

# PEORIA COUNTY, ILLINOIS

## MONTHLY FINANCIAL REPORT

January 2012



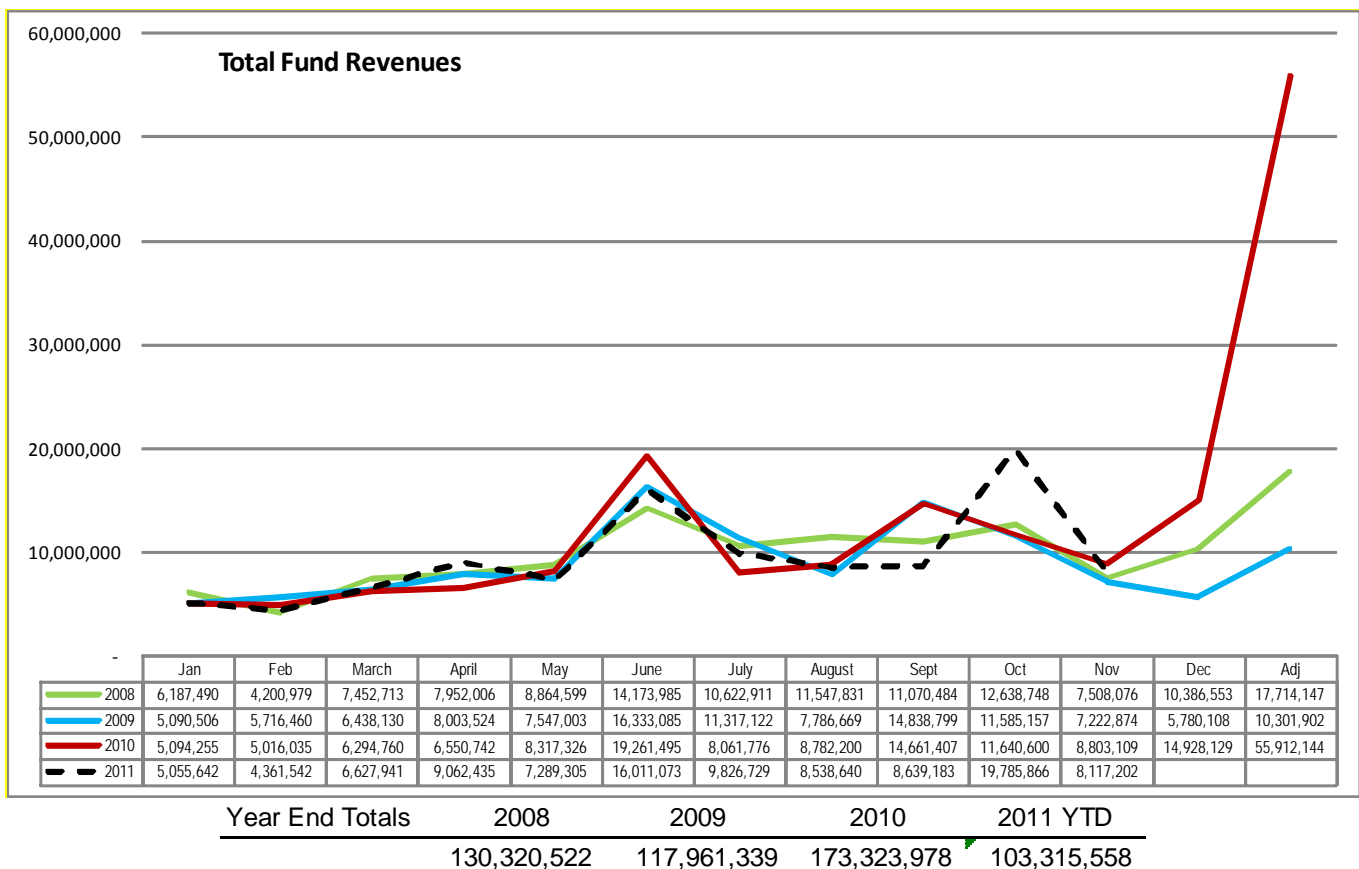
*Revenue information current as of: January 18, 2012*

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

## Overall Fund Revenues

FY 2011 total fund revenues are up 0.8% (\$831,852) when compared to FY 2010 levels.

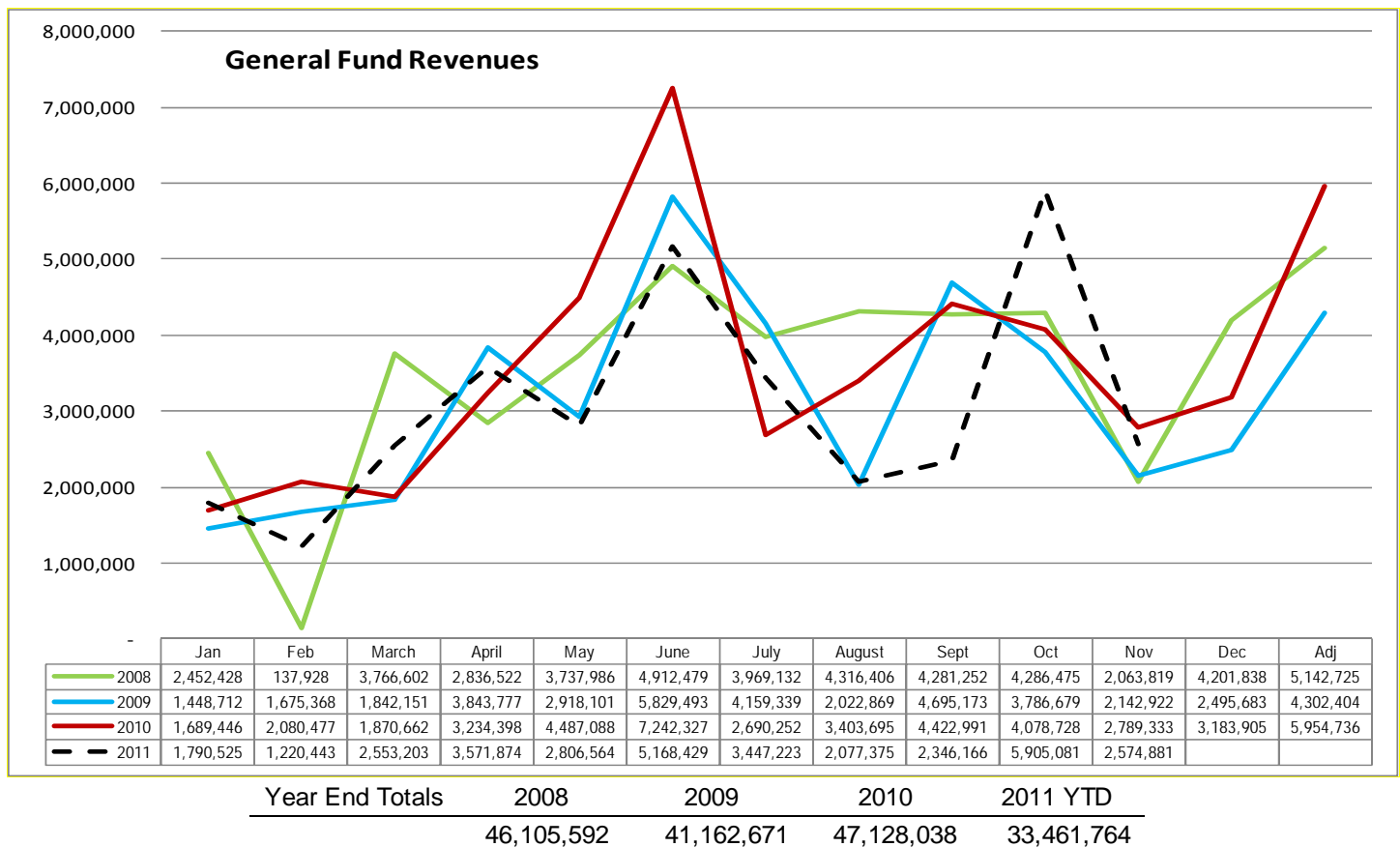
Some of the revenues that have seen significant growth when comparing November of FY 2011 to FY 2010 include: property taxes at \$358,818 (1.4%); licenses and permits at \$273,025 (18.7%) and unincorporated sales tax at \$352,025 (36.6%). Licenses and permits are up mostly due to rabies registration revenue. Areas where revenue has fallen include: Federal Grants at -\$432,723 (-41.9%); state shared revenues at -\$744,493 (-15.3%); state reimbursements at -\$234,443 (-9.8%); charges for services at -\$5,905,066 (-14.3%) and interest income at -\$461,247 (-81.2%). The number of State and Federal grants is down and so are the amounts and in some cases the payments are delayed. These intergovernmental revenues are an area to watch in relation to the County's cash flow. The close to \$6 million drop in charges for services concerned staff, further investigation shows that fee charges have dropped only \$122,956. The following are the major contributors to this decrease: Bel-Wood payments (public aid and patient private pay) - \$1,404,478; construction cost reimbursement -\$2,046,434; seal coating fees -\$1,553,042; sale of maintenance supplies -\$1,125,111; Federal detention fees -\$161,095; fleet maintenance fees -\$160,417. Transfers in at \$3,567,541 and other financing sources at \$2,774,631 impact revenues, but these are not actual cash revenues rather financing mechanisms. They should not be viewed as typical revenue sources.



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 11.9% (\$4,527,633) in comparison to FY 2010 levels as of November 2011. The most significant impacts on year to date revenue include public facilities and public safety sales tax. 98.9% of the decrease is related to sales taxes, much of which is the removal of the previously mentioned taxes to separate "earmarked" funds. The monies were still received, but appear in other funds (although they did appear in the General Fund ledger in November 2010, skewing the FY 2010 totals. Property taxes are down slightly at \$545,532 (7.9% less than FY 2010). Tax collections are still taking place and this number should become positive by the close of the year. Other areas experiencing shortfalls include: state revenue (down \$280,619; 28.5%); detention charges (down \$161,095; 27.3%); and charges for services (down \$162,106; 5.7%). In terms of positive news: licenses and permits, federal grants, animal protection charges, fees and charges, revenue stamps and miscellaneous revenue combine for nearly \$1.3 million in new monies over FY 2010 totals.



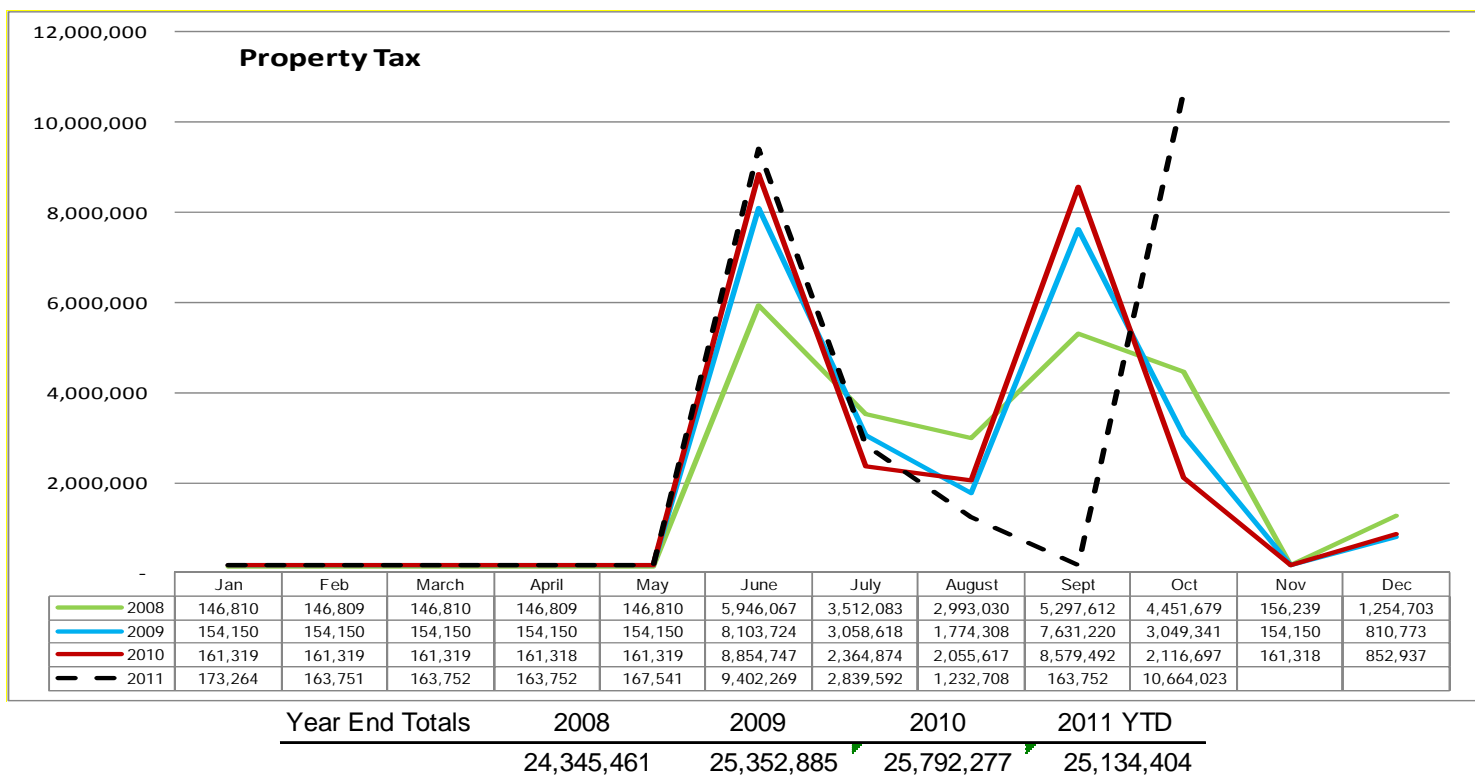
The General fund is the main operating fund within Peoria County. General fund revenues will vary each year and revenues are not collected in the same exact time frame each year. General fund expenditures and general fund cash flow need to be included in the analysis when discussing general fund revenues 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.

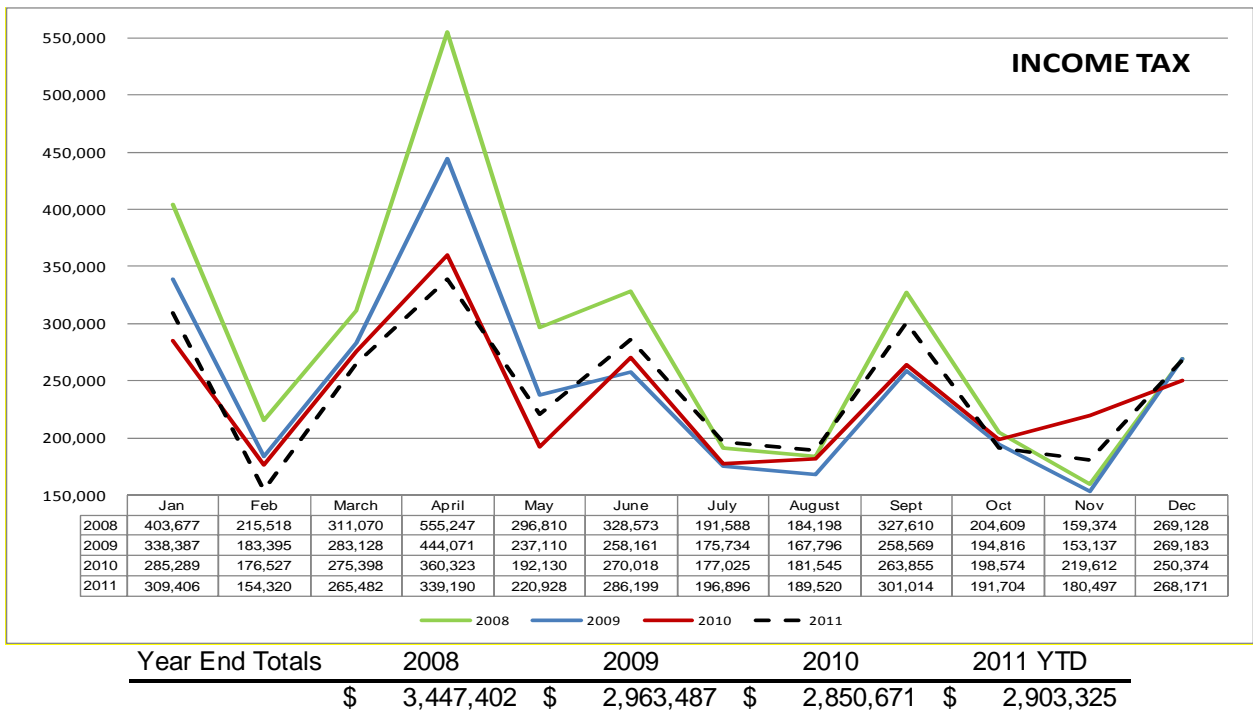
Property tax collections spike in connection with tax bill payments due in June and September of each year. *Property tax revenue is up roughly 1.4% as of October 2011, as estimated in 2010 due to increase valuations. The second 2011 installment payment can be seen in the form of the \$10,664,023 figure shown below in October 2011. This spike is part of the delayed impact from September 2011 which saw totals that were abnormally low from historic values. Early indications show that November will have higher than historic numbers as well. The trends show that the property taxes will be slightly higher than last year's totals, but this is expected due to the nature of the previous year's tax levy and estimated collections.*



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. *The total amount of income tax received by Peoria County in FY 2011 is \$2.9 million. This is 1.8% higher or \$52,654 more than the County received in FY 2010. November and December 2011 collections came in as anticipated with the County ending the year slightly above expectations. This is good news considering that this revenue source is directly impacted by the economy, employment levels and income levels. The effects of the State's higher tax rate and lower disbursement rate were a concern for the County, but the change in the tax rate has not shown an impact on the County's tax revenues per the revenue received in FY 2011.*



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% of the net revenue from individuals and 6.86% of the net 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.

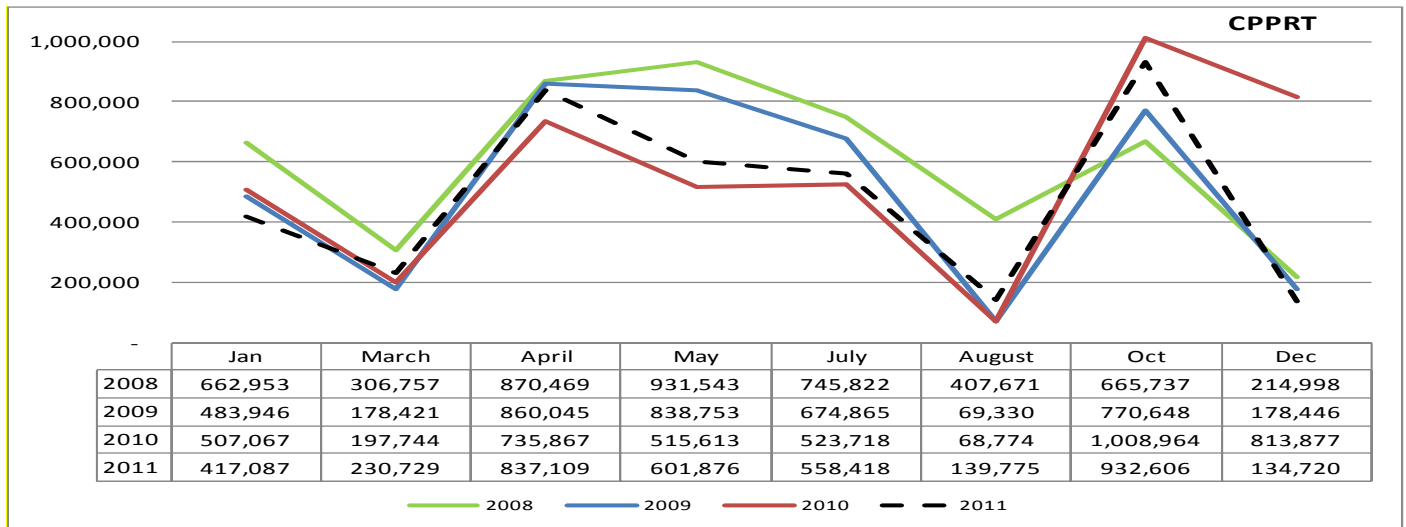
## Corporate Personal Property Replacement Tax

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.

*CPPRT numbers had been up all of FY 2011 until the December payment. This is due to the lack of a tax amnesty monies received in December 2010. This led to artificially high number in 2010 when compared to the traditional December CPPRT tax payment. The CPPRT forecasts from earlier in the Fiscal Year have been correct. The County's CPPRT revenue in FY 2011 has dropped 11.9% or \$519,306 from FY 2010 levels (again due mostly to inflated numbers in the previous year).*

The County must still deal with the continued payment of income tax refunds. Once those refunds are repaid in full and assuming that the monies are not diverted elsewhere, the CPPRT monies can once again become a more stable (and predictable) source of revenue for the County.

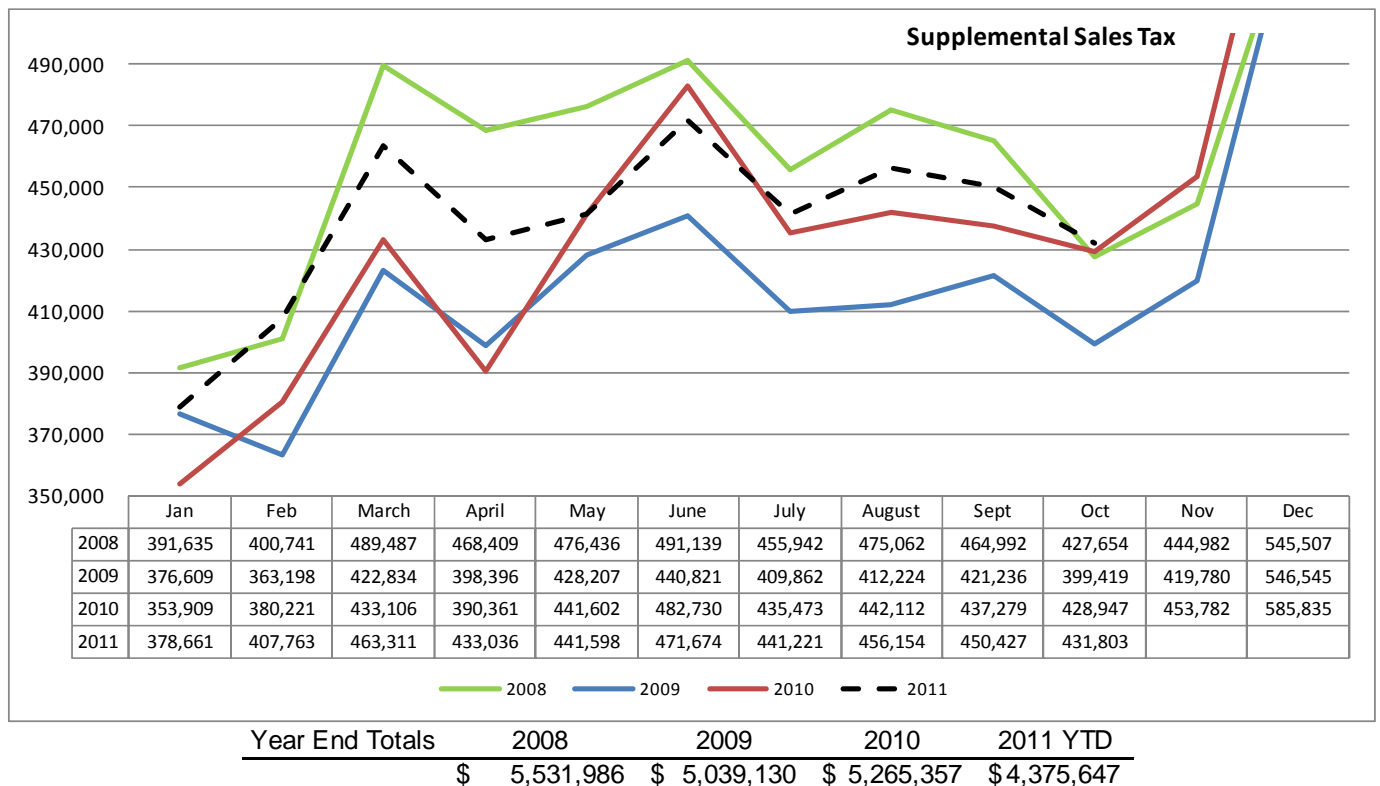


Year End Totals	2008	2009	2010	2011 YTD
	#####	\$ 4,054,454	#####	#####

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

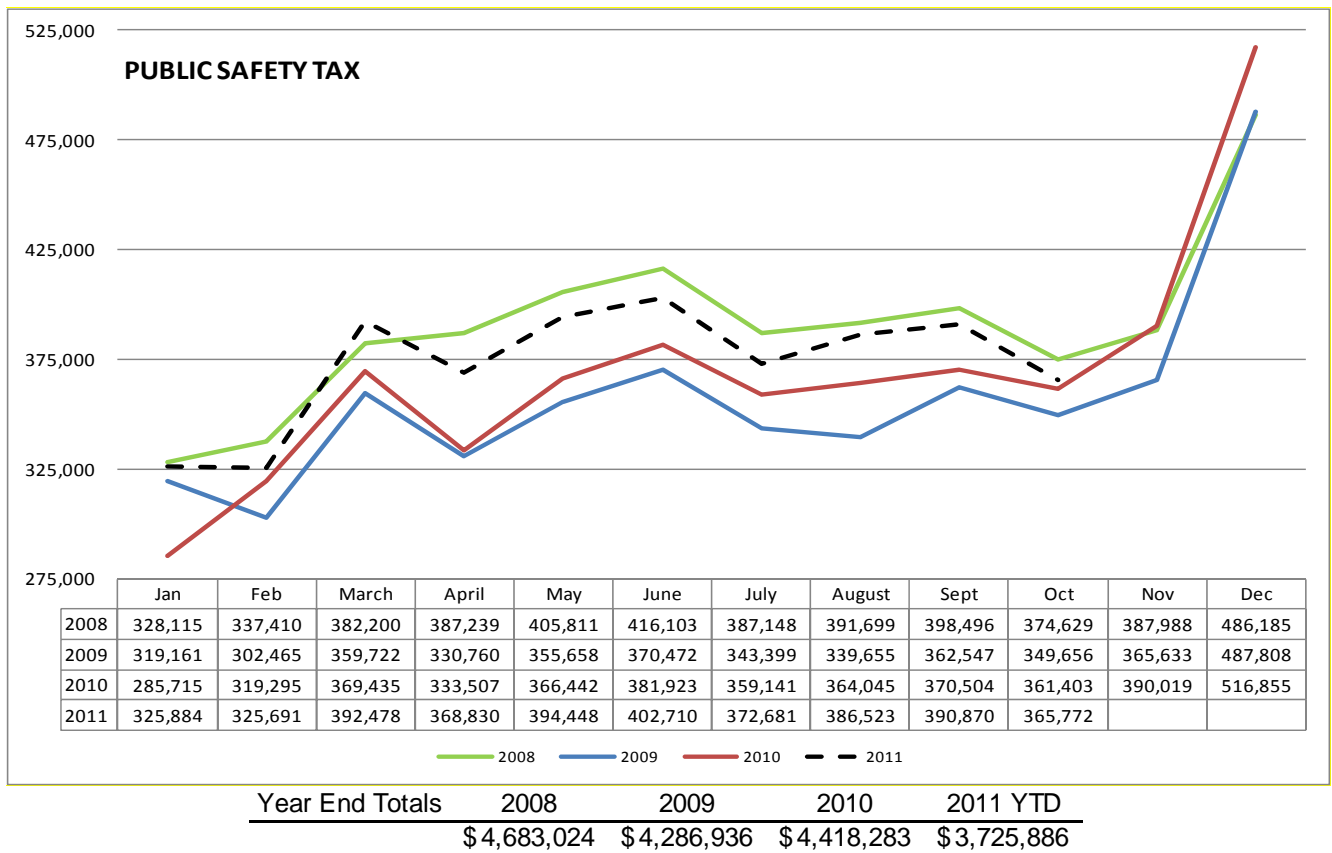
Supplemental sales taxes reflect general merchandise sales across Peoria County. While these taxes are not applicable to groceries and pharmaceuticals, they are applicable to licensed and titled goods such as automobiles. FY 2011 supplemental sales taxes were quite strong in the first four months of the year, but have cooled since that point in time. This summer produced some stagnant numbers, but a rebound in August and September has helped revenues overall. Current year to date figures (through October 2011) are up 3.5% when compared to FY 2010 levels. This could witness some growth due to a strong holiday shopping season (assuming dollars are spent locally). October 2011 seemed to be a weaker month for most Peoria County sales taxes except the unincorporated sales tax.



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 October 2011, year to date figures indicate FY 2011 revenues growing by 6.1% over FY 2010 levels. This is higher than the supplemental sales tax growth rate of 3.5%, most likely due to the purchase of essential merchandise throughout the County as opposed to luxury items or high end purchases. October 2011 revenues were just slightly higher than FY 2010 levels and this is an area of concern that needs to be monitored closely.*

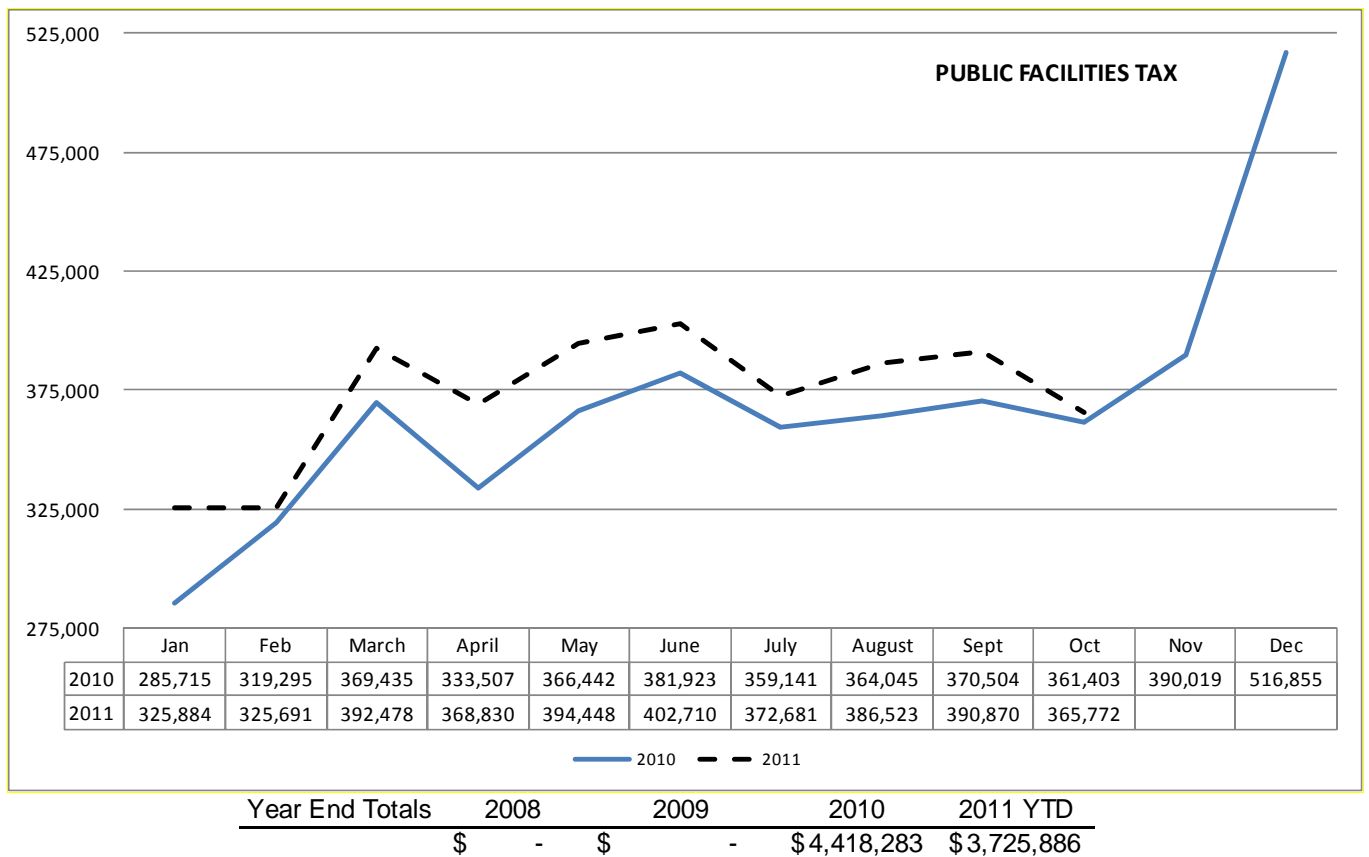


In November 1996, Peoria County voters passed a Public Safety Sales Tax of 0.25% on all tangible personal property sold for retail in the County. Illinois state statute grants permission for counties to impose this tax in 0.25% increments. The tax was originally instituted to help cover the cost of the 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

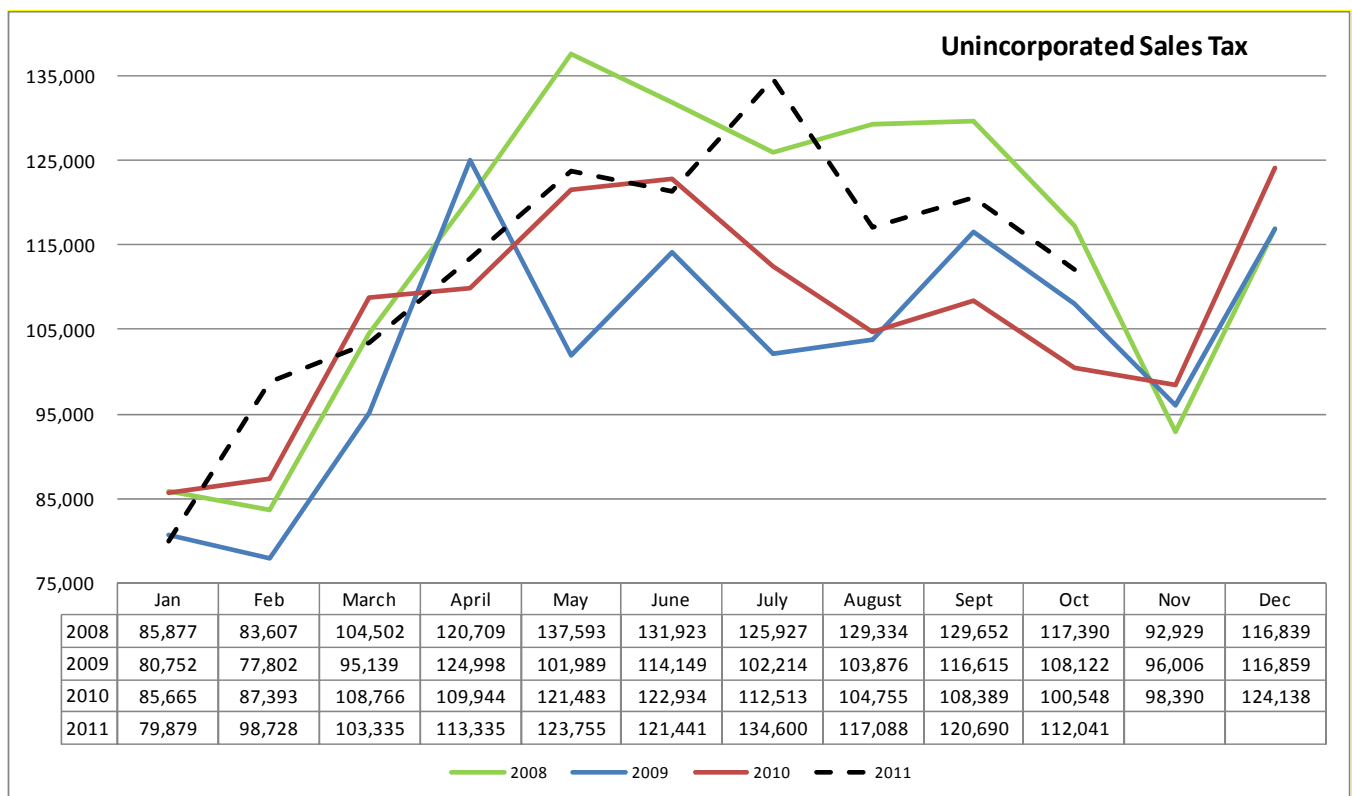
The public facilities sales tax is a 0.25% tax on applicable goods purchased within Peoria County. Licensed and titled goods are exempt from this tax, so this revenue stream coincides with the sale of general merchandise. While this tax stream is relatively new, first collected on January 1, 2010, it 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 October 2011, year to date figures for show FY 2011 revenues growing by 6.1% over FY 2010 levels. This is higher than the supplemental sales tax growth rate of 3.5%, most likely due to the purchase of essential merchandise throughout the County as opposed to luxury items or high end purchases. October 2011 revenues were just slightly higher than FY 2010 levels and this is an area of concern that needs to be monitored closely.*



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 October 2011, unincorporated sales taxes are higher than FY 2010 levels by 5.9%. Unincorporated sales tax regularly does not seem to have correlation with trends in supplemental or the public facilities / public safety taxes. Current trends indicate that the County will finish FY 2011 with slightly more revenues than FY 2010.*

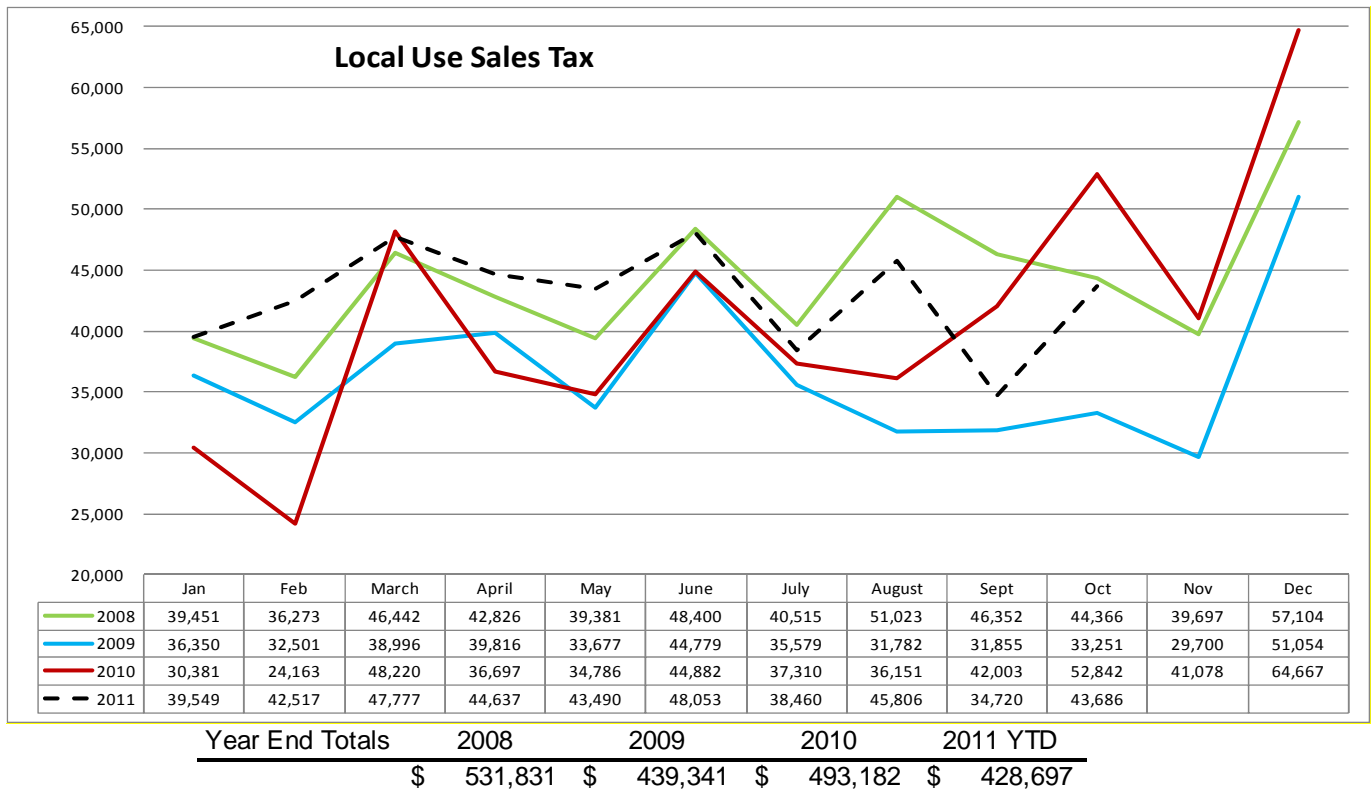


Year End Totals	2008	2009	2010	2011 YTD
	\$ 1,376,282	\$ 1,238,520	\$ 1,284,918	\$ 1,124,893

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

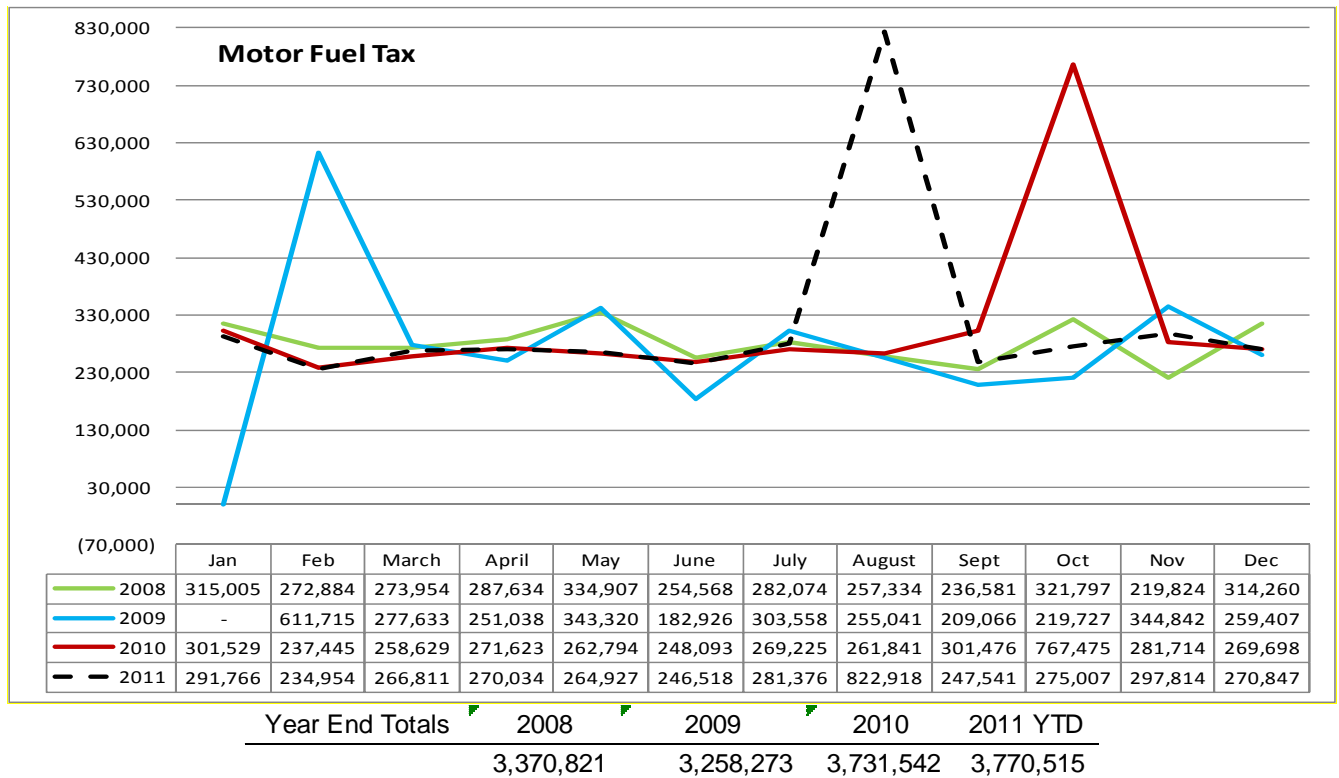
The local sales use tax has been growing steadily since the late 2008 when the first effects of the recent recession took place. This growth rate is significantly higher than the County's other sales taxes. *As of October 2011, revenues for FY 2011 are 10.6% higher than at this time in FY 2010. Following some strong August numbers, September numbers came in fairly weak (the lowest total since May 2010). October numbers witnessed some gains, albeit it at a lower amount than levels since in FY 2010. Historically, November numbers will witness a drop from October levels and December numbers will be the strongest month of the year. Overall, the strength of the first half of 2011 should result in revenues figures that are greater than those received in FY 2010.* 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

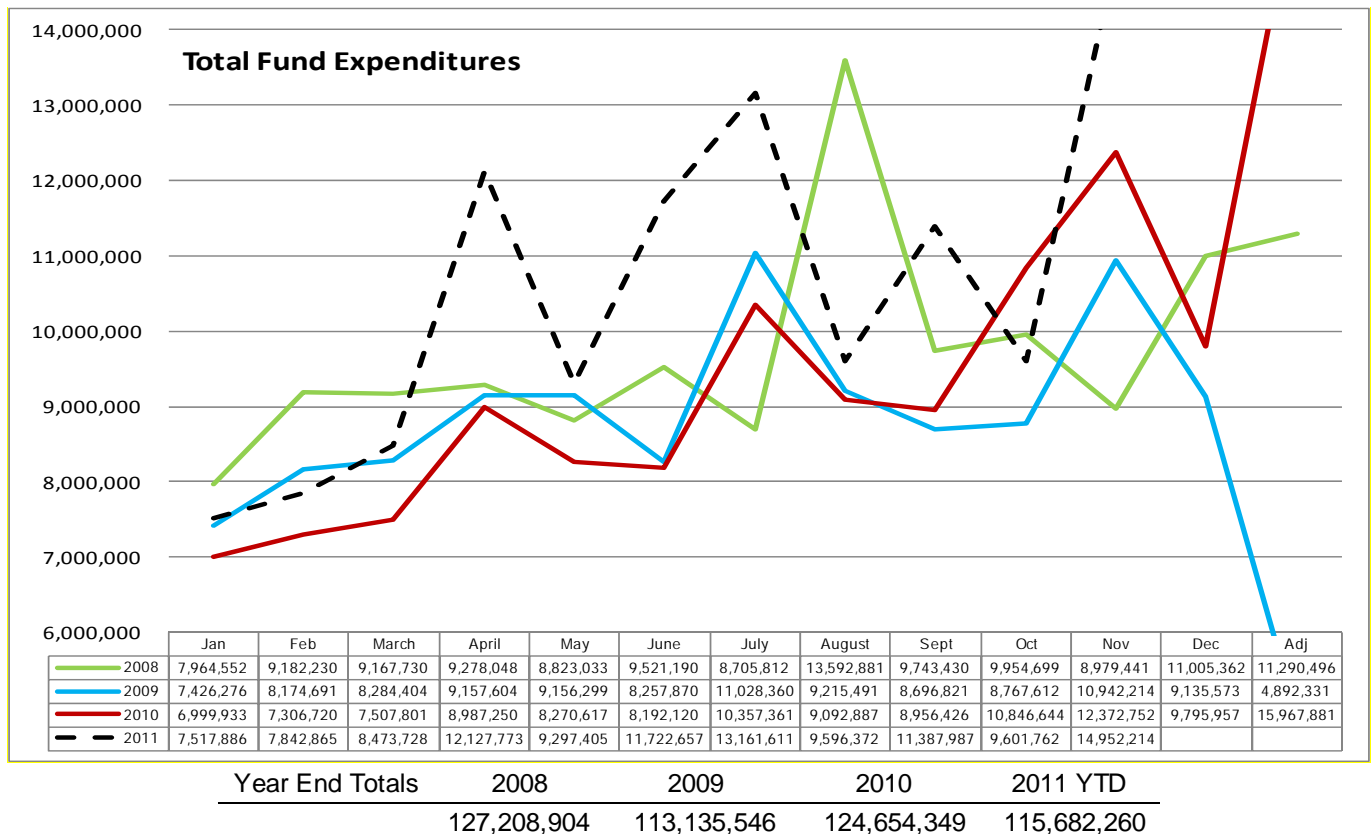
Motor fuel tax (MFT) revenue is an important source of funding for building and maintaining County and Township roads. A very small increase in MFT allotment revenue has been seen so far in 2011, and this is expected to continue as long as gas prices remain relatively steady. Distributions are not as 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. *The motor fuel tax allotment for FY 2011 was 1.0% or \$38,973 higher than at the end of FY 2010.* 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

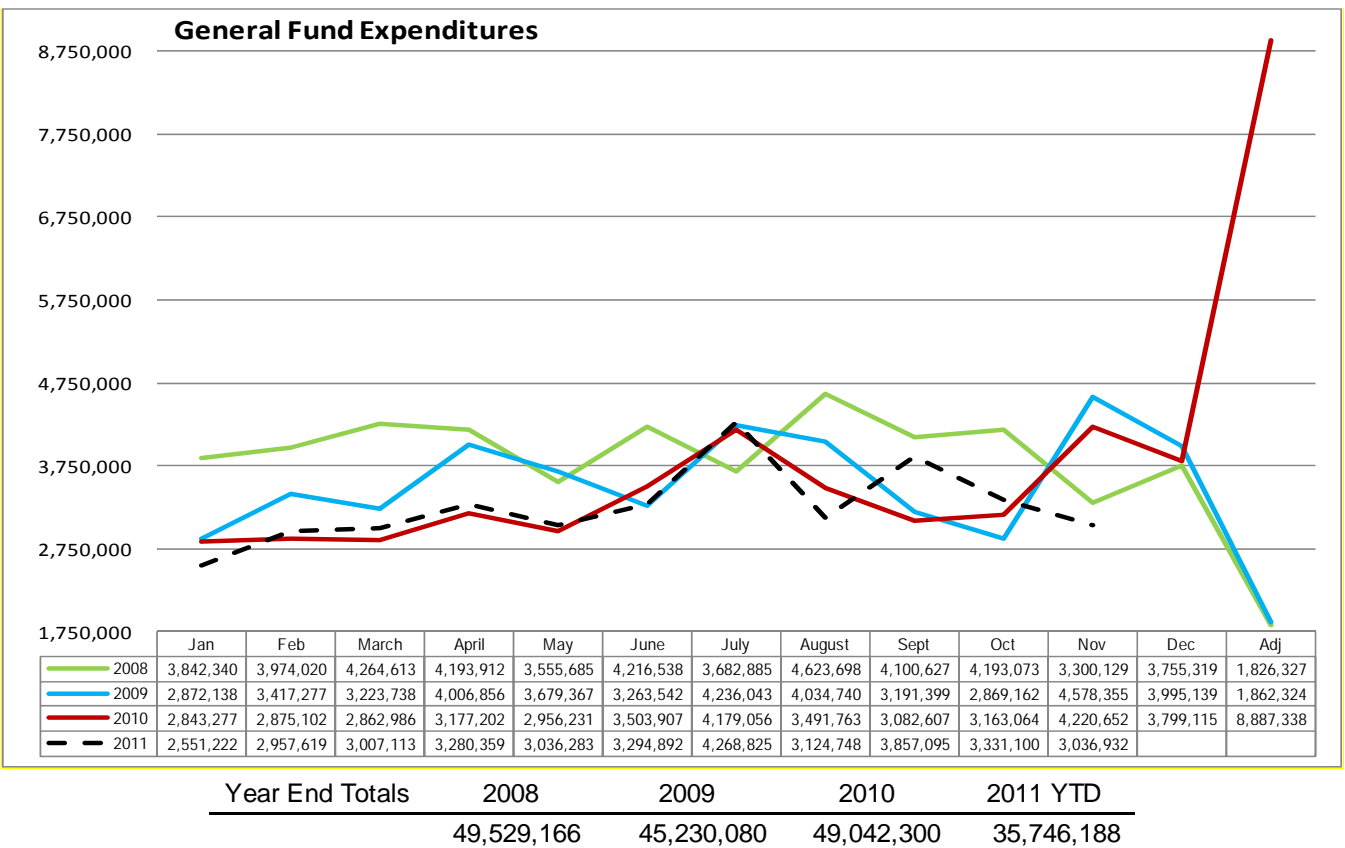
FY 2011 expenditures for all funds is 17.0% (\$16,791,749) over FY 2010 levels as of November 2011. Capital outlay expenditures (mostly the Peoria Riverfront Museum Project, but additionally costs related to the Criminal Justice Information System upgrade and the Elder Care Facility) have increased \$13,959,721 (247.4%) in FY 2011. This accounts for 83.1% of the entire increase in spending levels. Fund transfers account for a \$3,567,541 increase (286.3%), which don't reflect as true expenditure and will be adjusted when looking the the County's cash flow. Personnel expenditures increased \$793,481 (1.5%) over FY 2010 levels. Debt service increased \$1,927,291 (77.2%) due to the four bond issues that took place in 2010. Commodity expenses are down \$796,629 (-8.3%), Depreciation (a balance sheet expense) is up \$13,201 (2.8%) and "other expenditures" are down \$33,530 (mostly due to bond premiums and discounts). Contractual expenditures are down \$2,639,326 (-10.3%) when compared to November 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 November 2011. FY 2011 expenditures are \$609,659 lower (-1.7%) than expenditures as of November 2010. Much of the decrease in general fund expenditures is due to the removal of debt service payments and the majority of capital expenditures from the General Fund in 2011. When comparing FY 2011 to FY 2010, the largest increases came in the areas of personnel costs (\$1,388,673; 6.5%); contractual services (\$626,047; 6.4%); and commodities (\$459,237; 44.1%). Decreases took place in: capital outlay (\$1,314,047; -92.8%); debt service (\$1,830,472; -100%). However, these expenditures were moved to other funds and are not necessarily reductions. Transfers had also increased \$60,904 (6.0%), but the ultimate expense(s) will take place in another fund.*



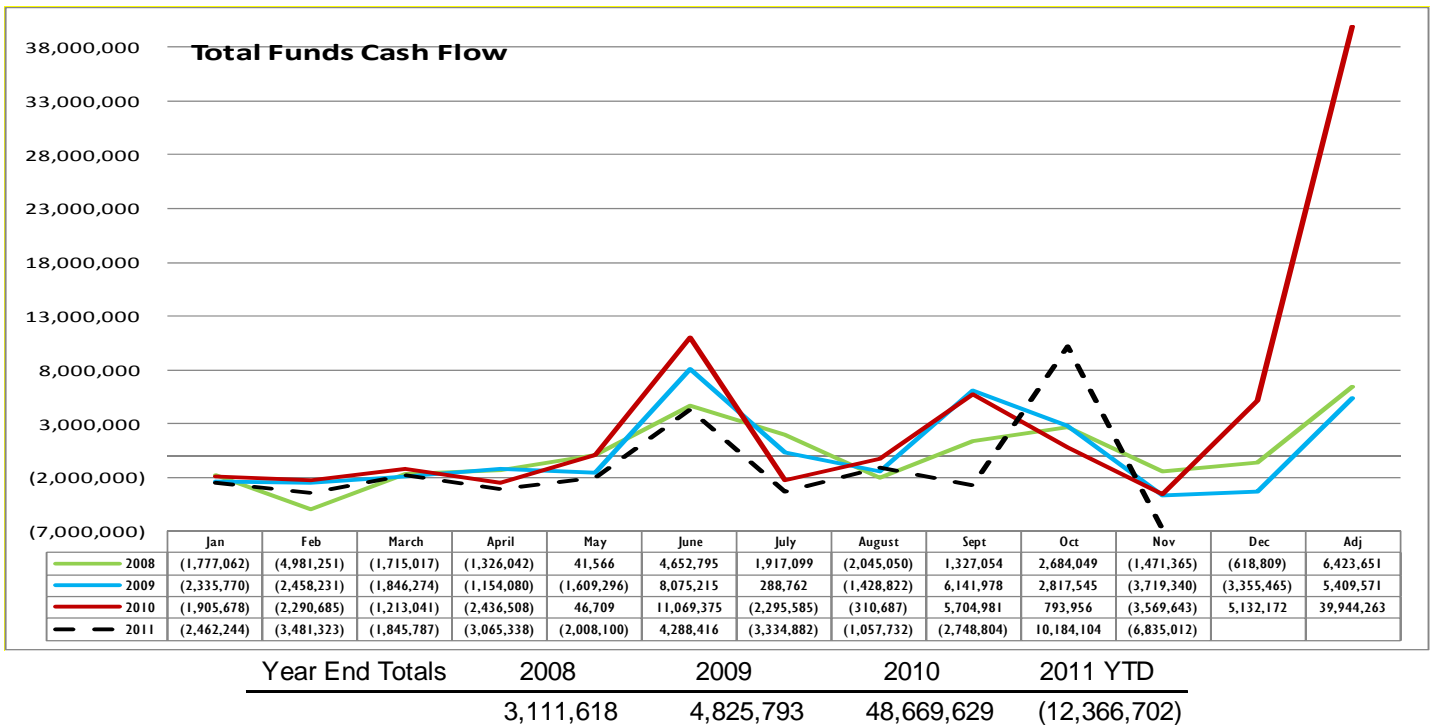
The general fund is the main operating fund within Peoria County. General fund expenditures will vary each year and the same expenditures do not place in the same exact time frame each year. These figures must be analyzed in conjunction with general fund revenues and general fund cash flow to gain a 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 \$12,366,702 as of November 2011.

Expenditures are up \$16,791,749 (17.0%) over FY 2010 levels. However, capital outlay accounts for \$13,959,721 (83.1%) 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. 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. Cash flow has been volatile in October and November 2011. There was positive cash flow of \$10.2 million that took place in October with a negative cash flow of \$6.8 million taking place in November. This relates predominantly to the timing of property tax collections on the revenue side and increased capital spending on the expense side.

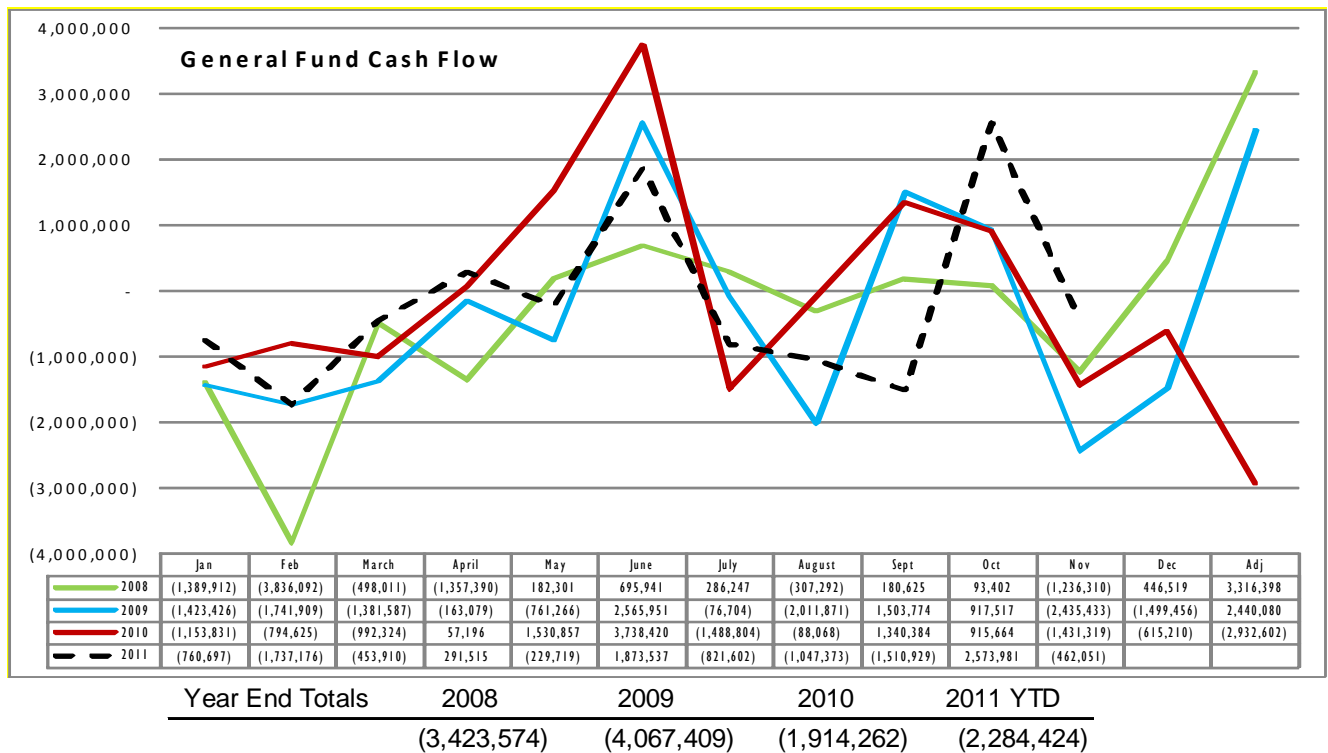
Spending levels on capital projects have increased \$13,959,721 from November 2010 to November 2011. The cash burn has been -\$12,366,702 from January 2011 to November 2011. This is not a coincidence as the cash burn is due predominantly to capital spending associated with major projects that the County had previously issued bonds to construct or implement.



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 November 2011 is down \$2,284,424. Last year at this time there was a positive cash flow of \$1,633,550. While expenditures were fairly consistent from FY 2010 to FY 2011, revenues fluctuated significantly. Spikes in positive cash flow took place in June 2010 (almost double the amount as in 2011) as well as September 2010 (positive instead of negative cash flow as in 2011). Since October 2011's numbers are higher than 2010 and these times correspond to the property tax collection months, much can be attributed to the timing of tax collections (application of funds in June vs. July, September vs. October). Still, there is a negative overall cash flow in the General Fund. This has taken place for the last several years and normally was part of the budget. That difference usually accounted for the difference in capital project costs. In most years, December and the period for audit adjustments results in an increase in the cash flow figures. Most years the deficit is higher at this point in the year, so the FY 2011 figures should be close to balancing out. However, it must be pointed out that capital projects are no longer part of the cash burn associated with the General Fund, but will be reflected in the overall cash flow analysis. At the end of the third quarter of FY 2008 cash flow was down by \$5,950,181 and in FY 2009 by \$2,572,600. FY 2010 cash flow was up \$3,064,869 as October 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.