15	16.77
Revenue bonds (backed by specific fee revenues)	-	-	8.59	9.08	8.59	9.08
	\$ 50.71	\$ 53.29	\$ 8.59	\$ 9.08	\$ 59.30	\$ 62.37

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Residential property comprised 67% (\$153.86 mil.), commercial property 31% (\$70.98 mil.), and industrial property 9% (\$20.78 mil.) of the City's total equalized assessed value of \$247.17 mil. for the 2005 property tax year. The property tax revenue derived from the residential, commercial, and industrial properties remains stable. Income tax revenue from the State, affected over the past few years by the general downturn in the economy, started to show recovery this fiscal year. The sales tax revenue of 2006 is projected to continue through fiscal 2007, albeit at a slower rate of growth, as the City continues its economic development efforts and as the national and local economies improve.

The fiscal year 2007 total budget includes an increase of \$1.02 mil. (5% from \$19.05 mil. to \$20.07 mil.) in expenditures over fiscal 2006 budgeted expenditures. The budget does provide for a planned increase in the fund balance of \$0.35 mil. (anticipated revenues in the budget are \$0.35 mil. in excess of the budget's anticipated expenditures).

Budgeted expenditures include increases due to normal annual salary adjustments (most of which are part of employee labor agreements), health and liability insurance costs, fuel costs, and employer pension contributions. Expenditures for commodities and other contractual services are increasing, although at a lower pace than the other expenditure areas. The fiscal 2007 budget does not include new employees, programs or projects.

The City of Kankakee has not approved any changes in tax rates or fees for the coming fiscal year. The City was awarded a state grant of \$3.3 mil. for the renovation of the old Library building (\$1.9 mil.) and for decorative street lighting in the downtown area and the east approach to the City along Highway 17/Court Street (\$1.4 mil.) in an earlier fiscal year. The City plans to issue bonds to supplement the grant money to complete major improvements to the old Library building and City Hall, and to help finance additional infrastructure improvements throughout the City.

The preliminary unemployment rate for the City for June 2006 was 8.6%, which is a decrease from a rate of 10.1% for 2005. This decrease is primarily due to improvements in the national economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 19,461,056	\$ 333,044	\$ 19,794,100	\$ 743,689
Restricted cash and investments		28,209	28,209	
Receivables, less allowance for uncollectible amounts:				
Property taxes	9,716,267		9,716,267	1,332,019
Utility taxes	484,138		484,138	
Due from other governmental agencies	6,901,579		6,901,579	
Due from component units	113,791		113,791	
Due from fiduciary funds	2,906		2,906	
Internal balances	(110,823)	110,823		
Due from primary government				177,133
Accounts receivable	804,588	1,843,160	2,647,748	
Materials and supplies inventory	31,738		31,738	
Prepaid items	492,369	31,731	524,100	
Other restricted cash and investments		2,826,972	2,826,972	
Capital assets:				
Non-depreciable	6,355,970	2,935,696	9,291,666	
Depreciable (net of accumulated depreciation)	57,361,140	26,215,168	83,576,308	5,778,892
Unamortized bond issuance cost	817,392	293,679	1,111,071	
Investment in joint venture		1,296,267	1,296,267	
Total assets	<u>102,432,111</u>	<u>35,914,749</u>	<u>138,346,860</u>	<u>8,031,733</u>
Liabilities				
Accounts payable	9,752,746	148,480	9,901,226	182,317
Accrued wages payable	506,837	85,506	592,343	
Interest payable	692,500		692,500	1,035
Due to primary government				113,791
Due to component units	177,133		177,133	
Due to other government agencies	154,481	175,539	330,020	
Unearned revenue	16,748,366		16,748,366	1,332,019
Long-term liabilities:				
Due within one year	3,392,875	542,500	3,935,375	145,054
Due within more than one year	61,716,091	6,513,376	68,229,467	2,368,581
Total liabilities	<u>93,141,029</u>	<u>7,465,401</u>	<u>100,606,430</u>	<u>4,142,797</u>
Net Assets				
Invested in capital assets, net of related debt	32,294,623	22,436,988	54,731,611	3,355,257
Restricted for:				
Capital projects	3,504,172		3,504,172	
Debt services	1,175,297	2,826,972	4,002,269	
Economic development	1,469,298		1,469,298	
Street maintenance programs	105,100		105,100	
Unrestricted	(29,257,408)	3,185,388	(26,072,020)	533,679
Total net assets	<u>\$ 9,291,082</u>	<u>\$28,449,348</u>	<u>\$ 37,740,430</u>	<u>\$ 3,888,936</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 6,041,575	\$ 1,128,225	\$ 183,275	
Public safety	12,471,779	985,124	359,061	
Public works	2,195,201	291,835		
Highways and streets	3,098,466		792,598	\$ 1,769,277
Community development	1,435,082	142,000	1,544,778	
Culture and recreation	58,281			
Economic development	1,627,210			
Interest and fiscal charges	2,187,496			
Total governmental activities	<u>29,115,090</u>	<u>2,547,184</u>	<u>2,879,712</u>	<u>1,769,277</u>
<u>Business-Type Activities</u>				
Sewer utility	8,938,116	8,290,892		
Vehicle parking		8,543		
Total business-type activities	<u>8,938,116</u>	<u>8,299,435</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$38,053,206</u>	<u>\$10,846,619</u>	<u>\$ 2,879,712</u>	<u>\$ 1,769,277</u>
Component units:				
Library	\$ 1,335,666	\$ 107,423	\$ 68,191	
Special Service Area No. 1	253,600			
Total component units	<u>\$ 1,589,266</u>	<u>\$ 107,423</u>	<u>\$ 68,191</u>	<u>\$ -0-</u>

General Revenues:

Property taxes levied for general purposes
Illinois retailers' tax, net
Utility taxes
Other taxes
Intergovernmental, not restricted to specific programs
Investment income
Gain (loss) on disposal of property and equipment
Other
Contributions from primary government
Contributions from developers

Total
Transfers
Changes in net assets
Net assets, May 1, 2005
Prior period adjustment
Net assets, May 1, 2005, restated
Net assets, April 30, 2006

Net (Expense) Revenue and
Change in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (4,730,075)		\$ (4,730,075)	
(11,127,594)		(11,127,594)	
(1,903,366)		(1,903,366)	
(536,591)		(536,591)	
251,696		251,696	
(58,281)		(58,281)	
(1,627,210)		(1,627,210)	
(2,187,496)		(2,187,496)	
<u>(21,918,917)</u>		<u>(21,918,917)</u>	
	\$ (647,224)	(647,224)	
	8,543	8,543	
-0-	(638,681)	(638,681)	
<u>(21,918,917)</u>	<u>(638,681)</u>	<u>(22,557,598)</u>	
			\$ (1,160,052)
			(253,600)
			<u>(1,413,652)</u>
9,311,904		9,311,904	1,292,334
6,169,133		6,169,133	
3,349,709		3,349,709	
3,114,649		3,114,649	
50,000		50,000	
632,342	131,951	764,293	16,022
(40,673)		(40,673)	
211,145	1,690,364	1,901,509	6,065
			193,051
1,645,903		1,645,903	
<u>24,444,112</u>	<u>1,822,315</u>	<u>26,266,427</u>	<u>1,507,472</u>
858,432	(858,432)	-0-	
<u>3,383,627</u>	<u>325,202</u>	<u>3,708,829</u>	<u>93,820</u>
6,548,124	28,675,266	35,223,390	3,795,116
(640,669)	(551,120)	(1,191,789)	
<u>5,907,455</u>	<u>28,124,146</u>	<u>34,031,601</u>	<u>3,795,116</u>
<u>\$ 9,291,082</u>	<u>\$ 28,449,348</u>	<u>\$ 37,740,430</u>	<u>\$ 3,888,936</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2006

	General Fund	Capital Projects Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,210,471	\$ 7,525,661	\$ 3,321,128	\$ 4,403,796	\$ 19,461,056
Receivables, less allowance for uncollectible amounts:					
Property taxes	3,656,183			6,060,084	9,716,267
Utility taxes	484,138				484,138
Due from other governmental agencies	6,796,573		62,995	42,011	6,901,579
Due from component units	48,040	58,205		7,546	113,791
Due from fiduciary funds	2,906				2,906
Due from other funds	278,699	157,195		257,566	693,460
Accounts receivable	449,782			354,806	804,588
Materials and supplies inventory	31,738				31,738
Prepaid items	482,369	10,000			492,369
Total assets	<u>\$16,440,899</u>	<u>\$ 7,751,061</u>	<u>\$ 3,384,123</u>	<u>\$11,125,809</u>	<u>\$38,701,892</u>
Liabilities					
Accounts payable	\$ 9,065,154	\$ 280,132	\$ 388,620	\$ 18,840	\$ 9,752,746
Accrued wages payable	481,316			25,521	506,837
Due to other governmental agencies		154,481			154,481
Due to other funds			58,659	745,624	804,283
Due to component units		177,133			177,133
Deferred revenue	3,814,653	3,625,143	2,738,620	6,924,550	17,102,966
Total liabilities	<u>13,361,123</u>	<u>4,236,889</u>	<u>3,185,899</u>	<u>7,714,535</u>	<u>28,498,446</u>
Fund Balance					
Reserved for prepaid items	482,369	10,000			492,369
Reserved for inventories	31,738				31,738
Reserved for debt service				1,175,297	1,175,297
Reserved for unexpended street maintenance programs			105,100		105,100
Reserved for economic development				1,469,298	1,469,298
Reserved for capital projects		3,504,172			3,504,172
Unreserved, reported in:					
General Fund	2,565,669				2,565,669
Special Revenue Funds			93,124	766,679	859,803
Total fund balance	<u>3,079,776</u>	<u>3,514,172</u>	<u>198,224</u>	<u>3,411,274</u>	<u>10,203,446</u>
Total liabilities and fund balance	<u>\$16,440,899</u>	<u>\$ 7,751,061</u>	<u>\$ 3,384,123</u>	<u>\$11,125,809</u>	<u>\$38,701,892</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2006

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

Total Governmental Fund Balance		\$ 10,203,446
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	\$63,717,110	
Unamortized bond issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	817,392	
Unamortized premium on bond proceeds represents deferred resources which do not provide current financial resources and, therefore, not reported in the funds.	(616,502)	
Long-term liabilities received for governmental activities are not financial charges and, therefore, not reported in the funds.	(64,492,464)	
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: Interest payable	(692,500)	
Loans receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>354,600</u>	
		<u>(912,364)</u>
Net assets of governmental activities		<u>\$ 9,291,082</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, 2006

	General Fund	Capital Projects Fund	Motor Fuel Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 3,563,474			\$ 5,748,430	\$ 9,311,904
Illinois retailers' tax, net	6,169,133				6,169,133
Utility tax	3,349,709				3,349,709
Other taxes	3,114,649				3,114,649
Licenses, permits and fees	1,351,238				1,351,238
Intergovernmental	320,227	\$ 165,645	\$ 2,396,230	1,728,053	4,610,155
Charges for services	694,259				694,259
Fines	551,687				551,687
Interest income	295,834	80,965	101,554	153,989	632,342
Miscellaneous	239,497			10,482	249,979
Contribution from component unit				90,910	90,910
Total revenues	<u>19,649,707</u>	<u>246,610</u>	<u>2,497,784</u>	<u>7,731,864</u>	<u>30,125,965</u>
Expenditures:					
Current:					
General government	5,026,269	637,218		855,705	6,519,192
Public safety	12,375,910	38,786			12,414,696
Public works	2,154,858				2,154,858
Highways and streets		1,720,970	2,808,527	260,244	4,789,741
Community development	89,725			1,311,204	1,400,929
Culture and recreation				58,281	58,281
Economic development	35,090			1,592,120	1,627,210
Debt Service:					
Principal retirement	31,969	10,000		2,798,564	2,840,533
Interest and fiscal charges	3,510			2,194,947	2,198,457
Total expenditures	<u>19,717,331</u>	<u>2,406,974</u>	<u>2,808,527</u>	<u>9,071,065</u>	<u>34,003,897</u>
Excess (deficiency) of revenues over expenditures	<u>(67,624)</u>	<u>(2,160,364)</u>	<u>(310,743)</u>	<u>(1,339,201)</u>	<u>(3,877,932)</u>
Other financing sources (uses):					
Transfers:					
From other funds	1,069,007			1,819,465	2,888,472
To other funds	(498,570)	(260,244)		(1,271,226)	(2,030,040)
Total other financing sources (uses)	<u>570,437</u>	<u>(260,244)</u>	<u>-0-</u>	<u>548,239</u>	<u>858,432</u>
Net change in fund balance	502,813	(2,420,608)	(310,743)	(790,962)	(3,019,500)
Fund balance, May 1, 2005	2,576,963	5,934,780	508,967	4,202,236	13,222,946
Fund balance, April 30, 2006	<u>\$ 3,079,776</u>	<u>\$ 3,514,172</u>	<u>\$ 198,224</u>	<u>\$ 3,411,274</u>	<u>\$ 10,203,446</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, 2006

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

Net Change in Fund Balance - Total Governmental Funds \$ (3,019,500)

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. This is the amount by which capital outlays exceeded depreciation in the current year.

Expenditure for capital assets	\$ 3,972,136	
Donated capital assets not reported in government funds	1,645,903	
Loss on disposal of capital assets	(40,673)	
Depreciation	<u>(1,231,095)</u>	
		4,346,271

Repayment of principal is an expenditure in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Bonds payable	2,490,000	
Long-term notes payable	258,523	
Capital lease obligations payable	<u>7,010</u>	
		2,755,533

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.

Amortized bond issue cost	(55,122)	
Amortized bond premium	85,393	
Amortized deferred loss	(77,442)	
Change in accrued interest on long-term debts	(2,900)	
Compensated absences payable	(357,000)	
Unfunded pension cost	<u>(294,134)</u>	
		(701,205)

Advances paid on long-term loans receivable are reported as expenditures in the governmental funds, but increase the assets in the statement of net assets. Collections on these loans are reported as revenues in the governmental funds, but reduce the assets in the statement of net assets.

Advances of new loans	5,000	
Collections on loans receivable	<u>(2,472)</u>	
		<u>2,528</u>

Change in net assets of governmental activities \$ 3,383,627

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2006

	Business-type Activities		Total
	Enterprise Funds		
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking	
Assets			
Current assets:			
Cash and investments	\$ 287,606	\$ 45,438	\$ 333,044
Restricted cash and investments	28,209		28,209
Receivables, less allowance for uncollectible amounts:			
Due from other funds	120,243		120,243
Accounts receivable	1,843,005	155	1,843,160
Prepaid items	31,731		31,731
Total current assets	<u>2,310,794</u>	<u>45,593</u>	<u>2,356,387</u>
Non-current assets:			
Other restricted cash and investments	2,826,972		2,826,972
Capital assets:			
Non-depreciable	1,491,888	1,443,808	2,935,696
Depreciable (net of accumulated depreciation)	26,215,168		26,215,168
Unamortized bond issuance cost	293,679		293,679
Investment in joint venture	1,296,267		1,296,267
Total non-current assets	<u>32,123,974</u>	<u>1,443,808</u>	<u>33,567,782</u>
Total assets	<u>34,434,768</u>	<u>1,489,401</u>	<u>35,924,169</u>
Liabilities			
Current liabilities:			
Accounts payable	148,480		148,480
Accrued wages payable	85,506		85,506
Due to other government agencies	175,539		175,539
Due to other funds	9,420		9,420
Accrued employee absences	32,500		32,500
Revenue bonds payable within one year	510,000		510,000
Total current liabilities	<u>961,445</u>	<u>-0-</u>	<u>961,445</u>
Non-current liabilities:			
Accrued employee absences	309,500		309,500
Revenue bonds payable, less portion due within one year	6,203,876		6,203,876
Total non-current liabilities	<u>6,513,376</u>	<u>-0-</u>	<u>6,513,376</u>
Total liabilities	<u>7,474,821</u>	<u>-0-</u>	<u>7,474,821</u>
Net Assets			
Invested in capital assets, net of related debt	20,993,180	1,443,808	22,436,988
Restricted for debt service	2,826,972		2,826,972
Unrestricted	3,139,795	45,593	3,185,388
Total net assets	<u>\$26,959,947</u>	<u>\$ 1,489,401</u>	<u>\$28,449,348</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2006

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Operating revenues:			
Charges for services:			
Sewer charges	\$ 6,537,135		\$ 6,537,135
Solid waste charges	1,562,773		1,562,773
Hydroelectric revenues	190,984		190,984
Parking revenues		\$ 8,543	8,543
Total operating revenues	<u>8,290,892</u>	<u>8,543</u>	<u>8,299,435</u>
Operating expenses:			
Sewer field operations:			
Administration	1,655,424		1,655,424
Sanitary sewers	555,036		555,036
Remote stations	189,689		189,689
Lab and industrial services	382,923		382,923
Technical services	329,051		329,051
Total sewer field operations	<u>3,112,123</u>	<u>-0-</u>	<u>3,112,123</u>
Traffic signals and building maintenance	190,985		190,985
Sewer charges	2,558,944		2,558,944
Sewer improvement project	103		103
Solid waste	1,531,573		1,531,573
Depreciation	918,247		918,247
Total operating expenses	<u>8,311,975</u>	<u>-0-</u>	<u>8,311,975</u>
Operating income (loss)	<u>(21,083)</u>	<u>8,543</u>	<u>(12,540)</u>
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	25,382		25,382
Interest income	131,689	262	131,951
Interest expense	(626,141)		(626,141)
Sale of capacity	1,626,000		1,626,000
Other income	38,982		38,982
Total nonoperating revenues (expenses)	<u>1,195,912</u>	<u>262</u>	<u>1,196,174</u>
Income before transfers	1,174,829	8,805	1,183,634
Transfers in (out)	<u>(858,432)</u>		<u>(858,432)</u>
Change in net assets	<u>316,397</u>	<u>8,805</u>	<u>325,202</u>
Net assets, May 1, 2005	27,194,670	1,480,596	28,675,266
Prior period adjustment	<u>(551,120)</u>		<u>(551,120)</u>
Net assets, May 1, 2005, restated	26,643,550	1,480,596	28,124,146
Net assets, April 30, 2006	<u>\$26,959,947</u>	<u>\$ 1,489,401</u>	<u>\$28,449,348</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2006

	Business-type Activities		Total
	Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$8,480,603	\$ 8,528	\$8,489,131
Receipts from (payments to) interfund	(13,532)		(13,532)
Other receipts	38,982		38,982
Payments to suppliers	(5,979,584)		(5,979,584)
Payments to employees	(1,389,362)		(1,389,362)
Net cash provided (used) by operating activities	<u>1,137,107</u>	<u>8,528</u>	<u>1,145,635</u>
Cash flows provided (used) by noncapital financing activities:			
Transfers	<u>(858,432)</u>		<u>(858,432)</u>
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(451,409)		(451,409)
Additions to construction in progress	(284,089)		(284,089)
Sale of capacity	1,626,000		1,626,000
Repayment of revenue bonds	(490,000)		(490,000)
Interest paid on revenue bonds	(417,930)		(417,930)
Net cash provided (used) by capital and related financing activities	<u>(17,428)</u>	<u>0</u>	<u>(17,428)</u>
Cash flows provided (used) by investing activities:			
Interest received	<u>131,689</u>	<u>262</u>	<u>131,951</u>
Net increase in cash and cash equivalents	392,936	8,790	401,726
Cash and cash equivalents, May 1, 2005	2,749,851	36,648	2,786,499
Cash and cash equivalents, April 30, 2006	<u>\$3,142,787</u>	<u>\$ 45,438</u>	<u>\$3,188,225</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2006

	Business-type Activities		Total
	Enterprise Funds		
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (21,083)	\$ 8,543	\$ (12,540)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	918,247		918,247
Provision for bad debts	29,000		29,000
Other income	38,982		38,982
(Increase) decrease in operating assets:			
Accounts receivable	160,711	(15)	160,696
Accounts receivable-Kankakee River Metropolitan Agency	4,676		4,676
Prepaid insurance and service fees	152		152
Due from other City funds	2,208		2,208
Increase (decrease) in operating liabilities:			
Accounts payable	(9,810)		(9,810)
Accrued compensated absences	30,000		30,000
Accrued payroll	(236)		(236)
Due to other City funds	(15,740)		(15,740)
Net cash provided (used) by operating activities	<u>\$ 1,137,107</u>	<u>\$ 8,528</u>	<u>\$ 1,145,635</u>
Schedule of noncash capital and related financing activities:			
Amortization of bond issuance costs	<u>\$ 20,688</u>	<u>\$ -0-</u>	<u>\$ 20,688</u>
Amortization of early debt retirement deferred loss	<u>\$ 187,524</u>	<u>\$ -0-</u>	<u>\$ 187,524</u>
Construction projects capitalized	<u>\$ 1,662,478</u>	<u>\$ -0-</u>	<u>\$ 1,662,478</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2006

Assets	
Cash and short-term investments	\$ 2,611,491
Receivables, less allowance for uncollectible amounts:	
Employee contributions	27,783
Interest	87,677
Investments, at fair value:	
Open-end mutual funds	2,392,177
Certificates of deposits	171,035
Corporate securities	7,137,620
U.S. treasury and agency securities	7,594,675
 Total assets	 <u>20,022,458</u>
Liabilities	
Accounts payable	278,378
Due to general fund	2,906
 Total liabilities	 <u>281,284</u>
Net Assets	
Net assets held in trust for pension benefits ⁽¹⁾	<u><u>\$19,741,174</u></u>

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

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2006

Additions:	
Contributions:	
Employer	\$ 2,118,100
Employee	738,690
Total contributions	2,856,790
Investment income:	
Net appreciation in fair value of investments	525,402
Interest and dividends	693,790
	1,219,192
Less: investment expense	(140,207)
Net investment income	1,078,985
Total additions	3,935,775
Deductions:	
Benefits	3,291,711
Refunds of contributions	40,197
Administrative expenses	70,645
Total deductions	3,402,553
Net increase	533,222
Net assets held in trust for pension benefits:	
May 1, 2005	19,207,952
April 30, 2006	\$ 19,741,174

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2006

	Library Fund	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 313,350	\$ 430,339	\$ 743,689
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,219,019	113,000	1,332,019
Due from primary government		177,133	177,133
Capital assets:			
Depreciable (net of accumulated depreciation)	5,778,892		5,778,892
Total assets	<u>7,311,261</u>	<u>720,472</u>	<u>8,031,733</u>
Liabilities			
Accounts payable	32,270	150,047	182,317
Interest payable		1,035	1,035
Due to primary government	110,836	2,955	113,791
Deferred revenue	1,219,019	113,000	1,332,019
Long-term liabilities:			
Due within one year	55,054	90,000	145,054
Due within more than one year	2,368,581		2,368,581
Total liabilities	<u>3,785,760</u>	<u>357,037</u>	<u>4,142,797</u>
Net Assets			
Invested in capital assets, net of related debt	3,355,257		3,355,257
Unrestricted	170,244	363,435	533,679
Total net assets	<u>\$3,525,501</u>	<u>\$ 363,435</u>	<u>\$3,888,936</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2006

	Program Revenues		
Expenses	Charges for Services	Operating Grants	
Library Fund:			
Culture and recreation	\$ 1,212,922	\$ 107,423	\$ 68,191
Interest and fiscal charges	122,744		
Special Service Area No. 1:			
General government	248,655		
Interest and fiscal charges	4,945		
 Total component units	 \$ 1,589,266	 \$ 107,423	 \$ 68,191

General Revenues:

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

Total

Changes in net assets

Net assets, May 1, 2005

Net assets, April 30, 2006

Net (Expense) Revenue and
Change in Net Assets

Library Fund	Special Service Area No. 1	Total
\$ (1,037,308)		\$ (1,037,308)
(122,744)		(122,744)
	\$ (248,655)	(248,655)
	(4,945)	(4,945)
<u>(1,160,052)</u>	<u>(253,600)</u>	<u>(1,413,652)</u>
1,182,348	109,986	1,292,334
6,802	9,220	16,022
5,965	100	6,065
	193,051	193,051
<u>1,195,115</u>	<u>312,357</u>	<u>1,507,472</u>
35,063	58,757	93,820
3,490,438	304,678	3,795,116
<u>\$ 3,525,501</u>	<u>\$ 363,435</u>	<u>\$ 3,888,936</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

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

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of its 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. The Kankakee Municipal Utility is governed by a board which is comprised mainly of City Council members. As stated in the Kankakee Municipal Utility bylaws, one City Council member from each ward is required to serve on the Kankakee Municipal Utility Board. The Utility accounts for the operation of the sewer and solid waste systems which benefit the citizens of the City.
2. The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

1. The Kankakee Public Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.

2. The Special Service Area No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

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

B. Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

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

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

Motor Fuel Tax Fund - This 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.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2004 levy is recognized as revenue for the year ended April 30, 2006. Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted;

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Insurance contracts are valued at contract value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio. 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 invests in the Illinois Funds, an external investment pool administered by the State of Illinois, Office of the State Treasurer. The City also invests in the Treasury Management Investment Fund which is offered by a trustee bank and overseen by an investment management company.

E. Interfund Transactions

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The City has the following types of interfund transactions:

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

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

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

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

F. Inventory and Prepaid Items

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

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

G. Restricted Assets - Enterprise Funds

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

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

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amount of bond issue costs amortized during the year ended April 30, 2006, for the governmental and business-type activities was \$55,122 and \$20,688, respectively. The

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

unamortized balance at April 30, 2006, for the governmental and business-type activities was \$817,392 and \$293,679, respectively.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Capital Assets

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

Minimum capitalization costs are as follows:

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

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

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

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

J. Net Assets

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

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

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

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

K. Compensated Absences

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

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

L. Cash and Cash Equivalents

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

M. Use of Estimates

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

N. Fund Equity - Fund Financial Statements

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

O. Investment in Joint Venture

The Kankakee Municipal Utility has an investment in a joint venture which is reported on the equity method of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS:

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

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency, the Senior Aides Program and the Tax Increment Financing Districts). 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 required 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, 2006, the carrying amount of the City's deposits for governmental and business-type activities was \$4,971,942, and the bank balance was \$5,383,172 of which \$500,000 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, 2006, the carrying amount of deposits of fiduciary activities was \$822,514, and the bank balance was \$821,617 of which \$392,113 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

At April 30, 2006, the carrying amount of deposits of the City's component units was \$340,210 and the bank balance was \$354,187 of which \$155,647 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 of the City and its component units as of April 30, 2006. 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$11,300,851	\$11,300,851			
Treasury Management Investment Fund	4,940,000	4,940,000			
Illinois Metropolitan Investment Fund (IMET)	6,934	6,934			
Mutual funds	1,409,032	1,409,032			
Money market	<u>20,522</u>	<u>20,522</u>			
	<u>17,677,339</u>	<u>17,677,339</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	4,375,050	250,667	2,899,763	1,026,029	198,591
U.S. Government agencies	3,219,625	373,641	532,130	538,673	1,775,181
Uncategorized investments:					
Mutual funds	2,392,177	2,392,177			
Money market	1,960,012	1,960,012			
Common stock (1)	<u>7,137,620</u>				
	<u>19,084,484</u>	<u>4,976,497</u>	<u>3,431,893</u>	<u>1,564,702</u>	<u>1,973,772</u>
<u>Investment Type</u>					
Component units:					
Uncategorized investments:					
Illinois funds	70,479	70,479			
Treasury Management Investment Fund	<u>333,000</u>	<u>33,000</u>			
	<u>403,479</u>	<u>403,479</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total investments	<u>\$37,165,302</u>	<u>\$23,057,315</u>	<u>\$3,431,893</u>	<u>\$1,564,702</u>	<u>\$1,973,772</u>

(1) Risk disclosures does not apply to equities.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2006 consist of the following:

	<u>Fiduciary</u>
FHLMC	\$1,017,250
FNMA	1,948,232
FHLB	99,156
GNMA	<u>154,987</u>
Total	<u>\$3,219,625</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.

In accordance with the City's investment policy, the City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAA by Standard & Poor's Investment Services. 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. At April 30, 2006, approximately 60 percent of the City's portfolio was invested in Illinois Funds without such explicit authorization.

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Public Funds Investment Act, which prescribes allowable investment vehicles. No single investment, except those guaranteed by the United States government, may exceed 5 percent of the fund's total market value. 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. There are no significant investments (other than U.S. Government guaranteed obligations or mutual funds) in any one organization that represent 5 percent or more of net assets available for benefits for either the Police or the Firefighters' Pension Plans.

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

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

Funding Policy

Employees participating in IMRF are required to contribute 4.5 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 4.73 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 4 years.

For December 31, 2005, the City's annual pension cost of \$244,779 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from .4 percent to 11.6 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 Experience Study.

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

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

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2005	\$244,779	100%	\$-0-
December 31, 2004	252,508	100	-0-
December 31, 2003	50,461	100	-0-
December 31, 2002	54,096	100	-0-
December 31, 2001	55,491	100	-0-
December 31, 2000	155,983	100	-0-
December 31, 1999	369,369	100	-0-
December 31, 1998	390,811	100	-0-
December 31, 1997	428,146	100	-0-
December 31, 1996	405,877	100	-0-

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

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firefighters' Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois legislature. The City accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue financial reports for the Plans.

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

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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.

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.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise 54 percent of final salary. 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.

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

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

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

B. Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations or mutual funds) in any one organization that represent 5 percent or more of plan net assets for either the Police or the Firefighters' Pension Plans.

C. Annual Pension Costs

Actuarial valuations are performed annually. Unless otherwise indicated, information on Police and Firefighters' pension in this note is provided as of the latest actuarial valuation date, April 30, 2005. There are no material current year changes to the actuarial assumptions and benefit provisions.

Membership of the plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	50	67
Terminated plan members entitled to but not yet receiving benefits	-0-	2
Active vested plan members	46	23
Active nonvested plan members	<u>24</u>	<u>27</u>
Total	<u>120</u>	<u>119</u>

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Employer contribution rate	28.03% of covered payroll	40.799% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	28 years	28 years

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

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Significant actuarial assumptions:		
(a) Investment rate of return*	8.5% Compounded annually	8.5% Compounded annually
(b) Projected salary increases*	5% Compounded annually	5% Compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

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

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual pension costs (APC):			
	2003	\$ 983,074	\$1,162,451
	2004	1,080,777	1,261,558
	2005	1,161,527	1,257,887
Actual contribution:			
	2003	\$ 856,688	\$1,052,809
	2004	953,821	1,084,107
	2005	1,034,354	1,090,926
Percentage of APC contributed:			
	2003	87.1%	90.6%
	2004	88.3%	85.9%
	2005	89.1%	86.7%
NPO:			
	2003	\$3,983,795	\$5,534,076
	2004	4,110,751	5,711,527
	2005	4,237,924	5,878,488

The NPO at April 30, 2005 has been calculated as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$1,035,423	\$1,082,677
Interest on net pension obligation	349,414	485,480
Adjustment to annual required contribution	<u>(223,310)</u>	<u>(310,270)</u>
Annual pension cost	1,161,527	1,257,887

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Contributions made	<u>\$1,034,354</u>	<u>\$1,090,926</u>
Increase in net pension obligation	127,173	166,961
Net pension obligation, beginning of year	<u>4,110,751</u>	<u>5,711,527</u>
Net pension obligation, end of year	<u>\$4,237,924</u>	<u>\$5,878,488</u>

The following is a combining statement of plan net assets as of April 30, 2006:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 2,070,768	\$ 540,723	\$ 2,611,491
Receivables, less allowance for uncollectible amounts:			
Employee contributions	16,475	11,308	27,783
Interest	41,471	46,206	87,677
Investments, at fair value:			
Open-end mutual funds	1,244,450	1,147,727	2,392,177
Certificates of deposits		171,035	171,035
Corporate securities	3,880,681	3,256,939	7,137,620
U.S. treasury and agency securities	<u>3,595,807</u>	<u>3,998,868</u>	<u>7,594,675</u>
 Total assets	 <u>10,849,652</u>	 <u>9,172,806</u>	 <u>20,022,458</u>
 Accounts payable	 122,170	 156,208	 278,378
Due to General Fund	<u> </u>	<u>2,906</u>	<u>2,906</u>
 Total liabilities	 <u>122,170</u>	 <u>159,114</u>	 <u>281,284</u>
 Net assets held in trust for pension benefits	 <u>\$10,727,482</u>	 <u>\$9,013,692</u>	 <u>\$19,741,174</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The following is a combining statement of changes in plan net assets for the year ended April 30, 2006:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 1,035,423	\$ 1,082,677	\$ 2,118,100
Employee	<u>425,200</u>	<u>313,490</u>	<u>738,690</u>
Total contributions	<u>1,460,623</u>	<u>1,396,167</u>	<u>2,856,790</u>
Investment income:			
Net appreciation in fair value of investments	383,524	141,878	525,402
Interest and dividends	<u>312,553</u>	<u>381,237</u>	<u>693,790</u>
	696,077	523,115	1,219,192
Less: investment expenses	<u>(77,956)</u>	<u>(62,251)</u>	<u>(140,207)</u>
Net investment income	<u>618,121</u>	<u>460,864</u>	<u>1,078,985</u>
Total additions	<u>2,078,744</u>	<u>1,857,031</u>	<u>3,935,775</u>
Deductions:			
Benefits	1,430,462	1,861,249	3,291,711
Refunds of contributions	39,993	204	40,197
Administrative expenses	<u>24,105</u>	<u>46,540</u>	<u>70,645</u>
Total deductions	<u>1,494,560</u>	<u>1,907,993</u>	<u>3,402,553</u>
Net increase (decrease)	584,184	(50,962)	533,222
Net assets held in trust for pension benefits:			
May 1, 2005	<u>10,143,298</u>	<u>9,064,654</u>	<u>19,207,952</u>
April 30, 2006	<u>\$10,727,482</u>	<u>\$9,013,692</u>	<u>\$19,741,174</u>

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

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

NOTE 4 - RESERVED FUND BALANCES:

General Fund

Reserve for Prepaid Insurance

The City is insured through the Illinois Public Risk Fund. The period of coverage is from December 15, 2005, through December 15, 2006. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2006, the fund balance was reserved for

\$482,369

Reserve for Inventories

The City of Kankakee maintains an inventory of gasoline and supplies. The value of the inventory is shown as a reserved fund balance. At April 30, 2006, the fund balance was reserved for

31,738

Total General Fund Reserves

\$514,107

Capital Projects Fund

Reserve for Prepaid Expenditure

The City has reserved the deposit on future purchase of a fire safety house in the amount of

\$ 10,000

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2005 Bonds issued in February 2005 for capital projects in the amount of

3,504,172

Total Capital Project Fund Reserves

\$3,514,172

Motor Fuel Tax Fund

Reserve for Unexpended Street Maintenance Programs

The City has reserved the unexpended amounts for the 2005 and 2006 street maintenance programs for a total of

\$105,100

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES (Continued):

Nonmajor Governmental Funds:

Tax Increment Financing District No. 8:

Reserve for Economic Development

The City has reserved the unexpended portion of Series 2003 Bonds issued in October 2003 for future economic development activities of the District in the amount of

\$1,469,298

Debt Service Funds:

Reserve for Debt Service

The City of Kankakee has a reserve of fund balance for the retirement of General Obligation Bonds. At April 30, 2006, the fund balance was reserved for

\$1,175,297

Fiduciary Funds:

Pension Trust Funds:

Reserve for Employees' Pension Benefits

The City of Kankakee has reserved the net assets held in trust for the benefit of all active members and pensioners of the Firefighters' and Police Pension Funds. At April 30, 2006, the fund balance was reserved as follows:

Firefighters' Pension Fund \$ 9,013,692

Police Pension Fund 10,727,482

\$19,741,174

NOTE 5 - CAPITAL ASSETS:

The beginning balances of the capital assets reported in the governmental activities and the business-type activities of the primary government, were restated by \$640,699 and \$157,377, respectively, to correct certain errors identified in the prior period. See Note 22.

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

NOTE 5 - CAPITAL ASSETS (Continued):

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2006 is as follows:

	<u>Balance May 1, 2005 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2006</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,125,978	\$ 901,289		\$ 5,027,267
Construction in progress	<u>2,293,009</u>	<u>3,323,966</u>	<u>\$4,288,272</u>	<u>1,328,703</u>
Total capital assets not being depreciated	<u>6,418,987</u>	<u>4,225,255</u>	<u>4,288,272</u>	<u>6,355,970</u>
Capital assets being depreciated:				
Buildings	3,361,298			3,361,298
Equipment	1,288,462	106,720		1,395,182
Vehicles	5,088,709	224,601	369,785	4,943,525
Land improvements	731,672	710,157		1,441,829
Infrastructure	<u>58,616,251</u>	<u>4,639,579</u>	<u>12,315</u>	<u>63,243,515</u>
Total capital assets being depreciated	<u>69,086,392</u>	<u>5,681,057</u>	<u>382,100</u>	<u>74,385,349</u>
Less accumulated depreciation:				
Buildings	1,268,896	34,146		1,303,042
Equipment	1,127,168	103,502		1,230,670
Vehicles	2,993,593	318,647	329,112	2,983,128
Land improvements	400,223	60,131		460,354
Infrastructure	<u>10,344,661</u>	<u>714,669</u>	<u>12,315</u>	<u>11,047,015</u>
Total accumulated depreciation	<u>16,134,541</u>	<u>1,231,095</u>	<u>341,427</u>	<u>17,024,209</u>
Total capital assets being depreciated, net	<u>52,951,851</u>	<u>4,449,962</u>	<u>40,673</u>	<u>57,361,140</u>
Total capital assets, net	<u>\$59,370,838</u>	<u>\$8,675,217</u>	<u>\$4,328,945</u>	<u>\$63,717,110</u>

Depreciation expense for governmental activities for the year ended April 30, 2006 was charged to functions as follows:

General government	\$ 69,783
Public safety	243,398
Public works	166,564
Highways and streets	714,669
Community development	<u>36,681</u>
	<u>\$1,231,095</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2005 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2006 <u>2006</u>
Business-type activities:				
Kankakee Municipal Utility:				
Capital assets not being depreciated				
Land	\$ 257,359			\$ 257,359
Construction in progress	<u>2,259,190</u>	\$ <u>637,817</u>	<u>\$1,662,478</u>	<u>1,234,529</u>
Total capital assets not being depreciated	<u>2,516,549</u>	<u>637,817</u>	<u>1,662,478</u>	<u>1,491,888</u>
Capital assets being depreciated:				
Buildings	11,695,519			11,695,519
Equipment	1,323,322	22,580		1,345,902
Vehicles	624,318	66,905		691,223
Leasehold improvements	289,696			289,696
Infrastructure	<u>23,237,959</u>	<u>1,670,671</u>	—	<u>24,908,630</u>
Total capital assets being depreciated	<u>37,170,814</u>	<u>1,760,156</u>	<u>-0-</u>	<u>38,930,970</u>
Less accumulated depreciation:				
Buildings	3,669,599	249,070		3,918,669
Equipment	547,749	81,705		629,454
Vehicles	511,447	48,829		560,276
Leasehold improvements	20,500	8,296		28,796
Infrastructure	<u>7,048,260</u>	<u>530,347</u>	—	<u>7,578,607</u>
Total accumulated depreciation	<u>11,797,555</u>	<u>918,247</u>	<u>-0-</u>	<u>12,715,802</u>
Total capital assets being depreciated, net	<u>25,373,259</u>	<u>841,909</u>	<u>-0-</u>	<u>26,215,168</u>
Total capital assets, net	<u>\$27,889,808</u>	<u>\$1,479,726</u>	<u>\$1,662,478</u>	<u>\$27,707,056</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>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2005 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2006 <u>2006</u>
Capital assets being depreciated:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>832,931</u>
Less accumulated depreciation:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>
Component Unit:				
Library:				
Capital assets being depreciated:				
Buildings	\$6,422,889			\$6,422,889
Equipment	59,489			59,489
Leasehold improvements	<u>156,317</u>	—	—	<u>156,317</u>
Total capital assets being depreciated	<u>6,638,695</u>	\$ -0-	\$-0-	<u>6,638,695</u>
Less accumulated depreciation:				
Buildings	721,475	79,186		800,661
Equipment	23,796	11,898		35,694
Leasehold improvements	<u>15,632</u>	<u>7,816</u>	—	<u>23,448</u>
Total accumulated depreciation	<u>760,903</u>	<u>98,900</u>	<u>-0-</u>	<u>859,803</u>
Total capital assets, net	<u>\$5,877,792</u>	<u>\$98,900</u>	<u>\$-0-</u>	<u>\$5,778,892</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2006 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Kankakee Municipal Utility	\$ 9,420
Motor Fuel Tax Fund	58,659
Nonmajor governmental funds	<u>210,620</u>
Total	<u>\$278,699</u>
Fiduciary Funds:	
Firefighters' Pension Fund	<u>\$2,906</u>
Component units:	
Library	<u>\$48,040</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$157,195</u>
Component units:	
Library	<u>\$58,205</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$257,566</u>
Component units:	
Library	\$4,591
Special Service Area #1	<u>2,955</u>
	<u>\$7,546</u>
Enterprise funds:	
Due to Kankakee Municipal Utility from:	
Nonmajor governmental funds	<u>\$120,243</u>
Component units:	
Due to Special Service Area #1 from:	
Capital Projects Fund	<u>\$177,133</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

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2006. The analysis shows that the collection of approximately \$464,000 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2006, the City has deferred economic development loans receivable of \$533,601 (less allowance of \$179,000) since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2007.

Accounts receivable at April 30, 2006, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Community oriented policing fees and trash collection	\$ 292,615		\$ 292,615
Franchise fees	99,628		99,628
Economic development loans		\$ 533,601	533,601
Other receivables	<u>108,539</u>	<u>205</u>	<u>108,744</u>
Total	500,782	533,806	1,034,588
Less: allowance for doubtful accounts	<u>(51,000)</u>	<u>(179,000)</u>	<u>(230,000)</u>
	<u>\$449,782</u>	<u>\$ 354,806</u>	<u>\$ 804,588</u>
	<u>Kankakee Municipal Utility</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Business-type Activities</u>
Business-type activities:			
Sewer charges	\$1,410,680		\$1,410,680
Garbage collection	646,472		646,472
Other receivables	19,853		19,853
Parking	<u> </u>	<u>\$155</u>	<u>155</u>
Total	2,077,005	155	2,077,160
Less: allowance for doubtful accounts	<u>(234,000)</u>	<u> </u>	<u>(234,000)</u>
	<u>\$1,843,005</u>	<u>\$155</u>	<u>\$1,843,160</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

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

Governmental activities:

General Fund:

Sales tax	\$6,289,004
Local use tax	77,519
State replacement tax	147,943
Income tax	205,487
Various grants	<u>76,620</u>
	<u>6,796,573</u>

Motor Fuel Tax Fund:

Motor fuel taxes	<u>62,995</u>
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Nonmajor governmental funds:

CDBG Grant	14,201
HOME Grant	14,686
Senior Aides Grant	<u>13,124</u>
	<u>42,011</u>

Total governmental activities	<u>\$6,901,579</u>
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Business-type activities:

Kankakee Municipal Utility:

Sale of capacity	\$ 162,600
Less: allowance for doubtful accounts	<u>(162,600)</u>
	\$ <u>-0-</u>

The City of Kankakee entered into an agreement with the Village of Aroma Park on June 14, 2005, for the Village of Aroma Park to purchase wastewater treatment capacity rights of 100,000 gallons per day in the Kankakee River Metropolitan Agency for the amount of \$162,600. Based on management's evaluation of collectibility, the City has established an allowance for the entire amount of \$162,600.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2006 is as follows:

	<u>Balance</u> <u>May 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2006</u>	<u>Due within</u> <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$53,110,000		\$2,490,000	\$50,620,000	\$2,680,000
Premium on bond proceeds	701,895		85,393	616,502	
Less: deferred loss on refunded debt	<u>569,481</u>	—	<u>77,442</u>	<u>492,039</u>	—
Total bonds payable	53,242,414	\$ -0-	2,497,951	50,744,463	2,680,000
Installment notes	703,023		258,523	444,500	85,922
Capital lease obligations	28,601		7,010	21,591	13,453
Unfunded employer pension contributions	9,822,278	294,134		10,116,412	
Compensated absences	<u>3,425,000</u>	<u>357,000</u>	—	<u>3,782,000</u>	<u>613,500</u>
Total long-term debt	<u>\$67,221,316</u>	<u>\$651,134</u>	<u>\$2,763,484</u>	<u>\$65,108,966</u>	<u>\$3,392,875</u>
Business-type activities:					
Bonds Payable:					
Revenue bonds	\$9,075,000		\$490,000	\$8,585,000	\$510,000
Less: deferred loss on refunded debt	<u>2,058,647</u>	—	<u>187,523</u>	<u>1,871,124</u>	—
Total bonds payable	7,016,353	\$ -0-	302,477	6,713,876	510,000
Compensated absences	<u>312,000</u>	<u>30,000</u>	—	<u>342,000</u>	<u>32,500</u>
Total long-term debt	<u>\$ 7,328,353</u>	<u>\$30,000</u>	<u>\$ 302,477</u>	<u>\$7,055,876</u>	<u>\$542,500</u>
Component units:					
General obligation bonds	\$ 175,000		\$ 85,000	\$ 90,000	\$ 90,000
Capital lease obligations	<u>2,480,891</u>	—	<u>57,256</u>	<u>2,423,635</u>	<u>55,054</u>
Total long-term debt	<u>\$2,655,891</u>	<u>\$-0-</u>	<u>\$ 142,256</u>	<u>\$2,513,635</u>	<u>\$145,054</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

Long-term debt is comprised of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
<u>General Obligation Bonds</u>		
\$3,865,000 City of Kankakee serial bonds dated December 1, 1995, \$1,495,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$200,000 to \$225,000, through January 2008, plus interest ranging from 4.0% to 5.5% payable semiannually.	\$ 410,000	
\$7,200,000 City of Kankakee serial bonds dated April 1, 1997, \$5,915,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$40,000 to \$215,000, through January 2013, plus interest ranging from 4.1% to 5.3%, payable semiannually.	530,000	
\$6,735,000 City of Kankakee serial bonds dated December 15, 1998, due in annual installments on January 1, of amounts ranging from \$125,000 to \$1,610,000, through January 2015, plus interest ranging from 4.2% to 5.0%, payable semiannually.	5,545,000	
\$6,785,000 City of Kankakee serial bonds dated February 1, 1999, due in annual installments on January 1, of amounts ranging from \$215,000 to \$640,000, through January 2015, plus interest ranging from 3.8% to 4.8%, payable semiannually.	4,700,000	
\$4,590,000 City of Kankakee serial bonds dated August 15, 2000, due in annual installments on January 1, of amounts ranging from \$25,000 to \$440,000, through January 2025, plus interest ranging from 4.5% to 5.6%, payable semiannually.	3,455,000	
\$3,595,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$80,000 to \$365,000 through January 2015, plus interest ranging from 2.1% to 4.5%, payable semiannually.	2,770,000	\$90,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	Governmental Activities	Component Units
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	\$ 205,000	
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	205,000	
\$3,960,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$35,000 to \$1,240,000, through January 2014, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,925,000	
\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$250,000 to \$490,000, through January 2019, plus interest ranging from 2.25% to 5.25%, payable semiannually.	4,610,000	
\$6,000,000 City of Kankakee variable rate serial bonds dated October 1, 2003, due in annual installments on January 1, of amounts ranging from \$140,000 to \$1,120,000 through January 2023, payable semiannually. Interest on these bonds is paid at a rate applicable to 90-day U.S. Treasury bills and is reset weekly.	6,000,000	
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1, of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.0% to 4.0%, payable semiannually.	9,235,000	
\$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.0% to 4.35%, payable semiannually.	<u>9,030,000</u>	_____
	50,620,000	\$90,000
Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net	<u>124,463</u>	_____
Total General Obligation Bonds	<u>\$50,744,463</u>	<u>\$90,000</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2006, are as follows:

Primary Government:
 Governmental activities:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,680,000	\$ 2,066,360	\$ 4,746,360
2008	3,220,000	1,971,923	5,191,923
2009	3,500,000	1,853,400	5,353,400
2010	3,315,000	1,723,656	5,038,656
2011	3,710,000	1,592,676	5,302,676
2012 - 2016	21,470,000	5,312,733	26,782,733
2017 - 2021	9,565,000	1,660,739	11,225,739
2022 - 2025	<u>3,160,000</u>	<u>241,870</u>	<u>3,401,870</u>
	<u>\$50,620,000</u>	<u>\$16,423,357</u>	<u>\$67,043,357</u>

Component Unit - Special Service Area #1:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$90,000</u>	<u>\$3,105</u>	<u>\$93,105</u>

Installment Notes

\$262,160 unsecured bank note, dated December 16, 2003, payable in 12 semiannual installments of \$24,243, including interest at 3.23%, through December 16, 2009. \$180,398

\$97,910 bank note, dated September 15, 2003, secured by equipment, payable in five annual installments of \$21,593, including interest at 3.30%, through September 15, 2008. 60,663

\$50,540 bank note at 3.3%, dated August 29, 2003, secured by vehicles, payable in three annual installments of \$13,885, including interest, through August 29, 2006. 13,439

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. 190,000

Total installment notes \$444,500

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

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

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2006, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 85,922	\$ 8,016	\$ 93,938
2008	74,557	5,523	80,080
2009	76,699	3,380	80,079
2010	57,322	1,166	58,488
2011	10,000		10,000
2012 - 2016	50,000		50,000
2017 - 2020	50,000		50,000
2022 - 2025	<u>40,000</u>		<u>40,000</u>
	<u>\$444,500</u>	<u>\$18,085</u>	<u>\$462,585</u>

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain vehicles and the library building. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts. The following is a schedule of capital lease obligations and the minimum lease payments.

	<u>Governmental Activities</u>	<u>Component Units</u>
\$17,396 lease, plus interest of \$2,088, due in monthly installments of \$394, including interest, through April 2007, and a final payment of \$8,018, including interest in April 2007. Payable from the Community Development Agency Fund.	\$ 9,786	
\$18,259 lease, plus interest of \$1,337, due in monthly installments of \$335, including interest, through June 2007, and a final payment of \$7,536, including interest in July 2007. Payable from the Community Development Agency Fund.	11,805	
\$6,422,889 lease, plus interest of \$2,077,111, due in monthly installments of \$15,000, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.		<u>\$2,423,635</u>
Total capital lease obligations	<u>\$21,591</u>	<u>\$2,423,635</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The following is an analysis of the assets recorded under capital leases at April 30, 2006:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Governmental Funds:			
Vehicles	\$ <u>42,388</u>	\$ <u>18,875</u>	\$ <u>23,513</u>
Component Units - Library:			
Buildings	\$ <u>6,422,889</u>	\$ <u>800,661</u>	\$ <u>5,622,228</u>

Future minimum lease payments for all capital lease obligations:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>	<u>Component Unit - Library</u>
2007	\$14,068	\$ 165,000
2008	8,206	180,000
2009		180,000
2010		180,000
2011		180,000
2012 - 2016		900,000
2017 - 2021		900,000
2022 - 2026		900,000
2027 - 2029	_____	<u>450,000</u>
Total minimum lease payments	22,274	4,035,000
Less: amount representing interest	<u>(683)</u>	<u>(1,611,365)</u>
Present value of minimum lease payments	\$ <u>21,591</u>	\$ <u>2,423,635</u>

Unfunded Employer Pension Contributions

Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 4,237,924
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	<u>5,878,488</u>
Total unfunded employer pension contributions due from General Fund	<u>\$10,116,412</u>

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

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

Compensated Absences

	<u>Governmental Activities</u>	<u>Business - type Activities</u>
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds	<u>\$3,782,000</u>	<u>\$342,000</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Enterprise Funds at April 30, 2006, are as follows:

\$7,140,000 Kankakee Municipal Utility serial bonds dated April 1, 1999, due in annual installments on May 1, of amounts ranging from \$215,000 to \$560,000 through May 1, 2018, plus interest at rates ranging from 4.10% to 6.00%, payable semiannually.	<u>\$5,130,000</u>
\$4,270,000 Kankakee Municipal Utility serial bonds dated December 1, 2001, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	<u>3,455,000</u>
	<u>8,585,000</u>
Less: Deferred loss on early retirement of Sewerage Refunding Revenue Bonds, Series 1991	<u>1,871,124</u>
Total revenue bonds	<u>\$6,713,876</u>

Debt service on the above revenue bonds payable at April 30, 2006, are as follows:

<u>Year Ending April 30,</u>	<u>Kankakee Municipal Utility</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 510,000	\$ 398,626	\$ 908,626
2008	530,000	377,935	907,935
2009	555,000	355,576	910,576
2010	580,000	331,535	911,535
2011	600,000	306,223	906,223
2012 - 2016	3,450,000	1,090,728	4,540,728
2017 - 2021	2,065,000	318,376	2,383,376
2022	<u>295,000</u>	<u>14,750</u>	<u>309,750</u>
	<u>\$8,585,000</u>	<u>\$3,193,749</u>	<u>\$11,778,749</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

The Utility met all reserve provisions as required above for the year ended April 30, 2006.

The Kankakee Municipal Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2006, the Kankakee Municipal Utility did not comply with this rate covenant. The covenant calculation is included on page 111.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents were insured at April 30, 2006 for \$7,196,000 under the City of Kankakee master policy with the St. Paul Companies. The Kankakee Municipal Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the St. Paul Companies. The April 30, 2006 coverage is as follows:

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

Customer and Flow Information - As of April 30, 2006 there were 8,375 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	8,337	\$2,558,472
Industrial and institutional	<u>38</u>	<u>3,978,663</u>
Total	<u>8,375</u>	<u>\$6,537,135</u>

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

User Rates - The rates in effect at April 30, 2006 were as follows:

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

Outstanding Bond Issues - 2001 bonds due May 1, 2005 to 2011 are noncallable in advance of maturity. 2001 bonds due May 1, 2012 to 2022 are callable on any date on or after May 1, 2011. 1999 bonds due May 1, 2005 to 2009 are noncallable in advance of maturity. 1999 bonds due May 1, 2010 to 2018 are callable on any date on or after May 1, 2009.

NOTE 10 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2004 were due, payable, and collected in two installments in June and September 2005.

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 2004 are intended to finance the fiscal year 2006 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2006 for collections from the calendar year 2004 levy if it was received by June 30, 2006. Property taxes levied for calendar year 2005, which will be collected in fiscal year 2007, are recorded as receivables and deferred revenue as of April 30, 2006. The City and its component units have not deferred property taxes receivable based on the availability criteria at April 30, 2006. The 2006 tax levy, which attached as an enforceable lien on property as of January 1, 2006, has not been recorded as a receivable as of April 30, 2006, as the tax has not yet been levied by the City and will not be levied until December 2006, and therefore, the levy is not measurable at April 30, 2006.

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

NOTE 11 - INTERFUND TRANSFERS:

Interfund transfers for the year ended April 30, 2006, consisted of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund		\$ 498,570	\$ 498,570
Capital Projects Fund		260,244	260,244
Kankakee Municipal Utility	\$ 858,432		858,432
Nonmajor Governmental Funds	<u>210,575</u>	<u>1,060,651</u>	<u>1,271,226</u>
	<u>\$1,069,007</u>	<u>\$1,819,465</u>	<u>\$2,888,472</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2006:

The General Fund transferred \$498,570 to the Debt Service Fund to provide for bond and interest retirement.

The Capital Projects Fund transferred \$260,244 to the Special Service Area No. 3 to provide for model block lighting - phase 2 costs incurred.

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

The Kankakee Municipal Utility Fund transferred \$742,432 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

The Tax Increment Financing District No. 1 Fund transferred \$454,525 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 2 Fund transferred \$75,530 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment District No. 2 transferred \$30,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment District No. 3 transferred \$75,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment Financing District No. 4 Fund transferred \$75,530 to the Debt Service Fund to provide for bond and interest retirement.

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

NOTE 11 - INTERFUND TRANSFERS (Continued):

The Tax Increment Financing District No. 4 transferred \$20,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

Increment Financing District No. 5 Fund transferred \$130,185 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 6 Fund transferred \$185,156 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 7 Fund transferred \$31,443 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 7 Fund transferred \$20,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment Financing District No. 8 Fund transferred \$5,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

General Obligation Bonds, Series 1998 (a Debt Service Fund) was closed during the year and transferred its excess funds to various other funds as follows:

General Fund	\$ 60,575
Tax Increment Financing District No. 6	7,179
General Obligation Bonds, Series 1995	4,341
General Obligation bonds, series 1997	15,234
General Obligation bonds, series 2000A	16,755
General Obligation bonds, Series 2005	<u>64,773</u>
	<u>\$168,857</u>

NOTE 12 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2006, is composed of the following elements:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 3,656,183
Unexpended grant receipts		30,645
Advance collection of licenses and fees		127,825
Capital Project Fund:		
Unexpended grant receipts		3,625,143
Motor Fuel Tax Fund:		
Unexpended grant receipts		2,738,620

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - DEFERRED REVENUE:

	<u>Unavailable</u>	<u>Unearned</u>
Nonmajor Governmental Funds:		
Property taxes receivable		\$ 6,060,084
Unexpended tax receipts		509,864
Loans receivable net of allowance for uncollectible amounts	<u>\$354,602</u>	<u> </u>
	<u>\$354,602</u>	<u>\$16,748,364</u>
Component Units:		
Library Fund:		
Property taxes receivable		\$1,219,019
Special Service Area # 1:		
Property taxes receivable	<u> </u>	<u>113,000</u>
	<u>\$-0-</u>	<u>\$1,332,019</u>

NOTE 13 - RELATED PARTY TRANSACTIONS:

The following provides information concerning transactions between the City and its component units for the year ended April 30, 2006:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Special Service Area #1	\$193,051	To provide for various repairs and improvements.
Special Service Area #1	Debt Service Fund	\$90,910	To provide for bond and interest retirement.

NOTE 14 - SEGMENT INFORMATION:

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

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

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2006, 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 16 - COMMITMENTS:

Operating Leases

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2006 was \$4,171.

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. Rent will consist of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. The actual commencement date was April 2002. Rent expense for the year ended April 30, 2006 was \$222,488.

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

Construction Commitments

The City has several active construction projects as of April 30, 2006. These projects and the City's commitment with contractors at April 30, 2006 are as follows:

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

NOTE 16 - COMMITMENTS (Continued):

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Station Street bridge	\$1,066,757	\$ 982,858
Fifth Avenue bridge	199,536	415,421
Soldier Creek - phase 2		22,697
2006 MFT street maintenance	60,802	705,968
Public buildings and lighting project	55,250	3,262,094
ICRR - Brookmont	<u>7,700</u>	<u>343,515</u>
	<u>\$1,390,045</u>	<u>\$5,732,553</u>
Business-type activities:		
Stone Street Odor Control	<u>\$349,949</u>	<u>\$39,460</u>

NOTE 17 - EXPENDITURES AND APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds for the year ended April 30, 2006 were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$19,717,331	\$18,248,325	\$1,469,006
Park Fund	45,281	35,000	10,281
Special Service Area No. 3	308,731	52,750	255,981

NOTE 18 - INVESTMENT IN JOINT VENTURE:

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, 2006, the City has recorded in the Kankakee Municipal Utility an investment in the joint venture of \$1,296,267

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 18 - INVESTMENT IN JOINT VENTURE (Continued):

Financial statements of the joint venture can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2006 is as follows:

Statement of net assets:	
Current assets	\$ 910,359
Restricted assets	1,520,184
Capital assets, net	20,407,803
Other assets	<u>441,939</u>
Total assets	<u>\$23,280,285</u>
Current liabilities	\$ 2,193,987
Non-current liabilities	<u>19,074,180</u>
Total liabilities	<u>21,268,167</u>
Total net assets	<u>\$ 2,012,118</u>
Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$ 4,966,584
Operating expenses	(4,173,871)
Other income (expense)	<u>(743,674)</u>
Change in net assets	49,039
Ownership percentage	<u>51.76%</u>
Utility's share of net income (equity interest in joint venture income)	\$ <u>25,382</u>

NOTE 19 - SALE OF CAPACITY:

The City of Kankakee entered into an agreement with the Village of Bourbonnais on June 21, 2005, for the Village of Bourbonnais to purchase wastewater treatment capacity rights of 1,000,000 gallons per day in the Kankakee River Metropolitan Agency for the amount of \$1,626,000.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 20 - RISK MANAGEMENT AND LITIGATION:

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

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2006 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 21 - PRIOR YEARS' DEBT DEFEASANCE:

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued, and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's financial statements. As of April 30, 2006, the amount of defeased debt outstanding but removed from the long-term debt obligations of the City amounted to \$2,930,000.

NOTE 22 - 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 local share of the sales taxes generated on the transactions of the partnering firm conducted within the City. During the fiscal year ended April 30, 2006, \$18,938,693 in sales taxes was rebated under these agreements. At April 30, 2006, the City owed \$8,083,973 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

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

NOTE 23 - RESTATEMENT OF NET ASSETS:

The City has restated net assets for its fund financial statements and government-wide financial statements as of May 1, 2005 to (a) remove grant revenues and expenses recognized inappropriately in prior periods, (b) to remove an asset erroneously capitalized in the prior year, (c) record construction in progress in the appropriate fund, and (d) remove capital asset duplicated during prior year infrastructure study.

Fund Statements

	<u>Kankakee Municipal Utility</u>
Net assets, May 1, 2005, as previously reported	\$27,194,670
(a) Grant revenues and expenses	(393,743)
(b) Asset removal, net of accumulated depreciation	(42,421)
(c) Construction in progress	(114,956)
Prior period adjustment	(551,120)
Net assets, May 1, 2005, restated	<u>\$26,643,550</u>

Government-wide Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets, May 1, 2005, as previously reported	\$6,548,124	\$28,675,266
(a) Grant revenues and expenses		(393,743)
(b) Asset removal, net of accumulated depreciation		(42,421)
(c) Construction in progress	114,956	(114,956)
(d) Capital asset duplicated	(755,625)	_____
Prior period adjustment	(640,669)	(551,120)
Net assets, May 1, 2005, restated	<u>\$5,907,455</u>	<u>\$28,124,146</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$15,230,958	\$ 15,230,958	\$ 16,196,965	\$ 966,007
Licenses, permits and fees	1,254,000	1,254,000	1,351,238	97,238
Intergovernmental	383,971	383,971	320,227	(63,744)
Charges for services	690,138	690,138	694,259	4,121
Fines	684,000	684,000	551,687	(132,313)
Interest	20,000	20,000	295,834	275,834
Miscellaneous	143,200	150,511	239,497	88,986
Total revenues	<u>18,406,267</u>	<u>18,413,578</u>	<u>19,649,707</u>	<u>1,236,129</u>
Expenditures:				
Current:				
General government	4,239,982	4,254,711	5,026,269	771,558
Public safety	11,868,495	12,084,190	12,375,910	291,720
Public works	1,806,660	1,893,174	2,154,858	261,684
Community development			89,725	89,725
Economic development	16,250	16,250	35,090	18,840
Debt Service:				
Principal retirement			31,969	31,969
Interest and fiscal charges			3,510	3,510
Total expenditures	<u>17,931,387</u>	<u>18,248,325</u>	<u>19,717,331</u>	<u>1,469,006</u>
Excess (deficiency) of revenues over expenditures	<u>474,880</u>	<u>165,253</u>	<u>(67,624)</u>	<u>(232,877)</u>
Other financing sources (uses):				
Transfers:				
From other funds	145,797	431,567	1,069,007	637,440
To other funds	(275,806)	(275,806)	(498,570)	(222,764)
Total other financing sources (uses)	<u>(130,009)</u>	<u>155,761</u>	<u>570,437</u>	<u>414,676</u>
Net change in fund balance	<u>\$ 344,871</u>	<u>\$ 321,014</u>	502,813	<u>\$ 181,799</u>
Fund balance, May 1, 2005			<u>2,576,963</u>	
Fund balance, April 30, 2006			<u>\$ 3,079,776</u>	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
APRIL 30, 2006

NOTE 1 - BUDGETARY ACCOUNTING:

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

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

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council. The City Council adopted certain supplemental budget appropriations for the General Fund during fiscal year ended April 30, 2006.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

NOTE 2 - EXPENDITURES AND APPROPRIATIONS:

Excess of expenditures over appropriations in General Fund for the year ended April 30, 2006 was \$1,469,006.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2006

Actuarial Valuation Date <u>December 31,</u>	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)
2005	\$15,029,323	\$14,644,035	\$ (385,288)	102.63%	\$ 5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	(36.88%)
2001	15,930,360	12,132,670	(3,797,690)	131.30%	5,440,324	(69.81%)
2000	15,265,055	11,279,991	(3,985,064)	135.33%	5,164,986	(77.16%)
1999	13,723,118	10,299,124	(3,423,994)	133.25%	5,018,601	(68.23%)
1998	11,659,097	9,554,996	(2,104,101)	122.02%	4,984,828	(42.21%)
1997	10,176,901	9,279,645	(897,256)	109.67%	4,995,898	(17.96%)
1996	8,587,137	8,161,676	(425,461)	105.21%	4,697,652	(9.06%)

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$15,226,221. On a market basis, the funded ratio would be 103.98%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2006

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)
2005	\$11,178,721	\$27,683,110	\$16,504,389	40.38%	\$ 3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%
2001	11,191,083	21,482,299	10,291,216	52.09%	3,195,355	322.07%
2000	12,558,886	19,982,474	7,423,588	62.85%	2,914,227	254.74%
1999	11,120,244	18,817,976	7,697,732	59.09%	2,874,407	267.80%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	10,104,437	19,736,436	9,631,999	51.20%	2,936,582	328.00%
1996	9,777,882	19,010,214	9,232,332	51.43%	2,393,734	385.69%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2006

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)
2005	\$10,147,331	\$27,661,230	\$17,513,899	36.68%	\$ 2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%
2001	11,450,544	24,296,512	12,845,968	47.13%	2,213,379	580.38%
2000	12,211,206	23,353,668	11,142,462	52.29%	2,244,729	496.38%
1999	10,944,127	22,235,656	11,291,529	49.22%	2,283,580	494.47%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	9,660,632	23,290,322	13,629,690	41.48%	2,484,264	548.64%
1996	9,474,334	21,648,145	12,173,811	43.77%	1,929,289	631.00%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2006

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 1,035,423	\$ 1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%
2003	701,806	701,806	100.00%
2002	536,964	536,964	100.00%
2001	540,496	538,428	99.62%
2000	465,000	535,942	115.26%
1999	692,127	283,916	41.02%
1998	634,713	212,121	33.42%
1997	548,664	173,841	31.68%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2006

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2006	\$1,082,677	\$1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%
2003	874,715	887,458	101.46%
2002	768,601	769,597	100.13%
2001	763,870	763,606	99.97%
2000	700,000	788,888	112.70%
1999	815,979	525,352	64.38%
1998	767,942	398,682	51.92%
1997	689,674	331,267	48.03%

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**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, 2006
(With comparative totals for 2005)

	Budgeted Amount		2006 Actual	2005 Actual
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 3,721,100	\$ 3,721,100	\$ 3,563,474	\$ 3,355,494
State income tax	2,000,000	2,000,000	2,100,646	1,861,131
Local use tax	302,401	302,401	325,206	294,072
State replacement income tax	476,000	476,000	688,797	536,390
Illinois retailers' tax	22,500,000	22,500,000	25,107,826	22,351,192
Less: sales tax incentives	(17,008,543)	(17,008,543)	(18,938,693)	(17,066,791)
Utility taxes	3,240,000	3,240,000	3,349,709	3,314,122
Total taxes	<u>15,230,958</u>	<u>15,230,958</u>	<u>16,196,965</u>	<u>14,645,610</u>
Licenses, permits and fees:				
Liquor licenses	90,000	90,000	95,475	106,380
Vehicle sticker fees			3,000	23,920
Other licenses	60,000	60,000	58,574	72,704
Franchise fees	200,000	200,000	221,777	237,386
Ambulance fees	315,000	315,000	417,877	314,841
Community oriented policing fee	460,000	460,000	459,131	455,512
Other permits and fees	129,000	129,000	95,404	146,843
Total licenses, permits and fees	<u>1,254,000</u>	<u>1,254,000</u>	<u>1,351,238</u>	<u>1,357,586</u>
Intergovernmental:				
Grants from other governmental agencies	383,971	383,971	320,227	284,158
Charges for services:				
Kankakee Municipal Utility	89,438	89,438	102,308	89,906
KRMA	50,000	50,000	50,000	50,000
Department of public works	380,000	380,000	291,835	541,321
Community Development Agency	118,700	118,700	142,000	142,000
Fire department	32,000	32,000	68,926	61,118
Police department	20,000	20,000	39,190	16,098
Total charges for services	<u>690,138</u>	<u>690,138</u>	<u>694,259</u>	<u>900,443</u>
Fines:				
Traffic fines	684,000	684,000	551,687	752,054
Interest	20,000	20,000	295,834	64,248
Miscellaneous revenues:				
Foreign fire insurance tax	35,000	35,000	38,834	38,656
Transportation support	15,000	15,000		15,000
Other revenues	93,200	100,511	200,663	118,804
Total miscellaneous revenues	<u>143,200</u>	<u>150,511</u>	<u>239,497</u>	<u>172,460</u>
Total revenues	<u>\$18,406,267</u>	<u>\$18,413,578</u>	<u>\$19,649,707</u>	<u>\$18,176,559</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2006
(With comparative totals for 2005)

	Budgeted Amount		2006 Actual	2005 Actual
	Original	Final		
General city government:				
Council	\$ 119,500	\$ 119,500	\$ 126,426	\$ 123,391
Mayor	65,850	65,850	80,186	72,892
Commissions and boards	40,867	47,700	47,064	56,201
City clerk	111,543	113,583	104,539	95,644
Adjudication	123,482	131,704	150,577	157,305
Central services	388,300	398,032	313,197	273,818
Collection	51,350	54,230	85,181	82,143
Computer operations	29,750	71,368	98,307	80,745
Corporate counsel	141,850	148,940	180,242	175,973
City planning	5,000	5,000	9,031	39,564
Public buildings and grounds	134,975	134,975	291,158	116,000
Community promotion	77,500	84,161	74,718	66,900
Human relations	70,910	71,579	76,145	78,692
Group insurance	1,245,205	1,245,205	1,551,806	1,475,359
Liability and workers compensation insurance	1,200,000	1,200,000	1,542,625	1,367,071
Unemployment tax	40,000	40,000	60,648	80,274
Transportation support	64,000	64,000	62,297	63,250
Other	329,900	258,884	172,122	118,570
Total general city government	<u>4,239,982</u>	<u>4,254,711</u>	<u>5,026,269</u>	<u>4,523,792</u>
Public safety - police department:				
Administration and operations	4,198,892	4,265,691	4,621,521	4,303,342
Community oriented policing unit	460,305	462,415	519,873	469,403
Training	39,037	39,037	20,102	21,027
Records	220,480	231,820	143,056	121,017
Communications	742,432	757,852	783,475	720,283
Detention and custody	19,000	19,000	19,274	16,973
Pension contribution	1,035,423	1,035,423	1,035,423	954,259
Total public safety - police department	<u>6,715,569</u>	<u>6,811,238</u>	<u>7,142,724</u>	<u>6,606,304</u>
Public safety - fire department:				
Administration	506,625	564,875	603,783	477,656
Training	102,000	102,000	199,373	93,321
Alarm and communications system	62,600	62,600	29,043	36,332
Fire prevention	198,400	198,400	117,628	106,085
Fire fighting force	1,789,500	1,815,227	1,756,700	1,734,367
Emergency service	808,150	811,040	861,361	838,771
Foreign fire insurance tax	38,000	38,000	38,834	38,656
Pension contribution	1,082,677	1,082,677	1,082,677	1,090,926
Total public safety - fire department	<u>4,587,952</u>	<u>4,674,819</u>	<u>4,689,399</u>	<u>4,416,114</u>

(Continued)

CITY OF KANAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
(Continued)
For the year ended April 30, 2006
(With comparative totals for 2005)

	Budgeted Amount		2006 Actual	2005 Actual
	Original	Final		
Public safety - code enforcement:				
Property maintenance	\$ 470,500	\$ 491,900	\$ 438,107	\$ 503,845
Building safety	62,224	72,784	82,291	62,606
Total public safety - code enforcement	<u>532,724</u>	<u>564,684</u>	<u>520,398</u>	<u>566,451</u>
Public safety:				
Animal control	<u>32,250</u>	<u>33,449</u>	<u>23,389</u>	<u>29,905</u>
Public works:				
Administration	167,440	171,489	189,523	177,702
Streets and alleys	330,926	330,926	598,535	390,572
City garage	300,502	320,087	354,389	344,800
Operations	1,007,792	1,070,672	1,012,411	893,924
Total public works	<u>1,806,660</u>	<u>1,893,174</u>	<u>2,154,858</u>	<u>1,806,998</u>
Community development:				
Residential rehabilitation			<u>89,725</u>	<u>31,279</u>
Economic development:				
Incentives	<u>16,250</u>	<u>16,250</u>	<u>35,090</u>	<u>32,017</u>
Debt service:				
Principal retirement			31,969	29,856
Interest and other fixed charges			3,510	4,512
Total debt service	<u>-0-</u>	<u>-0-</u>	<u>35,479</u>	<u>34,368</u>
Total expenditures	<u>\$17,931,387</u>	<u>\$18,248,325</u>	<u>\$19,717,331</u>	<u>\$18,047,228</u>

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

SPECIAL REVENUE FUNDS

Civil Defense Fund

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

Band Fund

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

Park Fund

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

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to all general service employees and which is financed through taxation and contributions from employees.

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.

Community Development Agency

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

Senior Aides Program Fund

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

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

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

DEBT SERVICE FUNDS

General Obligations Bonds

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

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2006

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,225,330	\$ 1,178,466	\$ 4,403,796
Receivables, less allowance for uncollectible amounts:			
Property taxes	2,961,600	3,098,484	6,060,084
Due from other governmental agencies	42,011		42,011
Due from other funds	254,837	2,729	257,566
Due from component units	7,546		7,546
Accounts receivable	354,806		354,806
Total assets	<u>\$ 6,846,130</u>	<u>\$ 4,279,679</u>	<u>\$ 11,125,809</u>
Liabilities			
Accounts payable	\$ 18,840		\$ 18,840
Accrued wages payable	25,521		25,521
Due to other funds	739,726	\$ 5,898	745,624
Deferred revenue	3,826,066	3,098,484	6,924,550
Total liabilities	<u>4,610,153</u>	<u>3,104,382</u>	<u>7,714,535</u>
Fund Balance			
Reserved for debt service		1,175,297	1,175,297
Reserved for economic development	1,469,298		1,469,298
Unreserved, reported in: Special Revenue Funds	766,679		766,679
Total fund balance	<u>2,235,977</u>	<u>1,175,297</u>	<u>3,411,274</u>
Total liabilities and fund balance	<u>\$ 6,846,130</u>	<u>\$ 4,279,679</u>	<u>\$ 11,125,809</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2006

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$2,816,292	\$2,932,138	\$5,748,430
Intergovernmental	1,728,053		1,728,053
Interest income	95,008	58,981	153,989
Miscellaneous	10,482		10,482
Contribution from component unit		90,910	90,910
Total revenues	<u>4,649,835</u>	<u>3,082,029</u>	<u>7,731,864</u>
Expenditures:			
Current:			
General government	855,705		855,705
Highways and streets	260,244		260,244
Community development	1,311,204		1,311,204
Culture and recreation	58,281		58,281
Economic development	1,592,120		1,592,120
Debt Service:			
Principal retirement	223,564	2,575,000	2,798,564
Interest and fiscal charges	13,070	2,181,877	2,194,947
Total expenditures	<u>4,314,188</u>	<u>4,756,877</u>	<u>9,071,065</u>
Excess (deficiency) of revenues over expenditures	<u>335,647</u>	<u>(1,674,848)</u>	<u>(1,339,201)</u>
Other financing sources (uses):			
Transfers:			
From other funds	267,423	1,552,042	1,819,465
To other funds	(1,102,369)	(168,857)	(1,271,226)
Total other financing sources (uses)	<u>(834,946)</u>	<u>1,383,185</u>	<u>548,239</u>
Net change in fund balances	(499,299)	(291,663)	(790,962)
Fund balance, May 1, 2005	2,735,276	1,466,960	4,202,236
Fund balance, April 30, 2006	<u>\$2,235,977</u>	<u>\$1,175,297</u>	<u>\$3,411,274</u>

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**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2006**

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund	Special Service Area No. 2
Assets					
Cash and investments	\$ 17,189	\$ 9,412	\$ 6,577	\$ 492,297	\$ 12,546
Receivables, less allowance for uncollectible amounts:					
Property taxes		13,000	35,000	495,000	3,000
Due from other governmental agencies				4,845	
Due from other funds				4,591	
Due from component units				205	
Accounts receivable					
Total assets	<u>\$ 17,189</u>	<u>\$ 22,412</u>	<u>\$ 41,577</u>	<u>\$ 996,938</u>	<u>\$ 15,546</u>
Liabilities					
Accounts payable					
Accrued wages payable			\$ 1,682	\$ 23,839	
Due to other funds					
Deferred revenue		\$ 13,000	35,000	495,000	\$ 3,000
Total liabilities	<u>\$ -0-</u>	<u>13,000</u>	<u>36,682</u>	<u>518,839</u>	<u>3,000</u>
Fund Balance					
Reserved for economic development					
Unreserved - undesignated	17,189	9,412	4,895	478,099	12,546
Total fund balance	<u>17,189</u>	<u>9,412</u>	<u>4,895</u>	<u>478,099</u>	<u>12,546</u>
Total liabilities and fund balance	<u>\$ 17,189</u>	<u>\$ 22,412</u>	<u>\$ 41,577</u>	<u>\$ 996,938</u>	<u>\$ 15,546</u>

<u>Special Service Area No. 3</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 29,497	\$ 309,666	\$ 2,293	\$ 24,827	\$ 111,012	\$ 240,023	\$ 263,035
52,700			568,800	430,300	334,800	471,400
	28,887	13,124		244,094		
	56,198					298,403
<u>\$ 82,197</u>	<u>\$ 394,751</u>	<u>\$ 15,417</u>	<u>\$ 593,627</u>	<u>\$ 785,406</u>	<u>\$ 574,823</u>	<u>\$1,032,838</u>
	\$ 18,687	\$ 13	\$ 140			
\$ 52,700	51,559 110,962	13,906	509,438 84,049	\$ 30,000 755,406	\$ 75,000 499,823	\$ 20,000 1,012,838
<u>52,700</u>	<u>181,208</u>	<u>13,919</u>	<u>593,627</u>	<u>785,406</u>	<u>574,823</u>	<u>1,032,838</u>
29,497	213,543	1,498				
<u>29,497</u>	<u>213,543</u>	<u>1,498</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 82,197</u>	<u>\$ 394,751</u>	<u>\$ 15,417</u>	<u>\$ 593,627</u>	<u>\$ 785,406</u>	<u>\$ 574,823</u>	<u>\$1,032,838</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2006

	Tax Increment Financing District <u>No. 5 Fund</u>	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>Total</u>
Assets					
Cash and investments	\$ 39,781	\$ 140,761	\$ 57,920	\$1,468,494	\$ 3,225,330
Receivables, less allowance for uncollectible amounts:					
Property taxes	138,500	208,500	54,400	156,200	2,961,600
Due from other governmental agencies					42,011
Due from other funds				5,898	254,837
Due from component units			2,955		7,546
Accounts receivable					354,806
Total assets	<u>\$ 178,281</u>	<u>\$ 349,261</u>	<u>\$ 115,275</u>	<u>\$1,630,592</u>	<u>\$ 6,846,130</u>
Liabilities					
Accounts payable					\$ 18,840
Accrued wages payable					25,521
Due to other funds	\$ 14,729		\$ 20,000	\$ 5,094	739,726
Deferred revenue	163,552	\$ 349,261	95,275	156,200	3,826,066
Total liabilities	<u>178,281</u>	<u>349,261</u>	<u>115,275</u>	<u>161,294</u>	<u>4,610,153</u>
Fund Balance					
Reserved for economic development				1,469,298	1,469,298
Unreserved - undesignated					766,679
Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,469,298</u>	<u>2,235,977</u>
Total liabilities and fund balance	<u>\$ 178,281</u>	<u>\$ 349,261</u>	<u>\$ 115,275</u>	<u>\$1,630,592</u>	<u>\$ 6,846,130</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, 2006

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund	Special Service Area No. 2
Revenues:					
Property taxes		\$ 14,441	\$ 35,075	\$ 493,162	\$ 2,998
Intergovernmental					
Interest income		25	59	841	5
Miscellaneous					
Total revenues	<u>\$ -0-</u>	<u>14,466</u>	<u>35,134</u>	<u>494,003</u>	<u>3,003</u>
Expenditures:					
Current:					
General government				461,613	
Highways and streets					
Community development					
Culture and recreation		13,000	45,281		
Economic development					
Debt Service:					
Principal retirement					
Interest and fiscal charges					
Total expenditures	<u>-0-</u>	<u>13,000</u>	<u>45,281</u>	<u>461,613</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>1,466</u>	<u>(10,147)</u>	<u>32,390</u>	<u>3,003</u>
Other financing sources (uses):					
Transfers:					
From other funds					
To other funds					
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	-0-	1,466	(10,147)	32,390	3,003
Fund balance, May 1, 2005	17,189	7,946	15,042	445,709	9,543
Fund balance, April 30, 2006	<u>\$ 17,189</u>	<u>\$ 9,412</u>	<u>\$ 4,895</u>	<u>\$ 478,099</u>	<u>\$ 12,546</u>

<u>Special Service Area No. 3</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 51,962			\$ 515,660	\$ 597,469	\$ 272,481	\$ 319,526
87	\$ 1,544,778	\$ 183,275				
	4,290	36	7,972	7,415	3,939	9,485
	10,329	153				
<u>52,049</u>	<u>1,559,397</u>	<u>183,464</u>	<u>523,632</u>	<u>604,884</u>	<u>276,420</u>	<u>329,011</u>
	197,037	184,075	2,097	3,551	2,097	3,497
260,244	1,311,204					
			67,010	495,803	199,323	229,984
41,554	182,010					
6,933	6,137					
<u>308,731</u>	<u>1,696,388</u>	<u>184,075</u>	<u>69,107</u>	<u>499,354</u>	<u>201,420</u>	<u>233,481</u>
<u>(256,682)</u>	<u>(136,991)</u>	<u>(611)</u>	<u>454,525</u>	<u>105,530</u>	<u>75,000</u>	<u>95,530</u>
260,244						
			(454,525)	(105,530)	(75,000)	(95,530)
<u>260,244</u>	<u>-0-</u>	<u>-0-</u>	<u>(454,525)</u>	<u>(105,530)</u>	<u>(75,000)</u>	<u>(95,530)</u>
3,562	(136,991)	(611)	-0-	-0-	-0-	-0-
25,935	350,534	2,109				
<u>\$ 29,497</u>	<u>\$ 213,543</u>	<u>\$ 1,498</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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, 2006

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Total
Revenues:					
Property taxes	\$ 129,568	\$ 172,614	\$ 52,095	\$ 159,241	\$ 2,816,292
Intergovernmental					1,728,053
Interest income	939	5,685	395	53,835	95,008
Miscellaneous					10,482
Total revenues	<u>130,507</u>	<u>178,299</u>	<u>52,490</u>	<u>213,076</u>	<u>4,649,835</u>
Expenditures:					
Current:					
General government	322	322	1,047	47	855,705
Highways and streets					260,244
Community development					1,311,204
Culture and recreation					58,281
Economic development				600,000	1,592,120
Debt Service:					
Principal retirement					223,564
Interest and fiscal charges					13,070
Total expenditures	<u>322</u>	<u>322</u>	<u>1,047</u>	<u>600,047</u>	<u>4,314,188</u>
Excess (deficiency) of revenues over expenditures	<u>130,185</u>	<u>177,977</u>	<u>51,443</u>	<u>(386,971)</u>	<u>335,647</u>
Other financing sources (uses):					
Transfers:					
From other funds		7,179			267,423
To other funds	(130,185)	(185,156)	(51,443)	(5,000)	(1,102,369)
Total other financing sources (uses)	<u>(130,185)</u>	<u>(177,977)</u>	<u>(51,443)</u>	<u>(5,000)</u>	<u>(834,946)</u>
Net change in fund balances	-0-	-0-	-0-	(391,971)	(499,299)
Fund balance, May 1, 2005				1,861,269	2,735,276
Fund balance, April 30, 2006	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,469,298</u>	<u>\$ 2,235,977</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 13,000	\$ 13,000	\$ 14,441	\$ 1,441
Interest income			25	25
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>14,466</u>	<u>1,466</u>
Expenditures:				
Current:				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	1,466	<u>\$ 1,466</u>
Fund balance, May 1, 2005			7,946	
Fund balance, April 30, 2006			<u>\$ 9,412</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
For the year ended April 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 35,000	\$ 35,000	\$ 35,075	\$ 75
Interest income			59	59
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>35,134</u>	<u>134</u>
Expenditures:				
Current:				
Culture and recreation	<u>35,000</u>	<u>35,000</u>	<u>45,281</u>	<u>10,281</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	(10,147)	<u>\$ (10,147)</u>
Fund balance, May 1, 2005			15,042	
Fund balance, April 30, 2006			<u>\$ 4,895</u>	

**CITY OF KANKAKEE, ILLINOIS
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ILLINOIS MUNICIPAL RETIREMENT FUND
 For the year ended April 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 495,000	\$ 495,000	\$ 493,162	\$ (1,838)
Interest income			841	841
Total revenues	495,000	495,000	494,003	(997)
Expenditures:				
Current:				
General government	495,000	495,000	461,613	(33,387)
Net change in fund balance	\$ -0-	\$ -0-	32,390	\$ 32,390
Fund balance, May 1, 2005			445,709	
Fund balance, April 30, 2006			\$ 478,099	

**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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 2,998	\$ (2)
Interest income			5	5
Total revenues	3,000	3,000	3,003	3
Expenditures:				
Current:				
General government	3,000	3,000		(3,000)
Net change in fund balance	\$ -0-	\$ -0-	3,003	\$ 3,003
Fund balance, May 1, 2005			9,543	
Fund balance, April 30, 2006			\$ 12,546	

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 52,750	\$ 52,750	\$ 51,962	\$ (788)
Interest income			87	87
Total revenues	<u>52,750</u>	<u>52,750</u>	<u>52,049</u>	<u>(701)</u>
Expenditures:				
Current:				
Highways and streets	4,223	4,223	260,244	256,021
Debt service:				
Principal retirement	41,554	41,554	41,554	-0-
Interest and fiscal charges	6,973	6,973	6,933	(40)
Total expenditures	<u>52,750</u>	<u>52,750</u>	<u>308,731</u>	<u>255,981</u>
Excess (deficiency) of revenues over expenditures	-0-	-0-	(256,682)	(256,682)
Other financing sources:				
Transfers from other funds			260,244	260,244
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>3,562</u>	<u>\$ 3,562</u>
Fund balance, May 1, 2005			25,935	
Fund balance, April 30, 2006			<u>\$ 29,497</u>	

**CITY OF KANKAKEE, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 April 30, 2006**

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Assets				
Cash and investments	\$ 1,168	\$ 1,246		\$ 100,586
Receivables, less allowance for uncollectible amounts:				
Property taxes	220,300	67,528		372,608
Due from other funds	2,729			
Total assets	\$ 224,197	\$ 68,774	\$ -0-	\$ 473,194
Liabilities				
Due to other funds				
Deferred revenue	\$ 220,300	\$ 67,528		\$ 372,608
Total liabilities	220,300	67,528	\$ -0-	372,608
Fund Balance				
Reserved for debt service	3,897	1,246		100,586
Total liabilities and fund balance	\$ 224,197	\$ 68,774	\$ -0-	\$ 473,194

<u>General Obligation Bonds, Series 1999</u>	<u>General Obligation Bonds, Series 2000A</u>	<u>General Obligation Bonds, Series 2001A</u>	<u>General Obligation Bonds, Series 2001B</u>	<u>General Obligation Bonds, Series 2001C</u>	<u>General Obligation Bonds, Series 2003A</u>
\$ 36,159	\$ 1,013	\$ 307,349			\$ 14,971
799,420	379,235				203,400
<u>\$ 835,579</u>	<u>\$ 380,248</u>	<u>\$ 307,349</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 218,371</u>
\$ 799,420	\$ 379,235				\$ 203,400
<u>799,420</u>	<u>379,235</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>203,400</u>
36,159	1,013	307,349			14,971
<u>\$ 835,579</u>	<u>\$ 380,248</u>	<u>\$ 307,349</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 218,371</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
(Continued)
April 30, 2006

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	Total
Assets					
Cash and investments		\$ 627,456	\$ 4,129	\$ 84,389	\$1,178,466
Receivables, less allowance for uncollectible amounts:					
Property taxes			754,878	301,115	3,098,484
Due from other funds					2,729
Total assets	<u>\$ -0-</u>	<u>\$ 627,456</u>	<u>\$ 759,007</u>	<u>\$ 385,504</u>	<u>\$4,279,679</u>
Liabilities					
Due to other funds		\$ 5,898			\$ 5,898
Deferred revenue			\$ 754,878	\$ 301,115	3,098,484
Total liabilities	<u>\$ -0-</u>	<u>5,898</u>	<u>754,878</u>	<u>301,115</u>	<u>3,104,382</u>
Fund Balance					
Reserved for debt service		621,558	4,129	84,389	1,175,297
Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ 627,456</u>	<u>\$ 759,007</u>	<u>\$ 385,504</u>	<u>\$4,279,679</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2006

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Revenues:				
Property taxes	\$ 228,093	\$ 251,184		\$ 532,375
Interest income	2,875	3,125	\$ 3,484	7,809
Contribution from component unit				
Total revenues	<u>230,968</u>	<u>254,309</u>	<u>3,484</u>	<u>540,184</u>
Expenditures:				
Debt service:				
Principal retirement	200,000	215,000		275,000
Interest and fiscal charges	29,800	38,063		261,358
Total expenditures	<u>229,800</u>	<u>253,063</u>	<u>-0-</u>	<u>536,358</u>
Excess (deficiency) of revenues over expenditures	<u>1,168</u>	<u>1,246</u>	<u>3,484</u>	<u>3,826</u>
Other financing sources (uses):				
Transfers:				
From other funds	4,341	15,234		
To other funds			(168,857)	
Total other financing sources (uses)	<u>4,341</u>	<u>15,234</u>	<u>(168,857)</u>	<u>-0-</u>
Net change in fund balance	5,509	16,480	(165,373)	3,826
Fund balance (deficit), May 1, 2005	(1,612)	(15,234)	165,373	96,760
Fund balance, April 30, 2006	<u>\$ 3,897</u>	<u>\$ 1,246</u>	<u>\$ -0-</u>	<u>\$ 100,586</u>

General Obligation Bonds, Series 1999	General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A
\$ 791,382 9,836	\$ 366,364 3,754	\$ 6,424 90,910			\$ 100,944 1,126
<u>801,218</u>	<u>370,118</u>	<u>97,334</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>102,070</u>
565,000 232,303	215,000 185,548	355,000 126,960	65,000 10,530	65,000 10,530	35,000 174,219
<u>797,303</u>	<u>400,548</u>	<u>481,960</u>	<u>75,530</u>	<u>75,530</u>	<u>209,219</u>
<u>3,915</u>	<u>(30,430)</u>	<u>(384,626)</u>	<u>(75,530)</u>	<u>(75,530)</u>	<u>(107,149)</u>
	48,198	391,050	75,530	75,530	107,520
<u>-0-</u>	<u>48,198</u>	<u>391,050</u>	<u>75,530</u>	<u>75,530</u>	<u>107,520</u>
3,915	17,768	6,424	-0-	-0-	371
32,244	(16,755)	300,925			14,600
<u>\$ 36,159</u>	<u>\$ 1,013</u>	<u>\$ 307,349</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 14,971</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
(Continued)
For the year ended April 30, 2006

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	Total
Revenues:					
Property taxes			\$ 369,612	\$ 292,184	\$2,932,138
Interest income		\$ 14,873	3,214	2,461	58,981
Contribution from component unit					90,910
Total revenues	<u>\$ -0-</u>	<u>14,873</u>	<u>372,826</u>	<u>294,645</u>	<u>3,082,029</u>
Expenditures:					
Debt service:					
Principal retirement	250,000		205,000	130,000	2,575,000
Interest and fiscal charges	204,525	280,264	297,563	330,214	2,181,877
Total expenditures	<u>454,525</u>	<u>280,264</u>	<u>502,563</u>	<u>460,214</u>	<u>4,756,877</u>
Excess (deficiency) of revenues over expenditures	<u>(454,525)</u>	<u>(265,391)</u>	<u>(129,737)</u>	<u>(165,569)</u>	<u>(1,674,848)</u>
Other financing sources (uses):					
Transfers:					
From other funds	454,525		130,185	249,929	1,552,042
To other funds					(168,857)
Total other financing sources (uses)	<u>454,525</u>	<u>-0-</u>	<u>130,185</u>	<u>249,929</u>	<u>1,383,185</u>
Net change in fund balance	-0-	(265,391)	448	84,360	(291,663)
Fund balance, May 1, 2005		886,949	3,681	29	1,466,960
Fund balance, April 30, 2006	<u>\$ -0-</u>	<u>\$ 621,558</u>	<u>\$ 4,129</u>	<u>\$ 84,389</u>	<u>\$1,175,297</u>

**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

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

Firefighters' Pension Fund

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

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2006

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 2,070,768	\$ 540,723	\$ 2,611,491
Receivables, less allowance for uncollectible amounts:			
Employee contributions	16,475	11,308	27,783
Interest	41,471	46,206	87,677
Investments, at fair value:			
Open-end mutual funds	1,244,450	1,147,727	2,392,177
Certificates of deposit		171,035	171,035
Corporate securities	3,880,681	3,256,939	7,137,620
U. S. treasury and agency securities	3,595,807	3,998,868	7,594,675
 Total assets	 <u>10,849,652</u>	 <u>9,172,806</u>	 <u>20,022,458</u>
Liabilities			
Accounts payable	122,170	156,208	278,378
Due to General Fund		2,906	2,906
 Total liabilities	 <u>122,170</u>	 <u>159,114</u>	 <u>281,284</u>
Net Assets			
Net assets held in trust for pension benefits	<u>\$10,727,482</u>	<u>\$ 9,013,692</u>	<u>\$19,741,174</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2006

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 1,035,423	\$ 1,082,677	\$ 2,118,100
Employee	425,200	313,490	738,690
Total contributions	<u>1,460,623</u>	<u>1,396,167</u>	<u>2,856,790</u>
Investment income:			
Net appreciation in fair value of investments	383,524	141,878	525,402
Interest and dividends	312,553	381,237	693,790
	696,077	523,115	1,219,192
Less: investment expense	<u>(77,956)</u>	<u>(62,251)</u>	<u>(140,207)</u>
Net investment income	<u>618,121</u>	<u>460,864</u>	<u>1,078,985</u>
Total additions	<u>2,078,744</u>	<u>1,857,031</u>	<u>3,935,775</u>
Deductions:			
Benefits	1,430,462	1,861,249	3,291,711
Refunds of contributions	39,993	204	40,197
Administrative expenses	24,105	46,540	70,645
Total deductions	<u>1,494,560</u>	<u>1,907,993</u>	<u>3,402,553</u>
Net increase (decrease)	584,184	(50,962)	533,222
Net assets held in trust for pension benefits:			
May 1, 2005	<u>10,143,298</u>	<u>9,064,654</u>	<u>19,207,952</u>
April 30, 2006	<u>\$ 10,727,482</u>	<u>\$ 9,013,692</u>	<u>\$ 19,741,174</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

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

Special Service Area #1

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

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2006

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 313,350		\$ 313,350
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,219,019		1,219,019
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 5,778,892	5,778,892
Total assets	<u><u>\$ 1,532,369</u></u>	<u><u>\$ 5,778,892</u></u>	<u><u>\$ 7,311,261</u></u>
Liabilities			
Accounts payable	\$ 32,270		\$ 32,270
Due to primary government	110,836		110,836
Deferred revenue	1,219,019		1,219,019
Long-term liabilities:			
Due within one year		\$ 55,054	55,054
Due within more than one year		2,368,581	2,368,581
Total liabilities	<u><u>1,362,125</u></u>	<u><u>2,423,635</u></u>	<u><u>3,785,760</u></u>
Fund Balances			
Unreserved - undesignated	170,244	(170,244)	-0-
Net Assets			
Invested in capital assets, net of related debt		3,355,257	3,355,257
Unrestricted		170,244	170,244
Total fund balances/net assets	<u><u>170,244</u></u>	<u><u>3,355,257</u></u>	<u><u>3,525,501</u></u>
Total liabilities and fund balances/net assets	<u><u>\$ 1,532,369</u></u>	<u><u>\$ 5,778,892</u></u>	<u><u>\$ 7,311,261</u></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, 2006

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 1,182,348		\$ 1,182,348
Fees	25,102		25,102
Intergovernmental	150,512		150,512
Interest	6,802		6,802
Other	5,965		5,965
Total revenues	<u>1,370,729</u>	<u>\$ -0-</u>	<u>1,370,729</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,114,022	98,900	1,212,922
Debt service:			
Principal retirement	57,256	(57,256)	-0-
Interest and fiscal charges	122,744		122,744
Total expenditures/expenses	<u>1,294,022</u>	<u>41,644</u>	<u>1,335,666</u>
Net change in fund balances/net assets	76,707	(41,644)	35,063
Fund balances/net assets, May 1, 2005	<u>93,537</u>	<u>3,396,901</u>	<u>3,490,438</u>
Fund balances/net assets, April 30, 2006	<u>\$ 170,244</u>	<u>\$ 3,355,257</u>	<u>\$ 3,525,501</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2006

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 430,339		\$ 430,339
Receivables, less allowance for uncollectible amounts:			
Property taxes	113,000		113,000
Due from primary government	177,133		177,133
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 720,472</u>	<u>\$ -0-</u>	<u>\$ 720,472</u>
Liabilities			
Accounts payable	\$ 150,047		\$ 150,047
Interest payable		\$ 1,035	1,035
Due to primary government	2,955		2,955
Deferred revenue	113,000		113,000
Long-term liabilities:			
Due within one year		90,000	90,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>266,002</u>	<u>91,035</u>	<u>357,037</u>
Fund Balances			
Unreserved - undesignated	454,470	(454,470)	-0-
Net Assets			
Unrestricted		363,435	363,435
	<u>454,470</u>	<u>(91,035)</u>	<u>363,435</u>
Total fund balances/net assets	<u>454,470</u>	<u>(91,035)</u>	<u>363,435</u>
	<u>\$ 720,472</u>	<u>\$ -0-</u>	<u>\$ 720,472</u>
Total liabilities and fund balances/net assets	<u>\$ 720,472</u>	<u>\$ -0-</u>	<u>\$ 720,472</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, 2006

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 109,986		\$ 109,986
Interest	9,220		9,220
Other	100		100
Contribution from primary government	193,051		193,051
Total revenues	<u>312,357</u>	<u>\$ -0-</u>	<u>312,357</u>
Expenditures/expenses:			
Current:			
General government	248,655		248,655
Debt service:			
Principal retirement	85,000	(85,000)	-0-
Interest and fiscal charges	5,910	(965)	4,945
Total expenditures/expenses	<u>339,565</u>	<u>(85,965)</u>	<u>253,600</u>
Net change in fund balances/net assets	(27,208)	85,965	58,757
Fund balances/net assets, May 1, 2005	<u>481,678</u>	<u>(177,000)</u>	<u>304,678</u>
Fund balances/net assets, April 30, 2006	<u>\$ 454,470</u>	<u>\$ (91,035)</u>	<u>\$ 363,435</u>

SUPPLEMENTAL SCHEDULES

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2005 LEVY TO BE COLLECTED IN 2006
April 30, 2006

	Taxes extended	Estimated losses	Estimated net taxes receivable
Primary Government:			
General Fund	\$ 3,668,647	\$ 12,464	\$ 3,656,183
Special revenue funds:			
Band Fund	13,505	505	13,000
Park Fund	36,014	1,014	35,000
Illinois Municipal Retirement Fund	495,191	191	495,000
Special Service Area No. 2	3,052	52	3,000
Special Service Area No. 3	53,047	347	52,700
Tax Increment Financing District #1	568,814	14	568,800
Tax Increment Financing District #2	430,347	47	430,300
Tax Increment Financing District #3	334,879	79	334,800
Tax Increment Financing District #4	471,447	47	471,400
Tax Increment Financing District #5	138,505	5	138,500
Tax Increment Financing District #6	208,551	51	208,500
Tax Increment Financing District #7	54,405	5	54,400
Tax Increment Financing District #8	156,224	24	156,200
Total special revenue funds	<u>2,963,981</u>	<u>2,381</u>	<u>2,961,600</u>
Debt service funds	<u>3,099,444</u>	<u>960</u>	<u>3,098,484</u>
Total Primary Government	<u>\$ 9,732,072</u>	<u>\$ 15,805</u>	<u>\$ 9,716,267</u>
Component Units:			
Library	\$ 1,219,970	\$ 951	\$ 1,219,019
Special Service Area No. 1	113,582	582	113,000
Total Component Units	<u>\$ 1,333,552</u>	<u>\$ 1,533</u>	<u>\$ 1,332,019</u>

**CITY OF KANKAKEE, ILLINOIS
 PROPRIETARY FUND TYPES
 KANKAKEE MUNICIPAL UTILITY
 SCHEDULE OF BOND RATE COVENANT CALCULATION
 APRIL 30, 2006**

Debt service requirements	\$ 907,930
120% covenant	<u> x120%</u>
Total required revenues	<u>\$1,089,516</u>
Net revenues generated by Kankakee Municipal Utility:	
Sewer charges	\$ 6,537,135
Field operations expenses	<u>(3,112,123)</u>
	3,425,012
Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's plant operations expense	
	(2,558,944)
Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's net income	
	25,382
Interest income	<u>131,689</u>
Total net revenues available	<u>\$ 1,023,139</u>
Bond covenant coverage (deficiency)	<u>\$(66,377)</u>

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**CITY OF KANKAKEE, ILLINOIS
 PROPRIETARY FUND TYPES
 KANKAKEE MUNICIPAL UTILITY
 SCHEDULE OF REVENUE BONDS PAYABLE
 April 30, 2006**

Series 1999			Series 2001		
Date of issue	April 1, 1999		December 1, 2001		
Interest rates	4.1% to 6.0%		2.45% to 5.00%		
Principal redemption date	May 1		May 1		
Interest payment dates	May 1 and November 1		May 1 and November 1		
Original issue	\$ 7,140,000		\$ 4,270,000		
Paid to date	2,010,000		815,000		
 Balance, April 30, 2006	 <u><u>\$ 5,130,000</u></u>		 <u><u>\$ 3,455,000</u></u>		
 Date as follows:					
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 355,000	\$ 243,198	\$ 155,000	\$ 155,428	
2008	370,000	227,932	160,000	150,003	
2009	385,000	211,653	170,000	143,923	
2010	405,000	194,327	175,000	137,208	
2011	420,000	176,103	180,000	130,120	
2012	440,000	156,782	190,000	122,650	
2013	460,000	136,103	195,000	114,670	
2014	485,000	114,022	205,000	106,188	
2015	505,000	90,500	215,000	97,065	
2016	530,000	65,250	225,000	87,498	
2017	560,000	38,750	235,000	77,260	
2018	215,000	10,750	245,000	66,215	
2019			255,000	54,455	
2020			270,000	42,088	
2021			285,000	28,858	
2022			295,000	14,750	
	<u><u>\$ 5,130,000</u></u>	<u><u>\$ 1,665,370</u></u>	<u><u>\$ 3,455,000</u></u>	<u><u>\$ 1,528,379</u></u>	

Totals

\$11,410,000
2,825,000

\$ 8,585,000

<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
\$ 510,000	\$ 398,626	\$ 908,626
530,000	377,935	907,935
555,000	355,576	910,576
580,000	331,535	911,535
600,000	306,223	906,223
630,000	279,432	909,432
655,000	250,773	905,773
690,000	220,210	910,210
720,000	187,565	907,565
755,000	152,748	907,748
795,000	116,010	911,010
460,000	76,965	536,965
255,000	54,455	309,455
270,000	42,088	312,088
285,000	28,858	313,858
295,000	14,750	309,750
<hr/> <u>\$ 8,585,000</u>	<hr/> <u>\$ 3,193,749</u>	<hr/> <u>\$11,778,749</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2006

	Series 1995		Series 1997		Series 1998A	
Date of issue	December 1, 1995		April 1, 1997		December 15, 1998	
Interest rates	4.0% to 5.5%		4.1% to 5.3%		4.2% to 5.0%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 3,865,000		\$ 7,200,000		\$ 6,735,000	
Paid to date	<u>3,455,000</u>		<u>6,670,000</u>		<u>1,190,000</u>	
Balance, April 30, 2006	<u>\$ 410,000</u>		<u>\$ 530,000</u>		<u>\$ 5,545,000</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 200,000	\$ 20,300	\$ 40,000	\$ 27,527	\$ 125,000	\$ 247,607
2008	210,000	10,500	40,000	25,568	200,000	241,358
2009			40,000	23,568	500,000	231,357
2010			45,000	21,528	600,000	210,357
2011			160,000	19,187		184,858
2012			155,000	10,788		184,858
2013			50,000	2,650	1,085,000	184,858
2014					1,425,000	136,575
2015					1,610,000	72,450
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 410,000</u>	<u>\$ 30,800</u>	<u>\$ 530,000</u>	<u>\$ 130,816</u>	<u>\$5,545,000</u>	<u>\$1,694,278</u>

Series 1999A		Series 2000A		Series 2001A		Series 2001B	
February 1, 1999 3.8% to 4.8%		August 15, 2000 4.5% to 5.6%		December 1, 2001 2.10% to 4.5%		December 1, 2001 3.05% to 3.90%	
January 1		January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 6,785,000		\$ 4,590,000		\$ 3,595,000		\$ 450,000	
<u>2,085,000</u>		<u>1,135,000</u>		<u>735,000</u>		<u>245,000</u>	
<u>\$ 4,700,000</u>		<u>\$ 3,455,000</u>		<u>\$ 2,860,000</u>		<u>\$ 205,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 590,000	\$ 209,420	\$ 235,000	\$ 175,443	\$ 365,000	\$ 115,245	\$ 65,000	\$ 7,995
585,000	184,935	265,000	164,280	285,000	102,653	70,000	5,460
610,000	160,365	290,000	151,560	295,000	91,965	70,000	2,730
640,000	134,440	310,000	137,640	305,000	80,460		
215,000	106,600	345,000	122,140	320,000	68,260		
250,000	97,032	375,000	105,235	330,000	55,140		
610,000	85,658	405,000	86,485	345,000	41,445		
615,000	57,292	440,000	65,830	360,000	26,955		
585,000	28,080	430,000	42,950	255,000	11,475		
		25,000	20,160				
		25,000	18,760				
		30,000	17,360				
		30,000	15,680				
		35,000	14,000				
		35,000	12,040				
		40,000	10,080				
		45,000	7,840				
		45,000	5,320				
		50,000	2,800				
<u>\$4,700,000</u>	<u>\$1,063,822</u>	<u>\$3,455,000</u>	<u>\$1,175,603</u>	<u>\$2,860,000</u>	<u>\$ 593,598</u>	<u>\$ 205,000</u>	<u>\$ 16,185</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2006

	Series 2001C		Series 2003A		Series 2003B	
Date of issue	December 1, 2001		June 1, 2003		June 1, 2003	
Interest rates	3.05% to 3.90%		2.25% to 5.25%		2.25% to 5.25%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 450,000		\$ 3,960,000		\$ 4,860,000	
Paid to date	<u>245,000</u>		<u>35,000</u>		<u>250,000</u>	
Balance, April 30, 2006	<u>\$ 205,000</u>		<u>\$ 3,925,000</u>		<u>\$ 4,610,000</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 65,000	\$ 7,995	\$ 120,000	\$ 173,431	\$ 260,000	\$ 198,900
2008	70,000	5,460	200,000	170,431	270,000	192,400
2009	70,000	2,730	255,000	164,931	280,000	184,975
2010			85,000	157,281	295,000	176,575
2011			425,000	154,519	310,000	166,989
2012			510,000	140,175	325,000	156,525
2013			1,090,000	122,325	340,000	145,150
2014			1,240,000	65,100	360,000	132,825
2015					380,000	113,925
2016					405,000	93,975
2017					435,000	72,712
2018					460,000	49,875
2019					490,000	25,724
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 205,000</u>	<u>\$ 16,185</u>	<u>\$3,925,000</u>	<u>\$1,148,193</u>	<u>\$4,610,000</u>	<u>\$1,710,550</u>

Series 2003 - Exit 308		Series 2004		Series 2005	
October 1, 2003 Variable		April 1, 2004 2.0% to 4.0%		February 1, 2005 3.0% to 4.35%	
January 1		January 1		January 1	
July 1 and January 1 \$ 6,000,000		July 1 and January 1 \$ 9,600,000 365,000		July 1 and January 1 \$ 9,160,000 130,000	
<u>\$ 6,000,000</u>		<u>\$ 9,235,000</u>		<u>\$ 9,030,000</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	\$ 228,000	\$ 590,000	\$ 293,462	\$ 115,000	\$ 364,140
\$ 140,000	228,000	590,000	280,188	295,000	360,690
215,000	222,680	495,000	265,437	380,000	351,102
230,000	214,510	455,000	253,062	350,000	337,803
245,000	205,770	1,470,000	240,550	220,000	323,803
260,000	196,460	1,520,000	196,450	255,000	315,002
280,000	186,580	290,000	147,810	520,000	304,803
300,000	175,940	120,000	138,385	550,000	284,002
320,000	164,540	135,000	134,425	595,000	262,003
340,000	152,380	1,350,000	129,835	635,000	238,202
365,000	139,460	1,820,000	81,910	675,000	212,803
385,000	125,590	130,000	15,480	720,000	185,802
410,000	110,960	130,000	10,605	755,000	154,843
435,000	95,380	140,000	5,600	780,000	124,642
465,000	78,850			815,000	92,663
490,000	61,180			500,000	58,840
1,120,000	42,560			510,000	37,590
				360,000	15,660
<u>\$6,000,000</u>	<u>\$2,628,840</u>	<u>\$9,235,000</u>	<u>\$2,193,199</u>	<u>\$9,030,000</u>	<u>\$4,024,393</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2006

Totals

Original issue	\$ 67,250,000
Paid to date	<u>16,540,000</u>
Balance, April 30, 2006	<u><u>\$ 50,710,000</u></u>

Due as follows:

Year ending April 30,	Principal	Interest	Totals
2007	\$ 2,770,000	\$ 2,069,465	\$ 4,839,465
2008	3,220,000	1,971,923	5,191,923
2009	3,500,000	1,853,400	5,353,400
2010	3,315,000	1,723,656	5,038,656
2011	3,710,000	1,592,676	5,302,676
2012	3,980,000	1,457,665	5,437,665
2013	5,015,000	1,307,764	6,322,764
2014	5,410,000	1,082,904	6,492,904
2015	4,310,000	829,848	5,139,848
2016	2,755,000	634,552	3,389,552
2017	3,320,000	525,645	3,845,645
2018	1,725,000	394,107	2,119,107
2019	1,815,000	317,812	2,132,812
2020	1,390,000	239,622	1,629,622
2021	1,315,000	183,553	1,498,553
2022	1,030,000	130,100	1,160,100
2023	1,675,000	87,990	1,762,990
2024	405,000	20,980	425,980
2025	50,000	2,800	52,800
	<u><u>\$50,710,000</u></u>	<u><u>\$16,426,462</u></u>	<u><u>\$67,136,462</u></u>

CITY OF KANKAKEE, ILLINOIS
GENERAL FUND REVENUES BY SOURCE (UNAUDITED, IN 000'S)
FISCAL YEARS ENDED APRIL 30, 1997 - 2006

FISCAL YEAR ENDING	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TAXES										
General Property Taxes	\$1,118	\$1,145	\$1,819	\$1,924	\$2,031	\$2,157	\$2,432	\$3,065	\$3,355	\$3,563
State Income Tax	1,952	2,142	2,271	2,408	2,593	2,254	2,038	1,926	2,155	2,426
State Replacement Tax	468	491	510	591	545	476	408	458	536	689
Illinois Retailers Tax	2,155	2,019	2,043	2,085	2,244	2,991	3,644	4,298	5,284	6,169
Utility Taxes	<u>2,680</u>	<u>2,545</u>	<u>2,772</u>	<u>2,927</u>	<u>3,290</u>	<u>3,003</u>	<u>3,027</u>	<u>3,244</u>	<u>3,314</u>	<u>3,350</u>
Total Taxes	<u>8,374</u>	<u>8,342</u>	<u>9,416</u>	<u>9,935</u>	<u>10,703</u>	<u>10,881</u>	<u>11,548</u>	<u>12,990</u>	<u>14,646</u>	<u>16,197</u>
LICENCES, PERMITS, & FEES										
Business Licenses	85	86	83	85	80	84	101	104	106	95
Vehicle Sticker Fees	386	409	400	352	378	374	427	390	24	3
Other Licenses	50	49	62	56	58	66	56	39	73	59
Franchise Fees	234	252	173	174	288	251	201	213	237	222
Ambulance Fees	235	230	210	157	237	344	276	336	315	418
Garbage Collection Fees	763	846	844	446						
Community Oriented										
Policing Fee	452	466	464	459	431	457	459	444	456	459
Other Permits and Fees	<u>164</u>	<u>191</u>	<u>192</u>	<u>787</u>	<u>147</u>	<u>126</u>	<u>126</u>	<u>87</u>	<u>147</u>	<u>95</u>
Total Licenses, Permits and Fees	<u>2,369</u>	<u>2,527</u>	<u>2,427</u>	<u>2,515</u>	<u>1,621</u>	<u>1,703</u>	<u>1,645</u>	<u>1,613</u>	<u>1,358</u>	<u>1,351</u>
INTERGOVERNMENTAL										
Grants from other governmental agencies	<u>474</u>	<u>481</u>	<u>312</u>	<u>743</u>	<u>641</u>	<u>552</u>	<u>426</u>	<u>358</u>	<u>284</u>	<u>320</u>
CHARGES FOR SERVICES										
Kankakee Wastewater Utility	477	477	516	441	213	174	166	50	90	102
Department of Public Works	93	145	173	131	461	448	570	270	541	50
KRMA							50	50	50	292
Community Development	19	27	49	74	77	77	77	77	142	142
Fire Department	13	12	49	51	58	85	60	66	61	69
Police Department	<u>14</u>	<u>13</u>	<u>22</u>	<u>12</u>	<u>23</u>	<u>41</u>	<u>15</u>	<u>14</u>	<u>16</u>	<u>39</u>
Total Charges for Services	<u>615</u>	<u>674</u>	<u>808</u>	<u>708</u>	<u>832</u>	<u>825</u>	<u>938</u>	<u>527</u>	<u>900</u>	<u>694</u>
FINES										
Traffic Fines	<u>164</u>	<u>186</u>	<u>165</u>	<u>181</u>	<u>236</u>	<u>340</u>	<u>729</u>	<u>693</u>	<u>752</u>	<u>552</u>
MISCELLANEOUS REVENUES										
Interest	29	45	47	45	55	17	9	39	64	296
Other Revenues	<u>153</u>	<u>63</u>	<u>102</u>	<u>72</u>	<u>207</u>	<u>160</u>	<u>312</u>	<u>194</u>	<u>172</u>	<u>239</u>
Total Miscellaneous Revenues	<u>182</u>	<u>108</u>	<u>150</u>	<u>118</u>	<u>262</u>	<u>177</u>	<u>321</u>	<u>233</u>	<u>237</u>	<u>535</u>
TOTAL GENERAL FUND										
REVENUES BY SOURCE	<u>\$12,179</u>	<u>\$12,318</u>	<u>\$13,278</u>	<u>\$14,200</u>	<u>\$14,293</u>	<u>\$14,478</u>	<u>\$15,607</u>	<u>\$16,415</u>	<u>\$18,177</u>	<u>\$19,650</u>

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

CITY OF KANKAKEE, ILLINOIS
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED, IN 000'S)
FISCAL YEARS ENDED APRIL 30, 1997 - 2006

FISCAL YEAR ENDING	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL CITY GOVERNMENT										
Council	\$121	\$116	\$114	\$122	\$115	\$126	\$118	\$118	\$123	\$126
Mayor	75	58	64	102	87	95	95	93	73	80
Commissions & Boards	22	22	31	22	23	32	17	22	56	47
City Clerk	78	90	100	85	102	97	91	83	96	105
Adjudication Court				74	104	94	117	117	157	151
Central Services	165	178	186	237	312	314	269	268	274	313
Collection	215	229	222	206	89	125	115	112	82	85
Computer Operations					24	99	136	68	81	98
Corporate Counsel	123	145	148	147	158	138	154	137	176	180
City Planning	72	72	51	50	50	54	55	60	40	9
Public Buildings & Grounds	111	119	134	140	149	198	114	142	116	291
Community Promotion	48	59	63	71	73	76	108	69	67	75
Human Relations	49	55	53	64	63	64	67	72	79	76
Group Insurance	696	658	660	688	821	926	1,174	1,061	1,475	1,552
Liability Insurance	396	665	697	876	957	1,003	1,091	1,327	1,367	1,543
Unemployment Tax					20	39	45	64	80	61
Transportation Support					70	72	71	63	63	62
Other	<u>81</u>	<u>117</u>	<u>96</u>	<u>38</u>	<u>160</u>	<u>6</u>	<u>55</u>	<u>72</u>	<u>119</u>	<u>172</u>
Total General City Government	<u>2,251</u>	<u>2,582</u>	<u>2,619</u>	<u>2,922</u>	<u>3,377</u>	<u>3,559</u>	<u>3,895</u>	<u>3,950</u>	<u>4,524</u>	<u>5,026</u>
PUBLIC SAFETY										
Police Department	4,099	4,312	4,586	5,471	5,507	5,796	6,435	6,398	6,606	7,143
Fire Department	2,658	2,758	3,259	3,617	3,538	3,704	3,899	3,852	4,416	4,689
Code Enforcement	320	336	377	415	327	391	448	553	566	520
Animal Control	<u>29</u>	<u>20</u>	<u>38</u>	<u>30</u>	<u>25</u>	<u>48</u>	<u>27</u>	<u>19</u>	<u>30</u>	<u>23</u>
Total Public Safety	<u>7,105</u>	<u>7,427</u>	<u>8,260</u>	<u>9,532</u>	<u>9,398</u>	<u>9,938</u>	<u>10,810</u>	<u>10,822</u>	<u>11,619</u>	<u>12,376</u>
PUBLIC WORKS										
	<u>1,770</u>	<u>1,833</u>	<u>1,747</u>	<u>1,697</u>	<u>1,584</u>	<u>1,804</u>	<u>1,673</u>	<u>1,954</u>	<u>1,807</u>	<u>2,155</u>
OTHER										
Public Health	834	884	892	611						
Residential Rehabilitation							107	77	31	90
Economic Development	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35</u>	<u>196</u>	<u>22</u>	<u>32</u>	<u>35</u>
Total Other	<u>834</u>	<u>884</u>	<u>892</u>	<u>611</u>	<u>0</u>	<u>35</u>	<u>303</u>	<u>99</u>	<u>63</u>	<u>125</u>
DEBT SERVICE										
Principal retirement	32						91	13	30	32
Interest and other fixed charges	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20</u>	<u>0</u>	<u>5</u>	<u>4</u>
Total Debt Service	<u>35</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111</u>	<u>13</u>	<u>34</u>	<u>35</u>
TOTAL EXPENDITURES	<u>\$11,994</u>	<u>\$12,726</u>	<u>\$13,518</u>	<u>\$14,762</u>	<u>\$14,359</u>	<u>\$15,337</u>	<u>\$16,792</u>	<u>\$16,837</u>	<u>\$18,047</u>	<u>\$19,717</u>

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

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LEVY YEARS 1996 - 2005

Levy Year	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:										
General Corporate	\$421,628	\$422,714	\$423,242	\$423,379	\$0	\$0	\$20,556	\$20,843	\$20,790	\$20,258
Fire Protection	196,759	197,022	198,734	198,459	197,441	198,468	222,003	220,936	222,449	220,585
Police Protection	152,117	152,244	152,731	153,097	153,353	152,359	170,613	170,913	170,475	171,066
Firemen's Pension		447,776	515,237	576,476	580,823	769,815	875,677	985,874	1,087,296	1,084,918
Police Pension		248,964	287,061	321,314	437,055	537,266	703,008	858,731	956,322	1,037,650
School Crossing Guard	23,148	23,284	23,922	24,571	24,920	24,057	26,723	31,264	27,026	27,010
Liability Insurance	226,521	227,470	228,176	234,371	657,499	657,550	945,567	946,272	945,927	947,615
Audit	26,455	26,867	27,602	28,351	28,754	28,066	30,834	25,012	33,263	33,763
Road & Bridge	85,000	95,000	100,000	100,000	100,000	100,000	100,000	109,556	166,828	125,782
Total General Fund Tax Extensions	<u>1,131,628</u>	<u>1,841,341</u>	<u>1,956,705</u>	<u>2,060,018</u>	<u>2,179,845</u>	<u>2,467,581</u>	<u>3,094,981</u>	<u>3,369,401</u>	<u>3,630,376</u>	<u>3,668,647</u>
Special Revenue Funds										
Civil Defense										
Parks	38,029	39,404	36,803	37,802	38,338	38,090	37,000	35,433	35,342	36,014
Band	13,228	14,329	14,721	13,231	13,418	14,033	14,389	14,590	14,553	13,505
IMRF	410,053	431,656	450,832	472,521	496,479	495,167	495,395	496,063	496,872	495,191
Library	350,529	356,431	375,388	385,577	486,894	529,248	567,340	1,290,182	1,191,244	1,219,970
Special Service Area No 1	106,969	79,797	118,544	117,116	118,376	101,065	113,242	117,666	110,346	113,582
Special Service Area No 2	6,086	6,033	3,025	3,009	3,009	3,007	3,030	3,050	3,017	3,052
Special Service Area No 3	-	-	-	-	-	-	-	52,750	52,947	53,047
Total Special Revenue Funds	<u>924,894</u>	<u>927,650</u>	<u>999,313</u>	<u>1,029,256</u>	<u>1,156,514</u>	<u>1,180,610</u>	<u>1,230,396</u>	<u>2,009,734</u>	<u>1,904,321</u>	<u>1,934,361</u>
Fiduciary Funds										
Firemen's Pension	378,638									
Police Pension	<u>211,640</u>									
Total Fiduciary Fund Extensions	<u>590,278</u>									
Debt Service Funds										
GO Bonds Series 2005									282,226	285,704
GO Bonds Series 2004									372,394	755,112
GO Bonds Series 2003A								101,698	101,703	203,463
GO Bonds Series 2000A					310,539	714,575	345,864	346,002	369,121	379,353
GO Bonds Series 1999A			268,659	291,678	291,370	782,056	758,245	799,663	797,337	799,668
GO Bonds Series 1998A			318,343	303,411	302,871	583,682	590,947	612,699	536,381	372,723
GO Bonds Series 1998		127,168	160,091	179,894		107,452	95,174	67,492	12,157	15,505
GO Bonds Series 1997		440,612	397,469	484,706	484,978	353,924	418,861	460,938	253,074	67,548
GO Bonds Series 1995		222,097	220,816	213,654	207,026	204,785	193,883	212,712	229,810	220,368
GO Bonds Series 1986 - 1994	<u>2,030,426</u>	<u>1,407,809</u>	<u>822,539</u>	<u>813,660</u>	<u>839,605</u>					
Total Debt Service Funds Extensions	<u>2,030,426</u>	<u>2,197,686</u>	<u>2,187,917</u>	<u>2,287,003</u>	<u>2,436,389</u>	<u>2,746,474</u>	<u>2,402,973</u>	<u>2,601,206</u>	<u>2,954,203</u>	<u>3,099,444</u>
Total Extensions	<u>\$4,677,226</u>	<u>\$4,966,677</u>	<u>\$5,143,935</u>	<u>\$5,376,277</u>	<u>\$5,772,748</u>	<u>\$6,394,665</u>	<u>\$6,728,350</u>	<u>\$7,980,341</u>	<u>\$8,488,900</u>	<u>\$8,702,452</u>
Total Collections										
General Fund	\$1,144,987	\$1,818,919	\$1,923,539	\$2,030,902	\$2,156,996	\$2,434,613	\$3,066,754	\$3,354,623	\$3,569,334	
Civil Defense Fund										
Park Fund	38,116	38,776	36,070	37,215	37,846	37,509	36,564	35,255	35,135	
Band Fund	13,258	14,100	14,428	13,026	13,249	13,821	14,217	14,514	14,466	
IMRF	410,985	424,771	441,860	465,207	490,109	487,621	489,556	493,595	494,002	
Firemen's Pension Fund	379,498									
Police Pension Fund	212,121									
Library Fund	356,849	349,514	365,000	379,610	480,755	521,315	560,193	1,282,830	1,182,348	
Special Service Area No. 1	105,671	150,944	118,732	108,258	118,518	101,146	112,465	116,942	109,986	
Special Service Area No. 2	6,102	6,012	3,017	3,008	3,009	3,009	3,031	3,050	3,003	
Debt Service Funds	<u>2,034,874</u>	<u>2,162,807</u>	<u>2,144,371</u>	<u>2,251,606</u>	<u>2,405,125</u>	<u>2,704,603</u>	<u>2,374,663</u>	<u>2,588,274</u>	<u>2,937,134</u>	
Total Collected	<u>\$4,702,461</u>	<u>\$4,965,843</u>	<u>\$5,047,017</u>	<u>\$5,288,832</u>	<u>\$5,705,607</u>	<u>\$6,303,637</u>	<u>\$6,657,443</u>	<u>\$7,889,083</u>	<u>\$8,345,408</u>	
Percent of Extensions Collected	<u>100.5%</u>	<u>99.9%</u>	<u>98.1%</u>	<u>98.4%</u>	<u>98.8%</u>	<u>98.6%</u>	<u>98.9%</u>	<u>98.9%</u>	<u>98.3%</u>	

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF
TAXABLE PROPERTY (UNAUDITED)
LEVY YEARS 1996 - 2005

Levy Year	Residential	Commercial	Industrial	Farm	Railroad	Valuation, <u>City of Kankakee</u>		Ratio, Assessed/ Actual
						Assessed	Actual	
2005	\$ 153,858,874	\$ 70,978,107	\$ 20,782,574	\$ 482,506	\$ 1,065,782	\$ 247,167,843	\$ 741,503,529	33.3%
2004	138,098,922	68,246,503	21,439,393	488,177	1,203,251	229,476,246	688,428,738	33.3%
2003	140,737,615	64,576,073	21,167,724	505,454	1,366,946	228,353,812	685,061,436	33.3%
2002	138,201,636	64,106,550	21,289,432	478,488	1,369,432	225,445,538	676,336,614	33.3%
2001	133,996,738	63,390,332	20,627,505	507,987	1,344,350	219,866,912	659,600,736	33.3%
2000	127,561,655	63,892,456	19,260,964	336,545	1,326,195	212,377,815	637,133,445	33.3%
1999	126,783,784	65,471,979	19,095,750	400,729	1,415,246	213,167,488	639,502,464	33.3%
1998	121,589,519	64,964,830	19,076,955	415,486	1,257,678	207,304,468	621,913,404	33.3%
1997	115,300,602	66,830,764	19,395,105	281,993	1,253,996	203,062,460	609,187,380	33.3%
1996	108,868,708	63,170,617	17,826,834	265,098	1,167,622	191,298,879	573,896,637	33.3%

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

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION,
DIRECT AND OVERLAPPING GOVERNMENT (UNAUDITED)
LEVY YEARS 1996 - 2005

LEVY YEAR	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:										
General Corporate	\$0.255	\$0.236	\$0.230	\$0.224			\$0.010	\$0.010	\$0.010	\$0.009
Fire Protection	0.119	0.110	0.108	0.105	\$0.103	\$0.099	0.108	0.106	0.107	0.098
Police Protection	0.092	0.085	0.083	0.081	0.080	0.076	0.083	0.082	0.082	0.076
Firemen's Pension		0.250	0.280	0.305	0.303	0.384	0.426	0.473	0.523	0.482
Police Pension		0.139	0.156	0.170	0.228	0.268	0.342	0.412	0.460	0.461
School Crossing Guard	0.014	0.013	0.013	0.013	0.013	0.012	0.013	0.012	0.013	0.012
Liability Insurance	0.137	0.127	0.124	0.124	0.343	0.328	0.460	0.454	0.455	0.421
Audit	0.016	0.015	0.015	0.015	0.015	0.014	0.015	0.015	0.016	0.015
Road & Bridge	<u>0.051</u>	<u>0.053</u>	<u>0.054</u>	<u>0.053</u>	<u>0.052</u>	<u>0.050</u>	<u>0.049</u>	<u>0.049</u>	<u>0.049</u>	<u>0.056</u>
Total General Fund	<u>0.684</u>	<u>1.028</u>	<u>1.063</u>	<u>1.090</u>	<u>1.137</u>	<u>1.231</u>	<u>1.506</u>	<u>1.613</u>	<u>1.715</u>	<u>1.630</u>
Special Revenue Funds										
Civil Defense										
Parks	0.023	0.022	0.020	0.020	0.020	0.019	0.018	0.017	0.017	0.016
Band	0.008	0.008	0.008	0.007	0.007	0.007	0.007	0.007	0.007	0.006
IMRF	0.248	0.241	0.245	0.250	0.259	0.247	0.241	0.238	0.239	0.220
Library	0.212	0.199	0.204	0.204	0.254	0.264	0.276	0.619	0.573	0.542
Special Service Area No 1	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.986
Special Service Area No 2	0.116	0.108	0.055	0.053	0.053	0.051	0.050	0.048	0.047	0.047
Special Service Area No 3	<u>0.000</u>	<u>1.249</u>	<u>1.198</u>	<u>1.087</u>						
Total Special Revenue Funds	<u>2.607</u>	<u>2.578</u>	<u>2.532</u>	<u>2.534</u>	<u>2.593</u>	<u>2.588</u>	<u>2.592</u>	<u>4.178</u>	<u>4.081</u>	<u>3.904</u>
Fiduciary Funds										
Firemen's Pension	0.229									
Police Pension	<u>0.128</u>									
Total Fiduciary Fund	<u>0.357</u>									
Debt Service Funds										
GO Bonds Series 2005									0.136	0.134
GO Bonds Series 2004									0.179	0.335
GO Bonds Series 2003A									0.049	0.090
GO Bonds Series 2000A					0.162	0.356	0.168	0.173	0.178	0.169
GO Bonds Series 1999A			0.146	0.154	0.152	0.390	0.369	0.399	0.383	0.355
GO Bonds Series 1998A			0.173	0.161	0.158	0.291	0.288	0.306	0.258	0.166
GO Bonds Series 1998		0.071	0.087	0.096		0.054	0.046	0.034	0.006	
GO Bonds Series 1997	0.180	0.246	0.216	0.256	0.253	0.177	0.204	0.230	0.122	0.030
GO Bonds Series 1995	0.210	0.124	0.120	0.113	0.108	0.102	0.094	0.106	0.110	0.098
GO Bonds Series 1994	0.380	0.401								
GO Bonds Series 1992	<u>0.458</u>	<u>0.385</u>	<u>0.447</u>	<u>0.430</u>	<u>0.438</u>	-	-	-	-	-
Total Debt Service Funds	<u>1.228</u>	<u>1.227</u>	<u>1.189</u>	<u>1.210</u>	<u>1.271</u>	<u>1.370</u>	<u>1.169</u>	<u>1.248</u>	<u>1.421</u>	<u>1.377</u>
Total City	<u>4.876</u>	<u>4.833</u>	<u>4.784</u>	<u>4.834</u>	<u>5.001</u>	<u>5.189</u>	<u>5.267</u>	<u>7.039</u>	<u>7.217</u>	<u>6.911</u>
Overlapping Units										
Kankakee Township	0.625	0.696	0.602	0.525	0.521	0.509	0.501	0.502	0.487	0.459
School District No 111	4.810	4.678	4.688	4.636	4.667	4.613	4.577	4.620	4.664	4.455
Kankakee Valley Airport Authority	0.086	0.054	0.071	0.067	0.061	0.064	0.056	0.051	0.049	0.045
Kankakee Valley Park District	0.611	0.591	0.580	0.576	0.580	0.566	0.564	0.568	0.577	0.549
Kankakee County Forest Preserve District	0.058	0.056	0.055	0.056	0.058	0.059	0.060	0.060	0.060	0.058
Kankakee County	0.886	0.882	0.873	0.863	0.881	0.877	0.874	0.881	0.881	0.842
Kankakee Community College Dist #520	<u>0.216</u>	<u>0.213</u>	<u>0.209</u>	<u>0.208</u>	<u>0.208</u>	<u>0.238</u>	<u>0.280</u>	<u>0.311</u>	<u>0.304</u>	<u>0.320</u>
Total Overlapping Units	<u>7.292</u>	<u>7.170</u>	<u>7.078</u>	<u>6.931</u>	<u>6.976</u>	<u>6.926</u>	<u>6.912</u>	<u>6.993</u>	<u>7.022</u>	<u>6.728</u>
Overall Tax Rate	<u>\$12.168</u>	<u>\$12.003</u>	<u>\$11.862</u>	<u>\$11.765</u>	<u>\$11.977</u>	<u>\$12.115</u>	<u>\$12.179</u>	<u>\$14.032</u>	<u>\$14.239</u>	<u>\$13.639</u>

CITY OF KANKAKEE, ILLINOIS
SPECIAL ASSESSMENT COLLECTIONS (UNAUDITED)
FISCAL YEARS 1997 - 2006

Fiscal Year	Assessments Receivable Beginning of Year	Principal Payments	Assessments Receivable End of Year
2006	\$22,643	\$0	\$22,643
2005	22,643	0	22,643
2004	22,643	0	22,643
2003	22,643	0	22,643
2002	22,643	0	22,643
2001	22,799	156	22,643
2000	23,361	562	22,799
1999	24,189	828	23,361
1998	25,072	883	24,189
1997	26,035	1,215	25,072

CITY OF KANKAKEE, ILLINOIS
RATIO OF DIRECT GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LEVY YEARS 1996 - 2005

LEVY YEAR	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>
ASSESSED VALUATIONS (in 000's)										
City of Kankakee	<u>\$191,299</u>	<u>\$203,062</u>	<u>\$207,304</u>	<u>\$213,167</u>	<u>\$212,378</u>	<u>\$219,667</u>	<u>\$225,446</u>	<u>\$228,354</u>	<u>\$229,476</u>	<u>\$247,168</u>
Special Service Area No. 1	<u>\$6,811</u>	<u>\$4,896</u>	<u>\$8,413</u>	<u>\$8,453</u>	<u>\$8,147</u>	<u>\$7,294</u>	<u>\$7,891</u>	<u>\$8,129</u>	<u>\$7,776</u>	<u>\$8,222</u>
Special Service Area No. 2	<u>\$5,246</u>	<u>\$5,587</u>	<u>\$5,500</u>	<u>\$5,677</u>	<u>\$5,677</u>	<u>\$5,895</u>	<u>\$6,060</u>	<u>\$6,354</u>	<u>\$6,420</u>	<u>\$6,493</u>
Special Service Area No. 3							<u>\$4,023</u>	<u>\$4,223</u>	<u>\$4,420</u>	<u>\$4,880</u>
NET GENERAL BONDED DEBT (in 000's)										
General Obligation Debt										
1986 - 1994 Bonds	<u>\$20,255</u>	<u>\$18,885</u>	<u>\$10,955</u>	<u>\$9,695</u>	<u>\$6,905</u>					
1995 Corporate Purpose Bonds	<u>3,680</u>	<u>3,410</u>	<u>3,255</u>	<u>3,095</u>	<u>2,905</u>	<u>\$2,715</u>	<u>\$2,525</u>	<u>\$835</u>	<u>\$610</u>	<u>\$410</u>
1997 Corporate Purpose Bonds	<u>7,200</u>	<u>7,180</u>	<u>7,110</u>	<u>7,080</u>	<u>6,960</u>	<u>6,835</u>	<u>6,835</u>	<u>855</u>	<u>745</u>	<u>530</u>
1998 Corporate Purpose Bonds		<u>3,265</u>	<u>3,265</u>	<u>3,265</u>	<u>3,245</u>	<u>3,210</u>	<u>3,160</u>	<u>3,100</u>		
1998A Corporate Purpose Bonds			<u>6,735</u>	<u>6,735</u>	<u>6,735</u>	<u>6,735</u>	<u>6,455</u>	<u>6,155</u>	<u>5,820</u>	<u>5,545</u>
1999A Corporate Purpose Bonds			<u>6,785</u>	<u>6,785</u>	<u>6,785</u>	<u>6,785</u>	<u>6,295</u>	<u>5,810</u>	<u>5,265</u>	<u>4,700</u>
2000A Corporate Purpose Bonds					<u>4,590</u>	<u>4,560</u>	<u>4,040</u>	<u>3,865</u>	<u>3,670</u>	<u>3,455</u>
2000B Corporate Purpose Bonds					<u>1,515</u>	<u>1,195</u>	<u>830</u>	<u>425</u>		
2001A Bonds Series A						<u>3,450</u>	<u>3,375</u>	<u>3,295</u>	<u>3,215</u>	<u>2,860</u>
2001A Bonds Series B						<u>450</u>	<u>390</u>	<u>330</u>	<u>270</u>	<u>205</u>
2001A Bonds Series C						<u>450</u>	<u>390</u>	<u>330</u>	<u>270</u>	<u>205</u>
2003A Bonds								<u>3,960</u>	<u>3,960</u>	<u>3,925</u>
2003B Bonds								<u>4,860</u>	<u>4,860</u>	<u>4,610</u>
2003 Bonds								<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
2004 Bonds								<u>9,600</u>	<u>9,440</u>	<u>9,235</u>
2005 Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,160</u>	<u>9,030</u>
Total General Obligation Debt	<u>31,135</u>	<u>32,740</u>	<u>38,105</u>	<u>36,655</u>	<u>39,640</u>	<u>36,385</u>	<u>34,295</u>	<u>49,420</u>	<u>53,285</u>	<u>50,710</u>
Revenue Debt										
Sewerage Revenue Bonds	<u>24,085</u>	<u>22,820</u>	<u>7,140</u>	<u>6,925</u>	<u>6,665</u>	<u>10,425</u>	<u>9,995</u>	<u>9,545</u>	<u>9,075</u>	<u>8,585</u>
Total Revenue Bonds	<u>24,085</u>	<u>22,820</u>	<u>7,140</u>	<u>6,925</u>	<u>6,665</u>	<u>10,425</u>	<u>9,995</u>	<u>9,545</u>	<u>9,075</u>	<u>8,585</u>
Total Direct Debt	<u>55,220</u>	<u>55,560</u>	<u>45,245</u>	<u>43,580</u>	<u>46,305</u>	<u>46,810</u>	<u>44,290</u>	<u>58,965</u>	<u>62,360</u>	<u>59,295</u>
Less Self Supporting Debt:										
Revenue Debt	<u>24,085</u>	<u>22,820</u>	<u>7,140</u>	<u>6,925</u>	<u>6,665</u>	<u>10,425</u>	<u>9,995</u>	<u>9,545</u>	<u>9,075</u>	<u>8,585</u>
Self Supporting TIF Debt 1990 - 92	<u>3,650</u>	<u>3,385</u>	<u>3,100</u>	<u>2,770</u>	<u>955</u>					
Self Supporting 1995 TIF Debt	<u>1,765</u>	<u>1,755</u>	<u>1,745</u>	<u>1,735</u>	<u>1,695</u>	<u>1,655</u>	<u>1,615</u>			
Self Supporting 1998 TIF Debt		<u>3,265</u>	<u>3,265</u>	<u>3,265</u>	<u>3,245</u>	<u>3,210</u>	<u>3,160</u>	<u>3,100</u>		
Self Supporting 2000 TIF Debt					<u>2,015</u>	<u>1,695</u>	<u>1,325</u>	<u>915</u>	<u>485</u>	<u>480</u>
Self Supporting 2000 SSA#1 Debt						<u>410</u>	<u>335</u>	<u>255</u>	<u>175</u>	<u>90</u>
Self Supporting 2001 TIF Debt						<u>900</u>	<u>780</u>	<u>660</u>	<u>540</u>	<u>410</u>
Self Supporting 2003 TIF Debt								<u>4,860</u>	<u>4,860</u>	<u>4,610</u>
Self Supporting 2004 TIF Debt								<u>7,590</u>	<u>7,550</u>	<u>7,470</u>
Self Supporting 2005 TIF Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,710</u>	<u>4,640</u>
	<u>29,500</u>	<u>31,225</u>	<u>15,250</u>	<u>14,695</u>	<u>14,575</u>	<u>18,295</u>	<u>17,210</u>	<u>26,925</u>	<u>27,395</u>	<u>26,285</u>
Net Direct Debt	<u>\$25,720</u>	<u>\$24,335</u>	<u>\$29,995</u>	<u>\$28,885</u>	<u>\$31,730</u>	<u>\$28,515</u>	<u>\$27,080</u>	<u>\$32,040</u>	<u>\$34,965</u>	<u>\$33,010</u>
Ratio of Debt to Assessed Value	<u>\$0.134</u>	<u>\$0.120</u>	<u>\$0.145</u>	<u>\$0.136</u>	<u>\$0.149</u>	<u>\$0.130</u>	<u>\$0.120</u>	<u>\$0.140</u>	<u>\$0.152</u>	<u>\$0.134</u>
Ratio of Debt Per Capita	<u>\$861.38</u>	<u>\$815.00</u>	<u>\$1,004.55</u>	<u>\$967.38</u>	<u>\$1,154.20</u>	<u>\$1,037.25</u>	<u>\$985.05</u>	<u>\$1,165.47</u>	<u>\$1,271.87</u>	<u>\$1,200.76</u>

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
April 30, 2006

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate Applicable to City Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 33,010,000	100.00%	\$ 33,010,000
Overlapping ⁽²⁾			
Kankakee School District No. 111	22,196,115	67.59%	15,002,354
Herscher Community Unit School District No. 2	9,220,000	0.96%	88,512
Kankakee Valley Airport Authority	1,110,000	37.86%	420,246
Kankakee Valley Park District	572,259	67.59%	386,790
School District No. 61	1,310,000	5.14%	67,334
High School District No. 307	3,561,559	1.77%	63,040
Community Unit School District No. 4 (Clifton)	8,203,794	0.37%	30,354
Bourbonnais Park District	765,000	1.91%	14,612
Community College 520	3,795,000	12.23%	464,129
Kankakee County	<u>8,070,000</u>	14.83%	<u>1,196,781</u>
Total Overlapping Debt	<u>58,803,727</u>		<u>17,734,152</u>

Total Net Direct and Overlapping Debt \$ 50,744,152

Per Capita Direct and Overlapping Debt \$ 1,846

2005 Equalized Assessed Valuation (EAV)	\$ 247,167,843
2005 Estimated Full Valuation	\$ 741,503,529
Population - Current Estimate	27,491
Full Valuation per Capita	\$ 26,973

Debt Ratios

	<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt: \$ 33,010,000	13.36%	4.45%	\$ 1,201
Net Direct and Overlapping Debt: \$ 50,744,152	20.53%	6.84%	\$ 1,846

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

(2) Debt Information current to 06/15/06

CITY OF KANKAKEE, ILLINOIS
RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL EXPENDITURES (UNAUDITED)
FISCAL YEARS 1997 - 2006

<u>FISCAL YEAR</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Debt Service/ Gen. Exps.</u>
2006	\$ 1,955,000	\$ 1,485,488	\$ 3,440,488	\$ 19,717,331	17.45%
2005	1,450,000	1,262,182	2,712,182	18,047,228	15.03%
2004	1,250,000	1,370,655	2,620,655	16,837,603	15.56%
2003	1,510,000	1,319,560	2,829,560	16,792,052	16.85%
2002	1,510,000	1,513,274	3,023,274	15,337,343	19.71%
2001	1,245,000	1,462,006	2,707,006	14,358,541	18.85%
2000	1,110,000	1,498,396	2,608,396	14,761,796	17.67%
1999	1,460,000	1,513,578	2,973,578	13,517,521	22.00%
1998	1,385,000	1,333,209	2,718,209	12,725,713	21.36%
1997	1,020,000	1,151,822	2,171,822	11,994,398	18.11%

¹ Excludes self supporting TIF debt and component unit debt

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

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

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUE SUPPORTED BOND COVERAGE (UNAUDITED)
FISCAL YEARS 1997 - 2006

FISCAL YEAR	Revenue	Expense ⁽¹⁾	Available For			Total ⁽²⁾	Coverage ⁽³⁾
			Debt Service	Principal	Interest		
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
2004	7,919,209	7,278,870	640,339	450,000	457,855	907,855	0.71
2003	8,203,457	7,781,036	422,421	430,000	478,685	908,685	0.46
2002	8,598,283	7,132,763	1,465,520	510,000	393,324	903,324	1.62
2001	8,682,594	7,229,298	1,453,296	260,000	338,203	598,203	2.43
2000	8,112,628	6,222,174	1,890,454	215,000	360,361	575,361	3.29
1999	7,136,226	4,181,725	2,954,501	690,000	1,566,223	2,256,223	1.31
1998	6,395,460	4,229,555	2,165,905	650,000	1,606,848	2,256,848	0.96
1997	6,284,293	4,679,783	1,604,510	615,000	1,644,362	2,259,362	0.71

(1) Total expenses exclusive of interest and depreciation.

(2) For the succeeding year.

(3) Net revenues available for Debt Service divided by Debt Service payments.

City of Kankakee, Illinois
Miscellaneous Statistical & Demographic Data (Unaudited)
April 30, 2006

The City of Kankakee is located approximately 60 miles south of Chicago, and 78 miles north of Champaign. Kankakee is approximately 30 miles south of Interstate 80 on Interstate 57.

Date of Incorporation	1865	Kankakee Community College	
		Students Enrolled	2,825
Form of Government	City/Aldermanic	Olivet Nazarene University	
		Students Enrolled	4,373
Population	27,491	Recreation - Park District	
2000 Median Family Income	\$36,428	Number of Parks	30
2000 Median Home Value	\$73,400	Number of Acres	623
Average Home Sales Price	\$89,219	Health Care	
Area - Square Miles	14.1	Hospitals	
Miles of Sewers	145	Provena St. Mary's	210 Beds
Capacity	14,400,000 GPD	Riverside Medical Center	341 Beds
Present Load	7,000,000 GPD	Utilities	
Excess Capacity	7,400,000 GPD	Water	Consumers Illinois Water Co.
Number of Dwelling Units	10,953	Gas	NICOR
Fire Protection		Electric	Commonwealth Edison
Number of Stations	4	Telephone	Ameritech
Number of Firefighters	51	Cable TV	Comcast Cable Services
Police Protection		Sanitary	Kankakee Wastewater Utility
Number of Stations	1	Transportation	
Number of Police Officers	68	Railroad	Amtrak
Number of Civilian Employees	16		Canadian National
Other City Employees	200		Conrail
Education		Bus Lines	Greyhound
School District #111			River Valley Metro
Number of Primary Schools (K-3)	7	Air Service	Kankakee Valley Regional Airport
Number of Elementary Schools (4-6)	2	Enterprise Zones	Yes
Number of Secondary Schools	2	Tax Increment Financing Districts	
Students Enrolled:	5,270		Yes, 8

CITY OF KANKAKEE, ILLINOIS
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)
FISCAL YEARS 1997 - 2006

FISCAL YEAR ENDING April 30,	New Construction		Commercial		Repair & Remodeling		Total	Bank Deposits *	Current Property Values	
#	Value	#	Value	#	Value	#	Value			
2006	35	\$2,550,100	15	\$22,350,619	1,030	\$11,989,677	1,080	\$36,890,396	\$2,180,268,000	\$741,503,529
2005	19	641,116	19	12,510,918	1,304	12,269,698	1,342	25,421,732	2,065,501,000	688,428,738
2004	8	720,434	10	25,623,138	1,397	9,296,288	1,415	35,639,860	1,820,067,000	685,061,436
2003	3	462,000	16	18,070,177	1,180	12,161,363	1,199	30,693,540	1,692,024,000	676,336,614
2002	2	170,000	9	2,148,309	769	9,713,782	778	12,032,091	1,390,765,000	659,600,736
2001	5	352,600	9	6,520,250	904	6,905,559	918	13,778,409	1,326,287,000	637,133,445
2000	30	477,790	29	16,231,254	1,297	6,327,438	1,356	23,036,482	1,266,598,000	639,502,464
1999	3	176,700	20	7,368,552	1,419	10,470,374	1,442	18,015,626	1,209,839,000	621,913,404
1998	8	767,000	13	1,582,342	1,615	9,061,571	1,636	11,410,913	1,231,224,000	609,187,380
1997	49	766,194	22	3,277,641	2,186	11,987,280	2,257	16,031,115	1,260,098,000	573,896,637

* Bank deposit figures from FDIC web site; includes all of Kankakee County

CITY OF KANKAKEE, ILLINOIS
PRINCIPAL TAXPAYERS (UNAUDITED)
April 30, 2006

<u>Name</u>	<u>Product/Service</u>	<u>2005 EAV</u>
Cognis Corporation	Chemicals	\$6,774,059
Great Oak LLC	Shopping Center	4,209,159
Riverside Senior Living Center	Elderly Housing	2,849,634
Riverside Medical Center	Medical Professional	2,797,696
Armstrong World Industries, Inc.	Vinyl Tile	2,775,201
Riverwoods Association	Elderly Housing	2,609,679
Space Center Chicago Inc.	Food Production	2,557,311
Heritage Executive Center, Inc.	Office Building	2,116,658
Cor Unum	Elderly Housing	1,999,204
GNB Industrial Battery	Industrial Batteries	<u>1,938,391</u>
Total		<u>\$30,626,992</u>
	2005 EAV	<u>\$247,167,843</u>
	Percent of Total EAV	<u>12.39%</u>

Source: Kankakee County Clerk

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (UNAUDITED)

April 30, 2006

<u>Name</u>	<u>Product/Service</u>	<u>Approximate No. of Employees</u>
Riverside Healthcare	Hospital	2,100
Shapiro Developmental Center	Hospital	1,288
St. Mary's Hospital (Provena)	Hospital	1,000
CIGNA (Connecticut General Insurance)	Insurance claims processing	900
Kankakee School District No 111	Education	800
Baker & Taylor Company	Book distribution	640
Sears Logistics Services	Midwest product distribution	633
K-Mart Distribution Center	Midwest product distribution	601
Kankakee County Government	Government	550
ZLB Behring	Pharmaceuticals	550
Olivet Nazarene University	Private university	400
Kankakee Community College	Education	396
Armstrong World Industries, Inc.	Flooring	367
City of Kankakee	City government	352
Bunge Edible Oils	Food products	300
Nucor Steel	Steel production	300

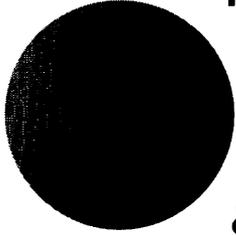
Source: Kankakee Chamber of Commerce, updated June 2006

Unemployment Data (Unaudited)

<u>Year</u>	<u>Kankakee</u>	<u>Kankakee County</u>	<u>State of Illinois</u>
June 2006 (1)	8.6 %	5.8 %	4.8 %
2005	10.1	6.3	5.7
2004	11.7	7.7	6.2
2003	12.7	7.7	6.7
2002	11.9	7.2	6.5
2001	9.5	5.8	5.4
2000	8.0	4.9	4.4
1999	9.0	5.4	4.3
1998	9.9	6.1	4.5
1997	9.4	5.6	4.7

(1) Preliminary rates for month of June 2006

Source: Illinois Department of Employment Security



**PAYNE
GRAY
GROSKREUTZ
& SCHMIDT**

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PARTNERS

Bruce W. Payne, C.P.A.
Michael V. Gray, C.P.A.
Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

**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 Mayor and City Council
City of Kankakee
Kankakee, Illinois 60901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of and for the year ended April 30, 2006, which collectively comprise the City of Kankakee, Illinois' basic financial statements and have issued our report thereon dated August 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

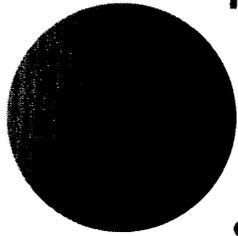
As part of obtaining reasonable assurance about whether the City of Kankakee, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script, reading "Payne, Gray, Lockwood & Schmidt". The signature is written in black ink and is positioned centrally on the page.

August 10, 2006



**PAYNE
GRAY
GROSKREUTZ
& SCHMIDT**

ACCOUNTANTS AND CONSULTANTS

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PARTNERS

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

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

Compliance

We have audited the compliance of the City of Kankakee, Illinois, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2006. The City of Kankakee, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express an opinion on the City of Kankakee, Illinois' compliance based on our audit.

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

In our opinion, the City of Kankakee, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2006.

Internal Control Over Compliance

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

of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Payne, Gray, Groskreutz & Schmidt". The signature is written in black ink and is positioned centrally on the page.

August 10, 2006

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>MAJOR PROGRAMS</u>		
<u>Department of Housing and Urban Development</u>		
Community Development Block Grant:		
Program year 2006	14.218	B-05-MC-17-0026
Program year 2005	14.218	B-04-MC-17-0026
Jobs Bill Grant:		
Program year 1983	14.218	N/A
Community Development Initiative/Section 108		
Loan Gaurantee	14.246	B-96-MC-17-0026
Passed-through Illinois Housing Development		
Authority:		
Homebuyers Program	14.239	SHB-2087
Single Family Owner-Occupied Rehab Program	14.239	HO-2129
Small Rental Properties Program	14.239	HS-2076
Total Department of Housing and Urban Development		
<u>OTHER PROGRAMS</u>		
<u>Department of Labor</u>		
Passed-through Senior Service America, Inc:		
Senior Aides Program - FY 06	17.235	14135-04-06
Senior Aides Program - FY 05	17.235	13734-04-60
Total Department of Labor		
<u>Department of Housing and Urban Development</u>		
Lead-Based Paint Abatement	14.900	ILLHBO155-00

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2005</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2006</u>
\$ 671,694		\$ 301,418	\$ 301,418	\$ -0-
707,000		258,989	258,989	-0-
219,000	\$ 7,725			7,725
1,000,000	(32,367)			(32,367)
332,220		162,388	162,388	-0-
210,000		192,360	192,360	-0-
157,500		156,618	156,618	-0-
	<u>(24,642)</u>	<u>1,071,773</u>	<u>1,071,773</u>	<u>(24,642)</u>
203,424		35,110	35,110	-0-
182,422		148,165	148,165	-0-
	<u>-0-</u>	<u>183,275</u>	<u>183,275</u>	<u>-0-</u>
5,999,981	<u>-0-</u>	<u>473,005</u>	<u>473,005</u>	<u>-0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Department of Homeland Security</u>		
Passed-through Illinois Emergency Management Agency:		
State Homeland Security Grant Program	97.073	
<u>Department of Justice</u>		
PPSE Grant - Volunteers In Police Service	16.592	2003-CK-WX-0320
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1955
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0595
Bullet Proof Vest Partnership Program	16.607	
Passed-through Kankakee Area Metro Enforcement Group:		
Expanding Multi-jurisdictional Narcotics Unit	16.579	2004-DB-BX-0043
Passed-through Illinois Criminal Justice Information Authority:		
Mobile Data Computer Equipment Program	16.579	2002-DB-BX-0017
Livescan Equipment Program	16.579	2002-DB-BX-0017
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	2002-VA-GX-0017
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	2005-VA-GX-0039
Total Department of Justice		
Total Other Programs		
Total Federal Awards		

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2005</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2006</u>
\$ 62,000	\$ -0-	\$ 62,000	\$ 62,000	\$ -0-
50,000		31,599	31,599	-0-
49,081	49,081		41,733	7,348
94,832	31,066		11,266	19,800
		3,358	3,358	-0-
48,765		32,511	32,511	-0-
8,818		8,818	8,818	-0-
14,352		14,352	14,352	-0-
56,751		18,330	18,330	-0-
28,286		12,523	12,523	-0-
	<u>80,147</u>	<u>121,491</u>	<u>174,490</u>	<u>27,148</u>
	<u>80,147</u>	<u>839,771</u>	<u>892,770</u>	<u>27,148</u>
	<u>\$ 55,505</u>	<u>\$1,911,544</u>	<u>\$1,964,543</u>	<u>\$ 2,506</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2006

SIGNIFICANT ACCOUNTING POLICIES:

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

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

Reporting Entity

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

Basis of Presentation

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

Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

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

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2006

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

1. The auditors' report, dated August 10, 2006, expresses an unqualified opinion on the basic financial statements of the City of Kankakee.
2. No reportable conditions or material weaknesses on internal control relating to the audit of the basic financial statements of the City of Kankakee are reported.
3. No instances of noncompliance material to the basic financial statements of the City of Kankakee were disclosed during the audit.

Federal Awards

1. No reportable conditions on internal control relating to the audit of the major federal award programs of the City of Kankakee are reported.
2. The auditors' report on compliance for the major federal award programs for the City of Kankakee expresses an unqualified opinion on all major federal programs.
3. No audit findings relating to the major federal award programs of the City of Kankakee are reported.
4. Community Development Block Grant (CFDA #14.218) and Home Investment Partnerships Program (CFDA #14.239) were tested as major programs for the year ended April 30, 2006.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Kankakee qualified as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.