

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF ROCKVILLE, MARYLAND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



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City of Rockville, Maryland

Comprehensive Annual Financial Report



Prepared by:
Department of Finance

Gavin Cohen
Chief Financial Officer

Kimberly Francisco
Controller

Fiscal Year 2016
July 1, 2015 - June 30, 2016

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The Horizon Hill stormwater management ponds, part of a retrofit and stream restoration project, were completed during Fiscal Year 2016.

INTRODUCTORY SECTION



October 28, 2016

Honorable Mayor and Members of the City Council
City of Rockville, Maryland

State law requires that all general purpose local governments publish, within four months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants (CPA's). Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Rockville, Maryland (City), for the year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City. Accordingly, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been independently audited by CohnReznick, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditors report.

PROFILE OF THE GOVERNMENT

The City was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 67,300 and a land area of 13.55 square miles. According to the 2010 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a Mayor and four at-large Council members, who are elected for four-year terms.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. State statute also empowers it to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Mayor and Council. The Mayor and Council are responsible for passing ordinances, adopting the budget, appointing boards and commissions, and hiring the City Manager, City Attorney, and City Clerk/Director of Council Operations. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing day-to-day operations of the government, and appointing the directors of the various departments.



The annual budget provides the basis for coordinating and controlling City programs and services. The City provides a full range of services, including water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland.

As a management policy, unassigned fund balance of the General Fund is maintained at a level not less than 20 percent of annual budgeted General Fund revenue. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure orderly provision of services to residents. To the extent the unassigned fund balance of the General Fund exceeds the target, the City may draw upon the fund balance to provide pay-as-you-go financing for capital projects, for other one-time capital asset purchases, and for additional contributions to the OPEB and Pension to reduce unfunded liabilities.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 71 as part of the required supplementary information section for the governmental funds. For governmental funds, other than the General Fund, the appropriated annual budgets are presented on pages 73 and 76.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from a broader perspective of the specific environment within which the City operates.

LOCAL ECONOMY

The City's economic environment mirrors what is being experienced regionally and nationally. Unemployment continues to improve, and remains relatively stable. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, bio-tech and several financial institutions. In fiscal year 2016, the City observed a 13.8% increase in income tax revenues, which provides strong indications of improvement in resident income and employment.

The City has an employed labor force of approximately 77,200 within city limits. The City had experienced substantial residential and commercial growth in the past. Due to the recession that began in 2008, this growth subsided, but the City is seeing increasing signs of recovery in many areas, including local commercial development and the real property assessable base. The City remains optimistic considering the overall growth observed in the fiscal year 2016 revenues.

While the City is optimistic about its improving assessable base, revenues and expenditures will continue to be closely monitored and budgeted conservatively. The City will continue its fiscal responsibility by reducing costs where possible and seeking diverse revenues while maintaining quality services and programs.

The following table lists the labor force, employed persons and average unemployment rates for Montgomery County, Maryland (County) as compared to the unemployment rates for the State of Maryland (State) for the years 2012 through 2016. Information presented in the table below has not been seasonally adjusted.

Year	<u>Unemployment Statistics</u>				State of Maryland Unemployment Rate
	Montgomery County			Unemployment Rate	
	Labor Force	Employment	Unemployment	Unemployment Rate	
2016	551,670	531,475	20,195	3.70%	4.30%
2015	551,396	527,135	24,261	4.40%	5.60%
2014	533,962	507,275	26,687	5.00%	6.20%
2013	535,271	508,190	27,081	5.10%	6.60%
2012	535,371	507,381	27,990	5.20%	6.90%

Source: Maryland Division of Workforce Development



LONG - TERM FINANCIAL PLANNING

The City spends significant time and resources planning for the future. Through a mix of land use, financial management policies, and forecasting, the City's goal is to maximize its current use of resources to ensure financial stability. The success of these initiatives is reflected in the City's credit rating from both Standard and Poor's and Moody's rating agencies. These agencies rate all the City's debt at AAA and Aaa, the highest rating available. The City's financial management policies serve as guidelines that allow the City to make prudent long-term financial decisions.

Included in the City's budget is a five year forecast of the City's General and Enterprise Funds, which allows policy makers to see the financial impact of their decisions over a five-year period. Most importantly, the City continues to maintain its General Fund reserve levels above 20 percent of budgeted revenues. Careful monitoring of the City's property values, level of debt and charging fees at full cost recovery, where possible, will ensure the continued financial health of the City.

MAJOR INITIATIVES

- The City completed the South Pool repairs at the Swim and Fitness Center, which included repair work to the South Pool Deck, improvements to the HVAC system for the South Pool enclosure, lighting upgrades and associated infrastructure repairs necessary to maintain the structural integrity of the pools. After being closed for six months, the pool reopened in January 2016.
- The City completed its stormwater improvements to the Horizon Hill Stream Valley and planned renovations to Horizon Hill Park. Park improvements included the replacement of playground surfaces and benches, among other upgrades, and stream restoration rehabilitation included remedying erosion problems that, if left unaddressed, would impact over 80 acres of forest, wetland, recreation, and private property. In addition to the completion of this project, continued stream and wetland monitoring is planned for future years.
- The City continued making significant improvements at the Water Treatment Plant and progress on its water tank rehabilitation efforts. During FY16 the City completed the construction of a gravity thickener which will expand the plant's capacity to manage flows. Planned improvements to three major water tanks are underway and the replacement of equipment is ongoing. These significant upgrades and improvements will help to ensure the City's compliance with requirements issued by the Environmental Protection Agency, improve water quality, water flow and production capacity for the City.
- The City's information technology department undertook several significant projects during the year, which included an upgrade of the City's enterprise resources management system, updating of the data center and network infrastructure, implementation of a new email platform, upgrading employee operating systems, and undergoing a comprehensive disaster recovery simulation. These upgrades will improve the City's performance, responsiveness, and operational efficiency.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the 26th consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.



In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2015. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including: a policy document, a financial plan, an operations guide and a communications device. The City also received the GFOA's award of Outstanding Achievement for the Popular Annual Financial Report (PAFR) for the fiscal year 2015. This is the eighth year the City has received this award. The PAFR is specifically designed to be easily understandable to the general public and other interested parties without a background in finance.

This report could not have been prepared without the dedicated cooperation of the entire staff of the Finance Department. Special recognition is extended to Sharon Collins, Trupti Singh, Stacey Webster, Mary Sue Martin, Roshan Sohoratally, Fran Jablonski, Tim Peifer, Wanda Shoemaker, Anne Coyle, Carey Kurnaz, Marcus Odorizzi, Maria Arze, Lori Russler and Eric Ferrell for the sense of commitment they displayed throughout the preparation process. We also would like to express our appreciation to the Mayor and Council for their interest and support in planning and carrying out the City's financial operations in a responsible manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Craig T. Simoneau".

Craig Simoneau
Acting City Manager

A handwritten signature in cursive script that reads "Gavin Cohen".

Gavin Cohen
Chief Financial Officer

A handwritten signature in cursive script that reads "Kimberly Francisco".

Kimberly Francisco
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Rockville
Maryland**

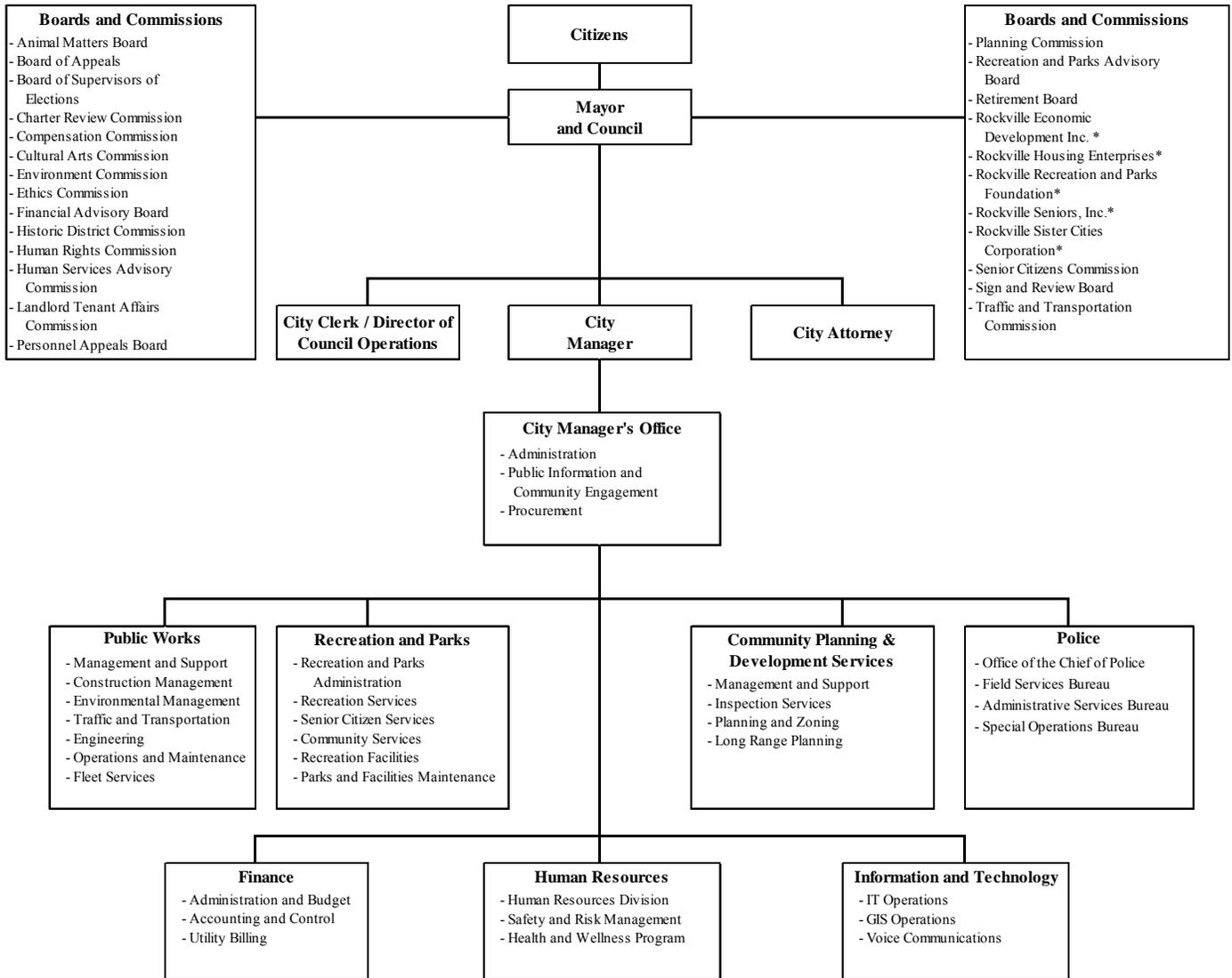
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Rockville Organizational Chart

June 2016



CITY OF ROCKVILLE, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LIST OF ELECTED AND APPOINTED OFFICIALS

MAYOR

Bridget Donnell Newton

COUNCIL MEMBERS

Beryl L. Feinberg
Mark Pierzchala

Virginia D. Onley
Julie Palakovich Carr

ACTING CITY MANAGER

Craig Simoneau

DEPUTY CITY MANAGER

Jennifer Kimball

CITY CLERK/DIRECTOR OF COUNCIL OPERATIONS

Kathleen Conway

CITY ATTORNEY

Debra Yerg Daniel

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The Rockville Swim and Fitness Center's indoor South Pool project to replace its pool deck and heating, ventilation and air conditioning system, and update its aesthetics, was completed in FY 2016.

FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and City Manager
City of Rockville, Maryland

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 the City of Rockville, Maryland (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 23, Public Employee Retirement System and Other Post-Employment Benefits Plan information on pages 67 through 70, and the Budgetary Comparison Schedule - General Fund on page 71 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 ("GASB"), 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 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.

Change in Accounting Principle

As discussed in note 3(A) to the financial statements, the City changed its method of accounting for recording citation revenue and receivables in its governmental funds. Our opinion is not modified with respect to that matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedules listed in the table of contents are the responsibility of management and were derived from and relate 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. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 the City's internal control over financial reporting and compliance.



Baltimore, Maryland
October 28, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Rockville (the City), we offer readers of the City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report and the financial statements beginning on page 25.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the current fiscal year by \$335,847,457 (net position). That amount includes a positive balance of \$4,474,918 from unrestricted net position made up of \$20,493,148 from governmental activities and a deficit of \$16,018,230 from business-type activities. The unrestricted deficit from business-type activities exists primarily due to continued costs of improvements to the City's water and sewer infrastructure.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50,105,245. Approximately 17.9% of this total amount is reported as restricted special revenue programming totaling \$8,958,785.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,039,026 or 28.2% of total General Fund budgeted revenues (adopted) of \$74,590,000.
- The City's total debt principal outstanding decreased by \$359,284 or 0.2%. During the year, new general obligation bonds were issued for water, sewer, and refuse projects.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$105,032 for an average rate of return of 0.23%. The average daily investment portfolio was \$45,374,900.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on the City's assets and liabilities, with the difference between the two reported as net position. Over time, fluctuations in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 governmental activities of the City include general government, community development block grant (CDBG) administration, community development, public works, public safety, and recreation and parks. The business-type activities of the City include water, sewer, refuse, stormwater management, parking, and golf course operations.

The government-wide financial statements can be found on pages 25-26 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Reconciliations are provided between the governmental funds Balance Sheet and the government-wide Statement of Net Position and also between the Statement of Revenues, Expenditures, and Changes in Fund Balances of governmental funds and the government-wide Statement of Activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Capital Projects Fund, as they are considered major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 74-75 of this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Non-Major Governmental Funds. Budgetary comparison statements can be found on pages 71, 73 and 76, respectively.

The governmental funds financial statements can be found on pages 27 and 29 of this report.

Proprietary funds. The City maintains six different enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse, stormwater management, parking, and golf course operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise financial statements provide separate information for the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and the RedGate Golf Course, which are considered the major funds of the City. The Stormwater Management and RedGate Golf Course Funds do not meet the requirements of a major fund, but management has elected to report these funds as major.

The enterprise funds financial statements and cash flows can be found on pages 31-34 of this report.

Fiduciary funds. The Pension Trust Fund is used to account for resources held for the benefit of parties outside the government. The Pension Trust Fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the City's own programs. The accounting used for the trust fund is much like that used for proprietary funds.

The Pension Trust Funds financial statements can be found on pages 35 and 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential for 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 37-65 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 Rockville Employee Retirement System, the other post-employment benefits (OPEB) plan, and the City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found beginning on page 67 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements along with budgetary comparison schedules can be found on pages 74 through 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, changes in net position serves as a useful indicator of a government’s financial position. The City’s overall assets exceeded all its liabilities by \$335,847,457 at the close of the current fiscal year.

The largest portion of the City’s net position (96.0%) is reflected in its net investment in capital assets (e.g., CIP and infrastructure less accumulated depreciation), less any related debt used to acquire those assets that is still outstanding, excluding unspent debt proceeds of \$6,856,779. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rockville's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 45,601,986	\$ 43,418,244	\$ 12,841,573	\$ 12,708,092	\$ 58,443,559	\$ 56,126,336
Noncurrent and Capital Assets	277,667,462	272,260,458	173,009,787	166,908,422	450,677,249	439,168,880
Deferred Outflows of Resources	6,665,535	3,297,229	2,912,690	3,102,648	9,578,225	6,399,877
Total Assets and Deferred Outflows of Resources	\$ 329,934,983	\$ 318,975,931	\$ 188,764,050	\$ 182,719,162	\$ 518,699,033	\$ 501,695,093
Noncurrent Liabilities	61,719,318	62,300,128	106,774,620	102,538,176	168,493,938	164,838,304
Other Liabilities	(4,576,715)	(9,149,580)	17,800,099	19,188,856	13,223,384	10,039,276
Deferred Inflows of Resources	1,134,254	483,892	-	-	1,134,254	483,892
Total Liabilities and Deferred Inflows of Resources	\$ 58,276,857	\$ 53,634,440	\$ 124,574,719	\$ 121,727,032	\$ 182,851,576	\$ 175,361,472
Net Position:						
Net investment in capital assets	242,206,193	236,257,929	80,207,561	73,858,569	322,413,754	310,116,498
Restricted	8,958,785	28,241,472	-	-	8,958,785	28,241,472
Unrestricted	20,493,148	842,090	(16,018,230)	(12,866,439)	4,474,918	(12,024,349)
Total Net Position	\$ 271,658,126	\$ 265,341,491	\$ 64,189,331	\$ 60,992,130	\$ 335,847,457	\$ 326,333,621

At the end of the current fiscal year, there is a positive balance of \$4,474,918 from unrestricted net position. This is an increase of \$16,499,267 from the deficit balance of \$12,024,349 in unrestricted net position in fiscal year 2015. This increase is attributable to the City’s reclassification of net position, previously reported as restricted. The City can report positive net position balances for the City as a whole, as well as for its separate governmental and business-type activities, for the current fiscal year, with the exception of the CDBG Fund, Automated Speed Enforcement Fund, and Parking Fund.

The governmental net investment in capital assets, increased by \$5,948,264 or 2.5%. This increase is related to capital projects expenditures during the current fiscal year.

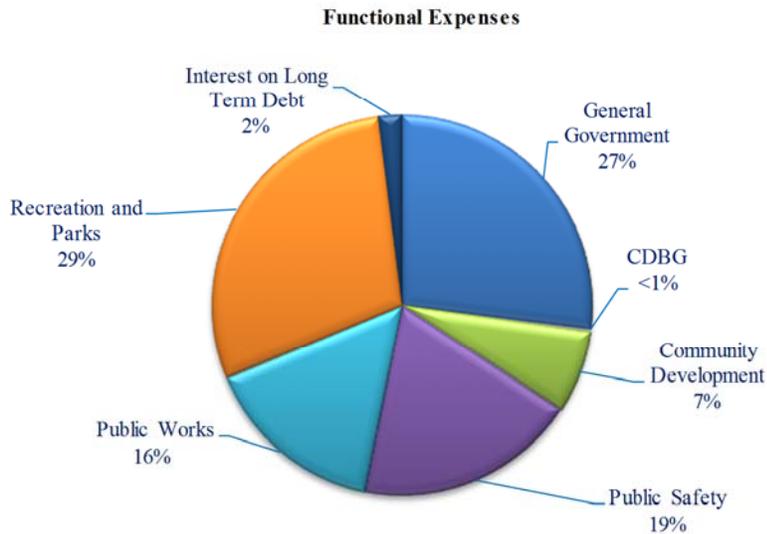
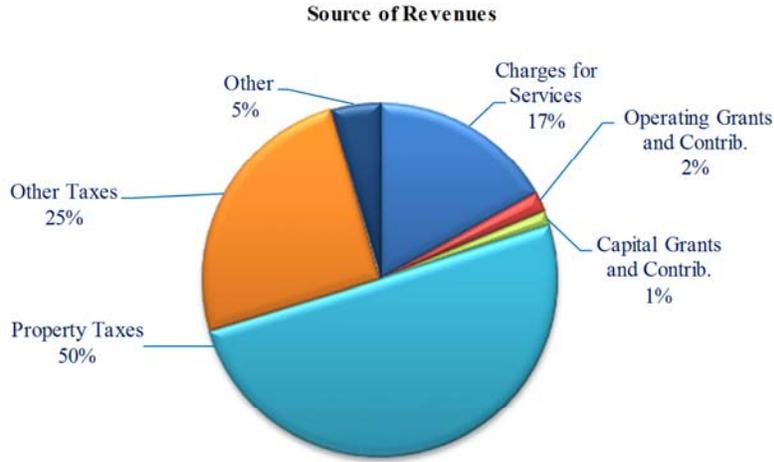
The business-type activities net investment in capital assets, increased by \$6,348,992 or 8.6%. This increase is related to capital projects expenditures during the current fiscal year.

City of Rockville's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015*	2016	2015	2016	2015*
Revenues:						
Program revenues:						
Charges for services	\$ 12,864,541	\$ 12,614,744	\$ 35,221,182	\$ 32,130,034	\$ 48,085,723	\$ 44,744,778
Operating grants & contrib.	1,414,801	1,802,196	-	-	1,414,801	1,802,196
Capital grants & contrib.	1,021,763	458,203	2,523,759	1,163,751	3,545,522	1,621,954
General revenues:						
Property taxes	38,283,902	35,774,964	196,481	181,081	38,480,383	35,956,045
Other taxes	19,170,951	17,212,180	-	-	19,170,951	17,212,180
Other	3,400,734	3,121,158	145,347	2,205	3,546,081	3,123,363
Total Revenues:	\$ 76,156,692	\$ 70,983,445	\$ 38,086,769	\$ 33,477,071	\$ 114,243,461	\$ 104,460,516
Expenses:						
General government	\$ 19,939,261	\$ 16,056,710	\$ -	\$ -	\$ 19,939,261	\$ 16,056,710
CDBG	192,372	324,341	-	-	192,372	324,341
Community development	5,208,701	4,742,679	-	-	5,208,701	4,742,679
Public safety	14,011,145	11,955,154	-	-	14,011,145	11,955,154
Public works	11,489,202	10,680,119	-	-	11,489,202	10,680,119
Recreation and Parks	21,677,656	20,316,220	-	-	21,677,656	20,316,220
Interest on long term debt	1,451,990	1,481,177	-	-	1,451,990	1,481,177
Water	-	-	8,954,708	8,786,204	8,954,708	8,786,204
Sewer	-	-	12,465,393	10,761,488	12,465,393	10,761,488
Refuse	-	-	4,273,936	4,482,442	4,273,936	4,482,442
Parking	-	-	1,783,298	1,826,227	1,783,298	1,826,227
Stormwater management	-	-	3,176,524	2,963,825	3,176,524	2,963,825
Golf Course	-	-	105,439	106,119	105,439	106,119
Total Expenses:	\$ 73,970,327	\$ 65,556,400	\$ 30,759,298	\$ 28,926,305	\$ 104,729,625	\$ 94,482,705
Increase in net position before transfers and contributions	2,186,365	5,427,045	7,327,471	4,550,766	9,513,836	9,977,811
Transfers and contributions	4,130,270	2,665,365	(4,130,270)	(2,665,365)	-	-
Increase/(Decrease) in net position	6,316,635	8,092,410	3,197,201	1,885,401	9,513,836	9,977,811
Net position - beginning, as previously reported	265,341,491	269,765,130	60,992,130	59,106,729	326,333,621	328,871,859
Adjustments to restate net position	-	(12,516,049)	-	-	-	(12,516,049)
Net position- ending	\$ 271,658,126	\$ 265,341,491	\$ 64,189,331	\$ 60,992,130	\$ 335,847,457	\$ 326,333,621

*2015 Restatements consisted of the following: 1) The government-wide net position was restated by (\$358,554) to remove the Net Pension Asset and by (\$12,157,495) to record the beginning balance of the Net Pension Liability as required under GASB Statement No. 68.

Governmental Activities For The Fiscal Year Ended June 30, 2016



Governmental activities. Governmental activities' net position were \$271,658,126 at the end of the fiscal year, an increase of \$6,316,635, or 2.4% over beginning net position. Program revenues increased by \$425,962 (2.9%), which is made up of increases in charges for services of \$249,797, and increases in grant revenues of \$176,165. General revenues increased by \$4,747,285 (8.5%) which is mainly attributable to an increase in property tax revenues of \$2,508,938 and a \$1,716,013 increase in income tax revenue. Continued efforts to closely monitor costs across every department allowed for total revenues to exceed expenses in the government-wide Statement of Activities.

Business-type activities. Business-type activities' net position were \$64,189,331 at the end of the fiscal year, an increase of \$3,197,201, or 5.2% over beginning net position. Program revenues increased by \$4,451,156 (13.4%) when compared to the previous fiscal year. This revenue increase is due to increased utility and service rates from the prior year, and \$1,360,008 more in capital grant revenues. Expenses increased by \$1,832,993 (6.3%) when compared to the previous fiscal year. This increase is primarily due to a special payment for operating and maintenance costs for City wastewater treatment facilities, coupled with continuing performance-based pay and cost of living increases for employees.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's short term financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

All the City's governmental funds continue to hold reserves above policy level. This is reflective of the strength of the City's finances as it continues to grow out of the recession.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$50,105,245, a decrease of \$2,261,481 or 4.3% in comparison with the prior fiscal year. This decrease is due to increased capital outlay during the year, particularly in the Capital Projects Fund. The classifications of fund balance are \$3,498,958 as nonspendable, \$8,958,785 as restricted for special revenue programming, \$180,461 as committed for debt service, \$16,779,123 as assigned for capital outlays, consulting services, and other purposes, and \$20,687,918 as unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance is \$21,039,026, of the total fund balance of \$23,816,352. This is an increase of \$1,122,432 or 5.6% in comparison to the prior fiscal year's unassigned fund balance. This increase is a result of cumulative revenues exceeding expenditures at the fund level.

The Debt Service Fund has a total fund balance of \$1,602,199, of which \$180,461 is committed to the payment of debt service and \$1,421,738 is for nonspendable advances. The decrease in fund balance was \$88,543 or 5.2%. This decrease was due to debt service expenditures exceeding revenues and transfers from the General Fund into the Debt Service Fund.

The Capital Projects Fund has a total fund balance of \$15,795,046, which is assigned to capital outlay. The decrease in fund balance was \$3,017,604 or 16.0%. This decrease was due to capital project expenditures in excess of revenues, including the General Fund transfer.

Proprietary funds. The City's proprietary funds provide similar information found in the government-wide financial statements, but in more detail.

Overall, the results of the City's Enterprise Funds' operations are mixed, with some funds meeting reserve requirements, and others not. Continued liquidity issues in the Water Facility and Sanitary Sewer Funds, due to the investment in infrastructure improvements, are being addressed through planned rate increases.

Unrestricted net position of the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds at the end of the fiscal year amounted to (\$8,266,674), (\$9,738,592), \$1,894,885, (\$4,006,142), \$4,018,775 and \$79,518, respectively.

Fiduciary funds. The City's fiduciary funds provide information on the pension and post-employment health benefit trusts maintained by the City. These funds are not reported in the government-wide financial statements.

The net position of the Pension Trust Funds and Other Post-Employment Benefit (OPEB) Trust Fund at the end of the year amounted to \$115,148,430 and \$6,034,822, respectively. Net position increased in both funds as a result of investment performance and ongoing City contributions. The City made its full actuarially determined contributions (ADC) for both funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget included a \$72,776 increase in revenues from the original adopted budget primarily due to increased revenue projections from operating grants. Operating expenses in the final amended budget included a \$2,975,201 net increase from the original adopted budget. The net increase is a result of increases for reappropriation of fiscal year 2015 encumbrances and changes in employee salaries to reflect the outcomes of the City’s compensation and classification study.

Actual revenues were \$2,816,601 higher than the final amended budget. The increase is primarily a result of higher than projected income tax, charges for services and permit fees of \$1,754,731, \$548,895 and \$406,062, respectively combined with other smaller offsetting variances. Actual operating expenditures were \$2,496,764 less than the final amended budget. This decrease is a result of vacant positions, unfinished consultant studies, outstanding vehicle replacements and other smaller operating cost reductions across programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$426,574,657 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and water and sewer improvements. The total increase in the City’s investment in capital assets for the current fiscal year was \$ 11,787,729 or 2.8%.

Major capital asset events during the current fiscal year included the following:

- Rehabilitation and replacement of water and sewer mains throughout the City totaled \$3,766,541.
- The last of the stormwater improvements and stream restoration tasks for Horizon Hill were completed with current year costs of \$2,028,349.
- Improvements to the City’s swim and fitness center incurred costs of \$2,344,216.
- Improvements to City roads, bridges and sidewalks continued; construction costs at the end of the current fiscal year were \$5,119,615.

City of Rockville's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,843,832	\$ 7,843,832	\$ 2,058,940	\$ 2,058,940	\$ 9,902,772	\$ 9,902,772
Construction in Progress	2,966,485	15,562,523	6,956,236	11,882,149	9,922,721	27,444,672
Buildings	66,516,856	53,895,035	523,996	563,310	67,040,852	54,458,345
Improvements other than Buildings	15,686,757	12,742,217	125,690,654	113,656,734	141,377,411	126,398,951
Equipment	12,467,404	13,023,258	2,898,513	3,280,892	15,365,917	16,304,150
Infrastructure	172,186,128	169,193,593	-	-	172,186,128	169,193,593
Purchased Capacity	-	-	10,778,856	11,084,445	10,778,856	11,084,445
Total	\$ 277,667,462	\$ 272,260,458	\$ 148,907,195	\$ 142,526,470	\$ 426,574,657	\$ 414,786,928

Additional information on the City's capital assets can be found in Note (2) D on pages 47-48 of this report.

Long-term obligations. At the end of the current fiscal year, the City had total long term obligations of \$168,493,938, which are backed by the full faith and credit of the government. Governmental debt is repaid from tax revenues, and business-type debt is repaid from charges for services.

City of Rockville's Long Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds Payable and Loans Payable, net	\$ 36,775,627	\$ 41,348,421	\$ 105,856,569	\$ 101,719,378	\$ 142,632,196	\$ 143,067,799
Accrued Obligations for Compensated Balances	4,724,609	4,304,264	918,051	818,798	5,642,660	5,123,062
Claims Payable	1,591,998	1,508,420	-	-	1,591,998	1,508,420
Net Pension Liability	17,908,264	14,363,890	-	-	17,908,264	14,363,890
Net OPEB Obligation	718,820	775,133	-	-	718,820	775,133
Total Long-Term Liabilities	\$ 61,719,318	\$ 62,300,128	\$ 106,774,620	\$ 102,538,176	\$ 168,493,938	\$ 164,838,304

The City’s total debt principal outstanding decreased by \$359,284 (0.3%) compared to the prior fiscal year, not including the impact of unamortized bond premiums and deferred charges on advance refundings. This decrease represents the near offsetting of the issuance of new bonds in the current fiscal year and the repayment on existing long term debt. Compensated absences increased by \$519,598 (10.1%) during the fiscal year. The net pension liability, which was introduced in fiscal year 2015 with the adoption of GASB Statement No. 68 represents the long-term liabilities for payments to retirees, net of the City’s current pension investments. The net pension liability increased \$3,544,374 (24.7%) based on projected future pension payments. The net OPEB obligation decreased by \$56,303 (7.3%) during the fiscal year.

The City has been awarded a “AAA” rating from Standard & Poor’s and a “Aaa” rating from Moody’s Investor Service for its general obligation debt.

Additional information on the City's long-term debt can be found in Note (2) F on pages 49-54 of this report. Additional information on the City’s net pension liability and net OPEB obligation can be found in Note (4) and Note (5), respectively on pages 57-64 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Mayor and Council adopted the Fiscal Year 2017 (FY17) operating and capital budgets on May 16, 2016. The total operating budget for all funds equals \$126.3 million, an increase of 2.4% from the previous year. The General Fund budget equals \$77.2 million, an increase of 3.5%. The FY16 real property tax rate of \$0.292 per \$100 of assessed valuation remains the same for FY17. In addition to adopting the FY17 budget ordinance, the Mayor and Council also approved several ordinances and resolutions that set the utility rates. Those include:

- A stormwater utility rate of \$127.70 per equivalent residential unit (ERU). Each residential property will pay \$127.70 or one ERU per year, and each commercial property will pay \$127.70 multiplied by the number of ERUs measured on their property.
- Water usage rates following a new multi-tiered progressive structure which incorporates both fixed and variable charges based on consumption and meter size.
- Sewer rate of \$8.23 per 1,000 gallons.
- Refuse rate of \$424 per residential property per year.

An important aspect of utility rate setting for the fiscal year 2017 budget were the rate increases in the water, sewer, refuse and stormwater programs, which ensure the financial health of these operations. Mayor and Council adopted the fiscal year 2017 rates and future rates to ensure rate stability and consistency for City residents.

An important economic factor that directly impacts the City's budget is property assessments. In January 2016, a portion of the City's properties were reassessed. The increases from the reassessment and the effect of new properties on the City's tax roll, results in a projected 3% increase in real property tax revenues for fiscal year 2017. Budgeted personal property taxes are expected to remain flat and consistent with actual revenues the City has received historically. These combined factors, brings estimated total real and personal property tax revenue to \$39.6 million, an increase of approximately \$1.2 million. While this provides a positive outlook, the City will continue to maintain reserves at policy levels and closely monitor spending.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 111 Maryland Avenue, City of Rockville, Rockville, Maryland, 20850.

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Basic Financial Statements

City of Rockville, Maryland

Statement of Net Position June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 39,265,256	\$ 6,685,887	\$ 45,951,143
Property tax receivable, net	221,363	-	221,363
Accounts receivable, net	805,526	6,103,983	6,909,509
Due from other governments	1,781,088	-	1,781,088
Prepaid assets	1,138,500	-	1,138,500
Loans receivable	1,924,414	-	1,924,414
Other assets	446,490	51,703	498,193
Unbilled assessments receivable	19,349	-	19,349
Capital assets (net of accumulated depreciation):			
Land	7,843,832	2,058,940	9,902,772
Construction in progress	2,966,485	6,956,236	9,922,721
Buildings, Improvements and Infrastructure	254,389,741	126,214,650	380,604,391
Equipment	12,467,404	2,898,513	15,365,917
Purchased capacity	-	10,778,856	10,778,856
Capital lease, net	-	24,102,592	24,102,592
Total Assets	\$ 323,269,448	\$ 185,851,360	\$ 509,120,808
Deferred Outflows of Resources			
Deferred outflows from pensions	\$ 6,665,535	\$ -	\$ 6,665,535
Deferred charge on advance refunding	-	2,912,690	2,912,690
Total Deferred Outflows of Resources	\$ 6,665,535	\$ 2,912,690	\$ 9,578,225
Total Assets and Deferred Outflows of Resources	\$ 329,934,983	\$ 188,764,050	\$ 518,699,033
Liabilities			
Accounts payable	\$ 3,777,018	\$ 3,274,950	\$ 7,051,968
Internal balances	(13,372,000)	13,372,000	-
Accrued liabilities	1,885,087	749,715	2,634,802
Unearned revenue	1,274,816	-	1,274,816
Retainages payable	414,335	388,939	803,274
Deposits and other liabilities	1,444,029	14,495	1,458,524
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	3,448,965	670,177	4,119,142
Bonds payable and loan payable, net	3,850,389	6,797,579	10,647,968
Claims payable	684,559	-	684,559
Due in more than one year:			
Compensated absences	1,275,644	247,874	1,523,518
Bonds payable and loan payable, net	32,925,238	99,058,990	131,984,228
Claims payable	907,439	-	907,439
Net pension liability	17,908,264	-	17,908,264
Net OPEB obligation	718,820	-	718,820
Total Liabilities	\$ 57,142,603	\$ 124,574,719	\$ 181,717,322
Deferred Inflows of Resources			
Deferred inflows from pensions	\$ 1,134,254	\$ -	\$ 1,134,254
Total Liabilities and Deferred Inflows of Resources	\$ 58,276,857	\$ 124,574,719	\$ 182,851,576
Net Position			
Net investment in capital assets	\$ 242,206,193	\$ 80,207,561	\$ 322,413,754
Restricted for:			
Special activities fund programming	8,958,785	-	8,958,785
Unrestricted	20,493,148	(16,018,230)	4,474,918
Total Net Position	\$ 271,658,126	\$ 64,189,331	\$ 335,847,457
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 329,934,983	\$ 188,764,050	\$ 518,699,033

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Activities For The Fiscal Year Ended June 30, 2016

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Primary Government:						
Governmental activities:							
General government	\$ 19,939,261	\$ 379,871	\$ -	\$ -	\$ (19,559,390)	\$ -	\$ (19,559,390)
Community development block grant (CDBG)	192,372	-	182,678	-	(9,694)	-	(9,694)
Community development	5,208,701	1,983,953	-	-	(3,224,748)	-	(3,224,748)
Public safety	14,011,145	4,155,894	715,189	-	(9,140,062)	-	(9,140,062)
Public works	11,489,202	677,274	-	455,154	(10,356,774)	-	(10,356,774)
Recreation and parks	21,677,656	5,667,549	516,934	566,609	(14,926,564)	-	(14,926,564)
Interest long-term debt	1,451,990	-	-	-	(1,451,990)	-	(1,451,990)
Total Governmental Activities	\$ 73,970,327	\$ 12,864,541	\$ 1,414,801	\$ 1,021,763	\$ (58,669,222)	\$ -	\$ (58,669,222)
Business-Type Activities:							
Water	\$ 8,954,708	\$ 12,150,240	\$ -	\$ -	\$ -	\$ 3,195,532	\$ 3,195,532
Sewer	12,465,393	11,041,983	-	1,425,424	-	2,014	2,014
Refuse	4,273,936	5,799,796	-	-	-	1,525,860	1,525,860
Parking	1,783,298	1,108,497	-	302,598	-	(372,203)	(372,203)
Stormwater management	3,176,524	5,120,666	-	795,737	-	2,739,879	2,739,879
RedGate golf course	105,439	-	-	-	-	(105,439)	(105,439)
Total Business-Type Activities	\$ 30,759,298	\$ 35,221,182	\$ -	\$ 2,523,759	\$ -	\$ 6,985,643	\$ 6,985,643
Total primary government	\$ 104,729,625	\$ 48,085,723	\$ 1,414,801	\$ 3,545,522	\$ (58,669,222)	\$ 6,985,643	\$ (51,683,579)
General revenues:							
Property taxes					\$ 38,283,902	\$ 196,481	\$ 38,480,383
Income taxes					14,154,731	-	14,154,731
Gas and motor vehicle taxes					1,914,024	-	1,914,024
County tax duplication payment					2,116,671	-	2,116,671
Admissions and amusement taxes					985,525	-	985,525
Use of money and property					384,646	15,451	400,097
Other revenue					3,016,088	129,896	3,145,984
Transfers and Contributions					4,130,270	(4,130,270)	-
Total general revenues and transfers					\$ 64,985,857	\$ (3,788,442)	\$ 61,197,415
Change in net position					6,316,635	3,197,201	9,513,836
Net Position at beginning of year					265,341,491	60,992,130	326,333,621
Net Position at end of year					\$ 271,658,126	\$ 64,189,331	\$ 335,847,457

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Balance Sheet Governmental Funds June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 11,965,066	\$ 180,233	\$ 18,136,287	\$ 8,983,670	\$ 39,265,256
Property taxes receivable, net	221,363	-	-	-	221,363
Accounts receivable, net	659,571	-	-	145,955	805,526
Interfund receivable	13,824,529	-	-	-	13,824,529
Due from other governments	1,413,409	-	-	367,679	1,781,088
Prepaid assets	1,138,500	-	-	-	1,138,500
Loans receivable	218,705	1,421,738	-	283,971	1,924,414
Other assets, net	442,619	228	3,643	-	446,490
Unbilled assessments receivable	-	19,349	-	-	19,349
Total Assets	\$ 29,883,762	\$ 1,621,548	\$ 18,139,930	\$ 9,781,275	\$ 59,426,515
Liabilities					
Accounts payable	\$ 1,469,849	\$ -	\$ 1,930,549	\$ 376,620	\$ 3,777,018
Interfund payable	-	-	-	452,529	452,529
Accrued liabilities	1,717,831	-	-	-	1,717,831
Unearned revenue	1,274,816	-	-	-	1,274,816
Retainages payable	-	-	414,335	-	414,335
Deposits and other liabilities	1,383,551	-	-	60,478	1,444,029
Total Liabilities	\$ 5,846,047	\$ -	\$ 2,344,884	\$ 889,627	\$ 9,080,558
Deferred Inflows of Resources					
Unavailable revenue - property taxes	\$ 221,363	\$ -	\$ -	\$ -	\$ 221,363
Unavailable revenue - special assessments	-	19,349	-	-	19,349
Total Deferred Inflows of Resources	221,363	19,349	-	-	240,712
Total Liabilities and Deferred Inflows of Resources	\$ 6,067,410	\$ 19,349	\$ 2,344,884	\$ 889,627	\$ 9,321,270
Fund Balances					
Nonspendable:					
Inventory	\$ 436,044	\$ -	\$ -	\$ -	\$ 436,044
Advances	218,705	1,421,738	-	283,971	1,924,414
Prepaid assets	1,138,500	-	-	-	1,138,500
Restricted for:					
Special revenue programming	-	-	-	8,958,785	8,958,785
Committed to:					
Debt service	-	180,461	-	-	180,461
Assigned for:					
Consulting services	234,646	-	-	-	234,646
Capital outlays	687,986	-	15,795,046	-	16,483,032
Other purposes	61,445	-	-	-	61,445
Unassigned:					
	21,039,026	-	-	(351,108)	20,687,918
Total Fund Balance	\$ 23,816,352	\$ 1,602,199	\$ 15,795,046	\$ 8,891,648	\$ 50,105,245
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 29,883,762	\$ 1,621,548	\$ 18,139,930	\$ 9,781,275	\$ 59,426,515

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Reconciliation of Total Government Fund Balances to Net Position of Governmental Activities June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$	50,105,245
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	360,975,046	
Accumulated depreciation	(83,307,584)	277,667,462

Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased.		240,712
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The net pension liability and the related deferred outflows and deferred inflows do not represent current financial resources and is not reported in the governmental funds.

Net pension liability	(17,908,264)	
Deferred outflows from pensions	6,665,535	
Deferred inflows from pensions	(1,134,254)	(12,376,983)

The net OPEB obligation related to governmental activities does not represent current financial resources and is not reported in the governmental funds.		(718,820)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities as of year-end consist of:

Compensated absences	4,724,609	
General obligation bonds payable	34,224,590	
Loans payable	430,666	
Accrued interest on the general obligation bonds	167,256	
Unamortized bond premiums on the general obligation bonds	2,120,371	
Claims payable	1,591,998	(43,259,490)

Total net position - governmental activities	\$	<u>271,658,126</u>
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See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds For the Fiscal Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 38,435,104	\$ -	\$ -	\$ -	\$ 38,435,104
Assessments	-	49,695	-	-	49,695
Revenue from other governments:					
Community development block grant	-	-	-	182,678	182,678
Income taxes	14,154,731	-	-	-	14,154,731
Gas and motor vehicles taxes	1,914,024	-	-	-	1,914,024
County tax duplication payment	2,116,671	-	-	-	2,116,671
Admission and amusement taxes	985,525	-	-	-	985,525
Grants and other governmental revenue	1,970,818	-	873,640	951,957	3,796,415
Licenses and permits	2,919,812	-	-	-	2,919,812
Charges for services	6,662,970	-	-	-	6,662,970
Use of money and property	298,705	44,482	32,727	8,732	384,646
Fines and forfeitures	1,393,834	-	-	1,483,073	2,876,907
Other revenues	6,627,183	-	921	316,868	6,944,972
Total Revenues	\$ 77,479,377	\$ 94,177	\$ 907,288	\$ 2,943,308	\$ 81,424,150
Expenditures					
Current operations:					
General government	\$ 15,478,544	\$ -	\$ -	\$ 208,063	\$ 15,686,607
Community development block grant	-	-	-	192,372	192,372
Community development	5,207,652	-	-	-	5,207,652
Public safety	10,702,107	-	-	1,483,293	12,185,400
Public works	7,750,002	-	-	-	7,750,002
Recreation and parks	21,496,156	-	-	128,152	21,624,308
Capital outlay	686,836	-	11,541,892	870,670	13,099,398
Debt service	-	5,815,720	-	-	5,815,720
Total Expenditures	\$ 61,321,297	\$ 5,815,720	\$ 11,541,892	\$ 2,882,550	\$ 81,561,459
Excess (deficiency) of Revenues over Expenditures	\$ 16,158,080	\$ (5,721,543)	\$ (10,634,604)	\$ 60,758	\$ (137,309)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 5,633,000	\$ 7,617,000	\$ 147,890	\$ 13,397,890
Transfers out	(14,277,890)	-	-	-	(14,277,890)
Total Other Financing Sources (uses)	\$ (14,277,890)	\$ 5,633,000	\$ 7,617,000	\$ 147,890	\$ (880,000)
Net change in fund balances	\$ 1,880,190	\$ (88,543)	\$ (3,017,604)	\$ 208,648	\$ (1,017,309)
Fund balance at beginning of year, as previously reported	22,423,857	1,690,742	18,812,650	9,439,477	52,366,726
Adjustments to beginning balance	(487,695)	-	-	(756,477)	(1,244,172)
Fund balance at end of year	\$ 23,816,352	\$ 1,602,199	\$ 15,795,046	\$ 8,891,648	\$ 50,105,245

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Total net change in fund balances-total governmental funds		\$ (1,017,309)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$13,099,398 exceeded depreciation of \$7,692,394.		4,407,004
Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		4,340,170
Governmental funds report the effect of premiums and discounts when debt is first issued, but these items are amortized in the Statement of Net Position and recognized annually.		232,624
Because the unavailable revenue will not be collected for several months after the City's fiscal year ends, it is not considered revenue in the governmental funds. Unavailable revenue decreased in the current fiscal year.		(151,202)
The net pension liability and the related deferred outflows and deferred inflows relate to funding for future retiree benefit payments, which are not considered current. The net pension liability, deferred outflows and deferred inflows increased in the current fiscal year.		
Net pension liability	(3,544,374)	
Deferred outflows from pensions	3,368,306	
Deferred inflows from pensions	<u>(650,362)</u>	(826,430)
The net OPEB obligation relates to funding for future retiree health benefit payments, which are not considered current. The net OPEB obligation decreased in the current fiscal year.		56,313
Expenses for claims are recognized only when paid using current financial resources in the governmental fund statements. In the Statement of Activities, the expenses are recognized when the City is made aware of its liability for claims payments due. This claims payable increased in the current fiscal year.		(83,578)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This fiscal year, vacation and sick leave earned of \$2,158,692 exceeded amounts used of \$1,738,347.		(420,345)
In the Statement of Activities, interest expense is recognized as interest accrues, regardless of when it is due. In the governmental funds interest is recognized as an expenditure when it is due and requires the use of current financial resources. The increased interest reported in the Statement of Activities is the result of changes in accrued interest.		23,560
The restatement of fund balance in the governmental funds is related to a change in accounting policy for citations using a modified accrual approach. In the government-wide statement of net position this is a change in accounting estimate, which is reflected prospectively as a component of bad debt expense.		<u>(1,244,172)</u>
Change in net position of governmental activities		<u>\$ 6,316,635</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Net Position Proprietary Funds June 30, 2016

Business-Type Activities - Enterprise Funds

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Total Business-type Activities
Assets							
Current Assets							
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 1,627,481	\$ 477,600	\$ 4,549,613	\$ 31,193	\$ 6,685,887
Accounts receivable, net	2,269,081	2,219,113	1,253,458	268,407	93,924	-	6,103,983
Other receivables	-	-	317	183	1,203	50,000	51,703
Total current assets	\$ 2,269,081	\$ 2,219,113	\$ 2,881,256	\$ 746,190	\$ 4,644,740	\$ 81,193	\$ 12,841,573
Noncurrent Assets							
Capital Assets:							
Land	123,202	-	-	-	842,697	1,093,041	2,058,940
Utility plant and equip	79,567,806	102,457,763	7,225,353	61,733	17,232,343	2,607,389	209,152,387
Construction in progress	6,868,832	-	-	-	87,404	-	6,956,236
Less-accumulated depreciation	(35,728,486)	(37,877,650)	(4,801,706)	(29,294)	(4,341,079)	(1,761,606)	(84,539,821)
Purchased capacity, long-term	-	15,279,453	-	-	-	-	15,279,453
Other Noncurrent Assets:							
Capital lease, net	-	-	-	24,102,592	-	-	24,102,592
Total noncurrent assets	\$ 50,831,354	\$ 79,859,566	\$ 2,423,647	\$ 24,135,031	\$ 13,821,365	\$ 1,938,824	\$ 173,009,787
Total Assets	\$ 53,100,435	\$ 82,078,679	\$ 5,304,903	\$ 24,881,221	\$ 18,466,105	\$ 2,020,017	\$ 185,851,360
Deferred Outflows of Resources							
Deferred charge on advance refunding	\$ -	\$ -	\$ -	\$ 2,912,690	\$ -	\$ -	\$ 2,912,690
Total Assets and Deferred Outflows of Resources	\$ 53,100,435	\$ 82,078,679	\$ 5,304,903	\$ 27,793,911	\$ 18,466,105	\$ 2,020,017	\$ 188,764,050
Liabilities							
Current Liabilities							
Bonds payable within 1yr	\$ 2,670,372	\$ 2,733,256	\$ 430,000	\$ 641,250	\$ 300,304	\$ 22,397	\$ 6,797,579
Accounts payable	716,178	2,105,469	193,107	29,923	230,273	-	3,274,950
Interfund payable	5,402,281	7,969,719	-	-	-	-	13,372,000
Accrued liabilities	248,414	198,145	106,228	112,938	82,315	1,675	749,715
Compensated absences	241,401	134,170	171,830	7,475	115,301	-	670,177
Retainages payable	198,115	35,394	-	-	155,430	-	388,939
Deposits / other liabilities	14,495	-	-	-	-	-	14,495
Total Current Liabilities	\$ 9,491,256	\$ 13,176,153	\$ 901,165	\$ 791,586	\$ 883,623	\$ 24,072	\$ 25,267,855
Noncurrent Liabilities							
Compensated absences	89,285	49,625	63,554	2,764	42,646	-	247,874
Bonds payable, net	26,696,779	37,456,693	914,326	31,005,703	2,831,822	153,667	99,058,990
Total noncurrent liabilities	\$ 26,786,064	\$ 37,506,318	\$ 977,880	\$ 31,008,467	\$ 2,874,468	\$ 153,667	\$ 99,306,864
Total Liabilities	\$ 36,277,320	\$ 50,682,471	\$ 1,879,045	\$ 31,800,053	\$ 3,758,091	\$ 177,739	\$ 124,574,719
Net Position							
Net investment in capital assets	\$ 25,089,789	\$ 41,134,800	\$ 1,530,973	\$ -	\$ 10,689,239	\$ 1,762,760	\$ 80,207,561
Unrestricted	(8,266,674)	(9,738,592)	1,894,885	(4,006,142)	4,018,775	79,518	(16,018,230)
Total net position	\$ 16,823,115	\$ 31,396,208	\$ 3,425,858	\$ (4,006,142)	\$ 14,708,014	\$ 1,842,278	\$ 64,189,331
Total Liabilities and Net Position	\$ 53,100,435	\$ 82,078,679	\$ 5,304,903	\$ 27,793,911	\$ 18,466,105	\$ 2,020,017	\$ 188,764,050

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
Operating Revenues							
Charges for Services	\$ 12,150,240	\$ 11,041,983	\$ 5,799,796	\$ 1,108,497	\$ 5,120,666	\$ -	\$ 35,221,182
Other Revenues	69,084	4,500	1,591	226,505	24,597	100	326,377
Total Operating Revenues	<u>\$ 12,219,324</u>	<u>\$ 11,046,483</u>	<u>\$ 5,801,387</u>	<u>\$ 1,335,002</u>	<u>\$ 5,145,263</u>	<u>\$ 100</u>	<u>\$ 35,547,559</u>
Operating Expenses							
Treatment and purification	2,289,405	-	-	-	-	-	2,289,405
Distribution	1,464,902	-	-	-	-	-	1,464,902
Collection and disposal	-	4,988,628	3,352,581	-	-	-	8,341,209
Customer billing, collection, operating expenses	2,987,190	3,036,431	1,761,549	513,362	3,356,010	-	11,654,542
Repairs and maintenance	93,625	90,091	419,091	1,951	59,457	-	664,215
Total Operating Expenses	<u>\$ 6,835,122</u>	<u>\$ 8,115,150</u>	<u>\$ 5,533,221</u>	<u>\$ 515,313</u>	<u>\$ 3,415,467</u>	<u>\$ -</u>	<u>\$ 24,414,273</u>
Operating income (loss) before depreciation / amortization	5,384,202	2,931,333	268,166	819,689	1,729,796	100	11,133,286
Less - depreciation and amortization of bond (discount)/premium	(2,661,374)	(3,846,270)	(311,066)	69,074	(479,807)	(99,216)	(7,328,659)
Operating Income (loss)	<u>\$ 2,722,828</u>	<u>\$ (914,937)</u>	<u>\$ (42,900)</u>	<u>\$ 888,763</u>	<u>\$ 1,249,989</u>	<u>\$ (99,116)</u>	<u>\$ 3,804,627</u>
Nonoperating Income (Expenses)							
Capital grants and contributions	-	1,425,424	-	302,598	795,737	-	2,523,759
Interest income	-	-	2,319	1,626	11,506	-	15,451
Interest expense	(1,030,642)	(1,379,563)	(45,699)	(1,321,969)	(88,120)	(6,223)	(3,872,216)
Other, net	-	-	-	(154,420)	-	-	(154,420)
Total Nonoperating Income	<u>\$ (1,030,642)</u>	<u>\$ 45,861</u>	<u>\$ (43,380)</u>	<u>\$ (1,172,165)</u>	<u>\$ 719,123</u>	<u>\$ (6,223)</u>	<u>\$ (1,487,426)</u>
Income (loss) before transfers	<u>1,692,186</u>	<u>(869,076)</u>	<u>(86,280)</u>	<u>(283,402)</u>	<u>1,969,112</u>	<u>(105,339)</u>	<u>2,317,201</u>
Transfers							
Transfer (to) from Proprietary Funds	571,040	(327,360)	(243,680)	-	-	-	-
Transfer from General Fund	-	-	-	750,000	-	130,000	880,000
Total Transfers	<u>\$ 571,040</u>	<u>\$ (327,360)</u>	<u>\$ (243,680)</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 880,000</u>
Increase (decrease) net position	2,263,226	(1,196,436)	(329,960)	466,598	1,969,112	24,661	3,197,201
Net position at beginning of year	<u>\$ 14,559,889</u>	<u>\$ 32,592,644</u>	<u>\$ 3,755,818</u>	<u>\$ (4,472,740)</u>	<u>\$ 12,738,902</u>	<u>\$ 1,817,617</u>	<u>\$ 60,992,130</u>
Net position at end of year	<u>\$ 16,823,115</u>	<u>\$ 31,396,208</u>	<u>\$ 3,425,858</u>	<u>\$ (4,006,142)</u>	<u>\$ 14,708,014</u>	<u>\$ 1,842,278</u>	<u>\$ 64,189,331</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2016

Business-Type Activities - Enterprise Funds

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Total Business-type Activities
Cash Flows from operating activities:							
Cash received from customers	\$ 11,925,507	\$ 10,903,691	\$ 6,004,035	\$ 1,234,913	\$ 5,166,129	\$ 100	\$ 35,234,375
Cash payments to suppliers for goods and services	(3,473,307)	(5,439,980)	(3,039,339)	(236,538)	(1,325,557)	-	(13,514,721)
Cash payments to employees for services	(3,336,507)	(1,761,756)	(2,352,293)	(275,106)	(2,050,136)	-	(9,775,798)
Net cash provided by operating activities	<u>\$ 5,115,693</u>	<u>\$ 3,701,955</u>	<u>\$ 612,403</u>	<u>\$ 723,269</u>	<u>\$ 1,790,436</u>	<u>\$ 100</u>	<u>\$ 11,943,856</u>
Cash Flows from noncapital financing activities:							
Transfer in from the General Fund	\$ -	\$ -	\$ -	\$ 750,000	\$ -	\$ 130,000	\$ 880,000
Transfer (to) from Proprietary Funds	571,040	(327,360)	(243,680)	-	-	-	-
Proceeds from interfund payable	-	61,748	-	-	-	-	61,748
Retirement of interfund payable	(2,814,783)	-	-	-	-	(69,906)	(2,884,689)
Net cash provided by (used in) noncapital financing activities	<u>\$ (2,243,743)</u>	<u>\$ (265,612)</u>	<u>\$ (243,680)</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 60,094</u>	<u>\$ (1,942,941)</u>
Cash Flows from capital and related financing activities:							
Capital grants and contributions	\$ -	\$ 1,425,424	\$ -	\$ 302,599	\$ 1,271,852	\$ -	\$ 2,999,875
Acquisition and construction of capital assets	(4,931,568)	(5,107,146)	(147,151)	(34,067)	(3,396,004)	-	(13,615,936)
Principal paid on general obligation bond maturities	(2,389,004)	(2,534,975)	(345,000)	(602,720)	(299,833)	(22,582)	(6,194,114)
Interest paid on general obligation bonds	(1,029,279)	(1,380,137)	(44,024)	(1,324,521)	(89,081)	(6,419)	(3,873,461)
Proceeds from capital lease	-	-	-	314,898	-	-	314,898
Proceeds from issuance of debt/current refunding	5,477,901	4,160,491	1,010,392	-	-	-	10,648,784
Net cash provided by (used in) capital and related financing activities	<u>\$ (2,871,950)</u>	<u>\$ (3,436,343)</u>	<u>\$ 474,217</u>	<u>\$ (1,343,811)</u>	<u>\$ (2,513,066)</u>	<u>\$ (29,001)</u>	<u>\$ (9,719,954)</u>
Cash Flows from investing activities:							
Interest on investments	\$ -	\$ -	\$ 2,034	\$ 1,468	\$ 10,476	\$ -	\$ 13,978
Net (decrease) increase in cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,974</u>	<u>\$ 130,926</u>	<u>\$ (712,154)</u>	<u>\$ 31,193</u>	<u>\$ 294,939</u>
Cash and cash equivalents at the beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 782,507</u>	<u>\$ 346,674</u>	<u>\$ 5,261,767</u>	<u>\$ -</u>	<u>\$ 6,390,948</u>
Cash and cash equivalents at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,627,481</u>	<u>\$ 477,600</u>	<u>\$ 4,549,613</u>	<u>\$ 31,193</u>	<u>\$ 6,685,887</u>

See accompanying notes to the basic financial statements.

(Continued)

City of Rockville, Maryland

Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2016

Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
Operating income (loss)	\$ 2,722,828	\$ (914,937)	\$ (42,900)	\$ 888,763	\$ 1,249,989	\$ (99,116)	\$ 3,804,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	\$ 2,661,374	\$ 3,846,270	\$ 311,066	\$ (69,074)	\$ 479,807	\$ 99,216	\$ 7,328,659
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(293,815)	(142,793)	202,648	(100,089)	20,866	-	(313,183)
Increase (decrease) in accounts payable	21,268	836,140	65,791	1,763	(29,918)	-	895,044
Increase (decrease) in accrued liabilities	29,469	19,416	27,521	2,771	15,930	-	95,107
Increase (decrease) in compensated absences	19,054	23,337	48,277	(865)	9,450	-	99,253
Increase (decrease) in retainages payable	(44,485)	34,522	-	-	44,312	-	34,349
Total adjustments	<u>\$ 2,392,865</u>	<u>\$ 4,616,892</u>	<u>\$ 655,303</u>	<u>\$ (165,494)</u>	<u>\$ 540,447</u>	<u>\$ 99,216</u>	<u>\$ 8,139,229</u>
Net cash provided by operating activities	<u>\$ 5,115,693</u>	<u>\$ 3,701,955</u>	<u>\$ 612,403</u>	<u>\$ 723,269</u>	<u>\$ 1,790,436</u>	<u>\$ 100</u>	<u>\$ 11,943,856</u>
Noncash capital and related financing activities:							
Purchase of equipment on account	<u>\$ (330,426)</u>	<u>\$ 917,335</u>	<u>\$ -</u>	<u>\$ (14,140)</u>	<u>\$ (161,839)</u>	<u>\$ -</u>	<u>\$ 410,930</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Fiduciary Net Position Pension Trust Funds June 30, 2016

	Pension Trust Funds	OPEB Trust Fund
Assets		
Open End Mutual Funds:		
Bonds	\$ 18,324,581	\$ 2,315,126
Equities	77,730,142	3,658,482
Real Estate	12,238,991	-
Money Markets	6,854,716	357,295
Total	<u>\$ 115,148,430</u>	<u>\$ 6,330,903</u>
Liabilities		
Benefits payable	<u>\$ -</u>	<u>\$ 296,081</u>
Net Position		
Restricted for plan benefits	<u>\$ 115,148,430</u>	<u>\$ 6,034,822</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Changes in Fiduciary Net Position Pension Trust Funds For the Year Ended June 30, 2016

	Pension Trust Funds	OPEB Trust Fund
Additions		
Contributions		
Employer	\$ 4,240,226	\$ 674,400
Plan Members	2,058,177	-
Total Contributions	\$ 6,298,403	\$ 674,400
Investment Income (loss)		
Net appreciation in the fair value of plan investments	163,214	(82,356)
Interest and dividends	1,295,051	99,166
Total investment income (loss)	1,458,265	16,810
Total	\$ 7,756,668	\$ 691,210
Deductions		
Benefits	\$ 5,029,402	\$ 296,081
Refunds to terminated employees	605,942	-
Deaths	-	-
Investment fee expense	410,269	38,708
Administrative expense	35,543	18,500
Total Deductions	\$ 6,081,156	\$ 353,289
Net Increase	\$ 1,675,512	\$ 337,921
Net position at beginning of year	113,472,918	5,696,901
Net position at end of year	\$ 115,148,430	\$ 6,034,822

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Rockville (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 67,300 and a land area of 13.55 square miles. According to the 2010 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members. Services provided include water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland (the "County").

For financial reporting purposes, the government-wide financial statements include the various departments governed directly by the Mayor and Council. The City's officials are also responsible for appointing the board of directors of the Rockville Housing Enterprises (RHE), but the City's accountability does not extend beyond making the appointments, therefore the finances of RHE are not included in the financial statements. The City provides financial assistance to Rockville Economic Development, Inc. (REDI), but is not obligated to provide such assistance; therefore, the finances of REDI are not included in the financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the primary government. Mostly all the effects of interfund activities have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely significantly on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are considered available when they are deemed collectible within the current period or soon thereafter to pay the liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The City operates six major types of enterprise funds: The Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Parking Fund, the Stormwater Management Fund, and the RedGate Golf Course Fund. These funds account for the provision of water and sewer services, recycling and refuse services and the parking meter program, for residents within the City's service area. The Stormwater Management Fund and RedGate Golf Course Fund do not meet the requirements of a major fund; however, management has elected to report these funds as major. The Stormwater Management Fund accounts for the maintenance and construction of stormwater infrastructure. The RedGate Golf Course Fund accounts for the operating lease proceeds and long term debt costs for the City's golf course facility.

Additionally, the government reports the following fund types:

The City operates three nonmajor governmental funds: The Special Activities Fund, the Community Development Block Grant (CDBG) Fund, and the Automated Speed Enforcement Fund. These funds primarily use donor restricted grants, contributions, and state-earmarked funding sources to meet specific programmatic needs.

The City's Pension Trust Funds and OPEB Fund account for the contributions made by the City and its employees to finance future pension and post-employment benefit payments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, but interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing goods, and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Facility, Sanitary Sewer, Refuse, and Stormwater Management Funds are charges to customers for sales and services. The Water Facility and Sanitary Sewer funds also recognize the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources, then unrestricted resources as they are needed.

The City adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which provides two categories of authoritative GAAP. The City does not currently have any events or transactions that are not specified within a source of authoritative GAAP.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account. The Pension Trust Funds and OPEB Fund assets are separately managed by the City's Retirement Board. The Pension Trust Fund investments are stated at fair value. Short-term investments of one year or less which are included in the City's equity in pooled cash and cash equivalents are stated at amortized cost plus accrued interest. These short-term investments include mutual funds.

For purposes of the Statement of Cash Flows, the proprietary fund type reflects all monies in the City's cash management pool as cash equivalents.

Interest income earned on City investments is allocated among the funds each month pro-rata based on the average equity in pooled cash balances for the previous six months.

2. Property Taxes

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1, and payable either by September 30 or in two equal installments on September 30 and December 31. Montgomery County bills and collects property taxes for the City and remits the cash collections monthly. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1 and are, thereafter, sold at public auction if deemed delinquent.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rate of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public hearings.

The real property tax rate was \$0.292 per \$100 of assessed value and the personal property tax rate was \$0.805 per \$100 of assessed value in fiscal year 2016. The City charges taxpayers interest (at the rate of 2/3 of 1 percent per month) and penalty (1 percent per month) on all overdue taxes.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

3. Inventories and Prepaid Items

All City inventories (included in other assets in the governmental fund Balance Sheet) are maintained on a consumption basis of accounting and are valued at cost on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services. The classification of fund balance for General Fund inventories is made to reflect the non-spendable nature of those amounts for appropriation in the General Fund. Certain payments to vendors and contingent grants reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Net Position

The Special Activities Fund is used to account for programs for which external funding sources impose requirements and restrictions on the use of funds for a particular purpose.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Assignments of fund balance in Capital Projects Fund have been made to reflect the authorized capital project appropriations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The capitalization threshold for infrastructure items is \$25,000. GASB Statement No. 34 requires prospective reporting of all infrastructure assets acquired after June 30, 2002. It has also required that all infrastructure assets that were acquired after June 30, 1980 be reported for fiscal years beginning after June 15, 2006. The City is in compliance with this requirement and has capitalized infrastructure assets acquired after June 30, 2002.

Property, plant, and equipment of the primary government are depreciated over their useful lives using the straight-line method of depreciation in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are estimated useful lives:

Description	Lives (Years)
Buildings	30-50
Equipment	3-20
Furniture and fixtures	7-10
Automobiles and trucks	5-7
Water and sewer infrastructure	20-50
Stormwater management facilities	20-50
Purchased capacity	50

6. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows or inflows of resources. This separate financial statement element represents a consumption or production of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until then. The City has five items that qualify for reporting in this category. They are the deferred charge on advance refunding reported in the government-wide and proprietary fund Statement of Net Position, the unavailable revenue for property taxes and special assessments reported in the Governmental Fund Balance Sheet, and the deferred outflows and inflows from pensions reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred inflows and outflows from pensions reflect changes in assumptions, differences between actual and expected experience and differences between actual and projected earnings on investments.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. All annual leave and sick leave is accrued when incurred and eligible for pay-out in the government-wide and proprietary financial statements. An expenditure for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current period in accordance with GASB Statement No. 65.

In the fund financial statements, the Debt Service Fund recognizes bond premiums and discounts, as well as bond issuance costs, in the period incurred. The face amount of debt issued is reported net of any bond premiums/discouts.

Commitments of fund balance in the Debt Service Fund have been made in accordance with the City's policy to maintain a minimum cash balance of 10% of average outstanding principal for future debt service appropriations.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Rockville Employee Retirement System (ROCKERS) and additions to/deductions from ROCKERS' fiduciary net position have been determined on the same basis as they are reported by ROCKERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments consist of open-end mutual funds which are reported at fair value.

10. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "interfund receivable/payable". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

11. Fund Balance

In the fund financial statements, governmental funds report fund balance using classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the purpose for which the funds may be spent. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned. When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first.

Nonspendable - Portion of net resources that cannot be spent either (a) because of their form or (b) because they must be maintained intact.

Restricted - Portion of net resources with imposed limitations set by either (a) creditors, grantors, contributors, or the laws and regulations of other governments or (b) laws through constitutional provisions or enabling legislation.

Committed - Portion of net resources with imposed limitations set at the highest level of decision making authority. Such authority includes ordinances of the Mayor and Council and the City's charter. Formal action at the same level of authority is required to remove such limitations.

Assigned - Portion of net resources intended for a specific use by the City, as determined by the City Manager, as the designee of the Mayor and Council pursuant to ordinance 12-13.

Unassigned - Portion of net resources in excess of the nonspendable, restricted, committed and assigned balances.

12. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net investment in capital assets portion of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The portion of net position related to investment in capital assets, excludes unspent debt proceeds of \$5,542,421 attributable to business-type activities. Unspent debt proceeds of \$1,314,358 are attributable to governmental activities and are reported as assigned in the Capital Projects Fund. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The portion of net position restricted for external restrictions imposed by grantors is \$8,958,785, as noted in the government-wide statement of net position. Restricted resources are used first to fund appropriations. When an expense is incurred for which both restricted and unrestricted net position are available, the City will first apply restricted resources.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds

A. Equity in Pooled Cash and Cash Equivalents

The City maintains cash and an investment pool that is subject to oversight by the Mayor and Council, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC). The City's cash and investment pool are available for use by all the City's funds, except the Pension Trust Funds. The City is restricted by State law to invest only in federally insured banks in the State of Maryland, federally insured savings and loan associations in the State of Maryland, or in the Maryland Local Government Investment Pool (MLGIP). The City primarily invests in the MLGIP, a pooled fund money market for municipalities, which is highly efficient and utilizes a programmed approach to investing. Unit value is computed using the amortized cost method. The City's Pension Trust Funds are invested in open end mutual funds, which are subject to oversight by the Mayor and Council and the Retirement Board. The City's open end mutual funds include equity, fixed income, real estate, and money market funds.

As of July 1, 2015 the City implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Under this standard the MLGIP meets the criteria of a qualified external investment pool, thereby allowing the City to report its investments using the amortized cost method. There are no limitations or restrictions on MLGIP withdrawals. Amounts invested in external investment pools of \$38,823,153 are comprised of securities valued using quoted market prices which are then allocated to pool participants to maintain a \$1.00 per unit value.

As of June 30, 2016, the City had the following cash, cash equivalents and investments included as equity in pooled cash and cash equivalents in the Statement of Net Position and the Statement of Fiduciary Net Position:

	Primary Government	Pension Trust Funds	Interest Range
Deposits	\$ 7,127,990	\$ -	0.00%
Maryland Local Government Pool (MLGIP)	38,823,153	-	0.08% - 0.36%
	\$ 45,951,143	\$ -	
Open-End Mutual Funds	-	121,479,333	0.55% - 6.95%
Total Fair Market Value of Investments	<u>\$ 45,951,143</u>	<u>\$ 121,479,333</u>	

Effective July 1, 2015 the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The Pension Trust Funds and OPEB Fund categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

- Amounts invested in open-end mutual funds of \$88,600,635 are comprised of securities valued using quoted market prices (Level 1) which are then allocated to position holders. These funds are required to publish their daily net asset value (NAV) and to transact at that price.
- Amounts invested in open-end mutual funds of \$20,639,707 are comprised of domestic fixed income securities which are priced by industry standard vendors such as Interactive Data Corporation, using observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads (Level 2) which are then allocated to position holders at a per unit value.
- Amounts invested in open-end mutual funds of \$12,238,991 are comprised of real estate investments valued using observable inputs such as discounted income streams, the current cost of reproducing the real estate, and values indicated by comparable real estate in the market (Level 2) which are then allocated to position holders at a per unit value.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

A. Equity in Pooled Cash and Cash Equivalents (Continued)

Deposits:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in the State of Maryland. Such banks must also secure any deposits exceeding the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at the least equal to 102% of the deposits. As of June 30, 2016, all the City's deposits were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City's name.

Investments:

Credit Risk: The Mayor and Council of Rockville recognize that their authority to invest the public funds of the City derives from Section 6-222a of the State of Maryland's Finance and Procurement Article, as well as Article 95, Section 22-22N of the Annotated Code of Maryland. Authority to invest City funds in compliance and provisions of these State statutes is delegated to the Director of Finance. The City invests in MLGIP which is rated "AAAm" by Standard and Poor's and is under control of the Maryland State Treasurer's Office. All City investments must receive one of the highest ratings from at least one of the national recognized statistical organizations, except for obligations which are backed by the full credit of the US Government, obligations of federal agencies, or an instrument that has been issued in accordance with acts of Congress and unrated. The Pension and OPEB Trust funds are invested in open-end pooled mutual funds, which are unrated.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The MLGIP pooled money market funds and open-end mutual funds are highly liquid with no fixed maturity and therefore do not expose the City to interest rate risk. The maximum allowable maturity of any individual security within the MLGIP is 397 days. The average life of the MLGIP will generally range between 25-55 days. A portion of the Pension and OPEB trust funds are invested in open-end fixed income bond funds. These funds consist of debt instruments with average maturities ranging from 7.78 years to 10.58 years.

Custodial Credit Risk: Custodial credit risk for investments is the risk that in the event of failure of a depository financial institution or counterparty to a transaction, the City will not recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk at June 30, 2016.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

B. Receivables

Receivables as of the year ended June 30, 2016 for all the City's individual funds were as follows:

Receivables	General	Debt Service	Capital Projects	Other Governmental Funds	Water	Sewer	Refuse	Parking	Stormwater Management	RedGate Golf Course	Total
Billed / Unbilled Accounts	\$ -	\$ -	\$ -	\$ -	\$ 2,276,277	\$ 2,231,948	\$ 1,261,582	\$ -	\$ 68,939	\$ -	\$ 5,838,746
Property Taxes Receivable	714,809	-	-	-	-	-	-	-	-	-	714,809
Accounts Receivable	659,571	-	-	145,955	-	-	-	304,833	-	-	1,110,359
Interfund Receivable	13,824,529	-	-	-	-	-	-	-	-	-	13,824,529
Due from Other Governments	1,413,409	-	-	367,679	-	-	-	-	24,985	-	1,806,073
Loans Receivable											
Rockville Commons, L.P.	98,705	-	-	-	-	-	-	-	-	-	98,705
REL P One, L.P.	120,000	-	-	-	-	-	-	-	-	-	120,000
RHE Fireside Park, Inc.	-	1,421,738	-	283,971	-	-	-	-	-	-	1,705,709
Other Assets	442,619	228	3,643	-	-	-	317	183	1,203	50,000	498,193
Unbilled Assessments Receivable	-	19,349	-	-	-	-	-	-	-	-	19,349
Gross Receivables	17,273,642	1,441,315	3,643	797,605	2,276,277	2,231,948	1,261,899	305,016	95,127	50,000	25,736,472
Allowance for Uncollectibles	(493,446)	-	-	-	(7,196)	(12,835)	(8,124)	(36,426)	-	-	(558,027)
Net Receivables	<u>\$ 16,780,196</u>	<u>\$ 1,441,315</u>	<u>\$ 3,643</u>	<u>\$ 797,605</u>	<u>\$ 2,269,081</u>	<u>\$ 2,219,113</u>	<u>\$ 1,253,775</u>	<u>\$ 268,590</u>	<u>\$ 95,127</u>	<u>\$ 50,000</u>	<u>\$ 25,178,445</u>

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$558,027 at June 30, 2016, and is composed of the following:

General Fund property taxes receivable	\$ 493,446
Enterprise Funds utility bills receivable	28,155
Enterprise Funds meter violations receivable	36,426
Total allowance for uncollectibles	<u>\$ 558,027</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period. Governmental funds also postpone revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	Deferred	Unearned
Special assessments not yet due (Debt Service Fund)	\$ 19,349	\$ -
Property taxes receivable (General Fund)	221,363	-
Recreation services not earned (General Fund)	-	1,274,816
Total deferred/unearned revenue for governmental funds	\$ 240,712	\$ 1,274,816

The City has the following loans receivable which are noncurrent assets:

Rockville Commons, L.P.- The loan in the total amount of \$250,000 was issued on July 17, 1997 to Rockville Commons, L.P. The loan bears interest at 3% per annum. The loan is secured by a Second Deed of Trust, Security Agreement and Assignment of Rents dated July 17, 1997. The maturity date is August 15, 2019. The loan is recorded in the General Fund. The outstanding balance was \$98,705 as of June 30, 2016.

REL P One, L.P. - The loan in the total amount of \$120,000 was issued on June 12, 2003 to REL P One, L.P. The loan bears no interest. The loan is secured by a Second Deed of Trust, Security Agreement and Assignment of Rents dated June 12, 2003. The maturity date is June 30, 2043. The loan is recorded in the General Fund. The outstanding balance was \$120,000 as of June 30, 2016.

RHE Fireside Park, Inc. - The loan in the total amount of \$1,800,000 was issued on December 21, 2012 to RHE Fireside Park, Inc. The loan bears interest at 3% per annum. The loan is secured by a Second Deed of Trust, Security Agreement and Assignment of Rents dated December 21, 2012. The maturity date is April 1, 2020. The loan is recorded in the Debt Service Fund and Special Activities Fund. The outstanding balance was \$1,705,709 as of June 30, 2016, of which \$1,421,738 is reported in the Debt Service Fund and \$283,971 is reported in the Special Activities Fund.

C. Prepaid Assets

The City participated with the County by providing contingent grant awards, as economic development initiatives for Duball Rockville, LLC and Choice Hotels International, Inc., for the purpose of attracting business activity to the City. The grants have performance requirements, when if met, will initiate the City's recognition of the grant expenditure. If the performance requirements are not met, the contingent grant will convert to a loan receivable and bear interest at 3% per annum. The performance periods for the two contingent grant awards will expire in fiscal years 2017 and 2018, respectively. In addition, occasional payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. At June 30, 2016 prepaid assets in the General Fund consisted of the following:

	Prepaid Assets
Duball Rockville, LLC	\$ 980,000
Choice Hotels International, Inc.	156,000
Other prepaid assets	2,500
Total prepaid assets	\$ 1,138,500

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 7,843,832	\$ -	\$ -	\$ -	\$ 7,843,832
Construction in progress	15,562,523	4,784,000	-	(17,380,038)	2,966,485
Total capital assets, not being depreciated	<u>\$ 23,406,355</u>	<u>\$ 4,784,000</u>	<u>\$ -</u>	<u>\$ (17,380,038)</u>	<u>\$ 10,810,317</u>
Capital assets, being depreciated:					
Buildings	70,088,823	-	-	14,315,913	84,404,736
Improvements other than buildings	18,183,231	773,618	-	3,064,125	22,020,974
Equipment	25,896,771	1,447,726	(720,954)	-	26,623,543
Infrastructure	211,021,422	6,094,054	-	-	217,115,476
Total capital assets being depreciated	<u>\$ 325,190,247</u>	<u>\$ 8,315,398</u>	<u>\$ (720,954)</u>	<u>\$ 17,380,038</u>	<u>\$ 350,164,729</u>
Less accumulated depreciation for:					
Buildings	(16,193,788)	(1,694,092)	-	-	(17,887,880)
Improvements other than buildings	(5,441,014)	(893,203)	-	-	(6,334,217)
Equipment	(12,873,513)	(2,003,580)	720,954	-	(14,156,139)
Infrastructure	(41,827,829)	(3,101,519)	-	-	(44,929,348)
Total accumulated depreciation	<u>\$ (76,336,144)</u>	<u>\$ (7,692,394)</u>	<u>\$ 720,954</u>	<u>\$ -</u>	<u>\$ (83,307,584)</u>
Total capital assets, being depreciated, net	<u>248,854,103</u>	<u>623,004</u>	<u>-</u>	<u>17,380,038</u>	<u>266,857,145</u>
Governmental activities capital assets, net	<u>\$ 272,260,458</u>	<u>\$ 5,407,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,667,462</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	11,882,149	3,995,660	-	(8,921,573)	6,956,236
Total capital assets, not being depreciated	<u>\$ 13,941,089</u>	<u>\$ 3,995,660</u>	<u>\$ -</u>	<u>\$ (8,921,573)</u>	<u>\$ 9,015,176</u>
Capital assets, being depreciated:					
Buildings	4,447,888	-	-	-	4,447,888
Improvements other than buildings	175,051,605	9,827,768	-	8,921,573	193,800,946
Equipment	10,843,155	203,438	(143,040)	-	10,903,553
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 205,622,101</u>	<u>\$ 10,031,206</u>	<u>\$ (143,040)</u>	<u>\$ 8,921,573</u>	<u>\$ 224,431,840</u>
Less accumulated depreciation for:					
Buildings	(3,884,578)	(39,314)	-	-	(3,923,892)
Improvements other than buildings	(61,394,871)	(6,715,421)	-	-	(68,110,292)
Equipment	(7,562,263)	(585,817)	143,040	-	(8,005,040)
Purchased capacity	(4,195,008)	(305,589)	-	-	(4,500,597)
Total accumulated depreciation	<u>\$ (77,036,720)</u>	<u>\$ (7,646,141)</u>	<u>\$ 143,040</u>	<u>\$ -</u>	<u>\$ (84,539,821)</u>
Total capital assets, being depreciated, net	<u>128,585,381</u>	<u>2,385,065</u>	<u>-</u>	<u>8,921,573</u>	<u>139,892,019</u>
Business-type activities capital assets, net	<u>\$ 142,526,470</u>	<u>\$ 6,380,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,907,195</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

General Government	\$ 2,978,614
Community Development	1,049
Public Safety	920,183
Public Works	3,739,200
Recreation and Parks	53,348
Total depreciation expense - governmental activities	\$ 7,692,394
Business-Type Activities:	
Water	\$ 2,734,867
Sewer	3,982,518
Refuse	323,079
Parking	4,028
Stormwater Management	501,100
Golf Course	100,549
Total depreciation expense - business-type activities	\$ 7,646,141

E. Interfund Payables and Transfers

The interfund payables from various funds represent cash overdrafts that are payable to the General Fund within one year. The interfund payables as of June 30, 2016 consisted of the following:

	Interfund Payable Total
Governmental Funds:	
Community Development Block Grant Fund	\$ 106,282
Automated Speed Enforcement Fund	346,247
Proprietary Funds:	
Water Facility Fund	5,402,281
Sanitary Sewer Fund	7,969,719
Total	\$ 13,824,529

The interfund transfers are used to provide resources from the General Fund to other funds, and occur in the normal course of business. Interfund transfers for the year ended June 30, 2016 consisted of the following:

	Transfers from General Fund
Debt Service Fund	\$ 5,633,000
Capital Project Fund	7,617,000
Special Activities Fund	147,890
Parking Fund	750,000
RedGate Golf Course Fund	130,000
Total	\$ 14,277,890

Transfer from the General Fund to the Debt Service Fund represents resources to pay off general obligation bonds. Transfer from the General Fund to the Capital Projects Fund represents the City's budgeted pay-as-you-go funding. Transfer from the General Fund to the Special Activities Fund represents resources for the Rockville Emergency Assistance Program (REAP), Senior Assistance Fund, Recreation Fund, Art in Public Architecture program and Art in Public Places program.

Transfer from the General Fund to the RedGate Fund represents resources to pay off general obligation bonds.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

E. Interfund Payables and Transfers (Continued)

Many administrative functions of the City's utility Funds are maintained in the Water Fund. During the year ended June 30, 2016 the Sewer Fund and Refuse Fund transferred \$327,360 and \$243,680 respectively, to the Water Fund in order to cover their share of operational expenses.

F. Long-Term Debt

General Obligation Bonds and Loans Payable

General obligation bonds are direct city obligations in which the full faith and credit of the government is pledged. These bonds generally are issued as 10-30 year serial bonds with equal amounts of principal maturing each year. General obligation bonds and loans payable which were outstanding at June 30, 2016 are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
Governmental Activities				
General Improvements - 2007	2007	\$ 5,720,000	4.00 - 4.25%	2027
General Improvements - 2010	2010	12,165,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	641,073	2.00 - 3.00%	2021
General Improvements - Refunding 2013B	2013	3,154,827	3.00 - 4.00%	2023
Loan Payable - Montgomery County	2013	326,666	0.00%	2018
Loan Payable - Montgomery County	2013	104,000	0.00%	2019
General Improvements - Refunding 2014A	2014	4,273,089	2.00 - 5.00%	2024
General Improvements - 2014B	2014	2,840,000	2.00 - 5.00%	2025
General Improvements - Refunding 2015A	2015	5,430,601	4.00 - 5.00%	2025
Total Governmental Activities		<u>\$ 34,655,256</u>		
Business-Type Activities				
Loan Payable - State of Maryland	1999	\$ 539,336	3.21%	2019
Loan Payable - State of Maryland	2000	521,134	3.64%	2020
Loan Payable - State of Maryland	2002	1,377,277	1.90%	2023
Loan Payable - State of Maryland	2005	653,968	0.00%	2025
General Improvements - 2007	2007	3,870,000	4.00 - 4.25%	2027
General Improvements - 2008	2008	6,485,000	4.00 - 4.50%	2028
Loan Payable - State of Maryland	2010	687,809	1.00%	2031
General Improvements - 2010	2010	7,310,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	813,927	2.00 - 3.00%	2021
General Improvements - 2011B	2011	7,855,000	2.00 - 3.375%	2032
General Improvements - Advance Refunding 2011C	2011	30,830,000	3.50 - 4.375%	2036
General Improvements - 2013A	2013	14,350,000	3.00 - 4.00%	2034
General Improvements - Refunding 2013B	2013	1,025,172	3.00 - 4.00%	2023
General Improvements - Refunding 2014A	2014	1,016,911	2.00 - 5.00%	2024
General Improvements - 2014B	2014	10,460,000	2.00 - 5.00%	2035
General Improvements - Refunding 2015A	2015	4,794,400	4.00 - 5.00%	2025
General Improvements - 2015B	2015	10,175,000	2.00 - 5.00%	2036
Total Business-Type Activities		<u>\$ 102,764,934</u>		

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

The City anticipates that all amounts required for payment of interest and principal on business-type activities debt will be provided from the respective fund's revenues; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City.

Unamortized bond premiums are reported with outstanding principal for governmental and business-type activities. The long term outstanding debt payable consists of the following:

	Governmental Activities	Business-Type Activities
Long-term outstanding debt	\$ 34,655,256	\$ 102,764,934
Unamortized bond premiums	2,120,371	3,091,635
Long-term outstanding debt, net	\$ 36,775,627	\$ 105,856,569

The City's future payments of long-term debt for governmental activities are as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total Principal and Interest
2017	\$ 3,850,389	\$ 1,318,198	\$ 5,168,587
2018	3,832,992	1,179,885	5,012,877
2019	3,665,085	1,036,379	4,701,464
2020	3,668,579	888,372	4,556,951
2021	3,632,987	760,641	4,393,628
2022	3,086,210	628,999	3,715,209
2023	3,076,009	511,016	3,587,025
2024	2,624,287	392,099	3,016,386
2025	2,128,718	289,579	2,418,297
2026	1,195,000	200,969	1,395,969
2027	1,195,000	154,400	1,349,400
2028	675,000	107,325	782,325
2029	675,000	81,675	756,675
2030	675,000	54,675	729,675
2031	675,000	27,675	702,675
Total	\$ 34,655,256	\$ 7,631,887	\$ 42,287,143

Note: Principal amounts do not include net unamortized bond premiums of \$2,120,371 for governmental activities.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

The City's future payments of long-term debt for business-type activities are as follows:

Fiscal Year Ending June 30,	Business-Type Activities													Total Principal and Interest	
	Water Facility		Sanitary Sewer		Refuse		Parking		Stormwater Management		RedGate Golf Course		Principal		Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2017	\$ 2,670,372	\$ 1,033,853	\$ 2,733,256	\$ 1,354,186	\$ 430,000	\$ 48,194	\$ 641,250	\$ 1,296,633	\$ 300,304	\$ 77,078	\$ 22,397	\$ 5,742	\$ 10,613,265		
2018	2,495,284	941,959	2,724,746	1,256,402	90,000	32,794	1,170,860	1,270,983	300,782	67,602	22,397	5,070	10,378,879		
2019	2,165,143	855,470	2,719,708	1,159,690	90,000	30,094	1,160,000	1,223,641	301,262	58,121	22,027	4,398	9,789,554		
2020	1,989,582	750,304	2,714,780	1,050,348	90,000	26,494	1,210,000	1,177,241	301,748	48,635	22,027	3,517	9,384,676		
2021	1,862,400	677,737	2,717,936	952,930	90,000	21,994	1,255,000	1,128,841	302,238	44,544	22,027	2,636	9,078,283		
2022	1,861,740	605,728	2,554,180	845,954	95,000	17,494	1,305,000	1,078,641	302,735	35,048	22,027	1,755	8,725,302		
2023	1,862,065	534,646	2,548,118	744,998	95,000	12,744	1,360,000	1,026,441	303,235	25,547	21,841	874	8,535,509		
2024	1,655,475	465,410	2,420,238	651,396	90,000	7,994	1,405,000	978,841	303,740	17,841	-	-	7,995,935		
2025	1,651,921	402,230	2,304,360	557,109	95,000	4,394	1,455,000	926,856	304,252	10,131	-	-	7,711,253		
2026	1,495,000	342,653	1,990,000	482,160	95,000	2,254	1,510,000	871,566	52,105	2,415	-	-	6,843,153		
2027	1,495,000	291,421	1,990,000	418,273	-	-	1,575,000	811,166	52,626	1,894	-	-	6,635,380		
2028	1,485,000	238,396	1,685,000	352,940	-	-	1,635,000	746,591	53,152	1,368	-	-	6,197,447		
2029	1,015,000	184,921	1,680,000	300,310	-	-	1,705,000	678,739	53,682	836	-	-	5,618,488		
2030	1,015,000	152,027	1,680,000	246,891	-	-	1,775,000	607,129	29,916	299	-	-	5,506,262		
2031	1,010,000	118,784	1,680,000	192,636	-	-	1,855,000	532,579	-	-	-	-	5,388,999		
2032	780,000	85,478	1,420,000	138,119	-	-	1,930,000	454,669	-	-	-	-	4,808,266		
2033	630,000	60,842	1,080,000	92,600	-	-	2,010,000	372,644	-	-	-	-	4,246,086		
2034	630,000	40,820	1,080,000	58,025	-	-	2,095,000	287,219	-	-	-	-	4,191,064		
2035	385,000	21,119	530,000	24,138	-	-	2,190,000	195,563	-	-	-	-	3,345,820		
2036	260,000	8,448	200,000	6,500	-	-	2,280,000	99,750	-	-	-	-	2,854,698		
Total	\$ 28,413,982	\$ 7,812,246	\$ 38,452,322	\$ 10,885,605	\$ 1,260,000	\$ 204,450	\$ 31,522,110	\$ 15,765,733	\$ 2,961,777	\$ 391,359	\$ 154,743	\$ 23,992	\$ 137,848,319		

Note: Principal amounts do not include net unamortized bond premiums of \$3,091,635 for business-type activities.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

The future payments for long-term debt are summarized as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total Principal and Interest
2017 - 2021	\$ 18,650,032	\$ 5,183,475	\$ 23,833,507
2022 - 2026	12,110,224	2,022,662	14,132,886
2027 - 2031	3,895,000	425,750	4,320,750
Total	\$ 34,655,256	\$ 7,631,887	\$ 42,287,143

Note: Principal amounts do not include net unamortized bond premiums of \$2,120,371 for governmental activities.

Business-Type Activities													
Fiscal Year Ending June 30,	Water Facility		Sanitary Sewer		Refuse		Parking		Stormwater Management		RedGate Golf Course		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017 - 2021	\$ 11,182,781	\$ 4,259,323	\$ 13,610,426	\$ 5,773,556	\$ 790,000	\$ 159,570	\$ 5,437,110	\$ 6,097,339	\$ 1,506,334	\$ 295,980	\$ 110,875	\$ 21,363	\$ 49,244,657
2022 - 2026	8,526,201	2,350,667	11,816,896	3,281,617	470,000	44,880	7,035,000	4,882,345	1,266,067	90,982	43,868	2,629	39,811,152
2027 - 2031	6,020,000	985,549	8,715,000	1,511,050	-	-	8,545,000	3,376,204	189,376	4,397	-	-	29,346,576
2032 - 2036	2,685,000	216,707	4,310,000	319,382	-	-	10,505,000	1,409,845	-	-	-	-	19,445,934
Total	\$ 28,413,982	\$ 7,812,246	\$ 38,452,322	\$ 10,885,605	\$ 1,260,000	\$ 204,450	\$ 31,522,110	\$ 15,765,733	\$ 2,961,777	\$ 391,359	\$ 154,743	\$ 23,992	\$ 137,848,319

Note: Principal amounts do not include net unamortized bond premiums of \$3,091,635 for business-type activities.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Loans Payable

A loan was awarded to the City for \$998,100 from American Recovery and Reinvestment Act (ARRA) Funds through Maryland Department of the Environment (MDE) in December 2009. This is a revolving loan that was awarded to the City for improvements to Woodley Gardens Park; of which \$687,809 remained outstanding in the Stormwater Management Fund as of June 30, 2016.

The City participated with the County by providing contingent grant awards, as economic development initiatives for Duball Rockville, LLC and Choice Hotels International, Inc., for the purpose of attracting business activity to the City. The City obtained a loan from the County to fund the City's contributions. The loans bear no interest and will be repaid from the Debt Service Fund over a six-year period. As of June 30, 2016 the outstanding loans payable were \$326,666 and \$104,000, respectively.

The City obtained a loan of \$1,500,000 from the County in December 2012, which was used to fund the loan to RHE Fireside Park, Inc. The loan bore no interest and was repaid from the Debt Service Fund in three equal installments in fiscal years 2014, 2015 and 2016. As of June 30, 2016 this loan was fully repaid and no outstanding balances remain.

Defeasance of Debt

In prior years, the City defeased general obligation bonds in the Parking Fund. At June 30, 2016 there are no defeased bonds outstanding, however the associated deferred charge on the advance refunding is recognized over 20 years, the term of the new general obligation bonds. For the year ended June 30, 2016 the City recognized expenses of \$189,958 and the remaining deferred charge on advance refunding is \$2,912,690.

Conduit Debt Obligations

From time to time, the City may issue Economic Revenue Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016 there were Economic Development Revenue Bonds outstanding with National Lutheran Home & Village at Rockville, Inc. with a principal amount payable of \$21,345,000.

Bonds Authorized For Future Issuance

On June 13, 2016 the Mayor and Council authorized the issuance and sale of advance refunding bonds for an amount not to exceed \$14,045,000, and general obligation bonds for an amount not to exceed \$6,385,000. At June 30, 2016 these bonds were not yet issued.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the City's governmental activities long-term liabilities and business-type activities long term liabilities for the year ended June 30, 2016:

	Balance as of 6/30/15	Additions	Reductions	Balance as of 6/30/16	Due within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 37,875,427	\$ -	\$ (3,650,837)	\$ 34,224,590	\$ 3,661,056
Unamortized bond premiums	2,352,995	-	(232,624)	2,120,371	-
Loans payable	1,119,999	-	(689,333)	430,666	189,333
Accrued obligations for compensated absences	4,304,264	2,158,692	(1,738,347)	4,724,609	3,448,965
Claims payable	1,508,420	797,000	(713,422)	1,591,998	684,559
Net pension liability	14,363,890	9,950,362	(6,405,988)	17,908,264	-
Net OPEB obligation	775,133	618,087	(674,400)	718,820	-
Governmental activities long-term liabilities	<u>\$ 62,300,128</u>	<u>\$ 13,524,141</u>	<u>\$ (14,104,951)</u>	<u>\$ 61,719,318</u>	<u>\$ 7,983,913</u>

	Balance as of 6/30/15	Additions	Reductions	Balance as of 6/30/16	Due within One Year
<u>Business-Type Activities</u>					
General obligation bonds and loans					
Water facility fund	\$ 25,542,986	\$ 5,260,000	\$ (2,389,004)	\$ 28,413,982	\$ 2,670,372
Sanitary sewer fund	36,992,297	3,995,000	(2,534,975)	38,452,322	2,733,256
Refuse fund	685,000	920,000	(345,000)	1,260,000	430,000
Parking fund	32,124,830	-	(602,720)	31,522,110	641,250
Stormwater management fund	3,261,610	-	(299,833)	2,961,777	300,304
RedGate golf course fund	177,325	-	(22,582)	154,743	22,397
Unamortized bond premiums	2,935,330	473,784	(317,479)	3,091,635	-
Accrued obligations for compensated absences	818,798	483,525	(384,272)	918,051	670,177
Business-type activities long-term liabilities	<u>\$ 102,538,176</u>	<u>\$ 11,132,309</u>	<u>\$ (6,895,865)</u>	<u>\$ 106,774,620</u>	<u>\$ 7,467,756</u>

Notes:

- The compensated absences in the governmental activities will be paid from the General Fund.

G. Operating Leases

The City leased the Arts and Innovations Center to VisArts under a 20-year lease which began on August 1, 2007 and expires on June 30, 2027. The rental income for the months beginning August 1, 2007 through July 1, 2008 were abated and the base rent for that year was allocated over lease years 2009 - 2011. The City began receiving monthly income for this lease on August 1, 2008. The following schedule provides future lease payments expected under the operating lease:

Fiscal Year	Rent Amount
2017	\$ 32,619
2018	33,598
2019	34,606
2020	35,644
2021	36,713
2022 - 2027	244,602
Total	<u>\$ 417,782</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(2) Detailed Notes on All Funds (Continued)

G. Operating Leases (Continued)

The City leased the Red Gate Golf Course under a ten-year lease which began on January 1, 2012 and expires on December 31, 2021. The lease agreement contains options for two additional 10 year periods and provisions for revenue sharing. The annual lease fee is \$100 through calendar year 2016 and \$12,000 from calendar year 2017 to 2021. During the current year, the City recorded revenues of \$100. Rental income related to the operating leases is recognized as rent becomes due. The following schedule provides future lease payments expected under the operating lease:

Fiscal Year	Rent Amount
2017	\$ 6,000
2018	12,000
2019	12,000
2020	12,000
2021	12,000
2022	6,000
Total	<u>\$ 60,000</u>

H. Capital Leases

Beginning September 1, 2011, the City became the lessor of its Town Center Parking Garages under a fifty-year capital lease which expires on August 31, 2061. The initial annual fixed minimum rent was \$300,000, with annual adjustments based on increases to the Consumer Price Index. The agreement specifies that the annual fixed minimum rent payable to the City may not be less than the previous year and contains provisions for revenue sharing. Upon initial measurement, the net carrying value of the parking garages was less than the estimated future minimum lease payments, resulting in unearned income that will be recognized over the term of the capital lease. At June 30, 2016, the unearned income on the capital lease was \$1,608,108 and the lease receivable was \$25,710,700. Estimated future minimum lease payments and unearned income amortization is as follows:

Fiscal Year	Lease Amount	Unearned Income
2017	\$ 318,414	\$ 35,538
2018	321,598	35,538
2019	324,814	35,538
2020	328,062	35,538
2021	331,343	35,538
2022 - 2061	24,086,469	1,430,418
Total	<u>\$ 25,710,700</u>	<u>\$ 1,608,108</u>

I. Fund Balance and Net Position

At June 30, 2016 the City had fund balance deficits for the CDBG Fund and Automated Speed Enforcement Fund of \$14,006 and \$337,102, respectively. The CDBG Fund manages a federal grant program and may have liabilities exceeding its assets for retainage payable and for recaptured costs from the early sale of homes rehabilitated with grant proceeds. These are timing differences which are expected to clear over the term of each grant award. The Automated Speed Enforcement Fund operates under Transportation Article § 21–810 of the Maryland Annotated Code and Maryland Senate Bill 277, the enabling legislation which authorizes speed camera use and requires that all speed camera citation revenue be used exclusively for public safety purposes. Increased capital expenditures and the prior period adjustment for a change in accounting principle contributed to the fund balance deficit in the Automated Speed Enforcement Fund at year end.

The City has classified portions of its fund balance as nonspendable, which reflects the nonspendable form of the assets. At June 30, 2016 total nonspendable fund balance is \$3,498,958.

At June 30, 2016 the City had a net position deficit for the Parking Fund of \$4,006,142. This will continue until the long term debt from the construction of the parking garages is repaid.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(3) Other Information

A. Change in Accounting Principle

Previously, the City recorded citation revenues and receivables in its governmental funds using a full accrual method due to the legally enforceable nature of the citation revenue. In the current year, the City determined that some citations may not be fully enforceable and collectible, and that using the modified accrual method for recording the citations is a more conservative approach which more accurately reflects the availability of the funds. This change in accounting principle resulted in reductions of \$487,695 and \$756,477 to the beginning fund balances of the General Fund and Speed Camera Fund, respectively.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. The City carries insurance for worker's compensation, comprehensive general, automobile and professional liability, fire and theft, and the liability for errors, omissions and other selected areas that require coverage.

Beginning July 1, 2011, the City became partially self-insured with respect to worker's compensation. City management believes it is more economical to manage its risks internally and set aside assets for claim settlements. The City has a Self-Insured Retention (SIR) of \$500,000 per claim with an aggregate retention of \$2,200,000 for the policy year. The worker's compensation claims payable of \$1,591,998 reported at June 30, 2016 includes all claims for which information prior to the issuance of the financial statements indicates that it was probable that a liability had been incurred and that the loss could be reasonably estimated. Changes in the claims liability amounts for the current and previous year are as follows:

Fiscal Year	Beginning of the Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015	\$ 1,725,303	\$ 311,000	\$ (527,883)	\$ 1,508,420
2016	\$ 1,508,420	\$ 797,000	\$ (713,422)	\$ 1,591,998

The City continues to carry commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

C. Commitments and Contingent Liabilities

Washington Suburban Sanitary Commission (WSSC)

The City has contracted with WSSC to upgrade and enhance a portion of the Blue Plains Waste Water Treatment Plant. Through June 30, 2016, the City had paid \$71,759,904 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines, which were recorded in capital assets. The City's remaining contribution through the completion of the project is estimated to be \$13,335,887 for treatment capacity. The City intends to issue bonds to fund most of these costs.

The City has no direct ongoing equity interest in WSSC's assets and liabilities. Furthermore, the City has no significant influence over the management of the treatment facilities. Accordingly, the City does not record this contractual arrangement as a joint venture.

In addition to the capacity cost described above, WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges, which result from subsequent billings by WSSC, are recorded in the period during which the City receives the final bill.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(3) Other Information (Continued)

C. Commitments and Contingent Liabilities (Continued)

Litigation

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total number of pending lawsuits and claims not covered by insurance nor expressly provided in these statements will not have an adverse impact on the City's financial condition.

Contingent Liability

During fiscal year 2016, the City became aware of misallocations of income tax revenue to municipalities within the State. The City anticipates that it may be required to repay the State for excess income tax revenues, though there has not been a final determination of the total amount. If it is determined that the City received an over allocation of income taxes, the repayment will occur over ten years and is unlikely to significantly impact the City's operations.

(4) Retirement Plans

A. Retirement Plan Descriptions

Covered police and non-police employees hired before 1986 participate in one single-employer defined benefit pension plan. Non-police employees hired on or after 1986 participate in a hybrid pension plan that includes one single-employer defined benefit plan and one defined contribution plan. All benefitted employees of the City have the option to participate in a deferred compensation plan. The Retirement Board is composed of a member of the Mayor and Council, the City Manager, three City employees, below assistant department head level, and two residents with previous business experience, one of whom serves as the chairperson. Each board member serves a two-year term. The Finance Director is the executive secretary to the board. The Retirement Board makes recommendations to Mayor and Council, which has the authority to establish and amend the benefit provisions of the pension plans including contribution requirements of the employees and employer.

As of July 1, 2013, the City has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. As of July 1, 2014, the City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These statements replace previously issued requirements for pension plans administered through trusts.

Measurement Focus and Basis of Accounting

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. City contributions to the defined benefit pension plan are actuarially determined. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Administration

The Principal Financial Group and Prudential Bank and Trust are record-keepers of the single-employer defined benefit pension plan and the hybrid pension plan, which were established and are administered by the City. For financial reporting purposes, the ROCKERS is included as a Fiduciary Fund in the City's financial statements. No other financial statements are issued related to the ROCKERS.

The ROCKERS includes the pre-1986 single-employer defined benefit pension plan and the hybrid pension plan which includes a defined benefit plan and a defined contribution plan. The activities of the pre-1986 defined benefit plan are combined with the activities of the defined benefit component of the hybrid plan for reporting purposes. The defined contribution plan and defined benefit plan are reported as separate Pension Trust Funds.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(4) Retirement Plans (Continued)

A. Retirement Plan Descriptions (Continued)

Method Used to Value Investments

Plan investments are reported at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

B. Defined Benefit Pension Plan

Pre-1986 Plan Benefits and Contributions

This benefit is available to police employees, who participate 100 percent in the defined benefit option regardless of the date of employment, administrative employees hired prior to April 15, 1986 and union employees hired prior to December 2, 1986. An employee who retires at age 60 or a police employee with the completion of 25 years of credited service regardless of age is entitled to an annual retirement benefit, payable monthly for life (120 payments are guaranteed). For union employees the annual benefit amount is equal to 1.8 percent of his/her final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent of his/her final average salary for credited service before April 1, 1996, and 2.0 percent of his/her final average salary for credited service after April 1, 1996.

For police personnel the annual benefit amount is equal to the lesser of (a) (1) 2.0 percent of his/her final average earnings multiplied by his/her years of credited service prior to April 1, 2004, plus (2) 2.25 percent of his/her final average earnings multiplied by his/her years of credited service on or after April 1, 2004, or (b) 67.5 percent of his/her final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

Covered police and pre-1986 non-police employees are required by statute to contribute a certain percent (4.2 percent for union, 5.2 percent for administrative and 8.5 percent for police) of their salaries to the plan. If an employee leaves covered employment or dies before 10 years of credited service (based upon a graduated vesting schedule of 50 percent after five years, up to 100 percent after 10 years of credited service), accumulated employee contributions plus credited interest thereon at the rate of 6 percent and a portion of the City's contribution (City contributions are deemed to be 150 percent of the employees contributions plus credited interest) are paid to the employee or designated beneficiary.

Post-1986 Hybrid Plan Benefits and Contributions

This benefit is available to full-time, permanent, non-police employees hired on or after April 15, 1986 and union employees hired after December 2, 1986. An employee becomes an eligible retiree after (a) having attained age 60 while employed with the City and completed at least 10 years of service prior to retirement, (b) taking early retirement occasioned by poor health, having attained age 50 while employed with the City and having completed 10 years of service if hired before July 1, 2011, or having attained age 58 while employed with the City and having completed 10 years of service if hired on or after July 1, 2011, or (c) taking early retirement from the City when their age plus service equals or exceeds 85. These employees are also covered by the defined contribution plan described below. Employees are required to participate from the date of employment. Union employees are covered for an annual benefit equal to 1.0 percent of average salary and administrative personnel are covered for an annual benefit equal to 1.0 percent before April 1, 1996, and 1.2 percent on or after April 1, 1996, of average salary (as previously defined) for each year of credited service.

Administrative personnel are required by statute to contribute 1.0 percent of their salaries to the plan starting April 1, 1996 and union personnel have no contribution requirement. Employees are fully vested after 10 years of service, regardless of the plan entry age.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(4) Retirement Plans (Continued)

B. Defined Benefit Pension Plan (Continued)

Membership

Membership in the defined benefit plan consisted of the following at July 1, 2015, the date of the actuarial valuation corresponding to the fiscal year ended June 30, 2016.

Retirees and beneficiaries receiving benefits	233
Terminated plan members vested but not yet receiving benefits	104
Active plan members	508
Total	845

C. Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation date of July 1, 2015. Actuaries utilized update procedures to roll forward the total pension liability in the July 1, 2015 actuarial valuation to the June 30, 2016 measurement date.

Actuarial Assumptions

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial assumptions</u>	July 1, 2015
-Actuarial valuation date	July 1, 2015
-Investment rate of return, including inflation	7.50%
-Projected salary increases, including inflation	3.61% - 8.97%
-Includes inflation at	2.75%
-Cost of living adjustment	0.00%

The mortality rates were based on the RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.

The actuarial assumptions used in the most recent actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2006 through December 31, 2010.

The long term expected rate of return on pension plan investments was determined by evaluating the historical investment, the selection of a portfolio of multiple asset classes, the use of professional investment managers, and the regular monitoring of investment performance. Expected future real rates of return are developed for each major asset class and combined to produce the single long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	6.00%
International Equity	20.0%	6.70%
Fixed Income Core	20.0%	1.00%
Real Estate	12.5%	3.80%
Treasury Inflation Protected Securities (TIPS)	7.5%	0.65%
Global Tactical Asset Allocation (GTAA)	10.0%	3.00%
Total	100.0%	

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(4) Retirement Plans (Continued)

C. Net Pension Liability (Continued)

Based on these factors, the long term real rate of return is expected to be in the range of 4.00% and 5.50%. A rate of 4.75% was used for the actuarial assumption. When combined with the inflation rate of 2.75%, the investment rate of return is determined to be 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2016 were as follows:

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances at June 30, 2015	\$ 101,027,990	\$ 86,664,100	\$ 14,363,890
Changes for the year:			
Service Cost	2,338,305	-	2,338,305
Interest	7,576,514	-	7,576,514
Differences between expected and actual experience	(845,894)	-	(845,894)
Contributions - employer	-	3,575,462	(3,575,462)
Contributions - employee	-	743,813	(743,813)
Net investment income	-	1,240,819	(1,240,819)
Benefit payments, including refunds of employee contributions	(4,778,615)	(4,778,615)	-
Administrative expense	-	(35,543)	35,543
Other charges	-	-	-
Net changes	4,290,310	745,936	3,544,374
Balances at June 30, 2016	\$ 105,318,300	\$ 87,410,036	\$ 17,908,264

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using a discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
\$ 29,682,555	\$ 17,908,264	\$ 7,876,418

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(4) Retirement Plans (Continued)

C. Net Pension Liability (Continued)

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2016, the City recognized pension expense of \$4,401,892. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,134,254
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	6,665,535	-
Total	\$ 6,665,535	\$ 1,134,254

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ 1,676,928
2018	1,676,928
2019	1,676,929
2020	852,622
2021	(195,532)
Thereafter	(156,594)
Total	\$ 5,531,281

D. Defined Contribution Pension Plan

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this plan from the date of employment. The plan allows contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$0.50 by the City for each \$1 contributed by the employee. The employee is fully vested in his/her employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is fully vested after three years of credited service. The contributions made in fiscal year 2016 by plan members totaled \$1,314,364 and the City contributed \$664,764.

E. Deferred Compensation Plan

All employees of the City Government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by the International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is compliant with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan record keeper. Accordingly, the fair values of the plan assets are not reflected in the City's financial statements.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(4) Retirement Plans (Continued)

F. Combining Statements for Pension Trust Funds

The defined benefit pension plan and defined contribution pension plan combine in the Statement of Fiduciary Net Position and in the Statement of Changes in Fiduciary Net Position. The combining statements of the pension trust funds are provided below for the year ended June 30, 2016:

Combining Statement of Changes in Fiduciary Net Position Pension Trust Funds June 30, 2016

	Defined Contribution Option	Defined Benefit Option	OPEB Trust	Total Pension Trust Funds
<u>Additions</u>				
Contributions				
Employer	\$ 664,764	\$ 3,575,462	\$ 674,400	\$ 4,914,626
Plan members	1,314,364	743,813	-	2,058,177
Total contributions	<u>\$ 1,979,128</u>	<u>\$ 4,319,275</u>	<u>\$ 674,400</u>	<u>\$ 6,972,803</u>
Investment Income				
Net appreciation in the fair value of plan investments	(403,377)	566,591	(82,356)	80,858
Interest and dividends	238,273	1,056,778	99,166	1,394,217
Total investment income	<u>\$ (165,104)</u>	<u>\$ 1,623,369</u>	<u>\$ 16,810</u>	<u>\$ 1,475,075</u>
Total additions	<u>\$ 1,814,024</u>	<u>\$ 5,942,644</u>	<u>\$ 691,210</u>	<u>\$ 8,447,878</u>
<u>Deductions</u>				
Benefits	\$ 250,787	\$ 4,778,615	\$ 296,081	\$ 5,325,483
Refunds to terminated employees	605,942	-	-	605,942
Deaths	-	-	-	-
Investment fee expense	27,719	382,550	38,708	448,977
Administrative expense	-	35,543	18,500	54,043
Total deductions	<u>\$ 884,448</u>	<u>\$ 5,196,708</u>	<u>\$ 353,289</u>	<u>\$ 6,434,445</u>
Net (decrease)/increase	929,576	745,936	337,921	2,013,433
Net position - beginning	26,808,818	86,664,100	5,696,901	119,169,819
Net position - ending	<u>\$ 27,738,394</u>	<u>\$ 87,410,036</u>	<u>\$ 6,034,822</u>	<u>\$ 121,183,252</u>

Combining Statement of Fiduciary Net Position Pension Trust Funds June 30, 2016

	Defined Contribution Option	Defined Benefit Option	OPEB Trust	Total Pension Trust Funds
<u>Assets</u>				
Investments at fair value - equity in pooled pension trust	<u>\$ 27,738,394</u>	<u>\$ 87,410,036</u>	<u>\$ 6,330,903</u>	<u>\$ 121,479,333</u>
<u>Liabilities</u>				
Benefits payable	<u>-</u>	<u>-</u>	<u>296,081</u>	<u>296,081</u>
<u>Net Position</u>				
Restricted for plan benefits	<u>\$ 27,738,394</u>	<u>\$ 87,410,036</u>	<u>\$ 6,034,822</u>	<u>\$ 121,183,252</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(5) Other Post-Employment Benefits

In addition to the pension benefits described in Note (4), the City provides other post-employment health benefits (OPEB). The pension plan stipulates the age and service requirements for retirements and authorizes a retiree who elects to stay with the City's group health policy to receive from the City the employer's share (i.e., the same level of premium support given to current employees) of medical insurance premiums up until age 65. In the event a retiree establishes residency outside the geographic area served by the City's group health insurance carriers, that person may purchase coverage and receive reimbursement from the City in an amount not to exceed the prevailing two-person coverage employer rate granted to current employees.

Previously, the City financed the post-employment health insurance benefits on a pay-as-you-go basis and expenditures for these insurance premiums were recorded in the General Fund. However, during fiscal year 2009, the City implemented GASB Statements No. 43 and No. 45 and created a pre-funded single-employer plan. The City established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. For financial reporting purposes, the OPEB Trust Fund is included as a Fiduciary Fund in the City's financial statements. No other financial statements are issued related to the OPEB Trust Fund.

At July 1, 2015, plan membership was as follows:

	Plan Membership
Retirees receiving benefits	34
Active participants	484
Total	<u>518</u>

During fiscal year 2016, 34 retirees received post-employment health benefits. Expenditures of \$296,081 were incurred and were eligible for reimbursement by the trust. The City directly funded cash of \$674,400 for the Annual Required Contribution (ARC) of \$607,387. Benefit expenses of \$296,081 which were paid by the City, were reimbursed by the trust after June 30, 2016. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following table shows the City's annual OPEB cost for fiscal years 2014, 2015 and 2016, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	June 30, 2014	June 30, 2015	June 30, 2016
Annual required contribution (ARC)	\$ 619,463	\$ 642,286	\$ 607,387
Interest on net OPEB obligation	45,000	45,000	58,100
Adjustment to ARC	(34,710)	(35,640)	(47,400)
Annual OPEB cost (expense)	<u>629,753</u>	<u>651,646</u>	<u>618,087</u>
Contributions made	(619,463)	(642,286)	(674,400)
Increase in net OPEB obligation	10,290	9,360	(56,313)
Net OPEB (asset) obligation, beginning of year	755,483	765,773	775,133
Net OPEB (asset) obligation, end of year	<u>\$ 765,773</u>	<u>\$ 775,133</u>	<u>\$ 718,820</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(5) Other Post-Employment Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2016 and the two preceding fiscal years, are presented below.

Fiscal Year Ending June 30	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2014	\$ 629,753	\$ 619,463	98.4%	\$ 765,773
2015	\$ 651,646	\$ 642,286	98.6%	\$ 775,133
2016	\$ 618,087	\$ 674,400	109.1%	\$ 718,820

As of the date of this report, the most recent valuation has been performed with a valuation date of July 1, 2015 and covers the valuation for the plan years beginning July 1, 2015 and July 1, 2016. The funded status of the plan as of July 1, 2015, is as follows:

Actuarial Valuation for Plan Year Beginning July 1	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A-B) Funded (Unfunded) AAL (FAAL)/UAAL	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) FAAL/UAAL as a percentage of Covered Payroll
2015	\$ 5,696,900	\$ 8,168,000	\$ (2,471,100)	69.7%	\$ 36,703,000	6.7%

The schedule of funding progress for the OPEB Plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits over time.

Actuarial Assumptions

Actuarial valuation date:	7/1/2015
Actuarial cost method:	Projected Unit Credit
Amortization period:	30 years (closed period as of July 1, 2008)
Amortization method:	Level percentage of pay
Asset valuation method:	Fair Value
Healthcare cost trends:	Medical and prescription drug trend rate applied is 5.00%. The ultimate rate is 3.84%.
Investment rate of return:	7.50%
Inflation rate:	2.20%
Salary increase:	4.00%

(6) New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that will impact future fiscal years. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* is effective for fiscal years beginning after June 15, 2016 for provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68. This Statement establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67 and Statement No. 68 for pension plans and pensions that are within their scopes.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2016

(6) New Governmental Accounting Standards Board Standards (Continued)

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is effective for fiscal years beginning after June 15, 2016. This Statement replaces Statements No. 43 and No. 57, and includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Statement No. 43, and Statement No. 50. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal years beginning after June 15, 2017. This Statement replaces Statement No. 45, Statement No. 57 and Statement No. 74. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.
- GASB Statement No. 77, *Tax Abatement Disclosures* is effective for reporting periods beginning after December 15, 2015. This Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for periods beginning after December 15, 2015. This statement amends the scope and applicability of Statement No. 68.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*, is effective for reporting periods beginning after June 15, 2016. This statement clarifies the financial statement presentation requirements for certain component units.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for periods beginning after December 15, 2016. This statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement.
- GASB Statement No. 82, *Pension Issues*, is effective for reporting periods beginning after June 15, 2016. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

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Required Supplementary Information

City of Rockville, Maryland

Rockville Employee Retirement System – Schedule of Changes in the City’s Net Pension Liability and Related Ratios Last Ten Fiscal Years (Unaudited – See Accompanying Independent Auditor’s Report)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Pension Liability										
Service cost								\$ 2,286,185	\$ 2,462,254	\$ 2,338,305
Interest								7,037,226	7,280,449	7,576,514
Changes of benefit terms			Information for plan years 2013 and prior is not available					-	-	-
Differences between expected and actual experience								(1,135,056)	(561,939)	(845,894)
Changes of assumptions								-	-	-
Benefit payments including refunds of member contributions								(4,825,594)	(5,428,204)	(4,778,615)
Net change in total pension liability								\$ 3,362,761	\$ 3,752,560	\$ 4,290,310
Total pension liability - beginning								93,912,669	97,275,430	101,027,990
Total pension liability - end								<u>\$ 97,275,430</u>	<u>\$ 101,027,990</u>	<u>\$ 105,318,300</u>
Plan Fiduciary Net Position										
Contributions - employer								\$ 5,218,589	\$ 4,024,603	\$ 3,575,462
Contributions - member			Information for plan years 2013 and prior is not available					730,162	740,120	743,813
Net investment income								11,520,268	2,236,876	1,240,819
Benefit payments including refunds of member contributions								(4,825,594)	(5,428,204)	(4,778,615)
Plan administrative expenses								(18,798)	(27,230)	(35,543)
Other changes								-	-	-
Net change in plan fiduciary net position								\$ 12,624,627	\$ 1,546,165	\$ 745,936
Plan fiduciary net position - beginning								72,493,308	85,117,935	86,664,100
Plan fiduciary net position - end								<u>\$ 85,117,935</u>	<u>\$ 86,664,100</u>	<u>\$ 87,410,036</u>
Net pension liability								<u>\$ 12,157,495</u>	<u>\$ 14,363,890</u>	<u>\$ 17,908,264</u>
Plan fiduciary net position as a percentage of total pension liability			Information for plan years 2013 and prior is not available					87.50%	85.78%	83.00%
Covered employee payroll								\$ 34,875,678	\$ 35,376,646	\$ 34,922,626
Net pension liability as a percentage of covered employee payroll								34.86%	40.60%	51.28%

Note: The above schedules are presented to illustrate the requirement for information covering the last ten fiscal years; however, until a full ten-year trend is compiled, information is only presented for those years for which information is available.

City of Rockville, Maryland

Rockville Employee Retirement System – Schedule of City Contributions and Investment Returns Last Ten Fiscal Years (Unaudited – See Accompanying Independent Auditor’s Report)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution								\$ 5,030,754	\$ 4,024,603	\$ 3,575,462
Contributions made			Information for plan years 2013 and prior is not available					5,218,589	4,024,603	3,575,462
Contribution deficiency (excess)								<u>\$ (187,835)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll								 \$ 34,875,678	 \$ 35,376,646	 \$ 34,922,626
Contributions as a percentage of covered payroll			Information for plan years 2013 and prior is not available					14.96%	11.38%	10.24%
Annual money weighted rate of return, net of investment expense								16.16%	2.84%	1.62%

Notes to Schedule:

Valuation Date:	Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial reports are performed annually.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll
Remaining Amortization Period:	17.25 years
Asset Valuation Method:	Gains and losses are spread over five years beginning 4/01/2010. This method is being applied prospectively, so gains and losses prior to 2010 will continue to be smoothed over four years until fully recognized.
Inflation:	2.75%
Salary Increases:	3.61% - 8.97%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Varies by participant age and years of credited service
Mortality:	The mortality rates were based on the RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.

Note: The above schedules are presented to illustrate the requirement for information covering the last ten fiscal years; however, until a full ten-year trend is compiled, information is only presented for those years for which information is available.

City of Rockville, Maryland

Other Post-Employment Benefits Plan – Schedule of Funding Progress
 June 30, 2016
 (Unaudited – See Accompanying Independent Auditor’s Report)

Schedule of Funding Progress

Historical trend information about the other post-employment benefit (OPEB) plan is presented herewith as required supplementary information. This information is intended to help users assess OPEB plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee OPEB plans. The amount shown in the historical trend information as the “actuarial accrued liability” is a measure of the present value of benefits, adjusted for the effects of future employment, mortality, and the healthcare cost trend as a result of employee service to date.

Actuarial Valuation Date July 1	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A - B) Unfunded Actuarial Accrued Liability (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((A - B)/C) UAAL as a percentage of Covered Payroll
2011	\$ 2,385,300	\$ 7,031,300	\$ (4,646,000)	33.9%	\$ 33,385,000	13.9%
2012	3,152,600	7,914,100	(4,761,500)	39.8%	33,212,000	14.3%
2013	4,070,500	7,383,800	(3,313,300)	55.1%	34,517,000	9.6%
2014	4,881,600	8,220,300	(3,338,700)	59.4%	34,720,000	9.6%
2015	5,696,900	8,168,000	(2,471,100)	69.7%	36,703,000	6.7%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and funded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides an indication of the City’s funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Trends in the funded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the funded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the City’s progress made in accumulating sufficient assets to pay benefits when due. Generally, the greater this percentage, the stronger the Plan.

City of Rockville, Maryland

Other Post-Employment Benefits Plan - Schedule of Employer Contributions
June 30, 2016
(Unaudited - See Accompanying Independent Auditor's Report)

Schedule of Employer Contributions

The OPEB Plan's funding policy provides for actuarially determined periodic contributions at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. The actuarial assumptions used to compute the required contribution amount are the same as those used to compute the benefits earned. The rate for the City has decreased from its initial years, but is expected to stabilize and remain level as a percentage of annual covered payroll. The contribution rate for projected unit credit cost is determined based on past service and projected future pay. The City is required to contribute all amounts to fund this plan.

<u>Fiscal Year Ending June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2012	\$ 733,319	100%	\$ 739,553
2013	773,620	100%	755,483
2014	619,463	100%	765,773
2015	642,286	100%	775,133
2016	607,387	111%	718,820

City of Rockville, Maryland

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
Revenues				
Property Taxes	\$ 38,340,000	\$ 38,340,000	\$ 38,435,104	\$ 95,104
Revenue from Other Governments:				
Income taxes	12,400,000	12,400,000	14,154,731	1,754,731
Gas and motor vehicle taxes	1,867,860	1,867,860	1,914,024	46,164
County tax duplication payment	2,116,670	2,116,670	2,116,671	1
Admissions and amusement taxes	1,080,000	1,080,000	985,525	(94,475)
Grants and other governmental revenue	1,681,165	1,753,941	1,970,818	216,877
Licenses and permits	2,513,750	2,513,750	2,919,812	406,062
Charges for Services	6,114,075	6,114,075	6,662,970	548,895
Use of Money and Property	256,100	256,100	298,705	42,605
Fines and Forfeitures	1,573,500	1,573,500	1,393,834	(179,666)
Other Revenues	6,646,880	6,646,880	6,627,183	(19,697)
Total Revenues	\$ 74,590,000	\$ 74,662,776	\$ 77,479,377	\$ 2,816,601
Expenditures				
Current operations:				
General government	\$ 16,065,240	\$ 16,726,679	\$ 15,478,544	\$ 1,248,135
Community development	5,206,390	5,600,327	5,207,652	392,675
Public safety	10,063,070	10,684,925	10,753,521	(68,596)
Public works	8,358,930	8,632,530	7,859,884	772,646
Recreation and parks	21,149,230	22,173,600	22,021,696	151,904
Total Expenditures	\$ 60,842,860	\$ 63,818,061	\$ 61,321,297	\$ 2,496,764
Excess of Revenues over Expenditures	\$ 13,747,140	\$ 10,844,715	\$ 16,158,080	\$ 5,313,365
Other Financing Sources (Uses)				
Transfer to Debt Service Fund	\$ (5,533,000)	\$ (5,633,000)	\$ (5,633,000)	\$ -
Transfer to Capital Projects Fund	(7,200,000)	(7,617,000)	(7,617,000)	-
Transfer to Special Activities Fund	(134,140)	(147,890)	(147,890)	-
Transfer to Parking Fund	(750,000)	(750,000)	(750,000)	-
Transfer to RedGate Golf Course Fund	(130,000)	(130,000)	(130,000)	-
Total Other Financing Uses	\$ (13,747,140)	\$ (14,277,890)	\$ (14,277,890)	\$ -
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ -	\$ (3,433,175)	\$ 1,880,190	\$ 5,313,365
Fund balance at beginning of year, as previously reported	22,423,857	22,423,857	22,423,857	-
Adjustment to beginning balance	-	-	(487,695)	(487,695)
Fund balance at end of year	\$ 22,423,857	\$ 18,990,682	\$ 23,816,352	\$ 4,825,670

City of Rockville, Maryland

Notes to the Required Supplementary Information
June 30, 2016

Stewardship, Compliance, and Accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 1, the City Manager submits to the Mayor and Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are then conducted to review the budget.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City. The legal control which the budget ordinance establishes over spending is at the fund level. Each of the General, Non-Major Governmental, Debt Service and Enterprise Funds have legally adopted annual budgets appropriated at the fund level. The capital budget is adopted at the fund level but is not adopted as an annual budget.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Council.
- Subsequent to passage of the budget ordinance, the Mayor and Council may approve supplemental appropriations. During FY 2016, such supplemental appropriations for all funds amounted to \$6,560,105. Of this total \$2,708,460 was for salary adjustments from the City's Compensation and Classification study and \$1,863,900 was a catch up for operating and maintenance costs for wastewater treatment at Blue Plains.

At the end of the fiscal year, unexpended operating budget appropriations of the governmental and enterprise funds lapse. Budgets for the General, Non-Major Governmental, Debt Service, and Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, all governmental fund budgets are presented on the modified accrual basis of accounting; the enterprise fund budgets are adopted on the full accrual basis. The budgetary comparison schedules – original budget, amended budget and actual - General Fund compares actual expenditures on a basis consistent with the legally adopted budgets as amended. The budgetary comparison schedule allocates capital outlay expenditures to the related operational units, and will therefore differ in presentation, from the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation, is an extension of formal budgetary control in all governmental funds. The encumbrances outstanding at June 30, 2016 are reported within fund balance based on the nature of their use and are subject to reappropriation by Mayor and Council ordinance in the succeeding fiscal year.

Other Supplementary Information

Major Governmental Funds Debt Service Fund

The Debt Service Fund accounts for the payment of principal and interest on long term obligations related to the governmental activities of the City.

and

Nonmajor Governmental Funds Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue sources to be expended for specified purposes. The City maintains three Special Revenue funds: the Special Activities, the Community Development Block Grant, and the Automated Speed Enforcement Funds. The Special Activities Fund accounts for funds raised for various community activities (i.e. Rockville Seniors Inc., mansion improvements, etc.). The Community Development Block Grant Fund accounts for federal grants for housing and community development programs. The Automated Speed Enforcement Fund accounts for funds received from the speed camera program that are restricted by State Law for public safety projects.

City of Rockville, Maryland

Budgetary Comparison Schedule Debt Service Fund For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
Revenues				
Assessments	\$ 250,000	\$ 250,000	\$ 49,695	\$ (200,305)
Use of money and property	3,100	3,100	44,482	41,382
Other revenues	-	-	-	-
Total Revenues	<u>\$ 253,100</u>	<u>\$ 253,100</u>	<u>\$ 94,177</u>	<u>\$ (158,923)</u>
Expenditures				
Principal repayments:				
General obligation bonds	\$ 3,719,267	\$ 3,719,267	\$ 3,650,837	\$ 68,430
Loans payable	689,333	689,333	689,333	-
Interest and issuance costs:				
General obligation bonds	1,376,700	1,411,700	1,475,550	(63,850)
Total Expenditures	<u>\$ 5,785,300</u>	<u>\$ 5,820,300</u>	<u>\$ 5,815,720</u>	<u>\$ 4,580</u>
Excess of Revenues over Expenditures	<u>\$ (5,532,200)</u>	<u>\$ (5,567,200)</u>	<u>\$ (5,721,543)</u>	<u>\$ (154,343)</u>
Other Financing Sources				
Transfer in from General Fund	\$ 5,533,000	\$ 5,633,000	\$ 5,633,000	\$ -
Total Financing Sources	<u>\$ 5,533,000</u>	<u>\$ 5,633,000</u>	<u>\$ 5,633,000</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 800	\$ 65,800	\$ (88,543)	\$ (154,343)
Fund Balance at beginning of year	1,690,742	1,690,742	1,690,742	-
Fund Balance at end of year	<u>\$ 1,691,542</u>	<u>\$ 1,756,542</u>	<u>\$ 1,602,199</u>	<u>\$ (154,343)</u>

City of Rockville, Maryland

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
Assets				
Equity in pooled cash and cash equivalents	\$ 8,983,670	\$ -	\$ -	\$ 8,983,670
Accounts receivable, net	-	-	145,955	145,955
Due from other governments	234,305	133,374	-	367,679
Loans receivable	283,971	-	-	283,971
Total Assets	\$ 9,501,946	\$ 133,374	\$ 145,955	\$ 9,781,275
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 258,027	\$ 4,755	\$ 113,838	\$ 376,620
Interfund payable	-	106,282	346,247	452,529
Other	1,163	36,343	22,972	60,478
Total Liabilities	\$ 259,190	\$ 147,380	\$ 483,057	\$ 889,627
Fund Balance				
Nonspendable:				
Advances	\$ 283,971	\$ -	\$ -	\$ 283,971
Restricted for:				
Special revenue programming	8,958,785	-	-	8,958,785
Unassigned:	-	(14,006)	(337,102)	(351,108)
Total Fund Balance	\$ 9,242,756	\$ (14,006)	\$ (337,102)	\$ 8,891,648
Total liabilities and fund balance	\$ 9,501,946	\$ 133,374	\$ 145,955	\$ 9,781,275

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
Revenues				
Grant revenues	\$ 951,957	\$ 182,678	\$ -	\$ 1,134,635
Use of money and property	8,699	-	33	8,732
Other	316,868	-	1,483,073	1,799,941
Total Revenues	\$ 1,277,524	\$ 182,678	\$ 1,483,106	\$ 2,943,308
Expenditures				
General government	\$ 208,063	\$ -	\$ -	\$ 208,063
Community development block grant	-	192,372	-	192,372
Community development	-	-	-	-
Public safety	85,564	-	1,397,729	1,483,293
Recreation and parks	128,152	-	-	128,152
Capital outlay	461,941	-	408,729	870,670
Total Expenditures	\$ 883,720	\$ 192,372	\$ 1,806,458	\$ 2,882,550
Excess of Revenues over Expenditures	\$ 393,804	\$ (9,694)	\$ (323,352)	\$ 60,758
Other Financing Sources				
Transfer in from General Fund	\$ 147,890	\$ -	\$ -	\$ 147,890
Total Financing Sources	\$ 147,890	\$ -	\$ -	\$ 147,890
Net change in fund balance	541,694	(9,694)	(323,352)	208,648
Fund balances at beginning of year, as previously reported	8,701,062	(4,312)	742,727	9,439,477
Adjustments to beginning balance	-	-	(756,477)	(756,477)
Fund balance (deficit) at end of year	\$ 9,242,756	\$ (14,006)	\$ (337,102)	\$ 8,891,648

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Budgetary Comparison Schedule Nonmajor Governmental Funds For the Year Ended June 30, 2016

	Special Activities Fund				Community Development Block Grant Fund (CDBG)				Automated Speed Enforcement Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
Revenues												
Grant revenue	\$ -	\$ -	\$ 951,957	\$ 951,957	\$ 231,290	\$ 272,453	\$ 182,678	\$ (89,775)	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,056,000	1,056,000	8,699	(1,047,301)	-	-	-	-	1,500	1,500	33	(1,467)
Other*	345,640	359,390	464,758	105,368	-	-	-	-	1,248,000	1,382,000	1,483,073	101,073
Total Revenues	\$ 1,401,640	\$ 1,415,390	\$ 1,425,414	\$ 10,024	\$ 231,290	\$ 272,453	\$ 182,678	\$ (89,775)	\$ 1,249,500	\$ 1,383,500	\$ 1,483,106	\$ 99,606
Expenditures												
Community develop. block grant	\$ -	\$ -	\$ -	\$ -	\$ 231,290	\$ 272,453	\$ 192,372	\$ 80,081	\$ -	\$ -	\$ -	\$ -
Community services	861,910	1,234,361	883,720	350,641	-	-	-	-	1,338,600	2,155,040	1,806,458	348,582
Total expenditures	\$ 861,910	\$ 1,234,361	\$ 883,720	\$ 350,641	\$ 231,290	\$ 272,453	\$ 192,372	\$ 80,081	\$ 1,338,600	\$ 2,155,040	\$ 1,806,458	\$ 348,582
Excess (deficiency) of revenues over expenditures	\$ 539,730	\$ 181,029	\$ 541,694	\$ 360,665	\$ -	\$ -	\$ (9,694)	\$ (9,694)	\$ (89,100)	\$ (771,540)	\$ (323,352)	\$ 448,188
Fund balance at beginning of year, as previously reported	8,701,062	8,701,062	8,701,062	-	(4,312)	(4,312)	(4,312)	-	742,727	742,727	742,727	-
Adjustments to beginning balance	-	-	-	-	-	-	-	-	-	-	(756,477)	756,477
Fund balance (deficit) at end of year	\$ 9,240,792	\$ 8,882,091	\$ 9,242,756	\$ 360,665	\$ (4,312)	\$ (4,312)	\$ (14,006)	\$ (9,694)	\$ 653,627	\$ (28,813)	\$ (337,102)	\$ 1,204,665

*Note: Other revenue for the Special Activities Fund includes a transfer of \$147,890 from the General Fund.

Note: Expenditures in the Special Activities Fund and Automated Speed Enforcement Fund include capital outlay which is budgeted separately as a multi-year capital improvement and is not reflected in the budgeted figures above.

Other Supplementary Information

Proprietary Funds Enterprise Funds

Budgetary comparison schedules for the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course.

City of Rockville, Maryland

Budgetary Comparison Schedule Enterprise Funds For the Year Ended June 30, 2016

	Water Facility Fund				Sanitary Sewer Fund				Refuse Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
Total revenues	\$ 12,351,000	\$ 12,351,000	\$ 12,219,324	\$ (131,676)	\$ 10,942,830	\$ 10,942,830	\$ 11,046,483	\$ 103,653	\$ 5,815,700	\$ 5,815,700	\$ 5,801,387	\$ (14,313)
Total operating expenses	7,051,000	7,223,886	6,835,122	388,764	6,261,510	8,210,166	8,115,150	95,016	6,633,870	6,748,015	5,533,221	1,214,794
Operating income (loss) before depreciation and amortization	\$ 5,300,000	\$ 5,127,114	\$ 5,384,202	\$ 257,088	\$ 4,681,320	\$ 2,732,664	\$ 2,931,333	\$ 198,669	\$ (818,170)	\$ (932,315)	\$ 268,166	\$ 1,200,481
Depreciation and amortization	(2,800,500)	(2,800,500)	(2,661,374)	139,126	(3,874,100)	(3,874,100)	(3,846,270)	27,830	(331,900)	(331,900)	(311,066)	20,834
Operating income (loss)	\$ 2,499,500	\$ 2,326,614	\$ 2,722,828	\$ 396,214	\$ 807,220	\$ (1,141,436)	\$ (914,937)	\$ 226,499	\$ (1,150,070)	\$ (1,264,215)	\$ (42,900)	\$ 1,221,315
Non-Operating Income (Expenses)												
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,425,424	\$ 1,425,424	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-	-	-	-	2,000	2,000	2,319	-
Interest expense	(987,100)	(987,100)	(1,030,642)	(43,542)	(1,336,900)	(1,336,900)	(1,379,563)	(42,663)	(44,900)	(44,900)	(45,699)	(799)
Other, net	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (987,100)	\$ (987,100)	\$ (1,030,642)	\$ (43,542)	\$ (1,336,900)	\$ (1,336,900)	\$ 45,861	\$ 1,382,761	\$ (42,900)	\$ (42,900)	\$ (43,380)	\$ (480)
Income (loss) before operating transfers	\$ 1,512,400	\$ 1,339,514	\$ 1,692,186	\$ 352,672	\$ (529,680)	\$ (2,478,336)	\$ (869,076)	\$ 1,609,260	\$ (1,192,970)	\$ (1,307,115)	\$ (86,280)	\$ 1,220,835
Transfers:												
Transfer (to) from Enterprise Funds	571,040	571,040	571,040	-	(327,360)	(327,360)	(327,360)	-	(243,680)	(243,680)	(243,680)	-
Transfer from General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers	571,040	571,040	571,040	-	(327,360)	(327,360)	(327,360)	-	(243,680)	(243,680)	(243,680)	-
Net increase (decrease) in net position	\$ 2,083,440	\$ 1,910,554	\$ 2,263,226	\$ 352,672	\$ (857,040)	\$ (2,805,696)	\$ (1,196,436)	\$ 1,609,260	\$ (1,436,650)	\$ (1,550,795)	\$ (329,960)	\$ 1,220,835

City of Rockville, Maryland

Budgetary Comparison Schedule Enterprise Funds (Continued) For the Year Ended June 30, 2016

	Parking Fund				Stormwater Management Fund				RedGate Golf Course Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
Total revenues	\$ 1,462,470	\$ 1,462,470	\$ 1,335,002	\$ (127,468)	\$ 5,186,000	\$ 5,186,000	\$ 5,145,263	\$ (40,737)	\$ 100	\$ 100	\$ 100	\$ -
Total operating expenses	606,490	680,770	515,313	165,457	3,691,630	3,865,126	3,415,467	449,659	-	-	-	-
Operating income (loss) before depreciation and amortization	\$ 855,980	\$ 781,700	\$ 819,689	\$ 37,989	\$ 1,494,370	\$ 1,320,874	\$ 1,729,796	\$ 408,922	\$ 100	\$ 100	\$ 100	\$ -
Depreciation and amortization	27,100	27,100	69,074	41,974	(554,300)	(554,300)	(479,807)	74,493	(103,600)	(103,600)	(99,216)	4,384
Operating income (loss)	\$ 883,080	\$ 808,800	\$ 888,763	\$ 79,963	\$ 940,070	\$ 766,574	\$ 1,249,989	\$ 483,415	\$ (103,500)	\$ (103,500)	\$ (99,116)	\$ 4,384
<u>Non-Operating Income (Expenses)</u>												
Capital grants and contributions	\$ 298,880	\$ 298,880	\$ 302,598	\$ 3,718	\$ -	\$ -	\$ 795,737	\$ 795,737	\$ -	\$ -	\$ -	\$ -
Interest income	2,600	2,600	1,626	(974)	12,400	12,400	11,506	(894)	-	-	-	-
Interest expense	(1,314,610)	(1,314,610)	(1,321,969)	(7,359)	(86,550)	(86,550)	(88,120)	(1,570)	(6,420)	(6,420)	(6,223)	197
Other, net	(156,420)	(156,420)	(154,420)	2,000	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (1,169,550)	\$ (1,169,550)	\$ (1,172,165)	\$ (2,615)	\$ (74,150)	\$ (74,150)	\$ 719,123	\$ 793,273	\$ (6,420)	\$ (6,420)	\$ (6,223)	\$ 197
Income (loss) before operating transfers	\$ (286,470)	\$ (360,750)	\$ (283,402)	\$ 77,348	\$ 865,920	\$ 692,424	\$ 1,969,112	\$ 1,276,688	\$ (109,920)	\$ (109,920)	\$ (105,339)	\$ 4,581
Transfers:												
Transfer (to) from Enterprise Funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Fund	750,000	750,000	750,000	-	-	-	-	-	130,000	130,000	130,000	-
Total transfers	750,000	750,000	750,000	-	-	-	-	-	130,000	130,000	130,000	-
Net increase (decrease) in net position	\$ 463,530	\$ 389,250	\$ 466,598	\$ 77,348	\$ 865,920	\$ 692,424	\$ 1,969,112	\$ 1,276,688	\$ 20,080	\$ 20,080	\$ 24,661	\$ 4,581



Rockville police helped keep students safe by participating in Walk to School Day in FY16.

STATISTICAL SECTION

Statistical Section

The Statistical Section presents detailed information for the City in the following areas, as a context for understanding what the information in the Financial Section says about the City's overall financial health:

REVENUE CAPACITY - Information to help the reader assess the City's most significant local revenue source, the property tax.

FINANCIAL TRENDS - Information to help the reader understand how the City's financial performance and well-being have changed over time.

DEBT CAPACITY - Information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION - Indicators to help the reader understand how the environment within which the City's financial activities take place.

OPERATING INFORMATION - Service and infrastructure data to help the reader understand how the information in the City's Financial report relates to the services the City provides and the activities it performs.

Many of the tables cover more than two fiscal years and present data from outside accounting records. Therefore, the Statistical Section is unaudited.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 54 in 2011; Schedules presenting components of fund balance will have different classifications prior to 2011.

City of Rockville, Maryland

Financial Trends Information (unaudited) Net Position by Category Government-Wide, (Governmental and Business-type Activities) - Last Ten Fiscal Years (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 162,449,524	\$ 173,891,073	\$ 190,671,208	\$ 201,226,769	\$ 195,964,274	\$ 215,237,694	\$ 221,627,345	\$ 227,007,883	\$ 236,257,929	\$ 242,206,193
Restricted	-	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785
Unrestricted	30,905,551	39,283,820	36,934,536	37,234,882	11,199,008	6,785,231	9,464,633	11,252,856	842,090	20,493,148
Total Governmental Activities Net Position	\$ 193,355,075	\$ 213,174,893	\$ 227,605,744	\$ 238,461,651	\$ 245,983,877	\$ 254,477,601	\$ 261,216,233	\$ 269,765,130	\$ 265,341,491	\$ 271,658,126
Business-Type Activities										
Net investment in capital assets	\$ 39,795,777	\$ 37,817,818	\$ 38,831,178	\$ 52,250,740	\$ 54,125,519	\$ 61,807,784	\$ 59,592,571	\$ 69,660,027	\$ 73,858,569	\$ 80,207,561
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	18,652,926	20,457,767	17,359,925	2,800,762	1,185,667	(7,281,272)	(3,133,639)	(10,553,298)	(12,866,439)	(16,018,230)
Total Business-Type Activities Net Position	\$ 58,448,703	\$ 58,275,585	\$ 56,191,103	\$ 55,051,502	\$ 55,311,186	\$ 54,526,512	\$ 56,458,932	\$ 59,106,729	\$ 60,992,130	\$ 64,189,331
Primary Government										
Net investment in capital assets	\$ 202,245,301	\$ 211,708,891	\$ 229,502,386	\$ 253,477,509	\$ 250,089,793	\$ 277,045,478	\$ 281,219,916	\$ 296,667,910	\$ 310,116,498	\$ 322,413,754
Restricted	-	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785
Unrestricted	49,558,477	59,741,587	54,294,461	40,035,644	12,384,675	(496,041)	6,330,994	699,558	(12,024,349)	4,474,918
Total Primary Government Net Position	\$ 251,803,778	\$ 271,450,478	\$ 283,796,847	\$ 293,513,153	\$ 301,295,063	\$ 309,004,113	\$ 317,675,165	\$ 328,871,859	\$ 326,333,621	\$ 335,847,457

City of Rockville, Maryland

Financial Trends Information (unaudited)

Changes in Net Position by Category, Government-Wide, (Governmental and Business-type Activities) – Last Ten Fiscal Years (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 11,183,434	\$ 12,221,181	\$ 14,068,981	\$ 14,479,318	\$ 14,835,922	\$ 16,721,358	\$ 17,627,789	\$ 18,029,867	\$ 16,056,710	\$ 19,939,261
Community development block grant	274,773	336,001	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372
Community development	3,819,641	5,009,654	5,592,503	3,817,837	3,968,226	4,045,862	6,852,638	4,499,173	4,742,679	5,208,701
Public Safety	7,642,022	9,276,061	9,537,975	10,718,613	10,882,743	10,725,725	11,605,687	11,925,500	11,955,154	14,011,145
Public Works	6,540,061	6,618,979	7,013,916	8,249,148	7,402,630	7,473,069	7,360,540	10,480,582	10,680,119	11,489,202
Recreation and parks	17,685,035	18,757,428	20,106,554	21,100,499	21,553,985	20,682,042	19,421,263	20,192,932	20,316,220	21,677,656
Interest on long-term debt	1,576,441	1,695,792	1,696,785	1,568,037	1,814,951	1,847,089	1,753,582	1,570,515	1,481,177	1,451,990
Total governmental activities expenses	<u>\$ 48,721,407</u>	<u>\$ 53,915,096</u>	<u>\$ 58,309,214</u>	<u>\$ 60,270,026</u>	<u>\$ 60,656,442</u>	<u>\$ 62,162,439</u>	<u>\$ 64,752,306</u>	<u>\$ 66,972,669</u>	<u>\$ 65,556,400</u>	<u>\$ 73,970,327</u>
Business-type activities:										
Water	\$ 5,393,739	\$ 6,313,155	\$ 6,277,841	\$ 7,033,399	\$ 9,425,892	\$ 8,454,296	\$ 8,288,461	\$ 8,781,145	\$ 8,786,204	\$ 8,954,708
Sewer	4,871,708	5,830,893	5,978,046	5,938,443	7,149,860	7,462,498	8,121,144	8,851,481	10,761,488	12,465,393
Refuse	4,657,308	4,737,333	5,367,619	5,389,135	4,593,197	4,604,586	4,647,799	4,374,062	4,482,442	4,273,936
Parking	8,937,779	805,656	2,436,440	2,068,626	3,346,964	3,632,123	2,294,266	1,856,615	1,826,227	1,783,298
Stormwater management	2,673,487	1,185,276	1,871,839	2,625,807	2,373,398	2,564,028	2,582,736	2,931,502	2,963,825	3,176,524
Golf course	1,279,976	1,369,863	1,496,244	1,594,306	1,431,459	938,164	306,241	121,087	106,119	105,439
Total business-type activities expenses	<u>27,813,997</u>	<u>20,242,176</u>	<u>23,428,029</u>	<u>24,649,716</u>	<u>28,320,770</u>	<u>27,655,695</u>	<u>26,240,647</u>	<u>26,915,892</u>	<u>28,926,305</u>	<u>30,759,298</u>
Total primary government expenses	<u>\$ 76,535,404</u>	<u>\$ 74,157,272</u>	<u>\$ 81,737,243</u>	<u>\$ 84,919,742</u>	<u>\$ 88,977,212</u>	<u>\$ 89,818,134</u>	<u>\$ 90,992,953</u>	<u>\$ 93,888,561</u>	<u>\$ 94,482,705</u>	<u>\$ 104,729,625</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 242,581	\$ 678,759	\$ 670,262	\$ 726,112	\$ 577,103	\$ 1,444,313	\$ 1,015,524	\$ 308,228	\$ 331,004	\$ 379,871
Community development	2,626,016	1,651,562	1,237,549	1,015,376	1,618,728	2,180,079	1,821,386	2,631,132	2,127,341	1,983,953
Public Safety	963,513	5,247,732	3,980,102	3,569,717	4,213,306	3,621,924	4,405,923	4,913,037	3,998,962	4,155,894
Public Works	253,014	319,425	800,038	492,619	247,639	552,704	482,064	655,773	647,298	677,274
Recreation and parks	4,420,486	4,943,264	5,040,493	5,469,890	5,414,212	5,616,285	5,056,436	5,304,462	5,510,139	5,667,549
Interest on long-term debt	50,062	90,139	-	-	-	-	-	-	-	-
Operating grants and contributions	1,345,507	2,129,989	2,169,862	1,951,177	2,022,664	2,084,144	1,538,646	1,276,981	1,802,196	1,414,801
Capital grants and contributions	27,433,272	5,958,450	4,349,929	5,200,111	1,124,980	2,470,347	1,485,087	1,170,792	458,203	1,021,763
Total governmental activities program revenues	<u>\$ 37,334,451</u>	<u>\$ 21,019,320</u>	<u>\$ 18,248,235</u>	<u>\$ 18,425,002</u>	<u>\$ 15,218,632</u>	<u>\$ 17,969,796</u>	<u>\$ 15,805,066</u>	<u>\$ 16,260,405</u>	<u>\$ 14,875,143</u>	<u>\$ 15,301,105</u>
Business type activities:										
Charges for services:										
Water	\$ 5,185,774	\$ 5,217,205	\$ 5,757,485	\$ 7,080,662	\$ 9,875,646	\$ 9,585,771	\$ 10,443,600	\$ 10,694,368	\$ 11,028,502	\$ 12,150,240
Sewer	6,204,915	5,772,419	6,226,055	6,398,050	7,111,162	7,984,131	8,669,101	9,118,470	9,447,082	11,041,983
Refuse	5,128,169	5,403,071	5,565,864	5,560,345	5,952,237	5,934,886	5,554,293	5,534,943	5,687,674	5,799,796
Parking	1,642,712	1,605,157	2,930,890	2,932,919	2,580,362	1,566,651	1,253,296	1,286,239	1,156,885	1,108,497
Stormwater management	742,847	561,730	704,938	1,927,928	2,718,972	2,870,915	4,173,905	4,241,331	4,809,791	5,120,666
Golf course	1,147,648	1,170,655	1,169,150	961,412	879,764	463,925	34,087	2,100	100	-
Capital grants and contributions	-	-	-	-	-	731,284	1,115,774	1,109,875	1,163,751	2,523,759
Total business-type activities program revenues	<u>20,052,065</u>	<u>19,730,237</u>	<u>22,354,382</u>	<u>24,861,316</u>	<u>29,118,143</u>	<u>29,137,563</u>	<u>31,244,056</u>	<u>31,987,326</u>	<u>33,293,785</u>	<u>37,744,941</u>
Total primary government revenues	<u>\$ 57,386,516</u>	<u>\$ 40,749,557</u>	<u>\$ 40,602,617</u>	<u>\$ 43,286,318</u>	<u>\$ 44,336,775</u>	<u>\$ 47,107,359</u>	<u>\$ 47,049,122</u>	<u>\$ 48,247,731</u>	<u>\$ 48,168,928</u>	<u>\$ 53,046,046</u>

City of Rockville, Maryland

Financial Trends Information (unaudited) Changes in Net Position by Category, Government-Wide, (Governmental and Business-type Activities) – Last Ten Fiscal Years (Continued) (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (11,386,956)	\$ (32,895,776)	\$ (40,060,979)	\$ (41,845,024)	\$ (45,437,810)	\$ (44,192,643)	\$ (48,947,240)	\$ (50,712,264)	\$ (50,681,257)	\$ (58,669,222)
Business-type activities	(7,761,932)	(511,939)	(1,073,647)	211,600	797,373	1,481,868	5,003,409	5,071,434	4,367,480	6,985,643
Total primary government net expense	<u>\$ (19,148,888)</u>	<u>\$ (33,407,715)</u>	<u>\$ (41,134,626)</u>	<u>\$ (41,633,424)</u>	<u>\$ (44,640,437)</u>	<u>\$ (42,710,775)</u>	<u>\$ (43,943,831)</u>	<u>\$ (45,640,830)</u>	<u>\$ (46,313,777)</u>	<u>\$ (51,683,579)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 31,136,859	\$ 32,089,556	\$ 35,498,520	\$ 35,958,915	\$ 35,102,753	\$ 35,136,328	\$ 35,845,676	\$ 36,057,121	\$ 35,774,964	\$ 38,283,902
Income taxes	9,816,933	10,622,311	10,438,811	10,306,947	11,048,348	10,785,534	11,757,980	13,023,794	12,438,718	14,154,731
Gas and motor vehicle taxes	3,264,162	3,052,324	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404	1,914,024
County tax duplications payment	2,228,499	2,228,499	2,228,449	2,228,449	1,894,182	1,894,182	2,116,671	2,116,671	2,116,671	2,116,671
Admissions and amusement taxes	911,521	1,057,856	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525
Use of money and property	1,443,093	1,749,732	443,807	33,038	270,975	347,043	266,761	289,824	299,215	384,646
Other revenue	465,977	497,816	760,474	1,320,044	2,543,284	1,574,422	2,519,952	2,537,174	2,821,943	3,016,088
Transfers	1,376,500	1,417,500	1,462,000	1,506,000	485,055	2,215,630	2,781,950	2,598,360	2,665,365	4,130,270
Total governmental activities	<u>50,643,544</u>	<u>52,715,594</u>	<u>54,491,830</u>	<u>52,685,748</u>	<u>52,565,929</u>	<u>53,775,634</u>	<u>56,774,279</u>	<u>59,261,161</u>	<u>58,773,667</u>	<u>64,985,857</u>
Business-type activities:										
Property taxes	\$ 90,000	\$ 127,298	\$ 209,005	\$ 140,388	\$ 160,703	\$ (60,328)	\$ 156,443	\$ 172,382	\$ 181,081	\$ 196,481
Use of money and property	1,741,055	1,013,915	242,160	14,411	14,289	9,416	7,512	2,341	2,205	15,451
Other revenue	-	-	-	-	-	-	-	-	-	129,896
Gain on sale of capital assets	46,231	615,108	-	-	-	-	-	-	-	-
Transfers	(1,376,500)	(1,417,500)	(1,462,000)	(1,506,000)	(485,055)	(2,215,630)	(2,781,950)	(2,598,360)	(2,665,365)	(4,130,270)
Total business-type activities	<u>500,786</u>	<u>338,821</u>	<u>(1,010,835)</u>	<u>(1,351,201)</u>	<u>(310,063)</u>	<u>(2,266,542)</u>	<u>(2,617,995)</u>	<u>(2,423,637)</u>	<u>(2,482,079)</u>	<u>(3,788,442)</u>
Total primary government	<u>\$ 51,144,330</u>	<u>\$ 53,054,415</u>	<u>\$ 53,480,995</u>	<u>\$ 51,334,547</u>	<u>\$ 52,255,866</u>	<u>\$ 51,509,092</u>	<u>\$ 54,156,284</u>	<u>\$ 56,837,524</u>	<u>\$ 56,291,588</u>	<u>\$ 61,197,415</u>
Changes in Net Position										
Governmental activities	\$ 39,256,588	\$ 19,819,818	\$ 14,430,851	\$ 10,840,724	\$ 7,128,119	\$ 9,582,991	\$ 7,827,039	\$ 8,548,897	\$ 8,092,410	\$ 6,316,635
Business-type activities	(7,261,146)	(173,118)	(2,084,482)	(1,139,601)	487,310	(784,674)	2,385,414	2,647,797	1,885,401	3,197,201
Total primary government	<u>\$ 31,995,442</u>	<u>\$ 19,646,700</u>	<u>\$ 12,346,369</u>	<u>\$ 9,701,123</u>	<u>\$ 7,615,429</u>	<u>\$ 8,798,317</u>	<u>\$ 10,212,453</u>	<u>\$ 11,196,694</u>	<u>\$ 9,977,811</u>	<u>\$ 9,513,836</u>

City of Rockville, Maryland

Financial Trends Information (unaudited) Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 2,018,175	\$ 2,331,456	\$ 1,609,972	\$ 1,257,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	13,648,818	12,720,209	11,995,404	14,031,467	-	-	-	-	-	-
Nonspendable	-	-	-	-	494,311	499,301	1,728,224	1,712,687	1,734,918	1,793,249
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	327,035	510,752	220,370	342,006	772,345	984,077
Unassigned	-	-	-	-	13,939,120	9,904,002	13,226,677	15,689,079	19,916,594	21,039,026
Total General Fund	\$ 15,666,993	\$ 15,051,665	\$ 13,605,376	\$ 15,288,849	\$ 14,760,466	\$ 10,914,055	\$ 15,175,271	\$ 17,743,772	\$ 22,423,857	\$ 23,816,352
All Other Governmental Funds										
Reserved	\$ 15,902,123	\$ 5,725,167	\$ 7,998,785	\$ 3,050,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Designated in Special revenue funds	-	-	-	3,536,455	-	-	-	-	-	-
Unreserved/Undesignated, reported in:										
Special revenue funds	617,402	2,922,070	8,929,383	4,141,005	-	-	-	-	-	-
Capital projects funds	-	17,539,104	9,270,398	14,442,728	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,800,000	1,750,728	1,705,709	1,705,709
Restricted	-	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785
Committed	-	-	-	-	-	-	-	-	-	180,461
Assigned	-	-	-	-	-	-	-	-	-	15,795,046
Unassigned	-	-	-	-	-	-	-	-	(4,312)	(351,108)
Total Other Governmental Funds	\$ 16,519,525	\$ 26,186,341	\$ 26,198,566	\$ 25,170,914	\$ 38,820,595	\$ 32,454,676	\$ 31,924,255	\$ 33,255,119	\$ 29,942,869	\$ 26,288,893

Notes:

- The City implemented GASB 54 in fiscal year 2011. The new classifications of fund balance under GASB 54 were not retroactively applied to previous reporting periods.

City of Rockville, Maryland

Financial Trends Information (unaudited) Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 31,192,975	\$ 32,205,812	\$ 34,526,050	\$ 35,454,838	\$ 34,412,039	\$ 35,030,305	\$ 35,447,038	\$ 36,300,047	\$ 36,206,420	\$ 38,435,104
Assessments	350,005	334,456	442,429	358,924	335,374	315,123	306,197	19,014	13,127	49,695
Revenue from other governments:										
Community development block grant	336,001	336,001	292,500	336,574	195,478	667,014	130,811	269,966	320,645	182,678
Income taxes	9,816,933	10,622,311	10,438,811	10,306,947	11,048,348	10,785,534	11,757,980	13,023,794	12,438,718	14,154,731
Gas and motor vehicle taxes	3,264,162	3,052,324	2,666,415	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404
County tax duplication payment	2,228,499	2,228,499	2,228,449	2,228,449	1,894,182	1,894,182	2,116,671	2,116,671	2,116,671	2,116,671
Admissions and amusement taxes	911,521	1,057,856	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525
Grants and other governmental revenue	12,045,633	5,665,712	5,824,380	5,071,157	2,801,337	3,131,504	2,394,019	2,016,584	2,215,514	3,796,415
Licenses and permits	2,114,909	1,797,039	1,606,198	1,737,186	2,404,046	2,809,367	2,510,196	3,179,708	2,604,279	2,919,812
Charges for services	4,652,890	4,859,899	5,473,187	5,766,551	5,932,617	6,141,471	5,816,647	6,184,270	6,790,786	6,662,970
Use of money and property	2,233,471	3,216,669	586,761	204,371	270,975	347,043	266,761	289,824	299,215	384,646
Fines and forfeitures	877,137	634,907	648,478	687,733	3,218,505	2,909,735	3,478,145	3,236,025	2,975,888	2,876,907
Other revenues	10,510,649	7,710,575	7,804,778	7,941,010	8,539,036	7,179,576	7,177,050	7,407,613	6,215,424	6,944,972
Total revenues	\$ 80,534,785	\$ 73,722,060	\$ 73,531,790	\$ 71,426,095	\$ 72,273,269	\$ 73,033,349	\$ 72,886,804	\$ 76,681,733	\$ 74,853,478	\$ 81,424,150
Expenditures										
Current operations:										
General government	\$ 10,884,461	\$ 11,564,249	\$ 14,009,636	\$ 14,175,052	\$ 14,212,518	\$ 14,973,284	\$ 14,391,806	\$ 14,377,671	\$ 14,275,094	\$ 15,686,607
Community development block grant	336,001	336,001	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372
Community development	3,760,087	4,995,433	3,827,609	3,866,116	4,752,323	4,025,134	4,514,388	4,498,124	4,741,630	5,207,652
Public safety	7,520,764	9,061,450	9,506,371	10,998,913	10,808,510	10,866,513	11,200,748	11,496,594	11,501,814	12,185,400
Public works	5,862,318	6,206,579	6,088,239	7,107,065	6,574,860	6,539,154	6,909,193	7,384,086	7,303,804	7,750,002
Recreation and parks	16,476,639	18,172,866	19,793,219	19,086,513	19,837,905	19,651,278	19,368,267	20,143,088	20,263,690	21,624,308
Capital outlay	27,157,608	16,678,175	15,210,290	9,299,116	11,769,603	18,466,555	9,281,250	8,064,997	12,158,974	13,099,398
Debt service										
Principal	4,105,428	4,554,082	3,467,152	3,464,030	4,669,071	3,924,556	8,890,639	9,851,039	11,092,586	4,340,170
Interest	1,552,264	1,695,792	1,700,826	1,568,036	1,713,426	1,871,444	1,780,295	1,609,647	1,474,312	1,475,550
Bond Counsel/Amortization	-	55,945	-	4,042	101,525	-	-	78,550	80,936	-
Total expenditures	\$ 77,655,570	\$ 73,320,572	\$ 73,895,842	\$ 69,905,457	\$ 74,637,726	\$ 80,985,212	\$ 76,467,393	\$ 77,777,896	\$ 83,217,181	\$ 81,561,459
Excess (deficiency) revenues over expenditures	\$ 2,879,215	\$ 401,488	\$ (364,052)	\$ 1,520,638	\$ (2,364,457)	\$ (7,951,863)	\$ (3,580,589)	\$ (1,096,163)	\$ (8,363,703)	\$ (137,309)
Other Financing Sources (Uses)										
Transfers in	\$ 24,564,077	\$ 12,737,392	\$ 12,633,324	\$ 6,522,266	\$ 9,064,530	\$ 13,457,875	\$ 8,759,226	\$ 12,147,230	\$ 14,610,342	\$ 13,397,890
Transfers out	(17,280,348)	(14,497,392)	(13,706,324)	(7,402,266)	(12,526,375)	(14,629,075)	(9,298,286)	(12,936,290)	(15,400,137)	(14,277,890)
General obligation bonds issued	-	10,410,000	-	-	17,610,000	-	-	-	3,527,737	-
Refunding bonds issued	-	-	-	-	1,337,600	-	5,094,444	5,784,588	6,993,596	-
Loan Proceeds	-	-	-	-	-	-	2,636,000	-	-	-
Total other financing sources (uses)	\$ 7,283,729	\$ 8,650,000	\$ (1,073,000)	\$ (880,000)	\$ 15,485,755	\$ (1,171,200)	\$ 7,191,384	\$ 4,995,528	\$ 9,731,538	\$ (880,000)
Net change in fund balances	\$ 10,162,944	\$ 9,051,488	\$ (1,437,052)	\$ 640,638	\$ 13,121,298	\$ (9,123,063)	\$ 3,610,795	\$ 3,899,365	\$ 1,367,835	\$ (1,017,309)
Debt Service as percentage of non-capital expenditures	11.20%	11.03%	8.81%	8.30%	10.15%	9.27%	15.88%	16.44%	17.69%	8.49%

City of Rockville, Maryland

Revenue Capacity Information (unaudited) Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage Change
2007	\$ 9,008,163,075	\$ 388,343,729	\$ 9,396,506,804	0.312	\$ 9,396,506,804	18.3%
2008	10,148,794,995	394,410,209	10,543,205,204	0.302	10,543,205,204	12.2%
2009	11,117,285,215	398,207,920	11,515,493,135	0.292	11,515,493,135	9.2%
2010	11,594,235,339	414,163,958	12,008,399,297	0.292	12,008,399,297	4.3%
2011	11,495,912,704	434,487,416	11,930,400,120	0.292	11,930,400,120	-0.6%
2012	11,330,168,497	426,092,660	11,756,261,157	0.292	11,756,261,157	-1.5%
2013	11,347,224,618	398,979,040	11,746,203,658	0.292	11,746,203,658	-0.1%
2014	11,451,738,175	409,935,282	11,861,673,457	0.292	11,861,673,457	1.0%
2015	11,536,297,040	418,533,998	11,954,831,038	0.292	11,954,831,038	0.8%
2016	12,025,581,009	422,828,843	12,448,409,852	0.292	12,448,409,852	4.1%

Note: Property is assessed at 100% and tax rates are per \$100 of assessed value. For fiscal year ends June 30, 2007 to June 30, 2016, real property and personal property figures are based on the Montgomery County confirmation and Personal Property Assessment Report. Personal property is taxed at a rate of 0.805.

City of Rockville, Maryland

Revenue Capacity Information (unaudited) Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years

Fiscal Year	City	Overlapping Rates	
	Total Direct	Montgomery County	State of Maryland
2007	0.312	0.812	0.112
2008	0.302	0.812	0.112
2009	0.292	0.818	0.112
2010	0.292	0.826	0.112
2011	0.292	0.834	0.112
2012	0.292	0.873	0.112
2013	0.292	0.907	0.112
2014	0.292	0.927	0.112
2015	0.292	0.909	0.112
2016	0.292	0.900	0.112

Note: The City portion of property taxes (FY 2016 direct rate of 0.292) is fully dedicated to operating expenditures. Property is assessed at 100%.

City of Rockville, Maryland

Revenue Capacity Information (unaudited) Principal Property Tax Payers – Current Year and Nine Years Ago

For the Fiscal Year Ended June 30, 2016

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
			Property	Property
				Assessable Base
Congressional Village Assoc LLC	\$ 133,372,603	\$ 133,372,603	\$ -	1.07%
Congressional Plaza Assoc LLC	127,271,575	127,271,575	-	1.02%
Street Retail, Inc.	116,569,521	116,569,521	-	0.94%
Upper Rock LLC	85,316,781	85,316,781	-	0.69%
PF Apartments LLC	71,628,425	71,628,425	-	0.58%
JPI KF Apartments Sec 1 LLLP	71,444,251	71,444,251	-	0.57%
Congressional Towers	71,200,685	71,200,685	-	0.57%
King Farm Apartments Ph 2 LLC	71,139,726	71,139,726	-	0.57%
BDC King Farm, LLC	70,292,627	70,010,274	282,353	0.56%
Brandywine Research, LLC	67,049,658	67,049,658	-	0.54%
Total	\$ 885,285,852	\$ 885,003,499	\$ 282,353	7.11%
 Total Assessable Value	 \$ 12,448,409,852			 100.00%

For the Fiscal Year Ended June 30, 2007

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
			Property	Property
				Assessable Base
Research Grove Associates	\$ 72,896,331	\$ 72,896,331	\$ -	0.78%
Prentiss Property Research	47,451,569	47,451,569	-	0.50%
ARE Acquisitions	60,112,478	60,112,478	-	0.64%
Potomac Electric Power	55,943,670	-	55,943,670	0.60%
Verizon	42,222,365	-	42,222,365	0.45%
TA Western, LLC	41,214,569	41,214,569	-	0.44%
Syn Rock, LLC	40,876,247	40,876,247	-	0.44%
Transwestern Gateway, LLC	41,213,779	41,213,779	-	0.44%
Washington Real Estate Investors	36,549,474	36,549,474	-	0.39%
Prime 1801, LLC	35,166,697	35,166,697	-	0.37%
Total	\$ 473,647,179	\$ 375,481,144	\$ 98,166,035	5.04%
 Total Assessable Value	 \$ 9,396,506,804			 100.00%

Source: State of Maryland Department of Assessment and Taxation.

City of Rockville, Maryland

Revenue Capacity Information (unaudited) Property Tax Levies and Collections – Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections /(Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 31,124,821	\$ 30,670,042	98.5%	\$ 450,972	\$ 31,121,014	99.9%
2008	33,234,662	32,630,186	98.2%	604,476	33,234,662	99.9%
2009	36,589,554	35,682,475	97.5%	907,073	36,589,548	99.9%
2010	31,804,031	31,710,185	99.7%	90,495	31,800,680	99.9%
2011	32,361,767	32,177,932	99.4%	166,329	32,344,261	99.9%
2012	33,366,584	33,108,151	99.2%	258,433	33,366,584	100.0%
2013	33,240,633	32,437,136	97.6%	803,497	33,240,633	100.0%
2014	33,439,075	33,291,816	99.6%	145,249	33,437,065	100.0%
2015	34,174,382	33,785,982	98.9%	385,428	34,171,410	98.9%
2016	34,644,503	34,596,817	99.9%	-	34,596,817	99.9%

Note: Collections are shown net of adjustments and refunds.

Source: Tax Assessment and Accounts Receivable Report provided by Montgomery County, MD.

City of Rockville, Maryland

Debt Capacity Information (unaudited) Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Estimated Taxable Value of Property	Per Capita
	General	Loan	General	Loan			
	Obligation Bonds	Payable	Obligation Bonds	Payable			
2007	\$ 37,374,850	\$ 431,186	\$ 61,090,128	\$ -	\$ 98,896,164	0.94%	\$ 1,642
2008	43,313,608	348,346	68,836,288	-	112,498,242	0.98%	1,852
2009	39,930,132	264,670	77,859,328	-	118,054,130	0.98%	1,929
2010	36,552,304	178,467	73,685,966	-	110,416,737	0.93%	1,804
2011	50,918,770	90,530	79,377,243	843,928	131,230,471	1.12%	2,117
2012	47,084,744	-	87,029,809	1,743,220	135,857,773	1.16%	2,183
2013	42,908,541	2,472,665	94,028,283	5,509,868	144,919,357	1.22%	2,305
2014	39,098,908	1,809,332	89,446,092	4,946,130	135,300,462	1.15%	2,114
2015	40,228,422	1,119,999	97,349,903	4,369,475	143,067,799	1.20%	2,158
2016	36,344,961	430,666	102,077,045	3,779,524	142,632,196	1.15%	2,119

Note: Amounts above include unamortized bond premiums for governmental activities and business-type activities.

Source: Per capita is calculated using population estimates provided internally by the Department of Community Planning and Development Services.

City of Rockville, Maryland

Debt Capacity Information (unaudited) Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$ 98,464,978	1.05%	\$ 1,634
2008	112,149,896	1.06%	1,847
2009	117,789,460	1.02%	1,925
2010	110,238,270	0.92%	1,801
2011	130,296,013	1.09%	2,102
2012	134,114,553	1.14%	2,155
2013	136,936,824	1.17%	2,178
2014	128,545,000	1.08%	2,008
2015	137,578,325	1.15%	2,075
2016	138,422,006	1.11%	2,057

Source: Per capita is calculated using population estimates provided internally by the Department of Community Planning and Development Services.

City of Rockville, Maryland

Debt Capacity Information (unaudited) Direct and Overlapping Governmental Activities Debt

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Rockville	\$ 36,775,627	100.00%	\$ 36,775,627
Montgomery County, Maryland	3,843,880,821	7.15%	274,837,479
 Total direct and overlapping debt	 \$ 3,880,656,448		 \$ 311,613,106

Notes:

- The City is not restricted by legal debt limit.
- The percentage of overlapping debt applicable is estimated using taxable assessed property values, as reported by the State of Maryland Department of Assessments and Taxation. Applicable percentages are based on the portion of taxable assessed property located within the City of Rockville, compared to the taxable assessed property of Montgomery County. The City is located entirely within the County.
- Debt for Montgomery County was obtained from Montgomery County, Department of Finance.

City of Rockville, Maryland

Demographic and Economic Information (unaudited) Demographic and Economic Statistics – Last Ten Fiscal Years

Fiscal Year	Personal Income (in thousands)	Per Capita Income	Population	Unemployment Rate
2007	\$ 2,698,842	\$ 44,800	60,242	2.70
2008	2,769,334	45,600	60,731	2.62
2009	2,793,826	45,650	61,201	4.15
2010	2,911,773	47,571	61,209	5.03
2011	3,109,820	50,160	61,998	4.78
2012	3,136,611	50,393	62,243	4.91
2013	3,095,948	49,246	62,867	5.02
2014	3,215,130	50,231	64,007	4.30
2015	3,396,916	51,236	66,300	4.40
2016	3,517,115	52,260	67,300	3.70

Notes:

- Population estimates are from City of Rockville Department of Community Planning and Development Services for years 2007 to 2009 and 2011 to 2016. Population data for 2010 are taken from US Census Bureau. Employment rates for 2007 to 2016 are taken from Bureau of Labor Statistics. Per capita income is obtained from the US Census Bureau.

City of Rockville, Maryland

Demographic and Economic Information (unaudited) Principal Employers – Current Year and Nine Years Ago

Employer	Fiscal Year 2016		Percentage of Total City Employment	Fiscal Year 2007		Percentage of Total City Employment
	Employees	Rank		Employees	Rank	
Montgomery County Government	4,758	1	6.16%	5,520	1	8.11%
Montgomery County Board of Education	2,500	2	3.24%	2,252	2	3.31%
U.S. Nuclear Regulatory Commission	2,391	3	3.10%	1,800	3	2.64%
Westat, Inc.	2,150	4	2.78%	800	4	1.17%
Montgomery College	1,944	5	2.52%	500	10	0.73%
Lockheed Martin Information Systems	1,500	6	1.94%	*		*
Booz Allen Hamilton	1,282	7	1.66%	746	6	1.10%
Charles E. Smith Life Communities	1,050	8	1.36%	*		*
United States Pharmacopeial Convention	560	9	0.73%	531	9	0.78%
City of Rockville	518	10	0.67%	*		*
Comm. Services for Austic Adults & Children	*		*	545	8	0.80%
Wolproof & Abramson, LLP	*		*	800	5	1.17%
United Healthcare / Mid Atlantic Medical	*		*	600	7	0.88%
Total	<u>18,653</u>		<u>24.16%</u>	<u>14,094</u>		<u>20.70%</u>
Total Estimated City Employment	<u>77,200</u>			<u>68,100</u>		

Sources: Rockville Economic Development Incorporated.

* Not applicable for the fiscal year presented.

City of Rockville, Maryland

Operating Information (unaudited) Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Mayor and Council	4.5	4.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City Manager	21.6	23.6	28.0	28.0	28.0	28.0	28.0	25.0	25.0	25.0
City Attorney	-	-	-	5.0	5.0	6.0	6.0	6.0	6.0	6.0
Human Resources	8.0	8.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0
Finance	29.0	29.0	30.0	30.0	30.0	29.0	29.0	29.0	28.5	29.0
Information and technology	21.0	20.0	17.5	17.5	17.5	17.5	17.5	16.5	16.0	17.0
Community development	45.0	43.6	43.6	42.6	40.6	40.6	40.6	40.6	41.0	42.0
Public Safety	85.5	84.0	88.0	90.0	86.1	87.0	87.0	89.0	89.5	89.5
Public Works	62.1	63.1	74.2	76.1	72.7	72.7	45.0	45.5	46.0	46.0
Recreation and parks	148.4	147.5	151.7	151.1	147.8	143.1	142.6	139.9	138.5	136.7
Water	24.3	26.3	24.3	24.0	24.0	26.0	40.0	39.0	38.6	37.6
Sewer	13.2	13.2	14.0	13.5	13.8	13.8	17.9	17.9	17.9	17.9
Refuse collection	45.9	45.9	40.9	37.3	33.3	33.3	35.8	35.8	34.8	32.8
Parking	1.0	6.5	7.4	6.0	5.9	4.0	4.0	4.0	4.0	4.0
Stormwater management	12.0	10.5	10.7	11.2	12.4	13.4	20.4	20.4	20.5	20.5
Golf course	9.8	9.8	9.8	9.8	9.8	-	-	-	-	-
Total	<u>531.3</u>	<u>535.0</u>	<u>554.1</u>	<u>555.1</u>	<u>539.9</u>	<u>527.4</u>	<u>526.8</u>	<u>521.6</u>	<u>519.3</u>	<u>518.0</u>

Notes:

- Information was obtained from the Adopted Budget, for the respective years presented.

City of Rockville, Maryland

Operating Information (unaudited) Capital Asset Statistics by Function/Program – Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Vehicles	66	66	72	69	69	69	69	71	71	71
Refuse collection										
Collection trucks	15	15	16	16	16	16	16	17	17	17
Other public works										
Streets (miles)	156.42	156.42	156.42	156.42	156.42	156.42	156.50	156.00	155.37	155.37
Street lights	2,992	2,992	2,992	3,064	3,069	3,069	3,069	3,069	3,071	3,071
Sidewalks (miles)	297.62	297.62	297.62	251.02	251.02	255.97	255.97	256.87	257.79	258.01
Recreation and Parks										
Acreage	1,050	1,050	1,061	1,061	1,062	1,062	1,062	1,062	1,062	1,105
Playgrounds	41	41	48	50	50	50	50	50	50	50
Athletic Courts	95	95	95	96	96	96	96	96	96	96
Community centers	5	5	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	178.40	178.40	178.40	178.80	174.92	175.10	175.10	175.10	174.00	174.33
Fire hydrants	1,369	1,369	1,369	1,372	1,379	1,380	1,380	1,384	1,403	1,403
Storage capacity (millions of gallons)	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Sewer										
Sanitary sewers (miles)	140.20	140.20	141.60	148.40	147.66	147.23	147.21	148.00	148.00	148.00
Storm sewers (miles)	97.60	97.60	97.60	100.00	101.33	101.58	102.31	102.31	103.00	103.00

Note:

- In FY 2010, the number of existing sidewalks is lower than previously reported. Tools used to measure the infrastructure are more accurate than in previous years. Information was obtained from various City departments. In FY 2011, the total water mains decreased as a result of improved tools used to measure infrastructure.

City of Rockville, Maryland

Operating Information (unaudited) Operating Indicators by Function/Program – Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building permits issued	736	732	728	629	698	757	774	813	861	811
Estimated Cost of Construction	\$ 333,228,723	\$ 149,114,655	\$ 161,867,453	\$ 56,924,000	\$ 185,903,917	\$ 146,409,627	\$ 163,990,730	\$ 236,735,536	\$ 94,420,016	\$ 186,501,628
Police										
Physical arrests	1,213	1,165	1,196	896	1,070	1,400	1,085	1,157	1,055	902
Traffic violations*	22,478	20,337	13,922	10,735	15,947	20,638	15,063	16,469	16,234	13,397
Refuse collection										
Refuse (Disposed) (tons per year)	14,000	13,929	12,132	11,621	11,439	10,829	10,886	9,767	11,639	9,927
Yard Waste (composted/Mulched)	5,749	5,860	4,788	6,430	5,934	6,072	6,229	4,694	5,309	4,402
Recyclables collected (tons per year)	5,404	5,303	5,189	5,561	5,634	5,509	5,393	5,398	5,358	5,283
Recreation and Parks										
Program enrollments	31,535	32,260	32,610	31,359	32,423	33,518	33,494	33,297	32,081	31,503
Water										
Number of Accounts	12,472	12,614	12,654	12,623	12,617	12,650	12,688	12,517	12,694	12,678
Average daily water Production (millions of gallons)	5.013	5.000	5.016	4.813	4.750	4.882	4.708	4.562	4.561	4.742
Sewer										
Avg. daily sewer treatment (millions of gallons)	6.291	5.915	6.125	6.698	6.588	6.391	6.292	6.069	5.948	5.797

Note:

- Information was obtained from various City departments.

*Traffic violations do not include speed camera or redlight camera citations. E-Tix system was implemented during FY12. In FY13 the traffic unit was disbanded, causing reduced traffic citations.

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