

Investment Rating:
Standard & Poor's ... AAA (Negative Outlook)
(Assured Guaranty Insured)

Underlying Rating:
Standard & Poor's ...A

Final Official Statement Dated November 16, 2009

In the opinion of Chapman and Cutler LLP, Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein for a more complete discussion.



\$4,000,000
CITY OF KANKAKEE
Kankakee County, Illinois
Taxable Sewer Revenue Bonds, Series 2009

Dated Date of Delivery

Book-Entry

Due May 1, 2011-2024

The \$4,000,000 Taxable Sewer Revenue Bonds, Series 2009 (the "Bonds") are being issued by the City of Kankakee, Kankakee County, Illinois (the "City"). Interest on the Bonds is payable semiannually on May 1 and November 1, commencing May 1, 2010. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will mature on May 1 in the following years and amounts.

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount	Due May 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due May 1	Interest Rate	Yield or Price	CUSIP Number
\$220,000	... 2011	2.000%	2.000%	484458DY7	\$280,000	... 2018	5.000%	5.000%	484458EF7
225,000	... 2012	2.500%	2.500%	484458DZ4	295,000	... 2019	5.150%	5.150%	484458EG5
230,000	... 2013	3.200%	3.200%	484458EA8	310,000	... 2020	5.300%	5.300%*	484458EH3
240,000	... 2014	3.500%	3.500%	484458EB6	325,000	... 2021	5.400%	5.500%	484458EJ9
250,000	... 2015	3.800%	3.800%	484458EC4	345,000	... 2022	5.500%	5.600%	484458EK6
260,000	... 2016	4.300%	4.300%	484458ED2	365,000	... 2023	5.700%	5.800%	484458EL4
270,000	... 2017	4.750%	4.750%	484458EE0	385,000	... 2024	5.800%	5.900%	484458EM2

*This maturity is priced to call.

OPTIONAL REDEMPTION

The Bonds due May 1, 2011-2019, inclusive, are non-callable. The Bonds due May 1, 2020-2024, inclusive, are callable in whole or in part on any date on or after May 1, 2019, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City and within any maturity by lot. See "OPTIONAL REDEMPTION" herein.

BOND INSURANCE

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. ("Assured Guaranty"). See APPENDIX C herein. **The cost for the bond insurance premium and the related rating fee of Standard & Poor's will be paid by the City.**



PURPOSE, LEGALITY AND SECURITY

The Bonds are being issued to reimburse the general corporate funds of the City for advances made for sewer system purposes, fully fund a debt service reserve account, and to pay the costs of issuing the Bonds.

The Bonds are limited obligations of the City and are payable, ratably and equally, with the City's outstanding Sewerage Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), from certain net revenues of the combined waterworks and sewerage system of the City.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS. NO HOLDER SHALL HAVE THE RIGHT TO COMPEL THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE TO LEVY ANY AD VALOREM TAXES TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and certain other conditions. It is expected that the Bonds will be made available for delivery on or about December 1, 2009.

BERNARDI SECURITIES, INC.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “**APPENDIX C - BOND INSURANCE AND SPECIMEN BOND INSURANCE POLICY**”.

BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement and is provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

Issuer:	The City of Kankakee, Kankakee County, Illinois.
Dated Date:	Date of delivery, which is expected to be on or about December 1, 2009.
Interest Due:	Each May 1 and November 1, commencing May 1, 2010.
Principal Due:	Serially each May 1, commencing May 1, 2011 through May 1, 2024, as detailed on the front page of this Final Official Statement.
Optional Redemption:	Bonds maturing on or after May 1, 2020, are callable at the option of the City on any date on or after May 1, 2019, at a price of par plus accrued interest. See “OPTIONAL REDEMPTION” herein.
Authorization:	Pursuant to the home rule powers of the City and by vote of the City Council.
Purpose:	The Bonds are being issued to reimburse the general corporate funds of the City for advances made for sewer system purposes, fully fund a debt service reserve account, and to pay the costs of issuing the Bonds.
Security:	The Bonds are limited obligations of the City and are payable, ratably and equally, with the City's outstanding Sewerage Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), from certain net revenues of the combined waterworks and sewerage system of the City.
Ratings/Insurance:	Standard & Poor's, a Division of the McGraw-Hill Companies has assigned its municipal bond rating of “AAA” to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty. See APPENDIX C herein. The cost for the bond insurance premium and the related rating fee Standard & Poor's will be paid by the City. Standard & Poor's has assigned an underlying rating of “A” to the Bonds.
Bank Qualification:	None. Interest on the Bonds is not excludable from gross income for federal income tax purposes. See “CERTAIN FEDERAL INCOME TAX CONSIDERATIONS” herein. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bond Registrar/Paying Agent:	The City Comptroller, City of Kankakee, Illinois.
Delivery:	The Bonds are expected to be delivered on or about December 1, 2009.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Bonds. See APPENDIX B herein.
Denomination:	\$5,000 or integral multiples thereof.
Underwriter:	Bernardi Securities, Inc., Chicago, Illinois.
Financial Advisor:	Speer Financial, Inc., Chicago, Illinois.

THE CITY OF KANKAKEE

Kankakee County, Illinois

Nina Epstein
Mayor

Aldermen

Dennis Baron
P. Carl Brown
Richard M. Browne
James R. Cox
Sam Ciaccio

Glenn E. Davidson
James Faford
Steve Hunter
Cheryl Jones

Stephen R. Linneman
Larry A. Osenga
JoAnne Schwade
Danita Grant Swanson
Hank Williams

Officials

Anjanita Dumas
City Clerk

James A. Spice
Comptroller

L. Patrick Power
City Treasurer

Christopher W. Bohlen
Corporation Counsel

INTRODUCTION

The Bonds were authorized and are being issued by the City pursuant to its power as a home rule unit of local government under Section 6 of Article VII of the 1970 Illinois Constitution (the “Act”) and the bond ordinance adopted by the City Council on November 16, 2009 (the “Bond Ordinance”). The Bonds are being issued for the purpose of reimbursing the general corporate funds of the City for advances made for sewer system purposes, fully fund a debt service reserve account, and to pay costs of issuance.

The City is required under the Bond Ordinance to maintain ownership of the System. The Net Revenues, of the System will provide the primary source of security for the Bonds. “Net Revenues” is defined in the Bond Ordinance to mean that portion of the Revenues remaining after providing sufficient funds for Operation and Maintenance Costs (including all amounts payable by the City to the Agency under the Intergovernmental Agreement. See “**THE AGENCY AND THE CITY’S PAYMENT OBLIGATIONS TO THE AGENCY**” herein.)

Principal of, redemption premium, if any, and interest on the Bonds are payable solely from Net Revenues of the System remaining after payment of costs of operation and maintenance of the System, including amounts due to the Agency under the Intergovernmental Agreement, and from amounts on deposit from time to time in the accounts in the Revenue Fund heretofore established and expressly continued pursuant to the Bond Ordinance on a parity with the City's outstanding Sewerage Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), and any other parity bonds which may be issued in the future in compliance with the conditions specified in the Bond Ordinance. The Bonds are further secured by a debt service reserve fund in the Revenue Fund.

The Bonds do not constitute an indebtedness of the City, the State of Illinois or any other political subdivision of the State within the meaning of any constitutional or statutory provision or limitation. Neither the registered owners of the Bonds (the "Registered Owners") nor the beneficial owners of the Bonds (as defined below, the "Beneficial Owners") have the power to compel any exercise of the taxing powers of the City, the State of Illinois or any of its other political subdivisions to provide for the payment of principal of redemption premium, if any, or interest on the Bonds.

The City has covenanted, among other things, to establish and maintain at all times, reasonable fees, charges and rates for the use and service of the System sufficient at all times (i) to pay Operation and Maintenance Costs (including all amounts payable by it to the Agency under the Intergovernmental Agreement; see "**THE AGENCY AND THE CITY'S PAYMENT OBLIGATIONS TO THE AGENCY**" herein), (ii) to pay the principal of and interest on all revenue bonds of the City (including the Bonds and the Series 2001 Bonds) which by their terms are payable solely from the Revenues, (iii) to provide Net Revenues in each Fiscal Year (in excess of the amounts required by clause (ii) above) in the amount of not less than 20% of the Current Debt Service Requirement (as defined below) for all Senior Lien Bonds for such Fiscal Year, and (iv) to provide for the creation and maintenance of the respective accounts established by the Bond Ordinance in the Revenue Fund, including an adequate depreciation fund. See "**SECURITY FOR THE BONDS - Rate Covenant, Flow of Funds and Additional Bonds.**"

This Final Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in the Final Official Statement. There follow in this Final Official Statement brief descriptions of the Bonds, the Policy, the Bond Insurer, the Bond Ordinance, the City and its System and certain other bond documents. Such descriptions do not purport to be comprehensive or definitive. Where statutes, ordinances, reports or other documents are referred to in this Final Official Statement, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties to them, facts and opinions contained in them and their subject matter.

DESCRIPTION OF THE BONDS

General

The Bonds initially will be dated the date of delivery (the "Dated Date"), expected to be on or about December 1, 2009. The Bonds will bear interest from the Dated Date, or from the most recent payment date to which interest has been paid or duly provided for, until the principal amount of the Bonds is paid. Interest is payable semi-annually on May 1 and November 1 of each year with the first interest payment date being May 1, 2010. The Bonds will bear interest at the rates per year, and will mature in the principal amounts on May 1 in each year, as set forth on the cover page of this Final Official Statement. The Bonds are subject to redemption, including mandatory sinking fund redemption, prior to maturity as provided below.

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple of that amount. Interest on each Bond will be payable on each interest payment date to the person in whose name the Bond is registered in the Bond Register kept by the City Comptroller, as Bond Registrar, at the close of business on the 15th day (whether or not a business day) of the calendar month preceding such interest payment date. So long as the Bonds are held in the book-entry only system described below, interest on each Bond shall be paid to DTC (or its successor as depository) by check or draft or electronic funds transfer as may be agreed by the Agency and DTC (or its successor as depository). If the Bonds become available in physical form to registered owners other than DTC, interest will be paid by check or draft mailed to such registered owner at the owner's address as it appears in the Bond Register. Principal of and redemption premium, if any, on the Bonds will be paid only upon presentation and surrender of the Bonds for cancellation at the office of the Bond Registrar in Kankakee, Illinois.

Optional Redemption

Bonds maturing on and after May 1, 2020, are subject to redemption prior to maturity, at the option of the City, in whole or in part from any available funds and, if in part, in such principal amounts and from such maturities as selected by the City and within any maturity by lot, on any date on or after May 1, 2019, at a redemption price of par plus accrued interest to the date of redemption.

Unless waived by the Registered Owner of the Bonds to be redeemed, notice of redemption of the Bonds will be given by mailing the redemption notice by first class mail, postage prepaid, at least 30 days, but not more than 60 days, prior to the date fixed for redemption, to each Registered Owner of Bonds to be redeemed at the Registered Owner's address as shown on the Bond Register or at such other address as is furnished in writing by a Registered Owner to the Bond Registrar. Notice of redemption will specify the date fixed for redemption, the redemption price, the place where the Bonds subject to redemption are to be surrendered (which shall be the office of the Bond Registrar in Kankakee, Illinois) and, if less than all of the Bonds of a single maturity of a series are to be redeemed, the identification (and, in the case of a partial redemption of any Bonds of a series, the respective principal amounts) of the Bonds of such series to be redeemed. If notice is given as described above, the Bonds or portions of Bonds so called for redemption will, on the redemption date, become due and payable at the applicable redemption price described above and, unless the City defaults in the payment of the redemption price, such Bonds or portions of Bonds will cease to bear interest. Failure to give such notice by mail or a defect in the notice or mailing as to any Bond will not affect the sufficiency of such notice with respect to other Bonds.

In the event of a partial redemption of Bonds of a given maturity, (i) the particular Bonds or portion of Bonds to be redeemed shall be selected by lot not more than 60 days prior to the redemption date by the Bond Registrar, and (ii) the Registered Owner of a Bond redeemed in part will receive a new Bond or Bonds in authorized denominations of the same maturity and rate of interest in the amount of the unpaid principal.

So long as the Bonds are held in the book-entry only system described herein, all notices of redemption will be sent only to DTC with a request that DTC forward (or cause to be forwarded) the notices to DTC participants (the "Participants") so that such Participants may forward (or cause to be forwarded) the notices to Beneficial Owners of the Bonds. The term "Beneficial Owner" means the person for whom the Participant acquires an interest in the Bonds.

Transfer and Exchange

Subject to the provisions of the Bond Ordinance applicable to the Bonds while they are held in a book-entry only system, should the Bonds no longer be held in a book-entry only system, as provided in the Bond Ordinance and subject to certain limitations and the payment of certain taxes, fees or other governmental charges as set forth in the Bond Ordinance, the Bonds are transferable or exchangeable by the Registered Owner at the office of the Bond Registrar in Kankakee, Illinois. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the 15th day of the calendar month preceding an interest payment date to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has been called for redemption.

Amendment

The rights and obligations of the City and of the Registered Owners of a series of Outstanding Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the City with the written consent of the Registered Owners of not less than two-thirds (2/3) of the principal amount of all Outstanding Bonds of that series (excluding any of such Bonds owned by or under the control of the City); provided that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate or premium on, or permit the creation of a preference or priority of any Outstanding Bonds over any other Outstanding Bonds, or otherwise alter or impair the obligation of the City to pay the principal of and interest on any of the Outstanding Bonds at the time, place, rate, and in the currency provided in the Bonds, or alter or impair the obligations of the City with respect to registration, transfer, exchange or notice of redemption of Outstanding Bonds, without the written consent of the Registered Owners of all of the Outstanding Bonds affected, nor shall any such modification or amendment reduce the percentage of Registered Owners of Outstanding Bonds of a series required for the written consent to such modification or amendment, without the written consent of the Registered Owners of all of the Outstanding Bonds of that series.

Defeasance

Bonds which are no longer Outstanding Bonds (as defined in the Bond Ordinance) shall cease to have any lien on or right to receive or be paid from Revenues and shall no longer have the benefits of any covenants made by the City in the Bond Ordinance for the benefit of the Registered Owners of Outstanding Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be on a parity with the Series 2001 Bonds and any Parity Bonds issued after the issuance of the Bonds. See “**Additional Bonds**” below. The Bonds, the Series 2001 Bonds and any Parity Bonds will be co-equal as to the lien on and pledge of the Net Revenues for their payment and will share ratably, without any preference, priority, or distinction one over another, as to the source or method of payment or the security for such bonds.

The Bonds and the Series 2001 Bonds and any Parity Bonds will be limited obligations of the City having a claim for payment of principal, redemption premium, if any, and interest solely from and are equally and ratably secured by a lien on and security interest in the Net Revenues derived by the City from its ownership and operation of the System, including operating revenues received from the operation of the System, and from moneys on deposit in the several accounts in the Revenue Fund securing the Bonds. “Net Revenues” is defined in the Bond Ordinance to mean that portion of the Revenues remaining after providing sufficient funds for Operation and Maintenance Costs (including all amounts payable by the City to the Agency under the Intergovernmental Agreement. See “**THE AGENCY AND THE CITY’S PAYMENT OBLIGATIONS TO THE AGENCY**” herein.) See “**SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE**” herein for the definitions of “Revenues,” “Net Revenues” and “System,” each as used in the Bond Ordinance.

The Bonds and the Series 2001 Bonds do not, and any Parity Bonds will not, constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness. No holder or registered owner of Bonds shall have the right to compel the City to levy ad valorem taxes on any property to pay the principal of, premium, if any, or interest on the Bonds, the Series 2001 Bonds or any Parity Bonds.

The City is a member of the Kankakee River Metropolitan Agency (the "Agency"). The Agency is a municipal corporation and a body corporate and politic of the State of Illinois and was formed in 1996 pursuant to the terms of an Intergovernmental Agreement dated May 1, 1996, as amended and restated on March 1, 1999 (the "Intergovernmental Agreement"), entered into by and among the City and the Villages of Aroma Park, Bourbonnais and Bradley, Illinois (together, the "Villages" and, collectively with the City, the "Members"). In 1999, the Agency issued its \$18,585,000 aggregate principal amount Sewage Treatment Facility Revenue Bonds, Series 1999 (the "Agency Bonds") in order to finance the acquisition, construction and equipping of the regional wastewater treatment facility (the "Facility") serving the City and certain other municipalities. The Agency Bonds are secured by the payment obligations of each of the Members, including the City, under the Intergovernmental Agreement. The Agency sets rates and charges for use of the Facility that will produce revenues sufficient to pay the operation and maintenance costs of the Agency, to pay debt service on the Agency Bonds, to provide an adequate depreciation fund, to provide for a debt service reserve account securing the Agency's bonds and for certain other purposes. Under the terms of the Intergovernmental Agreement, each member, including the City, covenanted (a) to treat its payment obligations to the Agency as an operation and maintenance expense of its municipal sewer system, including, in the case of the City, the System, and (b) not to pledge the revenues derived from the operation of its municipal sewer system to any obligations senior to, or on a parity with, its obligations to make payments required under the Intergovernmental Agreement. In effect, therefore, the City's payment obligations to the Agency have a lien on the Revenues senior to the lien of the Bonds. See "**THE AGENCY AND PAYMENT OBLIGATIONS TO THE AGENCY**" herein.

Flow of Funds

The Bond Ordinance continues the existing Waterworks and Sewerage Fund of the City of Kankakee (the "Revenue Fund") into which the Bond Ordinance requires all Revenues to be deposited as collected. The Revenue Fund includes the various accounts listed below. Under the Bond Ordinance, the Revenue Fund is irrevocably pledged to the owners of Outstanding Bonds (which term includes the Bonds, the Series 2001 Bonds and any Parity Bonds that are outstanding and unpaid) for the purpose of carrying out the City's covenants under the Bond Ordinance and any bond ordinances hereinafter adopted authorizing the issuance of Parity Bonds. The Revenue Fund is a trust fund from which moneys on deposit may be used only to pay Operation and Maintenance Costs (including all amounts payable by the City to the Agency under the Intergovernmental Agreement. See "**THE AGENCY AND THE CITY'S PAYMENT OBLIGATIONS TO THE AGENCY**" herein), to provide an adequate depreciation fund, to pay principal of and interest on revenue bonds of the City which by their terms are payable solely from Revenues, to provide for a debt service reserve account, and otherwise to establish and make permitted expenditures from the accounts in the Revenue Fund described below.

The Bond Ordinance continues the following accounts (each an "Account") in the Revenue Fund: (1) the Operation and Maintenance Account, (2) the Bond and Interest Account, (3) the Bond Reserve Account, (4) the Reserve and Replacement Account, and (5) the Surplus Account.

The Bond Ordinance requires the City, on or before a given day of each month selected by the City, to credit all moneys held in the Revenue Fund to the accounts in the Revenue Fund in the following order in accordance with the provisions summarized below:

(a) Operation and Maintenance Account:

There shall be credited to the Operation and Maintenance Account an amount sufficient, when added to the amount then on deposit in that Account, to pay Operation and Maintenance Costs of the System for the current month. Under the terms of the Intergovernmental Agreement, the City has covenanted and agreed to treat its payment obligation to the Agency as an Operations and Maintenance Cost of its System. See "**SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE**" - "**Operation and Maintenance Cost**" and "**THE AGENCY AND THE CITY'S PAYMENT OBLIGATIONS TO THE AGENCY**" herein.

(b) Bond and Interest Account:

There shall next be credited to the Bond and Interest Account and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment date on all Outstanding Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption on the next succeeding principal maturity or mandatory redemption date on all Outstanding Bonds until there shall have been accumulated and held, in cash and investments, in the Bond and Interest Account on or before the month next preceding such interest payment date or date of maturity or mandatory redemption of principal, an amount sufficient to pay such interest or principal, or both.

In computing the fractional amount to be set aside each month in the Bond and Interest Account, the fraction is required to be computed so that a sufficient amount will be set aside in that Account and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and may not be less than one-sixth of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Outstanding Bonds until there is sufficient money in the Bond and Interest Account to pay such principal or interest, or both.

Credits to the Bond and Interest Account may be suspended in any Fiscal Year at such time as there is held in that Account, in cash and investments, an amount sufficient to pay principal and interest requirements due on the Outstanding Bonds for the balance of such Fiscal Year, but such payments shall again be resumed at the beginning of the next Fiscal Year. All monies in such Account shall be used only for the purpose of paying interest and principal on Outstanding Bonds as the same shall become due.

(c) Bond Reserve Account:

At the time of delivery of the Bonds, there shall be credited to the Bond Reserve Account a sum sufficient to establish to the credit thereof and on deposit therein an amount equal to Maximum Annual Debt Service.

At any time that the amount on deposit in and to the credit of the Bond Reserve Account is less than an amount equal to Maximum Annual Debt Service, whether by withdrawal or investment loss, or otherwise, the City covenants to replenish the Bond Reserve Account by credits to such Account in each month at the rate of 1/12th of the amount of such difference per month or in the amount of \$5,000 per month, whichever is greater, until the amount on deposit in and to the credit of the Bond Reserve Account equals Maximum Annual Debt Service.

Moneys credited to the Bond Reserve Account shall be used solely to pay principal of or interest on the Outstanding Bonds at any time when there are insufficient funds available in the Bond and Interest Account to pay such principal and interest as the same become due, whether at maturity or pursuant to a mandatory sinking fund requirement.

Upon the issuance by the City of any Parity Bonds, the City has covenanted that it will immediately deposit to the Bond Reserve Account an amount sufficient to establish a balance to the credit of and on deposit in the Bond Reserve Account equal to Maximum Annual Debt Service; provided, that Maximum Annual Debt Service shall be calculated by including any such Parity Bonds; and further provided, that amounts on deposit in and to the credit of the Bond Reserve Account immediately following such deposit shall be deemed available for the payment of principal of and interest on such Parity Bonds at their last stated maturity.

Whenever there is on deposit in the Bond Reserve Account an amount in excess of Maximum Annual Debt Service, the excess may be withdrawn and transferred to any other Account or Accounts in the Revenue Fund as the City shall direct.

(d) Reserve and Replacement Account:

Beginning on the first day of the month following the delivery of the Bonds, or any of them, there shall be credited to the Reserve and Replacement Account, and held in cash and investments, the sum of \$5,000 each month until said Account aggregates the sum of \$500,000 (which amounts are inclusive of, and not in addition to, the amounts required under the Series 2001 Bond Ordinance).

Moneys credited to the Reserve and Replacement Account may be used only for the purpose of paying principal of or interest on the Outstanding Bonds when there are insufficient moneys on deposit in the Bond and Interest Account or the Bond Reserve Account, and to the extent not required for the foregoing purpose, may be used for the payment of the costs of extraordinary maintenance, necessary repairs, renewals and replacements not included in the annual budget for current Operation and Maintenance Costs, or for improvements, repairs or replacement to the System as required by any agency of the State of Illinois or the United States Government, the payment for which no other funds are available. Whenever an amount is withdrawn from such Account and transferred to the Bond and Interest Account, \$5,000 per month (which amount is inclusive of, and not in addition to, the amount required under the Series 2001 Bond Ordinance) must be added to the amount to be next and thereafter credited to the Reserve and Replacement Account until full reimbursement to that Account has been made.

(e) Surplus Account:

All moneys remaining in the Revenue Fund, after crediting the required amounts to the respective Accounts as described above, and after making up any deficiency in accounts (a) to (d), inclusive, shall be credited to the Surplus Account. Funds in the Surplus Account shall first be used to make up any subsequent deficiencies in any of the Accounts described above and then may be used for one or more of the following purposes in any order of priority among them:

- (1) For the purpose of constructing, installing or acquiring repairs, replacements, improvements or extensions to the System; or
- (2) For the purpose of calling and redeeming Outstanding Bonds which are callable at the time; or
- (3) 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 if the Bonds are not callable, or not to exceed par and accrued interest and any applicable call premium to the date of purchase; or
- (4) For the purpose of paying principal of and interest on any subordinate bonds or obligations issued for the purpose of acquiring, installing or constructing repairs, replacements, improvements or extensions to the System; or
- (5) For any other of the System or storm sewer purpose.

Investments: The moneys to the credit of the Revenue Fund prior to the monthly accounting and to the credit of the Operation and Maintenance Account may be invested pursuant to any authorization granted to municipal corporations by Illinois statute or court decision.

The moneys to the credit of accounts (b) to (e), inclusive, described above, maybe invested from time to time at the direction of the City in any investment authorized for the investment of funds of the City under the laws of the State of Illinois. Such investments may be sold from time to time as directed by the City as funds may be needed for the purpose for which the respective accounts have been created.

Investments in the Accounts shall mature or be subject to redemption at the option of the holder of such investments prior to the time when needed and, in any event, within the applicable times as follows:

<u>Account</u>	<u>Time</u>
Operation and Maintenance Bond and Interest.....	45 days
Bond and Interest	1 year
Bond Reserve	3 year
Repair and Replacement/Surplus	5 years

After making provision for the payment of any amount of excess arbitrage profits, as provided in the Internal Revenue Code of 1986, as amended (the “Code”), attributable to investment earnings or profits to the Rebate Fund for the appropriate issue or issues of Outstanding Bonds, all earnings or profit on any funds so invested in the Bond and Interest Account shall be retained in that account. After making provision for the payment of any amount of excess arbitrage profits, as provided in the Code, attributable to investment earnings or profits of the Rebate Fund for the appropriate issue or issues of Outstanding Bonds, all earnings or profit on any funds so invested in the Bond Reserve Account shall be credited upon receipt to the Bond and Interest Account. The City may take credit for such earnings or profits (not transferred to the Rebate Fund) in its final monthly accounting for the Bond and Interest Account in any Fiscal Year.

All interest or profit earned on any funds so invested in any other Accounts shall be credited to the Revenue Fund:

Excess over Requirements: Any amounts to the credit of the Accounts in the Revenue Fund in excess of any then current requirement for each such Account may be transferred by the City to such other Account or Accounts of the Revenue Fund as the City may in its sole discretion designate.

Rate Covenant

The City covenants in the Bond Ordinance to establish, maintain and collect at all times reasonable fees, charges and rates for the use and service of the System sufficient at all times (i) to pay Operation and Maintenance Costs (including the amounts payable by the City to the Agency under the Intergovernmental Agreement; see “**THE AGENCY AND THE CITY’S PAYMENT OBLIGATIONS TO THE AGENCY**” herein) (ii) to pay the principal of and interest on all revenue bonds of the City (including the Bonds) which by their terms are payable solely from the Revenues, (iii) to provide Net Revenues in each Fiscal Year (in excess of the amounts required by clause (ii) above) in the amount of not less than 20% of the Current Debt Service Requirement for all Outstanding Bonds for such Fiscal Year, and (iv) to provide such additional amounts as may be required to fund an adequate depreciation fund and to provide for the creation and maintenance of the respective Accounts described above. “**Current Debt Service Requirement**” means the amount required to be credited under the Bond Ordinance to the Bond and Interest Account in a given Fiscal Year to pay debt service on Outstanding Bonds.

The City further covenants in the Bond Ordinance to charge against all users of the System, including the City, such rates and charges for the use and service of the System as shall be adequate to meet the requirements of the rate covenant.

Additional Bonds

The City reserves the right to issue additional bonds, at one time or from time to time, which are payable from Net Revenues on an equal and ratable basis with the Bonds and the Series 2001 Bonds (the "Parity Bonds"). Any Parity Bonds shall mature as to principal on May 1 and as to interest on May 1 and/or November 1.

As provided in the Bond Ordinance, Parity Bonds maybe issued, as the City Council of the City shall find necessary and in the best interest of the City, for the purpose of paying the costs of repairs, replacements, renewals, improvements and extensions to the System or to refund Outstanding Bonds, upon compliance with the following conditions:

- (a) The amounts required to have been credited to the Operation and Maintenance Account, the Bond and Interest Account, the Bond Reserve Account and the Reserve and Replacement Account up to the date of delivery of such Parity Bonds shall have been credited in full to those respective accounts; and
- (b) The Net Revenues for the last completed Fiscal Year or the adjusted Net Revenues of the System, if such revenues are adjusted as provided in the Bond Ordinance, are equal to not less than 125% of the Maximum Annual Debt Service for all then Outstanding Bonds and the Parity Bonds then proposed to be issued, but only for those Fiscal Years in which the Bonds Outstanding immediately before the issuance of the Parity Bonds will continue to be Outstanding as provided in the Bond Ordinance.

"Net Revenues" for the purpose of condition (b) shall be evidenced by an audit of an independent certified public accountant. If there shall have been an increase in the rates and charges for the use and service of the System from the rates in effect for the immediately preceding Fiscal Year, which increase is in effect at the time of the issuance of any such Parity Bonds, then the Net Revenues may be adjusted to reflect the Net Revenues of the System for the immediately preceding Fiscal Year as they would have been had such then-existing rates been in effect during all of such Fiscal Year. Any such adjusted Net Revenues shall be evidenced by the certificate of an independent consulting engineer or an independent certified public accountant employed for that purpose, which certificate shall be filed with and approved by the City Council of the City prior to the issuance of the Parity Bonds.

Notwithstanding the foregoing, the City may issue Parity Bonds (i) to refund Outstanding Bonds in order to avoid a default on such Outstanding Bonds, provided the Parity Bonds are issued within three months of the date of such default, or (ii) to refund all or a part of the Bonds (with the consent of the holders of the Bonds, unless provisions for the call and redemption of the Bonds is duly made; *provided*, that if only a portion of the Bonds are to be refunded at any time, such Bonds shall not be refunded by Parity Bonds bearing interest at a rate greater than the rate on the Bonds or maturing at a date earlier than the final maturity of the Bonds not refunded.

In addition, subordinate bonds or other subordinate obligations may be issued payable from the Revenues subordinate to the Outstanding Bonds. Such subordinate bonds or obligations shall be payable, on an appropriate lien basis, from or out of the Surplus Account.

Contracts or agreements, including long-term and take-or-pay contracts or agreements, for the treatment of sewage which by their terms require payments by the City as an Operation and Maintenance Cost are excluded from the application of the foregoing provisions pertaining to Parity Bonds and may be entered into by the City notwithstanding any of the foregoing provisions.

Other Covenants

In addition to the covenants referred to above, the City has covenanted under the Bond Ordinance, so long as any of the Bonds are outstanding, as follows:

- (a) The City will maintain the System in good repair and working order, will operate the same efficiently and will faithfully and punctually perform all duties with respect to the System required by the Constitution and laws of the State of Illinois;
- (b) The City from time to time will make all needful and proper repairs, replacements, additions, and betterments to the System so that it may at all times be operated properly and advantageously; and when any necessary equipment or facility shall have been worn out, destroyed, or otherwise is insufficient for proper use, it must promptly be replaced so that the value and efficiency of the System will be at all times fully maintained;
- (c) The City will establish such rules and regulations for the control and operation of the System necessary for the safe, lawful, efficient and economical operation of the System, and rates and charges shall be fixed and revised from time to time as may be necessary to produce funds sufficient for all the purposes provided in the Bond Ordinance until all of the outstanding Bonds and Parity Bonds have been paid in full, both as to principal and interest;
- (d) The City will maintain and keep proper books and accounts (separate and apart from all other records and accounts of the City), in which complete entries shall be made of all transactions relating to the System. Within 120 days following the close of each Fiscal Year, the City will cause the books and accounts of the System to be audited by independent certified public accountants. That audit will be available for inspection at all proper times to the registered owners of any of the Bonds. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:
 - (i) A statement in detail of income and expenditures of the System for such Fiscal Year and comparable information from the previous Fiscal Year.
 - (ii) A balance sheet as of the end of such Fiscal Year, including a statement of the amount held in each of the Accounts of the Revenue Fund and comparable information from the previous Fiscal Year.
 - (iii) A list of all insurance policies pertaining to the System in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, the expiration date of the policy, and any amounts held as self-insurance reserves.
 - (iv) The number of customers of each type served by the System at the end of the Fiscal Year, the number of metered customers and the number of unmetered customers at the end of the Fiscal Year, the quantity of water pumped and the quantity of sewerage treated.
 - (v) Changes in the cost of purchased sewer services during such Fiscal Year.
 - (vi) A summary of rates in effect at the end of such Fiscal Year for services of the System and any changes in such rates effective during such Fiscal Year.
 - (vii) The amount and details of all Outstanding Bonds.
 - (viii) The accountant's comment regarding the manner in which the City has carried out the requirements of the Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the System.

All expenses of the audit required by this section shall be regarded and paid as Operation and Maintenance Costs.

The City will furnish a summary of the audit to any bondholder upon request.

- (e) The City will keep the books and accounts for the System in accordance with generally accepted fund reporting practices for municipal enterprise funds; *provided* that the monthly credits to the Bond and Interest Account, the Bond Reserve Account, and the Reserve and Replacement Account shall be in cash and those funds shall be held separate and apart in cash and investments. For the purpose of determining whether sufficient cash and investments are on deposit in such accounts under the terms and requirements of the Bond Ordinance, investments shall be valued at amortized cost;
- (f) The City will not sell, lease, loan, mortgage or in any manner dispose of or encumber the System (subject to the right of the City to issue Parity Bonds as provided in the Bond Ordinance, to issue bonds subordinate to Outstanding Bonds, and to dispose of real or personal property which is no longer useful or necessary to the operation of the System), and the City will take no action in relation to the System which would unfavorably affect the security of the Outstanding Bonds or the prompt payment of the principal and interest on the Outstanding Bonds. Any amounts received from the sale of property of the System which is no longer useful or necessary to its operation shall be deposited to the credit of the Reserve and Replacement Account;
- (g) Any holder or registered owner of a Bond may proceed by civil action to compel performance of all duties required by law and the Bond Ordinance, including the making and collecting of sufficient charges and rates for the service supplied by the System and the application of the income and revenue from it;
- (h) The City will carry insurance on the System of the kinds and in the amount which are usually carried by private parties operating similar properties, covering such risks as shall be recommended by a competent consulting engineer or insurance consultant employed by the City for the purpose of making such recommendations. The City may alternatively self insure or provide insurance by means of a self-insurance pool with other units of local government, *provided* that either private insurance is not available at a reasonable cost to the City or the pool shall have assets or shall have created a self-insurance reserve fund in an amount as shall be determined by a competent insurance consultant not to be unreasonable in view of the risks insured.

All moneys received for loss under such insurance policies must be deposited to the credit of the Reserve and Replacement Account and used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be made within ninety (90) days from the date of the loss. The payment of premiums, for all insurance policies and regular payments to a pool and regular accumulations for a reserve required under the provisions of this covenant will be considered an Operation and Maintenance Cost. The proceeds derived from any and all policies for workers' compensation or public liability or self-insurance reserve fund or pool for such purposes must be paid into the Operation and Maintenance Account and used in paying the claims on account of which they were received;

- (i) The City will not provide any free System service, and, to the extent permitted by law, the City will not grant a franchise for the operation of any competing sewerage system within the City; and

- (j) The City will adopt a budget for the System prior to the beginning of each Fiscal Year, subject to applicable state law, providing for payment of all sums to be due in the Fiscal Year so as to comply with the terms of the Bond Ordinance and of any long-term sewer service or supply agreements, *provided* that such budget may include in its estimate of income, the use of available surplus moneys or other funds of the City appropriated for the purpose. If during the Fiscal Year there are extraordinary unbudgeted receipts or payments of unusual cost, the City will adopt an amended budget for the remainder of the Fiscal Year, providing for receipts or payments pursuant to the Bond Ordinance.

THE AGENCY AND THE CITY'S PAYMENT OBLIGATIONS TO THE AGENCY

The Agency was established by the Member Municipalities (as more fully described below) for the purpose of jointly treating and processing wastewater contributed by the Member Municipalities and any other private person or public agency which contributes wastewater to the Facility for treatment. At present, only the Member Municipalities contribute wastewater to the Facility for treatment.

The Agency is an independent political subdivision, and not a subordinate body of the Member Municipalities, including the City. The Agency has the power of eminent domain, and does not need the approval of the Member Municipalities or any other municipality or political body to exercise that power. In addition, the Agency's directors, although appointed by the Member Municipalities, are not required to act in the best interests of the municipality that appointed them.

The Member Municipalities have no ability to use (other than through purchase of services from the Agency) or acquire any assets of the Agency, or to direct in any way the manner in which such assets are used. After the issuance of the Agency Bonds, and the subsequent use of the proceeds of the Agency Bonds to purchase the Facility from the City, the Agency will be the sole owner of the Facility, and the sole obligor on the Agency Bonds.

History

Prior to 1988, the City and the Villages of Bradley and Bourbonnais, Illinois, owned and operated their own wastewater treatment facilities. Between 1985 and 1987, in order to meet the growing wastewater treatment needs of the region, the City expanded and improved its municipal sewerage treatment system into what became the Regional Wastewater Treatment Facility (the "Facility"). The Facility became operational in 1989. Soon thereafter, the Villages began diverting their wastewater to the Facility for treatment and, as required by state and federal environmental agencies, abandoned their own sewerage treatment facilities. The City operated the Facility through the Kankakee Municipal Utility (the "Utility"), a municipal utility enterprise of the City.

The Intergovernmental Agreement

The Agency was established by the City and the Villages of Bradley, Bourbonnais and Aroma Park, Illinois (collectively, the “Member Municipalities”), which entered into an Intergovernmental Agreement on May 1, 1996 (as subsequently amended and restated, the “Intergovernmental Agreement”), pursuant to applicable provisions of Illinois Law. Under Article VII, Section 10 of the 1970 Constitution of the State of Illinois, units of local government may contract among themselves to obtain or share services or to exercise, combine or transfer any power or function in any manner not prohibited by law or ordinance. In addition, Sections 3 and 5 of the Illinois Intergovernmental Cooperation Act, 5 ILCS 220/i *et seq.* (the “Intergovernmental Cooperation Act”) provide that any power(s), privileges or authority exercised by a “public agency” of the State of Illinois may be exercised jointly with any other public agency in the State of Illinois, through the use of intergovernmental contracts to perform any services that any of such public agencies is authorized to perform. As defined in Section 2 of the Intergovernmental Cooperation Act, the term “public agency” includes both counties and municipalities (cities, towns and villages) of the State of Illinois. Section 3.4 of the Intergovernmental Cooperation Act specifically authorizes municipalities and counties in the State of Illinois to form an agency to provide for the treatment, carrying off and disposal of wastewater of member municipalities and counties.

The Intergovernmental Agreement was executed by the Member Municipalities on May 1, 1996, and was amended and restated on March 1, 1999. The Intergovernmental Agreement established the Agency, provided for its governance as described above, established its powers, provided for the Agency to operate and, at a future date to acquire, own and operate, the Facility, empowered the Agency to establish and collect rates and charges for the sewerage treatment services it provides, provided for the allocation of sewerage treatment capacity among the Members, and obligated the Member Municipalities to pay for the services provided to them by the Agency.

Source of Agency Revenues

The Facility is the Agency's principal asset and is the source of its operating revenues. Under the Intergovernmental Agreement, the Facility includes the regional wastewater treatment plant located in the City. The Facility does not include the sewerage collection systems of the Member Municipalities, including the City, each of which is owned and operated by the respective Member Municipality as a municipal sewerage enterprise system. Each such municipal sewerage enterprise system is referred to as a “Municipal Sewerage System.”

Under the Intergovernmental Agreement, the Agency is responsible for operating the Facility and providing wastewater treatment services to the four Municipal Sewerage Systems. The Agency operates the Facility. The current treatment capacity of the Facility is 25.0 million gallons per day (“MGD”). The treatment capacity of the Facility is allocated among the Member Municipalities pursuant to allocation agreements between the Agency and each Member Municipality. Of the Facility's current treatment capacity, 24.9 MGD has been allocated in this way. The remaining 0.1 MGD, and any future unallocated treatment capacity, arising from improvements and additions to the Facility collectively termed “reserve capacity” in the Intergovernmental Agreement, is required to be maintained for the future needs of the Member Municipalities and the needs of any future non-Member customers. The Member Municipalities may elect to transfer treatment capacity allocated to them that exceeds their needs to other Member Municipalities.

The Intergovernmental Agreement establishes separate “rate methodologies” pursuant to which the costs of operation and maintenance of the Facility and the capital costs of improvements and replacements (collectively, the “Facility Costs”) are allocated among the Member Municipalities. Operation and maintenance costs are allocated in proportion to the hydraulic flow of wastewater, measured in millions of gallons per day, contributed by each Member Municipality. At present, the City's average percentage of hydraulic flow is 61%, which constitutes the percentage of the Agency's operation and maintenance expense for which the City is currently responsible. The City's percentage share of operation and maintenance costs can be expected to vary from time to time as the proportion of the hydraulic flow of wastewater contributed by each Member Municipality changes. At present, allocations of operation and maintenance costs are reviewed and (if necessary) changed annually based on the prior year's aggregate contributions by each Member Municipality. The capital costs of the Agency, including debt service on its bonds, are allocated among the Member Municipalities, including the City, based on an agreed-upon formula. Debt service on the Agency Bonds is allocated among the Member Municipalities based on the agreed percentage allocations shown in the table captioned “Capital Cost Allocations” below. The City is currently responsible for 54.618% of the debt service on the Agency Bonds. All other capital costs, including required monthly deposits into the Bond Reserve Account and the Depreciation Account and debt service on Parity Bonds, are allocated among Member Municipalities based on their respective percentage shares of capacity allocation.

Operation and Maintenance Cost Allocation

<i>Member Municipality</i>	<i>Capacity Allocation (MGD)</i>	<i>Current Usage (MGD)*</i>	<i>Capacity Allocation (%)</i>	<i>Cost Allocation (%)</i>
Kankakee	13.6	7.891	54.618 %	63.644 %
Bourbonnais	7.4	2.498	29.718	20.150
Bradley	3.8	1.954	15.261	15.764
Aroma Park	0.1	0.055	0.402	0.442
Totals:	24.9	12.398	100.000 %	100.00 %

*Five year average 2002-2007.

Capital Cost Allocations

<i>Member Municipality</i>	<i>1999 Bonds Debt Service Allocation (%)</i>	<i>Other Capital Costs Allocation</i>
Kankakee	54.618	54.618
Bourbonnais	29.718	29.718
Bradley	15.261	15.261
Aroma Park	0.402	0.402
Total:	100.000	100.000

See "Pro Forma Historical Debt Service Coverage" for an analysis of the historical pro forma debt service coverage on the Bonds giving effect to the City's payment obligations to the Agency.

The Intergovernmental Agreement requires the Agency to bill each Member Municipality, by the 21st day of each month, for its share of the Facility Costs, and further requires each Member Municipality to “include in its annual appropriation or budget ordinance adequate funds for the aforementioned payments.” **The Member Municipalities also agreed in the Intergovernmental Agreement that payments to the Agency under the Intergovernmental Agreement will be treated as operation and maintenance expenses of the respective Municipal Sewerage Systems. Accordingly, payment for services provided by the Authority under the Intergovernmental Agreement will have a priority with respect to the revenues of the respective Municipal Sewerage Systems senior to any obligations of the Member Municipalities payable from such revenues. In the Intergovernmental Agreement, the Member Municipalities agreed not to incur obligations payable from the revenues of the respective Municipal Sewerage Systems senior to, or on a parity with, the Member Municipality's payment obligations under the Intergovernmental Agreement.**

Each Member Municipality is responsible only for the portion of the Facility Costs allocated to it. The Member Municipalities are not jointly and severably liable for the Facility Costs. The Intergovernmental Agreement does not provide for a “step up” of payments by non-defaulting Member Municipalities if one or more of the Member Municipalities defaults in its payments under the Intergovernmental Agreement.

THE SEWER SYSTEM

The System provides for the collection of wastewater from residential, commercial and industrial users within the City and in limited unincorporated areas outside the City. The System contains over 100 miles of sanitary sewers servicing 32 square miles of developed land inhabited by 27,491 people within the City. The System is designed to serve an expanded area of 140 square miles with an estimated population of 75,000 surrounding the present service area. The following table sets forth the trend of population in the service area since 1960.

System Service Area Population

<u>Year</u>	<u>Population</u>
1960	27,666
1970	30,944
1980	30,141
1990	27,972
2000	27,491
2008	27,491

General Organization and Staffing. The Kankakee Municipal Utility (the “Utility”) was established by ordinance of the City Council on April 18, 1988, as a non-regulated public utility of the City to be operated independently as an enterprise fund of the City. The Utility is responsible for the operation and maintenance of the Kankakee City Sewer System.

Prior to 1988, the Utility was known as the Department of Water of Pollution Control and was an executive department of the City.

Oversight of Utility operations rests with 9-member Utility Board (the “Board”). The Mayor of the City serves as Chairman of the Board. Other members include the City Clerk and seven City aldermen. Responsibility for the day-to-day operations of the Utility rest with the Superintendent.

Currently, 24 employees serve the Utility in the following areas.

Administration: This group provides for overall management as well as clerical services, accounting, customer billing and collections.

Field Operations: This group provides for sanitary sewer maintenance and repair, pump station operations and maintenance, record keeping and engineering and construction activities.

Technical Services: This group provides for electrical, electronic and computer services.

Description of Physical Facilities. The System consists of approximately 100 miles of sewers. The System includes collector sewers, interceptors, siphons and diversion structures.

Collector Sewer System: The collector sewer system is divided into seven subsystems which cover various parts of the service area. The sewers range in size from 8 inches to 72 inches in diameter. The collector sewer system also includes elliptical sewers ranging from 45 x 29 inches to 60 x 38 inches. Construction of the collector sewer system began in 1890. Approximately 10% of the collector sewer system has been constructed since 1960.

Interceptor Sewer System: Two major interceptors, the Shapiro Development Center Interceptor and the River Interceptor, convey wastewater from the City's collector sewer system to the Facility. The Shapiro Development Center Interceptor consists of approximately 6,600 feet of 30-inch and 33-inch concrete pipe. The River Interceptor consists of approximately 21,000 feet of 18-inch up to 48-inch concrete pipe, constructed adjacent to the Kankakee River. Approximately 75% of the interceptor sewer system has been reconstructed since 1989.

In recent years, the City has contracted for the construction of additional interceptor sewers to convey wastewater to various lift stations, and from those lift stations to the Facility. The new interceptor sewers consist of approximately 13,644 feet of concrete sanitary sewer pipe ranging in size from 24 inches to 72 inches.

Financial Operations

The City's Sewer Use Ordinance provides that the revenues of the City's sewerage system are to be reserved and used exclusively for the operation, maintenance, rehabilitation and reconstruction of the sewerage system. The current base charge for sewer service is \$3.25 per 100 cubic feet of water utilized and there are two environmental surcharges, as shown below. Water is provided by Consumers Illinois Water Company, the private water utility serving the Kankakee area. Sewer service charges are established by City's Sewer Use Ordinance, as amended from time to time, and are not subject to approval or review by any Federal or State authority.

The recent history of sewer service rates is shown as follows:

Charge/Surcharge	Rate per 100 <u>Cubic Feet</u>
Base Use Charge	\$3.25
Biochemical Oxygen Demand Surcharge per lb. over 200 mg/l	0.40
Suspended Solids Surcharge per lb. over 250 mg/l	0.40

See “**Historical Revenue Available for Debt Service**” for information regarding the historical System revenue collections.

All sewer work performed within the City, or connecting to the City owned sewers, whether on private or public property, is subject to approval of the Superintendent. All structures in the City must be connected to the System. There is no competition for sewer service in the City. There are no significant developed areas within the City without sanitary sewer service.

Number of Customers: The following table identifies the number of customers of the Sewer System by type for fiscal years 2004 through 2008:

Fiscal Year Ended April 30

Customer Type:	2004	2005	2006	2007	2008
Residential and Commercial	8,433	8,383	8,337	8,302	8,302
Industrial and Institutional.....	42	38	38	33	34

Distribution of Revenues by Type of Customer. The following table identifies the approximate percentage distribution of Revenues by type of account for fiscal years 2004 through 2008:

Fiscal Year Ended April 30

Customer Type:	2005	2006	2007	2008	2009
Residential and Commercial	3,435,863	2,558,472	2,524,719	2,516,305	2,672,471
Industrial and Institutional.....	4,197,070	3,978,663	4,130,409	4,713,607	5,019,617

Revenue Produced by Largest Customers. The following table identifies the approximate percentage of Sewer System revenues attributable to the largest customers of the Sewer System:

Name of Customer	Fiscal Year	Fiscal Year
	2007(%)	2008(%)
Cognis Corp.	24.2	24.2
CSL Bearing.....	19.5	19.2
Bunge Foods.....	16.6	16.7
Rohm & Haas	7.2	7.3
Del Monte	4.3	4.4
Armstrong	3.7	3.8
Mickey's Linens	2.4	2.3
Millipore	2.2	2.3

Billings and Collections. The sewer service charge is billed monthly to all customers except residential users who pay annually in advance and receive a 5.0% discount. All billings are handled by the accounting office of the Utility and all collections are performed by the Utility. Upon collection of the sewer service charge, the Utility deposits the payments received into a clearing account. Once the payments clear, the transfer of all sewer funds to the Revenue Fund is made.

The number of residential and commercial accounts has remained fairly constant over the last five years and the number of industrial accounts has increased due to the expansion of the Facility.

Large industrial users of the Utility are billed for flow and strength of the wastewater discharged. The rates for surcharged strength are established by ordinance and assure that industrial users pay their proportionate share of the cost of service.

Payments are due 20 days from the date of the bill and a late payment charge of 1.5% of the outstanding balance per month is assessed to all delinquent customers. Delinquency notices are sent to customers whenever their account becomes 60 days delinquent.

The contract collection agreement with Aqua Illinois results in collections of 99+ % of billings.

Planning and Annual Budget Review. The Superintendent is responsible for preparation of the annual budget and presentation to the Utility Board for review. Following budget review and approval by the Board at a regular public session, the Superintendent presents the budget along with an appropriation ordinance to the City Council for first and second readings at regular public meetings.

Upon final approval of the appropriation ordinance, the budget is administered by the Superintendent with monthly approval of revenues and expenditures by the Utility Board. Modification of the annual appropriations requires City Council approval.

SEWER DEBT INFORMATION

After issuance of the Bonds, the City will have outstanding \$6,970,000 of sewer revenue bonds.

Outstanding Sewer Revenue Bonds(1) (Principal Only)

Calendar Year	Series 2001	The Bonds	Total Debt	Cumulative Retirement	
				Amount	Percent
2010	\$ 175,000	\$ 0	\$ 175,000	\$ 175,000	2.51%
2011	180,000	220,000	400,000	575,000	8.25%
2012	190,000	225,000	415,000	990,000	14.20%
2013	195,000	230,000	425,000	1,415,000	20.30%
2014	205,000	240,000	445,000	1,860,000	26.69%
2015	215,000	250,000	465,000	2,325,000	33.36%
2016	225,000	260,000	485,000	2,810,000	40.32%
2017	235,000	270,000	505,000	3,315,000	47.56%
2018	245,000	280,000	525,000	3,840,000	55.09%
2019	255,000	295,000	550,000	4,390,000	62.98%
2020	270,000	310,000	580,000	4,970,000	71.31%
2021	285,000	325,000	610,000	5,580,000	80.06%
2022	295,000	345,000	640,000	6,220,000	89.24%
2023	0	365,000	365,000	6,585,000	94.48%
2024	0	385,000	385,000	6,970,000	100.00%
Total	\$2,970,000	\$4,000,000	\$6,970,000		

Note: (1) Source: the City.

**Pro Forma Debt Service Coverage
 Sewer Revenue Bonds**

Calendar Year	Net Revenue Available For Debt Service(1)	Series 2001	The Bonds	Total Debt Service	Coverage
2010	\$1,370,642	\$312,208	\$ 76,905	\$389,113	3.52x
2011	1,370,642	310,120	404,573	714,693	1.92x
2012	1,370,642	312,650	405,173	717,823	1.91x
2013	1,370,642	309,670	404,548	714,218	1.92x
2014	1,370,642	311,188	407,188	718,376	1.91x
2015	1,370,642	312,065	408,788	720,853	1.90x
2016	1,370,642	312,498	409,288	721,786	1.90x
2017	1,370,642	312,260	408,108	720,368	1.90x
2018	1,370,642	311,215	405,283	716,498	1.91x
2019	1,370,642	309,455	406,283	715,738	1.92x
2020	1,370,642	312,088	406,090	718,178	1.91x
2021	1,370,642	313,858	404,660	718,518	1.91x
2022	1,370,642	309,750	407,110	716,860	1.91x
2023	1,370,642	0	408,135	408,135	3.36x
2024	1,370,642	0	407,330	407,330	3.36x

Note: (1) Based on the City's 2008 Comprehensive Annual Financial Report. Since that time, the City Council approved a 7.5% rate increase effective November 1, 2009, and an additional 7.5% rate increase effective in May 2010.

Historical Revenue Available for Debt Service

	Fiscal Years Ending April 30				
	2004	2005	2006	2007	2008
Operating Revenues.....	\$7,919,209	\$8,257,237	\$8,290,892	\$8,391,133	\$8,824,449
Less: Operating Expenses.....	(8,090,278)	(8,464,682)	(8,311,975)	(8,163,493)	(8,566,678)
Add: Depreciation.....	811,408	875,845	918,247	959,671	969,357
Add: Interest Earnings.....	41,124	53,591	131,689	144,726	143,514
Net Revenue Available for Debt Service..	\$ 681,463	\$ 721,991	\$1,028,853	\$1,332,037	\$1,370,642

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The following is a summary of certain provisions of the Bond Ordinance. This summary is not to be considered a full statement of the terms of the Bond Ordinance and is qualified by reference thereto and is subject to the full text of the Bond Ordinance.

Definitions

As used or referred to in the Bond Ordinance, unless a different meaning clearly appears from the context:

“Act” means Section 6 of Article VII of the 1970 Constitution of the State of Illinois, as supplemented by the Illinois Municipal Code, as supplemented and amended, and in particular, Division 4. of Article 8 and Division 139 of Article 11 thereof.

“Agency” means the Kankakee River Metropolitan Agency, a municipal corporation and a public body politic and corporate under the laws of the State of Illinois.

“Bond” or “Bonds” means one or more, as applicable, of the Bonds authorized to be issued by the Bond Ordinance.

“Bond Insurer” means Assured Guaranty-, or any successor thereto or assignee thereof.

“Bond Ordinance” means the ordinance adopted by the City Council of the City on November 16, 2009, authorizing the issuance of the Bonds.

“Bond Register” means the books of the City kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

“Bond Registrar” means the City Comptroller, Kankakee, Illinois, or a successor designated as Bond Registrar under the Bond Ordinance.

“Bond Year” means that twelve calendar month period beginning May 2 of any calendar year and ending on May 1 of the following year.

“City” means the City of Kankakee, Kankakee County, Illinois.

“City Council” means the City Council of the City.

“Code” means the Internal Revenue Code of 1986, as amended.

“Current Debt Service Requirement” means, for any Bond Year, the aggregate Principal Requirement and the Interest Requirement for such Bond Year.

“Depository” means The Depository Trust Company, New York, New York, or successor or assign duly qualified to act as a securities depository with respect to the Bonds.

“Facility” means the regional wastewater treatment plant located in the City, and certain designated lines, connectors and equipment, and includes all property, real, personal or mixed, owned or to be owned by the Agency or under the control of the Agency, and used for wastewater treatment purposes. The Facility does not include the sewerage collection systems of the Members, including the System.

“Fiscal Year” means a twelve-month period beginning May 1 of the calendar year and ending on the next succeeding April 30.

“Interest Requirement” means, for any Fiscal Year, the aggregate amount of interest due and payable on Outstanding Bonds during such Fiscal Year.

“Intergovernmental Agreement” means the Municipal Joint Sewage Treatment Agency Intergovernmental Agreement dated as of May 1, 1996, as amended and restated as of March 1, 1999, by and among the City and the Villages.

“Maximum Annual Debt Service” means an amount of money equal to the highest future aggregate Principal Requirement and Interest Requirement of all Outstanding Bonds required to be deposited into the Bond and Interest Account continued by the Bond Ordinance in any Fiscal Year, including and subsequent to the Fiscal Year in which the computation is made. Any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from the Bond and Interest Account shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

“Member” or “Member Municipality” means any of the City or the Villages.

“Net Revenues” means Revenues minus Operation and Maintenance Costs.

“Operation and Maintenance Costs” means all costs of operating, maintaining and routine repair of the System, including wages, salaries, costs of materials and supplies, power, fuel, insurance, purchase of water or sewage treatment services (including, specifically, all payments by the City to the Agency pursuant to long term contracts for such services); but excluding debt service, depreciation, replacement or any reserve requirements; and otherwise determined in accordance with generally accepted principles for municipal enterprise funds.

“Outstanding Bonds” means Bonds, Series 2001 Bonds and any Parity Bonds which are outstanding and unpaid; *provided, however*, that such term shall not include Bonds, Series 2001 Bonds or Parity Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay when due all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the City by the deposit in an irrevocable trust or escrow of funds or direct, full faith and credit obligations of the United States of America, the principal of and interest on which will be sufficient to pay at maturity or as called for redemption all the principal of and interest on such Bonds, Series 2001 Bonds or Parity Bonds.

“Parity Bonds” means bonds or any other obligation to be issued subsequent in time to the Bonds and which will share ratably and equally in the Net Revenues with the Bonds.

“Paying Agent” means the City Comptroller, Kankakee, Illinois, or its successors or assigns under the Bond Ordinance.

“Policy” means the municipal bond new issue insurance policy issued by the Bond Insurer unconditionally guaranteeing the scheduled payment of principal of and interest on the Bonds.

“Principal Requirement” means, for any Fiscal Year, the aggregate principal amount of Outstanding Bonds due and payable during such Fiscal Year.

“Qualified Investments” means any investment authorized for the investment of funds of the City under the laws of the State of Illinois.

“Revenue Fund” means the Waterworks and Sewerage Fund of the City heretofore created and expressly continued by the Ordinance.

“Revenues” means all income from whatever source derived from the System, including (i) investment income; (ii) connection, permit and inspection fees and the like; (iii) penalties and delinquency charges; (iv) capital development, reimbursement, or recovery charges and the like; (v) annexation or pre-annexation charges insofar as designated by the City Council as paid for System connection or service; but excluding expressly (a) non-recurring income from the sale of property of the System; (b) governmental or other grants; (c) advances or grants made from the City or any other governmental entity; and as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“Series 2001 Bonds” means the Sewerage Revenue Bonds, Series 2001, of the City.

“System” refers to all property, real, personal or otherwise owned or to be owned by the City or under the control of the City, and used for waterworks and sewerage purposes, including any and all further extensions, improvements and additions to the System.

“Utility” means the Kankakee Municipal Utility of the City.

“Villages” means the Villages of Aroma Park, Bourbonnais and Bradley, Illinois.

Bond Ordinance to Constitute Contract

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Bond Ordinance shall be deemed to be and shall constitute contracts between the City and the holders from time to time of the Bonds. The pledges made in the Bond Ordinance and the covenants and agreements set forth to be performed on behalf of the City shall be for the equal benefit, protection and security of the holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Bond Ordinance.

Limited Obligation of Bonds

The Bonds shall be limited obligations of the City payable from the Net Revenues of the System, and the moneys, securities and funds pledged therefor under the Bond Ordinance, subject to the withdrawal and application of such moneys, securities and funds in accordance with the provisions of the Bond Ordinance. The Bonds shall not be deemed to constitute general obligations of the City. Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the principal of or interest on the Bonds. All Bonds and, if and to the extent so provided in the Supplemental Ordinance authorizing the issuance of any particular Series of Additional Bonds, the Bonds of such Series shall be entitled to the benefits of the continuing pledge and lien created by the Bond Ordinance to secure the full and final payment of the principal or Redemption Price of and interest on all of said Bonds.

SEWER SYSTEM FINANCIAL INFORMATION

The following tables are summaries, excerpted from the audited financial statements of the City, copies of which are available upon request. Please see **APPENDIX A** for excerpts from the City's 2008 audited financial statements.

Municipal Utility Fund Statement of Net Assets

	Audited As of April 30				
	2004	2005	2006	2007	2008
ASSETS:					
Current Assets:					
Cash and Investments.....	\$2,590,727	\$ 908,207	\$ 287,606	\$ 363,312	\$ 1,113,280
Restricted Cash and Investments.....	11,082	16,362	28,209	45,471	62,885
Receivables, Net:					
Due From Other Government Agencies.....	143,689	0	0	169,572	445,492
Due From Other Funds.....	142,713	120,243	120,243	120,243	120,243
Accounts Receivable.....	2,458,255	2,034,924	1,843,005	2,084,640	2,163,191
Prepaid Items.....	<u>31,863</u>	<u>31,883</u>	<u>31,731</u>	<u>49,064</u>	<u>51,301</u>
Total Current Assets.....	\$ 5,378,329	\$ 3,111,619	\$ 2,310,794	\$ 2,832,302	\$ 3,956,392
Non-Current Assets:					
Other Restricted Cash and Investments.....	\$ 2,188,080	\$ 2,219,025	\$ 2,826,972	\$ 1,736,972	\$ 1,117,285
Capital Assets:					
Non-Depreciable.....	1,473,334	2,631,504	1,491,888	365,866	912,417
Depreciable, Net.....	24,280,649	25,415,677	26,215,168	26,600,946	25,668,761
Unamortized Bond Issuance Cost.....	335,055	314,367	293,679	272,991	252,302
Investment in Joint Venture.....	<u>1,098,617</u>	<u>1,270,885</u>	<u>1,296,267</u>	<u>1,131,406</u>	<u>680,570</u>
Total Non-Current Assets.....	<u>\$29,375,735</u>	<u>\$31,851,458</u>	<u>\$32,123,974</u>	<u>\$30,108,181</u>	<u>\$28,631,335</u>
Total Assets.....	\$34,754,064	\$34,963,077	\$34,434,768	\$32,940,483	\$32,587,727
LIABILITIES:					
Current Liabilities:					
Accounts Payable.....	\$ 123,638	\$ 158,290	\$ 148,480	\$ 201,175	\$ 324,890
Accrued Wages Payable.....	92,609	85,742	85,506	67,613	72,327
Accrued Employee Absences.....	31,000	31,000	32,500	31,500	67,000
Due to Other Government Agencies.....	0	170,862	175,539	0	0
Due to Other Funds.....	0	25,160	9,420	6,717	440,592
Revenue Bonds Payable Within One Year.....	<u>470,000</u>	<u>490,000</u>	<u>510,000</u>	<u>530,000</u>	<u>555,000</u>
Total Current Liabilities.....	\$ 717,247	\$ 961,054	\$ 961,445	\$ 837,005	\$ 1,459,809
Non-Current Liabilities:					
Accrued Employee Absences.....	\$ 243,000	\$ 281,000	\$ 309,500	\$ 341,000	\$ 320,800
Revenues Bonds Payable.....	<u>6,828,829</u>	<u>6,526,353</u>	<u>6,203,876</u>	<u>5,861,399</u>	<u>5,493,923</u>
Total Non-Current Liabilities.....	<u>\$ 7,071,829</u>	<u>\$ 6,807,353</u>	<u>\$ 6,513,376</u>	<u>\$ 6,202,399</u>	<u>\$ 5,814,723</u>
Total Liabilities.....	\$ 7,789,076	\$ 7,768,407	\$ 7,474,821	\$ 7,039,404	\$ 7,274,532
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt.....	\$18,455,154	\$21,030,828	\$20,993,180	\$20,575,413	\$20,532,255
Restricted for Debt Service.....	2,199,162	2,219,025	2,826,972	1,736,972	1,117,285
Unrestricted.....	<u>6,310,672</u>	<u>3,944,817</u>	<u>3,139,795</u>	<u>3,588,694</u>	<u>3,663,655</u>
Total Net Assets.....	\$26,964,988	\$27,194,670	\$26,959,947	\$25,901,079	\$25,313,195

Municipal Utility Fund Revenues and Expenditures

	Audited for the Fiscal Year Ending April 30				
	2004	2005	2006	2007	2008
OPERATING REVENUES:					
Charges for Services:					
Sewer Charges.....	\$ 6,212,921	\$ 6,632,933	\$ 6,537,135	\$ 6,655,128	\$ 7,229,906
Solid Waste Charges.....	1,500,162	1,395,046	1,562,773	1,561,365	1,511,626
Hydroelectric Revenues.....	206,126	229,258	190,984	174,640	82,917
Total Operating Revenues.....	\$ 7,919,209	\$ 8,257,237	\$ 8,290,892	\$ 8,391,133	\$ 8,824,449
OPERATING EXPENSES:					
Administration.....	\$ 1,452,840	\$ 1,520,730	\$ 1,655,424	\$ 1,516,762	\$ 1,792,443
Sanitary Sewers.....	514,021	501,244	555,036	649,172	799,739
Remote Stations.....	182,622	223,283	189,689	269,686	258,583
Lab and Industrial Services.....	319,587	356,001	382,923	396,662	424,433
Technical Services.....	830,224	388,316	329,051	402,500	438,521
Building Maintenance.....	148,632	606,900	190,985	174,640	82,917
Sewer Charges.....	2,204,827	2,441,667	2,558,944	2,249,284	2,270,926
Sewer Improvement Project.....	282,820	34,947	103	0	0
Solid Waste.....	1,245,747	1,515,749	1,531,573	1,545,116	1,529,759
Landfill Siting.....	97,550	0	0	0	0
Depreciation.....	811,408	875,845	918,247	959,671	969,357
Total Operating Expenses.....	\$ 8,090,278	\$ 8,464,682	\$ 8,311,975	\$ 8,163,493	\$ 8,566,678
Operating Income (Loss).....	\$ (171,069)	\$ (207,445)	\$ (21,083)	\$ 227,640	\$ 257,771
NON-OPERATING REVENUES (EXPENSES):					
Equity Interest in Joint Venture Operating Income	\$ 88,295	\$ 23,812	\$ 25,382	\$ (172,097)	\$ (450,836)
Gain on Disposal of Property and Equipment.....	442	459	0	0	0
Interest Income.....	41,124	53,591	131,689	144,726	143,514
Interest Expense.....	(666,066)	(644,034)	(626,141)	(606,836)	(586,146)
Contributions From Developers.....	2,531,000	1,039,396	0	0	0
Sale of Capacity.....	0	0	1,626,000	0	0
Grant Revenue.....	0	0	0	52,300	6,832
Other Income.....	1,820,996	169,104	38,982	7,724	132,152
Total Non-Operating Revenues (Expenses).....	\$ 3,815,791	\$ 642,328	\$ 1,195,912	\$ (574,183)	\$ (754,484)
Income Before Transfers.....	\$ 3,644,722	\$ 434,883	\$ 1,174,829	\$ (346,543)	\$ (496,713)
Transfers In (Out).....	316,828	(205,201)	(858,432)	(712,325)	14,372
Change in Net Assets.....	\$ 3,961,550	\$ 229,682	\$ 316,397	\$ (1,058,868)	\$ (482,341)
Net Assets, May 1.....	\$23,003,438	\$26,964,988	\$26,643,550(1)	\$26,959,947	\$25,795,536 (1)
Net Assets, April 30.....	\$26,964,988	\$27,194,670	\$26,959,947	\$25,901,079	\$25,313,195

Note: (1) As restated.

**Municipal Utility Fund
 Budget Financial Information**

	For Twelve Months Ending <u>April 30, 2009</u>
OPERATING REVENUES:	
Charges For Services	\$ 7,692,088
Other Operating Revenues	<u>2,312,634</u>
Total Operating Revenues	\$10,004,722
OPERATING EXPENSES:	
Personnel Services	\$ 2,061,204
Contractual Services	5,866,794
Commodities	476,436
Depreciation	942,923
Other Charges	<u>547,466</u>
Total Operating Expenses	\$ 8,951,900
Operating Income	\$ 109,899
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	\$ 21,830
Interest Expense	(564,461)
Intergovernmental	(274,892)
Loss on Early Retirement of Debt	(1,460,633)
Other	<u>(5,493)</u>
Total Nonoperating Revenues	\$(2,283,649)
Transfers, Net	\$ 4,931,639
Change In Net Assets	\$ 2,757,889
Total Net Assets, Beginning of Year	\$25,313,195
Prior Period Adjustment	<u>139,258</u>
Total Net Assets, Ending of Year	\$28,210,342

THE CITY

Location, Organization and Government

The City of Kankakee (the “City”), is located approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.5 square miles, an increase of 42% in land area. The City acts as the industrial and service center for the Kankakee metropolitan area. With a current population of 27,491, the City operates as the center of a metropolitan populace of approximately 65,000 people and is the county seat of Kankakee County (the “County”), which has a population of 103,833 people.

The City was incorporated in 1865 and since 1970, by virtue of its population size, has operated as a home rule unit of government pursuant to the 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, and emergency ambulance), 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, Inc., a private utility.

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 one-quarter of a mile wide. There are several City parks along the river's edge that provide opportunities for fishing and boating. Many of the City's historic homes with the highest median value are situated in close proximity to the river. During the summer months, the City hosts the National Power Boat Championship Races on the river that draws many boaters and tourists to the area. About seven miles northwest of the City is Kankakee River State Park, which covers an area of about 4,000 acres and attracts thousands of tourists to the area annually.

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 City owned 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 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 5,169. One parochial school serves the Kankakee area. Higher education is available through Olivet Nazarene University (a four-year liberal arts college) in Bourbonnais, and Governor's State University located a few miles outside of the County in University Park. Olivet Nazarene University has increased its enrollment to the current level of approximately 4,500, which includes some 3,045 undergraduates. The number of students living on-campus has grown substantially from 1,100 in 1990 to 1,986, a 80% increase. The greatest enrollment growth has occurred at the graduate level, where the number of students has grown to the current level of approximately 1,494. Two year undergraduate education is offered at Kankakee Community College, located on a 160-acre campus in Kankakee. There are some 3,521 students currently enrolled at the Community College, which equates to a full-time equivalent of 2,825.

SOCIOECONOMIC INFORMATION

Employment

The following is a list of large employers located in the City and in the surrounding area.

Largest Regional Employers(1)

<u>Name</u>	<u>Product/Service</u>	<u>Approximate Employment</u>
Riverside Healthcare.....	Regional Medical Center.....	2,100
Shapiro Development 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
Kankakee County Government.....	Government.....	550
ZLB Behring.....	Pharmaceuticals.....	550
K-Mart Distribution Center.....	Midwest Product Distribution.....	460
Olivet Nazarene University.....	Private University.....	400
Kankakee Community College.....	Education.....	396
Armstrong World Industries, Inc.....	Vinyl Tile.....	367
City of Kankakee.....	City Government.....	352
Bunge Edible Oils.....	Food Products.....	320
Nucor Steel.....	Steel Production.....	304

Note: (1) Source: the City.

The following tables show employment by industry and by occupation for the City, the County and the State of Illinois as reported by the 2000 Census.

Employment By Industry(1)

<u>Classification</u>	<u>The City</u>		<u>Kankakee County</u>		<u>State of Illinois</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, Forestry, Fishing and Hunting, and Mining...	129	1.19%	788	1.63%	66,481	1.14%
Construction.....	437	4.03%	3,236	6.71%	334,176	5.73%
Manufacturing.....	1,711	15.79%	7,842	16.26%	931,162	15.96%
Wholesale Trade.....	370	3.42%	1,896	3.93%	222,990	3.82%
Retail Trade.....	1,525	14.08%	6,896	14.30%	643,472	11.03%
Transportation and Warehousing, and Utilities.....	686	6.33%	3,330	6.90%	352,193	6.04%
Information.....	292	2.70%	990	2.05%	172,629	2.96%
Finance, Insurance, Real Estate, and Rental and Leasing..	435	4.02%	2,460	5.10%	462,169	7.92%
Professional, Scientific, Management, Administrative, and Waste Management Services.....	627	5.79%	2,673	5.54%	590,913	10.13%
Educational, Health and Social Services.....	2,453	22.64%	10,801	22.40%	1,131,987	19.41%
Arts, Entertainment, Recreation, Accommodation and Food Services.....	944	8.71%	3,221	6.68%	417,406	7.16%
Other Services (Except Public Administration).....	575	5.31%	2,348	4.87%	275,901	4.73%
Public Administration.....	650	6.00%	1,746	3.62%	231,706	3.97%
Total.....	10,834	100.00%	48,227	100.00%	5,833,185	100.00%

Note: (1) Source: U. S. Bureau of the Census.

Employment By Occupation(I)

Classification	The City		Kankakee County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Management, Professional, and Related Occupations.....	2,433	22.46%	12,583	26.09%	1,993,671	34.18%
Service Occupations.....	2,329	21.50%	7,507	15.57%	813,479	13.95%
Sales and Office Occupations.....	2,390	22.06%	12,763	26.46%	1,609,939	27.60%
Farming, Fishing, and Forestry Occupations.....	82	0.76%	296	0.61%	17,862	0.31%
Construction, Extraction, and Maintenance Occupations.....	846	7.81%	5,080	10.53%	480,418	8.24%
Production, Transportation, and Material Moving Occupations	<u>2,754</u>	<u>25.42%</u>	<u>9,998</u>	<u>20.73%</u>	<u>917,816</u>	<u>15.73%</u>
Total.....	10,834	100.00%	48,227	100.00%	5,833,185	100.00%

Note: (1) Source: U.S. Bureau of the Census.

Annual Average Unemployment Rates(I)

Calendar Year	The City	Kankakee County	State of Illinois
1999.....	8.7%	5.2%	4.5%
2000.....	6.7%	4.6%	4.5%
2001.....	7.9%	5.3%	5.4%
2002.....	9.0%	6.7%	6.5%
2003.....	9.9%	7.3%	6.7%
2004.....	9.9%	7.5%	6.2%
2005.....	9.1%	6.5%	5.8%
2006.....	7.9%	5.6%	4.6%
2007.....	8.8%	6.5%	5.0%
2008.....	12.0%	8.8%	6.5%
2009(2).....	16.3%	12.5%	9.9%

Notes: (1) Source: Illinois Department of Employment Security.
 (2) Preliminary rates for the month of August 2009.

Building Permits

City Building Permits(I)

Fiscal Year Ended April 30	New Construction				Repair & Remodeling		Total	
	Residential		Commercial		Number	Value	Number	Value
	Number	Value	Number	Value				
1999.....	3	\$ 176,700	20	\$ 7,368,552	1,419	\$10,470,374	1,442	\$18,015,626
2000.....	30	477,790	29	16,231,254	1,297	6,327,438	1,356	23,036,482
2001.....	5	352,600	9	6,520,250	904	6,905,559	918	13,778,409
2002.....	2	170,000	9	2,148,309	769	9,713,782	780	12,032,091
2003.....	3	462,000	16	18,070,177	1,180	12,161,363	1,199	30,693,540
2004.....	8	720,434	10	25,623,138	1,397	9,296,288	1,415	35,639,860
2005.....	19	641,116	19	12,510,918	1,304	12,269,698	1,342	25,421,732
2006.....	35	2,550,100	15	22,350,619	1,030	11,989,677	1,080	36,890,396
2007.....	21	2,023,983	33	23,466,538	1,620	7,505,882	1,674	32,996,403
2008.....	22	2,350,600	13	4,986,600	1,542	15,611,622	1,577	22,948,822
2009.....	13	1,756,600	8	14,273,414	1,526	14,841,504	1,547	30,871,518

Note: (1) Source: the City.

Housing

The 2000 Census reported that the median home value of the City's owner-occupied homes was \$73,400, which compares with \$99,200 for the County and \$130,800 for the State of Illinois. The 2000 market value of specified owner-occupied units for the City, the County and the State of Illinois was as follows:

Specified Owner-Occupied Units(1)

Value	The City		Kankakee County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Under \$50,000	946	19.75%	1,659	7.54%	230,049	9.31%
\$50,000 to \$99,999	2,855	59.59%	9,548	43.37%	651,605	26.38%
\$100,000 to \$149,999	722	15.07%	6,682	30.35%	583,409	23.62%
\$150,000 to \$199,999	161	3.36%	2,619	11.90%	429,311	17.38%
\$200,000 to \$299,999	65	1.36%	1,078	4.90%	344,651	13.95%
\$300,000 to \$499,999	30	0.63%	315	1.43%	163,254	6.61%
\$500,000 to \$999,999	6	0.13%	72	0.33%	55,673	2.25%
\$1,000,000 or more	6	0.13%	42	0.19%	12,386	0.50%
Total	4,791	100.00%	22,015	100.00%	2,470,338	100.00%

Note: (1) Source: U.S. Bureau of the Census.

Income

According to the 2000 Census, the City had a median family income of \$36,428. This compares to \$48,975 for the County and \$55,545 for the State of Illinois. The following table represents the distribution of family incomes for the City, the County and the State of Illinois at the time of the 2000 Census.

Median Family Income(1)

Income	The City		Kankakee County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	651	10.29%	1,387	5.14%	156,205	5.00%
\$10,000 to \$14,999	538	8.50%	1,169	4.33%	105,747	3.38%
\$15,000 to \$24,999	915	14.46%	2,749	10.19%	273,712	8.76%
\$25,000 to \$34,999	936	14.79%	3,422	12.68%	331,907	10.62%
\$35,000 to \$49,999	1,173	18.53%	5,024	18.62%	506,429	16.20%
\$50,000 to \$74,999	1,196	18.90%	6,851	25.39%	736,897	23.58%
\$75,000 to \$99,999	507	8.01%	3,721	13.79%	445,390	14.25%
\$100,000 to \$149,999	270	4.27%	1,970	7.30%	356,068	11.39%
\$150,000 to \$199,999	52	0.82%	304	1.13%	101,955	3.26%
\$200,000 or more	91	1.44%	386	1.43%	111,008	3.55%
Total	6,329	100.00%	26,983	100.00%	3,125,318	100.00%

Note: (1) Source: U.S. Bureau of the Census.

According to the 2000 Census, the City had a median household income of \$30,469. This compares to \$41,532 for the County and \$46,590 for the State of Illinois. The following table represents the distribution of household incomes for the City, the County and the State of Illinois at the time of the 2000 Census.

Median Household Income(1)

Income	The City		Kankakee County		State of Illinois	
	Number	Percent	Number	Percent	Number	Percent
Under \$10,000	1,439	14.40%	3,160	8.27%	383,299	8.35%
\$10,000 to \$14,999	1,118	11.19%	2,825	7.39%	252,485	5.50%
\$15,000 to \$24,999	1,667	16.68%	4,885	12.78%	517,812	11.27%
\$25,000 to \$34,999	1,418	14.19%	5,159	13.50%	545,962	11.89%
\$35,000 to \$49,999	1,655	16.56%	6,607	17.29%	745,180	16.23%
\$50,000 to \$74,999	1,574	15.75%	8,386	21.95%	952,940	20.75%
\$75,000 to \$99,999	629	6.29%	4,168	10.91%	531,760	11.58%
\$100,000 to \$149,999	313	3.13%	2,183	5.71%	415,348	9.04%
\$150,000 to \$199,999	67	0.67%	385	1.01%	119,056	2.59%
\$200,000 or more	115	1.15%	451	1.18%	128,898	2.81%
Total	9,995	100.00%	38,209	100.00%	4,592,740	100.00%

Note: (1) Source: U.S. Bureau of the Census.

Retail Activity

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. 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 tax generated on the transactions of the partnering companies.

Sales tax receipts exceeded 58% of Governmental Fund Type revenues in fiscal 2008. Following is a summary of the City's sales tax receipts as collected and disbursed by the State of Illinois.

Retailers' Occupation, Service Occupation and Use Tax(1)

State Fiscal Year Ending June 30	State Sales Tax Distributions(2)	Annual Percent Change + (-)
2000	\$ 2,139,246	5.09%(3)
2001	2,672,934	24.95%
2002	5,120,675	91.58%
2003	11,087,758	116.53%
2004	16,368,446	47.63%
2005	22,723,385	38.82%
2006	25,873,465	13.86%
2007	25,221,096	(2.52%)
2008	25,369,037	0.59%
2009	23,267,213	(8.28%)
Growth from 2000 to 2009		987.64%

- Notes: (1) Source: Illinois Department of Revenue.
 (2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the City, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
 (3) The 2000 percentage is based on a 1999 sales tax of \$2,035,710.

CITY GENERAL DEBT AND PROPERTY ASSESSMENT AND TAX INFORMATION

The City's general debt and property assessment and tax information are for information purposes only. The Bonds will be paid solely from the City's Sewer System.

GENERAL DEBT INFORMATION

The City has outstanding \$72,817,328 principal amount of general obligation debt. The City also has \$3,660,534 of installment notes. The City does not intend to issue additional debt within the next six months.

**General Obligation Bonded Debt(1)
 (Principal Only)**

Calendar Year	Series 2001A	Series 2003A	Series 2003B	Series 2004	Series 2005	Series 2006	Series 2007A	Series 2007B(2)	Series 2008	Series 2009	Total Outstanding Debt	Cumulative Retired	
												Amount	Percent
2010	\$ 305,000	\$ 85,000	\$ 295,000	\$ 455,000	\$ 350,000	\$ 320,000	\$ 260,000	\$ 0	\$ 0	\$ 1,835,000	\$ 3,905,000	\$ 3,905,000	5.36%
2011	320,000	425,000	310,000	1,470,000	220,000	260,000	245,000	0	0	1,035,000	4,285,000	8,190,000	11.25%
2012	330,000	510,000	325,000	1,520,000	255,000	270,000	215,000	0	0	1,105,000	4,530,000	12,720,000	17.47%
2013	345,000	1,090,000	340,000	290,000	520,000	320,000	225,000	0	0	1,525,000	4,655,000	17,375,000	23.86%
2014	360,000	1,240,000	360,000	120,000	550,000	335,000	240,000	0	0	1,755,000	4,960,000	22,335,000	30.67%
2015	255,000	0	380,000	135,000	595,000	655,000	260,000	402,672	0	2,365,000	5,047,672	27,382,672	37.60%
2016	0	0	405,000	1,350,000	635,000	675,000	265,000	350,125	315,000	1,110,000	5,105,125	32,487,797	44.62%
2017	0	0	435,000	1,820,000	675,000	375,000	95,000	267,496	425,000	1,210,000	5,302,496	37,790,293	51.90%
2018	0	0	460,000	130,000	720,000	540,000	110,000	402,036	585,000	2,095,000	5,042,036	42,832,328	58.82%
2019	0	0	490,000	130,000	755,000	585,000	125,000	0	670,000	2,525,000	5,280,000	48,112,328	66.07%
2020	0	0	0	140,000	780,000	645,000	140,000	0	900,000	1,245,000	3,850,000	51,962,328	71.36%
2021	0	0	0	0	815,000	730,000	160,000	0	900,000	695,000	3,300,000	55,262,328	75.89%
2022	0	0	0	0	500,000	790,000	170,000	0	985,000	730,000	3,175,000	58,437,328	80.25%
2023	0	0	0	0	510,000	880,000	180,000	0	1,075,000	760,000	3,405,000	61,842,328	84.93%
2024	0	0	0	0	360,000	715,000	600,000	0	1,075,000	790,000	3,540,000	65,382,328	89.79%
2025	0	0	0	0	0	1,125,000	635,000	0	0	830,000	2,590,000	67,972,328	93.35%
2026	0	0	0	0	0	0	670,000	0	0	810,000	1,480,000	69,452,328	95.38%
2027	0	0	0	0	0	0	700,000	0	0	850,000	1,550,000	71,002,328	97.51%
2028	0	0	0	0	0	0	0	0	0	890,000	890,000	71,892,328	98.73%
2029	0	0	0	0	0	0	0	0	0	925,000	925,000	72,817,328	100.00%
Total	\$1,915,000	\$3,350,000	\$3,800,000	\$7,560,000	\$8,240,000	\$9,220,000	\$5,295,000	\$1,422,328	\$6,930,000	\$25,085,000	\$72,817,328		

Notes: (1) Source: the City.
 (2) Original principal amount shown for capital appreciation bonds.

Detailed Overlapping Bonded Debt(1)
 (As of March 12, 2009)

	Outstanding Debt	Applicable to City	
		Percent(2)	Amount
Schools:			
School District No. 61.....	\$ 1,185,000	4.65%	\$ 55,103
High School District No. 307.....	3,645,657	1.48%	53,956
Herscher Community Unit School District No. 2.....	11,770,000	0.23%	27,071
Community Unit School District No. 4 (Clifton).....	12,038,794	0.43%	51,767
Kankakee School District No. 111.....	15,906,098	67.95%	10,808,194
Kankakee Community College No. 520.....	8,190,000	12.16%	995,904
Total Schools.....			<u>\$11,991,995</u>
Others:			
Kankakee County.....	\$ 6,895,000	14.38%	\$991,501
Kankakee Valley Airport Authority.....	480,000	37.86%	181,728
Bourbonnais Park District.....	220,000	1.63%	3,586
Kankakee Valley Park District.....	0	67.92%	0
Total Others.....			<u>\$ 1,176,815</u>
Total Schools and Others Overlapping Bonded Debt.....			<u>\$13,168,810</u>

Notes: (1) Source: Kankakee County Clerk.
 (2) Overlapping debt percentages based on levy year 2007 Equalized Assessed Valuations (EAV).

Statement of Bonded Indebtedness

	Amount Applicable	Ratio To		Per Capita (2000 Census 27,491)
		Equalized Assessed	Estimated Actual	
City EAV of Taxable Property, 2008.....	\$287,260,631	100.00%	33.33%	\$10,449.26
Estimated Actual Value, 2008.....	\$861,781,893	300.00%	100.00%	\$31,347.78
Direct Bonded Debt.....	\$ 72,817,328	25.35%	8.45%	\$ 2,648.77
Less: Self-Supporting.....	<u>(23,530,000)</u>	<u>(8.19%)</u>	<u>(2.73%)</u>	<u>(855.92)</u>
Net Direct Bonded Debt.....	\$ 49,287,328	17.16%	5.72%	\$ 1,792.85
Overlapping Bonded Debt(1):				
Schools.....	\$ 11,991,994	4.17%	1.39%	\$ 436.22
Others.....	<u>1,176,815</u>	<u>0.41%</u>	<u>0.14%</u>	<u>42.81</u>
Total Overlapping Bonded Debt.....	<u>\$ 13,168,809</u>	<u>4.58%</u>	<u>1.53%</u>	<u>\$ 479.02</u>
Total Direct and Overlapping Bonded Debt...	\$ 62,456,137	21.74%	7.25%	\$ 2,271.88

Notes: (1) Overlapping bonded debt as of March 12, 2009.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2008 levy year, the City's EAV was comprised of 64% residential, 7% industrial, 28% commercial, and less than 1% farm and railroad property valuations.

Equalized Assessed Valuation(1)

Property Class	Levy Years				
	2004	2005	2006	2007	2008
Residential.....	\$138,098,922	\$153,858,874	\$168,328,634	\$181,231,972	\$183,736,732
Farm.....	488,177	482,506	483,254	481,694	467,203
Commercial.....	68,246,503	70,978,107	75,596,355	79,317,207	81,297,766
Industrial.....	21,439,393	20,782,574	20,812,689	22,242,453	20,377,225
Railroad.....	<u>1,203,251</u>	<u>1,065,782</u>	<u>1,090,206</u>	<u>1,135,044</u>	<u>1,381,705</u>
Total.....	\$229,476,246	\$247,167,843	\$266,311,138	\$284,408,370	\$287,260,631
Percent Change + (-)	0.49%(2)	7.71%	7.75%	6.80%	1.00%

Notes: (1) Source: Kankakee County Clerk. Includes value in tax increment districts.
 (2) Percentage change based on 2003 EAV of \$228,353,812.

Representative Tax Rates(1)
 (Per \$100 EAV)

	Levy Years				
	2004	2005	2006	2007	2008
City Rates:					
General Corporate (unemployment comp.).....	\$ 0.010	\$ 0.009	\$ 0.009	\$ 0.008	\$ 0.008
Fire Protection.....	0.107	0.098	0.092	0.087	0.087
Police Protection.....	0.082	0.076	0.071	0.067	0.067
School Crossing Guard.....	0.013	0.012	0.011	0.010	0.010
Liability Insurance.....	0.455	0.421	0.378	0.371	0.370
Audit.....	0.016	0.015	0.014	0.013	0.013
Road & Bridge.....	0.049	0.000	0.000	0.000	0.000
Parks.....	0.017	0.016	0.015	0.014	0.014
Band.....	0.007	0.006	0.006	0.006	0.006
I.M.R.F.....	0.239	0.220	0.207	0.194	0.203
Library Fund.....	0.573	0.542	0.523	0.578	0.621
Firefighter's Pension.....	0.523	0.482	0.510	0.511	0.547
Police Pension.....	0.460	0.461	0.461	0.484	0.501
Debt Service.....	<u>1.421</u>	<u>1.377</u>	<u>1.509</u>	<u>1.465</u>	<u>1.550</u>
Total City Rates.....	\$ 3.972	\$ 3.735	\$3.806	\$3.808	\$ 3.997
Kankakee County.....	0.881	0.842	0.833	0.833	0.816
Kankakee County Forest Preserve District...	0.060	0.058	0.056	0.054	0.056
Kankakee Valley Airport Authority.....	0.049	0.045	0.043	0.039	0.039
Kankakee Township.....	0.536	0.515	0.508	0.494	0.511
Kankakee Valley Park District.....	0.577	0.549	0.531	0.511	0.518
School District Number 111.....	4.664	4.455	4.320	4.196	4.294
Community College District Number 520.....	<u>0.304</u>	<u>0.320</u>	<u>0.348</u>	<u>0.381</u>	<u>0.377</u>
Total Rates(2).....	\$11.043	\$10.519	\$10.445	\$10.316	\$10.608

- Notes: (1) Source: Kankakee County Clerk.
 (2) Representative tax rates for other government units are from Kankakee Township tax code 16003, which represents 78% of the City's 2008 EAV.

Tax Extensions and Collections(1)

Levy Year	Coll. Year	Taxes Extended	Total Collections	
			Amount	Percent
2002	2003	\$6,728,350	\$6,657,443	98.95%
2003	2004	7,980,341	7,941,490	99.51%
2004	2005	8,488,900	8,397,370	98.92%
2005	2006	8,702,452	8,660,613	99.52%
2006	2007	9,125,579	9,124,624	99.99%
2007	2008	9,717,956	9,628,373	99.08%
2008	2009	10,015,994	9,822,065	98.10%

Note: (1) Source: the City.

Principal Taxpayers(1)

Taxpayer Name	Business/Service	2008 EAV(2)
Cognis Corp	Chemicals	\$ 4,983,222
Great Oak LLC	Shopping Center	3,331,940
Armstrong World Industries	Vinyl Tile	2,989,650
Riverstone Hotel Partners LLC	Hotel	2,878,702
Riverside Senior Living	Elderly Housing	2,849,634
River Woods Associates	Elderly Housing	2,609,679
Space Center Chicago Inc	Food Production	2,557,311
Walmart	Retail	2,550,146
Cor Unum	Elderly Housing	2,169,030
Heritage Executive Centre	Office Building	<u>2,116,658</u>
Total		\$29,035,972
Ten Largest Taxpayers as a Percent of the City's 2008 EAV (\$287,260,631)		10.11%

- Notes: (1) Source: Kankakee County Treasurer.
 (2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2008 EAV is the most current available.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Tax Levy and Collection Procedures

Local assessment officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Illinois Department of Revenue (the "Department") assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local assessment officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax.

Exemptions

An annual General Homestead Exemption (the "General Homestead Exemption") provides that the Equalized Assessed Valuation ("EAV") of certain property owned and used for residential purposes ("*Residential Property*") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$3,500 for assessment years prior to assessment year 2004 in counties with less than 3,000,000 inhabitants, and a maximum reduction of \$5,000 for assessment year 2004 through 2007 in all counties. Additionally, the maximum reduction is \$5,500 for assessment year 2008 and the maximum reduction is \$6,000 for assessment year 2009 and thereafter in all counties.

The Homestead Improvement Exemption applies to Residential Properties that have been improved or rebuilt in the 2 years following a catastrophic event. The exemption is limited to \$45,000 through December 31, 2003, and \$75,000 per year beginning May 1, 2004 and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption ("*Senior Citizens Homestead Exemption*") operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by \$2,000 in counties with less than 3,000,000 inhabitants. For assessment years 2004 and 2005, the maximum reduction is \$3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is \$3,500 in all counties. In addition, for assessment year 2008 and thereafter, the maximum reduction is \$4,000 for all counties. Furthermore, beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after May 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption (“*Senior Citizens Assessment Freeze Homestead Exemption*”) freezes property tax assessments for homeowners, who are 65 and older and receive a household income not in excess of the maximum income limitation. The maximum income limitation is \$35,000 for years prior to 1999, \$40,000 for assessment years 1999 through 2003, \$45,000 for assessment years 2004 and 2005, \$50,000 from assessment years 2006 and 2007 and for assessments year 2008 and after, the maximum income limitation is \$55,000. In general, the Senior Citizens Assessment Freeze Homestead Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. In counties with a population of 3,000,000 or more, the exemption for all assessment years is equal to the EAV of the residence in the assessment year for which application is made less the base amount. Furthermore, for those counties with a population of less than 3,000,000, the Senior Citizens Assessment Freeze Homestead Exemption is as follows: through assessment year 2005 and for assessment year 2007 and later, the exempt amount is the difference between (i) the current EAV of their residence and (ii) the base amount, which is the EAV of a senior citizen’s residence for the year prior to the year in which he or she first qualifies and applies for the Exemption (plus the EAV of improvements since such year). For assessment year 2006, the amount of the Senior Citizens Assessment Freeze Homestead Exemption phases out as the amount of household income increases. The amount of the Senior Citizens Assessment Freeze Homestead Exemption is calculated by using the same formula as above, and then multiplying the resulting value by a ratio that varies according to household income.

Another exemption available to disabled veterans operates annually to exempt up to \$70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Also, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals. However, individuals claiming exemption under the Disabled Persons’ Homestead Exemption (“*Disabled Persons’ Homestead Exemption*”) or the Disabled Veterans Standard Homestead Exemption (“*Disabled Veterans Standard Homestead Exemption*”) cannot claim the aforementioned exemption.

Furthermore, beginning with assessment year 2007, the Disabled Persons’ Homestead Exemption provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

In addition, the Disabled Veterans Standard Homestead Exemption provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of \$5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50% are granted an exemption of \$2,500. Furthermore, the veteran’s surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse’s new residence, provided that it is the spouse’s primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Persons’ Homestead Exemption cannot claim the aforementioned exemption.

Beginning with assessment year 2007, the Returning Veterans' Homestead Exemption ("*Returning Veterans' Homestead Exemption*") is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of \$5,000, which is applicable in all counties. In order to apply for the Returning Veterans' Homestead Exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, "or a leasehold interest of land on which a single family residence is located, which is occupied as a principle residence of a veteran returning from an armed conflict involving the armed forces of the United States who has an ownership interest therein, legal, equitable or as a lessee, and on which the veteran is liable for the payment of property taxes." Those individuals eligible for the Returning Veterans' Homestead Exemption may claim the Returning Veterans' Homestead Exemption, in addition to other homestead exemptions, unless otherwise noted.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law (the "Limitation Law") limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

Home rule units, including the City, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the City, the limitations set forth therein will not apply to any taxes levied by the City to pay the principal of and interest on the Bonds.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the "Law") limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

FINANCIAL INFORMATION

Financial Reports

The Government Finance Officers Association of the United States and Canada has awarded the City its Certificate of Achievement for Excellence in Financial Reporting for eleven consecutive years. The City's financial statements are audited annually by certified public accountants. The City's financial statements are completed on a modified accrual basis of accounting consistent with generally accepted accounting principles applicable to governmental entities. See **APPENDIX A** for more detail.

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this "**FINANCIAL INFORMATION**" section and in **APPENDIX A** are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended April 30, 2008 (the "2008 Audit"). The 2008 Audit has been prepared by Payne, Gray, Groskreutz & Schmidt, Accountants and Consultants, Kankakee, Illinois (the "Auditor"), and approved by formal action of the City Council. The City has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2008 Audit. The inclusion of the Excerpted Financial Information in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2008 Audit. Questions or inquiries relating to financial information of the City since the date of the 2008 Audit should be directed to the City.

Summary Financial Information

The following tables are summaries and do not purport to be the complete audits, copies of which are available upon request. See **APPENDIX A** for excerpts of the City's 2008 fiscal year audit.

**Statement of Net Assets
 Governmental Activities**

	Audited As of April 30				
	2004	2005	2006	2007	2008
ASSETS:					
Cash and Investments.....	\$ 8,529,205	\$13,255,321	\$ 19,461,056	\$ 18,414,453	\$ 13,919,764
Restricted Cash and Investments.....	602,245	0	0	0	0
Receivables, Net:					
Property Taxes.....	8,702,970	9,566,640	9,716,267	10,879,071	11,511,580
Utility Taxes.....	373,606	552,372	484,138	471,297	578,450
Due From Other Governmental Agencies.....	3,049,254	5,580,702	6,901,579	4,929,162	7,296,131
Due From Component Units.....	263,855	103,647	113,791	68,882	74,266
Due From Fiduciary Funds.....	2,038	1,858	2,906	44	190
Internal Balances.....	(142,713)	(95,083)	(110,823)	(113,526)	320,349
Accounts.....	394,062	1,130,393	804,588	969,897	1,779,349
Special Assessments.....	0	0	0	0	3,113,000
Other.....	372,901	0	0	0	0
Materials and Supplies Inventory.....	13,617	27,568	31,738	27,719	48,315
Prepaid Items.....	395,313	462,806	492,369	647,881	766,693
Capital Assets:					
Non-Depreciable.....	1,915,040	7,059,657	6,355,970	6,150,229	10,587,574
Depreciable.....	5,274,542	52,951,851	57,361,140	61,687,594	65,079,908
Unamortized Bond Issuance Cost.....	711,002	872,514	817,392	666,072	749,005
Total Assets.....	<u>\$30,456,937</u>	<u>\$91,470,246</u>	<u>\$102,432,111</u>	<u>\$104,798,775</u>	<u>\$115,824,574</u>
LIABILITIES:					
Accounts Payable.....	\$ 2,791,788	\$ 5,499,604	\$ 9,752,746	\$ 6,486,233	\$ 9,428,673
Accrued Wages Payable.....	432,669	491,047	506,837	527,034	553,344
Interest Payable.....	657,547	696,756	692,500	731,500	830,160
Due To Component Units.....	158,331	116,611	177,133	0	0
Due to Other Government Agencies.....	0	0	154,481	0	0
Deferred Revenue.....	10,121,937	10,896,788	16,748,366	15,433,998	11,763,394
Deferred Special Assessment.....	0	0	0	0	3,113,000
Unamortized Premium on Bond Issuance.....	642,970	0	0	0	0
Long-Term Liabilities:					
Due Within One Year.....	2,781,701	3,204,232	3,392,875	3,876,557	4,667,938
Due Within More Than One Year.....	<u>59,270,677</u>	<u>64,017,084</u>	<u>61,716,091</u>	<u>62,845,047</u>	<u>69,519,615</u>
Total Liabilities.....	<u>\$76,857,620</u>	<u>\$84,922,122</u>	<u>\$ 93,141,029</u>	<u>\$ 89,900,369</u>	<u>\$ 99,876,124</u>
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt.....	\$ 6,240,803	\$29,096,617	\$ 32,294,623	\$ 36,908,903	\$ 40,726,527
Restricted For:					
Capital Projects.....	1,556,391	5,934,780	3,504,172	7,302,082	5,384,813
Debt Services.....	1,807,733	1,500,561	1,175,297	655,645	935,547
Economic Development.....	1,236,004	1,861,269	1,469,298	1,730,603	2,422,505
Street Maintenance Programs.....	325,801	139,863	105,100	85,671	116,827
Unrestricted.....	<u>(57,567,415)</u>	<u>(31,984,966)</u>	<u>(29,257,408)</u>	<u>(31,784,498)</u>	<u>(33,637,769)</u>
Total Net Assets.....	<u>\$(46,400,683)</u>	<u>\$ 6,548,124</u>	<u>\$ 9,291,082</u>	<u>\$ 14,898,406</u>	<u>\$ 15,948,450</u>

Statement of Activities
Governmental Activities
Net (Expense) Revenue and Change in Net Assets

	Audited for the Fiscal Year Ended April 30				
	2004	2005	2006	2007	2008
PRIMARY GOVERNMENT:					
General Government.....	\$ (2,810,915)	\$ (3,221,550)	\$ (4,730,075)	\$ (4,641,321)	\$ (2,335,345)
Public Safety.....	(10,389,401)	(10,686,727)	(11,127,594)	(11,705,721)	(12,436,558)
Public Works.....	(1,807,300)	(1,587,829)	(1,903,366)	(1,877,722)	(2,312,039)
Highways and Streets.....	(831,494)	(823,771)	(536,591)	1,236,610	(1,981,334)
Community Development.....	87,230	195,958	251,696	157,333	304,467
Culture and Recreation.....	(61,092)	(61,735)	(58,281)	(58,677)	(62,147)
Economic Development.....	(6,836,280)	(686,555)	(1,627,210)	(462,521)	(23,484,194)
Interest and Fiscal Charges.....	(2,521,204)	(1,951,802)	(2,187,496)	(2,126,330)	(2,259,401)
Total Primary Government.....	<u>\$ (25,170,456)</u>	<u>\$ (18,824,011)</u>	<u>\$ (21,918,917)</u>	<u>\$ (19,478,349)</u>	<u>\$ (44,566,551)</u>
GENERAL REVENUES:					
Property Taxes Levied for General Purposes.....	\$ 8,601,168	\$ 8,530,300	\$ 9,311,904	\$ 9,726,004	\$10,730,743
Illinois Retailers' Tax, Net.....	4,297,631	5,284,401	6,169,133	6,016,618	26,997,484
Utility Taxes.....	3,243,741	3,314,122	3,349,709	3,291,910	3,480,888
Other Taxes.....	2,422,366	2,691,593	3,114,649	3,442,381	2,531,188
Intergovernmental.....	781,979	50,000	50,000	50,000	50,000
Investment Income.....	80,141	160,386	632,342	857,099	844,254
Gain(Loss) on Disposal of Property and Equipment.....	0	0	(40,673)	0	0
Other.....	429,885	212,604	211,145	68,771	948,823
Contributions From Developers.....	<u>0</u>	<u>665,896</u>	<u>1,645,903</u>	<u>0</u>	<u>56,584</u>
Total General Revenues.....	<u>\$ 19,856,911</u>	<u>\$20,909,302</u>	<u>\$ 24,444,112</u>	<u>\$23,452,783</u>	<u>\$45,639,964</u>
Transfers.....	<u>(316,828)</u>	<u>205,201</u>	<u>858,432</u>	<u>712,325</u>	<u>(14,372)</u>
Change in Net Assets.....	\$ (5,630,373)	\$ 2,290,492	\$ 3,383,627	\$ 4,686,759	\$ 1,059,041
Net Assets, Beginning.....	\$(40,770,310)	\$(46,400,683)	\$ 6,548,124	\$ 9,291,082	\$14,898,406
Prior Period Adjustment.....	<u>0</u>	<u>50,658,315</u>	<u>(640,669)</u>	<u>920,565</u>	<u>(8,997)</u>
Net Assets, Ending.....	<u>\$ (46,400,683)</u>	<u>\$ 6,548,124</u>	<u>\$ 9,291,082</u>	<u>\$14,898,406</u>	<u>\$15,948,450</u>

General Fund Balance Sheet

	Audited As of April 30				
	2004	2005	2006	2007	2008
ASSETS:					
Cash and Investments.....	\$ 990,623	\$ 695,811	\$ 4,210,471	\$ 2,902,324	\$ 1,589,688
Receivable, Net:					
Property Taxes.....	3,351,110	3,612,766	3,656,183	3,806,220	4,055,762
Utility Taxes.....	373,606	552,372	484,138	471,297	578,450
Due From Other Governmental Agencies...	2,858,556	5,387,240	6,796,573	4,729,612	6,920,150
Due From Component Units.....	259,998	41,512	48,040	55,638	59,782
Fur From Fiduciary Funds.....	0	0	0	44	190
Due From Other Funds.....	532,872	713,380	281,605	839,916	1,536,632
Accounts.....	342,455	778,137	449,782	482,254	340,915
Other.....	74,498	0	0	0	0
Inventories.....	13,617	27,568	31,738	27,719	48,315
Prepaid Items.....	395,313	462,806	482,369	570,823	766,693
Total Assets.....	<u>\$9,192,648</u>	<u>\$12,271,592</u>	<u>\$16,440,899</u>	<u>\$13,885,847</u>	<u>\$15,896,577</u>
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts Payable.....	\$2,504,056	\$ 5,361,606	\$ 9,065,154	\$ 6,172,018	\$ 7,970,278
Accrued Payroll.....	430,929	464,774	481,316	496,712	513,759
Due to Other Funds.....	83,045	60,575	0	0	0
Deferred Revenue.....	<u>3,549,260</u>	<u>3,807,674</u>	<u>3,814,653</u>	<u>3,972,241</u>	<u>4,307,576</u>
Total Liabilities.....	<u>\$6,567,290</u>	<u>\$ 9,694,629</u>	<u>\$13,361,123</u>	<u>\$10,640,971</u>	<u>\$12,791,613</u>
Fund Equity:					
Reserved For Prepaid Insurance.....	\$ 395,313	\$ 462,806	\$ 482,369	\$ 570,823	\$ 766,693
Reserved For Inventories.....	13,617	27,568	31,738	27,719	48,315
Unreserved-Undesignated.....	<u>2,216,428</u>	<u>2,086,589</u>	<u>2,565,669</u>	<u>2,646,334</u>	<u>2,289,956</u>
Total Fund Equity.....	<u>\$2,625,358</u>	<u>\$ 2,576,963</u>	<u>\$ 3,079,776</u>	<u>\$ 3,244,876</u>	<u>\$ 3,104,964</u>
Total Liabilities and Fund Equity.....	<u>\$9,192,648</u>	<u>\$12,271,592</u>	<u>\$16,440,899</u>	<u>\$13,885,847</u>	<u>\$15,896,577</u>

General Fund Revenues and Expenditures

Audited Fiscal Year Ending April 30

	2004	2005	2006	2007	2008
REVENUES:					
Taxes.....	\$12,990,464	\$14,645,610	\$16,196,965	\$16,417,617	\$17,481,935
Licenses and Permits.....	1,612,984	1,357,586	1,351,238	1,529,843	1,070,343
Intergovernmental.....	358,274	284,158	320,227	375,522	612,868
Charges for Services.....	526,945	900,443	694,259	611,369	528,359
Fines and Fees.....	693,275	752,054	551,687	489,839	537,749
Interest Income.....	39,327	64,248	295,834	351,629	201,602
Miscellaneous.....	193,521	172,460	239,497	103,834	87,582
Total Revenues.....	<u>\$16,414,790</u>	<u>\$18,176,559</u>	<u>\$19,649,707</u>	<u>\$19,879,653</u>	<u>\$20,520,438</u>
EXPENDITURES:					
General Government.....	\$ 3,950,110	\$ 4,523,792	\$ 5,026,269	\$ 5,325,589	\$ 5,805,809
Public Safety.....	10,821,877	11,618,774	12,375,910	12,920,147	14,035,753
Public Works.....	1,953,529	1,806,998	2,154,858	2,141,265	2,182,207
Community Development.....	77,365	31,279	89,725	138,157	6,067
Economic Development.....	22,087	32,017	35,090	28,324	0
Debt Service.....	12,635	34,368	35,479	35,480	21,593
Total Expenditures.....	<u>\$16,837,603</u>	<u>\$18,047,228</u>	<u>\$19,717,331</u>	<u>\$20,588,962</u>	<u>\$22,051,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ (422,813)	\$ 129,331	\$ (67,624)	\$ (709,309)	\$(1,530,991)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In.....	\$ 907,590	\$ 655,201	\$ 1,069,007	\$ 1,346,014	\$ 1,967,563
Operating Transfers Out.....	(241,724)	(208,159)	(498,570)	(481,876)	(567,487)
Proceeds From Disposal of Capital Assets	0	0	0	10,271	0
Proceeds From Long-Term Notes.....	148,450	0	0	0	0
Total Other Financing Sources (Uses)..	<u>\$ 814,316</u>	<u>\$ 447,042</u>	<u>\$ 570,437</u>	<u>\$ 874,409</u>	<u>\$ 1,400,076</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	\$ 391,503	\$ 576,373	\$ 502,813	\$ 165,100	\$ (130,915)
Fund Balance, Beginning.....	\$ 2,201,726	\$ 2,625,358	\$ 2,576,963	\$ 3,079,776	\$ 3,244,876
Prior Period Adjustment.....	0	(624,768)	0	0	(8,997)
Net Increase in Reserves.....	32,129	0	0	0	0
Fund Balance, Ending.....	<u>\$ 2,265,358</u>	<u>\$ 2,576,963</u>	<u>\$ 3,079,776</u>	<u>\$ 3,244,876</u>	<u>\$ 3,104,964</u>

Budgeted and Estimated General Fund Financial Information

	Estimated Twelve Months Ending 04/30/2009	Budgeted Twelve Months Ended 4/30/2010
REVENUES:		
Taxes.....	\$35,437,201	\$36,155,279
Licenses.....	175,121	175,000
Fees.....	947,101	1,119,400
Grants.....	393,274	480,348
Service Charges.....	741,914	1,237,556
Fines.....	449,781	553,000
Interest/Other.....	295,170	1,274,703
Total Revenues.....	<u>\$38,439,562</u>	<u>\$40,995,286</u>
EXPENDITURES:		
General Government.....	\$5,868,673	\$ 5,092,156
Public Safety.....	14,898,160	14,692,139
Public Works.....	2,415,695	2,414,143
Community Development.....	17,617,181	18,723,718
Interest & Transfers.....	27,288	73,130
Total Expenditures.....	<u>\$40,826,997</u>	<u>\$40,995,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	\$ 2,287,435	\$ 0

PENSION AND RETIREMENT OBLIGATIONS

See **APPENDIX A** herein.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The City shall cause books (the “Bond Register”) for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Kankakee, Illinois. The City will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner’s attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the 15th day of the month next preceding any interest payment date on such Bond (known as the record date), nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner’s legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

INTEREST ON THE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE INCLUSION OF INTEREST ON THE BONDS IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

EACH MATURITY OF THE BONDS MAY BE SOLD WITH ORIGINAL ISSUE DISCOUNT. GENERALLY, ORIGINAL ISSUE DISCOUNT IS TAXED AS IT ACCRUES. BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE COMPUTATION OF ORIGINAL ISSUE DISCOUNT ACCRUING IN EACH TAX YEAR.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under “**THE UNDERTAKING.**”

The City did not release the fiscal year reports for 2004 and 2005 until December 20, 2004 and December 16, 2005 respectively. The reason for the delay in these two years was primarily from implementing the new GASB 34 pronouncement requirements. The City did timely release the fiscal 2006 report on October 16, 2006, and anticipates that it will issue timely reports in the future now that GASB 34 requirements have been successfully implemented. A failure by the City to comply with the Undertaking will not constitute a default under the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See “**THE UNDERTAKING - Consequences of Failure of the City to Provide Information**”. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. The City is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking.

“Annual Financial Information” means:

1. The table under the heading of “**SEWER SYSTEM FINANCIAL INFORMATION**”.

Material Events Disclosure

The City covenants that it will disseminate in a timely manner to the MSRB the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Exchange Act, in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. The “Events” are:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exempt status of the security
- Modifications to the rights of security holders
- Bond calls
- Defeasances
- Release, substitution or sale of property securing repayment of the securities
- Rating changes

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Ordinance, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the City by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- (a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the City, or type of business conducted; or
- (ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a material Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the City shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The City shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its Electronic Municipal Market Access (EMMA) system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

Standard & Poor's, a Division of the McGraw-Hill Companies, has assigned the Bonds a rating of "AAA". This rating is conditioned upon the delivery by Assured Guaranty Corp. of its standard form of Financial Guaranty Insurance Policy. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The City and the Underwriters have undertaken no responsibility either to bring to the attention of the registered owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal (other than to comply with any applicable continuing disclosure requirements). Standard & Poor's has assigned an underlying rating of "A" to the Bonds.

DEFEASANCE

The Bonds are subject to legal defeasance by the irrevocable deposit of full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America (collectively, the "Government Obligations") with a bank or trust company acting as escrow agent. Any such deposit must be of sufficient amount that the receipts from the Government Obligations plus any cash on deposit will be sufficient to pay debt service on the Bonds when due or as called for redemption.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel") who has been retained by, and acts as, Bond Counsel to the City. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Final Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Final Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP, Chicago, Illinois, has, at the request of the City supplied the information under the headings "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" and "CERTAIN LEGAL MATTERS".

UNDERWRITING

Bernardi Securities, Inc., Chicago, Illinois (the "Underwriter") has agreed to purchase all but not less than all of the Bonds at a price of \$3,947,055.05. It is anticipated that delivery of the Bonds will occur on the date shown on the cover page hereof. The Bonds may be offered and sold to certain dealers (including the Underwriter or other dealers depositing Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown on the addendum to this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

The City has engaged Speer Financial, Inc. as financial advisor (the “Financial Advisor”) in connection with the issuance and sale of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Financial Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Financial Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Financial Advisor obligated by the City’s continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated November 16, 2009, for the \$4,000,000 Taxable Sewer Revenue Bonds, Series 2009, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **NINA EPSTEIN**
Mayor
CITY OF KANKAKEE
Kankakee County, Illinois

/s/ **ANJANITA DUMAS**
City Clerk
CITY OF KANKAKEE
Kankakee County, Illinois

APPENDIX A

**CITY OF KANKAKEE
KANKAKEE COUNTY, ILLINOIS**

EXCERPTS OF FISCAL YEAR 2008 AUDITED FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2008

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
Cash and investments	\$ 13,919,764	\$ 1,181,013	\$ 15,100,777	\$ 677,972
Restricted cash and investments		62,885	62,885	
Receivables, less allowance for uncollectible amounts:				
Property taxes	11,511,580		11,511,580	1,594,490
Utility taxes	578,450		578,450	
Due from other governmental agencies	7,296,131	445,492	7,741,623	
Due from fiduciary funds	190	(320,349)	190	
Internal balances	320,349		74,266	
Due from component units	1,779,349	2,163,191	3,942,540	3,525
Accounts receivable	3,113,000		3,113,000	
Special assessments	48,315		48,315	
Materials inventory	766,693	51,301	817,994	
Prepaid items		1,117,285	1,117,285	
Other restricted cash and investments				
Capital assets:				
Non-depreciable	10,587,574	2,356,225	12,943,799	
Depreciable (net of accumulated depreciation)	65,079,908	25,668,761	90,748,669	6,259,004
Unamortized bond issuance cost	749,005	252,302	1,001,307	
Investment in joint venture		680,570	680,570	
Total assets	<u>115,824,574</u>	<u>33,658,676</u>	<u>149,483,250</u>	<u>8,534,991</u>
Liabilities				
Accounts payable	9,428,673	324,890	9,753,563	28,952
Accrued wages payable	553,344	72,327	625,671	
Interest payable	830,160		830,160	74,266
Due to primary government	11,763,394		11,763,394	1,594,490
Unearned revenue	3,113,000		3,113,000	
Deferred special assessments				
Long-term liabilities:				
Due within one year	4,667,938	622,000	5,289,938	66,501
Due within more than one year	69,519,615	5,814,723	75,334,338	2,233,685
Total liabilities	<u>99,876,124</u>	<u>6,833,940</u>	<u>106,710,064</u>	<u>3,997,894</u>
Net Assets				
Invested in capital assets, net of related debt	40,726,527	21,976,063	62,702,590	3,958,818
Restricted for:				
Capital projects	5,384,813		5,384,813	
Debt services	935,547	1,117,285	2,052,832	
Economic development	2,422,505		2,422,505	
Street maintenance programs	116,827		116,827	
Unrestricted	(33,637,769)	3,731,988	(29,906,381)	578,279
Total net assets	<u>\$ 15,948,450</u>	<u>\$ 26,824,736</u>	<u>\$ 42,773,186</u>	<u>\$ 4,537,097</u>

This page was intentionally left blank.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2008

	Program Revenues			Capital Grants and Contributions	
	Expenses	Charges for Services	Operating Grants and Contributions		
					Net (Expense) Revenues and Change in Net Assets
	Primary Government	Business-Type Activities	Total	Component Units	
Primary government:					
Governmental Activities					
General government	\$ 6,195,531	\$ 1,217,919	\$ 146,432	\$ 2,495,835	\$ (2,335,345)
Public safety	13,629,795	543,149	650,088		(12,436,558)
Public works	2,506,822	194,783		4,452,296	(2,312,039)
Highways and streets	7,201,117		767,487		(1,981,334)
Community development	1,772,396	130,600	1,946,263		304,467
Culture and recreation	62,147				(62,147)
Economic development	23,484,194				(23,484,194)
Interest and fiscal charges	2,259,401				(2,259,401)
Total governmental activities	<u>57,111,403</u>	<u>2,086,451</u>	<u>3,510,270</u>	<u>6,948,131</u>	<u>(44,566,551)</u>
Business-Type Activities					
Sewer utility	9,603,660	8,824,449	6,832		(772,379)
Vehicle parking	1,120	12,494			11,374
Total business-type activities	<u>9,604,780</u>	<u>8,836,943</u>	<u>6,832</u>	<u>-0-</u>	<u>(761,005)</u>
Total primary government	<u>\$66,716,183</u>	<u>\$10,923,394</u>	<u>\$ 3,517,102</u>	<u>\$ 6,948,131</u>	<u>(45,327,556)</u>
Component units:					
Library	\$ 1,504,264	\$ 136,103	\$ 82,342		\$ (1,285,819)
Special Service Area No. 1	97,129				(97,129)
Total component units	<u>\$ 1,601,393</u>	<u>\$ 136,103</u>	<u>\$ 82,342</u>	<u>\$ -0-</u>	<u>(1,382,948)</u>
					<u>\$ 1,344,252</u>
General Revenues:					
Property taxes levied for general purposes	10,730,743				10,730,743
State income tax	2,531,188				2,531,188
Local use tax	385,926				385,926
State replacement income tax	844,254				844,254
Illinois sales tax	26,611,558				26,611,558
Utility taxes	3,480,888				3,480,888
Intergovernmental, not restricted to specific programs	50,000				50,000
Investment income	948,823	143,963			1,092,786
Other	56,584	132,152			188,736
Contributions from primary government					
Total	<u>45,659,964</u>	<u>276,115</u>	<u>-0-</u>	<u>45,916,079</u>	<u>1,874,704</u>
Transfers	(14,372)				-0-
Changes in net assets	1,059,041	(470,518)			588,523
Net assets, May 1, 2007	14,898,406	27,400,797			42,299,203
Prior period adjustment	(8,997)				(14,540)
Net assets, May 1, 2007, restated	<u>14,889,409</u>	<u>27,295,254</u>			<u>42,184,663</u>
Net assets, April 30, 2008	<u>\$ 15,948,450</u>	<u>\$ 26,824,736</u>			<u>\$ 42,773,186</u>

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2008

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,589,688	\$ 5,527,096	\$ 6,802,980	\$ 13,919,764
Receivables, less allowance for uncollectible amounts:				
Property taxes	4,055,762		7,455,818	11,511,580
Utility taxes	578,450			578,450
Due from other governmental agencies	6,920,150	54,871	321,110	7,296,131
Due from fiduciary funds	190			190
Due from other funds	1,536,632		475,264	2,567,740
Due from component units	59,782		6,279	74,266
Accounts receivable	340,915		854,922	1,779,349
Special assessments	48,315			48,315
Materials inventory	766,693			766,693
Prepaid items				
Total assets	<u>\$ 15,896,577</u>	<u>\$ 9,842,528</u>	<u>\$ 15,916,373</u>	<u>\$ 41,655,478</u>
Liabilities				
Accounts payable	\$ 7,970,278	\$ 1,344,715	\$ 113,680	\$ 9,428,673
Accrued wages payable	513,759		39,585	553,344
Interest payable			660	660
Due to other funds			2,247,391	2,247,391
Deferred revenue	4,307,576	3,113,000	8,310,631	12,618,207
Deferred special assessments				3,113,000
Total liabilities	<u>12,791,613</u>	<u>4,657,715</u>	<u>10,711,947</u>	<u>27,961,275</u>
Fund Balance				
Reserved for prepaid items	766,693			766,693
Reserved for inventories	48,315			48,315
Reserved for debt service			935,547	935,547
Reserved for unexpended street maintenance programs			116,827	116,827
Reserved for economic development			2,422,505	2,422,505
Reserved for capital projects		5,384,813		5,384,813
Unreserved, reported in:				
General Fund	2,289,956		1,729,547	2,289,956
Special Revenue Funds				1,729,547
Total fund balance	<u>3,104,964</u>	<u>5,384,813</u>	<u>5,204,426</u>	<u>13,694,203</u>
Total liabilities and fund balance	<u>\$ 15,896,577</u>	<u>\$ 9,842,528</u>	<u>\$ 15,916,373</u>	<u>\$ 41,655,478</u>

Amounts reported for governmental activities in the statement of net assets are different because of the following:	\$ 13,694,203
Total fund balance - governmental funds	75,667,482
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	749,005
Unamortized bond issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	\$ (55,452,429)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities - both current and long-term are reported in the statement of net assets.	(3,660,534)
Bonds payable	(10,857,590)
Installment notes	(4,217,000)
Unfunded employer pension contributions	(74,187,553)
Compensated absences	(829,500)
Total long-term liabilities (See Note 10)	854,813
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	\$ 15,948,450
Interest payable	
Loans receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
Net assets of governmental activities	

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2008

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, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,738,072			\$ 10,730,743
State income tax	2,531,188			2,531,188
Local use tax	385,926			385,926
State replacement income tax	844,254			844,254
Illinois sales tax	26,611,558			26,611,558
Utility tax	3,480,888			3,480,888
Licenses, permits and fees	1,070,343			1,070,343
Charges for services	528,359			528,359
Fines	537,749			537,749
Intergovernmental	612,868			612,868
Interest income	201,602	\$ 2,495,834	4,756,268	7,864,970
Miscellaneous	87,582	457,359	289,862	948,823
		6,218		93,800
Total revenues	40,630,389	2,953,193	12,045,019	55,628,601
Expenditures:				
Current:				
General government	5,805,809	2,262,373	982,252	9,050,434
Public safety	14,035,753	138,802		14,174,555
Public works	2,182,207	527,096		2,709,303
Highways and streets	6,067	6,276,687	1,374,539	7,651,226
Community development			2,244,483	2,250,550
Culture and recreation			62,147	62,147
Economic development	20,109,951		4,092,652	24,202,603
Debt Service:				
Principal retirement	21,095	10,000	3,229,221	3,260,316
Interest and fiscal charges	498	53,838	2,277,332	2,331,668
Total expenditures	42,161,380	9,268,796	14,262,626	65,692,802
Excess (deficiency) of revenues over expenditures	(1,530,991)	(6,315,603)	(2,217,607)	(10,064,201)
Other financing sources (uses):				
Issuance of bonds		2,627,327	4,200,000	6,827,327
Premium on bonds issued		8,137	68,432	76,569
Issuance of long term note		2,876,532	500,000	3,376,532
Transfers from other funds	1,967,563		2,069,250	4,036,813
Transfers to other funds	(567,487)		(2,292,978)	(4,031,185)
Total other financing sources (uses)	1,400,076	4,321,276	4,544,704	10,266,056
Net change in fund balance	(130,915)	(1,994,327)	2,327,097	201,855
Fund balance, May 1, 2007	3,244,876	7,379,140	2,877,329	13,501,345
Prior period adjustment	(8,997)			(8,997)
Fund balance, May 1, 2007, as restated	3,235,879	7,379,140	2,877,329	13,492,348
Fund balance, April 30, 2008	\$ 3,104,964	\$ 5,384,813	\$ 5,204,426	\$ 13,694,203

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

Net change in fund balance - total governmental funds \$ 201,855

Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.

Expenditures for capital assets 6,688,043

Donated capital assets not reported in governmental funds 2,556,211 (8,000)

Loss on disposal of capital assets (1,406,596)

Depreciation 3,185,000

Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net assets. Principal payments on bonds payable 75,317

Principal payments on long-term notes payable

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 (53,830)

Amortized bond premium 131,202

Amortized deferred loss (97,717)

Change in accrued interest on long-term debts (98,000)

Compensated absences payable (246,000)

Unfunded pension cost (233,323)

Bond proceeds and premiums, long-term notes and capital lease proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets. Proceeds from bonds issued (6,827,327)

Proceeds from long-term notes (3,376,532)

Proceeds from premium on bonds issued (76,569)

Bond issue costs are expenditures in the governmental funds, but the issuance cost increases the assets on the statement of net assets. 136,782

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. Collection 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 512,000

Collections on loans receivable (3,457)

Change in net assets of governmental activities \$ 1,059,041

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2008

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2008

	Business-type Activities					Total
	Enterprise Funds					
	Major	Nonmajor	Motor	Vehicle	Parking	
Assets						
Current assets:						
Cash and investments	\$ 1,113,280	\$ 67,733				\$ 1,181,013
Restricted cash and investments	62,885					62,885
Receivables, less allowance for uncollectible amounts:						
Due from other funds	120,243					120,243
Accounts receivable	2,163,191					2,163,191
Due from other governmental agencies	445,492					445,492
Prepaid items	51,301					51,301
Total current assets	<u>3,956,392</u>	<u>67,733</u>				<u>4,024,125</u>
Non-current assets:						
Other restricted cash and investments	1,117,285					1,117,285
Capital assets:						
Non-depreciable	912,417	1,443,808				2,356,225
Depreciable (net of accumulated depreciation)	25,668,761					25,668,761
Unamortized bond issuance cost	252,302					252,302
Investment in joint venture	680,570					680,570
Total non-current assets	<u>28,631,335</u>	<u>1,443,808</u>				<u>30,075,143</u>
Total assets	<u>32,587,727</u>	<u>1,511,541</u>				<u>34,099,268</u>
Liabilities						
Current liabilities:						
Accounts payable	324,890					324,890
Accrued wages payable	72,327					72,327
Due to other funds	440,592					440,592
Accrued employee absences	67,000					67,000
Revenue bonds payable within one year	555,000					555,000
Total current liabilities	<u>1,459,809</u>	<u>-0-</u>				<u>1,459,809</u>
Non-current liabilities:						
Accrued employee absences	320,800					320,800
Revenue bonds payable, less portion due within one year	5,493,923					5,493,923
Total non-current liabilities	<u>5,814,723</u>	<u>-0-</u>				<u>5,814,723</u>
Total liabilities	<u>7,274,532</u>	<u>-0-</u>				<u>7,274,532</u>
Net Assets						
Invested in capital assets, net of related debt	20,532,255	1,443,808				21,976,063
Restricted for debt service	1,117,285					1,117,285
Unrestricted	3,665,655	67,733				3,733,388
Total net assets	<u>\$25,313,195</u>	<u>\$ 1,511,541</u>				<u>\$26,824,736</u>

	Business-type Activities					Total
	Enterprise Funds					
	Major	Nonmajor	Motor	Vehicle	Parking	
Operating revenues:						
Charges for services:						
Sewer charges	\$ 7,229,906					\$ 7,229,906
Solid waste charges	1,511,626					1,511,626
Hydroelectric revenues	82,917					82,917
Parking revenues		\$ 12,494				12,494
Total operating revenues	<u>8,824,449</u>	<u>12,494</u>				<u>8,836,943</u>
Operating expenses:						
Sewer field operations:						
Administration	1,792,443					1,792,443
Sanitary sewers	799,739					799,739
Remote stations	258,583					258,583
Lab and industrial services	424,433					424,433
Technical services	438,521					438,521
Total sewer field operations	<u>3,713,719</u>	<u>-0-</u>				<u>3,713,719</u>
Traffic signals and building maintenance	82,917					82,917
Sewer charges	2,270,926					2,270,926
Solid waste	1,529,759					1,529,759
Parking administration		1,120				1,120
Depreciation	969,357					969,357
Total operating expenses	<u>8,566,678</u>	<u>1,120</u>				<u>8,567,798</u>
Operating income	<u>257,771</u>	<u>11,374</u>				<u>269,145</u>
Nonoperating revenues (expenses):						
Equity interest in joint venture operating income	(450,836)					(450,836)
Interest income	143,514	449				143,963
Interest expense	(586,146)					(586,146)
Grant revenue	6,832					6,832
Other income	132,152					132,152
Total nonoperating revenues (expenses)	<u>(754,484)</u>	<u>449</u>				<u>(754,035)</u>
Income (loss) before transfers	<u>(496,713)</u>	<u>11,823</u>				<u>(484,890)</u>
Transfers in	1,218,300					1,218,300
Transfers (out)	<u>(1,203,928)</u>	<u>-</u>				<u>(1,203,928)</u>
Change in net assets	<u>(482,341)</u>	<u>11,823</u>				<u>(470,518)</u>
Net assets, May 1, 2007	25,901,079	1,499,718				27,400,797
Prior period adjustment	(105,543)					(105,543)
Net assets, May 1, 2007, restated	25,795,536	1,499,718				27,295,254
Net assets, April 30, 2008	<u>\$25,313,195</u>	<u>\$ 1,511,541</u>				<u>\$26,824,736</u>

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2008

	Business-type Activities Enterprise Funds				Total
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking			
Cash flows provided (used) by operating activities:					
Receipts from customers and users	\$ 8,650,256	\$ 11,374			\$ 8,661,630
Receipts from (payments to) interfund	433,875				433,875
Other receipts	60,178				60,178
Payments to suppliers	(6,334,735)				(6,334,735)
Payments to employees	(1,397,014)				(1,397,014)
Net cash provided (used) by operating activities	<u>1,412,560</u>	<u>11,374</u>			<u>1,423,934</u>
Cash flows provided (used) by noncapital financing activities:					
Transfers from other funds	1,218,300				1,218,300
Transfers to other funds	(1,203,928)				(1,203,928)
Net cash provided (used) by noncapital financing activities	<u>14,372</u>	<u>-0-</u>			<u>14,372</u>
Cash flows provided (used) by capital and related financing activities:					
Purchase of property and equipment	(95,955)				(95,955)
Additions to construction in progress	(546,550)				(546,550)
Repayment of revenue bonds	(530,000)				(530,000)
Interest paid on revenue bonds	(377,935)				(377,935)
Insurance proceeds received	58,783				58,783
Net cash provided (used) by capital and related financing activities	<u>(1,491,657)</u>	<u>-0-</u>			<u>(1,491,657)</u>
Cash flows provided (used) by investing activities:					
Investment received	143,514	449			143,963
Investment in WIF	(9,900)				(9,900)
Sale of capacity	83,717				83,717
Net cash provided (used) by investing activities	<u>217,331</u>	<u>449</u>			<u>217,780</u>
Net increase (decrease) in cash and cash equivalents	152,606	11,823			164,429
Cash and cash equivalents, May 1, 2007	2,129,384	55,910			2,185,294
Cash and cash equivalents, April 30, 2008	<u>\$ 2,281,990</u>	<u>\$ 67,733</u>			<u>\$ 2,349,723</u>
Reconciliation to statement of fund net assets, April 30, 2008:					
Cash and cash equivalents	\$ 2,281,990	\$ 67,733			\$ 2,349,723
Investments with maturities greater than 3 months when acquired	11,460				11,460
Total cash and investments	<u>\$ 2,293,450</u>	<u>\$ 67,733</u>			<u>\$ 2,361,183</u>

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2008

	Business-type Activities Enterprise Funds				Total
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking			
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 257,771	\$ 11,374			\$ 269,145
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	969,357				969,357
Provision (credit) for bad debts	28,500				28,500
Other income	60,178				60,178
(Increase) decrease in operating assets:					
Accounts receivable	(202,693)				(202,693)
Accounts receivable-Kankakee River Metropolitan Agency	(275,920)				(275,920)
Prepaid insurance and service fees	(2,237)				(2,237)
Increase (decrease) in operating liabilities:					
Accounts payable	123,715				123,715
Accrued compensated absences	15,300				15,300
Accrued payroll	4,714				4,714
Due to other City funds	433,875				433,875
Net cash provided (used) by operating activities	<u>\$ 1,412,560</u>	<u>\$ 11,374</u>			<u>\$ 1,423,934</u>
Noncash transactions related to financing, capital and investing activities:					
Amortization of bond issuance costs	\$ 20,688	\$ -0-			\$ 20,688
Amortization of early debt retirement deferred loss	\$ 187,524	\$ -0-			\$ 187,524
Net increase (decrease) in the fair value of investments	\$ (4,911)	\$ -0-			\$ (4,911)

CITY OF KANKAKEE, ILLINOIS
 STATEMENT OF FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 April 30, 2008

CITY OF KANKAKEE, ILLINOIS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 For the year ended April 30, 2008

<p>Assets</p> <p>Cash and short-term investments</p> <p>Receivables, less allowance for uncollectible amounts:</p> <p> Employer contributions</p> <p> Interest</p> <p>Investments, at fair value:</p> <p> Open-end mutual funds</p> <p> Corporate securities</p> <p> U.S. treasury and agency securities</p> <p> Corporate bonds</p> <p> Prepaid items</p> <p>Total assets</p>	<p>\$ 2,573,867</p> <p>29,813</p> <p>113,883</p> <p>3,578,399</p> <p>4,741,943</p> <p>9,777,606</p> <p>90,912</p> <p>7,463</p> <p><u>20,873,886</u></p>	<p>Additions:</p> <p>Contributions:</p> <p> Employer</p> <p> Employee</p> <p>Total contributions</p> <p>Investment income:</p> <p>Net appreciation (depreciation) in fair value of investments</p> <p>Interest and dividends</p> <p>Less: investment expense</p> <p>Net investment income</p> <p>Total additions</p>	<p>\$ 2,537,680</p> <p>751,459</p> <p><u>3,289,139</u></p> <p>(173,252)</p> <p>697,007</p> <p>523,755</p> <p>(141,325)</p> <p><u>382,430</u></p> <p>3,671,569</p>	<p>Liabilities</p> <p>Accounts payable</p> <p>Due to general fund</p> <p>Total liabilities</p> <p>Net Assets</p> <p>Net assets held in trust for pension benefits ⁽¹⁾</p>	<p>313,177</p> <p>190</p> <p><u>313,367</u></p> <p>\$20,560,519</p>	<p>Deductions:</p> <p>Benefits</p> <p>Refunds of contributions</p> <p>Administrative expenses</p> <p>Total deductions</p> <p>Net increase (decrease)</p> <p>Net assets held in trust for pension benefits:</p> <p> May 1, 2007</p> <p> April 30, 2008</p>	<p>3,561,411</p> <p>84,137</p> <p>73,666</p> <p><u>3,719,214</u></p> <p>(47,646)</p> <p>20,608,164</p> <p><u>\$ 20,560,519</u></p>
--	---	---	---	---	---	---	--

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

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2008

	Library Fund	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 382,591	\$ 295,381	\$ 677,972
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,473,190	121,300	1,594,490
Accounts receivable		3,525	3,525
Capital assets:			
Depreciable (net of accumulated depreciation)	5,581,092	677,912	6,259,004
Total assets	<u>7,436,873</u>	<u>1,098,118</u>	<u>8,534,991</u>
Liabilities			
Accounts payable	28,952		28,952
Due to primary government	74,266		74,266
Unearned revenue	1,473,190	121,300	1,594,490
Long-term liabilities:			
Due within one year	66,501		66,501
Due within more than one year	2,233,685		2,233,685
Total liabilities	<u>3,876,594</u>	<u>121,300</u>	<u>3,997,894</u>
Net Assets			
Invested in capital assets, net of related debt	3,280,906	677,912	3,958,818
Unrestricted	279,373	298,906	578,279
Total net assets	<u>\$ 3,560,279</u>	<u>\$ 976,818</u>	<u>\$ 4,537,097</u>

This page was intentionally left blank.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2008

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants	Library Fund	Special Service Area No. 1	Total
Library Fund:						
Culture and recreation	\$ 1,387,528	\$ 136,103	\$ 82,342	\$ (1,169,083)		\$ (1,169,083)
Interest and fiscal charges	116,736			(116,736)		(116,736)
Special Service Area No. 1:						
General government	97,129				\$ (97,129)	(97,129)
Total	<u>\$ 1,601,393</u>	<u>\$ 136,103</u>	<u>\$ 82,342</u>	<u>(1,285,819)</u>	<u>(97,129)</u>	<u>(1,382,948)</u>
General Revenues:						
Property taxes levied for general purposes				1,229,365	114,887	1,344,252
Interest				17,793	7,627	25,420
Other				28,819	2,906	31,725
Contributions from primary government					473,307	473,307
Total				<u>1,275,977</u>	<u>598,727</u>	<u>1,874,704</u>
Changes in net assets				(9,842)	501,598	491,756
Net assets, May 1, 2007				3,570,121	475,220	4,045,341
Net assets, April 30, 2008				<u>\$ 3,560,279</u>	<u>\$ 976,818</u>	<u>\$ 4,537,097</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2006 levy is recognized as revenue for the year ended April 30, 2008. Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted;

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

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

D. Investments

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

E. Interfund Transactions

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The City has the following types of interfund transactions:

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

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services or 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, 2008, for the governmental and business-type activities was \$53,850 and \$20,688, respectively. The

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

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

unamortized balances at April 30, 2008, for the governmental and business-type activities was \$749,005 and \$252,302, respectively.

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

I. Capital Assets

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

Minimum capitalization costs are as follows:

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

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

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

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

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

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

J. Net Assets

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

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

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

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

K. Compensated Absences

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

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

L. Cash and Cash Equivalents

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

M. Use of Estimates

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

At April 30, 2008, the carrying amount of deposits of fiduciary activities was \$476,768 and the bank balance was \$476,930 of which \$196,355 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, 2008, the carrying amount of deposits of the City's component units was \$323,554 and the bank balance was \$327,116 of which \$216,735 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

Investments:

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2008. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

Investment Type	Fair Value	Investment Maturities (in Years)			More than 10
		Less than 1	1-5	6-10	
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$ 3,526,370	\$ 3,526,370			
Treasury Management Investment Fund	8,562,200	8,562,200			
Illinois Metropolitan Investment Fund (IMEF)	1,105,626	1,105,626			
Common stock (1)	11,660				
	13,005,656	12,994,196	\$ -	\$ -	\$ -
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	5,822,304	639,680	3,148,328	1,814,952	219,344
U.S. Government agencies	3,955,502	100,469	3,049,942	528,072	276,819
Uncategorized investments:					
Illinois Funds	246,367				
Mutual funds	3,578,399				
Money market	1,850,732				
Common stock (1)	4,741,943		50,912		
Corporate bonds	50,912				
	20,245,952	6,415,647	6,249,182	2,343,024	496,163
Component units:					
Uncategorized investments:					
Illinois Funds	69,418	69,418			
Treasury Management Investment Fund	285,000	285,000			
	354,418	354,418			
Total investments	\$33,606,033	\$19,764,261	\$6,249,182	\$2,343,024	\$496,163

(1) Risk disclosures does not apply to equities.

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

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

N. Fund Equity - Fund Financial Statements

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

O. Investment in Joint Venture

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

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

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

Deposits:

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

At April 30, 2008, the carrying amount of the City's deposits for governmental and business-type activities was \$3,275,291 and the bank balance was \$3,589,604. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

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

The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2008 consist of the following:

Fiduciary	
FHLMC	\$1,600,949
FNMA	2,148,456
GNMA	205,896
Total	\$3,955,301

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

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by Allegiance Asset Management Company. The Fund has an average portfolio quality rating of A1+/P1. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated AAA/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

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

Police Pension Fund:	
FNMA	\$1,640,987
FHLMC	634,234
	\$2,275,221
Firefighters' Pension Fund:	
FNMA	\$ 507,469
FHLMC	966,715
	\$1,474,184

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/rahs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

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

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

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

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

Police Pension Plan

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

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

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

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

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

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

Firefighters' Pension Plan

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

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

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

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 2007 was 4.89 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, 2007 was 5 years.

For December 31, 2007, the City's annual pension cost of \$266,410 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 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 2007 actuarial valuation were based on the 2002-2004 Experience Study.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2007	\$266,410	100%	\$-0-
December 31, 2006	238,011	100	-0-
December 31, 2005	244,779	100	-0-
December 31, 2004	252,508	100	-0-
December 31, 2003	50,461	100	-0-
December 31, 2002	54,096	100	-0-
December 31, 2001	55,491	100	-0-
December 31, 2000	155,983	100	-0-
December 31, 1999	369,369	100	-0-
December 31, 1998	390,811	100	-0-

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 employer and employee contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois Legislature. The City

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

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

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Employer contribution rate	31.11% of covered payroll	43.254% 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	26 years	26 years
Significant actuarial assumptions:		
(a) Investment rate of return*	8.5% Compounded annually	8.5% Compounded annually
(b) Projected salary increases*	5% Compounded annually	5% Compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

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

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual pension costs (APC):			
	2005	\$1,161,527	\$1,257,887
	2006	1,229,795	1,396,160
	2007	1,359,250	1,478,615
Actual contribution:			
	2005	\$1,034,354	\$1,090,926
	2006	1,035,423	1,082,677
	2007	1,303,319	1,301,223
Percentage of APC contributed:			
	2005	89.1%	86.7%
	2006	84.2%	77.5%
	2007	95.9%	88.0%
NPO:			
	2005	\$4,237,924	\$5,878,488
	2006	4,432,296	6,191,971
	2007	4,488,227	6,369,363

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

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

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

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

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

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

B. Significant Investments

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

Police Pension Fund:	
UTS SPDK Trust Fund	\$648,693
Firefighters' Pension Fund:	
Calamos Growth and Income Fund	\$614,909

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

Actuarial valuations are performed annually. Unless otherwise indicated, information on Police and Firefighters' pension in this note is provided as of the latest actuarial valuation date, April 30, 2007. 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	51	71
Terminated plan members entitled to but not yet receiving benefits	-0-	2
Active vested plan members	47	22
Active nonvested plan members	25	22
Total	<u>123</u>	<u>124</u>

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

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

The NPO at April 30, 2007 has been calculated as follows:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Annual required contribution	\$1,234,017	\$1,303,662	
Interest on net pension obligation	376,745	526,318	
Adjustment to annual required contribution	(251,512)	(331,365)	
Annual pension cost	1,359,250	1,478,615	
Contributions made	1,303,319	1,301,223	
Increase in net pension obligation	55,931	177,392	
Net pension obligation, beginning of year	4,432,296	6,191,971	
Net pension obligation, end of year	\$4,488,227	\$6,369,363	

D. Pension Financial Statements

The following is a combining statement of plan net assets as of April 30, 2008:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets:			
Cash and short-term investments	\$ 1,972,893	\$ 600,974	\$2,573,867
Receivables, less allowance for uncollectible amounts:			
Employee contributions	18,032	11,781	29,813
Interest	61,706	52,177	113,883
Investments, at fair value:			
Open-end mutual funds	1,632,650	1,945,749	3,578,399
Corporate securities	3,075,987	1,665,956	4,741,943
U.S. treasury and agency securities	5,031,803	4,745,803	9,777,606
Corporate bonds	50,912	50,912	101,824
Prepaid items	7,463	7,463	14,926
Total assets	11,793,071	9,080,815	20,873,886
Liabilities:			
Accounts payable	136,392	176,785	313,177
Due to General Fund	—	190	190
Total liabilities	136,392	176,975	313,367
Net assets:			
Net assets held in trust for pension benefits	\$11,656,679	\$8,903,840	\$20,560,519

**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, 2008:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Contributions:			
Employer	\$ 1,234,018	\$ 1,303,662	\$ 2,537,680
Employee	437,193	314,266	751,459
Total contributions	1,671,211	1,617,928	3,289,139
Investment income:			
Net appreciation (depreciation) in fair value of investments	(144,756)	(28,496)	(173,252)
Interest and dividends	392,790	304,217	697,007
	248,034	275,721	523,755
Less: investment expenses	(77,591)	(63,734)	(141,325)
Net investment income	170,443	211,987	382,430
Total additions	1,841,654	1,829,915	3,671,569
Deductions:			
Benefits	1,451,646	2,109,765	3,561,411
Refunds of contributions	42,117	84,137	126,254
Administrative expenses	24,042	49,624	73,666
Total deductions	1,517,805	2,201,409	3,719,214
Net increase (decrease)	323,849	(371,494)	(47,645)
Net assets held in trust for pension benefits:			
May 1, 2007	11,332,830	9,275,334	20,608,164
April 30, 2008	\$11,656,679	\$8,903,840	\$20,560,519

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, 2007, through December 15, 2008. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2008, the fund balance was reserved for

The City has prepaid its May 2008 health insurance premium in April 2008. At April 30, 2008, the fund balance was reserved for

Reserve for Inventories

The City maintains an inventory of gasoline and supplies. The value of the inventory is shown as a reserved fund balance. At April 30, 2008, the fund balance was reserved for

Total General Fund Reserves

Capital Projects Fund:

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2006 and Series 2007 Bonds for future capital projects within the City

Nonmajor Governmental Funds:

Tax Increment Financing Districts:

Reserve for Economic Development

The City has reserved the unexpended revenues of its various Tax Increment Financing Districts for the future economic development activities of the District. At April 30, 2008, the fund balances were reserved as follows:

Tax Increment Financing District No. 2	\$ 836,318
Tax Increment Financing District No. 3	243,443
Tax Increment Financing District No. 4	82,399
Tax Increment Financing District No. 5	58,457
Tax Increment Financing District No. 6	228,830
Tax Increment Financing District No. 7	81,866
Tax Increment Financing District No. 8	<u>891,192</u>
	<u>\$2,422,505</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES (Continued):

Motor Fuel Tax Fund:

Reserve for Unexpended Street Maintenance Programs

The City of Kankakee has reserved the unexpended amounts for the 2008 street maintenance programs for a total of

\$116,827

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, 2008, the fund balance was reserved for

\$935,542

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, 2008, the fund balance was reserved as follows:

Police Pension Fund	\$11,656,679
Firefighters' Pension Fund	<u>8,903,840</u>
	<u>\$20,560,519</u>

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

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2008 is as follows:

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,237,509	\$ 304,601		\$ 5,542,110
Construction in progress	912,720	6,167,104	\$2,034,360	5,045,464
Total capital assets not being depreciated	6,150,229	6,471,705	2,034,360	10,587,574
Capital assets being depreciated:				
Buildings	3,361,298	294,604		3,655,902
Equipment	1,341,716	354,832	81,360	1,615,188
Vehicles	4,949,259	531,209	120,512	5,359,956
Land improvements	1,802,064	214,832		2,016,896
Infrastructure	68,639,980	3,411,433		72,051,413
Total capital assets being depreciated	80,094,317	4,806,910	201,872	84,699,355
Less accumulated depreciation:				
Buildings	1,337,188	38,074		1,375,262
Equipment	1,206,685	130,625	81,360	1,255,950
Vehicles	3,143,283	298,851	112,512	3,329,622
Land improvements	538,497	88,885		627,382
Infrastructure	12,181,070	850,161		13,031,231
Total accumulated depreciation	18,406,723	1,406,596	193,872	19,619,447
Total capital assets being depreciated, net	61,687,594	3,400,314	8,000	65,079,908
Total capital assets, net	\$67,837,823	\$9,872,019	\$2,042,360	\$75,667,482
Depreciation expense for governmental activities for the year ended April 30, 2008 was charged to functions as follows:				
General government		\$ 92,642		
Public safety		261,108		
Public works		172,296		
Highways and streets		850,161		
Community development		30,389		
		\$1,406,596		

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

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
Business-type activities:				
Kankakee Municipal Utility:				
Capital assets not being depreciated:				
Land	\$ 257,359			\$ 257,359
Construction in progress	108,507	\$546,551		655,058
Total capital assets not being depreciated	365,866	546,551	\$ -0-	912,417
Capital assets being depreciated:				
Buildings	11,695,519			11,695,519
Equipment	1,390,969			1,390,969
Vehicles	659,112	37,172	59,039	637,245
Leasehold improvements	289,696			289,696
Infrastructure	26,209,012			26,209,012
Total capital assets being depreciated	40,244,308	37,172	59,039	40,222,441
Less accumulated depreciation:				
Buildings	4,166,044	247,304		4,413,348
Equipment	715,043	80,402		795,445
Vehicles	574,334	46,969	59,039	562,264
Leasehold improvements	37,092	8,296		45,388
Infrastructure	8,150,849	586,386		8,737,235
Total accumulated depreciation	13,643,362	969,357	59,039	14,553,680
Total capital assets being depreciated, net	26,600,946	(922,185)	-0-	25,668,761
Total capital assets, net	\$26,966,812	\$ (385,634)	\$ -0-	\$26,581,178
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	\$1,443,808			\$1,443,808
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	731,992			731,992
Total capital assets being depreciated	832,931	-0-	-0-	832,931

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

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
Less accumulated depreciation:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	731,992			731,992
Total accumulated depreciation	832,931	\$ -0-	\$ -0-	832,931
Total capital assets being depreciated, net	-0-	-0-	-0-	-0-
Total capital assets, net	\$1,443,808	\$ -0-	\$ -0-	\$1,443,808
Component Units:				
Library:				
Capital assets being depreciated:				
Buildings	\$6,422,889			\$6,422,889
Equipment	59,489			59,489
Leasehold improvements	156,317			156,317
Total capital assets being depreciated	6,638,695	\$ -0-	\$ -0-	6,638,695
Less accumulated depreciation:				
Buildings	879,847	79,187		959,034
Equipment	47,592	11,897		59,489
Leasehold improvements	31,264	7,816		39,080
Total accumulated depreciation	958,703	98,900	-0-	1,057,603
Total capital assets, net	\$5,679,992	\$(98,900)	\$ -0-	\$5,581,092
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	\$169,920			\$169,920
Less accumulated depreciation:				
Land improvements	8,496	36,127		44,623
Total capital assets, net	\$161,424	\$16,488	\$ -0-	\$177,912

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

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2008 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Kankakee Municipal Utility	\$ 440,592
Nonmajor governmental funds	1,096,040
Total	<u>\$1,536,632</u>
Fiduciary Funds:	
Firefighters' Pension Fund	\$190
Component units:	
Library	\$59,782
Due to Capital Projects Fund from:	
Nonmajor governmental funds	\$555,844
Component units:	
Library	\$8,205
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$475,264
Component units:	
Library	\$6,272
Enterprise funds:	
Due to Kankakee Municipal Utility from:	
Nonmajor governmental funds	\$120,243

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

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2008. The analysis shows that the collection of approximately \$506,000 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2008, the City has deferred economic development loans receivable of \$1,042,813 (less allowance of \$189,000) since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2008.

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

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

Accounts receivable at April 30, 2008, are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Activities
Governmental activities:				
Trash collection	\$184,389			\$ 184,389
Franchise fees	74,660			74,660
Economic development loans			\$1,042,813	1,042,813
Developer receivable	132,866	2,270	109	581,242
Other receivables				135,245
Total	391,915	583,512	1,042,922	2,018,349
Less: allowance for doubtful accounts	(51,000)		(188,000)	(239,000)
Total accounts receivable, net	\$340,915	\$583,512	\$ 854,922	\$1,779,349

Business-type activities:				
Sewer charges			Kankakee Municipal Utility	
Garbage collection			\$1,497,156	
Other receivables			889,105	
			43,230	
Total			2,430,191	

Less: allowance for doubtful accounts

Total accounts receivable, net

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

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

Governmental activities:	
General Fund:	
Sales tax	\$6,291,181
Local use tax	92,368
State replacement tax	250,910
Income tax	234,548
Various grants	51,143
Total General Fund	6,920,150

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

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

Capital Projects Fund:
LEED Grant

\$ 54,871

Nonmajor governmental funds:	
CDBG Grant	38,034
HOME Grant	9,775
Lead Grant	84,767
Senior Aides Grant	11,178
Motor fuel taxes	177,356

Total nonmajor governmental funds

321,110

Total governmental activities

\$7,296,131

Business-type activities:

Kankakee Municipal Utility:
Kankakee River Metropolitan Agency

\$445,492

NOTE 9 - SPECIAL ASSESSMENTS:

The special assessments receivable of \$3,113,000 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$2,855,500 of the special assessments receivable is not expected to be collected within one year.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2008 is as follows:

	Balance May 1, 2007	Increases	Decreases	Balance April 30, 2008	Due within One Year
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$51,455,000	\$ 6,827,327	\$3,185,000	\$55,097,327	\$3,585,000
Premium on bond proceeds	1,030,732	76,569	131,202	976,099	
Less: deferred loss on refunded debt	718,714		97,717	620,997	
Total bonds payable	51,767,018	6,903,896	3,218,485	55,452,429	3,585,000
Installment notes	359,319	3,376,532	75,317	3,660,534	348,938
Unfunded employer pension contributions	10,624,267	233,323		10,857,590	
Compensated absences	3,871,000	246,000		4,217,000	734,000
Total long-term debt	\$66,721,604	\$10,759,751	\$3,293,802	\$74,187,553	\$4,667,938

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

NOTE 19 - LONG-TERM DEBT OBLIGATIONS (Continued):

	Balance May 1, 2007	Increases	Decreases	Balance April 30, 2008	Due within One Year
Business-type activities:					
Bonds Payable:					
Revenue bonds	\$8,073,000		\$530,000	\$7,543,000	\$555,000
Less: deferred loss on refunded debt	1,653,601		187,524	1,466,077	
Total bonds payable	6,391,399	\$ -0-	342,476	6,048,923	555,000
Compensated absences	375,500	15,300		387,800	67,000
Total long-term debt	\$6,766,899	\$15,300	\$342,476	\$6,436,723	\$622,000
Component units:					
Capital lease obligations	\$2,463,450	\$-0-	\$63,264	\$2,300,186	\$56,501

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

Long-term debt is comprised of the following:

Governmental
Activities

General Obligation Bonds

The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2008, consist of the following:

\$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.

\$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.

\$ 450,000

5,220,000

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

NOTE 19 - LONG-TERM DEBT OBLIGATIONS (Continued):

Governmental
Activities

General Obligation Bonds (Continued)

\$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.

\$ 3,525,000

\$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.

2,955,000

\$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.

2,210,000

\$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.

70,000

\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$50,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.

70,000

\$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.

3,605,000

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

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

General Obligation Bonds (Continued)

\$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.

\$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.

\$9,160,000 City of Kankakee serial bonds dated February 1, 2006, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.0% to 4.35%, payable semiannually.

\$9,555,000 City of Kankakee serial bonds dated September 25, 2006, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.

\$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$110,000 to \$700,000, through January 2027, plus interest ranging from 4.0% to 5.0%, payable semiannually.

\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.

Total general obligation bonds

Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net

Total bonds payable

Governmental
Activities

\$ 4,080,000

8,055,000

8,620,000

9,410,000

5,405,000

1,422,327

55,097,327

355,102

\$55,452,429

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

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

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2008, are as follows:

Year Ending April 30	Governmental Activities		Total
	Principal	Interest	
2009	\$ 3,585,000	\$ 2,406,728	\$ 5,991,728
2010	3,665,000	2,174,699	5,839,699
2011	3,970,000	2,029,729	5,999,729
2012	4,205,000	1,883,995	6,088,995
2013	5,280,000	1,724,712	7,004,712
2014 - 2018	20,782,327	5,987,817	26,770,144
2019 - 2023	8,710,000	2,374,940	11,084,940
2024 - 2027	<u>4,900,000</u>	<u>478,768</u>	<u>5,378,768</u>
	<u>\$55,097,327</u>	<u>\$19,061,388</u>	<u>\$74,158,715</u>

Governmental
Activities

\$ 93,101

20,901

170,000

2,876,532

500,000

\$1,660,534

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.

\$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.

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.

\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.

\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid quarterly at a rate 20 basis points above the LIBO rate on the first date of each February, May, August and November.

Total installment notes

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

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

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

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2008, are as follows:

Year Ending April 30,	Governmental Activities		Total
	Principal	Interest	
2009	\$ 348,938	\$ 99,309	\$ 448,247
2010	301,987	125,094	427,081
2011	264,812	113,752	378,564
2012	275,362	103,202	378,564
2013	286,347	92,217	378,564
2014 - 2018	2,113,088	274,870	2,387,958
2019 - 2023	50,000	—	50,000
2024 - 2025	<u>20,000</u>	<u>—</u>	<u>20,000</u>
	\$3,660,524	\$808,444	\$4,468,978

Capital Lease Obligation

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

Year Ending April 30,	Component Units
2009	\$2,300,186
2010	—
2011	—
2012	—
2013	—
2014 - 2018	—
2019 - 2023	—
2024 - 2025	—
	<u>\$2,300,186</u>

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

The following is an analysis of the assets recorded under capital leases at April 30, 2008:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
	\$6,422,889	\$959,034	\$5,463,855

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

Future minimum lease payments for all capital lease obligations:

Year Ending April 30,	Component Unit - Library
2009	\$ 180,000
2010	180,000
2011	180,000
2012	180,000
2013	180,000
2014 - 2018	900,000
2019 - 2023	900,000
2024 - 2028	<u>75,000</u>
	3,675,000

Total minimum lease payments

Less: amount representing
interest

Present value of minimum lease
payments

(1,374,814)

\$ 2,300,186

Unfunded Employer Pension Contributions

Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund \$ 4,488,227

Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund 6,369,363

Total unfunded employer pension contributions due from
General Fund \$10,857,590

Compensated Absences

Governmental
Activities

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 \$4,217,000

Business -
Type
Activities

\$387,800

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

NOTE 10 - 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:

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

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

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

Revenue Bonds

Details of the revenue bond indebtedness of the City's Enterprise Funds at April 30, 2008, are as follows:

\$7,140,000 Kankakee Municipal Utility serial bonds dated April 1, 1999, due in annual installments on May 1, of amounts ranging from \$215,000 to \$560,000 through May 1, 2018, plus interest at rates ranging from 4.10% to 6.00%, payable semiannually.	\$4,405,000
\$4,270,000 Kankakee Municipal Utility serial bonds dated December 1, 2001, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	<u>3,140,000</u>
Total revenue bonds principal	7,545,000
Less: Deferred loss on early retirement of Sewerage Refunding Revenue Bonds, Series 1991	<u>1,496,077</u>
Total revenue bonds payable	<u>\$6,048,923</u>

Debt service on the above revenue bonds payable at April 30, 2008, are as follows:

Year Ending April 30,	Kankakee Municipal Utility		Total
	Principal	Interest	
2009	\$ 555,000	\$ 355,576	\$ 910,576
2010	580,000	331,535	911,535
2011	600,000	306,223	906,223
2012	630,000	279,432	909,432
2013	655,000	250,773	905,773
2014 - 2018	3,420,000	753,498	4,173,498
2019 - 2022	1,105,000	140,151	1,245,151
	<u>\$7,545,000</u>	<u>\$2,417,188</u>	<u>\$9,962,188</u>

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

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

User Rates - The rates in effect at April 30, 2008 were as follows:

Flow charge (100 cu. ft.)	\$ 2.75
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.36
Special waste (gal.)	.05
GW contaminated (100 cu. ft.)	7.15
Septage (1,000 gal.)	34.00
Fixed charge (month)	22.00
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, 2007 to 2009 are noncallable in advance of maturity. 1999 bonds due May 1, 2010 to 2018 are callable on any date on or after May 1, 2009.

NOTE 11 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2006 were due, payable, and collected in two installments in June and September 2007.

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 2006 are intended to finance the fiscal year 2008 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2008 for collections from the calendar year 2006 levy if it was received by June 30, 2008. Property taxes levied for calendar year 2007, which will be collected in fiscal year 2009, are recorded as receivables and deferred revenue as of April 30, 2008. The City and its component units have not deferred property taxes receivable based on the availability criteria at April 30, 2008. The 2008 tax levy, which attaches as an enforceable lien on property as of January 1, 2008, has not been recorded as a receivable as of April 30, 2008, as the tax has not yet been levied by the City and will not be levied until December 2008, and therefore, the levy is not measurable at April 30, 2008.

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

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

The Utility met all reserve provisions as required above for the year ended April 30, 2008.

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, 2008, the Kankakee Municipal Utility did comply with this rate covenant. The covenant calculation is included on page 112.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents were insured at April 30, 2008 for \$7,196,000 under the City of Kankakee master policy with the HCC Insurance Company. The Kankakee Municipal Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the HCC Insurance Company. The April 30, 2008 coverage is as follows:

Property damage	\$ 3,000,000	Per Wrongful Act
Auto liability	1,000,000	Per Wrongful Act
Comprehensive liability	6,000,000	Per Wrongful Act
Annual aggregate coverage	10,000,000	Each Event

Customer and Flow Information - As of April 30, 2008 there were 8,198 customers providing sewer charge revenue as follows:

	Number of Customers	Sewer Charges
Residential and commercial	8,162	\$2,516,305
Industrial and institutional	36	4,713,601
Total	<u>8,198</u>	<u>\$7,229,906</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 12 - INTERFUND TRANSFERS:

Fund Transferred From	Fund Transferred To		
	General Fund	Nonmajor Governmental	Kankakee Municipal Utility
General Fund	\$ 567,487		
Capital Projects Fund		\$1,190,720	
Kankakee Municipal Utility	\$1,203,928		
Nonmajor Governmental Funds	<u>763,635</u>	<u>1,501,763</u>	<u>27,580</u>
	\$1,967,563	\$2,069,250	\$1,218,300
		\$ 567,487	
			\$ 567,487
			1,190,720
			1,203,928
			2,292,978
			\$5,255,113

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2008:

The General Fund transferred \$554,684 to the Debt Service Fund to provide for bond and interest retirement.

The General Fund transferred \$12,803 to the Park Fund to cover its fund deficit.

The Capital Projects Fund transferred \$1,190,720 to the Kankakee Municipal Utility to provide for hydro improvement projects.

The Kankakee Municipal Utility Fund transferred \$1,087,928 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

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

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

Tax Increment Financing District No. 1	\$462,400
Tax Increment Financing District No. 2	75,460
Tax Increment Financing District No. 4	75,460
Tax Increment Financing District No. 5	126,786
Tax Increment Financing District No. 6	206,425
Tax Increment Financing District No. 7	35,970
Tax Increment Financing District No. 8	512,573

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

NOTE 12 - INTERFUND TRANSFERS (Continued):

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

Tax Increment Financing District No. 2	\$225,252
Tax Increment Financing District No. 3	212,362
Tax Increment Financing District No. 4	326,021

The Tax Increment Financing District No. 8 Fund transferred \$27,580 to the Kankakee Municipal Utility Fund to provide additional funds for the hydro improvement project.

The General Obligation Bonds, Series 1995 Fund was closed during the year and transferred its excess funds in the amount of \$6,689 to the General Obligation Bonds, Series 2004 Fund.

NOTE 13 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2008, is composed of the following elements:

	Unavailable	Unearned
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 4,055,762
Unexpended grant receipts		118,600
Advance collection of licenses and fees		133,214
Nonmajor Governmental Funds:		
Property taxes receivable	7,455,818	
Loans receivable net of allowance for uncollectible amounts	\$854,813	
Total governmental funds	\$854,813	\$11,763,394
Component Units:		
Library Fund:		
Property taxes receivable		\$1,473,190
Special Service Area # 1:		
Property taxes receivable		121,300
Total component units		\$1,594,490

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS (Continued):

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2008 was \$252,690.

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, 2008 was \$225,000.

Kankakee Municipal Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to provide sanitary sewer service for the residents of Chebanse. Under this agreement, Chebanse would construct sanitary sewer facilities including service lines, pump stations and the force main line in accordance with BEPA standard policies, procedures and ordinances. At the completion of this construction, the force line will be connected to the City's discharge system. A letter was received from Chebanse on November 12, 2007, indicating they were officially requesting permission to discharge their waste into the pump station. At the time, the intergovernmental agreement was signed, there was no provision for billing. At April 30, 2008, Chebanse was not fully connected. When Chebanse is fully connected, it will be required to design and install a meter to measure flow upon which billing will be based. For the year ended April 30, 2008, the Kankakee Municipal Utility received \$17,358 based upon the number of connections established for the residents of Chebanse.

Construction Commitments

The City has several active construction projects as of April 30, 2008. These projects and the City's commitment with contractors at April 30, 2008 are as follows:

Project	Spent-to-date	Remaining Commitment
Governmental activities:		
Riverfront Trail	\$ 28,985	\$ 25,015
2008 MFT street maintenance	76,522	1,334,662
Public buildings and lighting project	3,603,426	9,280,848
ICRR - Brookmont	116,656	232,579
Northland Industrial Park Roads	266,331	33,928
Butterfield Force Main Extension	141,738	83,961
	<u>\$4,233,658</u>	<u>\$10,990,993</u>
Business-type activities:		
Sanitary sewer extension - Rt. 113	\$105,386	\$394,614
Indian Meadows	435,426	249,490
	<u>\$540,812</u>	<u>\$644,104</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - RELATED PARTY TRANSACTIONS:

The following describes transactions between the City and its component units for the year ended April 30, 2008:

From	To	Amount	Purpose
Capital Projects Fund	Special Service Area #1	\$473,307	To provide for various repairs and improvements.

NOTE 15 - SEGMENT INFORMATION:

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.

NOTE 16 - 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, 2008, 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 17 - 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, 2008 was \$1,200.

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

NOTE 19 - INVESTMENT IN JOINT VENTURE (Continued):

Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$4,867,261
Operating expenses	5,014,441
Other income (expense)	<u>(671,506)</u>
Change in net assets	(818,686)
Ownership percentage	<u>54.86%</u>
Utility's share of net income (equity interest in joint venture income)	\$ <u>(449,126)</u>

Wi-Fi Kankakee, LLC

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

As of April 30, 2008, the City has recorded in the Kankakee Municipal Utility an investment in joint venture of \$9,225, relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi were not available. At April 30, 2008, the City has recorded in Kankakee Municipal Utility an equity interest in joint venture income of Wi-Fi in the amount of \$(1,710).

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, 2008 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.

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

NOTE 18 - EXPENDITURES AND APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds for the year ended April 30, 2008 were as follows:

	Expenditures	Appropriations	Excess
Band Fund	\$ 14,000	\$ 13,000	\$ 1,000
Park Fund	48,147	35,000	13,147
Illinois Municipal Retirement Fund	628,917	540,000	88,917

NOTE 19 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

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

As of April 30, 2008, the City has recorded in the Kankakee Municipal Utility an investment in the joint venture of \$671,345 relative to its investment in KRMA.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2008 is as follows:

Statement of net assets:	
Current assets	\$ 888,521
Restricted assets and bond issuance costs	2,306,527
Capital assets, net	<u>20,541,210</u>
Total assets	<u>23,736,258</u>
Other liabilities	1,860,956
Long-term liabilities	<u>21,002,138</u>
Total liabilities	<u>22,863,094</u>
Total net assets	\$ <u>873,164</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 21 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions of the partnering firm conducted within the City. During the fiscal year ended April 30, 2008, \$20,109,951 in sales taxes was rebated under these agreements. At April 30, 2008, the City owed \$6,892,670 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

NOTE 22 - RESTATEMENT OF FUND EQUITY/NET ASSETS:

The City has restated fund balance and net assets for its fund financial statements and government-wide financial statements as of May 1, 2007, to correct the overpayment of community oriented policing fees and sewer fees received and recognized as revenues in prior years.

Fund Statements	General Fund	Kankakee Municipal Utility
Fund balance, May 1, 2007, as previously reported	\$3,244,876	\$25,901,079
Restated for:		
Community oriented policing fee Sewer fees	(8,997)	(105,543)
Prior period adjustment	(8,997)	(105,543)
Fund balance, May 1, 2007, restated	\$3,235,879	\$25,795,536
Entity-Wide Financial Statements		
	Governmental Activities	Business-Type Activities
Net assets, May 1, 2007, as previously reported	\$14,898,406	\$27,400,797
Restated for:		
Community oriented policing fee Sewer fees	(8,997)	(105,543)
Prior period adjustment	(8,997)	(105,543)
Net assets, May 1, 2007, restated	\$14,889,409	\$27,295,254

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 23 - DEFICIT FUND BALANCE:

At April 30, 2008, the Tax Increment Financing District No. 1 Fund had a deficit fund balance of \$276,586. This deficit is not in violation of any state law.

NOTE 24 - SUBSEQUENT EVENTS:

On June 2, 2008, the City of Kankakee issued \$6,930,000 General Obligation Bonds, Series 2008 (the Series 2008A Bonds), which mature serially January 1, 2016-2024 at various interest rates.

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

Source of Funds:	
Principal amount of bonds	\$7,027,141
Accrued interest	<u>3,167</u>
	\$7,030,308
Use of funds:	
Deposit to Debt Service Fund	\$ 3,167
Deposit to Capital Projects Fund	6,931,000
Cost of issuance	<u>96,141</u>
	\$7,030,308

The Series 2008 Bonds will be used to finance various public capital infrastructure improvements including streets, curbs, sidewalks, lights, equipment and the rehabilitation of City-owned buildings.

APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C
BOND INSURANCE AND SPECIMEN BOND INSURANCE POLICY

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Final Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

AGC’s financial strength is rated “AAA” (negative outlook) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa3” (under review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA-” (negative outlook) by Fitch, Inc. (“Fitch”). Each rating of AGC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGC. AGC does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

In a press release dated November 12, 2009, Moody’s announced that it had downgraded the insurance financial strength rating of AGC to “Aa3” from “Aa2” and that the status of AGC’s insurance financial strength rating would remain under review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody’s comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of AGC to “AA-“ (negative outlook) from “AA” (ratings watch negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch’s comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

There can be no assurance as to the outcome of Moody’s review, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding AGC’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission (“SEC”) on February 26, 2009, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by AGL with the SEC on November 16, 2009.

Capitalization of Assured Guaranty Corp.

As of September 30, 2009, AGC had total admitted assets of \$2,096,784,037 (unaudited), total liabilities of \$1,917,777,236 (unaudited), total surplus of \$179,006,801 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$951,037,548 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Final Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009); and
- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Final Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Final Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “**APPENDIX C - BOND INSURANCE AND SPECIMEN BOND INSURANCE POLICY – The Insurer**” shall be modified or superseded for purposes of this Final Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Final Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 31 West 52nd Street, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Final Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC’s web site at <http://www.sec.gov> and at AGL’s web site at <http://www.assuredguaranty.com>, from the SEC’s Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Final Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “**APPENDIX C - BOND INSURANCE AND SPECIMEN BOND INSURANCE POLICY.**”

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52nd Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel at the same address and at generalcounsel@assuredguaranty.com or at the following Facsimile

Number: (212) 445-8705, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

SPEAK

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel

APPENDIX D
PROPOSED FORM OF OPINION OF BOND COUNSEL
[LETTERHEAD OF CHAPMAN AND CUTLER LLP]
[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the “*Proceedings*”) of the City Council of the City of Kankakee, Kankakee County, Illinois (the “*City*”) passed preliminary to the issue by the City of its fully registered Taxable Sewer Revenue Bonds, Series 2009 (the “*Bonds*”), to the amount of \$4,000,000, dated the date hereof, in denominations \$5,000 or authorized integral multiples thereof, due and payable serially on May 1 of the years and in the amounts as follows:

<u>YEAR</u>	<u>AMOUNT (\$)</u>	<u>RATE (%)</u>
2011	220,000	2.00
2012	225,000	2.50
2013	230,000	3.20
2014	240,000	3.50
2015	250,000	3.80
2016	260,000	4.30
2017	270,000	4.75
2018	280,000	5.00
2019	295,000	5.15
2020	310,000	5.30
2021	325,000	5.40
2022	345,000	5.50
2023	365,000	5.70
2024	385,000	5.80

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on May 1 and November 1 of each year, commencing on May 1, 2010.

The Bonds coming due on and after May 1, 2020, are subject to redemption prior to maturity at the option of the City, from any available monies, on May 1, 2019, and any date thereafter, in whole or in part, and if in part in such principal amounts and from such maturities as determined by the City and within any maturity by lot, at a redemption price of par plus accrued interest to the date fixed for redemption.

Based upon such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined form of bond prescribed for said issue and find the same in due form of law, and in our opinion the Bonds, to the amount named, constitute valid and legally binding special obligations of said City, and, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered in law or at equity, including the exercise of judicial discretion, are payable, ratably and equally with certain Sewerage Revenue Bonds, Series 2001, of the City, solely from the Net Revenues derived from the operation of the combined waterworks and sewerage system of said City. Additional parity obligations may be issued in the future under the terms of the ordinance authorizing the Bonds.

It is our opinion that, under present law, interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City’s knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.