

CITY OF ROLLING MEADOWS

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Citizen's Annual Financial Report

Fiscal Year Ended
December 31, 2012

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Citizens of Rolling Meadows,

The City of Rolling Meadows is pleased to present the City's second Citizen's Annual Financial Report for the Fiscal Year ended December 31, 2012. This report provides a brief analysis of where the City's revenues come from and how those dollars are spent, as well as trends in the local economy.

The information in this report is based on the City's 2012 Comprehensive Annual Financial Report (CAFR) which represents the City's official audited financial statements. The City's official financial statements received a favorable opinion from its independent auditors affirming that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Every year since 1985 the City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). This achievement, along with the creation of this Citizen's Financial Report reflects the City's strong commitment to fiscal accountability and integrity.

We are pleased to announce that the Government Finance Officers Association (GFOA) has given an Award of Outstanding Achievement in Popular Annual Financial Reporting to the City of Rolling Meadows for its First Popular Financial Report for the fiscal year ended December 31, 2011. This prestigious, national award recognizes the City for conforming to the program's standards of creativity, presentation and usefulness to the reader.

We hope upon reading this report, you will have greater insight into the City's financial condition. If you have any questions or comments regarding information in the document, or any City financial report, please contact Finance Director, Melissa Gallagher at 847.870.9041.

Sincerely,

Barry Krumstok
City Manager

Rolling Meadows Fast Facts

Population	24,099
Per Capita Personal Income	\$30,678
Total Taxable Assessed Value (2011 Levy)	\$906,793,995
Fiscal Year 2012 Expenses	\$38.0 million
Fiscal Year 2011 Revenues	\$45.5 million
City Full Time/Part Time Employees	153 FT/ 20 PT
City Outstanding Bonded Debt	\$17,705,000
City Bond Rating	A1 from Moody's A+ from Standard & Poor's



General Information

The City of Rolling Meadows is located in northwest suburban Cook County, 27 miles from downtown Chicago, Illinois.

The City operates under a city manager form of government. The city manager administers the City's day-to-day operations. The legislative authority of the City is vested in a seven-member council, each elected from their respective wards. The mayor and city clerk are elected at large. Each alderman and the mayor serve staggered, four-year terms with term limits. The public voted by referendum to eliminate the elected city treasurer's position in 2006, and subsequently those duties were assigned to the finance director.

The City provides a full range of municipal services including public safety, public works, planning and zoning, community development, finance and general administration.

Elected Officials *

Mayor	Tom Rooney
City Council:	
Ward 1	Mike Cannon
Ward 2	Jim Allen
Ward 3	Larry Buske
Ward 4	Brad Judd
Ward 5	Rob Banger, Jr.
Ward 6	John D'Astice
Ward 7	James Larsen

*Note: As per
December 31,
2012

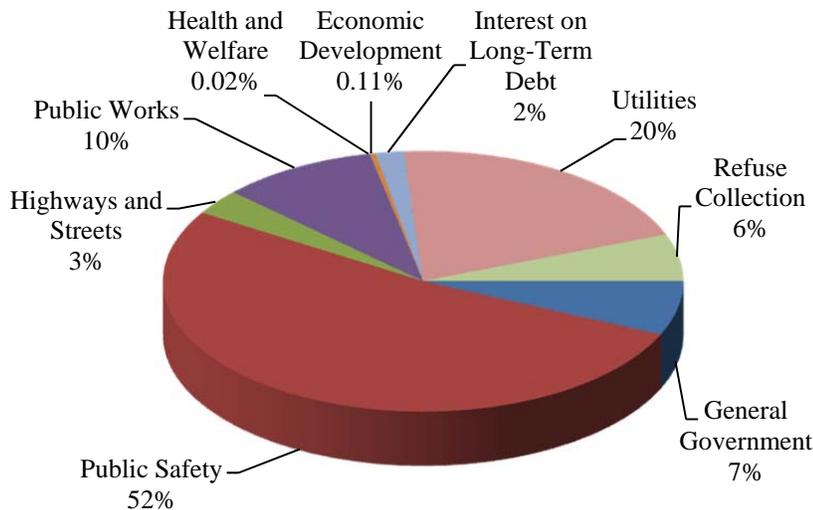
Local Economy

The area economy is still in a slow recovery, yet, there are some upward trends in the areas of sales tax, income tax, real estate taxes and hotel taxes. In the last half of 2012, the City notes that more pre-foreclosure and foreclosed homes were sold to new homeowners. The City has taken proactive steps to minimize the impact of property maintenance issues from vacant properties. In 2011, the City implemented a late filing fee for real estate property tax transfers if the foreclosed property does not purchase City real estate transfer stamps in a period of thirty-one days. In FY 2012, the City realized approximately \$11,000 in late filing fees that offset any administrative work and property maintenance issues.

Based on area data, reports show that retail sales have nearly returned to pre-recession 2007 levels. While the City experienced some natural growth, revenues are not at pre-recession numbers. According to various data, vacancy rates for commercial real estate has decreased slightly with major stores shifting to meet the new challenges and impacts of e-commerce and customers' demands for quality, yet economical goods.

City of Rolling Meadows' unemployment rate as of December 2012 was 8.9% as compared with 9.9% in 2011. This one percent decrease is a slight improvement. When looking at the unemployment rate of 3.8% in 2007, it is noticeable that there are still many City residents struggling to make ends meet. The City has seen some rebound growth in the income tax in the last year – in 2012 income tax receipts grew by 11.5% as compared with 2011 or \$220,787. Income tax receipts are slowly getting back to pre-recession levels. However, the City is not there yet, with just \$60,000 shy of where the City was with income tax revenues in 2007.

2012 EXPENSES - \$38,032,113



FAST FACTS:

- The City was able to control costs during the year, with total expenses decreasing 1.70% from 2011.
- Public safety expenses account for just over 52% of total expenses of the City.

General Government

Includes administrative services (mayor, council, human resources, city clerk, finance, etc.) and community development services.

\$2,551,436

Public Safety

Includes police and fire services (nearly 25% of total are police and fire pension expenses).

19,817,544

Highways and Streets

Includes the operations of the City’s annual motor fuel tax program, including snow and ice control and other capital outlay.

1,201,640

Public Works

Includes public works administration, buildings and grounds, forestry and streets services.

3,692,206

Health and Welfare

Includes museum, emergency planning, employee wellness, board of fire and police and urban affairs services.

9,879

Economic Development

Includes services related to the operation of the City’s TIF Districts.

129,036

Interest on Long-Term Debt

Includes interest costs on all City governmental long-term debt, including general obligation bonds and capital leases.

670,105

Utilities

Includes water, sewer and stormwater services.

7,735,312

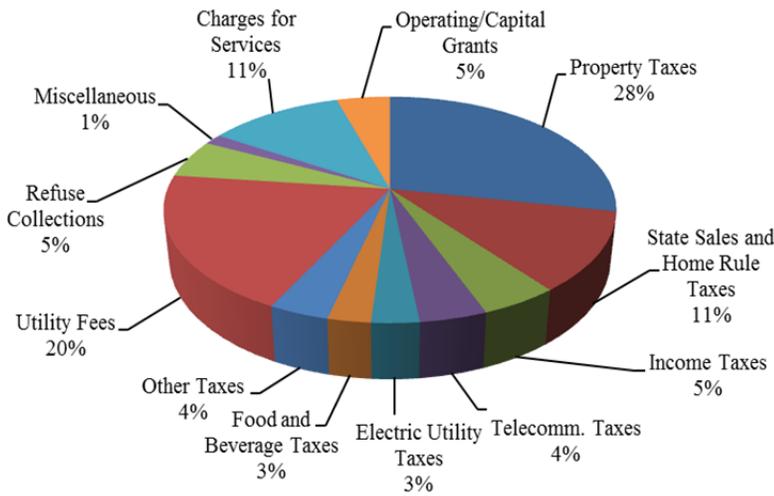
Refuse Collection

Includes refuse collection services.

2,224,995

\$38,032,113

2012 Revenues - \$41,367,737



FAST FACTS:

- The City was able to report a 3.99% (\$196,914) increase in sales tax and home rule sales tax from FY 2011.
- The City’s revenue base continues to be diversified, with only 28% originating from property taxes.

Property Taxes

Taxes collected from property owners based upon assessed valuation and tax rate.

\$12,794,326

State Sales and Home Rule Taxes

Sales tax is imposed on a seller’s receipts from sales of tangible personal property for use or consumption. The current rate consists of the State of Illinois Rate (6.25%), Cook County Rate (0.75%), Regional Transportation Authority Rate (1.0%) and the City of Rolling Meadows Home Rule Rate (1.0%) for a total sales tax rate of 9.00%.

5,127,489

Income Taxes

The City receives a portion of the state income tax receipts based on a per-capita basis.

2,136,575

Telecommunication Taxes

The City receives a portion of taxes imposed on telecommunication services such as telephone services, two-way communications, cellular telecommunications and other transmission of messages.

1,845,387

Utility Fees

The City provides water, sewer and stormwater services. Each component has a separately determined user fee and funding mechanism related to delivering water from Lake Michigan and maintaining the underground utility system.

8,926,344

Refuse Collections

The City provides refuse services, which has a separately determined user fee and funding mechanism related to delivering refuse services.

2,489,843

Charges for Services

Includes licenses and permit fees, ambulance fees, fines and forfeitures, including red light enforcement, and other miscellaneous charges for services.

5,209,235

All Other Revenue Sources

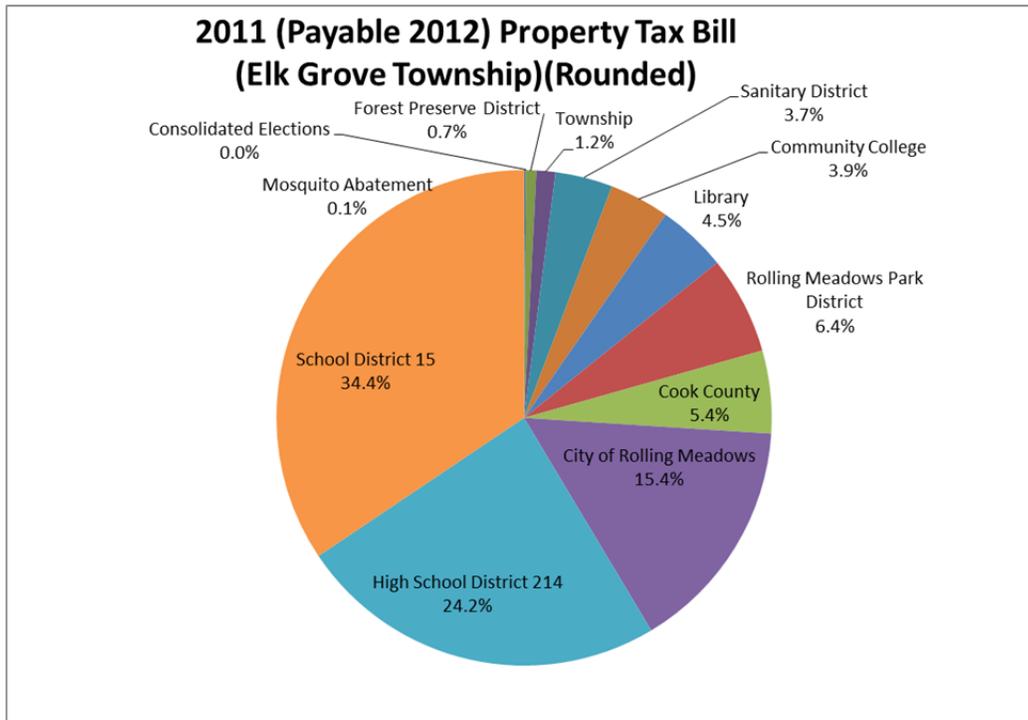
Includes electric utility taxes, food and beverage taxes, real estate transfer taxes, hotel taxes, local use taxes, replacement taxes, interest income, miscellaneous revenue and operating/capital grants.

6,867,383

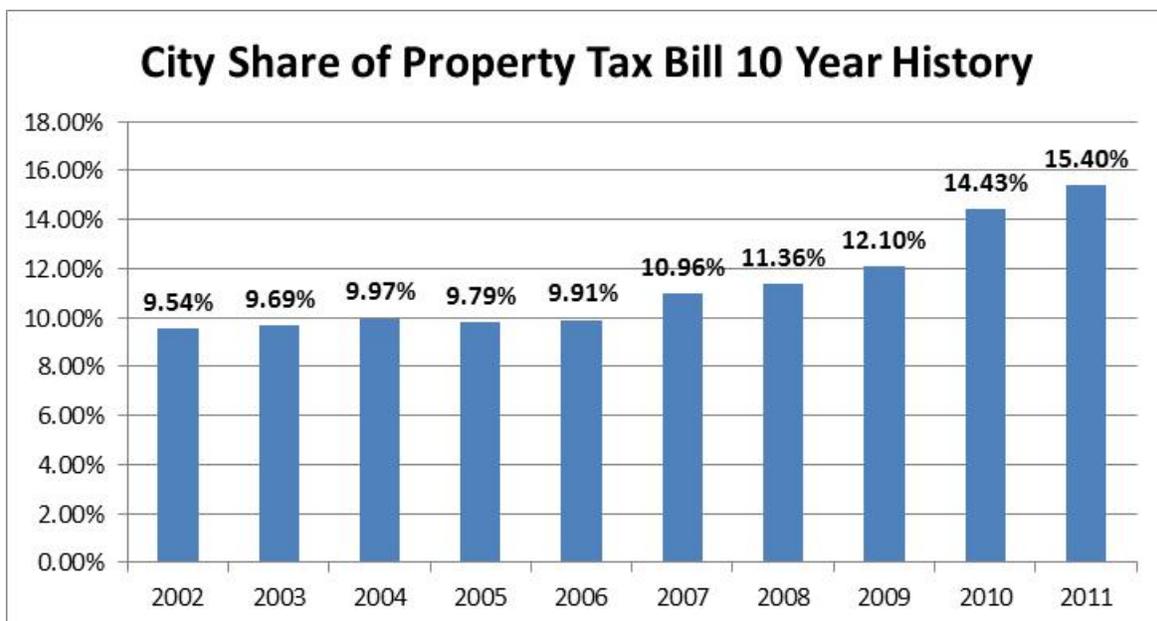
\$45,396,582

Where Do My Property Taxes Go?

Every dollar of property tax paid by Rolling Meadows citizens is divided among many taxing districts. This year the City portion of the typical tax bill for a Rolling Meadows property owner was 15.4% including the Pension Funds (Elk Grove Township) (Rounding differences may occur).



The chart below shows the City’s share of the average property tax bill (Elk Grove Township) for the last ten years. The City’s share includes the police and firefighters pension funds.



Financial Health of Rolling Meadows and Long-Term Financial Planning

In order to insure that the City continues to meet its immediate and long-term service goals, several financial policies and procedures have been implemented by management. Highlighted are some of the more pertinent policies that the City followed in fiscal year 2012:

- The City formed a Capital Improvements Committee to review capital projects and offer recommendations for long-term capital improvements.
- The City is committed to rebuilding fund balance reserves and has made significant progress to that end.
- Posted on the City's website employees' salary and benefit data, as a continued transparency initiative (providing this data since 2011).
- As required by Public Act 97-0609, the City posted employee compensation data for Illinois Municipal Retirement Fund (IMRF) employees who are expected to receive compensation greater than \$75,000. The City took this mandate one step further, to enhance transparency, and published this data for all employees.
- Staff and the City Council discussed long-range financial planning in 2011 and 2012 during its budget discussions. One of the goals discussed was reviewing the City's outstanding debt. In 2012, the City refunded nearly \$10 million worth of general obligation bonds to save taxpayers approximately \$750,000 over the next 12 years. In 2013, the City will be refunding general obligation bonds to maximize its interest savings over the long-term.
- Prepared and reviewed monthly revenue, expenditure and cash balance reporting for all funds with particular focus on the General Fund (chief operating fund of the City) to the City Council. These financial reports ensure that the City Council is made aware of any variances from the appropriated budget. (The budget document continues to be revised and made easier to understand.)
- Overall, fiscal year 2012 budgeted revenues were developed on a very low growth rate or zero growth rates. Coupled with the improving economy, revenues came in better than expected. The last quarter of 2012 showed the most improvement and that was reflected in the ending sales tax and home rule sales tax data. Sales tax came in \$228,856 better than budget and home rule sales tax came in \$198,633 better than budget.
- At December 31, 2012, the City's General Fund reported an increase to fund balance (difference between assets and liabilities) of \$4,246,377 from \$1,852,801 at the beginning of the year, a \$2,393,576 increase.
- All City Departments took part in managing their budgets to ensure that expenses were held in check.



Major Initiatives – Economic Development

Economic Development Committee – The City established an Economic Development Committee (EDC) in 1988 to encourage greater cooperation with the private sector in attracting and retaining business and industry. The committee is comprised of members of commercial and retail sectors, City staff and elected officials. Pursuant to the EDC’s 1996 policy statement, the City seeks opportunities to forge partnerships with enterprises, which will enhance the City’s development with diverse, high quality and high revenue generating types of commercial, office and manufacturing projects that conform to the City’s Comprehensive Plan and development goals, objectives and policies. Since 2006, the Economic Development Committee has heard and recommended approval for eight 6B Cook County Incentive Programs which has resulted in multi-million dollar rehabilitation/renovation of the buildings, reoccupation of nearly 300,000 square feet of industrial space in Rolling Meadows and more than 400 new employees.

After review by the EDC, in December 2011, the City Council approved an **Economic Incentive Program** to promote economic development in the City of Rolling Meadows and increase sales tax. Based on certain parameters, the program rebates part of the real estate transfer tax if vacant commercial space is reoccupied. The goal is to incent current businesses to expand or fill vacancies and attract new business to the City. In 2012, the Economic Development Committee recommended Mike Mallon of Mallon and Associates, as the City’s retail consultant (reapproved for 2013). In doing so, the City has taken an active role in recruiting new retail businesses throughout the City.

For 2013, the City and its Economic Development Committee have identified and targeted **four** main areas for economic development activities:

- **First**, Meadows Marketplace (formerly the Dominick’s Property) began redevelopment in 2012 with much of the vacant square footage expected to be filled by the end of 2013. The City released details early in 2013 that a grocery store with ties to the Caputo grocery stores, called Uncle Joe’s Tuscan Fresh Market is interested in anchoring the property. In April of 2013, the City entered into a sales tax sharing agreement with Uncle Joe’s Tuscan Fresh Market. The grocer, expected to open in October, will be a good fit with the neighborhood concept and attract smaller stores and restaurants, too.
- The **second** area of redevelopment is the former AMF bowling center at 3245 Kirchoff Road (the City’s “Downtown” area). The City remains in constant talks with the property owner, Kimco (who owns, manages, leases, develops, and acquires shopping centers across the USA) in hopes to continue implementation of a redevelopment plan created in 2011. Hopefully, more work in 2013 construction in FY 2014.
- The **third** area is vacant restaurants along Golf and Algonquin Roads. Interested restaurants are looking to redevelop but not build out new construction sites. Currently, the City has been in talks with multiple restaurants to move into these properties including a deal that will bring a new Panera Bread in 2013 with a drive-thru window. The Old Country Buffet Restaurant closed its doors in 2012 and a new, Asian buffet restaurant, Flaming Grill & Buffet opened its doors in March 2013.
- The **fourth** target area is the vacant Sam’s Club property on Golf Road, the City remains hopeful that redevelopment or a possible expansion of the adjacent Wal-Mart store could occur in the next few years. Overall, the City is positioned for economic growth and an increasing property, sales and restaurant tax base in 2013 and beyond.

The tables on the next two pages are condensed forms of the financial statements within the CAFR. The City's CAFR contains very detailed information and data. The CAFR should be read in conjunction with this Citizen's Report. Interest users may obtain a complete copy by visiting the City's website at www.cityrm.org. The Citizen's Report is consistent with Generally Accepted Accounting Principles; however it is not intended to act as a complete financial statement and does not include the City's component unit, the Public Library.

The Statement of Net Position and Statement of Activities are divided between governmental and business-type activities to distinguish functions of the City which are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions which are intended to recover all or a significant portion of their costs through user-fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, public works, health and welfare and economic development. The business-type activities include utilities and refuse collection.

The Statement of Net Position below presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The City reports restricted net position of \$1,437,541 at December 31, 2012, which is legally restricted for public safety, highways and streets and tax incremental financing district related items. Unrestricted net position of \$2,186,918 may be used to meet the ongoing operational obligations of the City. The City's investment in capital assets (net of debt used to purchase such assets) amounts to \$122,154,515 at December 31, 2012.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 23,425,222	19,004,260	6,020,728	4,308,891	29,445,950	23,313,151
Capital Assets	129,182,801	129,212,388	11,602,671	10,957,375	140,785,472	140,169,763
Total Assets	152,608,023	148,216,648	17,623,399	15,266,266	170,231,422	163,482,914
Current Liabilities/Def. Inflows	16,350,254	15,614,990	937,838	723,900	17,288,092	16,338,890
Noncurrent Liabilities	23,239,261	25,578,512	3,925,095	3,151,007	27,164,356	28,729,519
Total Liabilities	39,589,515	41,193,502	4,862,933	3,874,907	44,452,448	45,068,409
Net Position						
Net Investment in Capital Assets	113,811,130	111,771,420	8,343,385	8,449,043	122,154,515	120,220,463
Restricted	1,437,541	2,767,336	-	-	1,437,541	2,767,336
Unrestricted (Deficit)	(2,230,163)	(7,515,610)	4,417,081	2,942,316	2,186,918	(4,573,294)
Total Net Position	113,018,508	107,023,146	12,760,466	11,391,359	125,778,974	118,414,505



The Statement of Revenues, Expenses and Changes in Net Position below summarizes the reasons behind the change in the City's net position. Program revenues include charges for services and grants that directly relate to the provision of certain City services. General revenues are then used (majority of which are property taxes) to support the remaining cost of providing City services.

	Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2012	2011
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 5,209,235	4,604,406	11,416,187	10,241,643	16,625,422	14,846,049
Operating Grants/Contrib.	89,572	115,719	-	-	89,572	115,719
Capital Grants/Contrib.	1,981,230	1,068,261	-	-	1,981,230	1,068,261
General Revenues						
Property Taxes	12,794,326	11,826,132	-	-	12,794,326	11,826,132
State Sales and Home Rule	5,127,489	4,930,575	-	-	5,127,489	4,930,575
Telecommunications	1,845,387	1,936,227	-	-	1,845,387	1,936,227
Electric Utility	1,298,887	1,295,918	-	-	1,298,887	1,295,918
Hotel	389,212	333,374	-	-	389,212	333,374
Food and Beverage	1,176,218	1,212,122	-	-	1,176,218	1,212,122
Real Estate Transfer	239,865	153,688	-	-	239,865	153,688
Other Taxes	455,680	451,177	-	-	455,680	451,177
Income Taxes	2,136,575	1,915,788	-	-	2,136,575	1,915,788
Local Use Taxes	384,335	351,103	-	-	384,335	351,103
Replacement Taxes	175,462	181,680	-	-	175,462	181,680
Interest Income	12,070	8,471	382	585	12,452	9,056
Miscellaneous	664,470	740,868	-	-	664,470	740,868
Total Revenues	33,980,013	31,125,509	11,416,569	10,242,228	45,396,582	41,367,737
Expenses						
General Government	2,551,436	4,235,018	-	-	2,551,436	4,235,018
Public Safety	19,817,544	19,535,204	-	-	19,817,544	19,535,204
Highway and Streets	1,201,640	1,136,370	-	-	1,201,640	1,136,370
Public Works	3,692,206	3,948,420	-	-	3,692,206	3,948,420
Health and Welfare	9,879	9,537	-	-	9,879	9,537
Economic Development	129,036	42,130	-	-	129,036	42,130
Interest on Long-Term Debt	670,105	752,459	-	-	670,105	752,459
Utilities	-	-	7,735,312	6,740,808	7,735,312	6,740,808
Refuse Collection	-	-	2,224,955	2,291,402	2,224,955	2,291,402
Total Expenses	28,071,846	29,659,138	9,960,267	9,032,210	38,032,113	38,691,348
Change in Net Position						
Before Transfers	5,908,167	1,466,371	1,456,302	1,210,018	7,364,469	2,676,389
Transfers	87,195	-	(87,195)	-	-	-
Change in Net Position	5,995,362	1,466,371	1,369,107	1,210,018	7,364,469	2,676,389
Net Position - Beginning	107,023,146	105,556,775	11,391,359	10,181,341	118,414,505	115,738,116
Net Position - Ending	113,018,508	107,023,146	12,760,466	11,391,359	125,778,974	118,414,505

The City is required to perform an audit of its finances each year. Historically, the City has exceeded minimum reporting and disclosure standards by producing a Comprehensive Annual Financial Report (CAFR). The City's CAFR has been awarded a Certificate of Excellence in Financial Reporting for 26 consecutive years by the Government Finance Officers Association.

If you have any questions concerning this report or would like to offer any ideas or suggestions for improvement, please feel free to call Melissa Gallagher, Finance Director at 847.870.9041.

City of Rolling Meadows Website

www.cityrm.org

The City's website contains additional financial information including the Comprehensive Annual Financial Report and the City budget.

The City's website is a great resource for information on all City services and events. Meeting agendas and minutes of City Council meetings can also be found on the City's website.



Finance Department

For more information on financial matters of the City of Rolling Meadows, please call the Finance Department at 847.394.8500