

PEORIA COUNTY, ILLINOIS

MONTHLY FINANCIAL REPORT

November 2011



Revenue information current as of: November 8, 2011

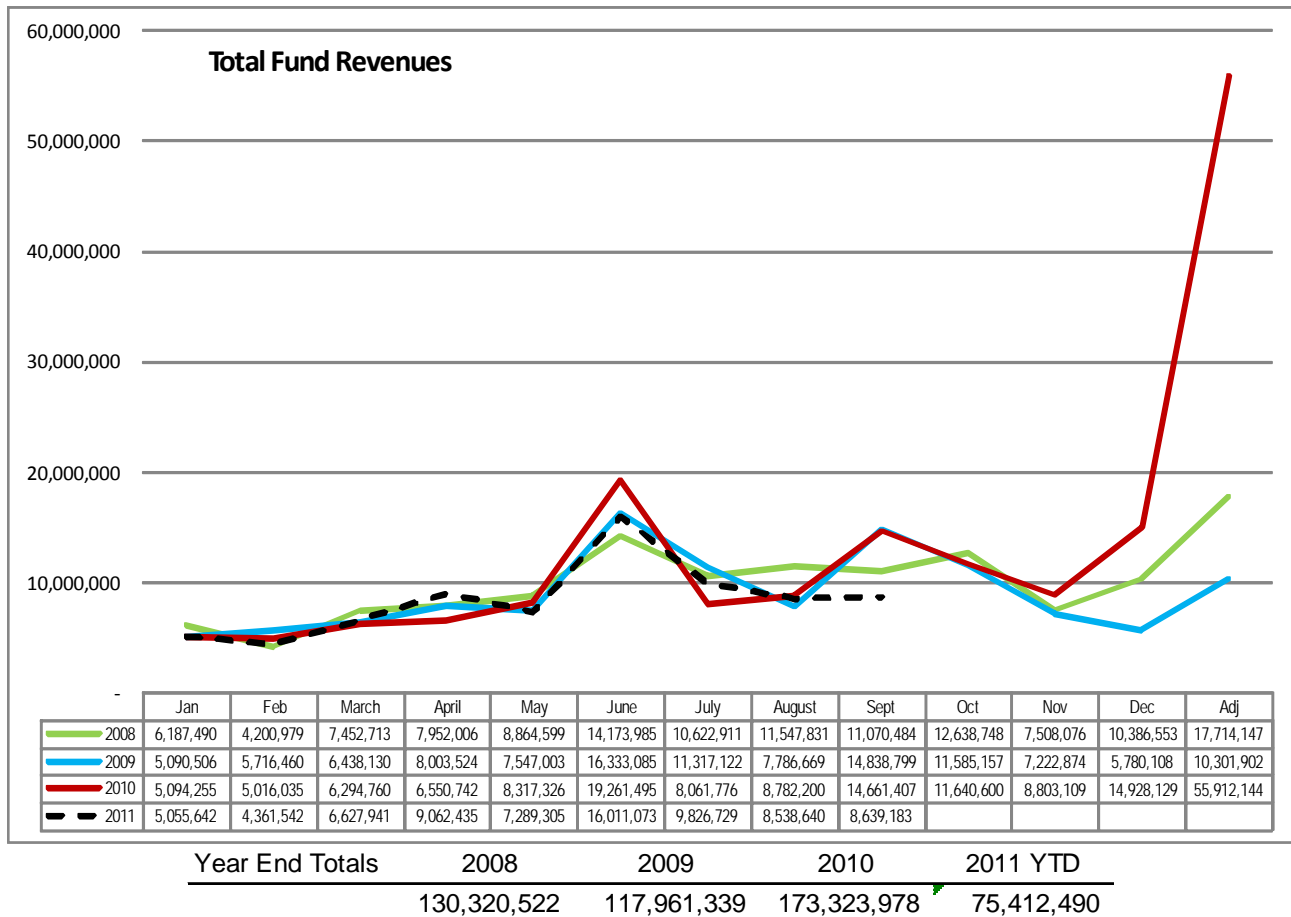
(early than normal report issued due to earlier monthly committee meetings)

*Year-to-date revenues, expenditures and cash flow as of: September 30, 2011**

** Due to the early committee week, for the purposes of this report September 2011 are "closed" except for the property tax allocation and various intergovernmental revenues (grants & reimbursements).*

Overall Fund Revenues

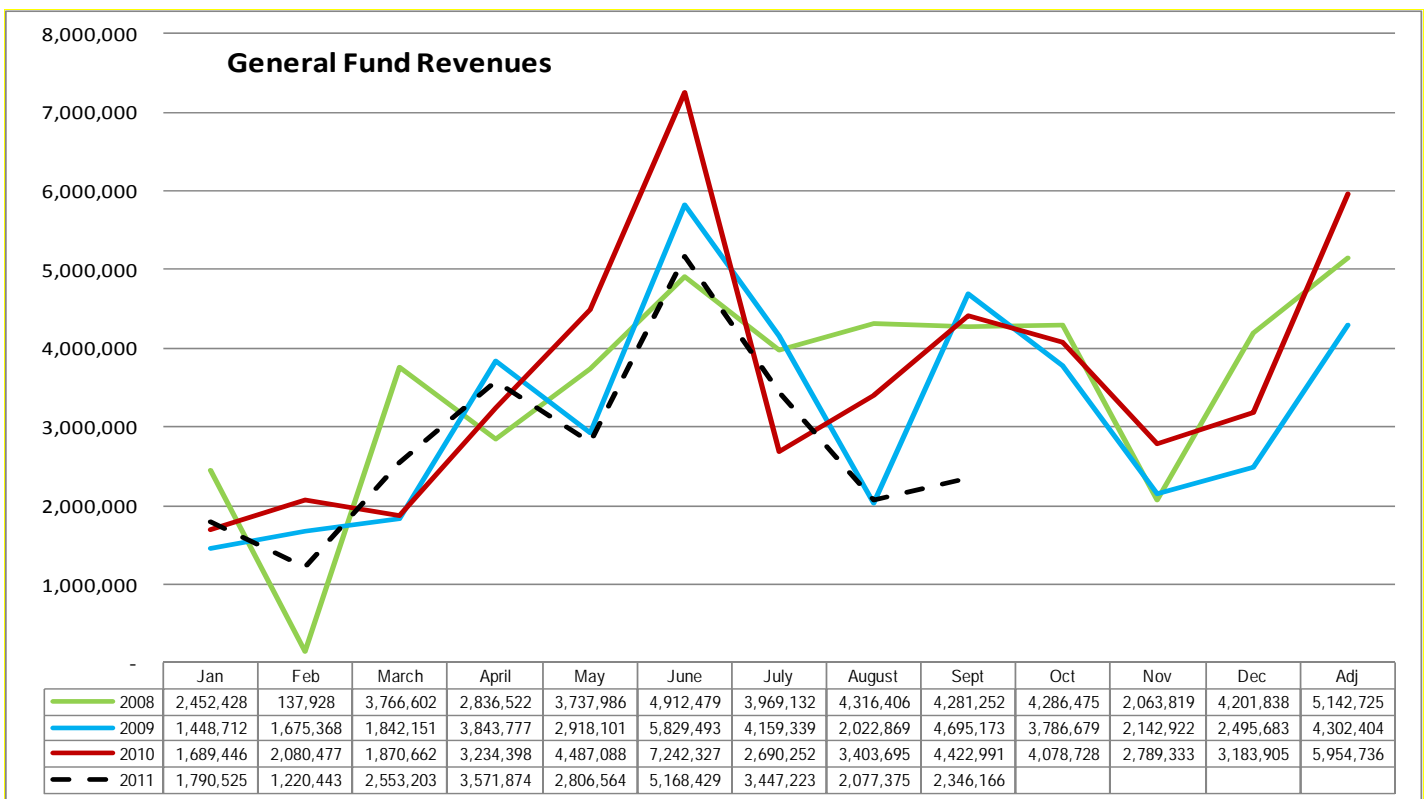
FY 2011 total fund revenues are down 8.1% (\$6,627,504) when compared to FY 2010 levels. As stated on the cover page, property taxes and some grant revenues have not been booked for September 2011 at the time of this report. Property taxes are down \$8,190,942 (36.1%), non sales tax based intergovernmental revenues are down \$1,202,236 (23.4%) and state reimbursements are down \$470,610 (26.4%) for this reason. Charges for services are also down \$2,053,666 (6.7%) and interest income is down \$351,915 (81.5%) but these are not due to timing issues. All other revenues are up. Most of these items are discussed in greater detail in this report. Significant increases include: CPPRT (\$236,502; 9.3%), MFT (\$514,192; 21.3%); public facilities tax (\$167,264; 6.9%) public safety tax (\$167,264; 6.9%), licenses and permits (\$335,928; 29.1%). Other increases in revenue are not at material levels. Other financing sources account for a \$2,343,844 increase and transfers in account for \$1,203,439, but these are not true revenue streams.



Total fund revenues will vary each year and revenues are not always collected in the same exact time frame each year. These revenue figures must be analyzed in conjunction with total fund expenditures and total fund cash flow in order to get a clearer picture of the situation. Capital projects will skew the outlook on revenues for total funds. Other financing sources via debt issuance will show up as revenue in our financial software. This will lead to spikes in various months (particularly December 2010 and September / October 2011).

General Fund Revenues

FY 2011 general fund revenues are down 19.7% (\$6,139,534) in comparison to FY 2010 levels as of September 2011. **However, this does NOT include property tax revenues and some grant revenues since they have not been posted at this time.** These yet to be booked revenues (estimated to be several hundred thousand dollars) make up part of the difference from FY 2010. The more significant impacts on year to date revenue include public facilities and public safety sales tax. 58.5% of the decrease (\$3,591,141) is directly attributed to public facilities sales tax. These revenues were booked to the general fund as of September 2010, but had been moved into the capital projects funds for FY 2011. In FY 2011, some of the funding related to the public safety sales tax (\$1,177,721 year to date) and supplementary sales tax (\$428,254 year to date) was diverted away from the general fund to debt payments and capital projects funds.



Year End Totals	2008	2009	2010	2011 YTD
	46,105,592	41,162,671	47,128,038	24,981,802

The General fund is the main operating fund within Peoria County. General fund revenues will vary each year and revenues are not collected in the same exact time frame each year. General fund expenditures and general fund cash flow need to be included in the analysis when discussing general fund revenues in order to paint a clearer picture of the situation. Also, it must be noted that any transfers in, changes in accounting policies and changes in the way revenues are booked will influence the level of revenues in a given month during the fiscal year. However, trends should hold fairly consistent each year and this gives some idea as to the County's cash flow for a certain period of time.

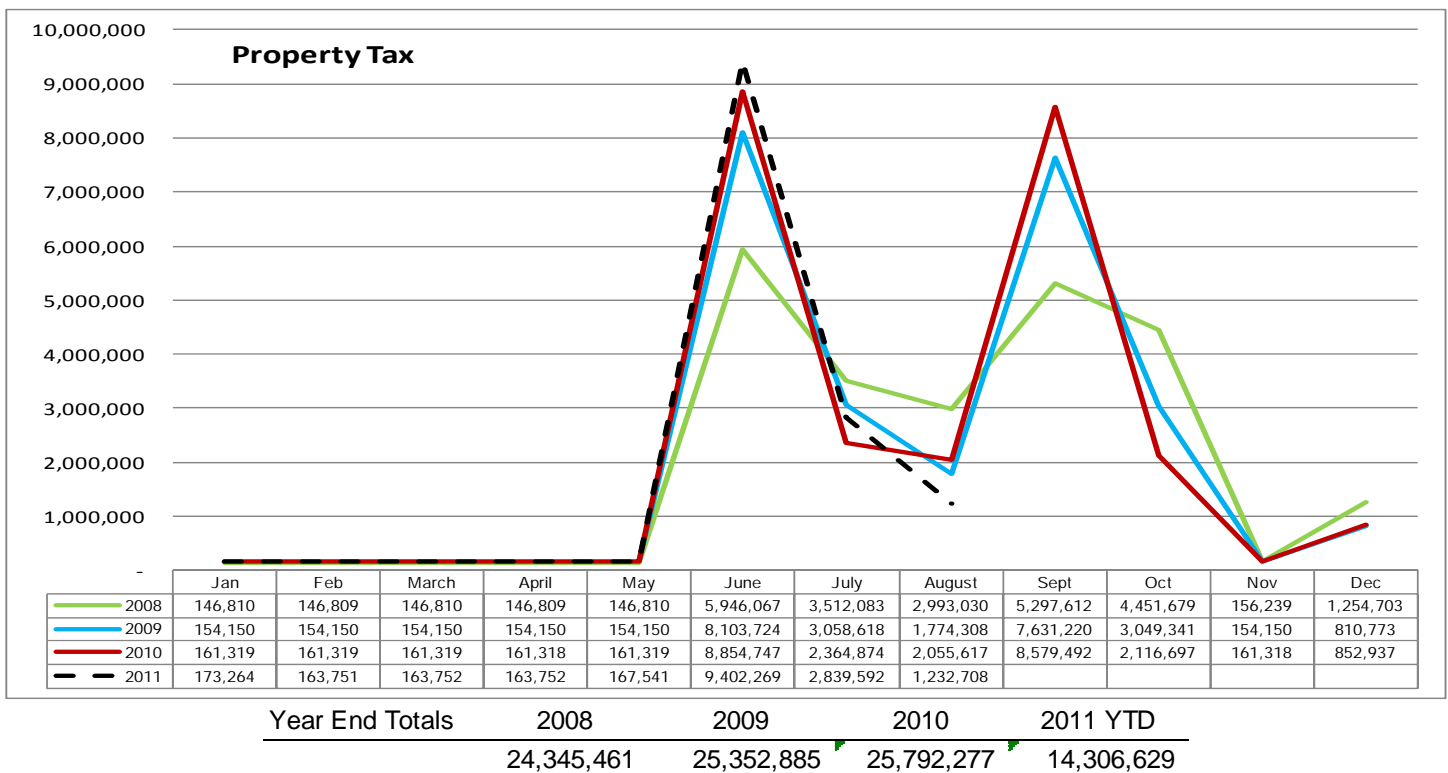
Property Taxes

The Peoria County Board has provided consistent direction to County staff over the years to keep the property tax rate constant. Generally, growth in the assessed valuation increases the County's property tax receipts without having to raise the property tax rates.

FY 2011 revenues stem from the 2010 tax levy. Property taxes are the most predictable source of tax revenue at the County's disposal. The revenue stream can be accurately predicted at the time of the levy through the combination of the tax rate, estimated equalized assessed value and anticipated growth within that tax base.

Property tax collections spike in connection with tax bill payments due in June and September of each year. *Property tax revenue is up roughly 1.6% as of August 2011, as estimated in 2010 due to increase valuations. Another spike will occur for September / October 2011 collections. Property tax revenues have **not** been booked yet for September 2011.*

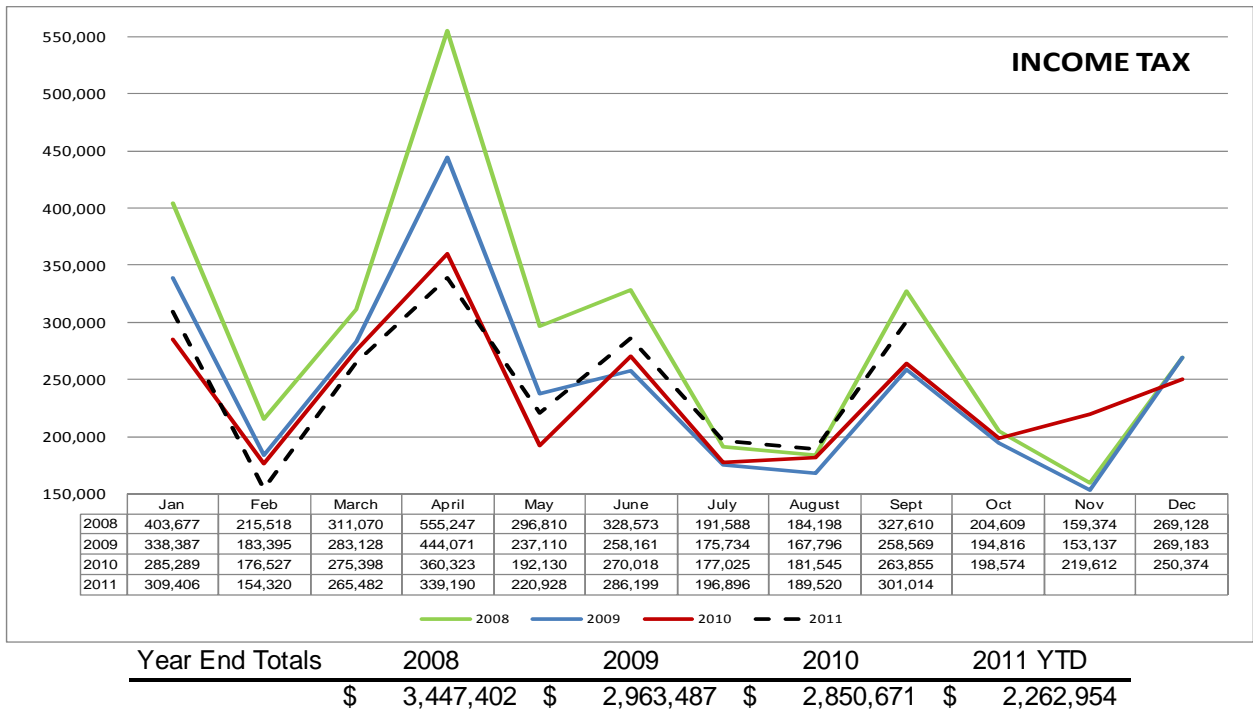
In 2011, the equalized assessed valuation is anticipated to decrease up to 1.5% and the Supervisor of Assessments estimates that future values will likely be flat. *This loss of up to 1.5% of EAV, when combined with an inflation rate which has increased 3.9% in the last twelve months per the Bureau of Labor Statistics (as of September 2011, prior to seasonal adjustments), means an even more significant negative impact on Peoria County.*



Peoria County levies a property tax on all property within the County, including that within municipalities, for services provided throughout the County. These taxes are then deposited into various governmental and proprietary funds, according to the statutory limits of those funds. For example, the maximum tax rate in the General Fund is 25.00¢ per \$100 of assessed valuation, while the maximum rate in the County Highway fund is 10.00¢. Other jurisdictions within the County have the ability to levy property taxes, including library districts, school districts, and municipalities. Property taxes revenues are based on the assessed valuation of real and personal property. Exemptions are available for certain senior citizens, as well as government bodies in certain cases. Once a property is assessed, the Board of Review may adjust certain valuations.

Income Tax

Income Tax revenues have a delayed response to the economy. Reductions in income taxes appear a few months into an economic recession. Reductions in income tax revenue took place from 2001-2003, yearly growth took place from 2004-2008 and another set of reductions began in 2009-2010. 2011 income tax revenue depends on not only the economy, but the impact that the changes in tax rate may have on local governments. A description of the tax rates can be found below. *As of the September 2011, income tax revenues are 3.7% higher than this time last year (up from 2.3% as of August 2011).* This is due to a 14.1% in growth for the period of September 2011 over September 2010. This is a good sign, but may be due to temporary / seasonal employment growth during 2011. It should be noted that the local government distributive fund (LGDF) has been a previous target in state budget cuts and that any material cuts to this revenue stream would be detrimental to the County.



The Illinois Income Tax is imposed on every individual, corporation, trust, and estate earning or receiving income in Illinois. The tax is calculated by multiplying net income by a flat rate. Effective January 1, 2011, the current rate is 5% of net income on individuals and 7% on corporations. The local government distributive fund (LGDF), where Peoria County receives income tax revenue, is based on 6% on revenue from individuals and 6.86% on revenue from corporations. Prior to January 1, 2011, the tax rates were 3% on individuals, 4.8% on corporations and 10% of the proceeds went into the LGDF.

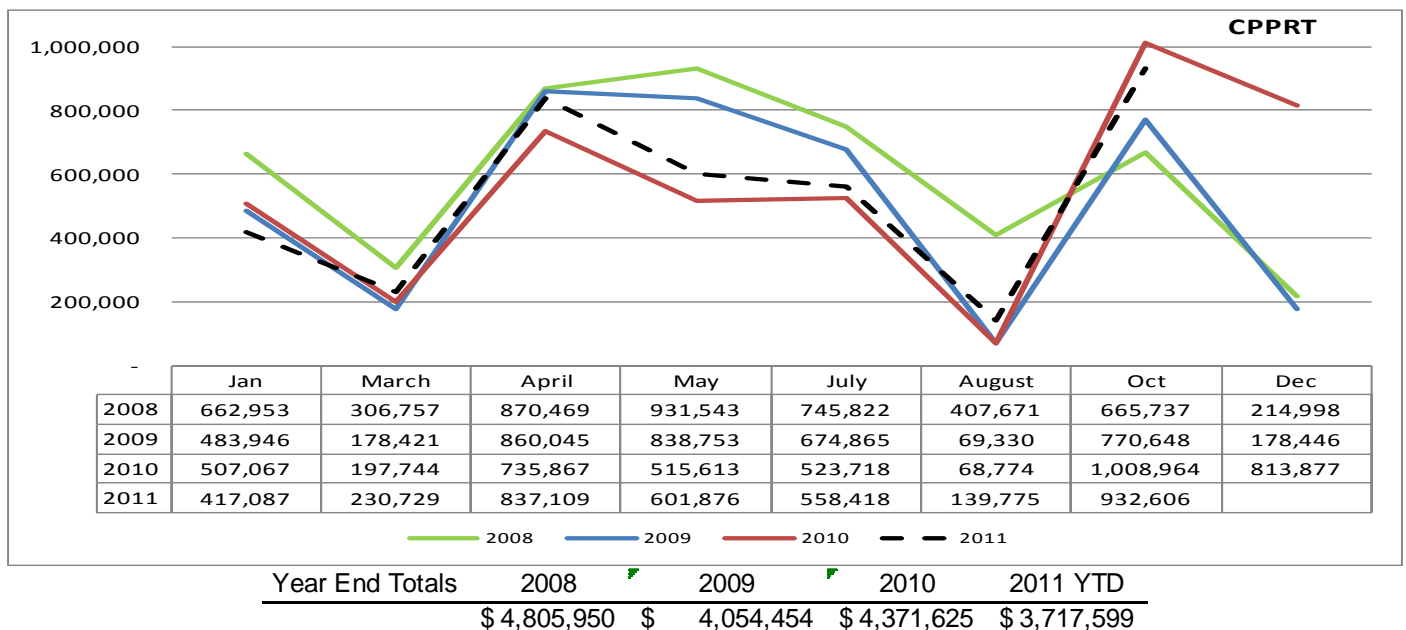
Corporate Personal Property Replacement Tax

Corporate personal property replacement tax (CPPRT) has been a topic of debate for much of FY 2011. In addition to the recovery from a sluggish economy, some factors have made reductions in the CPPRT revenue a reality.

First, taxpayers were able to avoid penalties if they paid back income and sales taxes for periods in which they were liable and failed to pay previously. The amnesty period was October 1, 2010 through November 8, 2010 and liabilities due for the period July 1, 2002 through June 30, 2009 were eligible for amnesty. This amnesty led to a spike in CPPRT revenues in 2010, which will not be seen in the following years.

Secondly, the State has had a growing backlog of income tax refunds to both individuals and corporations. The largest impact when those refunds are eventually paid will be a dramatic reduction in CPPRT revenue of as much as \$300 million in the pool.

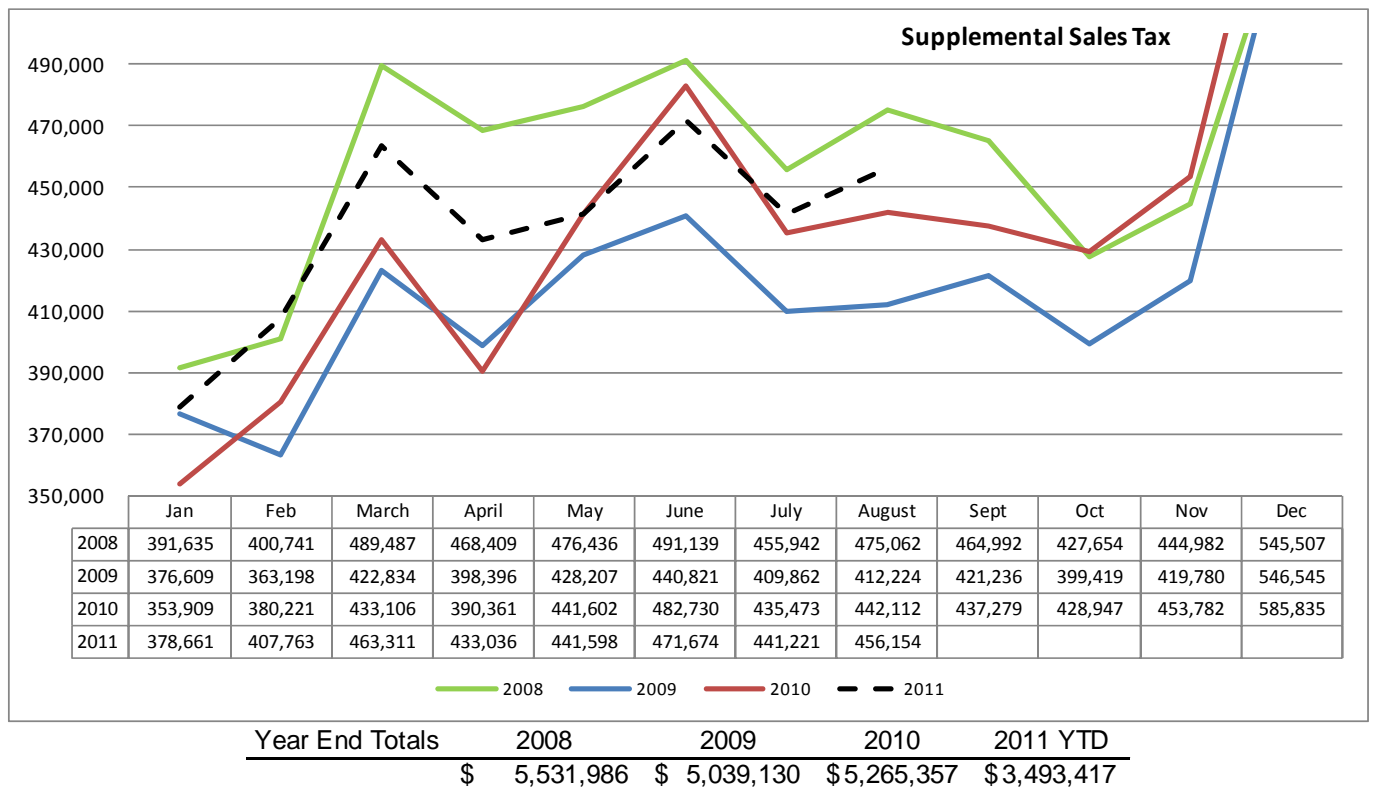
Thus far in FY 2011, the CPPRT has not shown the indications of the decline discussed in the previous paragraphs. The numbers are actually stronger than in FY 2010. As of October 2011 there is a 4.5% growth over the same time frame in FY 2010. However, the December 2010 revenues figures will not be repeated due to the lack of a tax amnesty this year. In addition, CPPRT payments are made as a percentage of a shared pool which will be shrinking in the near future. This will be done when additional individual and corporate income tax refunds are processed. There is also a possibility of shrinking the pool even further due to the talks of salary disbursements to the Regional Office of Education coming out of this pool.



Replacement taxes are revenues collected by the state of Illinois and paid to local governments to replace money that was lost by local governments when their powers to impose personal property taxes on corporations, partnerships, and other business entities were taken away. These taxes resulted when the new Illinois Constitution directed the legislature to abolish business personal property taxes and replace the revenue lost by local government units and school districts. In 1979, a law was enacted to provide for statewide taxes to replace the monies lost to local governments. Corporations pay a 2.5 percent tax on income; partnerships, trusts, and S corporations pay a 1.5 percent tax on income; public utilities pay a 0.8 percent tax on invested capital. The State of Illinois collects the whole sum received. 51.65% goes to Cook County, while 48.35% does to "downstate" counties. The downstate portion multiplied by the rate allocated to Peoria County (currently 0.6644568) is divided by 100 in order to derive the amount due to the County. This payment is made 8 times a year: Jul, Aug, Oct, Dec, Jan, Mar, Apr and May.

Supplemental Sales Tax

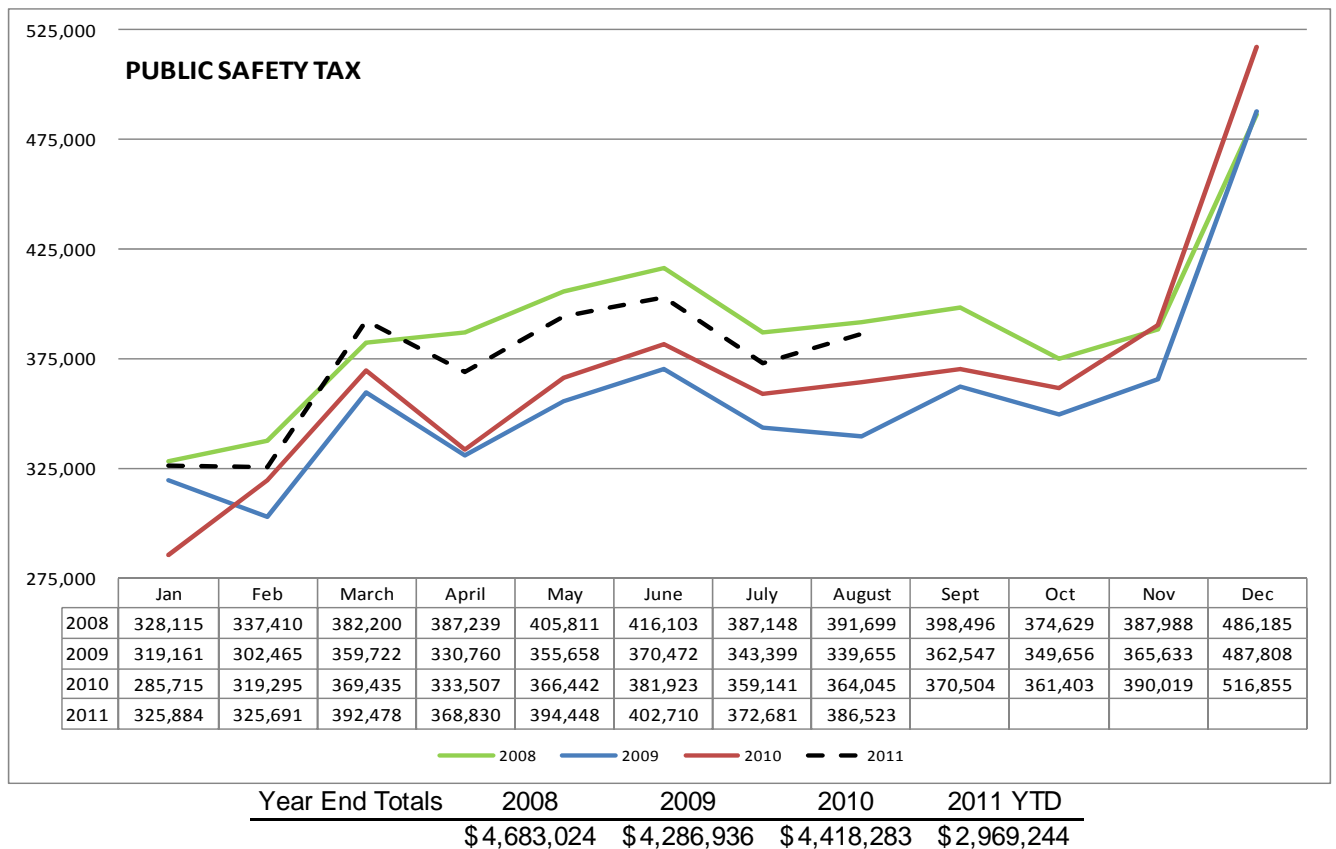
Supplemental sales taxes reflect general merchandise sales across Peoria County. While these taxes are not applicable to groceries and pharmaceuticals, they are applicable to licensed and titled goods such as automobiles. The first four months of 2011 saw sizable growth over the year to date figures in 2009 and 2010. This growth seems to have leveled off as of May 2011, more data is needed to determine if this is a weakening in the local economy or if June 2010 was an anomaly in terms of sales tax revenue. *Year to date figures (through August 2011) are still up 4.0% when compared to FY 2010 levels. This is expected to hold heading for the remainder of the year.* The key to ultimate year end supplemental sales tax revenues is the strength of holiday spending.



The Supplemental Sales Tax, also known as the Countywide Sales Tax is a 0.25% tax on goods purchase throughout Peoria County. These revenues are administered and distributed by the State of Illinois Department of Revenue. There is generally a lag of a few months in this revenue stream from the date of purchase, to the time it is reported, collected and ultimately distributed back to the jurisdiction where the sale was conducted.

Public Safety Sales Tax

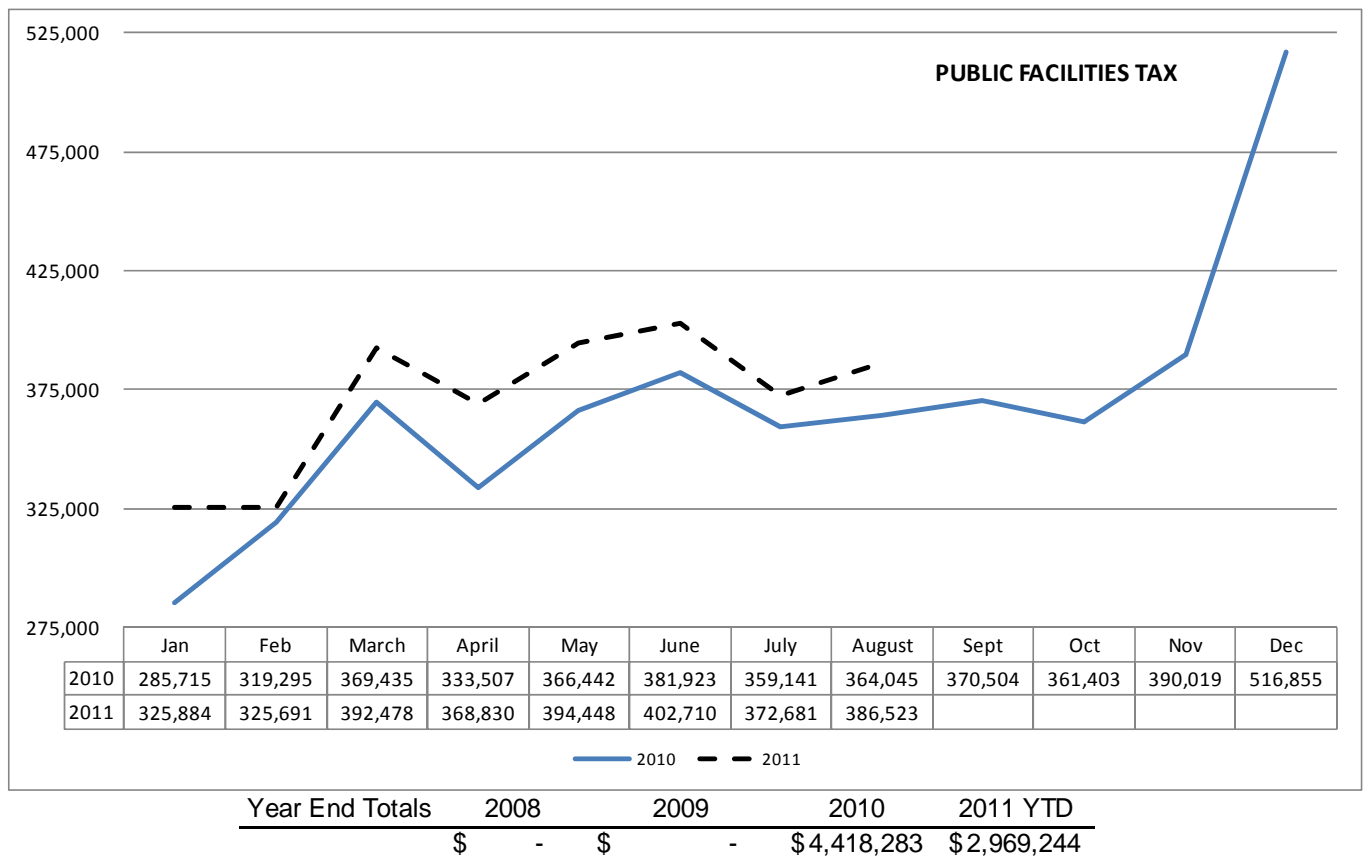
The public safety sales tax is a 0.25% tax on applicable goods purchased within Peoria County. Licensed and titled goods are exempt from this tax, so this revenue stream coincides with the sale of general merchandise. This sales tax has been recovering since the recession in 2008 first hit. Unlike other tax streams such as income or property tax, sales tax is very elastic with the current local economy. Luckily, things have been improving steadily from that point in late 2008. As of August 2011, year to date figures indicate FY 2011 revenues growing by 6.8% over FY 2010 levels. This is higher than the supplemental sales tax growth rate of 4.0%, most likely due to the purchase of essential merchandise throughout the County as opposed to luxury items or high end purchases.



In November 1996, Peoria County voters passed a Public Safety Sales Tax of 0.25% on all tangible personal property sold for retail in the County. Illinois state statute grants permission for counties to impose this tax in 0.25% increments. The tax was originally instituted to help cover the cost of the jail expansion, the construction of a new juvenile detention center, and an outdoor warning system for areas of the county outside of Peoria City's warning system. Once these expenses were covered, the County could use the remaining tax revenue on public safety related expenditures. Public safety expenditures in Peoria County are limited to the Sheriff, Emergency Management Agency, Coroner, and Juvenile Detention.

Public Facilities Sales Tax

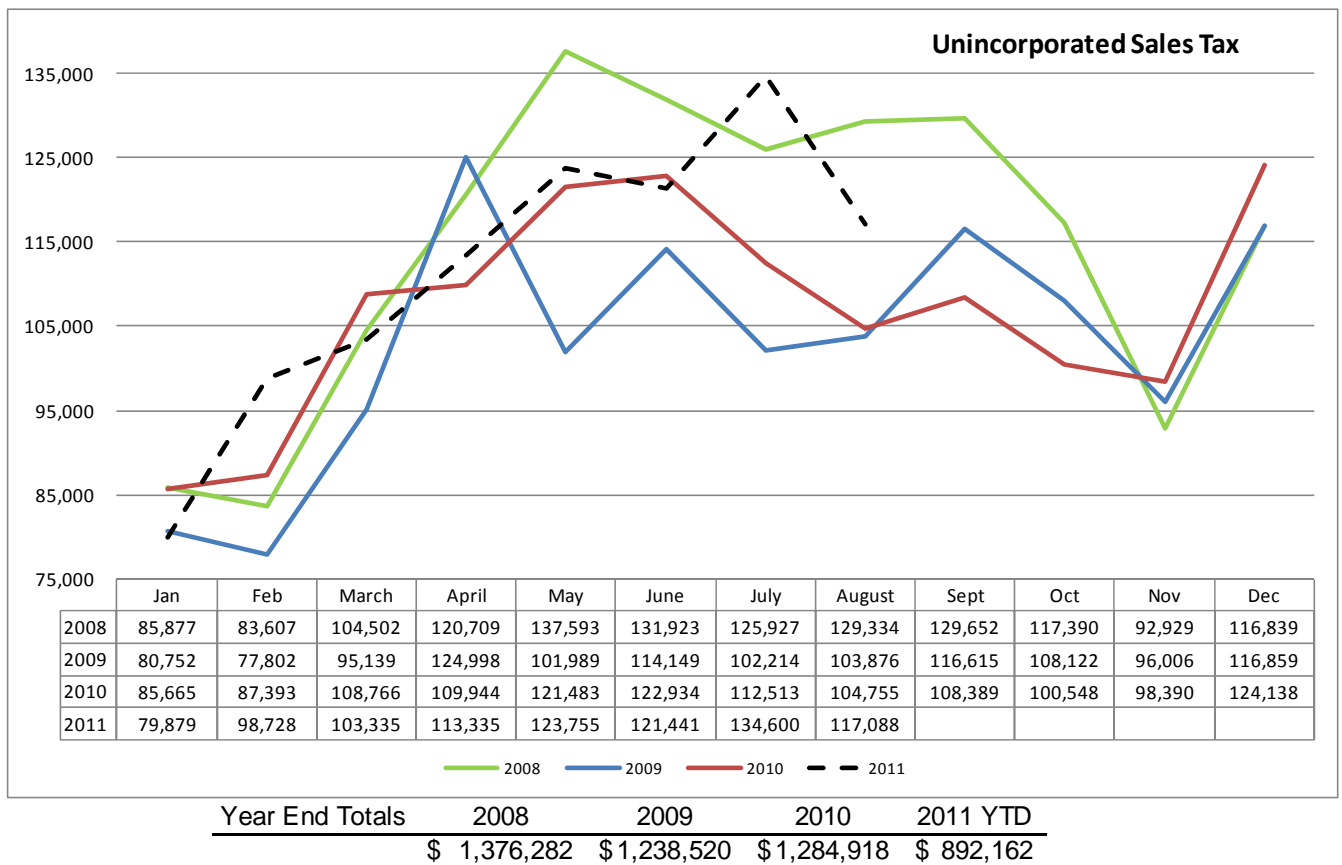
The public facilities sales tax is a 0.25% tax on applicable goods purchased within Peoria County. Licensed and titled goods are exempt from this tax, so this revenue stream coincides with the sale of general merchandise. While this tax stream is relatively new, first collected on January 1, 2010, it is at the same rate and applicable on the same goods as the public safety sales tax which can provide a further historical perspective on collections. Unlike other tax streams such as income or property tax, sales tax is very elastic with the current local economy. *As of August 2011, year to date figures for show FY 2011 revenues growing by 6.8% over FY 2010 levels. This is higher than the supplemental sales tax growth rate of 4.0%, most likely due to the purchase of essential merchandise throughout the County as opposed to luxury items or high end purchases.*



In April 2009, Peoria County voters approved through a referendum a 1/4¢ Public Facilities Sales Tax in Peoria County as a funding mechanism to build the Peoria Riverfront Museum. The bulk of the revenue generated by this sales tax will be used to pay the debt service on the bonds issued to fund construction of the museum. Any revenues in excess of the debt service are available to fund other capital projects at Peoria County or could possibly be granted to other local governments for their capital projects in an effort to lessen their borrowing requirements.

Unincorporated Sales Tax

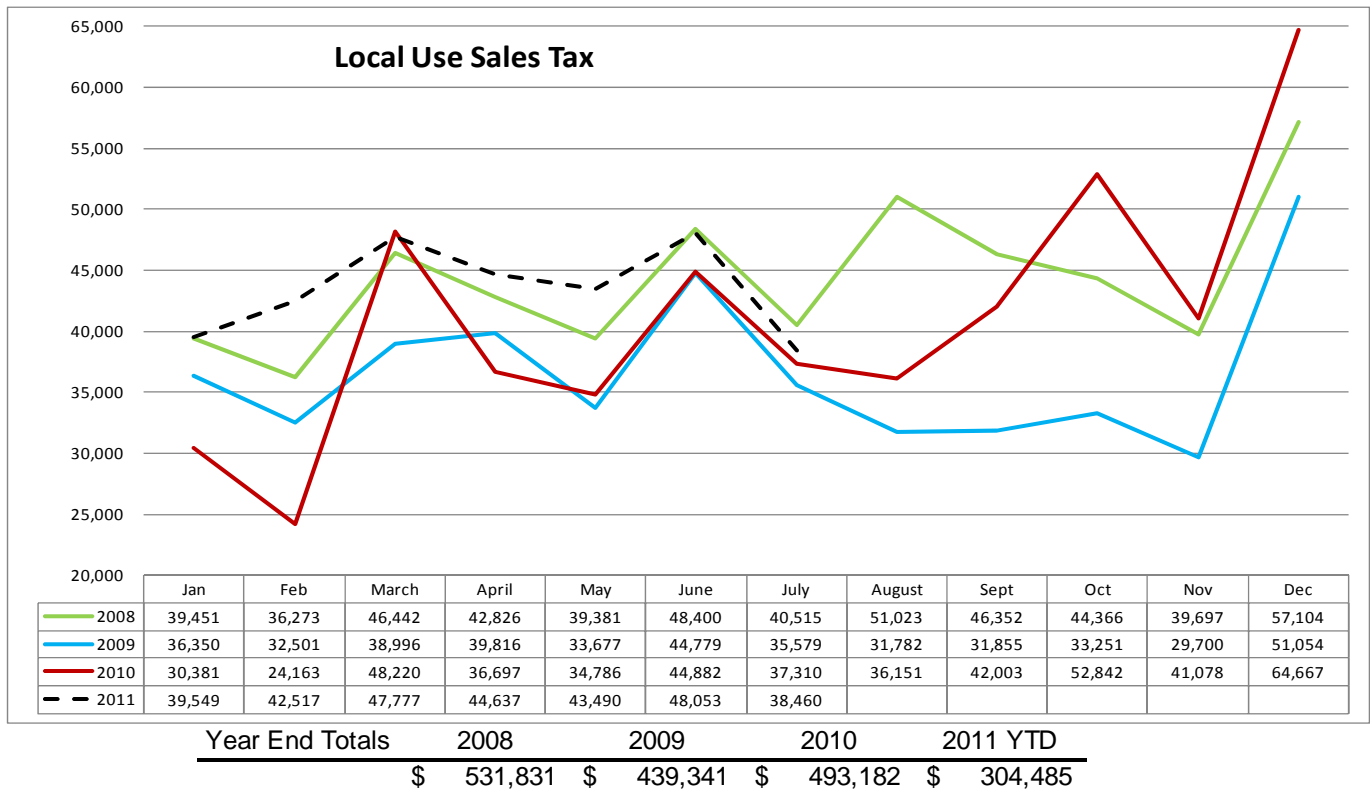
Unincorporated sales tax is collected at a rate of 1% on goods purchased in unincorporated areas of Peoria County. This sales tax revenue is similar to all other sales taxes in the economy in that it has been on the rebound since late 2008 when the economy was hit by recession. Slow growth has occurred annually and this trend continues in 2011. *As of August 2011, unincorporated sales taxes are higher than FY 2010 levels by 4.5%. This growth has been the smallest percentage increase of all the major sales tax revenues collected on Peoria County. This sales tax source has been behind budgeted projections all year, but the last two months have been strong and now the negative budget variance is only at (\$3,740). Trends related to this sales tax source seems do not seem to correlate well with the other County sales taxes.*



The Unincorporated Sales Tax, also known as the County Sales Tax is a 1.0% tax on goods purchase throughout Peoria County. These revenues are administered and distributed by the State of Illinois Department of Revenue. There is generally a lag of a few months in this revenue stream from the date of purchase, to the time it is reported, collected and ultimately distributed back to the jurisdiction where the sale was conducted.

Local Use Sales Tax

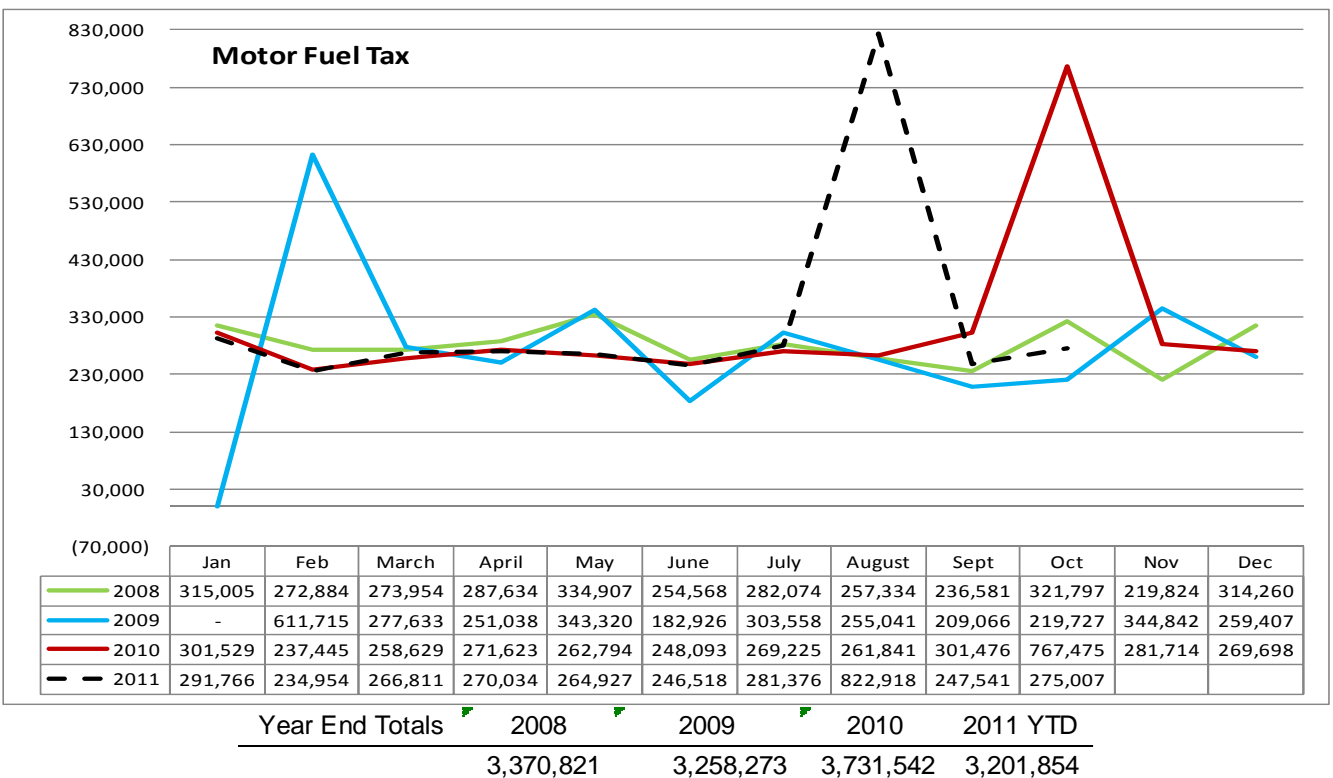
The local sales use tax has been growing steadily since the late 2008 when the first effects of the recent recession took place. This growth rate is significantly larger in relation to the County's other sales taxes. As of July 2011, revenues for FY 2011 are 18.7% higher than those of FY 2010. However, the growth rate over previous fiscal years seems to be slowing down in comparison to the first half of the year. Local use sales tax is most often associated with online purchases. However, it may not be the actual growth of online sales that is causing the increase in this revenue, rather the increased collection of sales taxes through online retailers. The State of Illinois is one of many states trying to collect what is owed in online transactions either from the businesses or individuals. Increased collection rates through better compliance can be attributed to a large portion of this increase, although the exact amount is undeterminable.



The use tax is a tax imposed on the privilege of using, in Illinois, any item of tangible personal property that is purchased anywhere at retail. This can occur when out-of-state vendors make retail sales to Illinois businesses or consumers, Illinois consumers purchase tangible personal property at retail from out-of-state, unregistered retailers for use in Illinois without paying tax to the retailer or when Illinois businesses withdraw tangible personal property from their sales inventories for their own use. In this instance, at the time the item was purchased, the business did not pay tax to the vendor because it purchased the item for resale purposes. The use tax rate is 6.25 percent on purchases of general merchandise including automobiles and other items that must be titled or registered. The use tax rate is 1 percent on purchases of qualifying food, drugs, and medical appliances. Twenty percent of the collections for general merchandise and 100 percent of the collections on qualifying food, drugs, and medical appliances is returned to local governments.

Motor Fuel Taxes

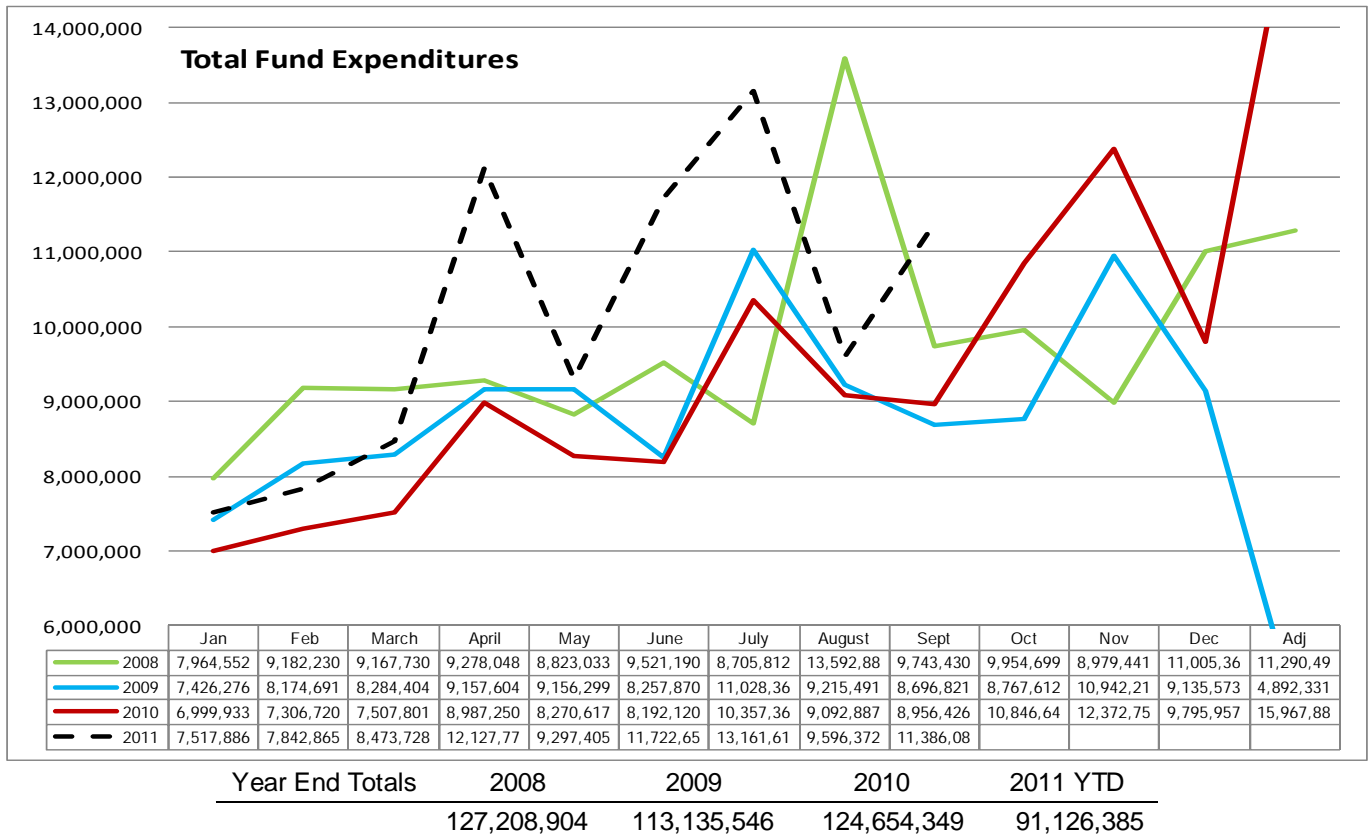
Motor fuel tax (MFT) revenue is an important source of funding for building and maintaining County and Township roads. A very small increase in MFT allotment revenue has been seen so far in 2011, and this is expected to continue as long as gas prices remain relatively steady. Distributions are not as consistent with motor fuel taxes as with other revenue sources (such as sales taxes which are attributed to a specific month when a transaction took place). Often times there are "catch up months," which was the case in October 2010 and August 2011. These items are anomalies when making comparison between fiscal years. However, the same bottom line can be analyzed at the fiscal year end. *FY 2011's MFT allotment through October is 0.7% higher than this time in FY 2010. This is down from 21.6% as of September 2011. This decrease is due to the timing of the spike in MFT revenues. Last year the spike took place in October (now included in the comparison), but this year the spike took place in August. The skewed data was noted in last month's financial report.* Motor fuel tax revenue is tied to a flat rate, so the price of fuel has no direct bearing on this revenue source. However, price levels influence fuel consumption levels, which are directly linked to the level of motor fuel tax revenue received by the County.



Since October 1, 1977, Illinois has imposed a motor fuel use tax on fuel used by interstate commercial motor vehicles. Revenues collected from this tax help, in part, to build and maintain roads and highways. Peoria County receives an allotment for both County and Township roads, which are accounted for in separate funds. However, for the purposes of this analysis the two amounts have been combined. Currently, \$0.19/gallon of gasoline and \$0.215 / gallon of diesel purchased goes into the State MFT fund which is later distributed to Peoria County.

Total Fund Expenditures

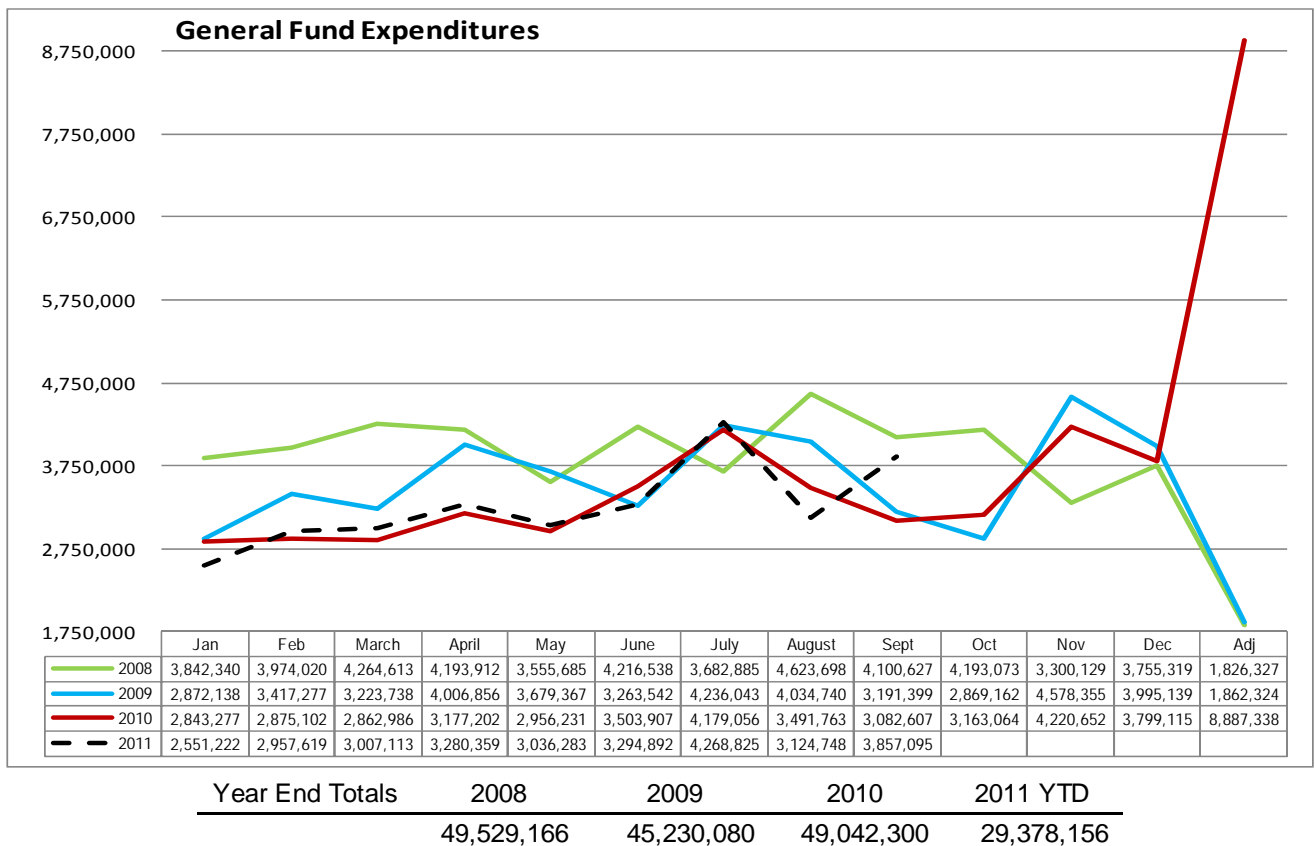
FY 2011 expenditures for all funds is 20.4% (\$15,455,270) over FY 2010 levels as of September 2011. Capital outlay expenditures (mostly the Peoria Riverfront Museum Project, but additionally costs related to the Criminal Justice Information System upgrade and the Elder Care Facility) have increased \$11,865,898 (386.2%) in FY 2010. This is 76.8% of the increase in spending levels. Fund transfers account for a \$1,203,439 increase (118.0%), which don't reflect as true expenditure and will be adjusted will looking the the County's cash flow. Personnel expenditures increased \$1,204,591 (2.7%) over FY 2010 levels. Debt service increased \$937,150 (132.5%) due to the four bond issues that took place in 2010. Commodities are up \$757,469 (11.0%), Depreciation (a balance sheet expense) is up \$25,573 (6.9%) and "other expenditures" are up \$17,775 (Wilhelm Bridge discount of \$17,775). Contractual expenditures are down \$556,624 (2.8%) when compared to September 2010.



Total fund expenditures will vary each year and revenues are not collected in the same exact time frame annually. Total fund revenues and total fund cash flow need to be added in the analysis when discussing total fund expenditures. Material spending on capital projects will skew the outlook on total fund expenditures. Transfers that took place between the general fund and capital projects fund will skew the numbers up slightly. The consistency in the booking of bond proceeds is a difficulty in a conducting a multi year comparison. At this point the proceeds are going into the correct capital projects fund. Adjustments were made for both of these situations in FY 2010 (leading to a spike at the fiscal year end). Additionally, the spending down of bond proceeds for several bond issues including the Peoria Riverfront Museum, Elder Care Facility and other projects will lead to increased levels of expenditures in coming years.

General Fund Expenditures

FY 2011 general fund expenditures are running comparable to FY 2010 expenditures as of August 2011. FY 2011 expenditures are \$406,025 higher (1.4%) than expenditures as of August 2010. This is to be expected due to increases in personnel costs. Last month the numbers were down slightly (-1.4%), but this can be attributed to the fact that the payment for the election commission took place one month earlier in FY 2010. This timing issue attributed to greater expenditures through August for FY 2010 when compared to FY 2011. It should be noted that July expenditures are higher in FY 2009-2011 than in FY 2008 due to three pay periods taking place during the month, while FY 2008 had three pay periods take place in August. Three pay periods are slated for December 2012 (similar to FY 2011, while FY 2008 and 2009 had three pay periods in February and January respectively).

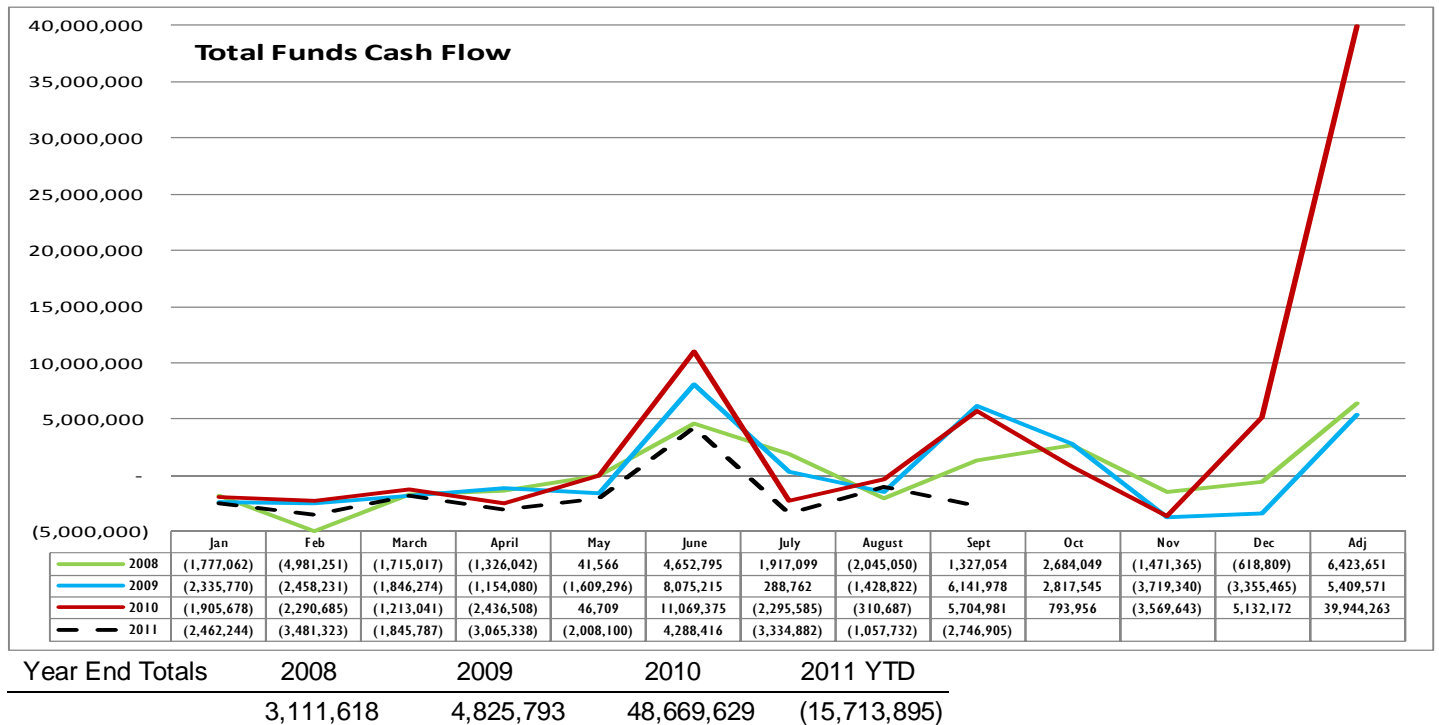


The general fund is the main operating fund within Peoria County. General fund expenditures will vary each year and the same expenditures do not place in the same exact time frame each year. These figures must be analyzed in conjunction with general fund revenues and general fund cash flow to gain a better appreciation of the information. It must be noted that any transfers out, changes in where expenditures occur (i.e. - capital project expenditures paid out of a capital line item in the General Fund vs. capital project expenditures paid out of a capital project fund) will influence the level of expenditures in a given year. However, trends should be fairly consistent each year and this gives some idea as to spending levels in the County in a given month. One anomaly was the adjustment period at the end of FY 2010. A transfer of funds relating to capital projects had taken place resulting in a \$8,887,338 adjustment at fiscal year end.

Total Fund Cash Flow

FY 2011 cash flow for all funds is down \$22,082,776 as of September 2011. However, this number is deceiving! The lack of booked revenues (property taxes, grants and state reimbursements) result in a \$9,863,788 drop from FY 2011 to FY 2012. Overall, the revenues drop \$6,627,504. The actual number is higher and is not reflected at the time of this report. Expenditures are up \$15,455,270 over FY 2010 levels. However, capital outlay accounts for \$11,865,898 of this amount. It is normal to have a negative cash flow of this size since these projects are funded by the sale of bonds that took place in FY 2010 and they are currently drawing off of the balances. The positive cash flow of \$48,669,629 in FY 2010 allows this current cash burn to take place. This large influx of revenue (other financing source) was attributed to the issuance of debt relating to the Riverfront Museum, Criminal Justice Software and the Guaranteed Energy Savings projects. The issuance of \$44,000,000 collectively in debt related to the Elder Care Facility and Wilhelm Bridge will also lead to a spike in cash flow in September / October 2011. Total cash flow is expected to be negative for the next few years due to the use of these funds for each bond's specified projects.

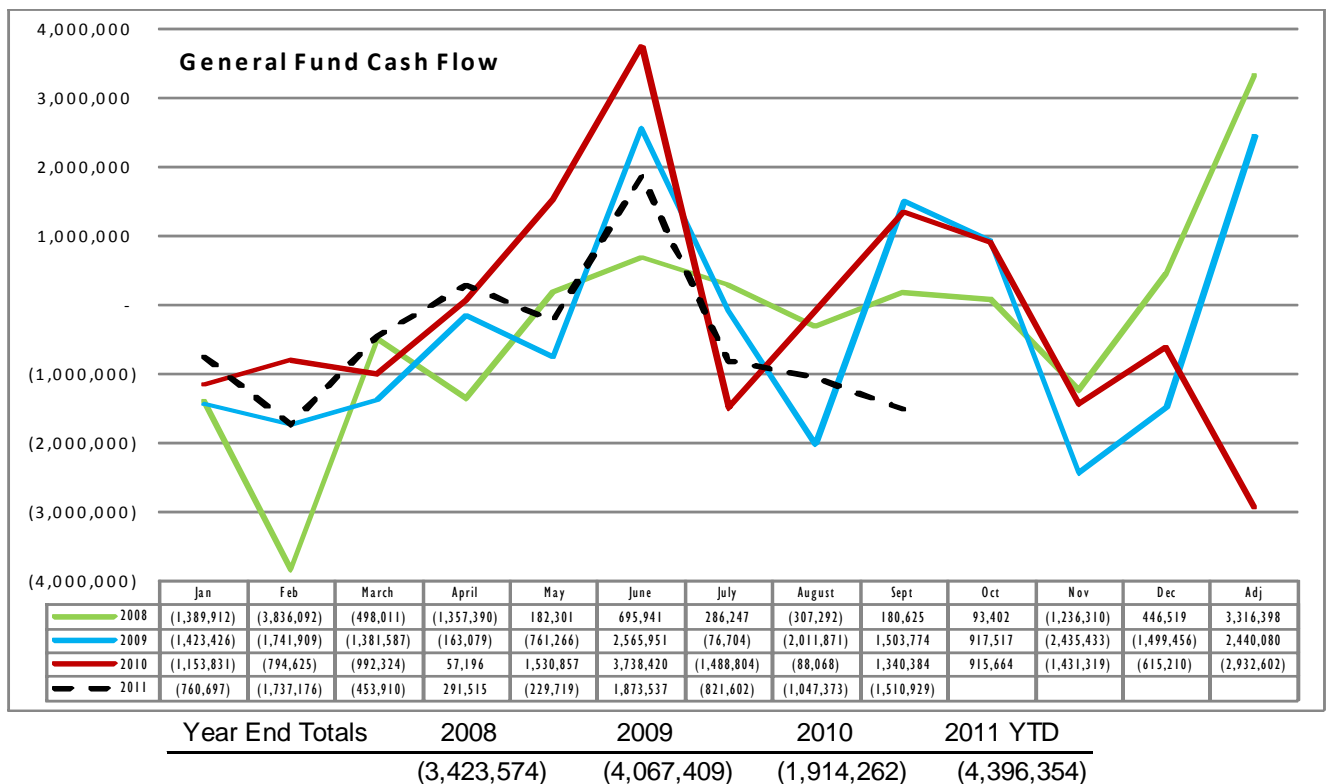
If the intentional draw down of fund balance for expenditures is removed from the equation and all revenues are accounted after posting the appropriate journal entries, the cash flow should be slightly negative or near zero. Cash flow for all funds is normally down at this point in the year. FY 2008 had a negative cash flow of \$5,232,962 and FY 2009 had a negative cash flow of \$2,468,496 as of August in each year. FY 2010 was up \$663,900, but this year was the exception rather than the norm. It should be noted that previous years there were intentional draws of fund balance to pay for various capital projects.



Total fund cash flow will vary each year. Total fund revenues and total fund expenditures need to be added in the analysis when discussing total fund cash flow. Capital projects will impact the outlook on total funds. Other financing sources from the issuance of debt, spending down these proceeds over subsequent years and transfers / adjustments related to capital projects that took place in previous fiscal years can distort the information in this analysis. However, it is still important to know the "big picture" in terms of the County's overall use of funding (including proceeds from previous bond issues). This chart is able to give a snapshot of this information.

General Fund Cash Flow

FY 2011 general fund cash flow as of September 2011 is down \$6,545,559. However, property taxes and some grant revenues have not yet been booked to September 2011. Cash flow seems to be following the normal trends and when the proper adjustments are made to September, this should be reflected in the chart / table below. At this time (prior to the aforementioned journal entries) in FY 2008 cash flow was down by \$6,043,583 and in FY 2009 by \$3,490,117. FY 2010 cash flow was up \$2,149,205 as September 2010. However, it should be noted that the norm is for a large adjustment at the fiscal year end. In FYs 2008 and 2009, general fund assets were increased in the amount of \$3,316,398 and \$2,440,080 respectively. In FY 2010, general fund assets were decreased by \$2,932,602. It is anticipated that a similar increasing adjustment will take place at the end of FY 2011.



The general fund is the main operating fund within Peoria County. Cash flow will vary each year and the same variance does not occur in exactly the same month each year. General fund revenues and general fund expenditures need to be added in the analysis when discussing general fund cash flow. It must be noted that any transfers in / out, changes in accounting policies, changes when revenues are booked or where expenditures occur (i.e. - capital project expenditures spent out of a capital line item in the General Fund vs. capital project expenditures spent out of a capital projects fund) will influence the level of revenues or expenditures in a given month during the fiscal year. However, trends should hold pretty consistent each year and this gives some idea as to the County's cash flow over a certain period of time.