

Kankakee County, Illinois
Annual Financial Statements
As of and for the year ended
November 30, 2013

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 As of and for the Year Ended November 30, 2013
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Independent Auditor's Report

Kankakee County Board
Kankakee County, Illinois
Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kankakee County, Illinois, as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kankakee County Public Building Commission, which represents 1.6 percent, 2.3 percent, and 0.1 percent, respectively, of the assets, fund balances/net position, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kankakee County Public Building Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Governmental Activities

Management has not obtained an actuarial valuation of its other postemployment benefit (OPEB) plan as of November 30, 2013, and accordingly, has not recorded any OPEB-related expenses, liabilities, and has not updated the note disclosures for the year ended November 30, 2013. Accounting principles generally accepted in the United States of America require the County to obtain an actuarial valuation at least biennially. The amount by which this departure would affect the assets, net position, and revenues of the governmental activities has not been determined.



Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Kankakee County, Illinois as of November 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Kankakee County, Illinois, as of November 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, in 2013 the County adopted new accounting guidance, *GASB Statement No. 61, The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and 34*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress – Illinois Municipal Retirement Fund, on pages 5-20 and 54-67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted OPEB Plan Actuarial and other information for November 30, 2013, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kankakee County, Illinois' basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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**Independent Auditor's Report on
Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Kankakee County Board
Kankakee, County, Illinois
Kankakee, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kankakee County, Illinois, as of and for the year ended November 30, 2013, and the related notes to the financial statements, which collectively comprise Kankakee County, Illinois' basic financial statements, and have issued our report thereon dated June 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Kankakee County Public Building Commission, as described in our report on Kankakee County, Illinois' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our opinion on the governmental activities was qualified because the County omitted other postemployment benefit information for November 30, 2013. Our opinions on the business-type activities, each major fund, and the aggregate remaining fund information were unmodified.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

Finding 2013-001: The year-end financial statement closing procedures failed to identify a material liability in the 911 System Fee Fund that was allocable to the current year.



The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, on our consideration of Kankakee County, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kankakee County, Illinois' internal control over financial reporting and compliance.

Smith, Koelling, Dykstra and Ohm, P.C.

Bourbonnais, Illinois
June 18, 2014

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kankakee County, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kankakee County's Response to Findings

Kankakee County's response to the finding identified in our audit is described as follows:

Finding 2013-001: Management will review and analyze both routine and non-routine events and transactions occurring near year-end to ensure they are accounted for in the correct accounting period.

Kankakee County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Smith, Kelling, Dykstra and Ohm, P.C.

Bourbonnais, Illinois
June 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Kankakee presents readers of the County's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended November 30, 2013 and 2012.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. This analysis will include comparative information to last year's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County of Kankakee exceeded its liabilities at the close of the most recent fiscal year by \$62 million (*net position*). Net investment in capital assets account for over 72 percent of this amount (\$45.1 million). Of the total, \$2.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of fiscal year 2013, the County of Kankakee's governmental funds reported combined ending fund balances of \$15.2 million.
- Overall revenues for governmental funds were \$55.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. This discussion and analysis is intended to serve as an introduction to the County of Kankakee's basic financial statements. The basic financial statements comprise two types of statements that present different views of the County:

- The first two statements are **government-wide financial statements** that provide both **long-term** and **short-term** information about the County's overall financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the County government, reporting the County's operations in **more detail** than the government-wide statements.
 - The **governmental funds** statements tell how **general government** services such as public safety were financed in the **short-term** as well as what remains for future spending.
 - **Proprietary fund** statements offer **short- and long-term** financial information about the activities that the government operates **like a business**, such as the Emergency Telephone System (911).
 - **Fiduciary fund** statements provide information about the financial relationships, like the drainage district funds, in which the County acts solely as a **trustee or agent** for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the information in the financial statements.

Illustration A shows how the requisite parts of this annual report are arranged and related to one another.

Illustration A
Organization of the County of Kankakee's Annual Financial Report

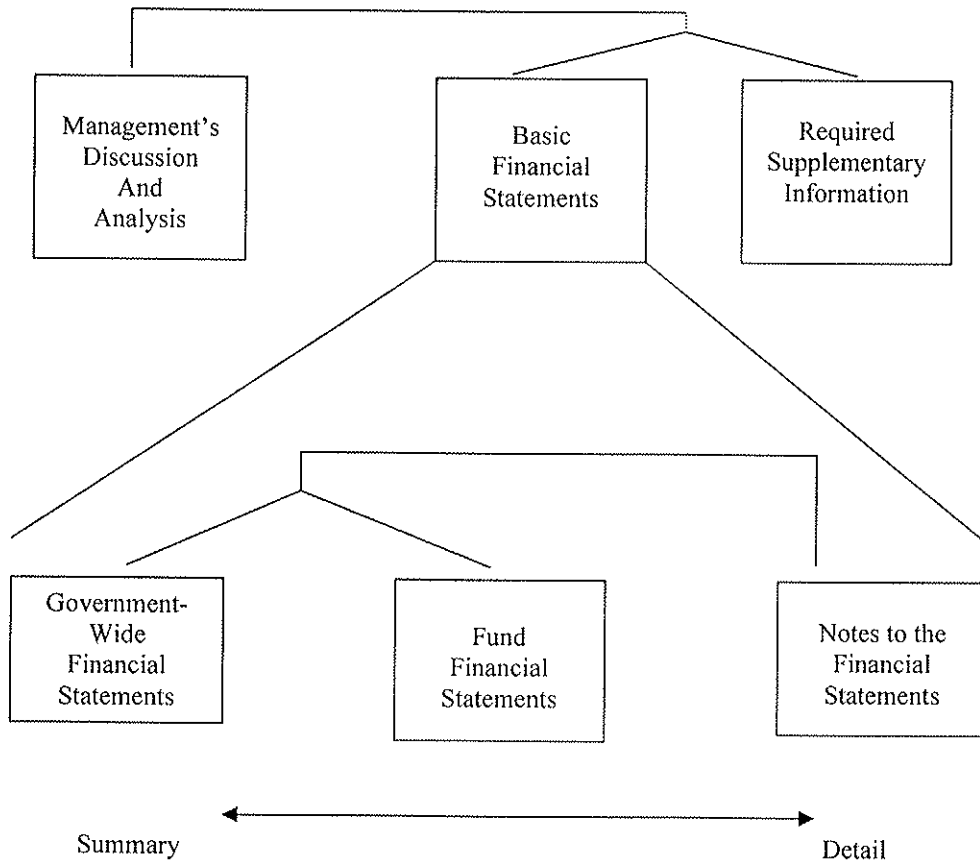


Illustration B summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Illustration B
Major Features of Kankakee County's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary, such as administrative and public safety	Activities the County operates similar to private businesses: the Emergency Telephone (911) system, and Animal Control	Instances in which the County is the trustee or agent for someone else's resources, such as the drainage district funds
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets and liabilities. The difference between the two is net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health. Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements of the County are divided into two categories:

1. **Governmental activities** – Most of the County’s basic services are included here, such as the Sheriff’s Department, State’s Attorney Office, Highway Department, Health Department, and General Administration. Property taxes, sales tax, and state and federal grants finance most of these activities.
2. **Business-type activities** – The County charges fees to customers to help cover the costs of certain services it provides. The County’s Emergency Telephone (911) System and Animal Control are included here.

Through FY 2012, the County reported the Kankakee County Public Building Commission as a discretely presented component unit. Due to GASB Statement No. 61, this is no longer discretely presented, but is now considered a blended component unit and its activity is represented in the County’s Governmental Activities.

In addition to the Kankakee County Public Building Commission, the Kankakee County Health Department, the Veterans Assistance Commission, and the Kankakee County Emergency Telephone System Board are also blended component units of the County of Kankakee. These entities’ financial statements are blended with those of the County due to a degree of control that the County has over these functions. However, each of the Public Building Commission, the Health Department, and the Emergency Telephone System Board has issued separate financial statements which are also on file at the County.

The government-wide financial statements can be found on pages 22-23 of this report.

Fund Financial Statements

Kankakee County’s fund financial statements provide more detailed information about the County’s most significant funds, as opposed to the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The County Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three categories of funds:

1. **Governmental funds:** Most of the County’s basic services are included in governmental funds, which focus on both how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement explains the relationship, or differences, between them.

Kankakee County maintains forty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Pension Fund, and County Highway Fund. These three funds are considered to be major funds. The Tort Fund is included in the General Fund for financial statement reporting purposes. Data from the other forty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Kankakee County adopts an annual appropriated budget for its major funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget. These schedules are found in the Required Supplementary Information section.

The basic governmental fund financial statements can be found on pages 24-26 of this report.

2. **Proprietary funds:** Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Kankakee County uses enterprise funds to account for its Emergency Telephone Services (911) system and for its animal control operation.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

3. **Fiduciary funds:** The County is a trustee, or fiduciary for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Kankakee County excludes these activities from the county's government-wide financial statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on page 30-31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 32-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for major governmental funds.

Required supplementary information and related notes can be found on pages 54-67 of this report.

Other supplementary information includes tort expenditures and the combining statements referred to earlier in connection with non-major governmental funds. This information is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 70-88 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* since FY 2003. The reporting model significantly changed the recording and presentation of financial data from the previous model and comparative data is provided.

Exhibit 1 is a condensed version of the statement of net position (formerly statement of net assets) for the County of Kankakee. At the close of the current fiscal year the County's net position exceeded liabilities by just over \$62 million. Net position for governmental activities decreased approximately \$1.0 million from FY 2012. This follows decreases of \$1.9 million from FY 2011, \$1.3 million from FY 2010, \$1.0 million from FY 2009 and \$5.33 million in the prior year from an all-time high of over \$72 million in FY 2008. However, for business-type activities, net position experienced a slight increase.

Exhibit 1
Condensed Statement of Net Position (In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 43,132	\$ 40,219	\$ 4,280	\$ 4,587	\$ 47,412	\$ 44,806
Capital assets	<u>64,800</u>	<u>64,449</u>	<u>2,527</u>	<u>2,420</u>	<u>67,327</u>	<u>66,869</u>
Total assets	107,933	104,668	6,806	7,007	114,739	111,675
Current and other liabilities	28,713	24,787	338	575	29,051	25,362
Long-term debt	<u>22,632</u>	<u>22,294</u>	<u>975</u>	<u>981</u>	<u>23,607</u>	<u>23,276</u>
Total liabilities	51,345	47,081	1,314	1,556	52,659	48,637
Net investment in capital assets	43,520	41,962	1,583	1,238	45,103	43,201
Restricted	13,910	14,804	254	254	14,164	15,058
Unrestricted	<u>(843)</u>	<u>820</u>	<u>3,656</u>	<u>3,960</u>	<u>2,813</u>	<u>4,780</u>
Total net position	<u>\$ 56,587</u>	<u>\$ 57,587</u>	<u>\$ 5,493</u>	<u>\$ 5,451</u>	<u>\$ 62,080</u>	<u>\$ 63,038</u>

A significant portion of the County's net position (72.7 percent) reflects investment of \$45.1 million in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$14.2 million (22.8 percent), represents resources that are subject to external restrictions on how they may be used. Of this amount, \$0.9 million of governmental activities and all of the business-type activities restricted net position is restricted for debt service. Additionally, \$0.2 million is restricted for Capital Projects related to the Integrated Justice Information Systems (IJIS) Project. The remainder is restricted for other purposes.

The remaining portion of the County's net position (4.5 percent) is located in unrestricted net position. Kankakee County's unrestricted net position of \$2.8 million may be used to meet the County's ongoing obligations to citizens and creditors. This is a decrease of \$1.9 million overall in the County's unrestricted net position from the prior year.

At the end of the current fiscal year, the County of Kankakee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate business-type activities. However, in governmental activities, the County reported a negative balance in unrestricted net position.

The following table, Exhibit 2, illustrates changes in net position resulting from changes in revenues and expenditures.

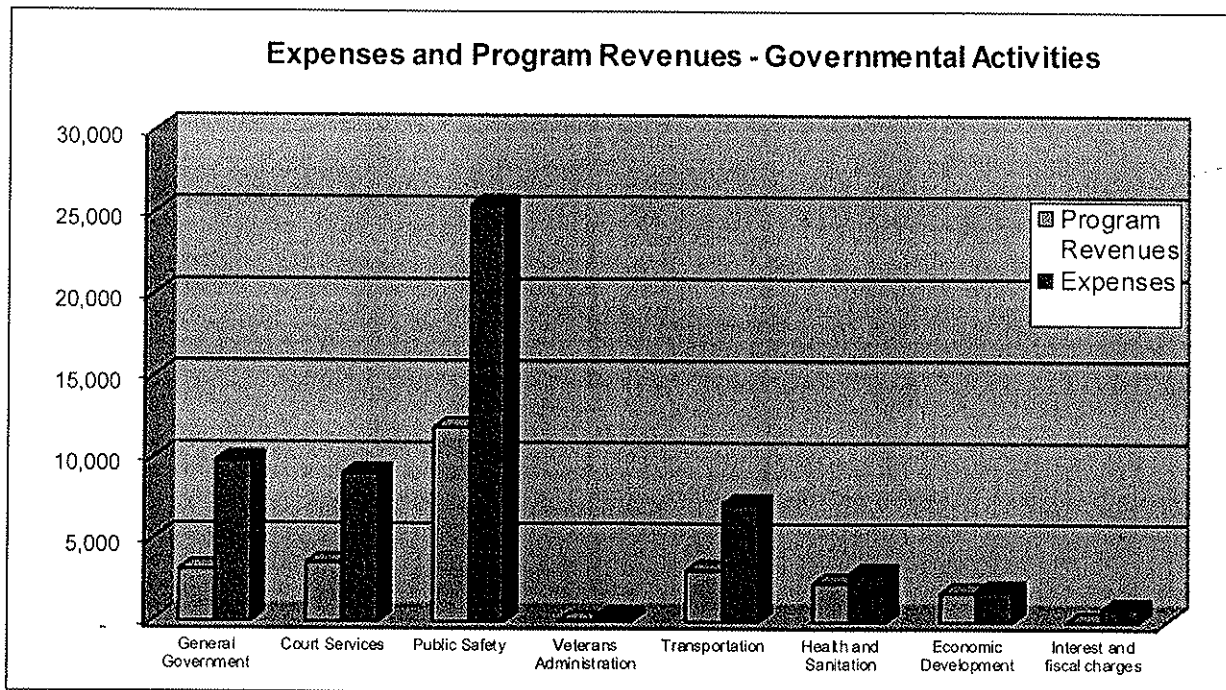
Exhibit 2
Kankakee County's Changes in Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 17,345	\$ 17,055	\$ 3,109	\$ 3,102	\$ 20,453	\$ 20,156
Operating Grants and Contributions	6,682	7,499	-	-	6,682	7,499
Capital Grants and Contributions	1,997	563	-	-	1,997	563
General Revenues						
Property Taxes	17,182	16,528	-	-	17,182	16,528
Sales Tax	7,707	7,485	-	-	7,707	7,485
State Income Tax	2,734	2,522	-	-	2,734	2,522
Replacement and Other Taxes	2,623	2,495	-	-	2,623	2,495
Other	295	242	14	8	309	250
Total Revenues	56,565	54,388	3,123	3,110	59,688	57,498
Expenses						
Governmental Activities						
General Government	9,881	9,483	-	-	9,881	9,483
Public Safety	25,534	23,087	-	-	25,534	23,087
Court Services	9,109	9,463	-	-	9,109	9,463
Transportation	7,260	7,250	-	-	7,260	7,250
Health and Sanitation	3,006	3,396	-	-	3,006	3,396
Veterans Administration	314	230	-	-	314	230
Economic Development	1,947	2,431	-	-	1,947	2,431
Interest and fiscal charges	855	1,014	-	-	855	1,014
Business-Type Activities						
Emergency Telephone Services	-	-	2,783	2,747	2,783	2,747
Animal Control	-	-	299	276	299	276
Total Expenses	57,907	56,355	3,082	3,024	60,988	59,379
Excess (Deficiency) Before Special Items	(1,342)	(1,967)	41	87	(1,301)	(1,881)
Special & Extraordinary Items	-	57	-	-	-	57
Increase (Decrease) in Net Position	(1,342)	(1,910)	41	87	(1,301)	(1,824)
Net Position - Beginning of Year	57,929	59,497	5,451	5,365	63,381	64,862
Net Position - End of Year	<u>\$ 56,587</u>	<u>\$ 57,587</u>	<u>\$ 5,493</u>	<u>\$ 5,451</u>	<u>\$ 62,080</u>	<u>\$ 63,038</u>

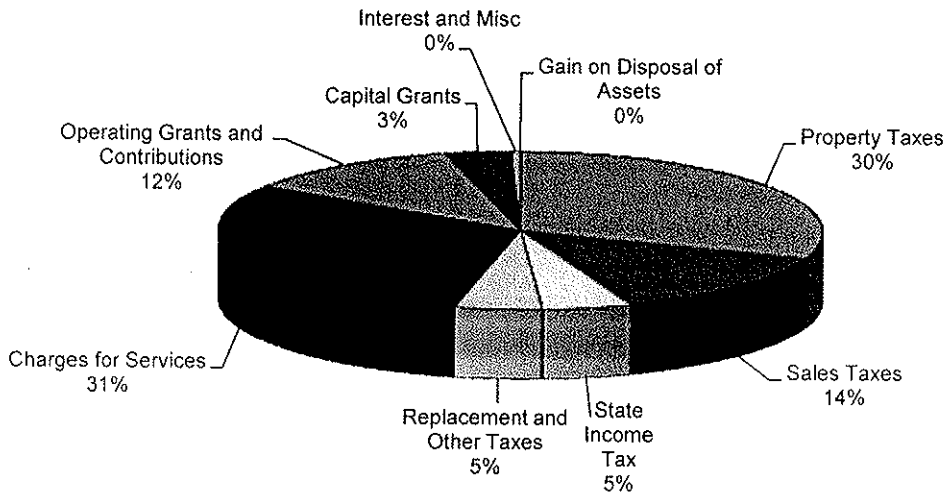
- Charges for services for governmental activities increased overall by nearly \$0.29 million (1.7 percent). There was an increase in Public Safety of \$0.24 million as a result of filled capacity in the inmate rental program, as well as an increase in General Government of \$0.2 million. This was partially offset by a decrease of \$0.16 million in charges for services for court services. This was the third consecutive year of increases in general government charges for service following four years of declines in this category.

- Operating grants for governmental activities decreased by \$0.8 million (10.9 percent) during the year. The most significant change was a decrease in Economic Development of \$0.5 million as a result of the reduced funding for the Workforce Investment Act (WIA) program. There was another significant change in Transportation, where there was a decrease of \$0.14 million in operating grants.
- Capital grants for governmental activities increased by \$1.4 million during the year. This is the result of transportation capital grants for the highway department, as well as a \$0.15 million capital grant for general government.
- Sales tax revenue had an increase of \$0.2 million (3.0 percent) from last fiscal year. This follows a \$0.4 million decrease in the prior year. The County has experienced great volatility in its sales tax revenue over the past several years. Four years ago, the County experienced a drastic decrease of \$1.8 million, followed by small increases in FY 2010 and FY 2011. Previously, sales tax experienced trends of large increases from FY 2003 to FY 2005, and mostly stagnant growth from FY 2005 to FY 2008, as evidenced in the following detail. Sales tax experienced a small increase of \$0.3 million from FY 2007 to FY 2008 preceded by a \$0.25 million decrease in the year prior. This recent stagnation is affected by the downturn in the economy as well as the slowed growth in the largely successful tax rebate program implemented in the City of Kankakee to draw more businesses to the area. While the increase from FY 2005 to FY 2006 was only \$0.52 million, sales tax had increased by \$1.2 million from FY 2004 to FY 2005 and by \$1.3 million from FY 2003 to FY 2004, giving the County a 39.5 percent increase over the two year period. From FY 2005 to FY 2008, there was a net 6.7 percent increase.
- Total expenditures on the Government-wide Statement of Activities saw an increase from the prior year of \$1.55 million, although there were varying rates of fluctuation amongst the governmental activities. The areas of significant increase were in public safety (\$2.4 million) and general government (\$0.4 million). Areas that experienced decreases from the prior year included court services (\$0.35 million), health and sanitation (\$0.39 million) and economic development (\$0.48 million).

Governmental Activities



Revenues by Source - Governmental Activities



Governmental activities decreased the County's net position by \$1.3 million. In the prior fiscal year, net position decreased by \$1.9 million. A revenue increase of \$2.2 million was not enough to offset an expenditure increase of nearly \$1.6 million. State income tax has experienced a steady increase for the third consecutive year (\$0.2 million) after continuous decline in previous years, while property taxes continued its trend back up as well. After a decline in the previous year, replacement tax increased by \$0.1 million.

The preceding charts illustrate the County's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the County, followed by general government, court services, and transportation. Public safety comprises 44.1 percent of total governmental activities, up from 29 percent nine years ago. General government had a slight increase to 17.1 percent of total governmental activities, while economic development decreased further to 3.4 percent due to the decreased funding. General revenues such as the property, sales, state income, replacement, motor fuel, and other taxes are not shown by function because they are used to support County-wide program activities. Over one-quarter, 30 cents of every dollar, of the County's revenue for governmental funds comes from property taxes (no change from previous year), and 54 cents of every dollar raised comes from some type of tax. This level has been maintained from the previous year. While this has been largely stagnant in recent years, the revenue from taxes has decreased from 60 cents eight years ago and 63 cents nine years ago. More specifically, the percentage of property taxes funding governmental activities has decreased from 32 percent in FY 2003 to just under 30 percent in FY 2013.