Investment Rating:
Standard & Poor's...A-

Final Official Statement Dated December 12, 2013

*Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "**TAX EXEMPTION**" herein for a more complete discussion. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "**QUALIFIED TAX-EXEMPT OBLIGATIONS**" herein.*

CITY OF KANKAKEE
Kankakee County, Illinois
$2,635,000 General Obligation Corporate Purpose Refunding Bonds, Series 2013C

Dated Date of Delivery **Book-Entry** **Bank Qualified** **Due Serially January 1, 2015-2024**

The $2,635,000 General Obligation Corporate Purpose Refunding Bonds, Series 2013C (the "Bonds") are being issued by the City of Kankakee, Kankakee County, Illinois (the "City"). Interest on the Bonds is payable semiannually on January 1 and July 1, commencing July 1, 2014. 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. The Bonds will mature on January 1 as detailed below.

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

Principal Amount	Due Jan. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due Jan. 1	Interest Rate	Yield or Price	CUSIP Number
$620,000	2015*	2.000%	1.000%	484404 WL8	$270,000	2020*	3.500%	3.000%	484404 WR5
235,000	2016*	2.000%	1.250%	484404 WM6	280,000	2021*	3.500%	3.350%	484404 WS3
245,000	2017*	2.000%	1.650%	484404 WN4	170,000	2022	3.600%	3.600%	484404 WT1
255,000	2018*	3.000%	2.100%	484404 WP9	175,000	2023	3.800%	3.800%	484404 WU8
265,000	2019*	3.000%	2.600%	484404 WQ7	120,000	2024**	3.950%	3.950%	484404 WV6

**These maturities offered at a premium.*
***This maturity is priced to call.*

OPTIONAL REDEMPTION

Bonds due January 1, 2015-2023, inclusive, are non-callable. Bonds due January 1, 2024, inclusive, are callable in whole or in part on any date on or after January 1, 2023, 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.

PURPOSE, LEGALITY AND SECURITY

The Bond proceeds will be used to currently refund a portion of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2005 (the "2005 Bonds"), and to pay the costs of issuance. See **"PLAN OF FINANCING"** herein.

In the opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, said issue to the amount named, is valid and legally binding upon the City and, except that the rights of the Bondholders and the enforceability of the Bonds may be limited by bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, is payable from ad valorem property taxes levied against all of the taxable property within the City without limitation as to rate or amount (the "2013C Full Faith and Credit Taxes"). A portion of the Bonds (said portion being "2013C TIF Bonds") is further secured ratably and equally with the portion of any outstanding 2005 Bonds which is also so secured, by (i) certain incremental property taxes, if any, derived from the Henkel Industrial Redevelopment Project Area of the City (the "Area") and (ii) the amounts on deposit in and to the credit of the special tax allocation fund created by the City for the Area (collectively, "the Incremental Property Taxes"). Bonds secured ratably and equally as to the pledge of the Incremental Taxes, or any portion thereof, with the 2013C TIF Bonds ("Additional Bonds") may be issued as in the Proceedings provided. The 2013C Full Faith and Credit Taxes are levied for and pledged to and secure only the payment of the Bonds, and no holder of any Additional Bond shall be entitled to any payment thereof from the 2013C Full Faith and Credit Taxes.

The Bonds are "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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. Certain legal matters will be passed upon for the Underwriter by Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois. It is expected that the Bonds will be made available for delivery on or about December 23, 2013.

BERNARDI SECURITIES INC
MUNICIPAL BOND SPECIALISTS

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.

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BOND ISSUE SUMMARY

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

Issuer:	The City of Kankakee, Kankakee County, Illinois.
Issue:	$2,635,000 General Obligation Corporate Purpose Refunding Bonds, Series 2013C.
Dated Date:	Date of delivery.
Interest Due:	Each January 1 and July 1, commencing July 1, 2014.
Principal Due:	Serially each January 1, 2015 through January 1, 2024, as detailed on the front page of this Final Official Statement.
Optional Redemption:	Bonds maturing on or after January 1, 2024, are callable at the option of the City on any date on or after January 1, 2023, 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.
Security:	In the opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, said issue to the amount named, is valid and legally binding upon the City and, except that the rights of the Bondholders and the enforceability of the Bonds may be limited by bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, is payable from ad valorem property taxes levied against all of the taxable property within the City without limitation as to rate or amount (the "2013C Full Faith and Credit Taxes"). A portion of the Bonds (said portion being "2013C TIF Bonds") is further secured ratably and equally with the portion of any outstanding 2005 Bonds which is also so secured, by (i) certain incremental property taxes, if any, derived from the Henkel Industrial Redevelopment Project Area of the City (the "Area") and (ii) the amounts on deposit in and to the credit of the special tax allocation fund created by the City for the Area (collectively, "the Incremental Property Taxes"). Bonds secured ratably and equally as to the pledge of the Incremental Taxes, or any portion thereof, with the 2013C TIF Bonds ("Additional Bonds") may be issued as in the Proceedings provided. The 2013C Full Faith and Credit Taxes are levied for and pledged to and secure only the payment of the Bonds, and no holder of any Additional Bond shall be entitled to any payment thereof from the 2013C Full Faith and Credit Taxes.
Rating:	The Bonds are rated "A-" from Standard & Poor's, a Division of the McGraw-Hill Companies.
Purpose:	The Bond proceeds will be used to currently refund a portion of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2005 (the "2005 Bonds"), and to pay the costs of issuance. See **"PLAN OF FINANCING"** herein.
Tax Exemption:	Chapman and Cutler LLP, Chicago, Illinois, will provide an opinion as to the federal tax exemption of interest on the Bonds as discussed under **"TAX EXEMPTION"** in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bank Qualification:	The Bonds are "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Bond Registrar/Paying Agent:	The City Comptroller, City of Kankakee, Illinois.
Escrow Trustee:	U.S. Bank, National Association, Chicago, Illinois.
Delivery:	The Bonds are expected to be delivered on or about December 23, 2013.
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., Illinois.
Underwriters Counsel:	Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois.

THE CITY OF KANKAKEE
Kankakee County, Illinois

Nina Epstein
Mayor

Aldermen

Dennis Baron	James Faford	James H. Stokes, Jr.
P. Carl Brown	Stacy Gall	Danita Grant Swanson
James R. Cox	Stephen R. Linneman	Tyler D. Tall, Sr.
Christopher Curtis	Larry A. Osenga	Fred Tetter
Glenn E. Davidson		Dexter Thompson

Officials

Anjanita Dumas	Elizabeth D. Kubal	L. Patrick Power
City Clerk	*Comptroller*	*City Treasurer*

Christopher W. Bohlen
Corporation Counsel

THE CITY

Location, Organization and Government

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 27,537, 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 at the southern edge of the City (two miles south of the City downtown business district) and has hangar space for 76 aircraft. The airport is utilized by general aviation aircraft and corporate planes.

Education

Kankakee School District Number 111 serves the educational needs of students pre-kindergarten through grade twelve. Current enrollment is approximately 5,900. There are several institutions of higher learning located within and near the City. Olivet Nazarene University is a four-year liberal arts facility in Bourbonnais with some 4,600 students enrolled (2,600 are undergraduates). Its campus covers 250 acres and contains 30 buildings. Governor's State University (an upper division university) begins work at the junior baccalaureate level. There are about 7,500 students attending this institution which is situated on 750 acres in University Park. Two year undergraduate programs are offered at Kankakee Community College (KCC) in the City. KCC serves about 3,000 students at its 160 acre campus.

SOCIOECONOMIC INFORMATION

Employment

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

Largest Regional Employers*(1)*

Name	Product/Service	Approximate Employment
Riverside Healthcare	Regional Medical Center	2,254
Shapiro Development Center	Hospital	1,400
St. Mary's Hospital (Provena)	Hospital	1,199
CIGNA (Connecticut General Insurance)	Insurance Claims Processing	900
CSL Behring	Pharmaceuticals	804
Kankakee School District No. 111	Education	760
Baker & Taylor Company	Book Distribution	600
Kankakee County Government	Government	536
Olivet Nazarene University	Private University	531
Sears Logistics Services	Midwest Product Distribution	388
Kankakee Community College	Education	385
Illinois Veterans' Home	Nursing Home	335
Van Drunen Farms	Freeze Dried Fruit and Vegetables	302
City of Kankakee	City Government	301
Armstrong World Industries, Inc.	Vinyl Tile	270

Note: (1) The City.

The following tables show employment by industry and by occupation for the City, Kankakee County (the "County") and the State of Illinois (the "State") as reported by the U.S. Census Bureau 2007-2011 American Community Survey 5-year estimated values.

Employment By Industry*(1)*

	The City		Kankakee County		State of Illinois	
Classification	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining	257	2.4%	1,127	2.3%	63,960	1.1%
Construction	575	5.4%	3,255	6.5%	343,232	5.7%
Manufacturing	1,546	14.5%	6,366	12.7%	775,663	12.8%
Wholesale Trade	347	3.3%	2,002	4.0%	196,738	3.3%
Retail Trade	1,088	10.2%	6,179	12.4%	659,708	10.9%
Transportation and Warehousing, and Utilities	598	5.6%	3,302	6.6%	355,486	5.9%
Information	141	1.3%	708	1.4%	135,688	2.2%
Finance and Insurance, Real Estate and Rental and Leasing	531	5.0%	2,912	5.8%	466,468	7.7%
Professional, Scientific, and Management, Administrative, and Waste Management Services	645	6.1%	2,827	5.7%	662,987	11.0%
Educational Services and Health Care and Social Assistance	3,136	29.5%	13,301	26.6%	1,337,455	22.1%
Arts, Entertainment and Recreation and Accommodation and Food Services	1,182	11.1%	4,317	8.6%	524,925	8.7%
Other Services, Except Public Administration	329	3.1%	2,039	4.1%	288,538	4.8%
Public Administration	260	2.4%	1,667	3.3%	232,923	3.9%
Total	10,635	100.00%	50,002	100.00%	6,043,771	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

Employment By Occupation*(1)*

	The City		Kankakee County		State of Illinois	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science and Arts	2,454	23.1%	14,433	28.9%	2,167,571	35.9%
Service	2,670	25.1%	9,109	18.2%	1,007,434	16.7%
Sales and Office	2,074	19.5%	12,438	24.9%	1,550,202	25.6%
Natural Resources, Construction, and Maintenance	857	8.1%	5,134	10.3%	474,566	7.9%
Production, Transportation, and Material Moving	2,580	24.3%	8,888	17.8%	843,998	14.0%
Total	10,635	100.00%	50,002	100.00%	6,043,771	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

Annual Average Unemployment Rates*(1)*

Calendar Year	The City	Kankakee County	State of Illinois
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	15.6%	12.1%	10.1%
2010	16.7%	13.1%	10.3%
2011	16.1%	12.2%	8.9%
2012	14.5%	11.1%	8.9%
2013(2)	13.8%	10.4%	9.0%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of August 2013.

Building Permits

City Building Permits*(1)*

Fiscal Year Ended April 30	New Construction				Repair & Remodeling		Total	
	Residential		Commercial					
	Number	Value	Number	Value	Number	Value	Number	Value
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
2010	6	1,028,500	13	58,588,975	1,474	16,420,696	1,493	76,038,171
2011	4	570,000	6	7,526,222	1,487	11,069,067	1,497	19,165,289
2012	4	464,000	3	1,667,000	1,513	26,337,745	1,520	28,468,745

Note: (1) Source: the City.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the City's owner-occupied homes was $103,000. This compares to $147,700 for the County and $198,500 for the State. The following table represents the five year average market value of specified owner-occupied units for the City, the County and the State at the time of the 2007-2011 American Community Survey.

Specified Owner-Occupied Units*(1)*

	The City		Kankakee County		State of Illinois	
Value	Number	Percent	Number	Percent	Number	Percent
Under $50,000	388	8.0%	2,514	8.8%	218,208	6.7%
$50,000 to $99,999	1,953	40.1%	5,168	18.0%	451,967	13.8%
$100,000 to $149,999	1,453	29.9%	7,004	24.4%	464,158	14.2%
$150,000 to $199,999	630	12.9%	6,342	22.1%	518,957	15.8%
$200,000 to $299,999	275	5.7%	5,355	18.7%	725,004	22.1%
$300,000 to $499,999	138	2.8%	1,872	6.5%	613,486	18.7%
$500,000 to $999,999	7	0.1%	329	1.1%	234,600	7.2%
$1,000,000 or more	22	0.5%	116	0.4%	53,191	1.6%
Total	4,866	100.00%	28,700	100.00%	3,279,571	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

Mortgage Status*(1)*

	The City		Kankakee County		State of Illinois	
Value	Number	Percent	Number	Percent	Number	Percent
Housing Units with a Mortgage	3,202	65.8%	18,715	65.2%	2,272,745	69.3%
Housing Units without a Mortgage	1,664	34.2%	9,985	34.8%	1,006,826	30.7%
Total	4,866	100.00%	28,700	100.00%	3,279,571	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

Income

The U.S. Census Bureau 5-year estimated values reported that the City had a median family income of $38,692. This compares to $60,079 for the County and $69,658 for the State. The following table represents the distribution of family incomes for the City, the County and the State at the time of the 2007-2011 American Community Survey.

Family Income*(1)*

	The City		Kankakee County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	659	11.1%	1,529	5.4%	131,841	4.2%
$10,000 to $14,999	349	5.9%	885	3.1%	86,610	2.7%
$15,000 to $24,999	885	14.9%	2,431	8.6%	224,421	7.1%
$25,000 to $34,999	780	13.2%	2,253	8.0%	260,262	8.3%
$35,000 to $49,999	1,108	18.7%	4,822	17.1%	389,862	12.4%
$50,000 to $74,999	903	15.3%	5,571	19.7%	606,737	19.2%
$75,000 to $99,999	685	11.6%	4,798	17.0%	486,151	15.4%
$100,000 to $149,999	424	7.2%	4,185	14.8%	547,784	17.4%
$150,000 to $199,999	112	1.9%	1,228	4.3%	212,016	6.7%
$200,000 or more	16	0.3%	578	2.0%	207,841	6.6%
Total	5,921	100.00%	28,280	100.00%	3,153,525	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

The U.S. Census Bureau 5-year estimated values reported that the City had a median household income of $32,458. This compares to $49,266 for the County and $56,576 for the State. The following table represents the distribution of household incomes for the City the County and the State at the time of the 2007-2011 American Community Survey.

Household Income*(1)*

	The City		Kankakee County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	1,370	14.2%	2,818	6.9%	324,506	6.8%
$10,000 to $14,999	831	8.6%	2,227	5.4%	225,927	4.7%
$15,000 to $24,999	1,539	16.0%	4,914	12.0%	480,204	10.1%
$25,000 to $34,999	1,384	14.4%	4,199	10.2%	462,115	9.7%
$35,000 to $49,999	1,516	15.7%	6,603	16.1%	628,998	13.2%
$50,000 to $74,999	1,489	15.4%	7,671	18.7%	884,623	18.5%
$75,000 to $99,999	820	8.5%	5,809	14.1%	627,813	13.2%
$100,000 to $149,999	520	5.4%	4,755	11.6%	656,199	13.7%
$150,000 to $199,999	118	1.2%	1,399	3.4%	243,765	5.1%
$200,000 or more	53	0.5%	691	1.7%	238,852	5.0%
Total	9,640	100.00%	41,086	100.00%	4,773,002	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2007 to 2011.

Retail Activity

Beginning 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 40% of Governmental Fund Type revenues in fiscal 2013. 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 + (-)
2004	$16,368,446	47.63%(3)
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%)
2010	21,607,804	(7.13%)
2011	19,755,094	(8.57%)
2012	19,571,057	(0.93%)
2013	18,092,158	(7.56%)
Growth from 2004 to 2013		10.53%

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. The City has a number of contracts with retailers whereby it shares a substantial portion of the local sales taxes generated by those retailers. Legal action has been filed by the Regional Transportation Authority, Cook County and the City of Chicago contesting these agreements and whether either of the plaintiffs have any right to the sales tax proceeds. The City of Kankakee is in the process of strongly defending the lawsuits and can show that there has been almost no shifting of the sales tax from the jurisdiction of the plaintiffs. The City believes that the contracts it established have not shifted the point of sale from other Illinois locations, and that its agreements are legally valid. See "LITIGATION" herein.

(3) The 2004 percentage is based on a 2003 sales tax of $11,087,758.

PLAN OF FINANCING

Bond proceeds will be used to currently refund a portion of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2005 (the "2005 Bonds" and, said portion of the 2005 Bonds that are refunded being the “Refunded Bonds”), as listed below.

The 2005 Bonds

Outstanding Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
01/01/2014	$ 550,000	$ 0	NA	NA
01/01/2015	595,000	595,000	100.00%	01/27/2014
01/01/2016	220,000	220,000	100.00%	01/27/2014
01/01/2017	235,000	235,000	100.00%	01/27/2014
01/01/2018	250,000	250,000	100.00%	01/27/2014
01/01/2019	265,000	265,000	100.00%	01/27/2014
01/01/2020	270,000	270,000	100.00%	01/27/2014
01/01/2021	285,000	285,000	100.00%	01/27/2014
01/01/2022	175,000	175,000	100.00%	01/27/2014
01/01/2023	180,000	180,000	100.00%	01/27/2014
01/01/2024	125,000	125,000	100.00%	01/27/2014
Total	$3,150,000	$2,600,000		

Bond proceeds will be uninvested or used to purchase direct full faith and credit obligations of the United States of America (the “Government Securities”), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Refunded Bonds as stated above, and (ii) to pay principal of the Refunded Bonds on their such redemption date. The remaining bond proceeds will be used to pay the costs of issuing the Bonds.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the “Escrow Agreement”) dated as of December 23, 2013, between the City and U.S. Bank, National Association, Chicago, Illinois, as Escrow Agent (the “Escrow Agent”).

DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the City will have outstanding $56,902,328 principal amount of general obligation debt and $13,655,000 principal amount of revenue bonds. At fiscal year ended April 30, 2013, the City also had outstanding $2,286,919 of installment notes and a $4,350,000 Line of Credit Note (“LOC”) due July 2014. The LOC is expected to be repaid from insurance proceeds received by the KRMA before the end of this calendar year. The City expects to issue approximately $6.3 million bonds to refund a portion of the City’s outstanding General Obligation Bonds, Series 2006, when market conditions permit.

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

Calendar Year	Series 2005	Series 2006	Series 2007A(2)	Series 2007B(3)	Series 2008	Series 2009(4)(5)	Series 2011A
2014	$ 550,000	$ 335,000	$ 80,000	$ 0	$ 0	$ 1,210,000	$ 105,000
2015	595,000	655,000	90,000	402,672	0	1,845,000	0
2016	220,000	675,000	90,000	350,125	315,000	575,000	165,000
2017	235,000	375,000	95,000	267,496	425,000	650,000	225,000
2018	250,000	540,000	110,000	402,036	585,000	1,880,000	0
2019	265,000	585,000	125,000	0	670,000	2,525,000	0
2020	270,000	645,000	140,000	0	900,000	1,245,000	440,000
2021	285,000	730,000	160,000	0	900,000	695,000	600,000
2022	175,000	790,000	170,000	0	985,000	730,000	725,000
2023	180,000	880,000	180,000	0	1,075,000	760,000	855,000
2024	125,000	715,000	600,000	0	1,075,000	790,000	930,000
2025	0	1,125,000	635,000	0	0	830,000	955,000
2026	0	0	670,000	0	0	810,000	0
2027	0	0	700,000	0	0	850,000	0
2028	0	0	0	0	0	890,000	0
2029	0	0	0	0	0	925,000	0
Total.........	$3,150,000	$8,050,000	$3,845,000	$1,422,328	$6,930,000	$17,210,000	$5,000,000

Calendar Year	Series 2011B	Series 2011C	Series 2012	Series 2012A	Series 2012B	Total Outstanding Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2014	$ 0	$365,000	$ 390,000	$ 20,000	$ 130,000	$ 3,185,000	$ 3,185,000	5.60%
2015	0	255,000	405,000	40,000	160,000	4,447,672	7,632,672	13.42%
2016	0	0	420,000	460,000	1,370,000	4,640,125	12,272,797	21.58%
2017	0	0	435,000	475,000	1,820,000	5,002,496	17,275,293	30.38%
2018	0	0	450,000	495,000	100,000	4,812,036	22,087,328	38.84%
2019	0	0	465,000	510,000	100,000	5,245,000	27,332,328	48.06%
2020	370,000	0	0	520,000	110,000	4,640,000	31,972,328	56.22%
2021	0	0	0	535,000	0	3,905,000	35,877,328	63.09%
2022	0	0	0	320,000	0	3,895,000	39,772,328	69.94%
2023	0	0	0	320,000	0	4,250,000	44,022,328	77.41%
2024	0	0	0	220,000	0	4,455,000	48,477,328	85.25%
2025	0	0	0	0	0	3,545,000	52,022,328	91.48%
2026	0	0	0	0	0	1,480,000	53,502,328	94.08%
2027	0	0	0	0	0	1,550,000	55,052,328	96.81%
2028	0	0	0	0	0	890,000	55,942,328	98.37%
2029	0	0	0	0	0	925,000	56,867,328	100.00%
Total.........	$370,000	$620,000	$2,565,000	$3,915,000	$3,790,000	$56,867,328		

Notes:
(1) Source: the City.
(2) Sewer Revenue Refunding Bonds, Series 2013B defeased $160,000 maturing in 2014; $170,000 maturing in 2015; $175,000 maturing in 2016. The amounts listed are after the defeasance.
(3) Original principal amount shown for capital appreciation bonds.
(4) Includes Series 2009A and Series 2009B.
(5) Sewer Revenue Refunding Bonds, Series 2013B defeased $545,000 maturing in 2014; $520,000 maturing in 2015; $535,000 maturing in 2016; $560,000 maturing in 2017; $215,000 maturing in 2018. The amounts listed are after the defeasance.

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

Calendar Year	Total Outstanding Debt	The Bonds	Less: Refunded Bonds	Total Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2014	$ 3,185,000	$ 0	$ 0	$ 3,185,000	$ 3,185,000	5.60%
2015	4,447,672	620,000	(595,000)	4,472,672	7,657,672	13.46%
2016	4,640,125	235,000	(220,000)	4,655,125	12,312,797	21.64%
2017	5,002,496	245,000	(235,000)	5,012,496	17,325,293	30.45%
2018	4,812,036	255,000	(250,000)	4,817,036	22,142,328	38.91%
2019	5,245,000	265,000	(265,000)	5,245,000	27,387,328	48.13%
2020	4,640,000	270,000	(270,000)	4,640,000	32,027,328	56.28%
2021	3,905,000	280,000	(285,000)	3,900,000	35,927,328	63.14%
2022	3,895,000	170,000	(175,000)	3,890,000	39,817,328	69.97%
2023	4,250,000	175,000	(180,000)	4,245,000	44,062,328	77.44%
2024	4,455,000	120,000	(125,000)	4,450,000	48,512,328	85.26%
2025	3,545,000	0	0	3,545,000	52,057,328	91.49%
2026	1,480,000	0	0	1,480,000	53,537,328	94.09%
2027	1,550,000	0	0	1,550,000	55,087,328	96.81%
2028	890,000	0	0	890,000	55,977,328	98.37%
2029	925,000	0	0	925,000	56,902,328	100.00%
Total	$56,867,328	$2,635,000	$(2,600,000)	$56,902,328		

Note: (1) Source: the City.

Detailed Overlapping Bonded Debt*(1)*

(As of June 17, 2013)

	Outstanding Debt	Applicable to City Percent(2)	Applicable to City Amount
Schools:			
School District No. 61	$ 3,225,000	3.96%	$ 127,710
High School District No. 307	13,360,000	1.21%	161,656
Herscher Community Unit School District No. 2	9,460,000	0.70%	66,220
Community Unit School District No. 4 (Clifton)	9,413,792	6.44%	606,248
Kankakee School District No. 111	10,061,099	65.66%	6,606,118
Kankakee Community College 520	7,570,000	12.88%	975,016
Total Schools			$8,542,968
Others:			
Kankakee County(3)	$ 0	12.88%	$ 0
Bourbonnais Park District	2,805,000	1.38%	38,709
Total Others			$ 38,709
Total Schools and Others Overlapping Bonded Debt			$8,581,677

Notes: (1) Source: Kankakee County Clerk.
(2) Overlapping debt percentages are based on levy year 2012 EAVs.
(3) The County's bonded debt totals $22,835,000 all of which is self-supporting.

Statement of Bonded Indebtedness

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Census 27,537)
City EAV of Taxable Property, 2012 (1)	$252,402,916	100.00%	33.33%	$ 9,165.96
Estimated Actual Value, 2012	$757,208,748	300.00%	100.00%	$27,497.87
Direct Bonded Debt(2)	$ 56,902,328	22.54%	7.51%	$ 2,066.40
Less: Self-Supporting	(16,785,824)	(6.65%)	(2.22%)	(609.57)
Net Direct Bonded Debt	$ 40,116,504	15.89%	5.30%	$ 1,456.82
Overlapping Bonded Debt(3):				
Schools	$ 8,542,968	3.38%	1.13%	$ 310.24
Others	38,709	0.02%	0.01%	1.41
Total Overlapping Bonded Debt	$ 8,581,677	3.40%	1.13%	$ 311.64
Total Direct and Overlapping Bonded Debt	$ 48,698,181	19.29%	6.43%	$ 1,768.46

Notes: (1) Source: Kankakee County Clerk.
(2) Does not include bonds expected to be refunded by the Bonds.
(3) Overlapping bonded debt as of June 17, 2013.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2012 levy year, the City's EAV was comprised of approximately 58% residential, 9% industrial, 32% commercial, and 1% farm and railroad property valuations.

Equalized Assessed Valuation*(1)*

	Levy Years				
Property Class	2008	2009	2010	2011	2012
Residential	$183,736,732	$182,470,050	$182,769,045	$163,923,583	$147,614,347
Farm	467,203	427,774	448,324	373,612	371,033
Commercial	81,297,766	83,328,334	82,501,453	66,616,546	81,104,048
Industrial	20,377,225	21,645,339	21,675,632	18,233,200	21,057,912
Railroad	1,381,705	1,682,103	1,887,273	2,185,288	2,255,576
Total	$287,260,631	$289,553,600	$289,281,727	$251,332,229	$252,402,916
Percent Change + (-)	1.00%(2)	0.80%	(0.09%)	(13.12%)	0.43%

Notes: (1) Source: Kankakee County Clerk. Includes value in tax increment districts.
(2) The 2008 percentage change based on a 2007 EAV of $284,408,370.

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

	Levy Years				
	2008	2009	2010	2011	2012
City Rates:					
General Corporate	$ 0.008	$ 0.000	$0.000	$0.000	$0.000
Fire Protection	0.087	0.086	0.163	0.183	0.201
Police Protection	0.067	0.067	0.173	0.194	0.213
School Crossing Guard	0.010	0.010	0.011	0.012	0.013
Liability Insurance	0.370	0.369	0.401	0.452	0.496
Audit	0.013	0.013	0.015	0.017	0.019
Parks	0.014	0.014	0.000	0.000	0.000
Band	0.006	0.006	0.006	0.007	0.007
I.M.R.F.	0.203	0.280	0.295	0.323	0.355
Library Fund	0.621	0.624	0.623	0.674	0.716
Firefighter's Pension	0.547	0.797	0.753	0.826	0.936
Police Pension	0.501	0.699	0.661	0.792	0.897
Debt Service	1.550	1.812	1.773	1.961	2.295
Unemployment Insurance	0.000	0.008	0.006	0.007	0.008
Total City Rates	$ 3.997	$ 4.785	$4.880	$5.448	$6.156
Kankakee County	0.816	0.807	0.833	0.890	0.953
Kankakee County Forest Preserve District	0.056	0.057	0.059	0.060	0.060
Kankakee Valley Airport Authority	0.039	0.038	0.038	0.040	0.041
Kankakee Township	0.511	0.515	0.533	0.569	0.618
Kankakee Valley Park District	0.518	0.519	0.526	0.568	0.618
School District Number 111	4.294	4.319	4.325	4.695	4.918
Community College District Number 520	0.377	0.384	0.396	0.404	0.417
Total Rates(2)	$10.608	$11.424	$11.590	$12.674	$13.781

Notes: (1) Source: Kankakee County Clerk.
(2) Representative tax rates for other government units are from Kankakee Township tax code 16003, which represents 78.83% of the City's 2012 EAV.

Tax Extensions and Collections*(1)*

Levy Year	Coll. Year	Taxes Extended	Total Collections Amount	Total Collections Percent
2007	2008	$10,015,944	$ 9,822,065	98.06%
2008	2009	10,438,232	10,325,580	98.92%
2009	2010	12,436,212	12,308,540	98.97%
2010	2011	13,262,716	13,231,403	99.76%
2011	2012	13,692,580	13,352,944	97.52%
2012	2013	14,554,094	13,358,527	91.79%(2)

Notes: (1) Source: the City.
(2) Tax due dates are June and September. The City receives two larger distributions and three small distributions each year. The City expects a distribution in November 2013.

Principal Taxpayers*(1)*

Taxpayer Name	Business/Service	2012 EAV*(2)*
Cognis Corp	Chemicals	$ 4,792,833
Walmart	Retail	3,658,733
Armstrong World Industries	Vinyl Tile	2,864,843
Riverside Senior Living	Elderly Housing	2,849,634
Provena Properties	Real Property	2,702,837
IKO Midwest, Inc.	Real Property	2,637,716
Riverwoods Preservation LP	Elderly Housing	2,609,679
Space Center Chicago Inc	Food Production	2,557,311
Cor Unum	Elderly Housing	2,169,030
Riverstone Hotel Partners LLC	Hotel	2,033,130
Total		$28,875,746
Ten Largest Taxpayers as a Percent of the City's 2012 EAV ($252,402,916)		11.44%

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 2012 EAV is the most current available.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCECURES

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 fifteen 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, 2013 (the "2013 Audit"). The 2013 Audit has been 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 2013 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 2013 Audit. Questions or inquiries relating to financial information of the City since the date of the 2013 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 2013 fiscal year audit.

Statement of Net Assets/Net Position*(1)*
Governmental Activities

	Audited As of April 30				
	2009	2010	2011	2012	2013(1)
ASSETS:					
Cash and Investments	$ 13,543,790	$ 7,141,075	$ 11,131,824	$ 8,681,821	$ 8,317,828
Receivables, Net:					
Property Taxes	12,199,112	14,637,311	13,747,061	14,215,390	15,198,448
Utility Taxes	426,659	507,422	502,850	468,701	512,730
Due From Other Governmental Agencies	6,276,847	6,336,438	6,551,503	6,001,707	7,177,074
Due From Component Units	222,567	220,554	219,943	72,951	74,232
Due From Fiduciary Funds	30	0	1,100	0	0
Internal Balances	369,764	304,580	28,201	70,335	(206,092)
Accounts	1,151,181	1,086,769	1,047,258	738,779	997,167
Special Assessments	2,855,500	2,587,000	2,307,500	2,016,500	1,713,500
Materials and Supplies Inventory	20,734	33,946	1,863	2,859	3,115
Prepaid Items	911,930	481,958	532,792	410,593	369,186
Capital Assets:					
Non-Depreciable	16,920,392	6,795,473	6,735,113	6,207,755	6,314,840
Depreciable	69,422,168	82,873,637	81,333,379	80,065,137	78,697,085
Unamortized Bond Issuance Cost	1,362,788	1,265,459	1,330,372	1,301,883	0
Total Assets	$125,683,462	$124,271,622	$125,470,759	$120,254,411	$119,169,113
DEFERRED OUTFLOWS of RESOURCES:(2)					
Deferred Charge on Refunding loss	0	0	0	0	$ 615,598
LIABILITIES:					
Accounts Payable	$ 7,541,391	$ 6,801,466	$ 6,471,060	$ 5,097,220	$ 6,621,197
Accrued Wages Payable	585,526	600,826	539,906	533,599	530,671
Interest Payable	937,290	964,100	951,800	877,700	801,298
Due To Component Units	0	0	9,219	17,536	108,145
Due to Other Government Agencies	0	0	346	1,290	0
Deferred Revenue	12,441,580	14,873,580	13,931,840	14,546,630	0
Deferred Special Assessment	2,855,500	2,587,000	2,307,500	2,016,500	0
Long-Term Liabilities:					
Due Within One Year	5,236,232	6,516,732	6,389,982	6,237,697	6,865,900
Due Within More Than One Year	87,464,890	82,525,575	84,249,189	80,622,630	76,650,953
Total Liabilities	$117,062,409	$114,869,279	$114,850,842	$109,950,802	$ 91,578,164
DEFERRED INFLOWS of RESOURCES:(2)					
Unavailable Property Tax Revenue	$ 0	$ 0	$ 0	$ 0	$ 15,198,448
Unearned Special Assessments	0	0	0	0	1,713,500
Deferred Licenses and Fees	0	0	0	0	124,736
Total Deferred Inflows of Resources	$ 0	$ 0	$ 0	$ 0	$ 17,088,295
NET ASSETS/NET POSITION:(1)					
Invested in Capital Assets, Net of Related Debt	$ 45,280,829	$ 43,720,157	$ 46,857,789	$ 42,729,716	$ 49,070,512
Restricted For:					
Capital Projects	7,850,799	4,385,453	7,963,134	5,009,123	3,081,788
Debt Services	1,027,220	292,011	322,400	425,560	423,208
Economic Development	1,924,214	1,322,031	1,054,571	886,689	1,345,886
Street Maintenance Programs	19,258	316,396	227,559	1,258,897	1,418,250
Unrestricted	(47,481,267)	(40,633,705)	(45,805,536)	(40,006,376)	(44,221,392)
Total Net Assets	$ 8,621,053	$ 9,402,343	$ 10,619,917	$ 10,303,609	$ 11,118,252

Notes: (1) Net Assets changed to Net Position in 2013.
(2) Reporting format change.

Statement of Activities
Expenses (Net of Program Revenues)

	Audited for the Fiscal Year Ended April 30				
	2009	2010	2011	2012	2013(1)
PRIMARY GOVERNMENT:					
Government Activities:					
General Government	$ (7,321,265)	$ (7,026,259)	$ (7,154,722)	$ (6,862,277)	$ (6,419,717)
Public Safety	(12,731,163)	(14,832,479)	(15,079,220)	(15,644,040)	(15,716,949)
Public Works	(3,268,506)	(1,874,666)	0	0	0
Highways and Streets	(1,231,534)	1,542,395	(59,154)	(2,210,499)	(1,751,703)
Community Development	309,925	292,020	232,054	217,637	99,901
Culture and Recreation	(310,190)	(65,116)	(13,000)	(227,382)	(16,000)
Economic Development	(18,816,343)	(16,524,109)	(15,089,079)	(12,675,039)	(12,906,040)
Interest and Fiscal Charges	(2,812,337)	(2,824,410)	(2,930,090)	(2,788,165)	(2,620,675)
Total Primary Government	$(46,181,413)	$(41,312,624)	$(40,093,211)	$(40,189,765)	$(39,331,183)
GENERAL REVENUES:					
Property Taxes Levied for General Purposes	$11,440,440	$12,135,164	$14,570,861	$13,539,999	$13,878,101
Special Assessments	257,500	268,500	279,500	291,000	6,062
State Income Tax	2,504,837	2,183,439	2,143,382	2,242,843	2,481,649
Local Use	390,228	326,948	395,015	423,094	442,266
Illinois Retailers' Tax	24,419,114	21,098,621	19,814,423	18,156,743	18,584,185
Utility Taxes	3,359,780	3,390,774	3,630,413	3,856,223	4,072,779
Replacement Tax	741,325	617,091	730,290	644,096	681,707
Intergovernmental Other	50,000	50,000	50,000	50,000	50,000
Investment Income	361,543	138,247	115,707	106,914	46,595
Other	260,888	427,784	418,221	880,603	451,820
Total General Revenues	$43,785,655	$40,636,568	$42,147,812	$40,191,515	$40,695,164
Transfers	(4,931,639)	1,457,346	(388,680)	(139,797)	112,588
Change in Net Assets/Position(1)	$ (7,327,397)	$ 781,290	$ 1,665,921	$ (138,047)	$ 1,476,569
Net Assets/Position, Beginning(1)	$15,948,450	$ 8,621,053	$ 9,402,343	$10,619,917	$10,303,609
Prior Period Adjustment	0	0	(448,347)	(178,261)	(661,926)
Net Assets/Position, Ending(1)	$ 8,621,053	$ 9,402,343	$10,619,917	$10,303,609	$11,118,252

Note: (1) Change from Net Assets to Net Position in 2013.

General Fund
Balance Sheet

	Audited As of April 30				
	2009	2010	2011	2012	2013
ASSETS:					
Cash and Investments	$ 1,187,819	$ 96,514	$ 349,924	$ 455,481	$ 1,443,536
Receivable, Net:					
Property Taxes	4,202,487	5,358,797	5,972,933	6,288,543	6,632,200
Utility Taxes	426,659	507,422	502,850	468,701	512,730
Due From Other Governmental Agencies	6,004,238	5,935,876	6,257,133	5,508,486	6,890,388
Due From Component Units	57,622	68,668	68,236	63,519	64,291
Due From Fiduciary Funds	30	0	1,100	0	0
Due From Other Funds	1,308,399	847,196	529,810	453,629	433,395
Accounts	298,661	248,829	209,007	200,115	457,808
Inventories	20,734	33,946	1,863	2,859	3,115
Prepaid Items	911,930	481,958	532,792	410,593	369,186
Total Assets	$14,418,579	$13,579,206	$14,425,648	$13,851,926	$16,806,649
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts Payable	$ 7,221,614	$ 6,436,567	$ 6,198,829	$ 4,873,665	$ 6,515,620
Accrued Payroll	547,050	558,260	508,413	502,847	499,639
Due to Other Governmental Agencies	0	0	0	1,290	0
Due to Other Funds	0	0	248	27,289	220,477
Deferred Revenue	4,444,953	5,595,066	6,157,711	6,641,136	0
Total Liabilities	$12,213,617	$12,589,893	$12,865,201	$12,046,227	$ 7,235,736
DEFERRED INFLOWS of RESOURCES:(1)					
Unavailable Franchise Fees	$ 0	$ 0	$ 0	$ 0	$ 21,703
Unavailable Property Tax Revenue	0	0	0	0	6,632,200
Deferred Grant Revenue	0	0	0	0	51,611
Deferred Licenses and Fees	0	0	0	0	124,736
Total Deferred Inflows of Resources	$ 0	$ 0	$ 0	$ 0	$ 6,830,250
Fund Equity/Balance:(1)					
Reserved For Prepaid Insurance	$ 911,930	$ 481,958	$ 532,792	$ 0	$ 0
Reserved For Inventories	20,734	33,946	1,863	0	0
Unreserved-Undesignated	1,272,298	473,409	1,025,792	0	0
Nonspendable	0	0	0	413,452	372,301
Unassigned (Deficit)	0	0	0	1,392,247	2,368,362
Total Fund Equity/Balance(1)	$ 2,204,962	$ 989,313	$ 1,560,447	$ 1,805,699	$ 2,740,663
Total Liabilities, Deferred Inflows of Resources and Fund Balances(1)	$14,418,579	$13,579,206	$14,425,648	$13,851,926	$16,806,649

Note: (1) Change in reporting format.

General Fund
Revenues and Expenditures

	Audited Fiscal Year Ending April 30				
	2009	2010	2011	2012	2013
REVENUES:					
Taxes(1)	$35,437,201	$31,793,521	$32,048,249	$31,247,666	$ 0
Property Taxes	0		0	0	6,116,420
Utility Taxes	0	0	0	0	4,072,779
Licenses and Permits	1,122,222	1,228,945	1,309,395	1,368,735	1,627,166
Intergovernmental(1)	393,274	618,443	718,426	806,651	22,834,791
Charges for Services	741,914	820,173	296,734	199,573	202,515
Fines and Fees	449,781	410,583	404,835	369,452	268,300
Interest Income	33,403	2,931	2,404	1,232	396
Miscellaneous	261,767	414,742	818,126	882,243	442,126
Total Revenues	$38,439,562	$35,289,338	$35,598,169	$34,875,552	$35,564,493
EXPENDITURES: -					
General Government	$ 5,868,673	$ 5,862,509	$ 5,855,027	$ 5,288,153	$ 5,036,049
Public Safety	14,798,160	15,156,661	16,026,015	16,654,352	16,720,832
Public Works	2,415,695	2,270,436	0	0	0
Community Development	5,690	4,536	0	0	2,262
Economic Development	17,617,181	15,210,630	13,563,032	11,844,806	12,670,343
Debt Service	21,598	10,000	10,000	10,000	10,000
Total Expenditures	$40,726,997	$38,514,772	$35,454,074	$33,797,311	$34,439,486
Excess (Deficiency) of Revenues Over (Under) Expenditures	$(2,287,435)	$(3,225,434)	$ 144,095	$ 1,078,241	$ 1,125,007
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	$ 1,857,711 (2)	$ 2,216,562 (4)	$ 1,975,386 (6)	$ 141,429	$ 120,000
Operating Transfers Out	(470,278)(3)	(206,777)(5)	(1,100,000)(7)	(1,200,000)(8)	(950,000)
Total Other Financing Sources (Uses)	$ 1,387,433	$ 2,009,785	$ 875,386	$(1,058,571)	$ (830,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditure and Other Financing Uses	$ (900,002)	$(1,215,649)	$ 1,019,481	$ 19,670	$ 295,007
Fund Balance, Beginning	$ 3,104,964	$ 2,204,962	$ 989,313	$ 1,560,447	$ 1,805,699
Prior Period Adjustment	0	0	(448,347)	225,582	639,957
Fund Balance, Ending	$ 2,204,962	$ 989,313	$ 1,560,447	$ 1,805,699	$ 2,740,663

Notes:
(1) The City implemented a sales tax sharing incentive program (the "Program") in fiscal 2000 in which the City returns a substantial portion of the sales tax generated from the Program to its participants as an economic development incentive. This table reports the gross sales tax amount as revenues and the related incentives as expenditures. (See **Retail Activity** herein for additional description of the Program.) Effective 2013, these taxes were included in Intergovernmental revenues.
(2) The Capital Projects Fund transferred $77,858 to provide for capital related costs incurred on behalf of Capital Projects Fund; Kankakee Municipal Utility Fund transferred $582,948 to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bonds and $116,000 as payment in lieu of taxes; $1,080,905 was transferred from various Tax Increment Financing Districts (the "Districts") to provide for the public safety costs incurred on behalf of the Districts.
(3) The General Fund transferred $455,087 to the Debt Service Fund for bond and interest retirement and $15,191 to the Park Fund to cover its fund deficit.
(4) The Sewer Utility transferred $116,000 as payment in lieu of taxes and $1,051,833 to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond; $1,048,729 was transferred from various Tax Increment Financing Districts (the "Districts") to provide for the public safety costs incurred on behalf of the Districts.
(5) The General Fund transferred $57,931 to the Debt Service Fund to provide for bond and interest retirement and $132,290 to the Illinois Municipal Retirement Fund and $16,556 to the Park Fund to cover their fund deficits.
(6) The Sewer Utility transferred $120,000 as payment in lieu of taxes and $832,811 to provide for payment in arrears to the Debt Service Fund for the 1992A General Obligation Bonds; $873,729 was transferred from various Tax Increment Financing Districts to pay for public safety costs.
(7) Transfer to the Solid Waste Utility Fund to provide for the operations of the Public Works Department.
(8) Transfer to the Kankakee Environmental Services Utility Fund to provide for the operations of the Public Works Department.

Budgeted and Interim General Fund Financial Information*(1)*

	Budget Twelve Months Ending 4/30/2014	Interim Five Months Ending 9 /30/2013
REVENUES:		
Taxes	$36,954,579	$13,740,332
Licenses, Permits and Fees	1,299,000	418,691
Charges for Services	190,000	39,782
Fines and Penalties	400,000	137,046
Intergovernmental	366,178	109,420
Miscellaneous	420,500	342,749
Total Revenues	$39,630,257	$14,788,020
EXPENDITURES:		
Administration	$ 5,650,208	$ 2,736,497
Public Safety	16,903,804	8,330,594
Economic Development	16,500,000	4,212,401
Total Expenditures	$39,054,012	$15,279,492(2)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 576,245	$ (491,472)
Transfers(Net)	(330,000)	(180,000)
Total	$ 246,245	$ (671,472)

Notes: (1) Unaudited.
(2) It is the practice of the City to pay out all pension tax revenue to the funds as received. The amount of $3,787,234 has been paid out as of September 30, 2013.

EMPLOYEE RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

The Illinois Municipal Retirement Fund (IMRF) is held by the State of Illinois, which sets the annual contribution by the City. As of December 31, 2012, the most recent actuarial valuation date, the City's IMRF plan was 72.66 percent funded.

The police and fire pension plans (the "Plans") are accounted for as Pension Trust Funds and do not have separate audited financial reports. Currently, the Plans are not fully funded.

The City provides post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan ("Benefit Plan"). Currently the Benefit Plan is not fully funded. The Benefit Plan does not issue a separate financial report and its activities are accounted for in the City's General Fund and the Kankakee Environmental Services Utility Fund.

See **APPENDIX A** herein for a discussion of the City's employee retirement and other postemployment benefits obligations.

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 (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.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the City's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

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. No person, other than the City, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. 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 has represented that it has not failed to comply in all material respects with each and every undertaking previously entered into by it pursuant to the Rule, except a certain material event disclosure pertaining to bond insurance rating changes required in prior undertakings, within the timeframe required in the prior undertakings. On September 14, 2012, this material event disclosure was filed with the MSRB, through EMMA. In addition, the City failed to file its audited financial statements for the 2010 and 2011 fiscal years within the time period specified in prior continuing disclosure undertakings. As of the date of this Final Official Statement, audits for the past five years are on file with the MSRB. A failure by the City to comply with the Undertaking will not constitute a default under the 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."** The City must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report 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 within 210 days after the last day of the City's fiscal year (currently on April 30, 2013). If Audited Financial Statements are not available when the Annual Financial Information is filed, the City will file unaudited financial statements. The City will submit Audited Financial Statements to EMMA within 30 days after availability to the City.

"Annual Financial Information" means:

1. The table under the heading of "**Retailers' Occupation, Service Occupation and Use Tax"** within this Final Official Statement;
2. All of the tables under the heading "**PROPERTY ASSESSMENT AND TAX INFORMATION"** within this Final Official Statement;
3. All of the tables under the heading "**DEBT INFORMATION"** within this Final Official Statement; and
4. All of the tables under the heading "**FINANCIAL INFORMATION"** within this Final Official Statement.

"Audited Financial Statements" means financial statements of the City as audited annually by independent certified public accountants. Audited Financial Statements are expected to continue to be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner to the MSRB the disclosure of the occurrence of a Reportable Event (as described below) with respect to the Bonds 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 “”Reportable Events” are:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City *
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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 Reportable 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 Reportable 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 Reportable 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 Reportable 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 EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

OPTIONAL REDEMPTION

Bonds due January 1, 2015-2023, inclusive, are non-callable. Bonds due January 1, 2024, inclusive, are callable in whole or in part on any date on or after January 1, 2023, 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.

The Bond Registrar will give notice of redemption, identifying the Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed are received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption will be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the City will not redeem such Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the City will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Bond Registrar at the redemption price.

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.

Sales Tax Incentive Litigation

The City has been named in two lawsuits related to its sales tax incentive agreements which were filed in the Circuit Court of Cook County, Illinois and consolidated into the following captioned case: Regional Transportation Authority, The County of Cook, The City of Chicago and the Village of Skokie v. The City of Kankakee, the Village of Channahon, MT Consulting, LLC, Inspired Development LLC, Minority Development Company LLC, Corporate Funding Solutions and Capital Funding Solutions (Case No. 11 CH 29744 (consolidated with 11 CH 29745 and 11 CH 34266) (the "Sales Tax Incentive Litigation"). A number of additional local governments are named plaintiffs in the Sales Tax Incentive Litigation.

As background, the City entered into sales tax sharing agreements with numerous retail firms to generate additional revenue for its General Fund. These agreements are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2012, $11,843,171 in sales taxes was rebated under these agreements. At April 30, 2012, the City owed $4,268,389 in sales tax incentives to various firms that are reflected in accounts payable in the General Fund. The City reports that preliminary accounting will show that during the fiscal year ended April 30, 2013, $12,670,343 in sales taxes was rebated under these agreements and that at April 30, 2013, the City owed $5,969,915 in sales tax incentives to various firms that will be reflected in accounts payable in the General Fund.

The Sales Tax Incentive Litigation plaintiffs claim that the City violated state law by entering into these sales tax agreements and improperly sourcing sales taxes to the City. Among other issues, plaintiffs claim that the City is liable for damages, including lost tax revenue, attorney’s fees and an additional fifty percent of the lost tax under Illinois law, as the result of these sales tax incentive agreements.

The outcome of these lawsuits is presently not determinable. The General Fund contains no provision for estimated claims relating to the Sales Tax Incentive Litigation.

Illinois Department of Revenue Matter

In November 2011, the Illinois Department of Revenue (“IDOR”) sent a Long Term Distribution Adjustment letter to the City requesting payment of $540,810.99 in local sales tax distributed to the City. In the letter, IDOR claimed that these local sales taxes should have been reported to the Village of Glendale Heights rather than the City and requests repayment in eight monthly installments to be deducted from the City’s regular monthly sales tax distribution. The City challenged IDOR’s claim for repayment. The City filed a complaint for administrative review of IDOR’s determination and for permanent injunction to prevent IDOR from deducting the amount owed from the City’s monthly sales tax distribution. The trial court ruled and appellate court affirmed the order of preliminary injunction in favor of the City that prevented any tax adjustment. The period for any appeals for the matter has expired.

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 has, at the request of the City, reviewed only those portions of this Final Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of interest on the Bonds and the “bank-qualified” status of the Bonds. This review was undertaken solely at the request and for the benefit of the City and did not include any obligation to establish or confirm factual matters set forth herein.

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

The rating for the Bonds is "A-" from Standard & Poor's Corporation. The City has supplied certain information and material concerning the Bonds and the City to the rating service shown on the cover page, including certain information and materials which may not have been included in this Final Official Statement, as part of its application for an investment rating on the Bonds. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Standard & Poor's Corporation, 55 Water Street, New York, New York 10041, telephone 212-438-2000. The City will provide appropriate periodic credit information to the rating service to maintain a rating on 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.

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 $2,647,348.75, reflecting the par amount of $2,635,000.00 plus net original issue premium of $36,063.75 and less an Underwriter Discount of $23,715.00. 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 this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

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 is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). 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 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 December 12, 2013, for the $2,635,000 General Obligation Corporate Purpose Refunding Bonds, Series 2013C, 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**	*/s/* **ANJANITA DUMAS**
Mayor	*City Clerk*
CITY OF KANKAKEE	CITY OF KANKAKEE
Kankakee County, Illinois	Kankakee County, Illinois

APPENDIX A

CITY OF KANKAKEE
KANKAKEE COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and investments	$ 8,317,828	$ 213,393	$ 8,531,221	$ 698,669
Restricted cash and investments		1,993,063	1,993,063	
Receivables, less allowance for uncollectible amounts:				
Property taxes	15,198,448		15,198,448	1,817,670
Utility taxes	512,730		512,730	
Due from joint ventures		4,100,000	4,100,000	
Due from other governmental agencies	7,177,074	32,774	7,209,848	
Internal balances	(206,092)	206,092	-0-	
Due from primary government				108,145
Due from component units	74,232		74,232	
Accounts receivable	997,167	1,683,484	2,680,651	
Special assessments	1,713,500		1,713,500	
Materials inventory	3,115	32,254	35,369	
Prepaid items	369,186	163,432	532,618	
Capital assets:				
Non-depreciable	6,314,840	2,973,231	9,288,071	
Depreciable (net of accumulated depreciation)	78,697,085	26,226,017	104,923,102	7,336,317
Investment in joint venture		(519,534)	(519,534)	
Total assets	119,169,113	37,104,206	156,273,319	9,960,801
Deferred Outflows of Resources				
Deferred charge on refunding loss	615,598	115,039	730,637	-0-
Liabilities				
Accounts payable	6,621,197	681,305	7,302,502	27,596
Accrued wages payable	530,671	218,058	748,729	
Interest payable	801,298		801,298	
Due to primary government				74,232
Due to component units	108,145		108,145	
Long-term liabilities:				
Due within one year	6,865,900	807,000	7,672,900	120,533
Due within more than one year	76,650,953	12,814,869	89,465,822	2,607,863
Total liabilities	91,578,164	14,521,232	106,099,396	2,830,224
Deferred Inflows of Resources				
Unearned property tax revenue	15,198,448		15,198,448	1,817,670
Unearned special assessments	1,713,500		1,713,500	
Deferred grant revenue	51,611		51,611	2,084
Deferred licenses and fees	124,736		124,736	
Total deferred inflows of resources	17,088,295	-0-	17,088,295	1,819,754
Net Position				
Net investment in capital assets	49,070,512	20,894,317	69,964,829	4,607,921
Restricted for:				
Capital projects	3,081,788		3,081,788	
Debt service	423,208	1,720,679	2,143,887	
Economic development	1,345,886		1,345,886	
Street maintenance programs	1,418,250		1,418,250	
Unrestricted	(44,221,392)	83,017	(44,138,375)	702,902
Total net position	$ 11,118,252	$22,698,013	$ 33,816,265	$ 5,310,823

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CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2013

		Program Revenues			Net (Expense) Revenue and Change in Net Position			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government:								
Governmental Activities								
General government	$ 7,831,951	$ 1,412,234			$ (6,419,717)		$ (6,419,717)	
Public safety	17,100,514	585,747	$ 598,456	$ 199,362	(15,716,949)		(15,716,949)	
Highways and streets	2,601,124		775,112	74,309	(1,751,703)		(1,751,703)	
Community development	1,861,628	100,000	1,861,529		99,901		99,901	
Culture and recreation	16,000				(16,000)		(16,000)	
Economic development	12,906,040				(12,906,040)		(12,906,040)	
Interest and fiscal charges	2,620,675				(2,620,675)		(2,620,675)	
Total governmental activities	44,937,932	2,097,981	3,235,097	273,671	(39,331,183)		(39,331,183)	
Business-Type Activities								
Sewer utility	10,340,280	9,370,109				$ (970,171)	(970,171)	
Solid waste utility	4,273,642	3,277,761				(995,881)	(995,881)	
Vehicle parking	1,150	8,900				7,750	7,750	
Total business-type activities	14,615,072	12,656,770	-0-	-0-	-0-	(1,958,302)	(1,958,302)	
Total primary government	$ 59,553,004	$ 14,754,751	$ 3,235,097	$ 273,671	(39,331,183)	(1,958,302)	(41,289,485)	
Component units:								
Library	$ 1,854,598	$ 91,821	$ 45,204					$ (1,717,573)
Special Service Area No. 1	268,059							(268,059)
Total component units	$ 2,122,657	$ 91,821	$ 45,204	$ -0-				(1,985,632)
General Revenues:								
Property taxes levied for general purposes					13,878,101		13,878,101	1,764,591
Special assessments					6,062		6,062	
Utility taxes					4,072,779		4,072,779	
Intergovernmental, not restricted to specific programs:								
State replacement income tax					681,707		681,707	
State income tax					2,481,649		2,481,649	
Local use tax					442,266		442,266	
State sales tax					18,584,185		18,584,185	
Other					50,000		50,000	
Investment income					46,595		46,595	2,305
Other					451,820	73,690	525,510	146,804
Total					40,695,164	73,690	40,768,854	1,913,700
Transfers					112,588	(112,588)	-0-	
Changes in net position					1,476,569	(1,997,200)	(520,631)	(71,932)
Net position, May 1, 2012					10,303,609	25,045,326	35,348,935	5,382,755
Prior period adjustment					(661,926)	(350,113)	(1,012,039)	
Net position, May 1, 2012, restated					9,641,683	24,695,213	34,336,896	5,382,755
Net position, April 30, 2013					$ 11,118,252	$ 22,698,013	$ 33,816,265	$ 5,310,823

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2013

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 1,443,536	$ 2,954,659	$ 3,919,633	$ 8,317,828
Receivables, less allowance for uncollectible amounts:				
Property taxes	6,632,200		8,566,248	15,198,448
Utility taxes	512,730			512,730
Due from other governmental agencies	6,890,388		286,686	7,177,074
Due from other funds	433,395	171,344	505,511	1,110,250
Due from component units	64,291		9,941	74,232
Accounts receivable	457,808		539,359	997,167
Special assessments		1,713,500		1,713,500
Materials inventory	3,115			3,115
Prepaid items	369,186			369,186
Total assets	$ 16,806,649	$ 4,839,503	$ 13,827,378	$ 35,473,530
Liabilities				
Accounts payable	$ 6,515,620	$ 42,581	$ 62,996	$ 6,621,197
Accrued wages payable	499,639		31,032	530,671
Due to other funds	220,477	1,634	1,094,231	1,316,342
Due to component units			108,145	108,145
Total liabilities	7,235,736	44,215	1,296,404	8,576,355
Deferred Inflows of Resources				
Unavailable loan receivable			$ 537,705	$ 537,705
Unavailable franchise fees	$ 21,703			21,703
Unavailable property tax revenue	6,632,200		8,566,248	15,198,448
Unavailable special assessments		1,713,500		1,713,500
Deferred grant revenue	51,611			51,611
Deferred licenses and fees	124,736			124,736
Total deferred inflows of resources	6,830,250	1,713,500	9,103,953	17,647,703
Fund Balance				
Nonspendable	372,301			372,301
Restricted for:				
Debt service			423,208	423,208
Street maintenance programs			1,418,250	1,418,250
Economic development			1,345,886	1,345,886
Culture and recreation			19,077	19,077
Retirement obligations			475,718	475,718
Community development			151,303	151,303
Capital projects		3,081,788		3,081,788
Unassigned (deficit)	2,368,362		(406,421)	1,961,941
Total fund balance	2,740,663	3,081,788	3,427,021	9,249,472
Total liabilities, deferred inflows of resources and fund balance	$ 16,806,649	$ 4,839,503	$ 13,827,378	$ 35,473,530

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2013

Amounts reported for governmental activities in the statement of net position are different because of the following:		
Total fund balance - governmental funds		$ 9,249,472
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		85,011,925
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.		
Bonds payable	$ (61,621,352)	
Installment notes	(2,286,919)	
Unfunded employer pension contributions	(13,963,568)	
Compensated absences	(5,119,500)	
Net other post-employment benefit obligations	(525,514)	
Total long-term liabilities (See Note 10)		(83,516,853)
Deferred charge on bond refunding loss not recorded in funds		615,598
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(801,298)
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Loan receivable	537,705	
Franchise fee receivable	21,703	
		559,408
Net position of governmental activities		$ 11,118,252

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
For the year ended April 30, 2013

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 6,116,420		$ 7,761,681	$ 13,878,101
Special assessments			6,062	6,062
Utility taxes	4,072,779			4,072,779
Licenses, permits and fees	1,627,166			1,627,166
Charges for services	202,515			202,515
Fines and penalties	268,300			268,300
Intergovernmental	22,834,791	$ 199,362	2,710,950	25,745,103
Interest income	396		46,199	46,595
Miscellaneous	442,126		12,813	454,939
Total revenues	35,564,493	199,362	10,537,705	46,301,560
Expenditures:				
Current:				
General government	5,036,049	821,019	822,927	6,679,995
Public safety	16,720,832	278,339		16,999,171
Highways and streets		1,158,655	560,717	1,719,372
Community development	2,262		1,855,275	1,857,537
Culture and recreation			16,000	16,000
Economic development	12,670,343		235,697	12,906,040
Debt service:				
Principal retirement	10,000		4,889,698	4,899,698
Interest and fiscal charges			2,779,676	2,779,676
Total expenditures	34,439,486	2,258,013	11,159,990	47,857,489
Excess (deficiency) of revenues over expenditures	1,125,007	(2,058,651)	(622,285)	(1,555,929)
Other financing sources (uses):				
Issuance of refunding bonds			7,705,000	7,705,000
Premium on issuance of refunding bonds			156,663	156,663
Payment to refunded debt escrow			(7,716,454)	(7,716,454)
Transfers from other funds	120,000	136,668	2,736,175	2,992,843
Transfers to other funds	(950,000)	(5,352)	(1,924,903)	(2,880,255)
Total other financing sources (uses)	(830,000)	131,316	956,481	257,797
Net change in fund balance	295,007	(1,927,335)	334,196	(1,298,132)
Fund balance, May 1, 2012	1,805,699	5,009,123	3,092,825	9,907,647
Prior period adjustment	639,957			639,957
Fund balance, May 1, 2012, restated	2,445,656	5,009,123	3,092,825	10,547,604
Fund balance, April 30, 2013	$ 2,740,663	$ 3,081,788	$ 3,427,021	$ 9,249,472

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, 2013

Amounts reported for governmental activities on the statement of activities are different because of the following:	
Net change in fund balance - total governmental funds	$ (1,298,132)
Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.	
Expenditure for capital assets	494,785
Loss on disposal of capital assets	(12,657)
Depreciation	(1,743,095)
Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net position.	
Principal payments on bonds payable	4,595,000
Principal payments on long-term notes payable	304,698
Payment to refunding debt escrow from bond proceeds	7,716,454
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 premium	264,428
Amortized deferred loss	(181,827)
Change in accrued interest on long-term debts	76,400
Net change in compensated absences payable	(279,500)
Unfunded pension cost	(435,003)
Change in net other post-employment benefit obligations payable	(163,515)
Proceeds from issuance of long-term debt obligations are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position. Premiums related to these long-term debt obligations also are reported as other financing sources in the governmental funds, but they increase liabilities on the statement of net position.	
Proceeds from refunding bonds issued	(7,705,000)
Premium on issuance of bonds	(156,663)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Franchise fee - long term receivable	352
Collections on long-term loans receivable are reported as revenues in the governmental funds, but reduce the assets in the statement of net position.	(156)
Change in net position of governmental activities	$ 1,476,569

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2013

	Enterprise Funds: Kankakee Environmental Services Utility	Enterprise Funds: Nonmajor Motor Vehicle Parking	Total
Assets			
Current assets:			
Cash and investments	$ 80,965	$ 132,428	$ 213,393
Restricted cash and investments	272,384		272,384
Receivables, less allowance for uncollectible amounts:			
Due from joint venture	4,100,000		4,100,000
Due from other funds	482,095		482,095
Due from other governments	32,774		32,774
Accounts receivable	1,683,484		1,683,484
Inventory	32,254		32,254
Prepaid items	163,432		163,432
Total current assets	6,847,388	132,428	6,979,816
Non-current assets:			
Restricted cash and investments	1,720,679		1,720,679
Capital assets:			
Non-depreciable	1,529,423	1,443,808	2,973,231
Depreciable (net of accumulated depreciation)	26,226,017		26,226,017
Investment in joint venture	(519,534)		(519,534)
Total non-current assets	28,956,585	1,443,808	30,400,393
Total assets	35,803,973	1,576,236	37,380,209
Deferred Outflows of Resources			
Deferred charge on refunding loss	115,039	-0-	115,039
Liabilities			
Current liabilities:			
Accounts payable	681,305		681,305
Accrued wages payable	218,058		218,058
Due to other funds	276,003		276,003
Accrued employee absences	342,000		342,000
Revenue bonds payable within one year	465,000		465,000
Total current liabilities	1,982,366	-0-	1,982,366
Non-current liabilities:			
Accrued employee absences	432,300		432,300
Net other post-employment benefit obligations	192,637		192,637
Note payable	4,350,000		4,350,000
Revenue bonds payable, less portion due within one year	7,839,932		7,839,932
Total non-current liabilities	12,814,869	-0-	12,814,869
Total liabilities	14,797,235	-0-	14,797,235
Net Position			
Net investment in capital assets	19,450,509	1,443,808	20,894,317
Restricted for debt service	1,720,679		1,720,679
Unrestricted	(49,411)	132,428	83,017
Total net position	$ 21,121,777	$ 1,576,236	$ 22,698,013

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended April 30, 2013

	Enterprise Funds: Kankakee Environmental Services Utility	Enterprise Funds: Nonmajor Motor Vehicle Parking	Total
Operating revenues:			
Charges for services:			
Sewer charges	$ 9,293,626		$ 9,293,626
Solid waste charges	2,644,010		2,644,010
Public works revenue	504,971		504,971
Fuel system maintenance revenue	4,057		4,057
Intergovernmental	108,719		108,719
Parking revenues		$ 8,900	8,900
Miscellaneous charges	92,487		92,487
Total operating revenues	12,647,870	8,900	12,656,770
Operating expenses:			
Utility operations:			
Sewer utility:			
Administration	2,480,990		2,480,990
Sanitary sewers	680,633		680,633
Lab and industrial services	478,346		478,346
Technical services	571,818		571,818
Total sewer utilty	4,211,787	-0-	4,211,787
Solid waste utility:			
Solid waste	3,073,485		3,073,485
Public works	1,109,964		1,109,964
Total solid waste utility	4,183,449	-0-	4,183,449
Total utility operations	8,395,236	-0-	8,395,236
Building maintenance	278,661		278,661
Treatment charges	4,162,595		4,162,595
Parking administration		1,150	1,150
Depreciation	1,301,813		1,301,813
Total operating expenses	14,138,305	1,150	14,139,455
Operating income (loss)	(1,490,435)	7,750	(1,482,685)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	$ (46,246)		$ (46,246)
Bond interest rebates	73,690		73,690
Interest and debt-related expenses	(429,371)		(429,371)
Total nonoperating revenues (expenses)	(401,927)	$ -0-	(401,927)
Income (loss) before transfers	(1,892,362)	7,750	(1,884,612)
Transfers in	950,000		950,000
Transfers out	(1,062,588)		(1,062,588)
Total transfers	(112,588)	-0-	(112,588)
Change in net position	(2,004,950)	7,750	(1,997,200)
Net position, May 1, 2012	23,476,840	1,568,486	25,045,326
Prior period adjustment	(350,113)		(350,113)
Net position, May 1, 2012, restated	23,126,727	1,568,486	24,695,213
Net position, April 30, 2013	$ 21,121,777	$ 1,576,236	$ 22,698,013

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	$ 12,251,622	$ 8,900	$ 12,260,522
Payments to other funds	(16,371)		(16,371)
Payments to suppliers	(9,198,218)	(1,150)	(9,199,368)
Payments to employees	(3,466,062)		(3,466,062)
Net cash provided (used) by operating activities	(429,029)	7,750	(421,279)
Cash flows provided (used) by noncapital financing activities:			
Issuance of notes payable	600,000		600,000
Payment on notes payable	(250,000)		(250,000)
Noncapital transfers to other funds	(1,062,588)		(1,062,588)
Noncapital transfers from other funds	950,000		950,000
Net cash provided (used) by noncapital financing activities	237,412	-0-	237,412
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(380,209)		(380,209)
Additions to construction in progress	(244,971)		(244,971)
Repayment of revenue bonds	(450,000)		(450,000)
Interest and fiscal charges	(420,195)		(420,195)
Bond interest rebates received	73,690		73,690
Net cash provided (used) by capital and related financing activities	(1,421,685)	-0-	(1,421,685)
Cash flows provided (used) by investing activities:			
Repayments of loans to joint venture	500,000		500,000
Loans to joint venture	(600,000)		(600,000)
Net cash provided (used) by investing activities:	(100,000)	-0-	(100,000)
Net change in cash and cash equivalents	(1,713,302)	7,750	(1,705,552)
Cash and cash equivalents, May 1, 2012	3,787,330	124,678	3,912,008
Cash and cash equivalents, April 30, 2013	$ 2,074,028	$ 132,428	$ 2,206,456

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2013

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (1,490,435)	$ 7,750	$ (1,482,685)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,301,813		1,301,813
(Increase) decrease in operating assets:			
Accounts receivable	(138,787)		(138,787)
Due from other funds	(260,056)		(260,056)
Due from other governmental agencies	(2,405)		(2,405)
Inventory	9,287		9,287
Prepaid insurance and service fees	(6,684)		(6,684)
Increase (decrease) in operating liabilities:			
Accounts payable	123,061		123,061
Accrued wages payable	71,297		71,297
Accrued compensated absences	(77,200)		(77,200)
Due to other funds	(16,371)		(16,371)
Net other post-employment benefit obligations	57,451		57,451
Net cash provided (used) by operating activities	$ (429,029)	$ 7,750	$ (421,279)
Noncash transactions related to financing, capital and investing activities:			
Amortization of early debt retirement deferred loss	$ 8,217	$ -0-	$ 8,217
Construction projects capitalized	$ 210,296	$ -0-	$ 210,296

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
April 30, 2013

Assets	
Cash and short-term investments	$ 2,950,250
Receivables, less allowance for uncollectible amounts:	
Employee contributions	56,850
Interest	75,307
Investments, at fair value:	
Open-end mutual funds	7,297,646
Corporate securities	4,005,834
U.S. treasury and agency securities	7,285,252
Corporate bonds	3,406,180
State and local obligations	456,607
Prepaid items	8,919
Total assets	25,542,845
Liabilities	
Benefits and other payables	401,994
Net Position	
Net position held in trust for pension benefits	$25,140,851

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For the year ended April 30, 2013

Additions:	
Contributions:	
Employer	$ 4,300,142
Employee	866,308
Total contributions	5,166,450
Investment income (loss):	
Net change in fair value of investments	1,259,520
Interest and dividends	625,167
	1,884,687
Less: investment expense	(151,239)
Net investment income	1,733,448
Total additions	6,899,898
Deductions:	
Benefits	4,739,840
Administrative expenses	58,761
Total deductions	4,798,601
Change in net position-restricted for pension benefits	2,101,297
Net position held in trust for pension benefits May 1, 2012	23,039,554
April 30, 2013	$ 25,140,851

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
April 30, 2013

	Kankakee Public Library	Special Service Area No. 1	Totals
Assets			
Cash and investments	$ 618,697	$ 79,972	$ 698,669
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,691,870	125,800	1,817,670
Due from primary government		108,145	108,145
Capital assets:			
Depreciable (net of accumulated depreciation)	6,516,163	820,154	7,336,317
Total assets	8,826,730	1,134,071	9,960,801
Liabilities			
Accounts payable	21,364	6,232	27,596
Due to primary government	74,232		74,232
Long-term liabilities:			
Due within one year	120,533		120,533
Due within more than one year	2,607,863		2,607,863
Total liabilities	2,823,992	6,232	2,830,224
Deferred Inflows of Resources			
Unavailable property tax revenue	1,691,870	125,800	1,817,670
Deferred grant revenue	2,084		2,084
Total deferred inflows of resources	1,693,954	125,800	1,819,754
Net Position			
Net investment in capital assets	3,787,767	820,154	4,607,921
Unrestricted	521,017	181,885	702,902
Total net position	$ 4,308,784	$ 1,002,039	$ 5,310,823

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2013

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants	Kankakee Public Library	Special Service Area No. 1	Total
Kankakee Public Library:						
Culture and recreation	$ 1,715,049	$ 91,821	$ 45,204	$ (1,578,024)		$ (1,578,024)
Interest and fiscal charges	139,549			(139,549)		(139,549)
Special Service Area No. 1:						
General government	268,059				$ (268,059)	(268,059)
Total	$ 2,122,657	$ 91,821	$ 45,204	(1,717,573)	(268,059)	(1,985,632)
General Revenues:						
Property taxes levied for general purposes				1,644,906	119,685	1,764,591
Interest				1,989	316	2,305
Other				130,925	15,879	146,804
Total				1,777,820	135,880	1,913,700
Changes in net position				60,247	(132,179)	(71,932)
Net position, May 1, 2012				4,248,537	1,134,218	5,382,755
Net position, April 30, 2013				$ 4,308,784	$ 1,002,039	$ 5,310,823

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

2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

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

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

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 funds:

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

Additionally, the City reports the following fiduciary fund type:

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

C. **Measurement Focus and Basis of Accounting:**

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2011 levy is recognized as revenue for the year ended April 30, 2013.

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

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.

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

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property taxes and income tax, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Revenues for the income tax are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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

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

D. Investments

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

E. Interfund Transactions

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

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 position.

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

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

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

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost.

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

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

G. Restricted Assets - Enterprise Funds

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

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

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

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

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

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated 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:

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

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

J. Net Position

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

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

Restricted - This consists of net position that 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 practice to use restricted resources first, then unrestricted resources when they are needed.

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

K. Compensated Absences

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

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

L. Cash and Cash Equivalents

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

M. Use of Estimates

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

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

N. Fund Equity - Fund Financial Statements

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

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

O. Investment in Joint Venture

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

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of these items, which qualify for reporting in this category, including grant, license and fee revenue received in advance of meeting the time requirements as well as property taxes and special assessment revenue received or reported

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

as a receivable prior to the period for which it was levied. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are intended to finance on both the government-wide statement of net position and the governmental fund balance sheet. The City also has one that arises only under a modified accrual basis of accounting that also qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund report unavailable revenues from two sources: franchise fees and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Q. New Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for the District's fiscal year ended April 30, 2013 and has been implemented with limited effect on the financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This Statement is effective for the District's fiscal year ended April 30, 2013 and has been implemented within these financial statements.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended April 30, 2014, with earlier application being encouraged. The Statement has been implemented within these financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS:

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

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

Deposits:

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

At April 30, 2013, the carrying amount of the City's deposits for governmental and business-type activities was $4,163,928 and the bank balance was $4,270,434. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

At April 30, 2013, the carrying amount of deposits of fiduciary activities was $944,907 and the bank balance was $945,789 of which $217,369 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, 2013, the carrying amount of deposits of the City's component units was $698,669 and the bank balance was $823,423 of which $386,368 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, 2013. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	$ 2,391,677	$ 2,391,677			
Treasury Management Investment Fund	3,826,584	3,826,584			
Illinois Metropolitan Investment Fund (IMET)	142,095	142,095	—	—	—
	6,360,356	6,360,356	$ -0-	$ -0-	$ -0-
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	4,770,487	719,599	1,857,010	1,570,385	623,493
U.S. Government agencies	2,514,765	75,683	1,338,876	264,737	835,469
State and local obligation	456,607		55,077	101,265	300,265
Uncategorized investments:					
Illinois Funds	59	59			
Corporate bonds	3,406,180		955,120	2,154,753	296,307
Mutual funds	7,297,646	7,297,646			
Money market	2,005,284	2,005,284			
Common stock (1)	4,005,834				
	24,456,862	10,098,271	4,206,083	4,091,140	2,055,534
Total investments	$30,817,218	$16,458,627	$4,206,083	$ 4,091,140	$2,055,534

(1) Risk disclosures do not apply to equities.

The investments in the securities of U.S. government agencies were all rated AA+ by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2013 consist of the following:

	Fiduciary
FHLMC	$ 700,940
FNMA	1,714,874
GNMA	57,871
TVA	41,080
Total	$2,514,765

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAm by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by PNC Bank. 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 AAAf/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

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

Credit Risk

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

Police Pension Fund:	
FNMA	$1,085,311
Firefighters' Pension Fund:	
FNMA	$629,563

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

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

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

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

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012, used by the City, was 10.38 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.54 percent. Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation

For the fiscal year ending April 30, 2013, the employer's actual contributions for pension cost were $656,972. Its required contribution for calendar year 2012 was $746,164. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary

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

increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.0 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Three-Year Trend Information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2013	$792,219	83%	$515,829
2012	718,005	78%	380,582
2011	687,085	75%	225,678

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

Annual required contribution	$784,078
Interest on net pension obligation	28,544
Adjustment to annual required contribution	(20,403)
Annual pension cost	792,219
Contributions made	656,972
Increase in net pension obligation	135,247
Net pension obligation, beginning of year	380,582
Net pension obligation, end of year	$515,829

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the City's IMRF plan was 72.66 percent funded. The actuarial accrued liability for benefits was $20,703,923 and the actuarial value of assets was $15,043,081, resulting in an underfunded actuarial accrued liability (UAAL) of $5,660,842. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was $5,950,270 and the ratio of the UAAL to the covered payroll was 95 percent.

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

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

Police Pension and Firefighters' Pension Funds:

A. **Plan descriptions**

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

Police Pension Plan

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

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

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

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

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

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

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

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

Firefighters' Pension Plan

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

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

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

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

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

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

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

Membership of the Plans is as follows:

	Police Pension	Firefighters' Pension
Retirees and beneficiaries receiving benefits	54	69
Terminated plan members entitled to but not yet receiving benefits	-0-	2
Active vested plan members	53	28
Active nonvested plan members	15	25
Total	122	124

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

C. Significant Investments

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

Police Pension Fund:	
SPDR Trust Series	$1,116,743
Firefighters' Pension Fund:	
Calamos Growth and Income Fund	$ 542,475
SPDR Trust Series	798,400
Ivy Asset Strategy Fund	573,045
Pimco All Asset All Authority Fund	591,852
Gabelli Value Fund	647,233
	$3,153,005

D. Funding Policy and Actuarial Assumptions

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	Police Pension	Firefighters' Pension
Actuarial valuation date	April 30, 2012	April 30, 2012
Employer contribution rate	39.45% of covered payroll	56.62% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market

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

	Police Pension	Firefighters' Pension
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	29 years	29 years
Significant actuarial assumptions:		
(a) Investment rate of return*	7.0% compounded annually	7.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

E. **Annual Pension Cost and Net Pension Obligation**

Employer APC, percentage of APC contributed and the NPO are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	Year Ending April 30,	Police Pension	Firefighters' Pension
APC:			
	2013	$2,126,197	$2,279,047
	2012	2,073,464	2,269,936
	2011	1,897,883	2,197,686
Percentage of APC contributed:			
	2013	93.5%	92.9%
	2012	95.0%	90.1%
	2011	74.7%	69.1%
NPO:			
	2013	$5,448,727	$7,999,012
	2012	5,310,998	7,836,985
	2011	5,206,423	7,613,181

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

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

	Police Pension	Firefighters' Pension
Annual required contribution	$1,988,469	$2,075,813
Interest on net pension obligation	371,770	548,589
Adjustment to annual required contribution	(234,042)	(345,355)
Annual pension cost	2,126,197	2,279,047
Contributions made	1,988,468	2,117,020
Increase in net pension obligation	137,729	162,027
Net pension obligation, beginning of year	5,310,998	7,836,985
Net pension obligation, end of year	$5,448,727	$7,999,012

F. **Pension Financial Statements**

The following is a combining statement of plan net position as of April 30, 2013:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets:			
Cash and short-term investments	$ 1,734,906	$1,215,344	$ 2,950,250
Receivables, less allowance for uncollectible amounts:			
Employee contributions	42,328	14,522	56,850
Interest	39,667	35,640	75,307
Investments, at fair value:			
Open-end mutual funds	3,318,910	3,978,736	7,297,646
Corporate securities	4,005,834		4,005,834
U.S. treasury and agency securities	4,457,112	2,828,140	7,285,252
Corporate bonds	2,134,001	1,272,179	3,406,180
State and local obligations	302,078	154,529	456,607
Prepaid items		8,919	8,919
Total assets	16,034,836	9,508,009	25,542,845
Liabilities:			
Benefits and other payables	182,649	219,345	401,994
Net position held in trust for pension benefits	$15,852,187	$9,288,664	$25,140,851

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

The following is a combining statement of changes in plan net position for the year ended April 30, 2013:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	$2,103,081	$2,197,061	$4,300,142
Employee	509,421	356,887	866,308
Total contributions	2,612,502	2,553,948	5,166,450
Investment income:			
Net change in fair value of investments	1,027,623	231,897	1,259,520
Interest and dividends	331,423	293,744	625,167
	1,359,046	525,641	1,884,687
Less: investment expenses	(92,376)	(58,863)	(151,239)
Net investment income	1,266,670	466,778	1,733,448
Total additions	3,879,172	3,020,726	6,899,898
Deductions:			
Benefits	2,163,068	2,576,772	4,739,840
Administrative expenses	29,334	29,427	58,761
Total deductions	2,192,402	2,606,199	4,798,601
Net increase	1,686,770	414,527	2,101,297
Net position held in trust for pension benefits: May 1, 2012	14,165,417	8,874,137	23,039,554
April 30, 2013	$15,852,187	$9,288,664	$25,140,851

G. **Funded Status and Funding Progress**

The funded status of the Plans based on actuarial valuations performed as of April 30, 2012, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D.

	Police Pension	Firefighters' Pension
Actuarial accrued liability (AAL)	$50,112,894	$44,289,836
Actuarial value of plan assets	16,153,885	8,874,137
Unfunded actuarial accrued liability (UAAL)	33,959,009	35,415,699
Funded ratios (actuarial value of plan assets / AAL)	32.2%	20.0%
Covered payroll (active plan members)	5,040,621	3,739,227
UAAL as a percentage of covered payroll	673.7%	947.1%

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

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

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

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

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet COBRA requirements.

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

Membership

At April 30, 2013, membership consisted of:

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

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

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Environmental Services Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2013, retirees contributed $281,314 and the City contributed $145,422 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

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

Year Ending April 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$366,387	$145,422	39.7%	$718,150
2012	367,658	145,422	39.6%	497,185
2011	205,147	112,792	55.0%	274,949

The net OPEB obligation (NOPEBO) as of April 30, 2013, was calculated as follows:

Annual required contribution	$363,074
Interest on net OPEB obligation	19,887
Adjustment to annual required contribution	(16,574)
Annual OPEB cost	366,387
Contributions made	145,422
Increase in net OPEB obligation	220,965
Net OPEB obligation, beginning of year	497,185
Net OPEB obligation, end of year	$718,150

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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

Funded Status and Funding Progress

The Funded status of the plan as of April 30, 2013 was as follows:

Actuarial accrued liability (AAL)	$4,352,020
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	4,352,020
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,730,118
UAAL as a percentage of covered payroll	29.5%

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

Actuarial Methods and Assumptions

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

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

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2013 is as follows:

	Balance May 1, 2012	Additions	Deletions	Balance April 30, 2013
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 5,268,162			$ 5,268,162
Construction in progress	939,593	$ 107,085	—	1,046,678
Total capital assets not being depreciated	6,207,755	107,085	$ -0-	6,314,840
Capital assets being depreciated:				
Buildings	14,282,745			14,282,745
Equipment	699,686	81,117		780,803
Vehicles	4,357,399	306,583	187,914	4,476,068
Land improvements	3,530,558			3,530,558
Infrastructure	79,720,293	—	—	79,720,293
Total capital assets being depreciated	102,590,681	387,700	187,914	102,790,467
Less accumulated depreciation:				
Buildings	1,497,474	192,897		1,690,371
Equipment	471,101	103,606		574,707
Vehicles	2,514,703	293,187	175,257	2,632,633
Land improvements	1,211,482	164,568		1,376,050
Infrastructure	16,830,784	988,837	—	17,819,621
Total accumulated depreciation	22,525,544	1,743,095	175,257	24,093,382
Total capital assets being depreciated, net	80,065,137	(1,355,395)	12,657	78,697,085
Total capital assets, net	$86,272,892	$(1,248,310)	$ 12,657	$85,011,925

Depreciation expense for governmental activities for the year ended April 30, 2013 was charged to functions as follows:

General government	$ 377,308
Public safety	373,015
Highways and streets	988,837
Community development	3,935
	$1,743,095

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 5 - CAPITAL ASSETS (Continued):

The beginning balances of the capital assets for Kankakee Environmental Services Utility, reported in the business-type activities of the primary government, were restated by $110,293 to correct certain errors identified in the prior period. See Note 20.

	Balance May 1, 2012 (Restated)	Additions	Deletions	Balance April 30, 2013
Business-type activities:				
Kankakee Environmental Services Utility:				
Capital assets not being depreciated:				
Land	$ 642,263			$ 642,263
Construction in progress	852,485	$244,971	$210,296	887,160
Total capital assets not being depreciated	1,494,748	244,971	210,296	1,529,423
Capital assets being depreciated:				
Buildings	11,965,986			11,965,986
Equipment	3,356,707	43,018		3,399,725
Vehicles	2,679,604		18,820	2,660,784
Leasehold improvements	289,696			289,696
Infrastructure	29,614,588	547,488	—	30,162,076
Total capital assets being depreciated	47,906,581	590,506	18,820	48,478,267
Less accumulated depreciation:				
Buildings	5,578,058	242,175		5,820,233
Equipment	2,499,458	161,771		2,661,229
Vehicles	1,610,848	207,634	18,820	1,799,662
Leasehold improvements	75,014	7,018		82,032
Infrastructure	11,205,879	683,215	—	11,889,094
Total accumulated depreciation	20,969,257	1,301,813	18,820	22,252,250
Total capital assets being depreciated, net	26,937,324	(711,307)	-0-	26,226,017
Total capital assets, net	$28,432,072	$ (466,336)	$210,296	$27,755,440
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	$1,443,808	$-0-	$-0-	$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

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2012	Additions	Deletions	Balance April 30, 2013
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:				
Kankakee Public Library:				
Capital assets being depreciated:				
Buildings	$7,758,883			$7,758,883
Equipment	59,489			59,489
Leasehold improvements	294,670			294,670
Total capital assets being depreciated	8,113,042	$ -0-	$ -0-	8,113,042
Less accumulated depreciation:				
Buildings	1,347,374	98,020		1,445,394
Equipment	59,489			59,489
Leasehold improvements	77,262	14,734	—	91,996
Total accumulated depreciation	1,484,125	112,754	-0-	1,596,879
Total capital assets, net	$6,628,917	$(112,754)	$ -0-	$6,516,163
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	$1,126,132	$ -0-	$ -0-	$1,126,132
Less accumulated depreciation:				
Land improvements	251,060	54,918	-0-	305,978
Total capital assets, net	$ 875,072	$ (54,918)	$ -0-	$ 820,154

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2013 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Capital Project Fund	$ 1,634
Kankakee Environmental Services Utility	273,917
Nonmajor governmental funds	157,844
Total	$433,395
Component units:	
Library	$64,291
Due to Capital Projects Fund from:	
Nonmajor governmental funds	$171,344
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	$503,425
Kankakee Environmental Services Utility	2,086
Total	$505,511
Component Units:	
Library	$9,941
Enterprise funds:	
Due to Kankakee Environmental Services Utility from:	
General Fund	$220,477
Nonmajor governmental fund	261,618
Total	$482,095
Component Units:	
Due to Special Service Area #1 from:	
Nonmajor governmental fund	$108,145

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 Development Agency loans and other receivables was performed as of April 30, 2013. The analysis shows that the collection of approximately $389,024 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2013, the City has deferred economic development loans receivable of $537,705 since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2014.

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

Accounts receivable at April 30, 2013, are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Activities
Governmental activities:			
Trash collection	$ 160,024		$ 160,024
Franchise fees	95,755		95,755
Economic development loans		$ 726,898	726,898
Other receivables	362,053	461	362,514
Total	617,832	727,359	1,345,191
Less: allowance for doubtful accounts	(160,024)	(188,000)	(348,024)
Accounts receivable, net	$ 457,808	$ 539,359	$ 997,167

	Kankakee Environmental Services Utility
Business-type activities:	
Sewer charges	$1,216,306
Garbage collection	414,214
Other receivables	93,964
Total	1,724,484
Less: allowance for doubtful accounts	(41,000)
Accounts receivable, net	$1,683,484

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

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

Governmental activities:	
General Fund:	
Sales tax	$6,177,176
Local use tax	101,156
State replacement tax	136,608
Income tax	400,854
Gaming tax	7,989
Various grants	66,605
Total General Fund	$6,890,388

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

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

Nonmajor governmental funds:	
CDBG Grant	$ 159,000
Lead Grant	59,478
Home Grant	20,445
Motor Fuel Taxes	47,763
Total nonmajor governmental funds	286,686
Total governmental activities	$7,177,074
Business-type activities:	
Kankakee Environmental Services Utility:	
Illinois Department of Transportation	$18,245
Kankakee Township	14,529
Total business-type activities	$32,774

NOTE 9 - SPECIAL ASSESSMENTS:

The special assessments receivable of $1,713,500 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. $1,713,500 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, 2013 is as follows:

	Balance May 1, 2012	Increases	Decreases	Balance April 30, 2013	Due within One Year
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	$65,302,327	$7,705,000	$12,165,000	$60,842,327	$4,985,000
Premium on bond proceeds	886,790	156,663	264,428	779,025	
Total bonds payable	66,189,117	7,861,663	12,429,428	61,621,352	4,985,000
Installment notes	2,591,617		304,698	2,286,919	316,900
Unfunded employer pension contributions	13,528,565	435,003		13,963,568	
Compensated absences	4,840,000	1,412,500	1,133,000	5,119,500	1,564,000
Net other post employment benefit obligation	361,999	271,126	107,611	525,514	
Total long-term debt	$87,511,298	$9,980,292	$13,974,737	$83,516,853	$6,865,900

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

Business-type activities:					
Kankakee Environmental Services Utility:					
Bonds Payable:					
Revenue bonds	$ 8,765,000		$ 450,000	$ 8,315,000	$465,000
Discount on bond proceeds	(11,027)		(959)	(10,068)	
Total bonds payable	8,753,973	$ -0-	449,041	8,304,932	465,000
Note payable	4,000,000	350,000		4,350,000	
Compensated absences	851,500	212,700	289,900	774,300	342,000
Net other post employment benefit obligation	135,186	57,451		192,637	
Total long-term debt	$13,740,659	$620,151	$738,941	$13,621,869	$807,000
Component units:					
Capital lease obligations	$2,843,062	$ -0-	$114,666	$2,728,396	$120,533

Long-term liabilities other than debt typically have been liquidated in the General Fund and Kankakee Environmental Services Utility 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, 2013, consist of the following:	
$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from $115,000 to $815,000, through January 2024, plus interest ranging from 3.00% to 4.35%, payable semiannually.	$ 3,150,000
$9,555,000 City of Kankakee serial bonds dated September 15, 2006, due in annual installments on January 1 of amounts ranging from $40,000 to $1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.	8,050,000

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

	Governmental Activities
$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from $110,000 to $700,000, through January 2027, plus interest ranging from 4.00% to 5.00%, payable semiannually.	$ 4,350,000
$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from $267,496 to $402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.	1,422,327
$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from $315,000 to $1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,930,000
$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from $80,000 to $1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	9,935,000
$14,905,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from $35,000 to $2,275,000, through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	9,650,000
$5,000,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from $105,000 to $955,000 through January 2025, plus interest ranging from 2.50% to 4.90% payable semiannually.	5,000,000
$370,000 City of Kankakee bonds dated April 27, 2011, due in a single installment on January 1, 2020, plus interest of 4.10% payable semiannually.	370,000

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

	Governmental Activities
$1,310,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from $255,000 to $365,000 through January 2015, plus interest ranging from 2.00% to 3.00% payable semiannually.	$ 620,000
$2,035,000 City of Kankakee serial bonds dated October 12, 2011, due in annual installments on January 1 of amounts ranging from $940,000 to $1,095,000 through January 2014, plus interest of 2.00% payable semiannually.	1,095,000
$2,645,000 City of Kankakee serial bonds dated March 13, 2012, due in annual installments on January 1 of amounts ranging from $80,000 to $465,000, through January 2019, plus interest ranging from 2.00% to 2.50% payable semiannually.	2,565,000
$3,915,000 City of Kankakee serial bonds dated October 11, 2012, due in annual installments on January 1 of amounts ranging from $20,000 to $535,000, through January 2024, plus interest ranging from 2.00% to 2.90% payable semiannually.	3,915,000
$3,790,000 City of Kankakee serial bonds dated November 1, 2012, due in annual installments on January 1 of amounts ranging from 100,000 to 1,820,000 through January 2020 plus interest ranging from 2.00% to 3.00% payable semiannually.	3,790,000
Total general obligation bonds	60,842,327
Add: Unamortized premium on bond issuance	779,025
Total general obligation bonds payable	$61,621,352

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

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2013, are as follows:

Year Ending April 30,	Governmental Activities Principal	Interest	Total
2014	$ 4,985,000	$2,335,030	$7,320,030
2015	5,137,672	2,297,358	7,435,030
2016	5,350,125	2,138,649	7,488,774
2017	5,562,496	1,973,034	7,535,530
2018	5,027,034	1,919,719	6,946,753
2019 - 2023	21,935,000	5,624,077	27,559,077
2024 - 2028	11,920,000	1,418,697	13,338,697
2029	925,000	42,088	967,088
	$60,842,327	$17,748,652	$78,590,979

Installment Notes

	Governmental Activities
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.	$ 120,000
$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of $352,500, including interest at 4.14%, through January 1, 2018.	1,666,919
$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of $500,000 on December 2017, plus interest paid semi-annually at 1.64%.	500,000
Total installment notes	$2,286,919

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

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2013, are as follows:

Year Ending April 30,	Governmental Activities Principal	Interest	Total
2014	$ 316,900	$ 77,237	$ 394,137
2015	329,603	64,534	394,137
2016	342,836	51,301	394,137
2017	356,615	37,522	394,137
2018	870,965	19,058	890,023
2019 - 2023	50,000		50,000
2024 - 2025	20,000		20,000
	$2,286,919	$249,652	$2,536,571

Capital Lease Obligation

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

	Component Unit - Library
$7,758,882 lease, plus interest of $2,628,206, due in monthly installments of $21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	$2,728,396

The following is an analysis of the assets recorded under capital leases at April 30, 2013:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Component Units - Library:			
Buildings	$7,758,883	$1,445,394	$6,313,489

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

Future minimum lease payments for all capital lease obligations:

Year Ending April 30,	Component Unit - Library
2014	$ 254,215
2015	254,215
2016	254,215
2017	254,215
2018	254,215
2019 - 2023	1,271,076
2024 - 2028	1,271,076
2029	105,924
Total minimum lease payments	3,919,151
Less: amount representing interest	(1,190,755)
Present value of minimum lease payments	$ 2,728,396

Unfunded Employer Pension Contributions	Governmental Activities
Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	$ 5,448,727
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	7,999,012
Cumulative difference between the annual required pension cost and the contributions funded for Illinois Municipal Retirement Fund	515,829
Total unfunded employer pension contributions due from General Fund	$13,963,568

Compensated Absences	Governmental Activities	Business-type 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.	$5,119,500	$774,300

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

Net Other Post Employment Benefits	Governmental Activities	Business-type Activities
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds.	$525,514	$192,637

Revenue Bonds

Details of the revenue bond indebtedness of the City's Environmental Services Utility Fund at April 30, 2013, are as follows:

$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1 of amounts ranging from $220,000 to $385,000, through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	$3,325,000
$2,700,000 Taxable Sewer Utility serial bonds dated December 2, 2010, due in annual installments beginning on May 1, 2022 of amounts ranging from $300,000 to $330,000, through May 2025, with a final single payment of $1,440,000 due on May 1, 2030, plus interest at rates ranging from 5.35% to 5.75%, payable semiannually.	2,700,000
$2,740,000 Sewer Utility serial bonds dated December 2, 2010, due in annual installments on May 1 of amounts ranging from $15,000 to $290,000, through May 2022, plus interest at rates ranging from 2.00% to 3.90%, payable semiannually.	2,290,000
Total revenue bonds	8,315,000
Less: Unamortized discount on bond issuance	(10,068)
Total revenue bonds payable	$8,304,932

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

Debt service on the above revenue bonds payable at April 30, 2013, are as follows:

Year Ending April 30,	Business-Type Activities Principal	Interest	Total
2014	$ 465,000	$ 406,813	$ 871,813
2015	480,000	392,787	872,787
2016	500,000	376,388	876,388
2017	515,000	358,007	873,007
2018	530,000	337,833	867,833
2019 - 2023	3,350,000	1,317,452	4,667,452
2024 - 2028	1,035,000	578,365	1,613,365
2029 – 2030	1,440,000	73,125	1,513,125
	$8,315,000	$3,840,770	$12,155,770

Note Payable

$4,350,000 Line of Credit note dated January 17, 2012, secured by the full faith, credit and resources of the City, payable in a one time payment of $4,350,000 on July 2014, plus interest paid monthly at a rate 250 basis points above the LIBO rate. (Current rate .88%)	$4,350,000

Revenue bond ordinances of the Environmental Services Utility Fund require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. The following shows such required reserve balances and the amounts actually reserved at April 30, 2013 in the Utility Fund:

	Required reserve	Actual reserve	Surplus (deficit)
Operation and maintenance	$ 793,739	$ 272,384	$(521,355)
Bond reserve	1,464,700	1,148,028	(316,672)
Reserve and replacement	500,000	500,000	-0-
Bond and interest	72,651	72,651	-0-
	$2,831,090	$1,993,063	$(838,027)

Activity in the reserve accounts during the year ended April 30, 2013 was as follows:

Environmental Services Utility Fund:	
Restricted balance as of May 1, 2012	$2,819,318
Transfer to operations and maintenance	(29,750)
Revenue bond principal	(450,000)
Revenue bond interest	(346,505)
Restricted balance as of April 30, 2013	$1,993,063

The reserve account balances are represented in the Utility Fund as restricted cash and investments. At April 30, 2013, the above amounts were not sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinances; the required reserve had a deficit of $838,027.

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

The Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all outstanding revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2013, the Utility did not comply with this rate covenant. The covenant calculation is included on page 114.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents of the Kankakee Environmental Services Utility were insured at April 30, 2013 for $7,681,264 under the City of Kankakee master policy with the U.S. Specialty Insurance Company. The Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the U.S. Specialty Insurance Company. The master policy includes the following significant coverages:

	Policy limits
Property damage	$31,666,736
General liability	10,000,000
Auto liability	6,000,000

Customer and Flow Information - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2013 there were 7,708 customers providing sewer charge revenue as follows:

	Number of Customers	Sewer Charges
Residential and commercial	7,663	$3,491,590
Industrial and institutional	45	5,802,036
Total	7,708	$9,293,626

User Rates - The rates in effect at April 30, 2013 were as follows:

Flow charge (100 cu. ft.)	$ 4.40
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.40
GW contaminated (100 cu. ft.)	9.50
Fixed charge (month)	27.50
IPP charges	3%

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

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

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 2011 were due, payable, and collected in two installments in June and September 2012.

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 2011 were intended to finance the fiscal year 2013 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2013 for collections from the calendar year 2011 levy if it was received by June 30, 2013. Property taxes levied for calendar year 2012, which will be collected in fiscal year 2014, are recorded as receivables and unavailable revenue as of April 30, 2013. The 2013 tax levy, which attaches as an enforceable lien on property as of January 1, 2013, has not been recorded as a receivable as of April 30, 2013, as the tax has not yet been levied by the City and will not be levied until December 2013, and therefore, the levy is not measurable at April 30, 2013.

NOTE 12 - INTERFUND TRANSFERS:

	Fund Transferred To				
Fund Transferred From	General	Capital Projects	Kankakee Environmental Services Utility	Nonmajor Governmental	Total
General			$950,000		$ 950,000
Capital Projects				$ 5,352	5,352
Kankakee Environmental Services Utility	$120,000			942,588	1,062,588
Nonmajor Governmental	—	$136,668	—	1,788,235	1,924,903
	$120,000	$136,668	$950,000	$2,736,175	$3,942,843

NOTE 12 - INTERFUND TRANSFERS (Continued):

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2013:

The General Fund transferred $950,000 to the Kankakee Environmental Services Utility to provide for the operations of the Department of Public Works.

The Capital Projects Fund transferred $5,352 to the Motor Fuel Fund to reimburse Motor Fuel Tax Fund for ineligible costs paid in prior years in relation to the Brookmont Viaduct Project.

The Kankakee Environmental Services Utility Fund made the following transfers:

Transferred $120,000 to the General Fund as payment in lieu of taxes.

Transferred $942,588 to the Debt Service Fund to provide for bond and interest retirement.

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	$481,725
Tax Increment Financing District No. 5	127,084
Tax Increment Financing District No. 6	278,763
Tax Increment Financing District No. 7	37,308
Tax Increment Financing District No. 8	625,293

The Motor Fuel Tax Fund transferred $136,668 to the Capital Projects Fund to reimburse the Capital Projects Fund for costs paid in prior years in relation to the Brookmont Viaduct and Riverfront Trail Projects.

The General Obligation Bonds, Series 2004 Fund transferred $230,389 to the General Obligation Bonds, Series 2011 Fund to write off an outstanding interfund receivable for cash borrowed in prior years.

The General Obligation Bonds, Series 2004 Fund transferred $2,729 to the General Obligation Bonds, Series 2012 Fund from its excess cash upon the refunding of the 2004 bonds.

The General Obligation Bonds, Series 2005 Fund transferred $4,944 to the General Obligation Bonds, Series 2012 Fund from its excess cash upon the refunding of the 2005 bonds.

NOTE 13 - SEGMENT INFORMATION:

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

NOTE 14 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2013, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 15 - COMMITMENTS:

Lease Commitments

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant. The annual lease payment for the year ended April 30, 2013 was $1,198.

Kankakee Environmental Services Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001, and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2013 was $88,059.

Kankakee Environmental Services Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of $150,000 per year. The annual lease payment received for the year ended April 30, 2013 was $150,000.

Kankakee Environmental Services Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to connect to the City's sewer system for providing sanitary sewer service for the residents of Chebanse. For the year ended April 30, 2013, the Utility received $93,291 based upon the number of connections established for the residents of Chebanse.

NOTE 15 – COMMITMENTS (Continued):

Construction Commitments

The City has several active construction projects as of April 30, 2013. These projects and the City's commitment with contractors at April 30, 2013 are as follows:

Project	Spent-to-date	Remaining Commitment
Business-type activities:		
Stone Street lift station	$196,316	$116,686

NOTE 16 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

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

As of April 30, 2013, the City has recorded in the Environmental Services Utility Fund an investment in the joint venture of $(506,121) relative to its investment in KRMA and a due to joint venture in the amount of $214,378 which is reflected in accounts payable.

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2013 is as follows:

Statement of net position:	
Current assets	$ 3,853,450
Restricted assets and bond issuance costs	4,070,959
Capital assets, net	37,760,218
Total assets	45,684,627
Current liabilities	9,392,865
Long-term liabilities	33,111,182
Total liabilities	42,504,047
Total net position	$ 3,180,580

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 16 - INVESTMENT IN JOINT VENTURE (Continued):

Statement of revenues, expenses and changes in net position:	
Operating revenues	$7,425,264
Operating expenses	6,580,030
Other income (expense), net	(909,619)
Change in net position	(64,385)
Ownership percentage	62.55%
Utility's share of change in net position (equity interest in joint venture income)	$ (40,271)

An explosion at the facility on December 27, 2010 destroyed a building and certain plant equipment. KRMA has recorded a $6,000,000 estimated insurance recovery related to the fair value of the loss assets based on consultant's estimates. The insurance company and management have not yet settled on a final amount. This estimate could significantly change.

Because of the explosion, KRMA properly submitted a claim to its insurer but is not anticipating receiving insurance proceeds until 2013. Therefore, KRMA required funding to facilitate repairs and reconstruction work at its facility before insurance proceeds arrived. KRMA entered into an agreement with the City on July 19, 2011, requiring the City to establish a $2,500,000 line of credit at a local bank on behalf of KRMA. This agreement required KRMA to satisfy any balance due on the line of credit and pay all costs incurred by the City in establishing this line of credit. On January 17, 2012, the City and KRMA extended this line of credit to a maximum of $5,000,000. The line of credit at April 30, 2013, had an outstanding balance of $4,350,000.

As of April 30, 2013, the City has recorded in the Kankakee Environmental Services Utility Fund a note payable of $4,350,000 and a due from joint venture in the amount of $4,100,000. The Utility received a payment of $250,000 from KRMA during the year.

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, 2013, the City has recorded in the Environmental Services Utility Fund an investment in joint venture of $(13,413) relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2013, the City has recorded in the Environmental Services Utility Fund an equity interest in joint venture income (loss) of Wi-Fi in the amount of $(5,975).

NOTE 17 - RISK MANAGEMENT AND LITIGATION:

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

The City is a defendant in various lawsuits. Most recently, the City has been named in two lawsuits in regards to its sales tax incentive agreements. See Note 18 for additional details about the agreements. The City has also been named in a lawsuit in regards to a contract for services dispute. Although the outcome of these lawsuits is presently not determinable, in the opinion of the City's Attorney and management, the resolution of these matters will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 18 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2013, $12,670,343 in sales taxes were rebated under these agreements. At April 30, 2013, the City owed $5,969,915 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

NOTE 19 - DEFICIT FUND BALANCE:

At April 30, 2013, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 6 Fund	$ 98,189
General Obligation Bonds, Series 2008	11,294
Indian Meadows Debt Service	296,938

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 20 – RESTATEMENT OF FUND EQUITY/NET POSITION:

The City has restated fund balance and net position for its fund financial statements and government-wide financial statements as of May 1, 2012, to correct the sales tax revenue recognized and related sales tax incentives expended in prior years, to remove assets erroneously capitalized in the prior year, to record refund of overpaid electric charges in prior years, and to adjust for bond issue cost no longer amortized by the adoption of GASB No. 65 (See Note 1Q).

Fund Statements	General Fund	Kankakee Environmental Services Utility
Fund balance / Net position, May 1, 2012, as previously reported	$1,805,699	$23,476,840
Restated for:		
Utility refund	$220,783	
Sales tax revenue	1,261,892	
Sales tax incentives	(842,718)	
Capital assets		(110,293)
Bond issue costs	—	(239,820)
Prior period adjustment	639,957	(350,113)
Fund balance / Net position, May 1, 2012, restated	$2,445,656	$23,126,727

Government-Wide Financial Statements	Governmental Activities	Business-Type Activities
Net position, May 1, 2012, as previously reported	$10,303,609	$25,045,326
Restated for:		
Utility refund	$220,783	
Sales tax revenue	1,261,892	
Sales tax incentives	(842,718)	
Capital assets		(110,293)
Bond issue cost	(1,301,883)	(239,820)
Prior period adjustment	(661,926)	(350,113)
Net position, May 1, 2012, restated	$ 9,641,683	$24,695,213

NOTE 21 – BOND REFUNDING:

Refunding of General Obligation Bonds, Series 2004

On November 1, 2012 the City issued $3,790,000 of General Obligation Bonds, Series 2012B, with an average interest rate of 2.13 percent from which all of the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of current refunding $3,825,000 of General Obligation Bonds, Series 2004 with an average interest rate of 3.65 percent.

NOTE 21 – BOND REFUNDING (Continued):

As a result of the above refunding, the refunded bonds were retired and liability was removed from the governmental activities column of the statement of net position. The reacquisition price was less than the net carrying amount of the old debt by $651. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is shorter than the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 7 years by $314,383, which resulted in an economic gain difference between the present value of the debt service payments on the old and new debt) of $236,922.

Refunding of General Obligation Bonds, Series 2005

On October 11, 2012, the City issued $3,915,000 of General Obligation Bonds, Series 2012A, with an average interest rate of 2.56 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the advance refunding of $3,745,000 of General Obligation Bonds, Series 2005 with an average interest rate of 4.34 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $147,105. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between he cash flow requirements to service old and new debt) over the next 11 years by $277,189, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $248,948.

NOTE 22 – SUBSEQUENT EVENTS:

On July 18, 2013, the City of Kankakee issued $2,170,000 Taxable Sewer Revenue Bonds, Series 2013A, which matures serially May 2017 – 2025 at various interest rates. The purpose of these bonds is to pay back a loan from the City's General Fund and to provide funds to replenish the debt service reserve accounts in accordance with the sewer bond ordinance.

On July 18, 2013, the City of Kankakee issued $3,550,000 Sewer Revenue Refunding Bonds, Series 2013B which is projected to mature serially May 2025 – 2033 at various interest rates. The purpose of these bonds is to advance refund $505,000 of General Obligation Bonds, Series 2007A and $2,375,000 of General Obligation Refunding Bonds, Series 2009B.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2013

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 15,043,081	$ 20,703,923	$ 5,660,842	72.66%	$ 5,950,270	95.14%
2011	15,490,536	20,485,433	4,994,897	75.62%	5,818,925	85.84%
2010	14,660,404	19,042,169	4,381,765	76.99%	5,853,164	74.86%
2009	14,047,445	17,989,344	3,941,899	78.09%	5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
2006	15,930,997	16,047,139	116,142	99.28%	5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)

On a market value basis, the actuarial value of assets as of December 31, 2012, is $15,636,832. On a market basis, the funded ratio would be 75.53%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 16,153,885	$ 50,112,894	$ 33,959,009	32.23%	$ 5,040,621	673.71%
2011	15,528,178	47,690,763	32,162,585	32.56%	4,694,622	685.09%
2010	13,443,659	40,648,322	27,204,663	33.07%	4,888,208	556.54%
2009	11,900,298	35,675,410	23,775,112	33.36%	4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
2006	11,760,602	30,146,624	18,386,022	39.01%	4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 8,874,137	$ 44,289,836	$ 35,415,699	20.04%	$ 3,739,227	947.14%
2011	8,820,435	41,794,307	32,973,872	21.10%	3,680,655	895.87%
2010	8,284,059	37,037,202	28,753,143	22.37%	3,634,232	791.18%
2009	7,716,547	34,495,541	26,778,994	22.37%	3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
2006	10,236,367	29,094,938	18,858,571	35.18%	2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

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

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2013

Year Ended April 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	$ 1,988,469	$ 1,988,469	100.00%
2012	1,968,889	1,968,889	100.00%
2011	1,794,582	1,794,582	100.00%
2010	1,417,545	1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
2007	1,104,725	1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2013

Year Ended April 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	$ 2,075,813	$ 2,075,813	100.00%
2012	2,117,020	2,117,020	100.00%
2011	2,046,132	2,046,132	100.00%
2010	1,518,183	1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
2007	1,222,675	1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

Year Ended April 30,	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
2013	$ 363,074	$ 145,422	40.05%
2012	363,074	145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

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 a Standard & Poor's rating of AA+. 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.

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
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 a 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 issuance by the City of its fully registered General Obligation Corporate Purpose Refunding Bonds, Series 2013C (the *"Bonds"*) to the amount of $2,635,000, dated the date hereof, of the denomination of $5,000 or authorized integral multiples thereof, and due serially on January 1 of the years and in the amounts and bearing interest at the rates per cent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2015	620,000	2.00
2016	235,000	2.00
2017	245,000	2.00
2018	255,000	3.00
2019	265,000	3.00
2020	270,000	3.50
2021	280,000	3.50
2022	170,000	3.60
2023	175,000	3.80
2024	120,000	3.95

The Bonds coming due on January 1, 2024, are subject to redemption prior to maturity at the option of the City from any available moneys on January 1, 2023, and any date thereafter, in whole or in part, and if in part in such principal amounts and from such maturities as the City shall determine and within any maturity by lot, at a redemption price of par plus accrued interest to the date fixed for redemption.

From 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 the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the City, and, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, reorganization, moratorium, insolvency and similar laws relating to creditors' rights generally and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, is payable (i) from ad valorem property taxes levied against all of the taxable property within the City without limitation as to rate or amount (the *"2013C Full Faith and Credit Taxes"*) and (ii) for a portion of the Bonds, ratably and equally with a portion of certain heretofore issued and now outstanding General Obligation Corporate Purpose Bonds, Series 2005 (the *"2005 Bonds"*), the certain incremental property taxes derived from the Henkel Industrial Redevelopment Project Area of the City (the *"Area"*) and the amounts on deposit in and to the credit of the special tax allocation fund created by the City for the Area (collectively, the *"Incremental Property Taxes"*). Additional obligations may hereafter be issued by the City which are ratably and equally secured by the Incremental Property Taxes with such portions of the Bonds and the 2005 Bonds as in the Proceedings provided. The 2013C Full Faith and Credit Taxes are pledged to and secure only the Bonds and will not be available to pay principal of or interest on any such additional obligations.

It is also our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

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.

APPENDIX D

THE CITY OF KANKAKEE, KANKAKEE COUNTY, ILLINOIS

EXCERPTS OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS RELATING TO THE CITY'S PENSION PLANS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAm by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by PNC Bank. 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 AAAf/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

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

Credit Risk

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

Police Pension Fund:	
FNMA	$1,085,311
Firefighters' Pension Fund:	
FNMA	$629,563

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

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

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

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

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012, used by the City, was 10.38 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.54 percent. Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation

For the fiscal year ending April 30, 2013, the employer's actual contributions for pension cost were $656,972. Its required contribution for calendar year 2012 was $746,164. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary

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

increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.0 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Three-Year Trend Information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2013	$792,219	83%	$515,829
2012	718,005	78%	380,582
2011	687,085	75%	225,678

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

Annual required contribution	$784,078
Interest on net pension obligation	28,544
Adjustment to annual required contribution	(20,403)
Annual pension cost	792,219
Contributions made	656,972
Increase in net pension obligation	135,247
Net pension obligation, beginning of year	380,582
Net pension obligation, end of year	$515,829

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the City's IMRF plan was 72.66 percent funded. The actuarial accrued liability for benefits was $20,703,923 and the actuarial value of assets was $15,043,081, resulting in an underfunded actuarial accrued liability (UAAL) of $5,660,842. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was $5,950,270 and the ratio of the UAAL to the covered payroll was 95 percent.

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

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

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

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

Police Pension Plan

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

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

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

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

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

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

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

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

Firefighters' Pension Plan

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

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

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

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

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

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

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

Membership of the Plans is as follows:

	Police Pension	Firefighters' Pension
Retirees and beneficiaries receiving benefits	54	69
Terminated plan members entitled to but not yet receiving benefits	-0-	2
Active vested plan members	53	28
Active nonvested plan members	15	25
Total	122	124

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

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

C. Significant Investments

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

Police Pension Fund:	
SPDR Trust Series	$1,116,743
Firefighters' Pension Fund:	
Calamos Growth and Income Fund	$ 542,475
SPDR Trust Series	798,400
Ivy Asset Strategy Fund	573,045
Pimco All Asset All Authority Fund	591,852
Gabelli Value Fund	647,233
	$3,153,005

D. Funding Policy and Actuarial Assumptions

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	Police Pension	Firefighters' Pension
Actuarial valuation date	April 30, 2012	April 30, 2012
Employer contribution rate	39.45% of covered payroll	56.62% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market

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

	Police Pension	Firefighters' Pension
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	29 years	29 years
Significant actuarial assumptions:		
(a) Investment rate of return*	7.0% compounded annually	7.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

E. Annual Pension Cost and Net Pension Obligation

Employer APC, percentage of APC contributed and the NPO are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	Year Ending April 30,	Police Pension	Firefighters' Pension
APC:			
	2013	$2,126,197	$2,279,047
	2012	2,073,464	2,269,936
	2011	1,897,883	2,197,686
Percentage of APC contributed:			
	2013	93.5%	92.9%
	2012	95.0%	90.1%
	2011	74.7%	69.1%
NPO:			
	2013	$5,448,727	$7,999,012
	2012	5,310,998	7,836,985
	2011	5,206,423	7,613,181

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

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

	Police Pension	Firefighters' Pension
Annual required contribution	$1,988,469	$2,075,813
Interest on net pension obligation	371,770	548,589
Adjustment to annual required contribution	(234,042)	(345,355)
Annual pension cost	2,126,197	2,279,047
Contributions made	1,988,468	2,117,020
Increase in net pension obligation	137,729	162,027
Net pension obligation, beginning of year	5,310,998	7,836,985
Net pension obligation, end of year	$5,448,727	$7,999,012

F. Pension Financial Statements

The following is a combining statement of plan net position as of April 30, 2013:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets:			
Cash and short-term investments	$ 1,734,906	$1,215,344	$ 2,950,250
Receivables, less allowance for uncollectible amounts:			
Employee contributions	42,328	14,522	56,850
Interest	39,667	35,640	75,307
Investments, at fair value:			
Open-end mutual funds	3,318,910	3,978,736	7,297,646
Corporate securities	4,005,834		4,005,834
U.S. treasury and agency securities	4,457,112	2,828,140	7,285,252
Corporate bonds	2,134,001	1,272,179	3,406,180
State and local obligations	302,078	154,529	456,607
Prepaid items		8,919	8,919
Total assets	16,034,836	9,508,009	25,542,845
Liabilities:			
Benefits and other payables	182,649	219,345	401,994
Net position held in trust for pension benefits	$15,852,187	$9,288,664	$25,140,851

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

The following is a combining statement of changes in plan net position for the year ended April 30, 2013:

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	$2,103,081	$2,197,061	$4,300,142
Employee	509,421	356,887	866,308
Total contributions	2,612,502	2,553,948	5,166,450
Investment income:			
Net change in fair value of investments	1,027,623	231,897	1,259,520
Interest and dividends	331,423	293,744	625,167
	1,359,046	525,641	1,884,687
Less: investment expenses	(92,376)	(58,863)	(151,239)
Net investment income	1,266,670	466,778	1,733,448
Total additions	3,879,172	3,020,726	6,899,898
Deductions:			
Benefits	2,163,068	2,576,772	4,739,840
Administrative expenses	29,334	29,427	58,761
Total deductions	2,192,402	2,606,199	4,798,601
Net increase	1,686,770	414,527	2,101,297
Net position held in trust for pension benefits:			
May 1, 2012	14,165,417	8,874,137	23,039,554
April 30, 2013	$15,852,187	$9,288,664	$25,140,851

G. **Funded Status and Funding Progress**

The funded status of the Plans based on actuarial valuations performed as of April 30, 2012, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D.

	Police Pension	Firefighters' Pension
Actuarial accrued liability (AAL)	$50,112,894	$44,289,836
Actuarial value of plan assets	16,153,885	8,874,137
Unfunded actuarial accrued liability (UAAL)	33,959,009	35,415,699
Funded ratios (actuarial value of plan assets / AAL)	32.2%	20.0%
Covered payroll (active plan members)	5,040,621	3,739,227
UAAL as a percentage of covered payroll	673.7%	947.1%

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

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

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

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

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet COBRA requirements.

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

Membership

At April 30, 2013, membership consisted of:

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

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

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Environmental Services Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2013, retirees contributed $281,314 and the City contributed $145,422 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

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

Year Ending April 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$366,387	$145,422	39.7%	$718,150
2012	367,658	145,422	39.6%	497,185
2011	205,147	112,792	55.0%	274,949

The net OPEB obligation (NOPEBO) as of April 30, 2013, was calculated as follows:

Annual required contribution	$363,074
Interest on net OPEB obligation	19,887
Adjustment to annual required contribution	(16,574)
Annual OPEB cost	366,387
Contributions made	145,422
Increase in net OPEB obligation	220,965
Net OPEB obligation, beginning of year	497,185
Net OPEB obligation, end of year	$718,150

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

Funded Status and Funding Progress

The Funded status of the plan as of April 30, 2013 was as follows:

Actuarial accrued liability (AAL)	$4,352,020
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	4,352,020
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,730,118
UAAL as a percentage of covered payroll	29.5%

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

Actuarial Methods and Assumptions

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

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

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2013

NOTE 21 – BOND REFUNDING (Continued):

As a result of the above refunding, the refunded bonds were retired and liability was removed from the governmental activities column of the statement of net position. The reacquisition price was less than the net carrying amount of the old debt by $651. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is shorter than the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 7 years by $314,383, which resulted in an economic gain difference between the present value of the debt service payments on the old and new debt) of $236,922.

Refunding of General Obligation Bonds, Series 2005

On October 11, 2012, the City issued $3,915,000 of General Obligation Bonds, Series 2012A, with an average interest rate of 2.56 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the advance refunding of $3,745,000 of General Obligation Bonds, Series 2005 with an average interest rate of 4.34 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by $147,105. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between he cash flow requirements to service old and new debt) over the next 11 years by $277,189, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $248,948.

NOTE 22 – SUBSEQUENT EVENTS:

On July 18, 2013, the City of Kankakee issued $2,170,000 Taxable Sewer Revenue Bonds, Series 2013A, which matures serially May 2017 – 2025 at various interest rates. The purpose of these bonds is to pay back a loan from the City's General Fund and to provide funds to replenish the debt service reserve accounts in accordance with the sewer bond ordinance.

On July 18, 2013, the City of Kankakee issued $3,550,000 Sewer Revenue Refunding Bonds, Series 2013B which is projected to mature serially May 2025 – 2033 at various interest rates. The purpose of these bonds is to advance refund $505,000 of General Obligation Bonds, Series 2007A and $2,375,000 of General Obligation Refunding Bonds, Series 2009B.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2013

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 15,043,081	$ 20,703,923	$ 5,660,842	72.66%	$ 5,950,270	95.14%
2011	15,490,536	20,485,433	4,994,897	75.62%	5,818,925	85.84%
2010	14,660,404	19,042,169	4,381,765	76.99%	5,853,164	74.86%
2009	14,047,445	17,989,344	3,941,899	78.09%	5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
2006	15,930,997	16,047,139	116,142	99.28%	5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)

On a market value basis, the actuarial value of assets as of December 31, 2012, is $15,636,832. On a market basis, the funded ratio would be 75.53%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 16,153,885	$ 50,112,894	$ 33,959,009	32.23%	$ 5,040,621	673.71%
2011	15,528,178	47,690,763	32,162,585	32.56%	4,694,622	685.09%
2010	13,443,659	40,648,322	27,204,663	33.07%	4,888,208	556.54%
2009	11,900,298	35,675,410	23,775,112	33.36%	4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
2006	11,760,602	30,146,624	18,386,022	39.01%	4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2013

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	$ 8,874,137	$ 44,289,836	$ 35,415,699	20.04%	$ 3,739,227	947.14%
2011	8,820,435	41,794,307	32,973,872	21.10%	3,680,655	895.87%
2010	8,284,059	37,037,202	28,753,143	22.37%	3,634,232	791.18%
2009	7,716,547	34,495,541	26,778,994	22.37%	3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
2006	10,236,367	29,094,938	18,858,571	35.18%	2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

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

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2013

Year Ended April 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	$ 1,988,469	$ 1,988,469	100.00%
2012	1,968,889	1,968,889	100.00%
2011	1,794,582	1,794,582	100.00%
2010	1,417,545	1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
2007	1,104,725	1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2013

Year Ended April 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	$ 2,075,813	$ 2,075,813	100.00%
2012	2,117,020	2,117,020	100.00%
2011	2,046,132	2,046,132	100.00%
2010	1,518,183	1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
2007	1,222,675	1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2013

Year Ended April 30,	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
2013	$ 363,074	$ 145,422	40.05%
2012	363,074	145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.