

COMPREHENSIVE

# Annual Financial Report

• City of Rockville, Maryland •  
For The Fiscal Year Ended June 30, 2017

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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 2017  
July 1, 2016 - June 30, 2017

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## City of Rockville, Maryland Comprehensive Annual Financial Report June 30, 2017

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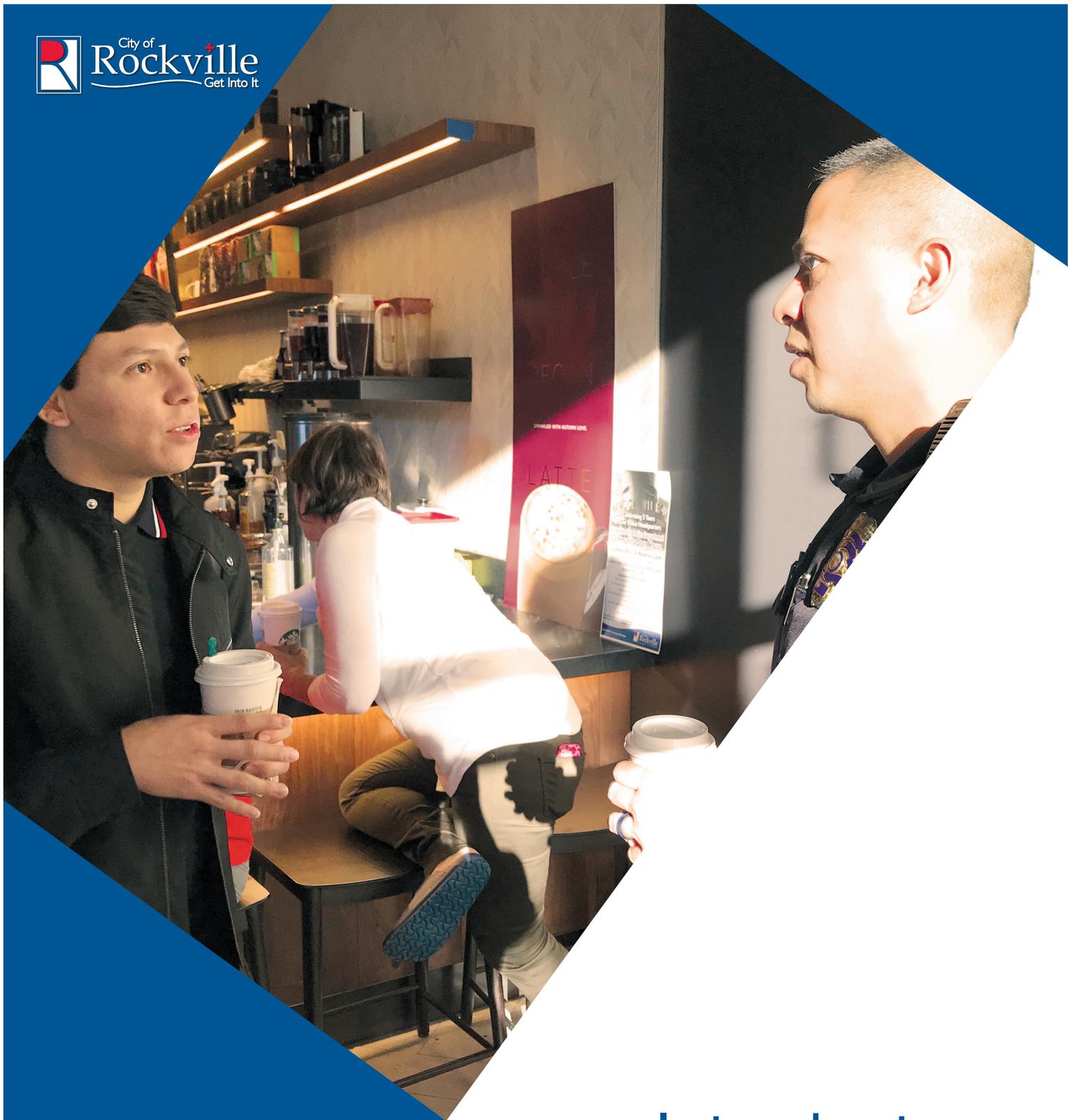
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Rockville City Police  
Department officers met  
with community members  
for National Coffee with a  
Cop Day on Oct. 7, 2016.

# Introductory Section

- City of Rockville, Maryland •  
Fiscal Year Ended June 30, 2017





October 27, 2017

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, 2017.

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 CliftonLarsonAllen 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, 2017, 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, 2017, 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 68,385 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 property 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 Other Post-Employment Benefit (OPEB) and Pension Trusts 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 69 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 71 and 74.

## **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 2017, the City observed a 5.0% increase in real property tax revenues, which provides strong indications of continued improvement in the assessable base.

The City has an employed labor force of approximately 77,471 within city limits. The City continues to experience residential and commercial growth, despite the recession that began in 2008. The City remains optimistic considering the overall growth observed in the fiscal year 2017 revenues.

While the City is optimistic about its improving assessable tax 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 2013 through 2017. Information presented in the table below has not been seasonally adjusted.

**Unemployment Statistics**

Year	Montgomery County				State of Maryland
	Labor Force	Employment	Unemployment	Unemployment Rate	Unemployment Rate
2017	575,147	555,592	19,555	3.40%	4.20%
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%

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 made three significant land acquisitions in fiscal year 2017. The Chestnut Lodge property, located at 500 West Montgomery Avenue and the land located at 175 Watts Branch Parkway were purchased for added parkland in the City. The acquisition of 313 ½ Frederick Avenue was purchased to be used for the Lincoln Park Community Center parking lot expansion project, which is set to begin in fiscal year 2018.
- The City made significant improvements to public spaces in order to achieve increased compliance with the Americans with Disabilities Act (ADA). During the year, the City completed the ADA compliant parking lot and interior corridor at the Civic Center and also made ADA improvements to roadways, sidewalks, and pathways across the City. The Horizon Hill Park obtained new ADA ramps, handrails, and companion pads as part of this Citywide effort.
- The City completed the stream restoration project at the Dogwood Park Tributary and Cabin John Creek. The newly stabilized stream banks no longer endanger sanitary sewer infrastructure or threaten water quality. There were also risks to private property in the Waddington Park neighborhood, which were addressed as part of this project.



## 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, 2016. This was the 27<sup>th</sup> 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, 2016. 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 2016. This is the ninth 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, 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,

Robert DiSpirito  
City Manager

Gavin Cohen  
Chief Financial Officer

Kimberly Francisco  
Controller



Government Finance Officers Association

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

Presented to

**City of Rockville  
Maryland**

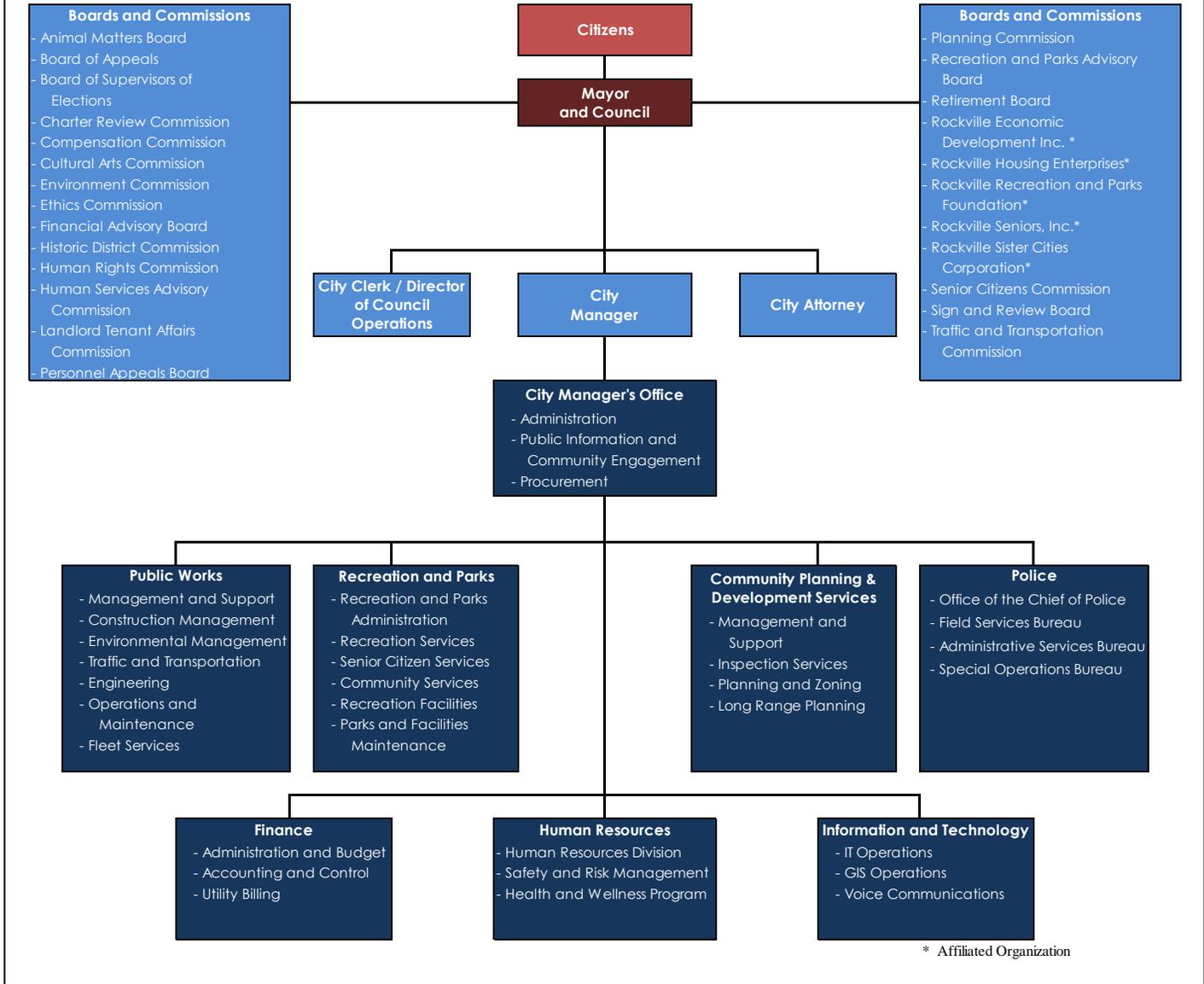
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# City of Rockville Organizational Chart

June 2017



**CITY OF ROCKVILLE, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**



**LIST OF ELECTED AND APPOINTED OFFICIALS**

**MAYOR**

Bridget Donnell Newton

**COUNCIL MEMBERS**

Virginia D. Onley

Beryl L. Feinberg

Julie Palakovich Carr

Mark Pierzchala

**CITY MANAGER**

Robert DiSpirito

**DEPUTY CITY MANAGER**

Jennifer Kimball

**CITY CLERK/DIRECTOR OF COUNCIL OPERATIONS**

Kathleen Conway

**CITY ATTORNEY**

Debra Yerg Daniel

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During Fiscal Year 2017, Rockville's Recreation and Parks Department took steps to make Glenview Mansion compliant with the Americans with Disabilities Act.

# Financial Section

• City of Rockville, Maryland •  
Fiscal Year Ended June 30, 2017





CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2017, 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.

### ***Auditors' 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 auditors' 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 City'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 City'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, 2017, 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.



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

**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 22, Rockville Employee Retirement System and Other Post-Employment Benefit Plan information on pages 65 through 68, Budgetary Comparison Schedule – General Fund on page 69 and the Notes to the Required Supplementary Information on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

*Other Information*

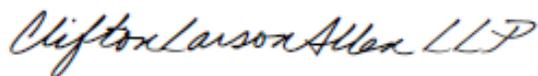
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Statements and Schedules and Proprietary Funds, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Statements and Schedules 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 Fund Statements and Schedules 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 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's 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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 27, 2017

## **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, 2017. 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 23.



### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the current fiscal year by \$348,803,112 (net position). That amount includes a positive balance of \$5,205,826 from unrestricted net position made up of \$18,653,066 from governmental activities and a deficit of \$13,447,240 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 \$49,853,779. Approximately 18.4% of this total amount is reported as restricted special revenue programming totaling \$9,196,988.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,643,296 or 25.5% of total General Fund budgeted revenues (adopted) of \$76,920,000.
- The City's total debt principal outstanding decreased by \$6,592,967 or 4.8%. During the year, new general obligation bonds were issued for water, sewer, and capital projects and outstanding 2007 and 2008 bonds were advance refunded in the water, sewer and capital projects funds.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$266,837 for an average rate of return of 0.47%. The average daily investment portfolio was \$56,543,273.

### 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 23-24 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 governmental-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 72-73 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 69, 71 and 74, respectively.

The governmental funds financial statements can be found on pages 25 and 27 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 29-32 of this report.

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

The Fiduciary Funds financial statements can be found on pages 33 and 34 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 35-63 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 65 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 72 through 74 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 \$348,803,112 at the close of the current fiscal year.

The largest portion of the City's net position (95.9%) 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 \$2,660,048. 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 42,112,441	\$ 45,601,986	\$ 13,237,487	\$ 12,841,573	\$ 55,349,928	\$ 58,443,559
Noncurrent and Capital Assets	284,178,244	277,667,462	178,172,477	173,009,787	462,350,721	450,677,249
Total Assets	326,290,685	323,269,448	191,409,964	185,851,360	517,700,649	509,120,808
Deferred Outflows of Resources	7,869,168	6,665,535	3,146,860	2,912,690	11,016,028	9,578,225
Total Assets and Deferred Outflows of Resources	\$ 334,159,853	\$ 329,934,983	\$ 194,556,824	\$ 188,764,050	\$ 528,716,677	\$ 518,699,033
Noncurrent Liabilities	62,776,753	61,719,318	104,836,889	106,774,620	167,613,642	168,493,938
Other Liabilities	(7,974,478)	(4,576,715)	20,264,218	17,800,099	12,289,740	13,223,384
Total Liabilities	54,802,275	57,142,603	125,101,107	124,574,719	179,903,382	181,717,322
Deferred Inflows of Resources	10,183	1,134,254	-	-	10,183	1,134,254
Total Liabilities and Deferred Inflows of Resources	\$ 54,812,458	\$ 58,276,857	\$ 125,101,107	\$ 124,574,719	\$ 179,913,565	\$ 182,851,576
Net Position:						
Net investment in capital assets	251,497,341	242,206,193	82,902,957	80,207,561	334,400,298	322,413,754
Restricted	9,196,988	8,958,785	-	-	9,196,988	8,958,785
Unrestricted	18,653,066	20,493,148	(13,447,240)	(16,018,230)	5,205,826	4,474,918
Total Net Position	\$ 279,347,395	\$ 271,658,126	\$ 69,455,717	\$ 64,189,331	\$ 348,803,112	\$ 335,847,457

At the end of the current fiscal year, there is a positive balance of \$5,205,826 in unrestricted net position. This is an increase of \$730,908 from the balance of \$4,474,918 in unrestricted net position in fiscal year 2016. This increase is attributable to the City's improved financial condition and performance in fiscal year 2017. The City reports 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 and Parking Fund.

The governmental net investment in capital assets, increased by \$9,291,148 or 3.8%. This increase is related to capital projects expenditures during the current fiscal year.

The business-type activities net investment in capital assets, increased by \$2,695,396 or 3.4%. This increase is related to capital projects expenditures during the current fiscal year.

**City of Rockville's Change in Net Position**

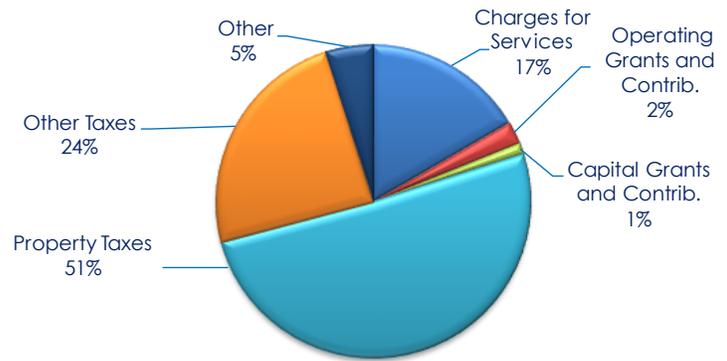
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 13,154,992	\$ 12,864,541	\$ 37,527,726	\$ 35,221,182	\$ 50,682,718	\$ 48,085,723
Operating grants & contrib.	1,842,041	1,414,801	-	-	1,842,041	1,414,801
Capital grants & contrib.	929,414	1,021,763	1,683,070	2,523,759	2,612,484	3,545,522
General revenues:						
Property taxes	40,246,427	38,283,902	206,704	196,481	40,453,131	38,480,383
Other taxes	19,206,229	19,170,951	-	-	19,206,229	19,170,951
Other	3,866,099	3,400,734	345,143	145,347	4,211,242	3,546,081
<b>Total Revenues:</b>	<b>\$ 79,245,202</b>	<b>\$ 76,156,692</b>	<b>\$ 39,762,643</b>	<b>\$ 38,086,769</b>	<b>\$ 119,007,845</b>	<b>\$ 114,243,461</b>
Expenses:						
General government	\$ 22,179,924	\$ 19,939,261	\$ -	\$ -	\$ 22,179,924	\$ 19,939,261
CDBG	-	192,372	-	-	-	192,372
Community development	5,559,447	5,208,701	-	-	5,559,447	5,208,701
Public safety	13,055,908	14,011,145	-	-	13,055,908	14,011,145
Public works	11,298,192	11,489,202	-	-	11,298,192	11,489,202
Recreation and Parks	22,483,951	21,677,656	-	-	22,483,951	21,677,656
Interest on long term debt	1,279,361	1,451,990	-	-	1,279,361	1,451,990
Water	-	-	9,541,833	8,954,708	9,541,833	8,954,708
Sewer	-	-	10,632,475	12,465,393	10,632,475	12,465,393
Refuse	-	-	4,593,424	4,273,936	4,593,424	4,273,936
Parking	-	-	1,800,872	1,783,298	1,800,872	1,783,298
Stormwater management	-	-	3,522,042	3,176,524	3,522,042	3,176,524
Golf Course	-	-	104,761	105,439	104,761	105,439
<b>Total Expenses:</b>	<b>\$ 75,856,783</b>	<b>\$ 73,970,327</b>	<b>\$ 30,195,407</b>	<b>\$ 30,759,298</b>	<b>\$ 106,052,190</b>	<b>\$ 104,729,625</b>
Increase in net position before transfers and contributions	3,388,419	2,186,365	9,567,236	7,327,471	12,955,655	9,513,836
Transfers and contributions	4,300,850	4,130,270	(4,300,850)	(4,130,270)	-	-
Increase/(Decrease) in net position	7,689,269	6,316,635	5,266,386	3,197,201	12,955,655	9,513,836
Net position - beginning	271,658,126	265,341,491	64,189,331	60,992,130	335,847,457	326,333,621
Net position - ending	\$ 279,347,395	\$ 271,658,126	\$ 69,455,717	\$ 64,189,331	\$ 348,803,112	\$ 335,847,457

**Governmental activities:** Governmental activities net position was \$279,347,395 at the end of the fiscal year, an increase of \$7,689,269, or 2.8% over beginning net position. Program revenues increased by \$625,342 (4.1%), which is made up of increases in charges for services of \$290,451, and increases in grant revenues of \$334,891. General revenues increased by \$2,463,168 (4.0%) which is mainly attributable to an increase in property tax revenues of \$1,962,525 and a \$336,375 increase in admissions and amusement 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.

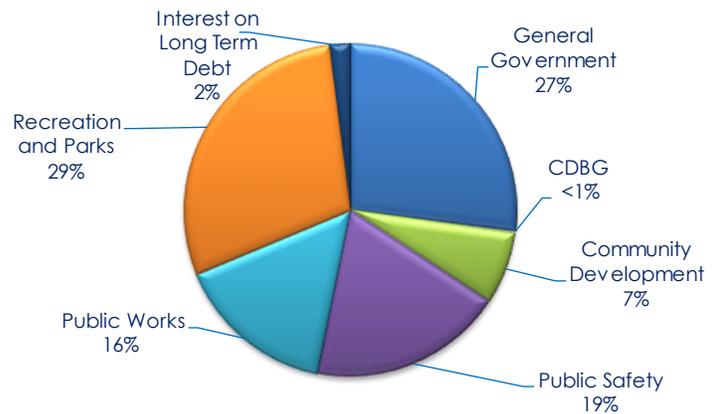
For the year ended June 30, 2017 the two most significant sources of governmental revenue were property taxes and other taxes, which include but are not limited to income tax, gas and motor vehicle tax, and county tax duplication. The two most significant governmental functional expenses were for recreation and parks and general government, which makes up the City Manager, City Clerk, legal, finance, human resources, and information technology functions of the City.

**Business-type activities:** Business-type activities net position was \$69,455,717 at the end of the fiscal year, an increase of \$5,266,386, or 8.2% over beginning net position. Program revenues increased by \$1,465,855 (3.9%) when compared to the previous fiscal year. This revenue increase is due to increased utility and service rates from the prior year, and offset by a reduction in capital grant revenues. Expenses decreased by \$563,891 (1.8%) when compared to the previous fiscal year. This decrease is primarily due to less operating and maintenance costs for City wastewater treatment facilities as compared to fiscal year 2016, offset by increases supporting continued performance-based pay and cost of living pay increases for employees.

**Governmental Revenue Sources - June 30, 2017**



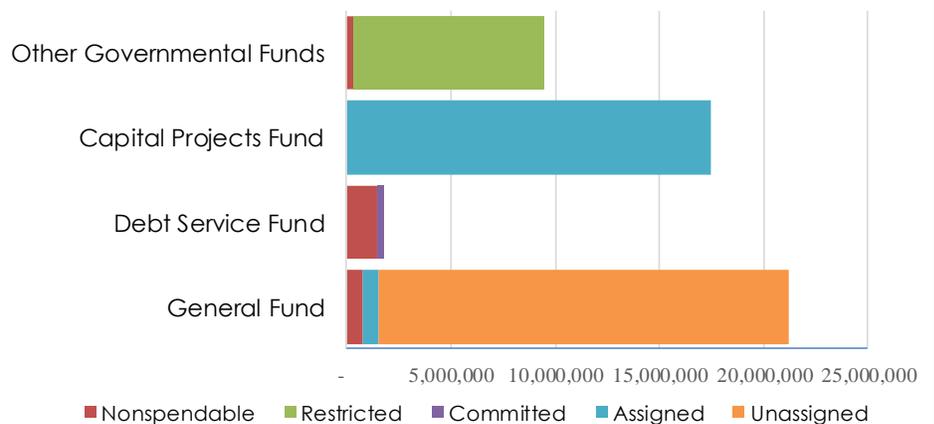
**Governmental Functional Expenses - June 30, 2017**



**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 manage growth.

**Governmental Fund Balance by Category**



At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$49,853,779, a decrease of \$251,466 or 0.5% in comparison with the prior fiscal year. This modest decrease is due to increased capital outlay during the year, particularly in the Capital Projects Fund, offset in part by increases in tax revenues. The classifications of fund balance are \$2,499,453 as nonspendable, \$9,196,988 as restricted for special revenue programming, \$320,328 as committed for debt service, \$18,206,702 as assigned for capital outlays, consulting services, and other purposes, and \$19,630,308 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 \$19,643,296, of the total fund balance of \$21,176,077. The unassigned fund balance decreased \$1,395,730 or 6.6% from the prior fiscal year and the total fund balance decreased \$2,640,275 or 11.1% from the prior fiscal year. These decreases were a result of planned increased pay-go funding provided to the Capital Projects Fund and the recognition of amounts previously classified as nonspendable advances.

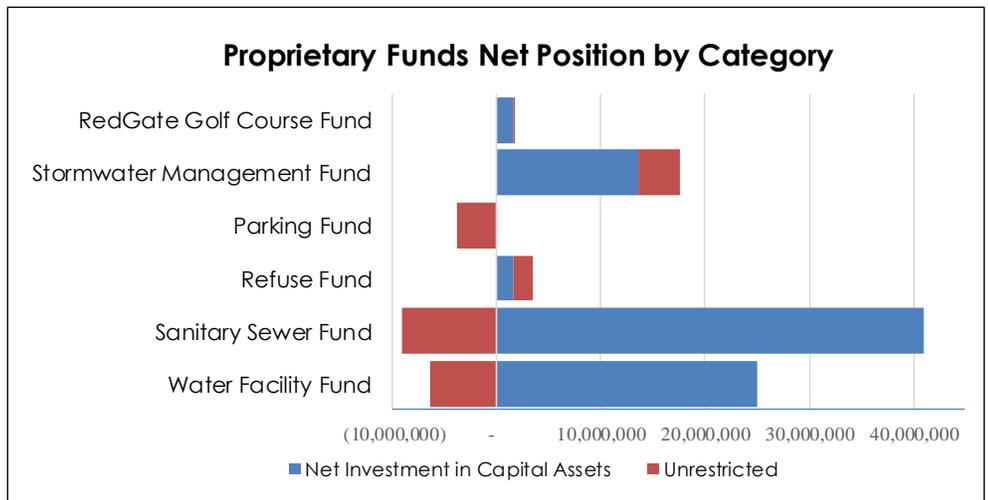
The Debt Service Fund has a total fund balance of \$1,742,066, of which \$320,328 is committed to the payment of debt service and \$1,421,738 is related to nonspendable advances. The increase in fund balance was \$139,867 or 8.7%. This increase was due to transfers from the General Fund into the Debt Service Fund exceeding debt service expenditures.

The Capital Projects Fund has a total fund balance of \$17,467,665, which is assigned to capital outlay. The increase in fund balance was \$1,672,619 or 10.6%. This increase was due to bond proceeds and General Fund transfers for planned future capital outlays.

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 (\$6,383,384), (\$9,024,629), \$1,741,940, (\$3,800,765), \$3,961,902 and \$57,696, 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 OPEB Trust Fund at the end of the year amounted to \$127,286,202 and \$7,027,859, 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 \$1,061,840 increase in revenues from the original adopted budget primarily due to increased revenue projections from income tax. Operating expenses in the final amended budget included a \$1,725,917 net increase from the original adopted budget. The net increase is a result of increases for reappropriation of fiscal year 2016 encumbrances and the recognition of grant expenses realized under economic development agreements.

Actual revenues were \$1,900,942 higher than the final amended budget. The increase is primarily a result of higher than projected income tax, property tax and grants of \$577,486, \$554,716, and \$403,686, respectively combined with other smaller variances. Actual operating expenditures were \$2,413,472 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, 2017, amounts to \$438,391,022 (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 \$11,816,365 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 totaling \$4,898,297.
  - Acquisitions of three parcels of land totaling \$3,700,650.
  - The last of the stormwater improvements and stream restoration tasks for Dogwood Park were completed with costs totaling \$1,041,766.
- Improvements to City roads, bridges and sidewalks continued; construction costs at the end of the current fiscal year were \$5,754,964.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,544,482	\$ 7,843,832	\$ 2,058,940	\$ 2,058,940	\$ 13,603,422	\$ 9,902,772
Construction in Progress	4,371,418	2,966,485	5,013,391	6,956,236	9,384,809	9,922,721
Buildings	65,686,956	66,516,856	484,682	523,996	66,171,638	67,040,852
Improvements other than Buildings	15,448,667	15,686,757	132,997,077	125,690,654	148,445,744	141,377,411
Equipment	11,975,670	12,467,404	3,185,421	2,898,513	15,161,091	15,365,917
Infrastructure	175,151,051	172,186,128	-	-	175,151,051	172,186,128
Purchased Capacity	-	-	10,473,267	10,778,856	10,473,267	10,778,856
<b>Total</b>	<b>\$ 284,178,244</b>	<b>\$ 277,667,462</b>	<b>\$ 154,212,778</b>	<b>\$ 148,907,195</b>	<b>\$ 438,391,022</b>	<b>\$ 426,574,657</b>

Long-term obligations: At the end of the current fiscal year, the City had total long term obligations of \$167,613,642, 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	
	2017	2016	2017	2016	2017	2016
Bonds Payable and Loans Payable, net	\$ 33,821,450	\$ 36,775,627	\$ 103,851,956	\$ 105,856,569	\$ 137,673,406	\$ 142,632,196
Accrued Obligations for Compensated Balances	4,920,012	4,724,609	984,933	918,051	5,904,945	5,642,660
Claims Payable	1,768,150	1,591,998	-	-	1,768,150	1,591,998
Net Pension Liability	21,520,338	17,908,264	-	-	21,520,338	17,908,264
Net OPEB Obligation	746,803	718,820	-	-	746,803	718,820
<b>Total Long-Term Liabilities</b>	<b>\$ 62,776,753</b>	<b>\$ 61,719,318</b>	<b>\$ 104,836,889</b>	<b>\$ 106,774,620</b>	<b>\$ 167,613,642</b>	<b>\$ 168,493,938</b>

The City's total debt principal outstanding decreased by \$4,958,790 (3.5%) compared to the prior fiscal year, not including the impact of unamortized bond premiums and deferred charges on advance refundings. This decrease represents the impact of the issuance of advance refunding bonds in the current fiscal year and the repayment on existing long term debt. Compensated absences increased by \$262,285 (4.6%) 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 \$3,612,074 (20.2%) based on projected future pension payments. The net OPEB obligation increased by \$27,983 (3.9%) 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 all of its outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note (2) F on pages 46-51 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 54-63 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Mayor and Council adopted the Fiscal Year 2018 (FY18) operating and capital budgets on May 1, 2017. The total operating budget for all funds equals \$130.3 million, an increase of 3.2% from the previous year. The General Fund budget equals \$79.7 million, an increase of 3.3%. The FY17 real property tax rate of \$0.292 per \$100 of assessed valuation remains the same for FY18. In addition to adopting the FY18 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. This rate is unchanged from fiscal year 2017.
- Water usage rates continue to follow a multi-tiered progressive structure which incorporates both fixed and variable charges based on consumption and meter size. On average, these rates reflect a 3.5% increase in fiscal year 2018.
- Sewer rate of \$9.26 per 1,000 gallons, an increase of 12.5% from the FY17 rate of \$8.23.
- Refuse rate of \$445 per residential property per year, an increase of 5.0% from the FY17 rate of \$424.

An important aspect of utility rate setting for the fiscal year 2018 budget were the rate increases in the water, sewer, and refuse programs, which ensure the financial health of these operations. Mayor and Council adopted the fiscal year 2018 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. While there were no reassessments in January 2017, the three-year phase in from the 2016 reassessment combined with new properties on the City's tax roll, results in a projected 3.5% increase in real property tax revenues for fiscal year 2018. 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 \$40.9 million, an increase of approximately \$1.3 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.

# **Basic Financial Statements**



## City of Rockville, Maryland

### Statement of Net Position

June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 36,044,433	\$ 7,684,521	\$ 43,728,954
Property tax receivable, net	372,721	-	372,721
Accounts receivable, net	623,317	5,510,964	6,134,281
Due from other governments	2,539,902	-	2,539,902
Prepaid assets	156,000	-	156,000
Loans receivable	1,889,274	-	1,889,274
Other assets	478,092	42,002	520,094
Unbilled assessments receivable	8,702	-	8,702
Capital assets (net of accumulated depreciation):			
Land	11,544,482	2,058,940	13,603,422
Construction in progress	4,371,418	5,013,391	9,384,809
Buildings, Improvements and Infrastructure	256,286,674	133,481,759	389,768,433
Equipment	11,975,670	3,185,421	15,161,091
Purchased capacity	-	10,473,267	10,473,267
Accounts receivable, net	-	139,693	139,693
Capital lease, net	-	23,820,006	23,820,006
Total Assets	<u>\$ 326,290,685</u>	<u>\$ 191,409,964</u>	<u>\$ 517,700,649</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows from pensions	\$ 7,696,423	\$ -	\$ 7,696,423
Deferred charge on advance refunding	172,745	3,146,860	3,319,605
Total Deferred Outflows of Resources	<u>\$ 7,869,168</u>	<u>\$ 3,146,860</u>	<u>\$ 11,016,028</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 334,159,853</u>	<u>\$ 194,556,824</u>	<u>\$ 528,716,677</u>
<b>Liabilities</b>			
Accounts payable	\$ 3,486,492	\$ 2,377,193	\$ 5,863,685
Internal balances	(16,772,813)	16,772,813	-
Accrued liabilities	2,091,487	772,513	2,864,000
Unearned revenue	1,358,978	-	1,358,978
Retainages payable	294,644	325,204	619,848
Deposits and other liabilities	1,566,734	16,495	1,583,229
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	3,591,609	719,001	4,310,610
Bonds payable and loan payable, net	3,809,203	7,007,854	10,817,057
Claims payable	671,897	-	671,897
Due in more than one year:			
Compensated absences	1,328,403	265,932	1,594,335
Bonds payable and loans payable, net	30,012,247	96,844,102	126,856,349
Claims payable	1,096,253	-	1,096,253
Net pension liability	21,520,338	-	21,520,338
Net OPEB obligation	746,803	-	746,803
Total Liabilities	<u>\$ 54,802,275</u>	<u>\$ 125,101,107</u>	<u>\$ 179,903,382</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from pensions	\$ 10,183	\$ -	\$ 10,183
Total Deferred Inflows of Resources	<u>\$ 10,183</u>	<u>\$ -</u>	<u>\$ 10,183</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 54,812,458</u>	<u>\$ 125,101,107</u>	<u>\$ 179,913,565</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 251,497,341	\$ 82,902,957	\$ 334,400,298
Restricted for:			
Special activities fund programming	9,196,988	-	9,196,988
Unrestricted	18,653,066	(13,447,240)	5,205,826
Total Net Position	<u>\$ 279,347,395</u>	<u>\$ 69,455,717</u>	<u>\$ 348,803,112</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 334,159,853</u>	<u>\$ 194,556,824</u>	<u>\$ 528,716,677</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2017

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 22,179,924	\$ 411,704	\$ 259,008	\$ -	\$ (21,509,212)	\$ -	\$ (21,509,212)
Community development	5,559,447	2,043,566	235,878	10,669	(3,269,334)	-	(3,269,334)
Public safety	13,055,908	4,367,130	780,346	-	(7,908,432)	-	(7,908,432)
Public works	11,298,192	208,457	-	743,745	(10,345,990)	-	(10,345,990)
Recreation and parks	22,483,951	6,124,135	566,809	175,000	(15,618,007)	-	(15,618,007)
Interest long-term debt	1,279,361	-	-	-	(1,279,361)	-	(1,279,361)
<b>Total Governmental Activities</b>	<b>\$ 75,856,783</b>	<b>\$ 13,154,992</b>	<b>\$ 1,842,041</b>	<b>\$ 929,414</b>	<b>\$ (59,930,336)</b>	<b>\$ -</b>	<b>\$ (59,930,336)</b>
<b>Business-Type Activities:</b>							
Water	\$ 9,541,833	\$ 12,360,559	\$ -	\$ -	\$ -	\$ 2,818,726	\$ 2,818,726
Sewer	10,632,475	12,407,271	-	-	-	1,774,796	1,774,796
Refuse	4,593,424	6,121,016	-	-	-	1,527,592	1,527,592
Parking	1,800,872	857,266	-	306,322	-	(637,284)	(637,284)
Stormwater management	3,522,042	5,781,614	-	1,376,748	-	3,636,320	3,636,320
RedGate golf course	104,761	-	-	-	-	(104,761)	(104,761)
<b>Total Business-Type Activities</b>	<b>\$ 30,195,407</b>	<b>\$ 37,527,726</b>	<b>\$ -</b>	<b>\$ 1,683,070</b>	<b>\$ -</b>	<b>\$ 9,015,389</b>	<b>\$ 9,015,389</b>
<b>Total primary government</b>	<b>\$ 106,052,190</b>	<b>\$ 50,682,718</b>	<b>\$ 1,842,041</b>	<b>\$ 2,612,484</b>	<b>\$ (59,930,336)</b>	<b>\$ 9,015,389</b>	<b>\$ (50,914,947)</b>
<b>General revenues:</b>							
Property taxes					\$ 40,246,427	\$ 206,704	\$ 40,453,131
Income taxes					13,577,486	-	13,577,486
Gas and motor vehicle taxes					1,897,093	-	1,897,093
County tax duplication payment					2,409,750	-	2,409,750
Admissions and amusement taxes					1,321,900	-	1,321,900
Use of money and property					456,123	42,127	498,250
Other revenue					3,409,976	303,016	3,712,992
Transfers and Contributions					4,300,850	(4,300,850)	-
<b>Total general revenues and transfers</b>					<b>\$ 67,619,605</b>	<b>\$ (3,749,003)</b>	<b>\$ 63,870,602</b>
Change in net position					7,689,269	5,266,386	12,955,655
Net Position at beginning of year					271,658,126	64,189,331	335,847,457
<b>Net Position at end of year</b>					<b>\$ 279,347,395</b>	<b>\$ 69,455,717</b>	<b>\$ 348,803,112</b>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Balance Sheet Governmental Funds June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 7,594,618	\$ 329,709	\$ 19,086,001	\$ 9,034,105	\$ 36,044,433
Property taxes receivable, net	372,721	-	-	-	372,721
Accounts receivable, net	404,102	-	-	219,215	623,317
Interfund receivable	16,879,056	-	-	-	16,879,056
Due from other governments	2,117,445	-	85,779	336,678	2,539,902
Prepaid assets	156,000	-	-	-	156,000
Loans receivable	183,565	1,421,738	-	283,971	1,889,274
Other assets, net	469,828	493	7,771	-	478,092
Unbilled assessments receivable	-	8,702	-	-	8,702
<b>Total Assets</b>	<b>\$ 28,177,335</b>	<b>\$ 1,760,642</b>	<b>\$ 19,179,551</b>	<b>\$ 9,873,969</b>	<b>\$ 58,991,497</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,879,210	\$ 9,874	\$ 1,318,142	\$ 279,266	\$ 3,486,492
Interfund payable	-	-	-	106,243	106,243
Accrued liabilities	1,943,204	-	-	-	1,943,204
Unearned revenue	1,358,978	-	-	-	1,358,978
Retainages payable	-	-	294,644	-	294,644
Deposits and other liabilities	1,447,145	-	99,100	20,489	1,566,734
Total Liabilities	<b>\$ 6,628,537</b>	<b>\$ 9,874</b>	<b>\$ 1,711,886</b>	<b>\$ 405,998</b>	<b>\$ 8,756,295</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	\$ 372,721	\$ -	\$ -	\$ -	\$ 372,721
Unavailable revenue - special assessments	-	8,702	-	-	8,702
Total Deferred Inflows of Resources	372,721	8,702	-	-	381,423
Total Liabilities and Deferred Inflows of Resources	<b>\$ 7,001,258</b>	<b>\$ 18,576</b>	<b>\$ 1,711,886</b>	<b>\$ 405,998</b>	<b>\$ 9,137,718</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	\$ 454,179	\$ -	\$ -	\$ -	\$ 454,179
Advances	183,565	1,421,738	-	283,971	1,889,274
Prepaid assets	156,000	-	-	-	156,000
Restricted for:					
Special revenue programming	-	-	-	9,196,988	9,196,988
Committed to:					
Debt service	-	320,328	-	-	320,328
Assigned for:					
Consulting services	139,242	-	-	-	139,242
Capital outlays	559,871	-	17,467,665	-	18,027,536
Other purposes	39,924	-	-	-	39,924
Unassigned:	19,643,296	-	-	(12,988)	19,630,308
Total Fund Balance	<b>\$ 21,176,077</b>	<b>\$ 1,742,066</b>	<b>\$ 17,467,665</b>	<b>\$ 9,467,971</b>	<b>\$ 49,853,779</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 28,177,335</b>	<b>\$ 1,760,642</b>	<b>\$ 19,179,551</b>	<b>\$ 9,873,969</b>	<b>\$ 58,991,497</b>

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, 2017

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

Total fund balances - governmental funds		\$ 49,853,779
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	376,173,002	
Accumulated depreciation	<u>(91,994,758)</u>	284,178,244
Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased.		
		381,423
The unamortized deferred charge on advance refunding represents a long term outflow of resources that is not presented in the governmental funds.		
		172,745
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	(21,520,338)	
Deferred outflows from pensions	7,696,423	
Deferred inflows from pensions	<u>(10,183)</u>	(13,834,098)
The net OPEB obligation related to governmental activities does not represent current financial resources and is not reported in the governmental funds.		
		(746,803)
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	4,920,012	
General obligation bonds payable	30,861,625	
Loans payable	241,333	
Accrued interest on the general obligation bonds	148,283	
Unamortized bond premiums on the general obligation bonds	2,718,492	
Claims payable	<u>1,768,150</u>	<u>(40,657,895)</u>
Total net position - governmental activities		<u>\$ 279,347,395</u>

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, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 40,105,716	\$ -	\$ -	\$ -	\$ 40,105,716
Assessments	-	17,306	-	-	17,306
Revenue from other governments:					
Community development block grant	-	-	-	206,478	206,478
Income taxes	13,577,486	-	-	-	13,577,486
Gas and motor vehicles taxes	1,897,093	-	-	-	1,897,093
County tax duplication payment	2,409,750	-	-	-	2,409,750
Admission and amusement taxes	1,321,900	-	-	-	1,321,900
Grants and other governmental revenue	2,530,326	-	278,329	917,920	3,726,575
Licenses and permits	2,927,369	-	-	-	2,927,369
Charges for services	6,792,763	-	-	-	6,792,763
Use of money and property	324,031	47,514	75,879	8,699	456,123
Fines and forfeitures	1,267,285	-	-	1,832,161	3,099,446
Other revenues	6,729,063	-	101,400	776,492	7,606,955
Total Revenues	<u>\$ 79,882,782</u>	<u>\$ 64,820</u>	<u>\$ 455,608</u>	<u>\$ 3,741,750</u>	<u>\$ 84,144,960</u>
<b>Expenditures</b>					
Current operations:					
General government	\$ 16,407,663	\$ -	\$ -	\$ -	\$ 16,407,663
Community development	5,307,654	-	-	234,860	5,542,514
Public safety	11,109,168	-	-	1,334,618	12,443,786
Public works	7,230,606	-	-	-	7,230,606
Recreation and parks	22,202,495	-	-	230,489	22,432,984
Capital outlay	1,921,449	-	12,011,629	1,485,350	15,418,428
Debt service	-	5,314,229	-	-	5,314,229
Total Expenditures	<u>\$ 64,179,035</u>	<u>\$ 5,314,229</u>	<u>\$ 12,011,629</u>	<u>\$ 3,285,317</u>	<u>\$ 84,790,210</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ 15,703,747</u>	<u>\$ (5,249,409)</u>	<u>\$ (11,556,021)</u>	<u>\$ 456,433</u>	<u>\$ (645,250)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ 5,350,000	\$ 12,114,612	\$ 119,890	\$ 17,584,502
Transfers out	(18,344,022)	-	-	-	(18,344,022)
Payment to refunded bond escrow agent	-	(5,390,020)	-	-	(5,390,020)
Issuance of general obligation bonds	-	-	1,105,000	-	1,105,000
Premium on general obligation bonds	-	-	9,028	-	9,028
Issuance of advance refunding bonds	-	4,478,303	-	-	4,478,303
Premium on advance refunding bonds	-	950,993	-	-	950,993
Total Other Financing Sources (uses)	<u>\$ (18,344,022)</u>	<u>\$ 5,389,276</u>	<u>\$ 13,228,640</u>	<u>\$ 119,890</u>	<u>\$ 393,784</u>
Net change in fund balances	\$ (2,640,275)	\$ 139,867	\$ 1,672,619	\$ 576,323	\$ (251,466)
Fund balance at beginning of year	23,816,352	1,602,199	15,795,046	8,891,648	50,105,245
Fund balance at end of year	<u>\$ 21,176,077</u>	<u>\$ 1,742,066</u>	<u>\$ 17,467,665</u>	<u>\$ 9,467,971</u>	<u>\$ 49,853,779</u>

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 Fiscal Year Ended June 30, 2017

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

Total net change in fund balances-total governmental funds		\$ (251,466)
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 \$15,418,428 exceeded depreciation of \$8,907,646.		6,510,782
In the Statement of Activities, only the annual amortized loss on advance refunding is reported, whereas in the governmental funds, the entire loss from the advance refunding decreases financial resources.		172,745
In governmental funds, bond proceeds and repayment of bond principal are revenues and expenditures, respectively. In the Statement of Net Position these activities are adjustments to long term liabilities. Bond repayments during the year of \$9,135,601 exceeded bond proceeds of \$5,583,303.		3,552,298
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.		(598,121)
Because the unavailable revenue will not be collected for several months after the City's fiscal year end, it is not considered revenue in the governmental funds. Unavailable revenue increased in the current fiscal year.		140,711
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. Changes in the net pension liability, deferred outflows and deferred inflows are reflected below:		
Net pension liability	(3,612,074)	
Deferred outflows from pensions	1,030,888	
Deferred inflows from pensions	<u>1,124,071</u>	(1,457,115)
The net OPEB obligation related to funding for future retiree health benefits are not considered current. The net OPEB obligation increased in the current fiscal year.		(27,983)
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.		(176,152)
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 \$2,091,255 exceeded amounts used of \$1,895,852.		(195,403)
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. In fiscal year 2017, accrued interest on long-term debt reported in the Statement of Activities decreased.		<u>18,973</u>
Change in net position of governmental activities		<u>\$ 7,689,269</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

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
<b>Assets</b>							
Current Assets							
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 2,467,637	\$ 479,671	\$ 4,716,549	\$ 20,664	\$ 7,684,521
Accounts receivable, net	2,352,875	2,460,043	58,348	218,554	420,144	1,000	5,510,964
Other receivables	-	-	1,685	420	2,386	37,511	42,002
<b>Total current assets</b>	<b>\$ 2,352,875</b>	<b>\$ 2,460,043</b>	<b>\$ 2,527,670</b>	<b>\$ 698,645</b>	<b>\$ 5,139,079</b>	<b>\$ 59,175</b>	<b>\$ 13,237,487</b>
Noncurrent Assets							
Capital Assets:							
Land	123,202	-	-	-	842,697	1,093,041	2,058,940
Utility plant and equipment	85,667,218	108,904,584	7,583,050	86,968	19,985,275	2,607,389	224,834,484
Construction in progress	4,527,780	-	-	-	485,611	-	5,013,391
Less-accumulated depreciation	(38,831,244)	(42,128,210)	(5,109,230)	(37,307)	(5,005,345)	(1,862,154)	(92,973,490)
Purchased capacity, long-term	-	15,279,453	-	-	-	-	15,279,453
Other Noncurrent Assets:							
Accounts receivable, net	-	-	-	-	139,693	-	139,693
Capital lease, net	-	-	-	23,820,006	-	-	23,820,006
<b>Total noncurrent assets</b>	<b>\$51,486,956</b>	<b>\$ 82,055,827</b>	<b>\$ 2,473,820</b>	<b>\$ 23,869,667</b>	<b>\$ 16,447,931</b>	<b>\$ 1,838,276</b>	<b>\$178,172,477</b>
<b>Total Assets</b>	<b>\$53,839,831</b>	<b>\$ 84,515,870</b>	<b>\$ 5,001,490</b>	<b>\$ 24,568,312</b>	<b>\$ 21,587,010</b>	<b>\$ 1,897,451</b>	<b>\$191,409,964</b>
<b>Deferred Outflows of Resources</b>							
Deferred charge on advance refunding	\$ 319,067	\$ 105,061	\$ -	\$ 2,722,732	\$ -	\$ -	\$ 3,146,860
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$54,158,898</b>	<b>\$ 84,620,931</b>	<b>\$ 5,001,490</b>	<b>\$ 27,291,044</b>	<b>\$ 21,587,010</b>	<b>\$ 1,897,451</b>	<b>\$194,556,824</b>
<b>Liabilities</b>							
Current Liabilities							
Bonds payable within 1yr	\$ 2,555,283	\$ 2,868,533	\$ 90,000	\$ 1,170,860	\$ 300,781	\$ 22,397	\$ 7,007,854
Accounts payable	843,191	368,931	298,407	38,008	828,656	-	2,377,193
Interfund payable	6,099,334	10,673,479	-	-	-	-	16,772,813
Accrued liabilities	251,164	200,503	118,428	111,809	89,130	1,479	772,513
Compensated absences	259,546	131,772	196,019	6,855	124,809	-	719,001
Retainages payable	70,474	166,310	-	-	88,420	-	325,204
Deposits / other liabilities	16,495	-	-	-	-	-	16,495
<b>Total Current Liabilities</b>	<b>\$10,095,487</b>	<b>\$ 14,409,528</b>	<b>\$ 702,854</b>	<b>\$ 1,327,532</b>	<b>\$ 1,431,796</b>	<b>\$ 23,876</b>	<b>\$ 27,991,073</b>
Noncurrent Liabilities							
Compensated absences	95,997	48,738	72,500	2,535	46,162	-	265,932
Bonds payable, net	25,423,712	38,206,651	812,313	29,761,742	2,509,747	129,937	96,844,102
<b>Total noncurrent liabilities</b>	<b>\$25,519,709</b>	<b>\$ 38,255,389</b>	<b>\$ 884,813</b>	<b>\$ 29,764,277</b>	<b>\$ 2,555,909</b>	<b>\$ 129,937</b>	<b>\$ 97,110,034</b>
<b>Total Liabilities</b>	<b>\$35,615,196</b>	<b>\$ 52,664,917</b>	<b>\$ 1,587,667</b>	<b>\$ 31,091,809</b>	<b>\$ 3,987,705</b>	<b>\$ 153,813</b>	<b>\$125,101,107</b>
<b>Net Position</b>							
Net investment in capital assets	\$24,927,086	\$ 40,980,643	\$ 1,671,883	\$ -	\$ 13,637,403	\$ 1,685,942	\$ 82,902,957
Unrestricted	(6,383,384)	(9,024,629)	1,741,940	(3,800,765)	3,961,902	57,696	(13,447,240)
<b>Total net position</b>	<b>\$18,543,702</b>	<b>\$ 31,956,014</b>	<b>\$ 3,413,823</b>	<b>\$ (3,800,765)</b>	<b>\$ 17,599,305</b>	<b>\$ 1,743,638</b>	<b>\$ 69,455,717</b>
<b>Total Liabilities and Net Position</b>	<b>\$54,158,898</b>	<b>\$ 84,620,931</b>	<b>\$ 5,001,490</b>	<b>\$ 27,291,044</b>	<b>\$ 21,587,010</b>	<b>\$ 1,897,451</b>	<b>\$194,556,824</b>

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 Fiscal Year Ended June 30, 2017**

	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	
<b>Operating Revenues</b>							
Charges for Services	\$12,360,559	\$12,407,271	\$6,121,016	\$ 857,266	\$ 5,781,614	\$ -	\$ 37,527,726
Other Revenues	159,381	-	34,213	263,991	46,135	6,000	509,720
Total Operating Revenues	<u>\$12,519,940</u>	<u>\$12,407,271</u>	<u>\$6,155,229</u>	<u>\$ 1,121,257</u>	<u>\$ 5,827,749</u>	<u>\$ 6,000</u>	<u>\$ 38,037,446</u>
<b>Operating Expenses</b>							
Treatment and purification	2,565,229	-	-	-	-	-	2,565,229
Distribution	1,543,136	-	-	-	-	-	1,543,136
Collection and disposal	-	2,770,390	3,598,307	-	-	-	6,368,697
Customer billing, collection, operating expenses	3,045,953	3,187,727	1,750,058	552,725	3,541,350	-	12,077,813
Repairs and maintenance	105,847	118,763	546,494	4,968	74,015	-	850,087
Total Operating Expenses	<u>\$ 7,260,165</u>	<u>\$ 6,076,880</u>	<u>\$5,894,859</u>	<u>\$ 557,693</u>	<u>\$ 3,615,365</u>	<u>\$ -</u>	<u>\$ 23,404,962</u>
Operating income (loss) before depreciation / amortization	5,259,775	6,330,391	260,370	563,564	2,212,384	6,000	14,632,484
Less - depreciation and amortization of bond (discount)/premium	(2,847,962)	(4,037,003)	(295,511)	65,088	(642,971)	(99,216)	(7,857,575)
Operating Income (loss)	<u>\$ 2,411,813</u>	<u>\$ 2,293,388</u>	<u>\$ (35,141)</u>	<u>\$ 628,652</u>	<u>\$ 1,569,413</u>	<u>\$ (93,216)</u>	<u>\$ 6,774,909</u>
<b>Nonoperating Income (Expenses)</b>							
Interest income	-	-	13,840	4,390	23,776	121	42,127
Interest expense	(992,860)	(1,392,436)	(35,254)	(1,294,567)	(78,646)	(5,545)	(3,799,308)
Other, net	(29,006)	(10,506)	-	(154,420)	-	-	(193,932)
Total Nonoperating Income	<u>\$(1,021,866)</u>	<u>\$(1,402,942)</u>	<u>\$ (21,414)</u>	<u>\$(1,444,597)</u>	<u>\$ (54,870)</u>	<u>\$ (5,424)</u>	<u>\$ (3,951,113)</u>
Income (loss) before capital contributions and transfers	1,389,947	890,446	(56,555)	(815,945)	1,514,543	(98,640)	2,823,796
<b>Capital Grants and Contributions</b>	-	-	-	306,322	1,376,748	-	1,683,070
<b>Transfers</b>							
Transfer (to) from Proprietary Funds	330,640	(330,640)	-	-	-	-	-
Transfer from General Fund	-	-	44,520	715,000	-	-	759,520
Total Transfers	<u>\$ 330,640</u>	<u>\$ (330,640)</u>	<u>\$ 44,520</u>	<u>\$ 715,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759,520</u>
Increase (decrease) net position	1,720,587	559,806	(12,035)	205,377	2,891,291	(98,640)	5,266,386
Net position at beginning of year	\$16,823,115	\$31,396,208	\$3,425,858	\$(4,006,142)	\$14,708,014	\$ 1,842,278	\$ 64,189,331
Net position at end of year	<u>\$18,543,702</u>	<u>\$31,956,014</u>	<u>\$3,413,823</u>	<u>\$(3,800,765)</u>	<u>\$17,599,305</u>	<u>\$ 1,743,638</u>	<u>\$ 69,455,717</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017

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
<b>Cash Flows from operating activities:</b>							
Cash received from customers	\$ 12,438,146	\$ 12,166,341	\$ 7,350,339	\$ 1,171,110	\$ 5,558,093	\$ 5,000	\$ 38,689,029
Cash payments to suppliers for goods and services	(3,877,418)	(4,771,875)	(3,239,803)	(301,901)	(1,470,911)	-	(13,661,908)
Cash payments to employees for services	(3,400,454)	(1,860,761)	(2,503,181)	(247,620)	(2,113,014)	-	(10,125,030)
Net cash provided by operating activities	<u>\$ 5,160,274</u>	<u>\$ 5,533,705</u>	<u>\$ 1,607,355</u>	<u>\$ 621,589</u>	<u>\$ 1,974,168</u>	<u>\$ 5,000</u>	<u>\$ 14,902,091</u>
<b>Cash Flows from noncapital financing activities:</b>							
Transfer in from the General Fund	\$ -	\$ -	\$ 44,520	\$ 715,000	\$ -	\$ -	\$ 759,520
Transfer (to) from Proprietary Funds	330,640	(330,640)	-	-	-	-	-
Proceeds from interfund payable	697,053	2,703,760	-	-	-	-	3,400,813
Net cash provided by noncapital financing activities	<u>\$ 1,027,693</u>	<u>\$ 2,373,120</u>	<u>\$ 44,520</u>	<u>\$ 715,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,160,333</u>
<b>Cash Flows from capital and related financing activities:</b>							
Capital grants and contributions	\$ -	\$ -	\$ -	\$ 306,322	\$ 1,180,491	\$ -	\$ 1,486,813
Acquisition and construction of capital assets	(3,702,730)	(7,492,883)	(357,697)	(25,235)	(2,630,403)	-	(14,208,948)
Proceeds from sale of capital assets	-	-	-	-	-	12,500	12,500
Principal paid on general obligation bond maturities	(7,575,372)	(5,988,044)	(430,000)	(641,250)	(300,304)	(22,397)	(14,957,367)
Interest paid on general obligation bonds	(1,003,805)	(1,397,167)	(36,494)	(1,296,633)	(79,609)	(5,742)	(3,819,450)
Proceeds from capital lease	-	-	-	318,125	-	-	318,125
Proceeds from issuance of debt/current refunding	6,093,940	6,971,269	-	-	-	-	13,065,209
Net cash (used in) capital and related financing activities	<u>\$ (6,187,967)</u>	<u>\$ (7,906,825)</u>	<u>\$ (824,191)</u>	<u>\$ (1,338,671)</u>	<u>\$ (1,829,825)</u>	<u>\$ (15,639)</u>	<u>\$ (18,103,118)</u>
<b>Cash Flows from investing activities:</b>							
Interest on investments	\$ -	\$ -	\$ 12,472	\$ 4,153	\$ 22,593	\$ 110	\$ 39,328
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ 840,156	\$ 2,071	\$ 166,936	\$ (10,529)	\$ 998,634
Cash and cash equivalents at the beginning of year	\$ -	\$ -	\$ 1,627,481	\$ 477,600	\$ 4,549,613	\$ 31,193	\$ 6,685,887
Cash and cash equivalents at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,467,637</u>	<u>\$ 479,671</u>	<u>\$ 4,716,549</u>	<u>\$ 20,664</u>	<u>\$ 7,684,521</u>

See accompanying notes to the basic financial statements.

(Continued)

**City of Rockville, Maryland**  
Statement of Cash Flows (continued)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017

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	
<b>Operating income (loss)</b>	\$ 2,411,813	\$ 2,293,388	\$ (35,141)	\$ 628,652	\$ 1,569,413	\$ (93,216)	\$ 6,774,909
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation and amortization	\$ 2,847,962	\$ 4,037,003	\$ 295,511	\$ (65,088)	\$ 642,971	\$ 99,216	\$ 7,857,575
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(83,794)	(240,930)	1,195,110	49,853	(269,656)	(1,000)	649,583
Increase (decrease) in accounts payable	71,382	(690,476)	105,300	8,084	77,648	-	(428,062)
Increase (decrease) in accrued liabilities	13,695	7,089	13,440	937	7,778	-	42,939
Increase (decrease) in compensated absences	24,857	(3,285)	33,135	(849)	13,024	-	66,882
Increase (decrease) in retainages payable	(127,641)	130,916	-	-	(67,010)	-	(63,735)
Increase (decrease) in deposits and other liabilities	2,000	-	-	-	-	-	2,000
Total adjustments	\$ 2,748,461	\$ 3,240,317	\$ 1,642,496	\$ (7,063)	\$ 404,755	\$ 98,216	\$ 8,127,182
Net cash provided by operating activities	<u>\$ 5,160,274</u>	<u>\$ 5,533,705</u>	<u>\$ 1,607,355</u>	<u>\$ 621,589</u>	<u>\$ 1,974,168</u>	<u>\$ 5,000</u>	<u>\$ 14,902,091</u>
Noncash capital and related financing activities:							
Purchase of equipment on account	\$ 55,630	\$ (1,046,062)	\$ -	\$ -	\$ 520,736	\$ -	\$ (469,696)

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Pension Trust Funds	OPEB Trust Fund
<b>Assets</b>		
Open End Mutual Funds:		
Bonds	\$ 27,833,166	\$ 3,392,992
Equities	84,638,752	3,603,998
Real Estate	12,954,284	-
Money Markets	1,860,000	30,869
<b>Total Assets</b>	<u>\$ 127,286,202</u>	<u>\$ 7,027,859</u>
<b>Liabilities</b>		
Benefits Payable	\$ -	\$ 27,563
<b>Net Position</b>		
Restricted for plan benefits	\$ 127,286,202	\$ 7,000,296
<b>Total Liabilities and Net Position</b>	<u>\$ 127,286,202</u>	<u>\$ 7,027,859</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Fiscal Year Ended June 30, 2017

	Pension Trust Funds	OPEB Trust Fund
<b>Additions</b>		
Contributions		
Employer	\$ 4,157,580	\$ 639,042
Plan Members	2,124,837	-
Total Contributions	\$ 6,282,417	\$ 639,042
Investment Income (loss)		
Net appreciation in the fair value of plan investments	13,049,939	515,476
Interest and dividends	394,845	114,582
Total investment income (loss)	13,444,784	630,058
Total	\$ 19,727,201	\$ 1,269,100
<b>Deductions</b>		
Benefits	\$ 7,084,135	\$ 274,540
Investment fee expense	473,473	24,086
Administrative expense	31,821	5,000
Total Deductions	\$ 7,589,429	\$ 303,626
Net Increase	\$ 12,137,772	\$ 965,474
Net position at beginning of year	115,148,430	6,034,822
Net position at end of year	\$ 127,286,202	\$ 7,000,296

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Notes to the Basic Financial Statements**  
 June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**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 68,385 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**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 to meet specific programmatic needs.

The City's Fiduciary Funds include the Pension Trust Funds and OPEB Trust Fund which 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.

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.

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 2017. 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.

**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 under the consumption method 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, though the City does not capitalize interest. 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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:

<u>Description</u>	<u>Lives (Years)</u>
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 sometimes reports 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 four 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 pension activities 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 pension activities reflect changes in assumptions, differences between actual and expected experience and differences between actual and projected earnings on investments.

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, bond issuance costs, as well as any charges from advance refundings, in the period incurred. The face amount of debt issued is reported net of any bond premiums/discounts.

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. The City is not restricted by a legal debt limit.

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.

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The General Fund is the only fund that reports a positive fund balance. In instances where expenditures incurred for a particular purpose exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 \$1,519,501 attributable to business-type activities. Unspent debt proceeds of \$1,140,547 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 \$9,196,988, 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.

(2) DETAILED NOTES ON ALL FUNDS

**A. Equity in Pooled Cash and Cash Equivalents**

The City maintains a cash and 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 is available for use by all the City’s funds, except the Fiduciary 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 and OPEB 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 \$31,434,638 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, 2017, 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	Fiduciary Funds	Interest Range
Deposits	\$ 12,294,316	\$ -	0.00%
Maryland Local Government Pool (MLGIP)	31,434,638	-	0.36% - 0.95%
	<u>\$ 43,728,954</u>	<u>\$ -</u>	
Open-End Mutual Funds	-	134,314,061	-0.68% - 23.14%
Total Fair Market Value of Investments	<u>\$ 43,728,954</u>	<u>\$ 134,314,061</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, 2017:

- Amounts invested in open-end mutual funds of \$90,133,619 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 \$31,226,158 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 \$12,954,284 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.

**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, 2017, 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.

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**(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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**A. Equity in Pooled Cash and Cash Equivalents (Continued)****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, 2017.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables**

Receivables as of the year ended June 30, 2017 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	\$ -	\$ -	\$ -	\$ -	\$ 2,360,071	\$ 2,472,878	\$ 66,472	\$ -	\$ 53,256	\$ -	\$ 4,952,677
Property Taxes Receivable	907,138	-	-	-	-	-	-	-	-	-	907,138
Accounts Receivable	404,102	-	-	219,215	-	-	-	247,850	-	1,000	872,167
Interfund Receivable	16,879,056	-	-	-	-	-	-	-	-	-	16,879,056
Due from Other Governments	2,117,445	-	85,779	336,678	-	-	-	-	506,581	-	3,046,483
Loans Receivable											
Rockville Commons, L.P.	63,565	-	-	-	-	-	-	-	-	-	63,565
REL P One, L.P.	120,000	-	-	-	-	-	-	-	-	-	120,000
RHE Fireside Park, Inc.	-	1,421,738	-	283,971	-	-	-	-	-	-	1,705,709
Other Assets	469,828	493	7,771	-	-	-	1,685	420	2,386	37,511	520,094
Unbilled Assessments Receivable	-	8,702	-	-	-	-	-	-	-	-	8,702
Gross Receivables	20,961,134	1,430,933	93,550	839,864	2,360,071	2,472,878	68,157	248,270	562,223	38,511	29,075,591
Allowance for Uncollectibles	(534,417)	-	-	-	(7,196)	(12,835)	(8,124)	(29,296)	-	-	(591,868)
Net Receivables	\$ 20,426,717	\$ 1,430,933	\$ 93,550	\$ 839,864	\$ 2,352,875	\$ 2,460,043	\$ 60,033	\$ 218,974	\$ 562,223	\$ 38,511	\$ 28,483,723

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$591,868 at June 30, 2017, and is composed of the following:

General Fund property taxes receivable	\$ 534,417
Enterprise Funds utility fees receivable	28,155
Enterprise Funds parking citations receivable	29,296
Total allowance for uncollectibles	<u>\$ 591,868</u>

## (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)	\$ 8,702	\$ -
Property taxes receivable (General Fund)	372,721	-
Recreation services not earned (General Fund)	-	1,358,978
Total deferred/unearned revenue for governmental funds	<u>\$ 381,423</u>	<u>\$ 1,358,978</u>

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 \$63,565 as of June 30, 2017.

RELP One, L.P. - The loan in the total amount of \$120,000 was issued on June 12, 2003 to RELP 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, 2017.

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, 2017, 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. In fiscal year 2017 the performance period concluded for the Duball Rockville, LLC contingent grant award and upon noted compliance with all requirements, the grant expenditure of \$980,000 was recognized. The performance period for the remaining contingent grant award of \$156,000 to Choice Hotels International, Inc. will conclude in fiscal year 2018. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. At June 30, 2017, prepaid assets in the General Fund consisted of \$156,000 for the contingent grant award to Choice Hotels International, Inc.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,843,832	\$ 3,700,650	\$ -	\$ -	\$ 11,544,482
Construction in progress	2,966,485	2,852,087	-	(1,447,154)	4,371,418
Total capital assets, not being depreciated	<u>\$ 10,810,317</u>	<u>\$ 6,552,737</u>	<u>\$ -</u>	<u>\$ (1,447,154)</u>	<u>\$ 15,915,900</u>
Capital assets, being depreciated:					
Buildings	84,404,736	-	-	1,422,709	85,827,445
Improvements other than buildings	22,020,974	867,410	-	24,445	22,912,829
Equipment	26,623,543	1,636,169	(220,472)	-	28,039,240
Infrastructure	217,115,476	6,362,112	-	-	223,477,588
Total capital assets being depreciated	<u>\$ 350,164,729</u>	<u>\$ 8,865,691</u>	<u>\$ (220,472)</u>	<u>\$ 1,447,154</u>	<u>\$ 360,257,102</u>
Less accumulated depreciation for:					
Buildings	(17,887,880)	(2,252,609)	-	-	(20,140,489)
Improvements other than buildings	(6,334,217)	(1,129,945)	-	-	(7,464,162)
Equipment	(14,156,139)	(2,127,903)	220,472	-	(16,063,570)
Infrastructure	(44,929,348)	(3,397,189)	-	-	(48,326,537)
Total accumulated depreciation	<u>\$ (83,307,584)</u>	<u>\$ (8,907,646)</u>	<u>\$ 220,472</u>	<u>\$ -</u>	<u>\$ (91,994,758)</u>
Total capital assets, being depreciated, net	<u>266,857,145</u>	<u>(41,955)</u>	<u>-</u>	<u>1,447,154</u>	<u>268,262,344</u>
Governmental activities capital assets, net	<u>\$ 277,667,462</u>	<u>\$ 6,510,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,178,244</u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	6,956,236	3,907,441	-	(5,850,286)	5,013,391
Total capital assets, not being depreciated	<u>\$ 9,015,176</u>	<u>\$ 3,907,441</u>	<u>\$ -</u>	<u>\$ (5,850,286)</u>	<u>\$ 7,072,331</u>
Capital assets, being depreciated:					
Buildings	4,447,888	-	-	-	4,447,888
Improvements other than buildings	193,800,946	9,024,989	-	5,850,286	208,676,221
Equipment	10,903,553	806,822	-	-	11,710,375
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 224,431,840</u>	<u>\$ 9,831,811</u>	<u>\$ -</u>	<u>\$ 5,850,286</u>	<u>\$ 240,113,937</u>
Less accumulated depreciation for:					
Buildings	(3,923,892)	(39,314)	-	-	(3,963,206)
Improvements other than buildings	(68,110,292)	(7,568,852)	-	-	(75,679,144)
Equipment	(8,005,040)	(519,914)	-	-	(8,524,954)
Purchased capacity	(4,500,597)	(305,589)	-	-	(4,806,186)
Total accumulated depreciation	<u>\$ (84,539,821)</u>	<u>\$ (8,433,669)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,973,490)</u>
Total capital assets, being depreciated, net	<u>139,892,019</u>	<u>1,398,142</u>	<u>-</u>	<u>5,850,286</u>	<u>147,140,447</u>
Business-type activities capital assets, net	<u>\$ 148,907,195</u>	<u>\$ 5,305,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,212,778</u>

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**D. Capital Assets (Continued)**

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

Governmental Activities:	
General Government	\$ 3,818,038
Community Development	16,933
Public Safety	954,122
Public Works	4,067,586
Recreation and Parks	50,967
Total depreciation expense - governmental activities	<u>\$ 8,907,646</u>
Business-Type Activities:	
Water	\$ 3,102,757
Sewer	4,250,560
Refuse	307,524
Parking	8,014
Stormwater Management	664,265
RedGate Golf Course	100,549
Total depreciation expense - business-type activities	<u>\$ 8,433,669</u>

**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, 2017 consisted of the following:

	Interfund Payable Total
<hr/>	
Governmental Funds:	
Community Development Block Grant Fund	\$ 106,243
Proprietary Funds:	
Water Facility Fund	6,099,334
Sanitary Sewer Fund	10,673,479
Total	<u>\$ 16,879,056</u>

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, 2017 consisted of the following:

	Transfers from General Fund
Debt Service Fund	\$ 5,350,000
Capital Projects Fund	12,114,612
Special Activities Fund	119,890
Refuse Fund	44,520
Parking Fund	715,000
Total	<u>\$ 18,344,022</u>

Transfer from the General Fund to the Debt Service Fund represents resources to repay 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 Art in Public Architecture program and Art in Public Places program.  
 Transfer from the General Fund to the Refuse Fund represents resources to pay for refuse services used by RHE properties.  
 Transfer from the General Fund to the Parking Fund represents resources to repay general obligation bonds.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**E. Interfund Payables and Transfers (Continued)**

Administrative functions of the City's water and sewer utility operations are maintained in the Water Fund. During the year ended June 30, 2017 the Sewer Fund transferred \$330,640 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 provide funds for the acquisition and construction of major capital assets and 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. When preferential interest rates exist, the City will issue refunding and advance refunding bonds to refinance outstanding general obligation bonds. Loans payable represent amounts due to other government entities in connection with specific intergovernmental activities and initiatives. General obligation bonds and loans payable which were outstanding at June 30, 2017 are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
<b>Governmental Activities</b>				
General Improvements - 2010	2010	\$ 11,080,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	508,893	2.00 - 3.00%	2021
General Improvements - Refunding 2013B	2013	2,698,206	3.00 - 4.00%	2023
Loan Payable - Montgomery County	2013	163,333	0.00%	2018
Loan Payable - Montgomery County	2013	78,000	0.00%	2019
General Improvements - Refunding 2014A	2014	3,727,186	2.00 - 5.00%	2024
General Improvements - 2014B	2014	2,525,000	2.00 - 5.00%	2025
General Improvements - Refunding 2015A	2015	4,824,249	4.00 - 5.00%	2025
General Improvements - 2016A	2016	1,045,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	4,453,091	2.00 - 5.00%	2028
Total Governmental Activities		<u>\$ 31,102,958</u>		
<b>Business-Type Activities</b>				
Loan Payable - State of Maryland	1999	\$ 365,207	3.21%	2019
Loan Payable - State of Maryland	2000	397,752	3.64%	2020
Loan Payable - State of Maryland	2002	1,191,457	1.90%	2023
Loan Payable - State of Maryland	2005	581,305	0.00%	2025
General Improvements - 2008	2008	835,000	4.00 - 4.50%	2018
Loan Payable - State of Maryland	2010	640,168	1.00%	2031
General Improvements - 2010	2010	6,820,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	646,107	2.00 - 3.00%	2021
General Improvements - 2011B	2011	7,360,000	2.00 - 3.375%	2032
General Improvements - Advance Refunding 2011C	2011	30,830,000	3.50 - 4.375%	2036
General Improvements - 2013A	2013	13,550,000	3.00 - 4.00%	2034
General Improvements - Refunding 2013B	2013	876,793	3.00 - 4.00%	2023
General Improvements - Refunding 2014A	2014	882,815	2.00 - 5.00%	2024
General Improvements - 2014B	2014	9,805,000	2.00 - 5.00%	2035
General Improvements - Refunding 2015A	2015	3,690,752	4.00 - 5.00%	2025
General Improvements - 2015B	2015	9,630,000	2.00 - 5.00%	2036
General Improvements - 2016A	2016	4,850,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	6,771,909	2.00 - 5.00%	2028
Total Business-Type Activities		<u>\$ 99,724,265</u>		

## (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	\$ 31,102,958	\$ 99,724,265
Unamortized bond premiums	2,718,492	4,127,691
Long-term outstanding debt, net	<u>\$ 33,821,450</u>	<u>\$ 103,851,956</u>

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

Fiscal Year Ending June 30,	Governmental Activities		Total Principal and Interest
	Principal	Interest	
2018	\$ 3,809,203	\$ 1,200,499	\$ 5,009,702
2019	3,634,994	1,063,455	4,698,449
2020	3,638,488	917,752	4,556,240
2021	3,606,048	787,425	4,393,473
2022	3,062,422	653,031	3,715,453
2023	3,055,373	532,688	3,588,061
2024	2,606,802	411,251	3,018,053
2025	2,117,537	306,707	2,424,244
2026	1,186,970	215,755	1,402,725
2027	1,190,121	167,338	1,357,459
2028	730,000	118,255	848,255
2029	730,000	91,507	821,507
2030	730,000	63,407	793,407
2031	730,000	35,307	765,307
2032	55,000	6,530	61,530
2033	55,000	5,294	60,294
2034	55,000	4,056	59,056
2035	55,000	2,750	57,750
2036	55,000	1,375	56,375
<b>Total</b>	<u>\$ 31,102,958</u>	<u>\$ 6,584,382</u>	<u>\$ 37,687,340</u>

Note: Principal amounts do not include net unamortized bond premiums of \$2,718,492 for governmental activities.

(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			
2018	\$ 2,555,283	\$ 968,858	\$ 2,868,533	\$ 1,336,139	\$ 90,000	\$ 32,794	\$ 1,170,860	\$ 1,270,983	\$ 300,781	\$ 67,602	\$ 22,397	\$ 5,070	\$ 10,689,300		
2019	2,150,144	881,169	2,864,799	1,240,064	90,000	30,094	1,160,000	1,223,641	301,263	58,121	22,027	4,398	10,025,720		
2020	1,979,582	777,803	2,859,872	1,128,818	90,000	26,494	1,210,000	1,177,241	301,748	48,635	22,027	3,517	9,625,737		
2021	1,847,400	702,186	2,864,875	1,024,995	90,000	21,994	1,255,000	1,128,841	302,238	44,544	22,027	2,636	9,306,736		
2022	1,856,740	627,277	2,702,969	911,522	95,000	17,494	1,305,000	1,078,641	302,735	35,048	22,027	1,755	8,956,208		
2023	1,862,065	553,545	2,693,754	805,926	95,000	12,744	1,360,000	1,026,441	303,235	25,547	21,841	874	8,760,972		
2024	1,655,475	482,659	2,572,723	707,692	90,000	7,994	1,405,000	978,841	303,740	17,841	-	-	8,221,965		
2025	1,656,921	417,829	2,455,542	608,963	95,000	4,394	1,455,000	926,856	304,252	10,131	-	-	7,934,888		
2026	1,500,000	356,952	2,148,030	529,486	95,000	2,254	1,510,000	871,566	52,105	2,415	-	-	7,067,808		
2027	1,500,000	304,420	2,144,879	461,261	-	-	1,575,000	811,166	52,626	1,894	-	-	6,851,246		
2028	1,490,000	249,945	1,880,000	391,596	-	-	1,635,000	746,591	53,152	1,368	-	-	6,447,652		
2029	1,075,000	195,646	1,870,000	335,066	-	-	1,705,000	678,739	53,682	836	-	-	5,913,969		
2030	1,075,000	161,552	1,875,000	277,847	-	-	1,775,000	607,129	29,916	299	-	-	5,801,743		
2031	1,070,000	127,109	1,875,000	219,692	-	-	1,855,000	532,579	-	-	-	-	5,679,380		
2032	840,000	92,603	1,615,000	161,275	-	-	1,930,000	454,669	-	-	-	-	5,093,547		
2033	690,000	66,617	1,275,000	111,370	-	-	2,010,000	372,644	-	-	-	-	4,525,631		
2034	690,000	45,245	1,275,000	72,407	-	-	2,095,000	287,219	-	-	-	-	4,464,871		
2035	445,000	24,119	725,000	33,888	-	-	2,190,000	195,563	-	-	-	-	3,613,570		
2036	320,000	9,948	395,000	11,376	-	-	2,280,000	99,750	-	-	-	-	3,116,074		
<b>Total</b>	<b>\$ 26,258,610</b>	<b>\$ 7,045,482</b>	<b>\$ 38,960,976</b>	<b>\$ 10,369,383</b>	<b>\$ 830,000</b>	<b>\$ 156,256</b>	<b>\$ 30,880,860</b>	<b>\$ 14,469,100</b>	<b>\$ 2,661,473</b>	<b>\$ 314,281</b>	<b>\$ 132,346</b>	<b>\$ 18,250</b>	<b>\$ 132,097,017</b>		

Note: Principal amounts do not include net unamortized bond premiums of \$4,127,691 for business-type activities.

(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,			Total Principal and Interest
	Principal	Interest	
2018 - 2022	\$ 17,751,155	\$ 4,622,162	\$ 22,373,317
2023 - 2027	10,156,803	1,633,739	\$ 11,790,542
2028 - 2032	2,975,000	315,006	\$ 3,290,006
2033 - 2036	220,000	13,475	\$ 233,475
<b>Total</b>	<b>\$ 31,102,958</b>	<b>\$ 6,584,382</b>	<b>\$ 37,687,340</b>

Note: Principal amounts do not include net unamortized bond premiums of \$2,718,492 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	
2018 - 2022	\$ 10,389,149	\$ 3,957,293	\$ 14,161,048	\$ 5,641,538	\$ 455,000	\$ 128,870	\$ 6,100,860	\$ 5,879,347	\$ 1,508,765	\$ 253,950	\$ 110,505	\$ 17,376	\$ 48,603,701
2023 - 2027	8,174,461	2,115,405	12,014,928	3,113,328	375,000	27,386	7,305,000	4,614,870	1,015,958	57,828	21,841	874	38,836,879
2028 - 2032	5,550,000	826,855	9,115,000	1,385,476	-	-	8,900,000	3,019,707	136,750	2,503	-	-	28,936,291
2033 - 2036	2,145,000	145,929	3,670,000	229,041	-	-	8,575,000	955,176	-	-	-	-	15,720,146
<b>Total</b>	<b>\$ 26,258,610</b>	<b>\$ 7,045,482</b>	<b>\$ 38,960,976</b>	<b>\$ 10,369,383</b>	<b>\$ 830,000</b>	<b>\$ 156,256</b>	<b>\$ 30,880,860</b>	<b>\$ 14,469,100</b>	<b>\$ 2,661,473</b>	<b>\$ 314,281</b>	<b>\$ 132,346</b>	<b>\$ 18,250</b>	<b>\$ 132,097,017</b>

Note: Principal amounts do not include net unamortized bond premiums of \$4,127,691 for business-type activities.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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**F. Long-Term Debt (Continued)**

Loans Payable

Three loans totaling \$8,122,000 were awarded from the State of Maryland to the City between August 1998 and December 2001 to support the rehabilitation of the City's Water Treatment Plant. These loans have interest rates ranging from 1.90% to 3.64%. At June 30, 2017 there is \$1,954,416 cumulatively outstanding in the Water Fund.

A non-interest bearing loan for \$1,381,600 was awarded to the City from the State of Maryland in September 2005 for the restoration of Wootton Mill Park Stream. At June 30, 2017 the outstanding loan payable in the Stormwater Management Fund is \$581,305.

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 with a 1.00% interest rate that was awarded to the City for improvements to Woodley Gardens Park; of which \$640,168 remained outstanding in the Stormwater Management Fund as of June 30, 2017.

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, 2017 the outstanding loans payable were \$163,333 and \$78,000, respectively.

Defeasance of Debt

Due to favorable interest rates during fiscal year 2017, the City issued \$13,867,885, including premium, of Series 2016B advance refunding general obligation bonds, which refunded \$13,065,000 in Series 2007 and 2008 general obligation bonds from the Debt Service, Water, and Sewer Funds. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent for redemption on future call dates. As a result, a portion of the Series 2007 and 2008 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The new total debt service of \$14,988,358 represents a total savings of \$1,824,186 as compared to the prior debt service of \$16,812,544. The economic gain (the difference in the present value of the old and new debt service payments) totals \$1,685,959. The associated deferred charge on the advance refunding is recognized over 11 years in the Debt Service and Sewer Funds and 12 years in the Water Fund, the respective terms of the new general obligation bonds. For the year ended June 30, 2017 the City recognized expenses of \$56,787 and the remaining deferred charge on advance refunding is \$ 596,873. At June 30, 2017 \$4,815,000 of these defeased bonds remain outstanding.

In prior years, the City defeased general obligation bonds in the Parking Fund. At June 30, 2017 there are no defeased bonds outstanding within the Parking Fund, 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, 2017 the City recognized expenses of \$189,958 and the remaining deferred charge on advance refunding is \$2,722,732.

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, 2017, there were Economic Development Revenue Bonds outstanding with National Lutheran Home & Village at Rockville, Inc. with a principal amount payable of \$20,985,000.

Bonds Authorized For Future Issuance

On May 1, 2017 the Mayor and Council authorized the issuance and sale of general obligation bonds for an amount not to exceed \$12,000,000. At June 30, 2017 these bonds were not yet issued.

## (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, 2017:

	Balance as of 6/30/16	Additions	Reductions	Balance as of 6/30/17	Due within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 34,224,590	\$ 5,583,303	\$ (8,946,268)	\$ 30,861,625	\$ 3,619,870
Unamortized bond premiums	2,120,371	960,022	(361,901)	2,718,492	-
Loans payable	430,666	-	(189,333)	241,333	189,333
Accrued obligations for compensated absences	4,724,609	2,091,255	(1,895,852)	4,920,012	3,591,609
Claims payable	1,591,998	777,000	(600,848)	1,768,150	671,897
Net pension liability	17,908,264	17,219,738	(13,607,664)	21,520,338	-
Net OPEB obligation	718,820	667,025	(639,042)	746,803	-
Governmental activities long-term liabilities	<u>\$ 61,719,318</u>	<u>\$ 27,298,343</u>	<u>\$ (26,240,908)</u>	<u>\$ 62,776,753</u>	<u>\$ 8,072,709</u>
<b>Business-Type Activities</b>					
General obligation bonds and loans					
Water facility fund	\$ 28,413,982	\$ 5,420,000	\$ (7,575,372)	\$ 26,258,610	\$ 2,555,283
Sanitary sewer fund	38,452,322	6,496,697	(5,988,043)	38,960,976	2,868,533
Refuse fund	1,260,000	-	(430,000)	830,000	90,000
Parking fund	31,522,110	-	(641,250)	30,880,860	1,170,860
Stormwater management fund	2,961,777	-	(300,304)	2,661,473	300,781
RedGate golf course fund	154,743	-	(22,397)	132,346	22,397
Unamortized bond premiums	3,091,635	1,612,153	(576,097)	4,127,691	-
Accrued obligations for compensated absences	918,051	502,571	(435,689)	984,933	719,001
Business-type activities long-term liabilities	<u>\$ 106,774,620</u>	<u>\$ 14,031,421</u>	<u>\$ (15,969,152)</u>	<u>\$ 104,836,889</u>	<u>\$ 7,726,855</u>

Note: 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
2018	\$ 33,598
2019	34,606
2020	35,644
2021	36,713
2022	37,815
2023 - 2027	206,787
Total	<u>\$ 385,163</u>

## (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 \$6,000. 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
2018	\$ 12,000
2019	12,000
2020	12,000
2021	12,000
2022	6,000
Total	<u>\$ 54,000</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, 2017, the unearned income on the capital lease was \$1,572,569 and the lease receivable was \$25,392,575. Estimated future minimum lease payments and unearned income amortization is as follows:

Fiscal Year	Lease Amount	Unearned Income	Net Amount
2018	\$ 324,464	\$ 35,538	\$ 288,926
2019	327,709	35,538	292,171
2020	330,986	35,538	295,448
2021	334,296	35,538	298,758
2022	337,639	35,538	302,101
2023 - 2061	23,737,481	1,394,879	22,342,602
Total	<u>\$ 25,392,575</u>	<u>\$ 1,572,569</u>	<u>\$ 23,820,006</u>

**I. Fund Balance and Net Position**

At June 30, 2017 the City had a fund balance deficit for the CDBG Fund of \$12,988. The CDBG Fund manages a federal grant program and may have liabilities exceeding its assets for vendor payables 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 City has classified portions of its fund balance as nonspendable, which reflects the nonspendable form of the assets. At June 30, 2017 total nonspendable fund balance is \$2,499,453.

At June 30, 2017 the City had a net position deficit for the Parking Fund of \$3,800,765. This will continue until the long term debt from the construction of the parking garages is repaid.

**(3) OTHER INFORMATION****A. 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 \$1,768,150 reported at June 30, 2017 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
2016	\$ 1,508,420	\$ 797,000	\$ (713,422)	\$ 1,591,998
2017	\$ 1,591,998	\$ 777,000	\$ (600,848)	\$ 1,768,150

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.

**B. Tax Abatements**

The City enters into property tax abatement arrangements in the form of agreements with specific entities and special tax credit programs when authorized by the Mayor and Council. For fiscal year ended June 30, 2017, the City abated property taxes totaling \$246,200, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- Economic Development Fund Agreements with Duball Rockville, LLC and Choice Hotels International, Inc. provided tax abatements in exchange for the relocation of Choice Hotels Corporate Headquarters and for the development of Cambria Suites Hotel. The abatement amounted to \$189,000.
- Fireside Park Apartments makes payments in lieu of taxes (PILOT) under a waiver agreement in support of affordable housing within the City. The abatement amounted to \$32,000.

**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, 2017, the City had paid \$74,190,942 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 \$15,742,849 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.

(3) OTHER INFORMATION (CONTINUED)

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**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.

(4) RETIREMENT PLANS

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**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. Future payments of the net pension liability are the primary responsibility of the General Fund, therefore this long-term liability is presented in the Government-wide Statement of Net Position.

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.

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.

## (4) RETIREMENT PLANS (CONTINUED)

**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.

Membership

Membership in the defined benefit plan consisted of the following at July 1, 2016, the date of the actuarial valuation corresponding to the fiscal year ended June 30, 2017.

Retirees and beneficiaries receiving benefits	257
Terminated plan members vested but not yet receiving benefits	50
Active plan members	507
Total	<u>814</u>

(4) RETIREMENT PLANS (CONTINUED)

**C. Net Pension Liability**

The City’s net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation date of July 1, 2016. Actuaries utilized update procedures to roll forward the total pension liability in the July 1, 2016 actuarial valuation to the June 30, 2017 measurement date.

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions which were adopted by the City during fiscal year 2017 and applied to all periods included in the measurement:

<u>Actuarial assumptions</u>	
-Actuarial valuation date	July 1, 2016
-Investment rate of return, including inflation	7.00%
-Projected salary increases, including inflation	4.75% - 12.50%
-Includes inflation at	2.50%
-Cost of living adjustment	0.00%

The mortality rates were based on the RP-2000 Male and Female Combined Healthy Mortality Table, projected to 2016 for males and to 2020 for females using projection 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. During fiscal year 2017, the actuarial experience study for the period April 1, 2011 through July 1, 2015 was finalized and new assumptions were adopted. The update procedures used to roll forward the total pension liability from the July 1, 2016 actuarial valuation to the June 30, 2017 report date utilizes the most current assumptions.

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%	6.20%
International Equity	20.0%	7.20%
Fixed Income Core	20.0%	1.60%
Real Estate	12.5%	4.70%
Treasury Inflation Protected Securities (TIPS)	7.5%	1.20%
Global Tactical Asset Allocation (GTAA)	10.0%	4.60%
Total	<u>100.0%</u>	

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 4.50% was used for the actuarial assumption. When combined with the inflation rate of 2.50%, the investment rate of return is determined to be 7.00%. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 11.10%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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.

## (4) RETIREMENT PLANS (CONTINUED)

**C. Net Pension Liability (Continued)**Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2017 were as follows:

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances at June 30, 2016	<u>\$ 105,318,300</u>	<u>\$ 87,410,036</u>	<u>\$ 17,908,264</u>
Changes for the year:			
Service Cost	2,092,506	-	2,092,506
Interest	7,847,249	-	7,847,249
Differences between expected and actual experience	1,097,364	-	1,097,364
Changes of assumptions	6,150,798	-	6,150,798
Contributions - employer	-	3,473,255	(3,473,255)
Contributions - employee	-	756,187	(756,187)
Net investment income	-	9,378,222	(9,378,222)
Benefit payments, including refunds of employee contributions	(5,664,043)	(5,664,043)	-
Administrative expense	-	(31,821)	31,821
Other charges	-	-	-
Net changes	<u>11,523,874</u>	<u>7,911,800</u>	<u>3,612,074</u>
Balances at June 30, 2017	<u>\$ 116,842,174</u>	<u>\$ 95,321,836</u>	<u>\$ 21,520,338</u>

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 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
<u>\$ 35,148,502</u>	<u>\$ 21,520,338</u>	<u>\$ 9,947,287</u>

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2017, the City recognized pension expense of \$4,930,370. At June 30, 2017, 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	\$ -	\$ 10,183
Changes of assumptions	5,204,521	-
Net difference between projected and actual earnings on investments	2,491,902	-
Total	<u>\$ 7,696,423</u>	<u>\$ 10,183</u>

(4) RETIREMENT PLANS (CONTINUED)

**C. Net Pension Liability (Continued)**

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:	
2018	\$ 2,216,737
2019	2,216,738
2020	1,392,431
2021	344,276
2022	982,007
Thereafter	534,051
Total	<u>\$ 7,686,240</u>

**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 is administered by Mass Mutual and allows participant 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 2017 by plan members totaled \$1,368,650 and the City contributed \$684,325.

**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 Mass Mutual. 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.

## (4) RETIREMENT PLANS (CONTINUED)

**F. Combining Statements for Pension Trust Fund**

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, 2017:

Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
June 30, 2017

	Defined Contribution Trust	Defined Benefit Trust	Total Pension Trust Funds
<u>Assets</u>			
Investments at fair value - equity in pooled pension trust	\$ 31,964,366	\$ 95,321,836	\$ 127,286,202
<u>Liabilities</u>			
Benefits payable	-	-	-
<u>Net Position</u>			
Restricted for plan benefits	\$ 31,964,366	\$ 95,321,836	\$ 127,286,202

Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
For the Fiscal Year Ended June 30, 2017

	Defined Contribution Trust	Defined Benefit Trust	Total Pension Trust Funds
<u>Additions</u>			
Contributions			
Employer	\$ 684,325	\$ 3,473,255	\$ 4,157,580
Plan members	1,368,650	756,187	2,124,837
Total contributions	\$ 2,052,975	\$ 4,229,442	\$ 6,282,417
Investment Income			
Net appreciation in the fair value of plan investments	3,642,326	9,407,613	13,049,939
Interest and dividends	20,728	374,117	394,845
Total investment income	\$ 3,663,054	\$ 9,781,730	\$ 13,444,784
Total additions	\$ 5,716,029	\$ 14,011,172	\$ 19,727,201
<u>Deductions</u>			
Benefits	\$ 1,420,092	\$ 5,664,043	\$ 7,084,135
Investment fee expense	69,965	403,508	473,473
Administrative expense	-	31,821	31,821
Total deductions	\$ 1,490,057	\$ 6,099,372	\$ 7,589,429
Net (decrease)/increase	4,225,972	7,911,800	12,137,772
Net position - beginning	27,738,394	87,410,036	115,148,430
Net position - ending	\$ 31,964,366	\$ 95,321,836	\$ 127,286,202

(5) OTHER POST-EMPLOYMENT BENEFITS

**A. Other Post-Employment Benefits Plan Description**

Plan Administration

In addition to the pension benefits described in Note (4), the City provides other post-employment health benefits (OPEB). 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.

The ROCKERS administers the OPEB plan and stipulates the age and service requirements for retirements. The OPEB plan is a single-employer defined benefit plan that is used to provide post-employment benefits other than pensions for all permanent employees of the City. The Retirement Board has oversight of the ROCKERS and the OPEB plan and 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 OPEB plan, including contributions.

As of July 1, 2016, the City has implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions. This statement replaces previously issued requirements for OPEB plans administered through trusts.

Membership

At July 1, 2015, the date of the most recent valuation, plan membership was as follows:

	Plan Membership
Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	0
Active employees	484
Total	<u>554</u>

Benefits Provided

The OPEB plan 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.

Contributions and Funding

The Retirement Board establishes the employer contributions to the OPEB plan based on actuarially determined amounts. During fiscal year 2017 the City directly funded cash of \$639,042 for the actuarially determined contribution (ADC) of \$658,361. It is noted that the original July 1, 2015 actuarial valuation provided a recommended annual required contribution (ARC) of \$629,700, which provided the basis for the fiscal year 2017 contribution. Expenditures of \$303,626 were incurred by the City and were eligible for reimbursement by the trust. Benefit expenses of \$27,563 which were paid by the City, were reimbursed by the trust after June 30, 2017. Future payments of the net OPEB obligation are the primary responsibility of the General Fund, therefore this long-term liability is presented in the Government-wide Statement of Net Position.

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.

## (5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**A. Other Post-Employment Benefits Plan Description (Continued)**

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

Annual required contribution (ARC)	\$ 658,361
Interest on net OPEB obligation	53,912
Adjustment to ARC	<u>(45,248)</u>
Annual OPEB cost (expense)	667,025
Contributions made	<u>(639,042)</u>
Increase in net OPEB obligation	27,983
Net OPEB (asset) obligation, beginning of year	<u>718,820</u>
Net OPEB (asset) obligation, end of year	<u><u>\$ 746,803</u></u>

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, 2017 and the two preceding years were as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2015	\$ 651,646	\$ 642,286	98.6%	\$ 775,133
2016	\$ 618,087	\$ 674,400	109.1%	\$ 718,820
2017	\$ 667,025	\$ 639,042	95.8%	\$ 746,803

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 fiscal year 2017 plan year beginning July 1, 2016. Actuaries utilized update procedures to roll forward data to the June 30, 2017 measurement date. The funded status of the plan as of June 30, 2017, 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
2016	\$ 6,034,822	\$ 8,964,744	\$ (2,929,922)	67.3%	\$ 36,993,233	7.9%

**B. Investments**

The investment policy of the OPEB plan is established and may be amended by the Retirement Board. The City also utilizes an investment consultant with industry expertise to provide investment performance data and recommendations for the Board's consideration. It is the policy of the Retirement Board to seek an optimal mix of investments that will produce the desired returns and meet current and future liabilities with due regard to risk and preservation of the value of the portfolio.

The following was the adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Equity	55.0%
Fixed Income	45.0%
Total	<u><u>100.0%</u></u>

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**B. Investments (Continued)**

The following investments, other than those issued or guaranteed by the U.S. government, represent those which make up 5% or more of the OPEB plan’s fiduciary net position at June 30, 2017:

Investment	Fair Value	Allocation of Net Position
Manning and Napier Bond Fund	\$ 1,256,367	17.9%
Net position at June 30, 2017	\$ 7,000,296	

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.4% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**C. Net OPEB Liability**

The following table shows the components of the City's net OPEB liability for fiscal year 2017:

Total OPEB liability	\$ 11,479,211
Plan fiduciary net position	(7,000,296)
Net OPEB liability	<u>\$ 4,478,915</u>
Plan fiduciary net position as a percentage of the total OPEB liability	60.98%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015. During fiscal year 2017, the actuarial experience study for the period April 1, 2011 through July 1, 2015 was finalized and new assumptions were adopted. The update procedures used to roll forward the total OPEB liability from the July 1, 2015 actuarial valuation to the June 30, 2017 report date utilizes the following most current assumptions:

Actuarial assumptions

-Actuarial valuation date	July 1, 2015
-Investment rate of return, including inflation	7.00%
-Projected salary increases, including inflation	4.75% - 12.50%
-Includes inflation at	2.20%
-Healthcare cost trends:	5.00% for 2015, increasing to 5.43% for 2020 then decreasing to an ultimate rate of 3.84% by 2075

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period the period January 1, 2006 through December 31, 2010. As noted above, the actuarial roll forward procedures to determine the OPEB liability at June 30, 2017 used the most recently adopted assumptions.

## (5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**C. Net OPEB Liability (Continued)**

The long-term expected rate of return on OPEB plan investments was determined by evaluating the historical investment performance, the selection of a portfolio of multiple asset classes, the use of professional investment managers, and the regular monitoring of investment performance. Best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	6.20%
International Equity	6.70%
Fixed Income	1.60%

A rate of 4.50% was used for the actuarial assumption. When combined with the inflation rate of 2.50%, the investment rate of return is determined to be 7.00%.

Discount Rate and Healthcare Cost Trend Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 5,307,736	\$ 4,478,915	\$ 3,713,832

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00% decreasing to 2.84%) or 1-percentage-point higher (6.00% decreasing to 4.84%) than the current healthcare cost trend rates:

	1% Decrease (4.00% decreasing to 2.84%)	Healthcare Cost Trend Rates (5.00% decreasing to 3.84%)	1% Increase (6.00% decreasing to 4.84%)
Net OPEB Liability	\$ 3,246,027	\$ 4,478,915	\$ 5,883,850

(6) NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

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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. 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. 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. 83, *Certain Asset Retirement Obligations* is effective for periods beginning after June 15, 2018. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement also requires new disclosures of information about a government's asset retirement obligations.
- GASB Statement No. 84, *Fiduciary Activities* is effective for reporting periods beginning after December 15, 2018. This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 85, *Omnibus 2017* is effective for reporting periods beginning after June 15, 2017. This Statement is intended to enhance the consistency of accounting and financial reporting by addressing a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- GASB Statement No. 87, *Leases* is effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

## **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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Total Pension Liability</b>										
Service cost							\$ 2,286,185	\$ 2,462,254	\$ 2,338,305	\$ 2,092,506
Interest							7,037,226	7,280,449	7,576,514	7,847,249
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)	1,097,364
Changes of assumptions							-	-	-	6,150,798
Benefit payments including refunds of member contributions							(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)
<b>Net change in total pension liability</b>							<u>\$ 3,362,761</u>	<u>\$ 3,752,560</u>	<u>\$ 4,290,310</u>	<u>\$ 11,523,874</u>
Total pension liability - beginning							93,912,669	97,275,430	101,027,990	105,318,300
Total pension liability - end							<u>\$ 97,275,430</u>	<u>\$ 101,027,990</u>	<u>\$ 105,318,300</u>	<u>\$ 116,842,174</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer							\$ 5,218,589	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255
Contributions - member				Information for plan years 2013 and prior is not available			730,162	740,120	743,813	756,187
Net investment income							11,520,268	2,236,876	1,240,819	9,378,222
Benefit payments including refunds of member contributions							(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)
Plan administrative expenses							(18,798)	(27,230)	(35,543)	(31,821)
Other changes							-	-	-	-
<b>Net change in plan fiduciary net position</b>							<u>\$ 12,624,627</u>	<u>\$ 1,546,165</u>	<u>\$ 745,936</u>	<u>\$ 7,911,800</u>
Plan fiduciary net position - beginning							72,493,308	85,117,935	86,664,100	87,410,036
Plan fiduciary net position - end							<u>\$ 85,117,935</u>	<u>\$ 86,664,100</u>	<u>\$ 87,410,036</u>	<u>\$ 95,321,836</u>
<b>Net pension liability</b>							<u>\$ 12,157,495</u>	<u>\$ 14,363,890</u>	<u>\$ 17,908,264</u>	<u>\$ 21,520,338</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%	81.58%
Covered employee payroll							\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188
Net pension liability as a percentage of covered employee payroll							34.86%	40.60%	51.28%	57.38%

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 Pension Contributions and Investment Returns**  
**Last Ten Fiscal Years**  
**(Unaudited – See Accompanying Independent Auditor’s Report)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution							\$ 5,030,754	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255
Contributions made							5,218,589	4,024,603	3,575,462	3,473,255
Contribution deficiency (excess)							<u>\$ (187,835)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll							\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188
Contributions as a percentage of covered payroll							14.96%	11.38%	10.24%	9.26%
Annual money weighted rate of return, net of investment expense							16.16%	2.84%	1.62%	11.10%

**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. During fiscal year 2017 actuarial assumptions were updated to reflect the most recent experience study.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll
Amortization Period:	20 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:	2.50%
Salary Increases:	4.75% - 12.50%, including inflation
Investment Rate of Return:	7.00%
Retirement Age:	Varies by participant age and years of credited service
Mortality:	The mortality rates were based on the RP-2000 Male and Female Combined Healthy Mortality Tables projected to 2016 for males and to 2020 for females 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 Changes in the City’s Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Unaudited – See Accompanying Independent Auditor’s Report)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Total OPEB Liability											
Service cost										\$ 569,070	
Interest										722,728	
Changes of benefit terms			Information for plan years 2016 and prior is not available								-
Differences between expected and actual experience										-	
Changes of assumptions										-	
Benefit payments										(274,540)	
Net change in total OPEB liability										<u>\$ 1,017,258</u>	
Total OPEB liability - beginning										10,461,953	
Total OPEB liability - end										<u><u>\$ 11,479,211</u></u>	
Plan Fiduciary Net Position											
Contributions - employer										\$ 639,042	
Net investment income			Information for plan years 2016 and prior is not available								605,972
Benefit payments										(274,540)	
Plan administrative expenses										(5,000)	
Other changes										-	
Net change in plan fiduciary net position										<u>\$ 965,474</u>	
Plan fiduciary net position - beginning										6,034,822	
Plan fiduciary net position - end										<u><u>\$ 7,000,296</u></u>	
<b>Net OPEB liability</b>										<u><u>\$ 4,478,915</u></u>	
			Information for plan years 2016 and prior is not available								
Plan fiduciary net position as a percentage of total OPEB liability										60.98%	
Covered employee payroll										\$ 36,993,233	
Net OPEB liability as a percentage of covered employee payroll										12.11%	

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 complied, information is only presented for those years for which information is available.

**City of Rockville, Maryland**  
 Other Post-Employment Benefits Plan – Schedule of City OPEB Contributions and Investment Returns  
 Last Ten Fiscal Years  
 (Unaudited – See Accompanying Independent Auditor’s Report)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution										\$ 658,361
Contributions made										639,042
Contribution deficiency (excess)										<u>\$ 19,319</u>
Covered employee payroll										\$ 36,993,233
Contributions as a percentage of covered payroll										1.73%
Annual money weighted rate of return, net of investment expense										9.40%

**Notes to Schedule:**

Valuation Date:	Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately following the fiscal year. Actuarial reports are performed biennially. During fiscal year 2017 actuarial assumptions were updated to reflect the most recent experience study.
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percentage of Payroll
Amortization Period:	30 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:	2.20%
Healthcare Cost Trend Rates:	5.00% for 2015, increasing to 5.43% for 2020 then decreasing to an ultimate rate of 3.84% by 2075
Salary Increases:	4.75% - 12.50%, including inflation
Investment Rate of Return:	7.00%
Retirement Age:	Varies by participant age and years of credited service
Mortality:	The mortality rates were based on the RP-2000 Male and Female Combined Healthy Mortality Tables projected to 2016 for males and to 2020 for females 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.

Note: Actuaries utilized update procedures to roll forward OPEB data from the July 1, 2015 valuation to the June 30, 2017 measurement date. The original recommended annual required contribution (ARC) for fiscal year 2017 was \$629,700. This amount was subsequently changed to reflect the actual performance of the OPEB Trust Fund.

**City of Rockville, Maryland**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Property Taxes	\$ 39,551,000	\$ 39,551,000	\$ 40,105,716	\$ 554,716
Revenue from Other Governments:				
Income taxes	12,200,000	13,000,000	13,577,486	577,486
Gas and motor vehicle taxes	1,914,000	1,914,000	1,897,093	(16,907)
County tax duplication payment	2,409,750	2,409,750	2,409,750	-
Admissions and amusement taxes	1,080,000	1,080,000	1,321,900	241,900
Grants and other governmental revenue	2,080,640	2,126,640	2,530,326	403,686
Licenses and permits	2,585,000	2,585,000	2,927,369	342,369
Charges for Services	6,648,050	6,648,050	6,792,763	144,713
Use of Money and Property	198,600	198,600	324,031	125,431
Fines and Forfeitures	1,522,500	1,522,500	1,267,285	(255,215)
Other Revenues	6,730,460	6,946,300	6,729,063	(217,237)
<b>Total Revenues</b>	<b>\$ 76,920,000</b>	<b>\$ 77,981,840</b>	<b>\$ 79,882,782</b>	<b>\$ 1,900,942</b>
<b>Expenditures</b>				
Current operations:				
General government	\$ 16,791,780	\$ 17,293,807	\$ 16,502,577	\$ 791,230
Community development	5,285,370	5,520,601	5,307,654	212,947
Public safety	10,955,410	11,217,250	11,122,163	95,087
Public works	8,967,000	9,675,483	8,554,583	1,120,900
Recreation and parks	22,867,030	22,885,366	22,692,058	193,308
<b>Total Expenditures</b>	<b>\$ 64,866,590</b>	<b>\$ 66,592,507</b>	<b>\$ 64,179,035</b>	<b>\$ 2,413,472</b>
Excess of Revenues over Expenditures	\$ 12,053,410	\$ 11,389,333	\$ 15,703,747	\$ 4,314,414
<b>Other Financing Sources (Uses)</b>				
Transfer to Debt Service Fund	\$ (5,350,000)	\$ (5,350,000)	\$ (5,350,000)	\$ -
Transfer to Capital Projects Fund	(6,100,000)	(12,114,612)	(12,114,612)	-
Transfer to Special Activities Fund	(93,890)	(119,890)	(119,890)	-
Transfer to Refuse Fund	(44,520)	(44,520)	(44,520)	-
Transfer to Parking Fund	(715,000)	(715,000)	(715,000)	-
<b>Total Other Financing Uses</b>	<b>\$ (12,303,410)</b>	<b>\$ (18,344,022)</b>	<b>\$ (18,344,022)</b>	<b>\$ -</b>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ (250,000)	\$ (6,954,689)	\$ (2,640,275)	\$ 4,314,414
Fund balance at beginning of year	23,816,352	23,816,352	23,816,352	-
<b>Fund balance at end of year</b>	<b>\$ 23,566,352</b>	<b>\$ 16,861,663</b>	<b>\$ 21,176,077</b>	<b>\$ 4,314,414</b>

**City of Rockville, Maryland**  
Notes to the Required Supplementary Information  
June 30, 2017

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 2017, such supplemental appropriations for all funds amounted to \$14,784,038. Of this total \$5,913,612 was for capital improvement and land acquisition costs and \$5,390,020 was for debt service payments associated with the 2016B advance refunding bonds.

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, 2017 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, 2017

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Assessments	\$ -	\$ -	\$ 17,306	\$ 17,306
Use of money and property	35,000	35,000	47,514	12,514
Other revenues	-	-	-	-
Total Revenues	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 64,820</u>	<u>\$ 29,820</u>
<b>Expenditures</b>				
Principal repayments:				
General obligation bonds	\$ 3,661,167	\$ 8,908,935	\$ 8,946,268	\$ (37,333)
Loans payable	189,233	189,233	189,333	(100)
Interest and issuance costs:				
General obligation bonds	1,359,450	1,599,216	(3,821,372)	5,420,588
Total Expenditures	<u>\$ 5,209,850</u>	<u>\$ 10,697,384</u>	<u>\$ 5,314,229</u>	<u>\$ 5,383,155</u>
Excess of Revenues over Expenditures	<u>\$ (5,174,850)</u>	<u>\$ (10,662,384)</u>	<u>\$ (5,249,409)</u>	<u>\$ 5,412,975</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from General Fund	\$ 5,350,000	\$ 5,350,000	\$ 5,350,000	\$ -
Charge on advance refunding	-	-	(5,390,020)	(5,390,020)
Current refunding bonds issued	-	4,478,300	4,478,303	3
Premium on current refunding bonds	-	950,990	950,993	3
Total Other Financing Sources (Uses)	<u>\$ 5,350,000</u>	<u>\$ 10,779,290</u>	<u>\$ 5,389,276</u>	<u>\$ (5,390,014)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ 175,150</u>	<u>\$ 116,906</u>	<u>\$ 139,867</u>	<u>\$ 22,961</u>
Fund Balance at beginning of year	1,602,199	1,602,199	1,602,199	-
Fund Balance at end of year	<u>\$ 1,777,349</u>	<u>\$ 1,719,105</u>	<u>\$ 1,742,066</u>	<u>\$ 22,961</u>

**City of Rockville, Maryland**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
<b>Assets</b>				
Equity in pooled cash and cash equivalents	\$ 8,954,216	\$ -	\$ 79,889	\$ 9,034,105
Accounts receivable, net	-	-	219,215	219,215
Due from other governments	228,111	108,567	-	336,678
Loans receivable	283,971	-	-	283,971
Total Assets	<u>\$ 9,466,298</u>	<u>\$ 108,567</u>	<u>\$ 299,104</u>	<u>\$ 9,873,969</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 157,331	\$ 10,200	\$ 111,735	\$ 279,266
Interfund payable	-	106,243	-	106,243
Other	8,034	5,112	7,343	20,489
Total Liabilities	<u>\$ 165,365</u>	<u>\$ 121,555</u>	<u>\$ 119,078</u>	<u>\$ 405,998</u>
<b>Fund Balance</b>				
Nonspendable:				
Advances	\$ 283,971	\$ -	\$ -	\$ 283,971
Restricted for:				
Special revenue programming	9,016,962	-	180,026	9,196,988
Unassigned:	-	(12,988)	-	(12,988)
Total Fund Balance	<u>\$ 9,300,933</u>	<u>\$ (12,988)</u>	<u>\$ 180,026</u>	<u>\$ 9,467,971</u>
Total liabilities and fund balance	<u>\$ 9,466,298</u>	<u>\$ 108,567</u>	<u>\$ 299,104</u>	<u>\$ 9,873,969</u>

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 Fiscal Year Ended June 30, 2017

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
<b>Revenues</b>				
Grant revenues	\$ 917,920	\$ 206,478	\$ -	\$ 1,124,398
Use of money and property	8,699	-	-	8,699
Other	747,092	29,400	1,832,161	2,608,653
Total Revenues	<u>\$ 1,673,711</u>	<u>\$ 235,878</u>	<u>\$ 1,832,161</u>	<u>\$ 3,741,750</u>
<b>Expenditures</b>				
Community development	\$ -	\$ 234,860	\$ -	\$ 234,860
Public safety	94,137	-	1,240,481	1,334,618
Recreation and parks	230,489	-	-	230,489
Capital outlay	1,410,798	-	74,552	1,485,350
Total Expenditures	<u>\$ 1,735,424</u>	<u>\$ 234,860</u>	<u>\$ 1,315,033</u>	<u>\$ 3,285,317</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (61,713)</u>	<u>\$ 1,018</u>	<u>\$ 517,128</u>	<u>\$ 456,433</u>
<b>Other Financing Sources</b>				
Transfer in from General Fund	\$ 119,890	\$ -	\$ -	\$ 119,890
Total Financing Sources	<u>\$ 119,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,890</u>
Net change in fund balance	58,177	1,018	517,128	576,323
Fund balances at beginning of year	9,242,756	(14,006)	(337,102)	8,891,648
Fund balance (deficit) at end of year	<u>\$ 9,300,933</u>	<u>\$ (12,988)</u>	<u>\$ 180,026</u>	<u>\$ 9,467,971</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Budgetary Comparison Schedule  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2017

	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)
<b>Revenues</b>												
Grant revenue	\$ -	\$ -	\$ 917,920	\$ 917,920	\$ 231,290	\$ 234,759	\$ 206,478	\$ (28,281)	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,139,980	1,139,980	8,699	(1,131,281)	-	-	-	-	500	500	-	(500)
Other*	304,390	430,390	866,982	436,592	-	29,400	29,400	-	1,250,000	1,400,000	1,832,161	432,161
<b>Total Revenues</b>	<u>\$ 1,444,370</u>	<u>\$ 1,570,370</u>	<u>\$ 1,793,601</u>	<u>\$ 223,231</u>	<u>\$ 231,290</u>	<u>\$ 264,159</u>	<u>\$ 235,878</u>	<u>\$ (28,281)</u>	<u>\$ 1,250,500</u>	<u>\$ 1,400,500</u>	<u>\$ 1,832,161</u>	<u>\$ 431,661</u>
<b>Expenditures</b>												
Community develop. block grant	\$ -	\$ -	\$ -	\$ -	\$ 231,290	\$ 340,772	\$ -	\$ 340,772	\$ -	\$ -	\$ -	\$ -
Community services	794,540	1,061,732	1,735,424	(673,692)	-	-	234,860	(234,860)	1,337,150	1,271,310	1,315,033	(43,723)
<b>Total expenditures</b>	<u>\$ 794,540</u>	<u>\$ 1,061,732</u>	<u>\$ 1,735,424</u>	<u>\$ (673,692)</u>	<u>\$ 231,290</u>	<u>\$ 340,772</u>	<u>\$ 234,860</u>	<u>\$ 105,912</u>	<u>\$ 1,337,150</u>	<u>\$ 1,271,310</u>	<u>\$ 1,315,033</u>	<u>\$ (43,723)</u>
Excess (deficiency) of revenues over	\$ 649,830	\$ 508,638	\$ 58,177	\$ (450,461)	\$ -	\$ (76,613)	\$ 1,018	\$ 77,631	\$ (86,650)	\$ 129,190	\$ 517,128	\$ 387,938
Fund balance (deficit) at beginning of year	9,242,756	9,242,756	9,242,756	-	(14,006)	(14,006)	(14,006)	-	(337,102)	(337,102)	(337,102)	-
Fund balance (deficit) at end of year	<u>\$ 9,892,586</u>	<u>\$ 9,751,394</u>	<u>\$ 9,300,933</u>	<u>\$ (450,461)</u>	<u>\$ (14,006)</u>	<u>\$ (90,619)</u>	<u>\$ (12,988)</u>	<u>\$ 77,631</u>	<u>\$ (423,752)</u>	<u>\$ (207,912)</u>	<u>\$ 180,026</u>	<u>\$ 387,938</u>

\*Note: Other revenue for the Special Activities Fund includes a transfer of \$119,890 from the General Fund.

Note: Expenditures in the Special Activities Fund and Automated Speed Enforcement Fund include multi-year capital improvement outlays of \$1,345,055 and \$74,552, respectively. Multi-year capital improvements are budgeted separately and are not reflected in the budgeted figures above. All spending during the year was within the appropriated limits.

## **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 Fiscal Year Ended June 30, 2017**

	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	\$ 12,394,310	\$ 12,430,310	\$ 12,519,940	\$ 89,630	\$ 12,690,250	\$ 12,690,250	\$ 12,407,271	\$ (282,979)	\$ 6,005,140	\$ 6,005,140	\$ 6,155,229	\$ 150,089
Total operating expenses	7,190,500	7,468,983	7,260,165	208,818	6,768,950	6,808,950	6,076,880	732,070	6,690,160	6,985,580	5,894,859	1,090,721
Operating income (loss) before depreciation and amortization	\$ 5,203,810	\$ 4,961,327	\$ 5,259,775	\$ 298,448	\$ 5,921,300	\$ 5,881,300	\$ 6,330,391	\$ 449,091	\$ (685,020)	\$ (980,440)	\$ 260,370	\$ 1,240,810
Depreciation and amortization	(2,981,900)	(3,131,900)	(2,847,962)	283,938	(4,325,400)	(4,325,400)	(4,037,003)	288,397	(361,400)	(361,400)	(295,511)	65,889
Operating income (loss)	\$ 2,221,910	\$ 1,829,427	\$ 2,411,813	\$ 582,386	\$ 1,595,900	\$ 1,555,900	\$ 2,293,388	\$ 737,488	\$ (1,046,420)	\$ (1,341,840)	\$ (35,141)	\$ 1,306,699
<b>Non-Operating Income (Expenses)</b>												
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 13,840	\$ 12,840
Interest expense	(1,055,500)	(1,055,500)	(992,860)	62,640	(1,422,000)	(1,422,000)	(1,392,436)	29,564	(48,200)	(48,200)	(35,254)	12,946
Other, net	-	-	(29,006)	(29,006)	-	-	(10,506)	(10,506)	-	-	-	-
Total non-operating income (expense)	\$ (1,055,500)	\$ (1,055,500)	\$ (1,021,866)	\$ 33,634	\$ (1,422,000)	\$ (1,422,000)	\$ (1,402,942)	\$ 19,058	\$ (47,200)	\$ (47,200)	\$ (21,414)	\$ 25,786
Income (loss) before contributions and operating transfers	\$ 1,166,410	\$ 773,927	\$ 1,389,947	\$ 616,020	\$ 173,900	\$ 133,900	\$ 890,446	\$ 756,546	\$ (1,093,620)	\$ (1,389,040)	\$ (56,555)	\$ 1,332,485
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers:												
Transfer (to) from Enterprise Funds	330,640	330,640	330,640	-	(330,640)	(330,640)	(330,640)	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-	-	-	-	44,520	44,520	44,520	-
Total transfers	330,640	330,640	330,640	-	(330,640)	(330,640)	(330,640)	-	44,520	44,520	44,520	-
Net increase (decrease) in net position	\$ 1,497,050	\$ 1,104,567	\$ 1,720,587	\$ 616,020	\$ (156,740)	\$ (196,740)	\$ 559,806	\$ 756,546	\$ (1,049,100)	\$ (1,344,520)	\$ (12,035)	\$ 1,332,485

**City of Rockville, Maryland**  
 Budgetary Comparison Schedule  
 Enterprise Funds (Continued)  
 For the Fiscal Year Ended June 30, 2017

	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	\$ 1,383,000	\$ 1,383,000	\$ 1,121,257	\$ (261,743)	\$ 5,399,000	\$ 5,399,000	\$ 5,827,749	\$ 428,749	\$ 6,050	\$ 6,050	\$ 6,000	\$ (50)
Total operating expenses	608,350	608,350	557,693	50,657	3,750,230	3,973,053	3,615,365	357,688	-	-	-	-
Operating income (loss) before depreciation and amortization	\$ 774,650	\$ 774,650	\$ 563,564	\$ (211,086)	\$ 1,648,770	\$ 1,425,947	\$ 2,212,384	\$ 786,437	\$ 6,050	\$ 6,050	\$ 6,000	\$ (50)
Depreciation and amortization	63,880	63,880	65,088	1,208	(805,170)	(805,170)	(642,971)	162,199	(99,210)	(99,210)	(99,216)	(6)
Operating income (loss)	\$ 838,530	\$ 838,530	\$ 628,652	\$ (209,878)	\$ 843,600	\$ 620,777	\$ 1,569,413	\$ 948,636	\$ (93,160)	\$ (93,160)	\$ (93,216)	\$ (56)
<u>Non-Operating Income (Expenses)</u>												
Interest income	\$ 1,000	\$ 1,000	\$ 4,390	\$ 3,390	\$ 7,500	\$ 7,500	\$ 23,776	\$ 16,276	\$ -	\$ -	\$ 121	\$ 121
Interest expense	(1,296,700)	(1,296,700)	(1,294,567)	2,133	(77,100)	(77,100)	(78,646)	(1,546)	(5,750)	(5,750)	(5,545)	205
Other, net	(156,420)	(156,420)	(154,420)	2,000	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (1,452,120)	\$ (1,452,120)	\$ (1,444,597)	\$ 7,523	\$ (69,600)	\$ (69,600)	\$ (54,870)	\$ 14,730	\$ (5,750)	\$ (5,750)	\$ (5,424)	\$ 326
Income (loss) before contributions and operating transfers	\$ (613,590)	\$ (613,590)	\$ (815,945)	\$ (202,355)	\$ 774,000	\$ 551,177	\$ 1,514,543	\$ 963,366	\$ (98,910)	\$ (98,910)	\$ (98,640)	\$ 270
Capital grants and contributions	\$ 302,600	\$ 302,600	\$ 306,322	\$ 3,722	\$ -	\$ -	\$ 1,376,748	\$ 1,376,748	\$ -	\$ -	\$ -	\$ -
Transfers:												
Transfer (to) from Enterprise Funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Fund	715,000	715,000	715,000	-	-	-	-	-	-	-	-	-
Total transfers	715,000	715,000	715,000	-	-	-	-	-	-	-	-	-
Net increase (decrease) in net position	\$ 404,010	\$ 404,010	\$ 205,377	\$ (198,633)	\$ 774,000	\$ 551,177	\$ 2,891,291	\$ 2,340,114	\$ (98,910)	\$ (98,910)	\$ (98,640)	\$ 270



Rockville held a diversity town hall in February 2017 to discuss how the community can become a more inclusive place to live and work.

# Statistical Section

- City of Rockville, Maryland •  
Fiscal Year Ended June 30, 2017



## 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 251,497,341
Restricted	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785	9,196,988
Unrestricted	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	18,653,066
Total Governmental Activities Net Position	\$ 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	\$ 279,347,395
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 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	\$ 82,902,957
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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)	(13,447,240)
Total Business-Type Activities Net Position	\$ 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	\$ 69,455,717
<b>Primary Government</b>										
Net investment in capital assets	\$ 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	\$ 334,400,298
Restricted	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785	9,196,988
Unrestricted	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	5,205,826
Total Primary Government Net Position	\$ 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	\$ 348,803,112

**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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 22,179,924
Community development block grant	336,001	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372	-
Community development	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	5,559,447
Public Safety	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	13,055,908
Public Works	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	11,298,192
Recreation and parks	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	22,483,951
Interest on long-term debt	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	1,279,361
Total governmental activities expenses	\$ 53,915,096	\$ 58,309,214	\$ 60,270,026	\$ 60,656,442	\$ 62,162,439	\$ 64,752,306	\$ 66,972,669	\$ 65,556,400	\$ 73,970,327	\$ 75,856,783
Business-type activities:										
Water	\$ 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	\$ 9,541,833
Sewer	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	10,632,475
Refuse	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	4,593,424
Parking	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	1,800,872
Stormwater management	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	3,522,042
Golf course	1,369,863	1,496,244	1,594,306	1,431,459	938,164	306,241	121,087	106,119	105,439	104,761
Total business-type activities expenses	20,242,176	23,428,029	24,649,716	28,320,770	27,655,695	26,240,647	26,915,892	28,926,305	30,759,298	30,195,407
Total primary government expenses	\$ 74,157,272	\$ 81,737,243	\$ 84,919,742	\$ 88,977,212	\$ 89,818,134	\$ 90,992,953	\$ 93,888,561	\$ 94,482,705	\$ 104,729,625	\$ 106,052,190
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 678,759	\$ 670,262	\$ 726,112	\$ 577,103	\$ 1,444,313	\$ 1,015,524	\$ 308,228	\$ 331,004	\$ 379,871	\$ 411,704
Community development	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	2,043,566
Public Safety	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	4,367,130
Public Works	319,425	800,038	492,619	247,639	552,704	482,064	655,773	647,298	677,274	208,457
Recreation and parks	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	6,124,135
Interest on long-term debt	90,139	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	1,842,041
Capital grants and contributions	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	929,414
Total governmental activities program revenue	\$ 21,019,320	\$ 18,248,235	\$ 18,425,002	\$ 15,218,632	\$ 17,969,796	\$ 15,805,066	\$ 16,260,405	\$ 14,875,143	\$ 15,301,105	\$ 15,926,447
Business type activities:										
Charges for services:										
Water	\$ 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	\$ 12,360,559
Sewer	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	12,407,271
Refuse	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	6,121,016
Parking	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	857,266
Stormwater management	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	5,781,614
Golf course	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	1,683,070
Total business-type activities program revenues	19,730,237	22,354,382	24,861,316	29,118,143	29,137,563	31,244,056	31,987,326	33,293,785	37,744,941	39,210,796
Total primary government revenues	\$ 40,749,557	\$ 40,602,617	\$ 43,286,318	\$ 44,336,775	\$ 47,107,359	\$ 47,049,122	\$ 48,247,731	\$ 48,168,928	\$ 53,046,046	\$ 55,137,243

## 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (59,930,336)
Business-type activities	(511,939)	(1,073,647)	211,600	797,373	1,481,868	5,003,409	5,071,434	4,367,480	6,985,643	9,015,389
Total primary government net expense	\$ (33,407,715)	\$ (41,134,626)	\$ (41,633,424)	\$ (44,640,437)	\$ (42,710,775)	\$ (43,943,831)	\$ (45,640,830)	\$ (46,313,777)	\$ (51,683,579)	\$ (50,914,947)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 40,246,427
Income taxes	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	13,577,486
Gas and motor vehicle taxes	3,052,324	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404	1,914,024	1,897,093
County tax duplications payment	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	2,409,750
Admissions and amusement taxes	1,057,856	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525	1,321,900
Use of money and property	1,749,732	443,807	33,038	270,975	347,043	266,761	289,824	299,215	384,646	456,123
Other revenue	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	3,409,976
Transfers	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	4,300,850
Total governmental activities	52,715,594	54,491,830	52,685,748	52,565,929	53,775,634	56,774,279	59,261,161	58,773,667	64,985,857	67,619,605
Business-type activities:										
Property taxes	\$ 127,298	\$ 209,005	\$ 140,388	\$ 160,703	\$ (60,328)	\$ 156,443	\$ 172,382	\$ 181,081	\$ 196,481	\$ 206,704
Use of money and property	1,013,915	242,160	14,411	14,289	9,416	7,512	2,341	2,205	15,451	42,127
Other revenue	-	-	-	-	-	-	-	-	129,896	303,016
Gain on sale of capital assets	615,108	-	-	-	-	-	-	-	-	-
Transfers	(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)	(4,300,850)
Total business-type activities	338,821	(1,010,835)	(1,351,201)	(310,063)	(2,266,542)	(2,617,995)	(2,423,637)	(2,482,079)	(3,788,442)	(3,749,003)
Total primary government	\$ 53,054,415	\$ 53,480,995	\$ 51,334,547	\$ 52,255,866	\$ 51,509,092	\$ 54,156,284	\$ 56,837,524	\$ 56,291,588	\$ 61,197,415	\$ 63,870,602
<b>Changes in Net Position</b>										
Governmental activities	\$ 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	\$ 7,689,269
Business-type activities	(173,118)	(2,084,482)	(1,139,601)	487,310	(784,674)	2,385,414	2,647,797	1,885,401	3,197,201	5,266,386
Total primary government	\$ 19,646,700	\$ 12,346,369	\$ 9,701,123	\$ 7,615,429	\$ 8,798,317	\$ 10,212,453	\$ 11,196,694	\$ 9,977,811	\$ 9,513,836	\$ 12,955,655

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 2,331,456	\$ 1,609,972	\$ 1,257,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	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	793,744
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	327,035	510,752	220,370	342,006	772,345	984,077	739,037
Unassigned	-	-	-	13,939,120	9,904,002	13,226,677	15,689,079	19,916,594	21,039,026	19,643,296
<b>Total General Fund</b>	<b>\$ 15,051,665</b>	<b>\$ 13,605,376</b>	<b>\$ 15,288,849</b>	<b>\$ 14,760,466</b>	<b>\$ 10,914,055</b>	<b>\$ 15,175,271</b>	<b>\$ 17,743,772</b>	<b>\$ 22,423,857</b>	<b>\$ 23,816,352</b>	<b>\$ 21,176,077</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 5,725,167	\$ 7,998,785	\$ 3,050,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Designated in Special revenue func	-	-	3,536,455	-	-	-	-	-	-	-
Unreserved/Undesignated, reported in:										
Special revenue funds	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	1,705,709
Restricted	-	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785	9,196,988
Committed	-	-	-	-	-	-	-	-	180,461	320,328
Assigned	-	-	-	-	-	-	-	-	15,795,046	17,467,665
Unassigned	-	-	-	-	-	-	-	(4,312)	(351,108)	(12,988)
<b>Total Other Governmental Funds</b>	<b>\$ 26,186,341</b>	<b>\$ 26,198,566</b>	<b>\$ 25,170,914</b>	<b>\$ 38,820,595</b>	<b>\$ 32,454,676</b>	<b>\$ 31,924,255</b>	<b>\$ 33,255,119</b>	<b>\$ 29,942,869</b>	<b>\$ 26,288,893</b>	<b>\$ 28,677,702</b>

## 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property taxes	\$ 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	\$ 40,105,716
Assessments	334,456	442,429	358,924	335,374	315,123	306,197	19,014	13,127	49,695	17,306
Revenue from other governments:										
Community development block grant	336,001	292,500	336,574	195,478	667,014	130,811	269,966	320,645	182,678	206,478
Income taxes	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	13,577,486
Gas and motor vehicle taxes	3,052,324	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404	1,914,024	1,897,093
County tax duplication payment	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	2,409,750
Admissions and amusement taxes	1,057,856	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525	1,321,900
Grants and other governmental revenue	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	3,726,575
Licenses and permits	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	2,927,369
Charges for services	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	6,792,763
Use of money and property	3,216,669	586,761	204,371	270,975	347,043	266,761	289,824	299,215	384,646	456,123
Fines and forfeitures	634,907	648,478	687,733	3,218,505	2,909,735	3,478,145	3,236,025	2,975,888	2,876,907	3,099,446
Other revenues	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	7,606,955
Total revenues	\$ 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	\$ 84,144,960
<b>Expenditures</b>										
Current operations:										
General government	\$ 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	\$ 16,407,663
Community development block grant	336,001	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372	-
Community development	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	5,542,514
Public safety	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	12,443,786
Public works	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	7,230,606
Recreation and parks	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	22,432,984
Capital outlay	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	15,418,428
Debt service										
Principal	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	9,135,601
Interest	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	(3,901,666)
Bond Counsel/Amortization	55,945	-	4,042	101,525	-	-	78,550	80,936	-	80,294
Total expenditures	\$ 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	\$ 84,790,210
Excess (deficiency) revenues over expenditures	\$ 401,488	\$ (364,052)	\$ 1,520,638	\$ (2,364,457)	\$ (7,951,863)	\$ (3,580,589)	\$ (1,096,163)	\$ (8,363,703)	\$ (137,309)	\$ (645,250)
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 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	\$ 17,584,502
Transfers out	(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)	(18,344,022)
Charge on advance refunding	-	-	-	-	-	-	-	-	-	(5,390,020)
General obligation bonds issued	10,410,000	-	-	17,610,000	-	-	-	3,527,737	-	1,114,028
Refunding bonds issued	-	-	-	1,337,600	-	5,094,444	5,784,588	6,993,596	-	5,429,296
Loan Proceeds	-	-	-	-	-	2,636,000	-	-	-	-
Total other financing sources (uses)	\$ 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)	\$ 393,784
Net change in fund balances	\$ 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)	\$ (251,466)
Debt Service as percentage of non-capital expenditures	11.03%	8.81%	8.30%	10.15%	9.27%	15.88%	16.44%	17.69%	8.49%	7.54%

**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
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%
2017	12,607,868,059	468,851,914	13,076,719,973	0.292	13,076,719,973	5.0%

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
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
2017	0.292	0.940	0.112

Note: The City portion of property taxes (FY 2017 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, 2017

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
			Property	Property
				Assessable Base
Congressional Plaza Assoc LLC	\$ 151,227,866	\$ 151,227,866	\$ -	1.16%
Congressional Village Assoc LLC	126,466,568	126,466,568	-	0.97%
Street Retail, Inc.	121,253,219	121,253,219	-	0.93%
Upper Rock LLC	94,381,901	94,381,901	-	0.72%
Duball Rockville LLC	92,796,892	88,310,942	4,485,950	0.71%
1800 Rockville Residential LLC	91,890,199	91,890,199	-	0.70%
King Farm Apartments Ph 2 LLC	77,655,534	77,655,534	-	0.59%
JPI/KF Apt Sec 1 LLLP	76,765,932	76,765,932	-	0.59%
PF Apartments LLC	72,695,332	72,695,332	-	0.56%
FP Redland Technology Center LP	68,464,366	68,464,366	-	0.52%
<b>Total</b>	<b>\$ 973,597,809</b>	<b>\$ 969,111,859</b>	<b>\$ 4,485,950</b>	<b>7.45%</b>
 Total Assessable Value	 <u>\$ 13,076,719,973</u>			 <u>100.00%</u>

For the Fiscal Year Ended June 30, 2008

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
			Property	Property
				Assessable Base
Research Grove Associates	\$ 73,658,964	\$ 73,658,964	\$ -	0.70%
T/A Western LLC	61,299,034	61,299,034	-	0.58%
Verizon	59,105,646	-	59,105,646	0.56%
Potomac Electric Power	57,568,905	-	57,568,905	0.55%
ARE Acquisitions	50,771,362	50,771,362	-	0.48%
TA/Western LLC	41,214,569	41,214,569	-	0.39%
Hub Woodmont	35,685,411	35,685,411	-	0.34%
Transwestern Gateway, LLC	34,656,889	34,656,889	-	0.33%
Washington Real Estate Investors	33,368,745	33,368,745	-	0.32%
Prime 1801, LLC	32,712,863	32,712,863	-	0.31%
<b>Total</b>	<b>\$ 480,042,388</b>	<b>\$ 363,367,837</b>	<b>\$ 116,674,551</b>	<b>4.55%</b>
 Total Assessable Value	 <u>\$ 10,543,205,204</u>			 <u>100.00%</u>

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 in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	33,234,662	32,630,186	98.2%	604,476	33,234,662	100.0%
2009	36,589,554	35,682,475	97.5%	907,073	36,589,548	100.0%
2010	31,804,031	31,710,185	99.7%	90,495	31,800,680	100.0%
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%	252,852	33,361,003	100.0%
2013	33,240,633	32,437,136	97.6%	777,433	33,214,569	99.9%
2014	33,439,075	33,291,816	99.6%	127,618	33,419,434	99.9%
2015	34,174,382	33,785,982	98.9%	359,403	34,145,385	99.9%
2016	34,644,503	34,596,817	99.9%	13,477	34,610,294	99.9%
2017	36,693,505	36,531,512	99.6%	-	36,531,512	99.6%

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			
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%	1,816
2017	33,580,117	241,333	100,676,067	3,175,889	137,673,406	1.05%	1,718

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	Actual Taxable Value of Property	Per Capita
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
2017	134,256,184	1.03%	1,963

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	Percentage Applicable	Overlapping Debt
City of Rockville	\$ 33,821,450	100.00%	\$ 33,821,450
Montgomery County, Maryland	3,988,081,972	7.20%	287,141,902
Total direct and overlapping debt	\$ 4,021,903,422		\$ 320,963,352

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
2008	\$ 4,334,129	\$ 71,366	60,731	2.62
2009	4,202,856	68,673	61,201	4.15
2010	4,257,637	69,559	61,209	5.03
2011	4,444,079	71,681	61,998	4.78
2012	4,552,453	73,140	62,243	4.91
2013	4,573,323	72,746	62,867	5.02
2014	4,774,730	74,597	64,007	4.30
2015	5,154,494	77,745	66,300	4.40
2016	5,286,617	78,553	67,300	3.70
2017	5,479,284	80,124	68,385	3.40

## Notes:

- Population estimates are from City of Rockville Department of Community Planning and Development Services for years 2008 to 2009 and 2011 to 2017. Population data for 2010 are taken from US Census Bureau. Employment rates for 2008 to 2017 are taken from Bureau of Labor Statistics. Per capita income is obtained from Montgomery County.

**City of Rockville, Maryland**  
 Demographic and Economic Information (unaudited)  
 Principal Employers – Current Year and Nine Years Ago

Employer	Fiscal Year 2017		Percentage of Total City Employment	Fiscal Year 2008		Percentage of Total City Employment
	Employees	Rank		Employees	Rank	
Montgomery County Government	4,758	1	6.14%	5,520	1	8.11%
Montgomery County Board of Education	2,500	2	3.23%	2,252	2	3.31%
U.S. Nuclear Regulatory Commission	2,391	3	3.09%	1,800	4	2.64%
Westat, Inc.	2,150	4	2.78%	1,900	3	2.79%
Montgomery College	1,944	5	2.51%	500	10	0.73%
Lockheed Martin Information Systems	1,500	6	1.94%	500	8	0.73%
Booz Allen Hamilton	1,282	7	1.65%	500	7	0.73%
Charles E. Smith Life Communities	1,050	8	1.36%	*		*
United States Pharmacopeial Convention	560	9	0.72%	500	9	0.73%
City of Rockville	518	10	0.67%	*		*
Comm. Services for Autistic Adults & Children	*		*	545	6	0.80%
Wolproof & Abramson, LLP	*		*	650	5	0.95%
Total	18,653		24.08%	14,667		21.54%
Total Estimated City Employment	77,471			68,100		

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Mayor and Council	4.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City Manager	23.6	28.0	28.0	28.0	28.0	28.0	25.0	25.0	25.0	32.5
City Attorney	-	-	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Human Resources	8.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0
Finance	29.0	30.0	30.0	30.0	29.0	29.0	29.0	28.5	29.0	21.5
Information and technology	20.0	17.5	17.5	17.5	17.5	17.5	16.5	16.0	17.0	17.0
Community development	43.6	43.6	42.6	40.6	40.6	40.6	40.6	41.0	42.0	42.0
Public Safety	84.0	88.0	90.0	86.1	87.0	87.0	89.0	89.5	89.5	88.5
Public Works	63.1	74.2	76.1	72.7	72.7	45.0	45.5	46.0	46.0	46.0
Recreation and parks	147.5	151.7	151.1	147.8	143.1	142.6	139.9	138.5	136.7	136.7
Water	26.3	24.3	24.0	24.0	26.0	40.0	39.0	38.6	37.6	37.6
Sewer	13.2	14.0	13.5	13.8	13.8	17.9	17.9	17.9	17.9	17.9
Refuse collection	45.9	40.9	37.3	33.3	33.3	35.8	35.8	34.8	32.8	32.8
Parking	6.5	7.4	6.0	5.9	4.0	4.0	4.0	4.0	4.0	4.0
Stormwater management	10.5	10.7	11.2	12.4	13.4	20.4	20.4	20.5	20.5	20.5
Golf course	9.8	9.8	9.8	9.8	-	-	-	-	-	-
Total	535.0	554.1	555.1	539.9	527.4	526.8	521.6	519.3	518.0	517.0

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Police										
Vehicles	66	72	69	69	69	69	71	71	71	71
Refuse collection										
Collection trucks	15	16	16	16	16	16	17	17	17	17
Other public works										
Streets (miles)	156.42	156.42	156.42	156.42	156.42	156.50	156.00	155.37	155.37	156.05
Street lights	2,992	2,992	3,064	3,069	3,069	3,069	3,069	3,071	3,071	3,170
Sidewalks (miles)	297.62	297.62	251.02	251.02	255.97	255.97	256.87	257.79	258.01	258.74
Recreation and Parks										
Acreage	1,050	1,061	1,061	1,062	1,062	1,062	1,062	1,062	1,105	1,074
Playgrounds	41	48	50	50	50	50	50	50	50	50
Athletic Courts	95	95	96	96	96	96	96	96	96	95
Community centers	5	6	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	178.40	178.40	178.80	174.92	175.10	175.10	175.10	174.00	174.33	174.33
Fire hydrants	1,369	1,369	1,372	1,379	1,380	1,380	1,384	1,403	1,403	1,407
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	141.60	148.40	147.66	147.23	147.21	148.00	148.00	148.00	148.00
Storm sewers (miles)	97.60	97.60	100.00	101.33	101.58	102.31	102.31	103.00	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. In FY 2017, streetlight reporting was updated to include 99 lights that were omitted in previous years.

**City of Rockville, Maryland**  
 Operating Information (unaudited)  
 Operating Indicators by Function/Program – Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
Building permits issued	732	728	629	698	757	774	813	861	811	815
Estimated Cost of Construction	\$ 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	\$ 167,368,076
<b>Police</b>										
Physical arrests	1,165	1,196	896	1,070	1,400	1,085	1,157	1,055	902	938
Traffic violations*	20,337	13,922	10,735	15,947	20,638	15,063	16,469	16,234	13,397	16,227
<b>Refuse collection</b>										
Refuse (Disposed) (tons per year)	13,929	12,132	11,621	11,439	10,829	10,886	9,767	11,639	9,927	9,766
Yard Waste (composted/Mulched) (tons per year)	5,860	4,788	6,430	5,934	6,072	6,229	4,694	5,309	4,402	3,677
Recyclables collected (tons per year)	5,303	5,189	5,561	5,634	5,509	5,393	5,398	5,358	5,283	4,993
<b>Recreation and Parks</b>										
Program enrollments	32,260	32,610	31,359	32,423	33,518	33,494	33,297	32,081	31,503	34,307
<b>Water</b>										
Number of Accounts	12,614	12,654	12,623	12,617	12,650	12,688	12,517	12,694	12,678	12,663
Average daily water Production (millions of gallons)	5.000	5.016	4.813	4.750	4.882	4.708	4.562	4.561	4.742	4.518
<b>Sewer</b>										
Avg. daily sewer treatment (millions of gallons)	5.915	6.125	6.698	6.588	6.391	6.292	6.069	5.948	5.797	5.628

Note:

- Information was obtained from various City departments.

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

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