



# COMPREHENSIVE Annual Financial Report



City of Rockville, Maryland

Fiscal Year Ended June 30, 2018



[www.rockvillemd.gov/finance](http://www.rockvillemd.gov/finance)



City of Rockville, Maryland

# Comprehensive Annual Financial Report



Prepared by:  
Department of Finance

Gavin Cohen  
Chief Financial Officer

Kimberly Francisco  
Controller

Fiscal Year 2018  
July 1, 2017 - June 30, 2018

# Table of Contents

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## City of Rockville, Maryland Comprehensive Annual Financial Report June 30, 2018

### PART I – INTRODUCTORY SECTION

Letter of Transmittal.....	5-8
Certificate of Achievement for Excellence in Financial Reporting.....	9
Organizational Chart.....	10
List of Elected and Appointed Officials.....	11

### PART II – FINANCIAL SECTION

Independent Auditor’s Report.....	13-15
Management’s Discussion and Analysis.....	17-24

#### Basic Financial Statements:

##### Government-wide Financial Statements:

Statement of Net Position.....	25
Statement of Activities.....	26

##### Fund Financial Statements:

Balance Sheet – Governmental Funds.....	27
Reconciliation of Total Government Fund Balances to Net Position of Governmental Activities.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds...	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
Statement of Net Position – Proprietary Funds.....	31
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	32
Statement of Cash Flows – Proprietary Funds.....	33-34
Statement of Fiduciary Net Position – Pension and OPEB Trust Fund.....	35
Statement of Changes in Fiduciary Net Position – Pension and OPEB Trust Fund.....	36

Notes to the Basic Financial Statements.....	37-66
--	-------

#### Required Supplementary Information:

Rockville Employee Retirement System – Schedule of Changes in the City’s Net Pension Liability and Related Ratios (Unaudited – See Accompanying Independent Auditor’s Report).....	67
Rockville Employee Retirement System – Schedule of City Contributions and Investment Returns (Unaudited – See Accompanying Independent Auditor’s Report).....	68
Other Post-Employment Benefits Plan – Schedule of Changes in the City’s Net OPEB Liability and Related Ratios (Unaudited – See Accompanying Independent Auditor’s Report).....	69
Other Post-Employment Benefits Plan – Schedule of City Contributions and Investment Returns (Unaudited – See Accompanying Independent Auditor’s Report).....	70
Budgetary Comparison Schedule – General Fund.....	71
Notes to the Required Supplementary Information.....	72

#### Supplementary Information – Combining and Individual Fund Statements and Schedules:

Budgetary Comparison Schedule – Debt Service Fund.....	73
Combining Balance Sheet – Nonmajor Governmental Funds.....	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	75
Budgetary Comparison Schedule – Nonmajor Governmental Funds.....	76

# Table of Contents

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## City of Rockville, Maryland Comprehensive Annual Financial Report June 30, 2018

### PART II – FINANCIAL SECTION

#### Supplementary Information – Proprietary Funds:

Budgetary Comparison Schedule – Enterprise Funds.....	77-78
---	-------

#### Supplementary Information – Fiduciary Fund:

Combining Statement of Fiduciary Net Position – Pension and OPEB Trust Fund.....	79
Combining Statement of Changes in Fiduciary Net Position – Pension and OPEB Trust Fund....	80

### PART III – STATISTICAL SECTION

Net Position by Category, Government-Wide (Governmental and Business-type Activities) - Last Ten Fiscal Years (accrual basis of accounting).....	81
Changes in Net Position by Category, Government-Wide (Governmental and Business-type Activities) – Last Ten Fiscal Years (accrual basis of accounting).....	82-83
Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting).....	84
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting).....	85
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	86
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	87
Principal Property Tax Payers – Current Year and Nine Years Ago.....	88
Property Tax Levies and Collections – Last Ten Fiscal Years.....	89
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	90
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	91
Direct and Overlapping Governmental Activities Debt.....	92
Demographic and Economic Statistics – Last Ten Fiscal Years.....	93
Principal Employers – Current Year and Nine Years Ago.....	94
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years.	95
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	96
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	97

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# Introductory Section

*Victor Brito, pictured above with his son and wife, was sworn in as chief of the Rockville City Police Department on June 18.*

**City of Rockville, Maryland**

**Fiscal Year Ended June 30, 2018**



**[www.rockvillemd.gov/finance](http://www.rockvillemd.gov/finance)**





October 30, 2018

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, 2018.

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, 2018, 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, 2018, 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 68,783 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, police 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 71 as part of the required supplementary information section for the governmental funds. For governmental funds, other than the General Fund, the appropriated annual budgets are presented on pages 73 and 76.

## FACTORS AFFECTING FINANCIAL CONDITION

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

### LOCAL ECONOMY

The City's economic environment mirrors what is being experienced regionally and nationally. Unemployment has improved, and now remains relatively low and 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 2018, the City observed a 2.6% increase in real property tax revenues, which provides strong indications of continued improvement in the assessable tax base.

The City has an employed labor force of approximately 77,500 within city limits. The City continues to experience residential and commercial growth, as reflected by increased construction throughout the City and permits approved and in the pipeline. The City remains optimistic considering the overall growth observed in the fiscal year 2018 revenues.

While the City is optimistic about its improving finances, 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 2014 through 2018. 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
2018	567,289	545,732	21,557	3.80%	4.30%
2017	562,402	555,592	19,555	3.60%	4.10%
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%

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 long-term 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 annual budgeted revenues. Careful monitoring of the City's property values, level of debt and charging fees at full cost recovery, where possible, and conservative budgeting practices will ensure the continued financial health of the City.

**MAJOR INITIATIVES**

- During fiscal year 2018, the City issued Economic Development Revenue Bonds totaling \$224,280,000 for the financing and refinancing of the acquisition and improvement of King Farm Presbyterian Retirement Community. This conduit debt initiative will provide administrative issuer fees to the City going forward, and supports residential development for area seniors.
- During fiscal year 2018, the City completed the repairs and renovations to the dairy barns at the King Farm Farmstead Park. The historically accurate renovation included, replacing the roof and its framework, windows, doors, dormers, siding, exterior and interior painting, and installing a gutter system.
- During fiscal year 2018, the City continued the restoration project at the Upper Watts Branch Park. The assessment, design and construction along the streams and storm drain outfalls will stabilize eroding stream banks, protect public infrastructure and reduce pollutant loads.



## 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, 2017. This was the 28<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, 2017. 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 2017. This is the tenth 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, Ephraim Atkinson, Roshan Sohoratally, 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

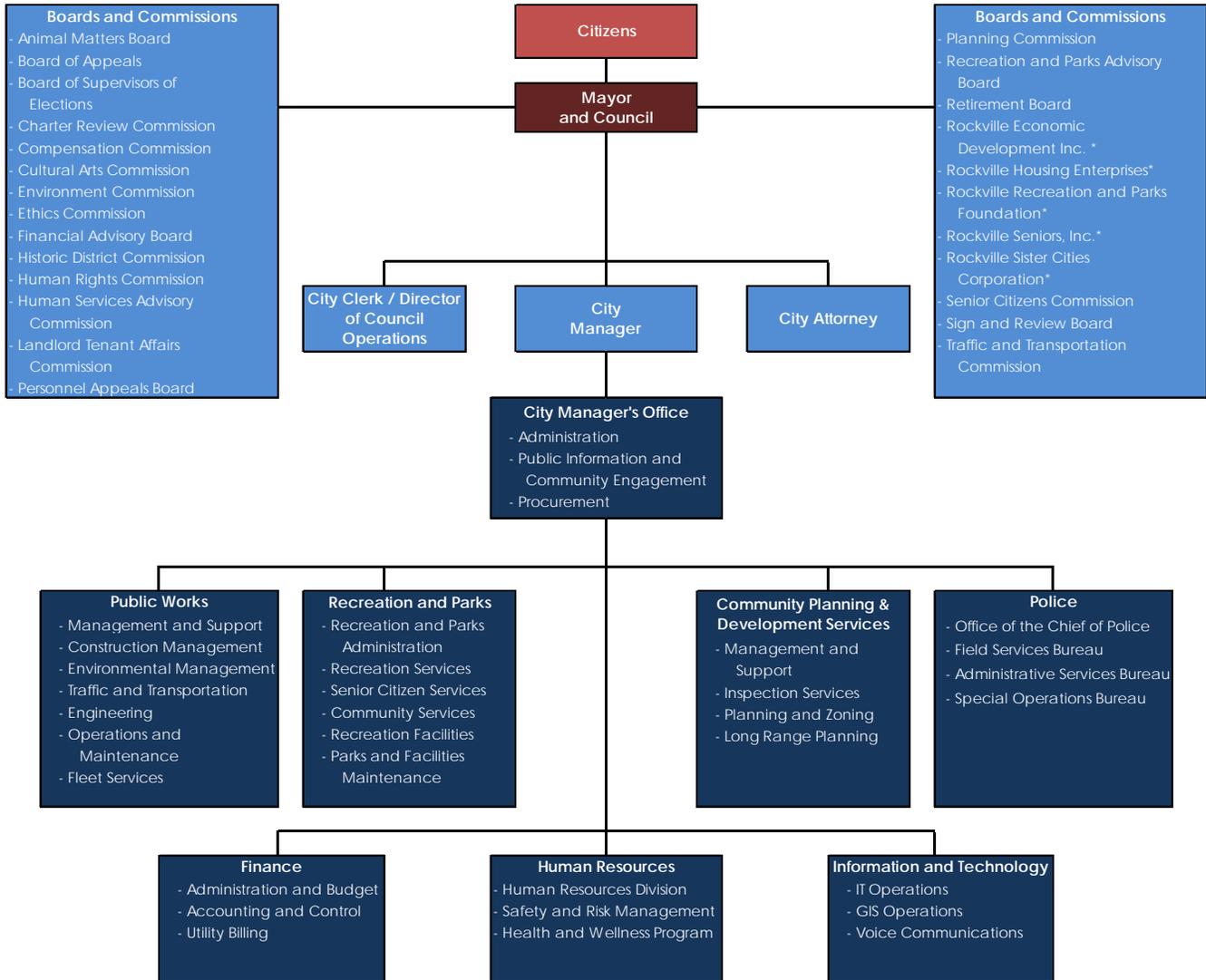
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# City of Rockville Organizational Chart

June 2018



\* Affiliated Organization

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

**JUNE 30, 2018**



**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**

**Sara Taylor-Ferrell**

**CITY ATTORNEY**

**Debra Yerg Daniel**

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# Financial Section

*The Department of Public Works oversaw improvements to the First Street bridge, which reopened to traffic on Dec. 22, after six months of work to replace the bridge and construct sidewalk.*

**City of Rockville, Maryland**

**Fiscal Year Ended June 30, 2018**



**[www.rockvillemd.gov/finance](http://www.rockvillemd.gov/finance)**





CliftonLarsonAllen LLP  
CLAAconnect.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, 2018, 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.



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

### ***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, 2018, 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.

### ***Emphasis of Matter***

#### ***Change in Accounting Principle***

During the fiscal year ended June 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the City reported a restatement for the changes in accounting principle (see Note 3D). Our auditor's opinion was not modified with respect to this restatement.

### ***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 17 - 24, Rockville Employee Retirement System on pages 67 - 68, Other Post-Employment Benefits Plan on pages 69 - 70, Budgetary Comparison Schedule - General Fund on page 71 and the Notes to the Required Supplementary Information on page 72 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, Proprietary Funds, Fiduciary Funds, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

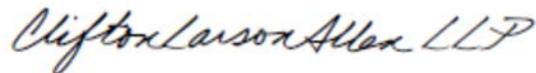
The Combining and Individual Fund Statements and Schedules, Proprietary Funds, and Fiduciary Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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, Proprietary Funds, and Fiduciary Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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 30, 2018, 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 30, 2018

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## **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, 2018. We encourage readers to consider the information presented in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report and the financial statements beginning on page 25.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the current fiscal year by \$359,616,175 (net position). That amount includes a positive balance of \$7,081,642 from unrestricted net position made up of \$18,669,094 from governmental activities and a deficit of \$11,587,452 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 \$57,069,750. Approximately 16.9% of this total amount is reported as restricted special revenue programming totaling \$9,637,846.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,092,844 or 24.0% of total General Fund budgeted revenues (adopted) of \$79,690,000.
- The City's total debt principal outstanding decreased by \$1,162,058 or 0.9%. During the year, new general obligation bonds were issued for water, sewer, and capital projects.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$629,160 for an average rate of return of 1.03%. The average daily investment portfolio was \$61,143,468.
- During the fiscal year, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The implementation of this statement included enhanced footnote disclosures, the replacement of the Net OPEB Obligation with the new, Net OPEB Liability and introduced the related deferred inflow of resources for OPEB.



### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements:

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community development block grant (CDBG) administration, community development, public works, public safety, and recreation and parks. The business-type activities of the City include water, sewer, refuse, stormwater management, parking, and golf course operations.

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

### **Fund Financial Statements:**

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

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

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

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

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

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

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

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

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

**Fiduciary fund:** The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The Pension and OPEB Trust Funds 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 fund financial statements can be found on pages 35 and 36 of this report. Data for each of the components of the Pension and OPEB Trust Funds are provided in the form of combining statements on pages 79-80 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-66 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Rockville Employee Retirement System, the other post-employment benefits (OPEB) plan, and the City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found beginning on page 67 of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time, changes in net position serves as a useful indicator of a government's financial position. The City's overall assets exceeded all its liabilities by \$359,616,175 at the close of the current fiscal year.

The largest portion of the City's net position (95.3%) 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 \$5,413,835. 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.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and Other Assets	\$ 53,877,476	\$ 42,112,441	\$ 12,750,273	\$ 13,237,487	\$ 66,627,749	\$ 55,349,928
Capital Assets, net	289,353,257	284,178,244	155,510,449	154,352,471	444,863,706	438,530,715
Noncurrent Assets	-	-	23,531,584	23,820,006	23,531,584	23,820,006
Total Assets	343,230,733	326,290,685	191,792,306	191,409,964	535,023,039	517,700,649
Deferred Outflows of Resources	8,875,099	7,869,168	2,917,390	3,146,860	11,792,489	11,016,028
Total Assets and Deferred Outflows of Resources	\$ 352,105,832	\$ 334,159,853	\$ 194,709,696	\$ 194,556,824	\$ 546,815,528	\$ 528,716,677
Noncurrent Liabilities	60,208,530	62,776,753	102,584,401	104,836,889	162,792,931	167,613,642
Other Liabilities	(3,954,865)	(7,974,478)	18,919,995	20,264,218	14,965,130	12,289,740
Total Liabilities	56,253,665	54,802,275	121,504,396	125,101,107	177,758,061	179,903,382
Deferred Inflows of Resources	9,441,292	10,183	-	-	9,441,292	10,183
Total Liabilities and Deferred Inflows of Resources	\$ 65,694,957	\$ 54,812,458	\$ 121,504,396	\$ 125,101,107	\$ 187,199,353	\$ 179,913,565
Net Position:						
Net investment in capital assets	258,103,935	251,497,341	84,792,752	82,902,957	342,896,687	334,400,298
Restricted	9,637,846	9,196,988	-	-	9,637,846	9,196,988
Unrestricted	18,669,094	18,653,066	(11,587,452)	(13,447,240)	7,081,642	5,205,826
Total Net Position	\$ 286,410,875	\$ 279,347,395	\$ 73,205,300	\$ 69,455,717	\$ 359,616,175	\$ 348,803,112

\*The City adopted GASB Statement No. 75 in fiscal year 2018 which added the Net OPEB Liability of \$2,827,941 and deferred inflows from OPEB of \$1,645,590. These balances replaced the fiscal year 2017 Net OPEB Obligation of \$746,803.

Deferred outflows of resources includes balances from charges on advance refundings and pensions. Deferred inflows of resources includes balances from pensions and OPEB. At the end of the fiscal year, deferred outflows of resources totaled \$8,875,099 and deferred inflows of resources totaled \$9,441,292. Increases in deferred outflows of resources and deferred inflows of resources are primarily attributable to balances from pensions and OPEB, which are actuarially determined.

At the end of the current fiscal year, there is a positive balance of \$7,081,642 in unrestricted net position. This is an increase of \$1,875,816 from the balance of \$5,205,826 in unrestricted net position in fiscal year 2017. This increase is attributable to the City's improved financial condition and performance in fiscal year 2018. 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 \$6,606,594 or 2.6%. This increase is related to capital projects expenditures during the current fiscal year.

The business-type activities net investment in capital assets, increased by \$1,889,795 or 2.3%. This increase is related to capital projects expenditures during the current fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 14,361,871	\$ 13,154,992	\$ 38,054,636	\$ 37,527,726	\$ 52,416,507	\$ 50,682,718
Operating grants & contrib.	1,587,580	1,842,041	-	-	1,587,580	1,842,041
Capital grants & contrib.	1,623,758	929,414	1,589,340	1,683,070	3,213,098	2,612,484
General revenues:						
Property taxes	41,278,428	40,246,427	216,927	206,704	41,495,355	40,453,131
Other taxes	19,355,342	19,206,229	-	-	19,355,342	19,206,229
Other	4,103,275	3,866,099	354,702	345,143	4,457,977	4,211,242
<b>Total Revenues:</b>	<b>\$ 82,310,254</b>	<b>\$ 79,245,202</b>	<b>\$ 40,215,605</b>	<b>\$ 39,762,643</b>	<b>\$ 122,525,859</b>	<b>\$ 119,007,845</b>
Expenses:						
General government	\$ 20,613,735	\$ 22,179,924	\$ -	\$ -	\$ 20,613,735	\$ 22,179,924
Community development	5,464,560	5,559,447	-	-	5,464,560	5,559,447
Public safety	13,078,545	13,055,908	-	-	13,078,545	13,055,908
Public works	11,903,718	11,298,192	-	-	11,903,718	11,298,192
Recreation and Parks	23,193,122	22,483,951	-	-	23,193,122	22,483,951
Interest on long term debt	1,388,516	1,279,361	-	-	1,388,516	1,279,361
Water	-	-	10,196,312	9,541,833	10,196,312	9,541,833
Sewer	-	-	11,507,060	10,632,475	11,507,060	10,632,475
Refuse	-	-	4,655,333	4,593,424	4,655,333	4,593,424
Parking	-	-	2,004,078	1,800,872	2,004,078	1,800,872
Stormwater management	-	-	3,734,179	3,522,042	3,734,179	3,522,042
Golf Course	-	-	104,090	104,761	104,090	104,761
<b>Total Expenses:</b>	<b>\$ 75,642,196</b>	<b>\$ 75,856,783</b>	<b>\$ 32,201,052</b>	<b>\$ 30,195,407</b>	<b>\$ 107,843,248</b>	<b>\$ 106,052,190</b>
Increase in net position before transfers and contributions	6,668,058	3,388,419	8,014,553	9,567,236	14,682,611	12,955,655
Transfers and contributions	4,264,970	4,300,850	(4,264,970)	(4,300,850)	-	-
Increase/(Decrease) in net position	10,933,028	7,689,269	3,749,583	5,266,386	14,682,611	12,955,655
Net position - beginning, as previously reported	279,347,395	271,658,126	69,455,717	64,189,331	348,803,112	335,847,457
Adjustments to restate net position	(3,869,548)	-	-	-	(3,869,548)	-
<b>Net position - ending</b>	<b>\$ 286,410,875</b>	<b>\$ 279,347,395</b>	<b>\$ 73,205,300</b>	<b>\$ 69,455,717</b>	<b>\$ 359,616,175</b>	<b>\$ 348,803,112</b>

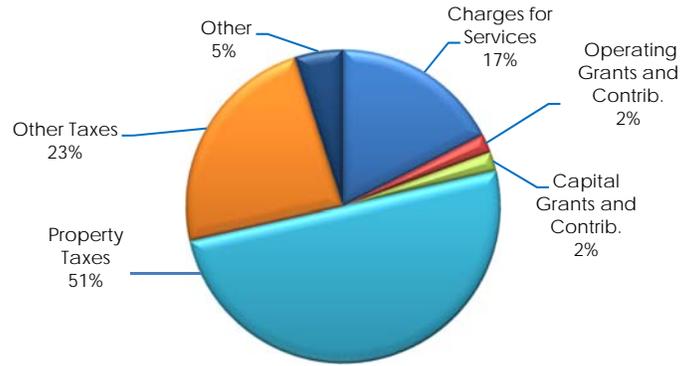
Fiscal year 2018 restatements for the adoption of GASB Statement No. 75 consisted of the following: The government-wide net position was restated by (\$3,869,548) which is the net effect of 1) removing the previously reported net OPEB obligation of \$746,803 and adding the beginning balance of the new net OPEB liability of \$4,478,915 and 2) adding the beginning balance of deferred inflows from OPEB of \$137,436.

**Governmental activities:** Governmental activities net position was \$286,410,875 at the end of the fiscal year, an increase of \$7,063,480, or 2.5% over beginning net position. Program revenues increased by \$1,646,762 (10.3%), which is made up of increases in charges for services of \$1,206,879, and increases in grant revenues of \$439,883. General revenues increased by \$1,418,290 (2.2%) which is mainly attributable to an increase in property tax revenues of \$1,032,001 and a \$312,341 increase in revenue from use of money and property. Continued efforts to closely monitor costs across every department allowed for total revenues to exceed expenses in the government-wide Statement of Activities.

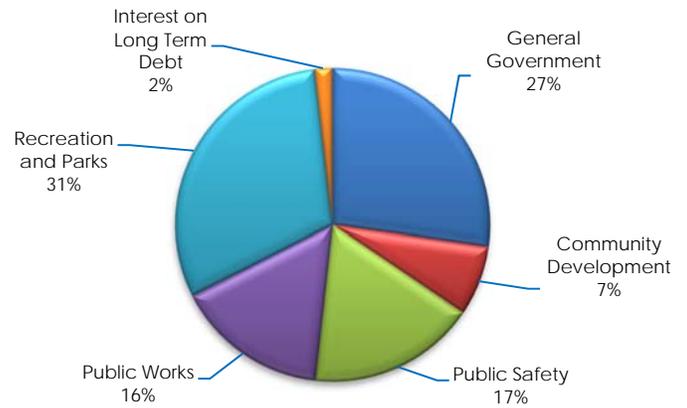
For the year ended June 30, 2018 the two most significant sources of governmental revenue were property taxes and other taxes, which include but are not limited to income tax, gas and motor vehicle tax, and county tax duplication. The two most significant governmental functional expenses were for recreation and parks and general government, which is made up of 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 \$73,205,300 at the end of the fiscal year, an increase of \$3,749,583, or 5.4% over beginning net position. Program revenues increased by \$433,180 (1.1%) 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 increased by \$2,005,645 (6.6%) when compared to the previous fiscal year. This increase is primarily due to supplemental water costs incurred during the year and continued performance-based pay and cost of living pay increases for employees.

Governmental Revenue Sources - June 30, 2018

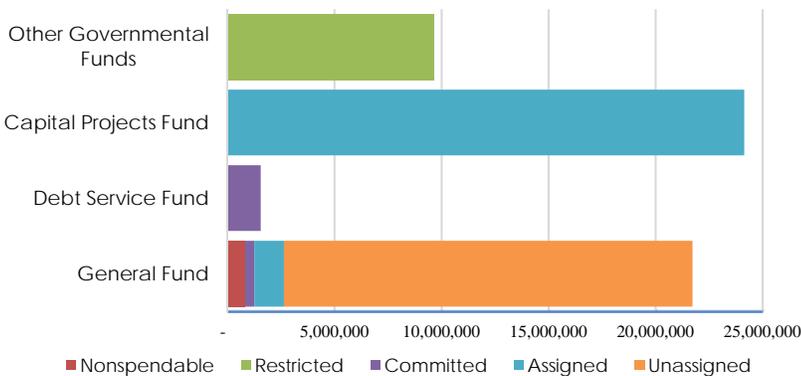


Governmental Functional Expenses - June 30, 2018



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

Governmental Fund Balance by Category



**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 of the City's governmental funds continue to hold reserves above policy level. This is reflective of the strength of the City's financial management and conservative financial practices.

At the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$57,069,750, an increase of \$7,215,971 or 14.5% in comparison with the prior fiscal year. This increase is primarily due to bond proceeds in the current year, combined with transfers to the Capital Projects Fund exceeding current year capital expenditures. The classifications of fund balance are \$824,326 as nonspendable, \$9,637,846 as restricted for special revenue programming, \$1,555,317 as committed for debt service, \$428,000 as committed for retiree cost of living increases, \$25,531,530 as assigned for capital outlays, consulting services, and other purposes, and \$19,092,731 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 \$19,092,844, of the total fund balance of \$21,730,524. The unassigned fund balance decreased \$550,452 or 2.8% from the prior fiscal year and the total fund balance increased \$554,447 or 2.6% from the prior fiscal year. The decrease in unassigned fund balance is a result of increased assignments and commitments in the General Fund. The overall increase in total fund balance is a result of General Fund revenues exceeding expenditures and transfers.

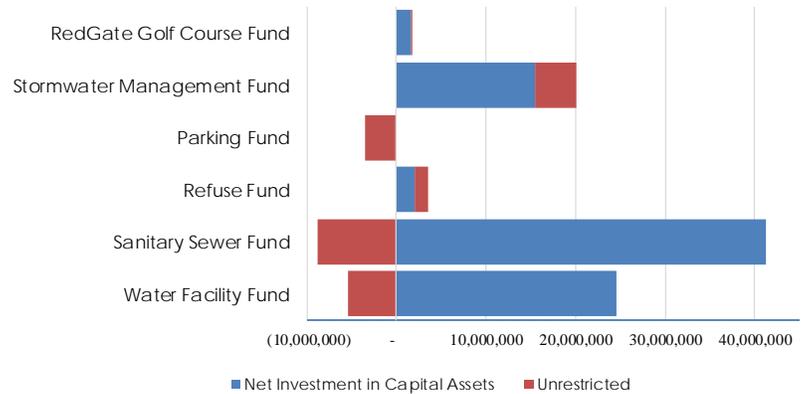
The Debt Service Fund has a total fund balance of \$1,555,317, which is committed to debt service. The decrease in fund balance was \$186,749 or 10.7%. This decrease was due to debt service expenditures exceeding transfers from the General Fund into the Debt Service Fund.

The Capital Projects Fund has a total fund balance of \$24,146,176, which is assigned to capital outlay. The increase in fund balance was \$6,678,511 or 38.2%. This increase is 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.

Proprietary Funds Net Position by Category



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 (\$5,385,164), (\$8,763,411), \$1,485,711, (\$3,545,423), \$4,578,229 and \$42,606, respectively.

Fiduciary fund. The City’s fiduciary fund provides information on the pension and post-employment health benefit trusts maintained by the City. This fund is not reported in the government-wide financial statements.

The net position of the Pension and OPEB Trust Funds at the end of the year amounted to \$145,874,621. Net position increased by \$11,588,123 or 8.6% as a result of investment performance and ongoing City contributions. The City made its full actuarially determined contributions (ADC) for both trust funds. Combining statements for the Pension and OPEB Trust Funds can be found on pages 77 and 78.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget included a \$1,422,984 increase in revenues from the original adopted budget primarily due to increased revenue projections from personal property tax and income tax. Operating expenses in the final amended budget included a \$909,602 net increase from the original adopted budget. The net increase is primarily a result of increases for reappropriation of fiscal year 2017 encumbrances.

Actual revenues were \$1,491,120 higher than the final amended budget. The increase is primarily a result of higher than projected charges for services and admissions and amusement tax of \$728,362 and \$270,266, respectively combined with other smaller variances. Actual operating expenditures were \$3,450,295 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, 2018, amounts to \$444,863,706 (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 \$6,472,684 or 1.5%.

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

- Rehabilitation and replacement of water and sewer mains throughout the City totaling \$1,192,047.
- Roof replacement and structural repairs to the Dairy Barns at the King Farm Farmstead totaling \$3,052,987.
- Ongoing construction and environmental restoration along streams and storm drain outfalls within Upper Watts Branch Park totaling \$1,928,643.
- Improvements to City roads, bridges and sidewalks continued; construction costs at the end of the current fiscal year were \$6,066,981.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 11,544,482	\$ 11,544,482	\$ 2,058,940	\$ 2,058,940	\$ 13,603,422	\$ 13,603,422
Construction in Progress	5,126,639	4,371,418	8,163,417	5,013,391	13,290,056	9,384,809
Buildings	64,037,930	65,686,956	445,566	484,682	64,483,496	66,171,638
Improvements other than Buildings	18,592,323	15,448,667	131,363,188	132,997,077	149,955,511	148,445,744
Equipment	10,755,570	11,975,670	3,311,660	3,185,421	14,067,230	15,161,091
Infrastructure	179,296,313	175,151,051	-	-	179,296,313	175,151,051
Purchased Capacity	-	-	10,167,678	10,473,267	10,167,678	10,473,267
<b>Total</b>	<b>\$ 289,353,257</b>	<b>\$ 284,178,244</b>	<b>\$ 155,510,449</b>	<b>\$ 154,212,778</b>	<b>\$ 444,863,706</b>	<b>\$ 438,391,022</b>

Additional information on the City's capital assets can be found in Note (2) D on pages 46-47 of this report.

Long-term obligations: At the end of the current fiscal year, the City had total long-term obligations of \$162,792,931, 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	
	2018	2017	2018	2017	2018	2017
Bonds Payable and Loans Payable, net	\$ 35,518,495	\$ 33,821,450	\$ 101,582,605	\$ 103,851,956	\$ 137,101,100	\$ 137,673,406
Accrued Obligations for Compensated Balances	5,105,129	4,920,012	1,001,796	984,933	6,106,925	5,904,945
Claims Payable	2,045,661	1,768,150	-	-	2,045,661	1,768,150
Net Pension Liability	14,711,304	21,520,338	-	-	14,711,304	21,520,338
Net OPEB Liability*	2,827,941	746,803	-	-	2,827,941	746,803
<b>Total Long-Term Liabilities</b>	<b>\$ 60,208,530</b>	<b>\$ 62,776,753</b>	<b>\$ 102,584,401</b>	<b>\$ 104,836,889</b>	<b>\$ 162,792,931</b>	<b>\$ 167,613,642</b>

\*The City adopted GASB Statement No. 75 in fiscal year 2018 which introduced the Net OPEB Liability. In fiscal year 2017 the City reported a Net OPEB Obligation of \$746,803.

The City's total debt principal outstanding decreased by \$1,162,058 (0.9%) 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 general obligation bonds in the current fiscal year and offset by repayments on existing long-term debt. Compensated absences increased by \$201,980 (3.4%) during the fiscal year. The net pension liability decreased \$6,809,034 (31.6%) based on projected future pension payments. The net OPEB liability was introduced in fiscal year 2018 with the adoption of GASB Statement No. 75. This represents the long-term liabilities for health benefit costs for pre-Medicare retirees, net of the City's current OPEB trust investments. The net OPEB liability of \$2,827,941 reflects an increase of \$2,081,138 (278.7%) during the fiscal year as compared to the previously reported net OPEB obligation.

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 48-53 of this report. Additional information on the City's net pension liability and net OPEB liability can be found in Note (4) and Note (5), respectively on pages 56-64 of this report.

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

The Mayor and Council adopted the Fiscal Year 2019 (FY19) operating and capital budgets on May 14, 2018. The total operating budget for all funds equals \$136.2 million, an increase of 4.5% from the previous year. The General Fund budget equals \$82.4 million, an increase of 3.4%. The FY18 real property tax rate of \$0.292 per \$100 of assessed valuation remains the same for FY19. In addition to adopting the FY19 budget ordinance, the Mayor and Council also approved several ordinances and resolutions that set the utility rates. Those include:

- A stormwater utility rate of \$132.00 per equivalent residential unit (ERU). Each residential property will pay \$132.00 or one ERU per year, and each commercial property will pay \$132.00 multiplied by the number of ERUs measured on their property. This rate reflects a 3.4% increase from the fiscal year 2018 rate of \$127.70.
- 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 4.9% increase in fiscal year 2019.
- Sewer rate of \$9.86 per 1,000 gallons, an increase of 9.7% from the FY18 rate of \$9.26.
- Refuse rate of \$445 per residential property per year, unchanged from the FY18 rate.

An important aspect of utility rate setting for the fiscal year 2019 budget were the rate increases in the water, sewer, and stormwater programs, which ensure the financial health of these operations. Mayor and Council adopted the fiscal year 2019 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 2018, a portion of the City's properties were reassessed. The three-year phase in from the 2018 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 2019. Budgeted personal property taxes are expected to increase by a modest 2.0% consistent with recent trends. These combined factors, brings estimated total real and personal property tax revenue to \$42.7 million, an increase of approximately \$1.9 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, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 47,831,555	\$ 7,217,989	\$ 55,049,544
Property tax receivable, net	268,269	-	268,269
Accounts receivable, net	1,308,102	5,486,595	6,794,697
Due from other governments	1,883,566	-	1,883,566
Prepaid assets	156,000	-	156,000
Loans receivable	1,889,274	-	1,889,274
Other assets	534,327	45,689	580,016
Unbilled assessments receivable	6,383	-	6,383
Capital assets (net of accumulated depreciation):			
Land	11,544,482	2,058,940	13,603,422
Construction in progress	5,126,639	8,163,417	13,290,056
Buildings, Improvements and Infrastructure	261,926,566	131,808,754	393,735,320
Equipment	10,755,570	3,311,660	14,067,230
Purchased capacity	-	10,167,678	10,167,678
Capital lease receivable, net	-	23,531,584	23,531,584
<b>Total Assets</b>	<b>\$ 343,230,733</b>	<b>\$ 191,792,306</b>	<b>\$ 535,023,039</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows from pensions	\$ 8,719,629	\$ -	\$ 8,719,629
Deferred charge on advance refunding	155,470	2,917,390	3,072,860
<b>Total Deferred Outflows of Resources</b>	<b>\$ 8,875,099</b>	<b>\$ 2,917,390</b>	<b>\$ 11,792,489</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 352,105,832</b>	<b>\$ 194,709,696</b>	<b>\$ 546,815,528</b>
<b>Liabilities</b>			
Accounts payable	\$ 4,488,127	\$ 3,925,964	\$ 8,414,091
Internal balances	(13,869,363)	13,869,363	-
Accrued liabilities	2,191,897	773,565	2,965,462
Unearned revenue	1,434,166	-	1,434,166
Retainages payable	373,021	292,340	665,361
Deposits and other liabilities	1,427,287	58,763	1,486,050
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	3,726,744	731,311	4,458,055
Bonds payable and loan payable, net	3,904,994	6,828,232	10,733,226
Claims payable	920,547	-	920,547
Due in more than one year:			
Compensated absences	1,378,385	270,485	1,648,870
Bonds payable and loans payable, net	31,613,501	94,754,373	126,367,874
Claims payable	1,125,114	-	1,125,114
Net pension liability	14,711,304	-	14,711,304
Net OPEB liability	2,827,941	-	2,827,941
<b>Total Liabilities</b>	<b>\$ 56,253,665</b>	<b>\$ 121,504,396</b>	<b>\$ 177,758,061</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from pensions	\$ 7,795,702	\$ -	\$ 7,795,702
Deferred inflows from OPEB	1,645,590	-	1,645,590
<b>Total Deferred Inflows of Resources</b>	<b>\$ 9,441,292</b>	<b>\$ -</b>	<b>\$ 9,441,292</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 65,694,957</b>	<b>\$ 121,504,396</b>	<b>\$ 187,199,353</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 258,103,935	\$ 84,792,752	\$ 342,896,687
Restricted for:			
Special activities fund programming	9,637,846	-	9,637,846
Unrestricted	18,669,094	(11,587,452)	7,081,642
<b>Total Net Position</b>	<b>\$ 286,410,875</b>	<b>\$ 73,205,300</b>	<b>\$ 359,616,175</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 352,105,832</b>	<b>\$ 194,709,696</b>	<b>\$ 546,815,528</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
<b>Governmental activities:</b>							
General government	\$ 20,613,735	\$ 573,971	\$ 3,617	\$ -	\$ (20,036,147)	\$ -	\$ (20,036,147)
Community development	5,464,560	2,153,492	214,262	-	(3,096,806)	-	(3,096,806)
Public safety	13,078,545	4,531,053	814,261	-	(7,733,231)	-	(7,733,231)
Public works	11,903,718	780,999	-	1,623,758	(9,498,961)	-	(9,498,961)
Recreation and parks	23,193,122	6,322,356	555,440	-	(16,315,326)	-	(16,315,326)
Interest long-term debt	1,388,516	-	-	-	(1,388,516)	-	(1,388,516)
<b>Total Governmental Activities</b>	<b>\$ 75,642,196</b>	<b>\$ 14,361,871</b>	<b>\$ 1,587,580</b>	<b>\$ 1,623,758</b>	<b>\$ (58,068,987)</b>	<b>\$ -</b>	<b>\$ (58,068,987)</b>
<b>Business-Type Activities:</b>							
Water	\$ 10,196,312	\$ 11,779,188	\$ -	\$ -	\$ -	\$ 1,582,876	\$ 1,582,876
Sewer	11,507,060	13,283,207	-	-	-	1,776,147	1,776,147
Refuse	4,655,333	6,294,727	-	-	-	1,639,394	1,639,394
Parking	2,004,078	1,004,449	-	310,046	-	(689,583)	(689,583)
Stormwater management	3,734,179	5,693,065	-	1,279,294	-	3,238,180	3,238,180
RedGate golf course	104,090	-	-	-	-	(104,090)	(104,090)
<b>Total Business-Type Activities</b>	<b>\$ 32,201,052</b>	<b>\$ 38,054,636</b>	<b>\$ -</b>	<b>\$ 1,589,340</b>	<b>\$ -</b>	<b>\$ 7,442,924</b>	<b>\$ 7,442,924</b>
<b>Total primary government</b>	<b>\$ 107,843,248</b>	<b>\$ 52,416,507</b>	<b>\$ 1,587,580</b>	<b>\$ 3,213,098</b>	<b>\$ (58,068,987)</b>	<b>\$ 7,442,924</b>	<b>\$ (50,626,063)</b>
General revenues:							
Property taxes					\$ 41,278,428	\$ 216,927	\$ 41,495,355
Income taxes					13,634,659	-	13,634,659
Gas and motor vehicle taxes					1,960,667	-	1,960,667
County tax duplication payment					2,409,750	-	2,409,750
Admissions and amusement taxes					1,350,266	-	1,350,266
Use of money and property					768,464	91,976	860,440
Other revenue					3,334,811	262,726	3,597,537
Transfers and Contributions					4,264,970	(4,264,970)	-
<b>Total general revenues and transfers</b>					<b>\$ 69,002,015</b>	<b>\$ (3,693,341)</b>	<b>\$ 65,308,674</b>
Change in net position					10,933,028	3,749,583	14,682,611
Net Position at beginning of year					279,347,395	69,455,717	348,803,112
Adjustments to restate net position					(3,869,548)	-	(3,869,548)
<b>Net Position at end of year</b>					<b>\$ 286,410,875</b>	<b>\$ 73,205,300</b>	<b>\$ 359,616,175</b>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Balance Sheet Governmental Funds June 30, 2018

Assets	General Fund	Debt		Capital	Other	Total
		Service Fund	Projects Fund	Governmental Funds	Governmental Funds	
Equity in pooled cash and cash equivalents	\$ 12,167,803	\$ 133,065	\$ 26,398,314	\$ 9,132,373	\$ 47,831,555	
Property taxes receivable, net	268,269	-	-	-	268,269	
Accounts receivable, net	517,158	-	632,239	158,705	1,308,102	
Interfund receivable	13,897,385	-	-	-	13,897,385	
Due from other governments	1,443,882	-	187,284	252,400	1,883,566	
Prepaid assets	156,000	-	-	-	156,000	
Loans receivable	183,565	1,421,738	-	283,971	1,889,274	
Other assets, net	515,038	514	18,775	-	534,327	
Unbilled assessments receivable	-	6,383	-	-	6,383	
<b>Total Assets</b>	<b>\$ 29,149,100</b>	<b>\$ 1,561,700</b>	<b>\$ 27,236,612</b>	<b>\$ 9,827,449</b>	<b>\$ 67,774,861</b>	
<b>Liabilities</b>						
Accounts payable	\$ 2,274,228	\$ -	\$ 2,086,366	\$ 127,533	\$ 4,488,127	
Interfund payable	-	-	-	28,022	28,022	
Accrued liabilities	2,047,597	-	-	-	2,047,597	
Unearned revenue	1,434,166	-	-	-	1,434,166	
Retainages payable	1,190	-	371,831	-	373,021	
Deposits and other liabilities	1,393,126	-	-	34,161	1,427,287	
<b>Total Liabilities</b>	<b>\$ 7,150,307</b>	<b>\$ -</b>	<b>\$ 2,458,197</b>	<b>\$ 189,716</b>	<b>\$ 9,798,220</b>	
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	\$ 268,269	\$ -	\$ -	\$ -	\$ 268,269	
Unavailable revenue - special assessments	-	6,383	-	-	6,383	
Unavailable revenue - grants	-	-	632,239	-	632,239	
<b>Total Deferred Inflows of Resources</b>	<b>\$ 268,269</b>	<b>\$ 6,383</b>	<b>\$ 632,239</b>	<b>\$ -</b>	<b>\$ 906,891</b>	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 7,418,576</b>	<b>\$ 6,383</b>	<b>\$ 3,090,436</b>	<b>\$ 189,716</b>	<b>\$ 10,705,111</b>	
<b>Fund Balances</b>						
Nonspendable:						
Inventory	\$ 484,761	\$ -	\$ -	\$ -	\$ 484,761	
Advances	183,565	-	-	-	183,565	
Prepaid assets	156,000	-	-	-	156,000	
Restricted for:						
Special revenue programming	-	-	-	9,637,846	9,637,846	
Committed to:						
Debt service	-	1,555,317	-	-	1,555,317	
Retiree cost of living increase	428,000	-	-	-	428,000	
Assigned for:						
Consulting services	303,683	-	-	-	303,683	
Capital outlays	1,019,739	-	24,146,176	-	25,165,915	
Other purposes	61,932	-	-	-	61,932	
Unassigned:	19,092,844	-	-	(113)	19,092,731	
<b>Total Fund Balance</b>	<b>\$ 21,730,524</b>	<b>\$ 1,555,317</b>	<b>\$ 24,146,176</b>	<b>\$ 9,637,733</b>	<b>\$ 57,069,750</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 29,149,100</b>	<b>\$ 1,561,700</b>	<b>\$ 27,236,612</b>	<b>\$ 9,827,449</b>	<b>\$ 67,774,861</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, 2018**

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

Total fund balances - governmental funds		\$ 57,069,750
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	390,431,115	
Accumulated depreciation	(101,077,858)	289,353,257

Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased.		906,891
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The unamortized deferred charge on advance refunding represents a long term outflow of resources that is not presented in the governmental funds.		155,470
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The net pension liability and the related deferred outflows and deferred inflows do not represent current financial resources or uses, and are not reported in the governmental funds.

Net pension liability	(14,711,304)	
Deferred outflows from pensions	8,719,629	
Deferred inflows from pensions	(7,795,702)	(13,787,377)

The net OPEB liability and the related deferred inflows do not represent current financial resources or uses, and are not reported in the governmental funds.

Net OPEB liability	(2,827,941)	
Deferred inflows from OPEB	(1,645,590)	(4,473,531)

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	5,105,129	
General obligation bonds payable	32,376,754	
Loans payable	52,000	
Accrued interest on the general obligation bonds	144,300	
Unamortized bond premiums on the general obligation bonds	3,089,741	
Claims payable	2,045,661	(42,813,585)

Total net position - governmental activities		\$ <u>286,410,875</u>
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See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 41,385,199	\$ -	\$ -	\$ -	\$ 41,385,199
Assessments	-	13,540	-	-	13,540
Revenue from other governments:					
Community development block grant	-	-	-	145,585	145,585
Income taxes	13,634,659	-	-	-	13,634,659
Gas and motor vehicles taxes	1,960,667	-	-	-	1,960,667
County tax duplication payment	2,409,750	-	-	-	2,409,750
Admission and amusement taxes	1,350,266	-	-	-	1,350,266
Grants and other governmental revenue	2,293,931	-	652,809	885,203	3,831,943
Licenses and permits	3,085,155	-	-	-	3,085,155
Charges for services	7,511,352	-	-	-	7,511,352
Use of money and property	495,205	53,340	207,540	12,379	768,464
Fines and forfeitures	1,443,469	-	-	1,808,045	3,251,514
Other revenues	7,034,451	-	-	533,782	7,568,233
<b>Total Revenues</b>	<b>\$ 82,604,104</b>	<b>\$ 66,880</b>	<b>\$ 860,349</b>	<b>\$ 3,384,994</b>	<b>\$ 86,916,327</b>
<b>Expenditures</b>					
Current operations:					
General government	\$ 16,327,118	\$ -	\$ -	\$ 15,500	\$ 16,342,618
Community development	5,308,230	-	-	156,330	5,464,560
Public safety	11,287,852	-	-	1,171,640	12,459,492
Public works	7,327,415	-	-	-	7,327,415
Recreation and parks	22,884,937	-	-	251,224	23,136,161
Capital outlay	1,167,515	-	11,796,995	1,740,048	14,704,558
Debt service	-	5,483,629	-	-	5,483,629
<b>Total Expenditures</b>	<b>\$ 64,303,067</b>	<b>\$ 5,483,629</b>	<b>\$ 11,796,995</b>	<b>\$ 3,334,742</b>	<b>\$ 84,918,433</b>
Excess (deficiency) of Revenues over Expenditures	\$ 18,301,037	\$ (5,416,749)	\$ (10,936,646)	\$ 50,252	\$ 1,997,894
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ 5,230,000	\$ 11,500,350	\$ 119,510	\$ 16,849,860
Transfers out	(17,746,590)	-	-	-	(17,746,590)
Issuance of general obligation bonds	-	-	5,400,000	-	5,400,000
Premium on general obligation bonds	-	-	714,807	-	714,807
<b>Total Other Financing Sources (uses)</b>	<b>\$ (17,746,590)</b>	<b>\$ 5,230,000</b>	<b>\$ 17,615,157</b>	<b>\$ 119,510</b>	<b>\$ 5,218,077</b>
Net change in fund balance	\$ 554,447	\$ (186,749)	\$ 6,678,511	\$ 169,762	\$ 7,215,971
Fund balance at beginning of year	21,176,077	1,742,066	17,467,665	9,467,971	49,853,779
<b>Fund balance at end of year</b>	<b>\$ 21,730,524</b>	<b>\$ 1,555,317</b>	<b>\$ 24,146,176</b>	<b>\$ 9,637,733</b>	<b>\$ 57,069,750</b>

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, 2018**

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

Total net change in fund balances-total governmental funds		\$ 7,215,971
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 \$14,704,558 exceeded depreciation of \$9,529,545.		5,175,013
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 in the year of the advance refunding.		(17,275)
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 proceeds during the year of \$5,400,000 exceeded bond repayments of \$4,074,204.		(1,325,796)
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.		(371,249)
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.		525,468
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	6,809,034	
Deferred outflows from pensions	1,023,206	
Deferred inflows from pensions	<u>(7,785,519)</u>	46,721
The net OPEB liability and the related deferred inflows relate to funding for future retiree benefit payments which are not considered current. Changes in the net OPEB liability and deferred inflows are reflected below:		
Net OPEB liability	1,650,974	
Deferred inflows from OPEB	<u>(1,508,154)</u>	142,820
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.		(277,511)
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 \$2,133,080 exceeded amounts used of \$1,947,963.		(185,117)
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 2018, accrued interest on long-term debt reported in the Statement of Activities decreased.		<u>3,983</u>
Change in net position of governmental activities		<u>\$ 10,933,028</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

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	\$ -	\$ -	\$ 2,192,266	\$ 99,236	\$ 4,926,487	\$ -	\$ 7,217,989
Accounts receivable, net	2,347,146	2,573,641	8,971	129,405	418,742	8,690	5,486,595
Other receivables	-	-	2,811	782	4,591	37,505	45,689
<b>Total current assets</b>	<b>\$ 2,347,146</b>	<b>\$ 2,573,641</b>	<b>\$ 2,204,048</b>	<b>\$ 229,423</b>	<b>\$ 5,349,820</b>	<b>\$ 46,195</b>	<b>\$ 12,750,273</b>
Noncurrent Assets							
Capital Assets:							
Land	123,202	-	-	-	842,697	1,093,041	2,058,940
Utility plant and equipment	86,845,427	113,961,742	8,220,705	70,302	20,341,856	2,607,389	232,047,421
Construction in progress	5,622,509	-	-	-	2,540,908	-	8,163,417
Less-accumulated depreciation	(42,135,617)	(46,709,553)	(5,425,633)	(32,502)	(5,772,774)	(1,962,703)	(102,038,782)
Purchased capacity, long-term	-	15,279,453	-	-	-	-	15,279,453
Other Noncurrent Assets:							
Accounts receivable, net	-	-	-	-	-	-	-
Capital lease, net	-	-	-	23,531,584	-	-	23,531,584
<b>Total noncurrent assets</b>	<b>\$50,455,521</b>	<b>\$ 82,531,642</b>	<b>\$ 2,795,072</b>	<b>\$ 23,569,384</b>	<b>\$ 17,952,687</b>	<b>\$1,737,727</b>	<b>\$179,042,033</b>
<b>Total Assets</b>	<b>\$52,802,667</b>	<b>\$ 85,105,283</b>	<b>\$ 4,999,120</b>	<b>\$ 23,798,807</b>	<b>\$ 23,302,507</b>	<b>\$1,783,922</b>	<b>\$191,792,306</b>
<b>Deferred Outflows of Resources</b>							
Deferred charge on advance refunding	\$ 290,061	\$ 94,555	\$ -	\$ 2,532,774	\$ -	\$ -	\$ 2,917,390
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$53,092,728</b>	<b>\$ 85,199,838</b>	<b>\$ 4,999,120</b>	<b>\$ 26,331,581</b>	<b>\$ 23,302,507</b>	<b>\$1,783,922</b>	<b>\$194,709,696</b>
<b>Liabilities</b>							
Current Liabilities							
Bonds payable within 1yr	\$ 2,235,144	\$ 3,019,799	\$ 90,000	\$ 1,160,000	\$ 301,262	\$ 22,027	\$ 6,828,232
Accounts payable	938,849	2,295,090	331,587	9,516	350,922	-	3,925,964
Interfund payable	5,119,352	8,747,705	-	-	-	2,306	13,869,363
Accrued liabilities	245,366	204,878	121,584	105,916	94,538	1,283	773,565
Compensated absences	269,836	134,272	193,571	2,574	131,058	-	731,311
Retainages payable	145,741	-	-	-	146,599	-	292,340
Deposits / other liabilities	58,763	-	-	-	-	-	58,763
<b>Total Current Liabilities</b>	<b>\$ 9,013,051</b>	<b>\$ 14,401,744</b>	<b>\$ 736,742</b>	<b>\$ 1,278,006</b>	<b>\$ 1,024,379</b>	<b>\$ 25,616</b>	<b>\$ 26,479,538</b>
Noncurrent Liabilities							
Compensated absences	99,802	49,662	71,595	952	48,474	-	270,485
Bonds payable, net	24,837,458	38,311,826	713,274	28,598,046	2,187,191	106,578	94,754,373
<b>Total noncurrent liabilities</b>	<b>\$24,937,260</b>	<b>\$ 38,361,488</b>	<b>\$ 784,869</b>	<b>\$ 28,598,998</b>	<b>\$ 2,235,665</b>	<b>\$ 106,578</b>	<b>\$ 95,024,858</b>
<b>Total Liabilities</b>	<b>\$33,950,311</b>	<b>\$ 52,763,232</b>	<b>\$ 1,521,611</b>	<b>\$ 29,877,004</b>	<b>\$ 3,260,044</b>	<b>\$ 132,194</b>	<b>\$121,504,396</b>
<b>Net Position</b>							
Net investment in capital assets	\$24,527,581	\$ 41,200,017	\$ 1,991,798	\$ -	\$ 15,464,234	\$1,609,122	\$ 84,792,752
Unrestricted	(5,385,164)	(8,763,411)	1,485,711	(3,545,423)	4,578,229	42,606	(11,587,452)
<b>Total net position</b>	<b>\$19,142,417</b>	<b>\$ 32,436,606</b>	<b>\$ 3,477,509</b>	<b>\$ (3,545,423)</b>	<b>\$ 20,042,463</b>	<b>\$1,651,728</b>	<b>\$ 73,205,300</b>
<b>Total Liabilities and Net Position</b>	<b>\$53,092,728</b>	<b>\$ 85,199,838</b>	<b>\$ 4,999,120</b>	<b>\$ 26,331,581</b>	<b>\$ 23,302,507</b>	<b>\$1,783,922</b>	<b>\$194,709,696</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, 2018**

	Business-Type Activities - Enterprise Funds					RedGate Golf Course Fund	Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund		
<b>Operating Revenues</b>							
Charges for Services	\$11,779,188	\$13,283,207	\$6,294,727	\$ 1,004,449	\$ 5,693,065	\$ -	\$ 38,054,636
Other Revenues	147,019	25,365	15,463	248,696	31,110	12,000	479,653
Total Operating Revenues	<u>\$11,926,207</u>	<u>\$13,308,572</u>	<u>\$6,310,190</u>	<u>\$ 1,253,145</u>	<u>\$ 5,724,175</u>	<u>\$ 12,000</u>	<u>\$ 38,534,289</u>
<b>Operating Expenses</b>							
Treatment and purification	2,822,539	-	-	-	-	-	2,822,539
Distribution	1,657,367	-	-	-	-	-	1,657,367
Collection and disposal	-	3,244,039	3,591,570	-	-	-	6,835,609
Customer billing, collection, operating expenses	2,930,504	3,195,978	1,797,861	726,291	3,703,564	-	12,354,198
Repairs and maintenance	128,686	128,164	549,991	12,031	76,249	-	895,121
Total Operating Expenses	<u>\$ 7,539,096</u>	<u>\$ 6,568,181</u>	<u>\$5,939,422</u>	<u>\$ 738,322</u>	<u>\$ 3,779,813</u>	<u>\$ -</u>	<u>\$ 24,564,834</u>
Operating income (loss) before depreciation	4,387,111	6,740,391	370,768	514,823	1,944,362	12,000	13,969,455
Less - depreciation	(3,337,704)	(4,581,343)	(360,374)	(11,861)	(784,093)	(100,549)	(9,175,924)
Operating Income (loss)	<u>\$ 1,049,407</u>	<u>\$ 2,159,048</u>	<u>\$ 10,394</u>	<u>\$ 502,962</u>	<u>\$ 1,160,269</u>	<u>\$ (88,549)</u>	<u>\$ 4,793,531</u>
<b>Nonoperating Income (Expenses)</b>							
Interest income	-	-	30,099	10,229	51,468	180	91,976
Interest expense	(847,306)	(1,242,330)	(23,537)	(1,263,475)	(47,873)	(3,541)	(3,428,062)
Other, net	(29,006)	(10,506)	-	(154,420)	-	-	(193,932)
Total Nonoperating Income	<u>\$ (876,312)</u>	<u>\$ (1,252,836)</u>	<u>\$ 6,562</u>	<u>\$ (1,407,666)</u>	<u>\$ 3,595</u>	<u>\$ (3,361)</u>	<u>\$ (3,530,018)</u>
Income (loss) before capital contributions and transfers	173,095	906,212	16,956	(904,704)	1,163,864	(91,910)	1,263,513
<b>Capital Grants and Contributions</b>	-	-	-	310,046	1,279,294	-	1,589,340
<b>Transfers</b>							
Transfer (to) from Proprietary Funds	425,620	(425,620)	-	-	-	-	-
Transfer from General Fund	-	-	46,730	850,000	-	-	896,730
Total Transfers	<u>\$ 425,620</u>	<u>\$ (425,620)</u>	<u>\$ 46,730</u>	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896,730</u>
Increase (decrease) net position	598,715	480,592	63,686	255,342	2,443,158	(91,910)	3,749,583
Net position at beginning of year	\$18,543,702	\$31,956,014	\$3,413,823	\$(3,800,765)	\$17,599,305	\$ 1,743,638	\$ 69,455,717
Net position at end of year	<u>\$19,142,417</u>	<u>\$32,436,606</u>	<u>\$3,477,509</u>	<u>\$(3,545,423)</u>	<u>\$20,042,463</u>	<u>\$ 1,651,728</u>	<u>\$ 73,205,300</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, 2018

	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>Cash Flows from operating activities:</b>							
Cash received from customers	\$ 11,974,204	\$ 13,194,974	\$ 6,359,567	\$ 1,342,294	\$ 5,719,039	\$ 4,311	\$ 38,594,389
Cash payments to suppliers for goods and services	(3,632,778)	(4,296,074)	(3,334,605)	(497,786)	(1,518,407)	-	(13,279,650)
Cash payments to employees for services	(3,579,358)	(1,878,611)	(2,571,615)	(276,972)	(2,218,510)	-	(10,525,066)
Net cash provided by operating activities	<u>\$ 4,762,068</u>	<u>\$ 7,020,289</u>	<u>\$ 453,347</u>	<u>\$ 567,536</u>	<u>\$ 1,982,122</u>	<u>\$ 4,311</u>	<u>\$ 14,789,673</u>
<b>Cash Flows from noncapital financing activities:</b>							
Transfer in from the General Fund	\$ -	\$ -	\$ 46,730	\$ 850,000	\$ -	\$ -	\$ 896,730
Transfer (to) from Proprietary Funds	425,620	(425,620)	-	-	-	-	-
Proceeds from interfund payable	-	-	-	-	-	2,306	2,306
Retirement of interfund payable	(979,982)	(1,925,774)	-	-	-	-	(2,905,756)
Net cash provided by (used in) noncapital financing activities	<u>\$ (554,362)</u>	<u>\$ (2,351,394)</u>	<u>\$ 46,730</u>	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 2,306</u>	<u>\$ (2,006,720)</u>
<b>Cash Flows from capital and related financing activities:</b>							
Capital grants and contributions	\$ -	\$ -	\$ -	\$ 310,046	\$ 1,425,525	\$ -	\$ 1,735,571
Acquisition and construction of capital assets	(2,446,216)	(3,681,933)	(681,627)	-	(2,876,058)	-	(9,685,834)
Principal paid on general obligation bond maturities	(2,635,283)	(3,023,533)	(90,000)	(1,170,860)	(300,781)	(22,397)	(7,242,854)
Interest paid on general obligation bonds	(1,028,592)	(1,445,474)	(32,794)	(1,270,984)	(70,133)	(5,070)	(3,853,047)
Proceeds from capital lease	-	-	-	323,960	-	-	323,960
Proceeds from issuance of debt/current refunding	1,902,385	3,482,045	-	-	-	-	5,384,430
Net cash used in capital and related financing activities	<u>\$ (4,207,706)</u>	<u>\$ (4,668,895)</u>	<u>\$ (804,421)</u>	<u>\$ (1,807,838)</u>	<u>\$ (1,821,447)</u>	<u>\$ (27,467)</u>	<u>\$ (13,337,774)</u>
<b>Cash Flows from investing activities:</b>							
Interest on investments	\$ -	\$ -	\$ 28,973	\$ 9,867	\$ 49,263	\$ 186	\$ 88,289
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,371)</u>	<u>\$ (380,435)</u>	<u>\$ 209,938</u>	<u>\$ (20,664)</u>	<u>\$ (466,532)</u>
Cash and cash equivalents at the beginning 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>
Cash and cash equivalents at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,192,266</u>	<u>\$ 99,236</u>	<u>\$ 4,926,487</u>	<u>\$ -</u>	<u>\$ 7,217,989</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, 2018

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>	\$ 1,049,407	\$ 2,159,048	\$ 10,394	\$ 502,962	\$ 1,160,269	\$ (88,549)	\$ 4,793,531
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation and amortization	\$ 3,337,704	\$ 4,581,343	\$ 360,374	\$ 11,861	\$ 784,093	\$ 100,549	\$ 9,175,924
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	5,729	(113,596)	49,377	89,149	(5,133)	(7,689)	17,837
Increase (decrease) in accounts payable	235,607	550,933	33,181	(28,493)	(30,221)	-	761,007
Increase (decrease) in accrued liabilities	1,991	5,447	3,374	(2,079)	6,374	-	15,107
Increase (decrease) in compensated absences	14,095	3,424	(3,353)	(5,864)	8,561	-	16,863
Increase (decrease) in retainages payable	75,267	(166,310)	-	-	58,179	-	(32,864)
Increase (decrease) in deposits and other liabilities	42,268	-	-	-	-	-	42,268
Total adjustments	<u>\$ 3,712,661</u>	<u>\$ 4,861,241</u>	<u>\$ 442,953</u>	<u>\$ 64,574</u>	<u>\$ 821,853</u>	<u>\$ 92,860</u>	<u>\$ 9,996,142</u>
Net cash provided by operating activities	<u>\$ 4,762,068</u>	<u>\$ 7,020,289</u>	<u>\$ 453,347</u>	<u>\$ 567,536</u>	<u>\$ 1,982,122</u>	<u>\$ 4,311</u>	<u>\$ 14,789,673</u>
Noncash capital and related financing activities:							
Purchase of equipment on account	<u>\$ (139,949)</u>	<u>\$ 1,375,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (447,516)</u>	<u>\$ -</u>	<u>\$ 787,761</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2018

	Pension and OPEB Trust Funds
<b>Assets</b>	
Open End Mutual Funds:	
Bonds	\$ 31,264,535
Equities	92,895,466
Real estate	14,078,616
Global real assets	6,630,170
Money markets	1,027,775
<b>Total Assets</b>	<u>\$ 145,896,562</u>
<b>Liabilities</b>	
Benefits Payable	<u>\$ 21,941</u>
<b>Net Position</b>	
Restricted for plan benefits	<u>\$ 145,874,621</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 145,896,562</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Fund  
 For the Fiscal Year Ended June 30, 2018

	Pension and OPEB Trust Funds
<b>Additions</b>	
Contributions	
Employer	\$ 5,306,026
Plan Members	2,206,504
Total Contributions	\$ 7,512,530
Investment earnings	
Net appreciation in the fair value of plan investments	10,461,483
Interest and dividends	1,103,335
Total investment earnings	11,564,818
Less investment expense	(803,125)
Net investment earnings	\$ 10,761,693
Total Additions	\$ 18,274,223
<b>Deductions</b>	
Benefits	\$ 6,633,478
Administrative expense	52,622
Total Deductions	\$ 6,686,100
Net Increase	\$ 11,588,123
Net position at beginning of year	134,286,498
Net position at end of year	\$ 145,874,621

**City of Rockville, Maryland**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

(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 68,783 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, police 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 of 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 Refuse 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 Refuse Fund accounts for the financial activity associated with the collection and disposal of residential recycling, refuse and yard waste. 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 fund includes the Pension and OPEB Trust Funds which accounts 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 capital contribution charges 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. Budgetary Basis of Accounting**

Annual budgets for governmental and proprietary funds are adopted on a basis consistent with generally accepted accounting principles. The budget for the capital projects fund and capital projects activities in other funds are appropriated on a project-length basis and serve as a guide for the City's financial planning.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a fund. Transfers of appropriations between funds require the approval of the Mayor and Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget.

**E. 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 and OPEB Trust Fund assets are separately managed by the City's Retirement Board. The Pension and OPEB 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 2018. 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**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, donated works of art, and similar assets and capital assets received in a service concession arrangement, are reported at acquisition value. 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 the 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.

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, special assessments and grants reported in the Governmental Fund Balance Sheet, and the deferred outflows and inflows from pension and OPEB activities reported in the government-wide Statement of Net Position. A deferred charge on an advance refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred inflows and outflows from pension and OPEB 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.

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**8. Long-Term Obligations (continued)

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 and OPEB

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

10. Interfund Transactions

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

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 unassigned 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, is adjusted for unspent debt proceeds of \$1,144,662 attributable to business-type activities. Unspent debt proceeds of \$4,269,173 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 \$9,637,846, 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 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 \$37,939,499 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, 2018, 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	\$ 17,110,045	\$ -	0.00%
Maryland Local Government Pool (MLGIP)	37,939,499	-	0.94% - 1.82%
	\$ 55,049,544	\$ -	
Open-End Mutual Funds	-	145,896,562	1.17% - 15.94%
Total Fair Market Value of Investments	\$ 55,049,544	\$ 145,896,562	

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.

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

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

The City has the following recurring fair value measurements as of June 30, 2018:

- Amounts invested in open-end mutual funds of \$100,553,411 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 \$31,264,535 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 \$14,078,616 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, 2018, the City's bank balance was \$17,110,045, all of which were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City's name.

**Investments:**

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The MLGIP pooled money market funds and open-end mutual funds are highly liquid with no fixed maturity and therefore do not expose the City to interest rate risk. The maximum allowable maturity of any individual security within the MLGIP is 397 days. The average life of the MLGIP will generally range between 25-55 days. A portion of the Pension and OPEB trust funds are invested in open-end fixed income bond funds. These funds consist of debt instruments with average maturities ranging from 5.13 years to 7.78 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, 2018.

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

**B. Receivables**

Receivables as of the year ended June 30, 2018 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	\$ -	\$ -	\$ -	\$ -	\$ 2,354,342	\$ 2,586,476	\$ 8,971	\$ -	\$ 278,084	\$ -	\$ 5,227,873
Property Taxes Receivable	784,019	-	-	-	-	-	-	-	-	-	784,019
Accounts Receivable	517,158	-	632,239	158,705	-	-	-	263,990	-	8,690	1,580,782
Interfund Receivable	13,897,385	-	-	-	-	-	-	-	-	-	13,897,385
Due from Other Governments	1,443,882	-	187,284	252,400	-	-	-	-	140,658	-	2,024,224
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	30,277	514	18,775	-	-	-	2,811	782	4,591	37,505	95,255
Unbilled Assessments Receivable	-	6,383	-	-	-	-	-	-	-	-	6,383
Gross Receivables	16,856,286	1,428,635	838,298	695,076	2,354,342	2,586,476	11,782	264,772	423,333	46,195	25,505,195
Allowance for Uncollectibles	(515,750)	-	-	-	(7,196)	(12,835)	-	(134,585)	-	-	(670,366)
Net Receivables	\$ 16,340,536	\$ 1,428,635	\$ 838,298	\$ 695,076	\$ 2,347,146	\$ 2,573,641	\$ 11,782	\$ 130,187	\$ 423,333	\$ 46,195	\$ 24,834,829

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$670,366 at June 30, 2018, and is composed of the following:

General Fund property taxes receivable	\$ 515,750
Enterprise Funds utility fees receivable	20,031
Enterprise Funds parking citations receivable	134,585
Total allowance for uncollectibles	<u>\$ 670,366</u>

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

**B. Receivables (Continued)**

Governmental funds report deferred inflows 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 inflows and unearned revenue in the governmental funds were as follows:

	Deferred	Unearned
Special assessments not yet due (Debt Service Fund)	\$ 6,383	\$ -
Property taxes receivable (General Fund)	268,269	-
Grant revenues receivable (Capital Projects Fund)	632,239	-
Recreation services not earned (General Fund)	-	1,434,166
Total deferred/unearned revenue for governmental funds	<u>\$ 906,891</u>	<u>\$ 1,434,166</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, 2018.

REL P One, L.P. - The loan in the total amount of \$120,000 was issued on June 12, 2003 to REL P One, L.P. The loan bears no interest. The loan is secured by a Second Deed of Trust, Security Agreement and Assignment of Rents dated June 12, 2003. The maturity date is June 30, 2043. The loan is recorded in the General Fund. The outstanding balance was \$120,000 as of June 30, 2018.

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, 2018, 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 a contingent grant award, as an economic development initiative for Choice Hotels International, Inc., for the purpose of attracting business activity to the City. The grant has performance requirements, when if met, will initiate the City's recognition of the grant expenditure. If the performance requirements are not met, the contingent grant will convert to a loan receivable and bear interest at 3% per annum. The performance period for the contingent grant award of \$156,000 to Choice Hotels International, Inc. will conclude in August 2023. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. At June 30, 2018, 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, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,544,482	\$ -	\$ -	\$ -	\$ 11,544,482
Construction in progress	4,371,418	6,851,175	-	(6,095,954)	5,126,639
Total capital assets, not being depreciated	<u>\$ 15,915,900</u>	<u>\$ 6,851,175</u>	<u>\$ -</u>	<u>\$ (6,095,954)</u>	<u>\$ 16,671,121</u>
Capital assets, being depreciated:					
Buildings	85,827,445	-	-	642,961	86,470,406
Improvements other than buildings	22,912,829	829,852	-	3,532,920	27,275,601
Equipment	28,039,240	1,077,926	(446,445)	-	28,670,721
Infrastructure	223,477,588	5,945,605	-	1,920,073	231,343,266
Total capital assets being depreciated	<u>\$ 360,257,102</u>	<u>\$ 7,853,383</u>	<u>\$ (446,445)</u>	<u>\$ 6,095,954</u>	<u>\$ 373,759,994</u>
Less accumulated depreciation for:					
Buildings	(20,140,489)	(2,291,987)	-	-	(22,432,476)
Improvements other than buildings	(7,464,162)	(1,219,116)	-	-	(8,683,278)
Equipment	(16,063,570)	(2,298,026)	446,445	-	(17,915,151)
Infrastructure	(48,326,537)	(3,720,416)	-	-	(52,046,953)
Total accumulated depreciation	<u>\$ (91,994,758)</u>	<u>\$ (9,529,545)</u>	<u>\$ 446,445</u>	<u>\$ -</u>	<u>\$ (101,077,858)</u>
Total capital assets, being depreciated, net	<u>268,262,344</u>	<u>(1,676,162)</u>	<u>-</u>	<u>6,095,954</u>	<u>272,682,136</u>
Governmental activities capital assets, net	<u>\$ 284,178,244</u>	<u>\$ 5,175,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,353,257</u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	5,013,391	3,798,103	-	(648,077)	8,163,417
Total capital assets, not being depreciated	<u>\$ 7,072,331</u>	<u>\$ 3,798,103</u>	<u>\$ -</u>	<u>\$ (648,077)</u>	<u>\$ 10,222,357</u>
Capital assets, being depreciated:					
Buildings	4,447,888	-	-	-	4,447,888
Improvements other than buildings	208,676,221	5,955,680	-	648,077	215,279,978
Equipment	11,710,375	719,812	(110,632)	-	12,319,555
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 240,113,937</u>	<u>\$ 6,675,492</u>	<u>\$ (110,632)</u>	<u>\$ 648,077</u>	<u>\$ 247,326,874</u>
Less accumulated depreciation for:					
Buildings	(3,963,206)	(39,116)	-	-	(4,002,322)
Improvements other than buildings	(75,679,144)	(8,237,646)	-	-	(83,916,790)
Equipment	(8,524,954)	(593,573)	110,632	-	(9,007,895)
Purchased capacity	(4,806,186)	(305,589)	-	-	(5,111,775)
Total accumulated depreciation	<u>\$ (92,973,490)</u>	<u>\$ (9,175,924)</u>	<u>\$ 110,632</u>	<u>\$ -</u>	<u>\$ (102,038,782)</u>
Total capital assets, being depreciated, net	<u>147,140,447</u>	<u>(2,500,432)</u>	<u>-</u>	<u>648,077</u>	<u>145,288,092</u>
Business-type activities capital assets, net	<u>\$ 154,212,778</u>	<u>\$ 1,297,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,510,449</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	\$ 3,963,828
Community Development	-
Public Safety	932,453
Public Works	4,576,303
Recreation and Parks	56,961
Total depreciation expense - governmental activities	<u>\$ 9,529,545</u>
Business-Type Activities:	
Water	\$ 3,337,704
Sewer	4,581,344
Refuse	360,374
Parking	11,860
Stormwater Management	784,093
RedGate Golf Course	100,549
Total depreciation expense - business-type activities	<u>\$ 9,175,924</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, 2018 consisted of the following:

	Interfund Payable Total
Governmental Funds:	
Community Development Block Grant Fund	\$ 28,022
Proprietary Funds:	
Water Facility Fund	5,119,352
Sanitary Sewer Fund	8,747,705
RedGate Golf Course Fund	2,306
Total	<u>\$ 13,897,385</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, 2018 consisted of the following:

	Transfers from General Fund
Debt Service Fund	\$ 5,230,000
Capital Projects Fund	11,500,350
Special Activities Fund	119,510
Refuse Fund	46,730
Parking Fund	850,000
Total	<u>\$ 17,746,590</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, Art in Public Places program and Senior Assistance 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, 2018 the Sewer Fund transferred \$425,620 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 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, 2018 are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
<b>Governmental Activities</b>				
General Improvements - 2010	2010	\$ 9,995,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	376,713	2.00 - 3.00%	2021
General Improvements - Refunding 2013B	2013	2,241,586	3.00 - 4.00%	2023
Loan Payable - Montgomery County	2013	52,000	0.00%	2019
General Improvements - Refunding 2014A	2014	3,181,447	2.00 - 5.00%	2024
General Improvements - 2014B	2014	2,210,000	2.00 - 5.00%	2025
General Improvements - Refunding 2015A	2015	4,235,129	4.00 - 5.00%	2025
General Improvements - 2016A	2016	990,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	4,011,879	2.00 - 5.00%	2028
General Improvements - 2017A	2017	5,135,000	4.00%	2037
Total Governmental Activities		<u>\$ 32,428,754</u>		
<b>Business-Type Activities</b>				
Loan Payable - State of Maryland	1999	\$ 185,488	3.21%	2019
Loan Payable - State of Maryland	2000	269,879	3.64%	2020
Loan Payable - State of Maryland	2002	1,002,106	1.90%	2023
Loan Payable - State of Maryland	2005	508,642	0.00%	2025
Loan Payable - State of Maryland	2010	592,050	1.00%	2031
General Improvements - 2010	2010	6,330,000	3.00 - 4.10%	2031
General Improvements - Refunding 2011A	2011	478,287	2.00 - 3.00%	2021
General Improvements - 2011B	2011	6,870,000	2.00 - 3.375%	2032
General Improvements - Advance Refunding 2011C	2011	29,710,000	3.50 - 4.375%	2036
General Improvements - 2013A	2013	12,755,000	3.00 - 4.00%	2034
General Improvements - Refunding 2013B	2013	728,414	3.00 - 4.00%	2023
General Improvements - Refunding 2014A	2014	753,553	2.00 - 5.00%	2024
General Improvements - 2014B	2014	9,150,000	2.00 - 5.00%	2035
General Improvements - Refunding 2015A	2015	3,194,871	4.00 - 5.00%	2025
General Improvements - 2015B	2015	9,075,000	2.00 - 5.00%	2036
General Improvements - 2016A	2016	4,600,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	6,513,121	2.00 - 5.00%	2028
General Improvements - 2017A	2017	4,520,000	4.00%	2037
Total Business-Type Activities		<u>\$ 97,236,411</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	\$ 32,428,754	\$ 97,236,411
Unamortized bond premiums	3,089,741	4,346,194
Long-term outstanding debt, net	<u>\$ 35,518,495</u>	<u>\$ 101,582,605</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	
2019	\$ 3,904,994	\$ 1,268,855	\$ 5,173,849
2020	3,908,488	1,112,352	5,020,840
2021	3,876,048	971,225	4,847,273
2022	3,332,422	826,031	4,158,453
2023	3,325,373	694,888	4,020,261
2024	2,876,802	562,651	3,439,453
2025	2,387,537	447,307	2,834,844
2026	1,456,970	345,555	1,802,525
2027	1,460,120	286,338	1,746,458
2028	1,000,000	226,455	1,226,455
2029	1,000,000	188,907	1,188,907
2030	1,000,000	150,007	1,150,007
2031	1,000,000	111,107	1,111,107
2032	325,000	71,530	396,530
2033	325,000	59,494	384,494
2034	325,000	47,456	372,456
2035	325,000	35,350	360,350
2036	325,000	23,175	348,175
2037	275,000	11,000	286,000
<b>Total</b>	<u>\$ 32,428,754</u>	<u>\$ 7,439,683</u>	<u>\$ 39,868,437</u>

Note: Principal amounts do not include net unamortized bond premiums of \$3,089,741 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		
2019	\$ 2,235,144	\$ 945,169	\$ 3,019,799	\$ 1,356,864	\$ 90,000	\$ 30,094	\$ 1,160,000	\$ 1,223,641	\$ 301,262	\$ 58,121	\$ 22,027	\$ 4,398	\$ 10,446,519	
2020	2,059,582	838,403	3,014,872	1,239,418	90,000	26,494	1,210,000	1,177,241	301,749	48,635	22,027	3,517	10,031,938	
2021	1,932,400	759,586	3,019,875	1,129,395	90,000	21,994	1,255,000	1,128,841	302,238	44,544	22,027	2,636	9,708,536	
2022	1,941,740	681,277	2,852,969	1,009,722	95,000	17,494	1,305,000	1,078,641	302,735	35,048	22,027	1,755	9,343,408	
2023	1,947,065	604,145	2,848,754	898,126	95,000	12,744	1,360,000	1,026,441	303,235	25,547	21,841	874	9,143,772	
2024	1,740,475	529,859	2,727,723	793,692	90,000	7,994	1,405,000	978,841	303,740	17,841	-	-	8,595,165	
2025	1,741,921	461,629	2,610,542	688,763	95,000	4,394	1,455,000	926,856	304,252	10,131	-	-	8,298,488	
2026	1,585,000	397,352	2,298,030	603,086	95,000	2,254	1,510,000	871,566	52,105	2,415	-	-	7,416,808	
2027	1,580,000	341,420	2,299,879	528,861	-	-	1,575,000	811,166	52,626	1,894	-	-	7,190,846	
2028	1,575,000	283,745	2,030,000	452,996	-	-	1,635,000	746,591	53,152	1,368	-	-	6,777,852	
2029	1,160,000	226,046	2,025,000	390,466	-	-	1,705,000	678,739	53,682	836	-	-	6,239,769	
2030	1,160,000	188,552	2,030,000	327,047	-	-	1,775,000	607,129	29,916	299	-	-	6,117,943	
2031	1,150,000	150,709	2,025,000	262,692	-	-	1,855,000	532,579	-	-	-	-	5,975,980	
2032	925,000	113,003	1,770,000	198,275	-	-	1,930,000	454,669	-	-	-	-	5,390,947	
2033	775,000	83,617	1,430,000	142,170	-	-	2,010,000	372,644	-	-	-	-	4,813,431	
2034	775,000	58,845	1,430,000	97,007	-	-	2,095,000	287,219	-	-	-	-	4,743,071	
2035	530,000	34,319	880,000	52,288	-	-	2,190,000	195,563	-	-	-	-	3,882,170	
2036	405,000	16,748	550,000	23,576	-	-	2,280,000	99,750	-	-	-	-	3,375,074	
2037	85,000	3,400	150,000	6,000	-	-	-	-	-	-	-	-	244,400	
<b>Total</b>	<b>\$ 25,303,327</b>	<b>\$ 6,717,824</b>	<b>\$ 39,012,443</b>	<b>\$ 10,200,444</b>	<b>\$ 740,000</b>	<b>\$ 123,462</b>	<b>\$ 29,710,000</b>	<b>\$ 13,198,117</b>	<b>\$ 2,360,692</b>	<b>\$ 246,679</b>	<b>\$ 109,949</b>	<b>\$ 13,180</b>	<b>\$ 127,736,117</b>	

Note: Principal amounts do not include net unamortized bond premiums of \$4,346,194 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	
2019 - 2023	\$ 18,347,325	\$ 4,873,351	\$ 23,220,676
2024 - 2028	9,181,429	1,868,306	\$ 11,049,735
2029 - 2033	3,650,000	581,045	\$ 4,231,045
2034 - 2037	1,250,000	116,981	\$ 1,366,981
<b>Total</b>	<b>\$ 32,428,754</b>	<b>\$ 7,439,683</b>	<b>\$ 39,868,437</b>

Note: Principal amounts do not include net unamortized bond premiums of \$3,089,741 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	
2019 - 2023	\$ 10,115,931	\$ 3,828,580	\$ 14,756,269	\$ 5,633,525	\$ 460,000	\$ 108,820	\$ 6,290,000	\$ 5,634,805	\$ 1,511,219	\$ 211,895	\$ 109,949	\$ 13,180	\$ 48,674,173
2024 - 2028	8,222,396	2,014,005	11,966,174	3,067,398	280,000	14,642	7,580,000	4,335,020	765,875	33,649	-	-	38,279,159
2029 - 2033	5,170,000	761,927	9,280,000	1,320,650	-	-	9,275,000	2,645,760	83,598	1,135	-	-	28,538,070
2034 - 2037	1,795,000	113,312	3,010,000	178,871	-	-	6,565,000	582,532	-	-	-	-	12,244,715
<b>Total</b>	<b>\$ 25,303,327</b>	<b>\$ 6,717,824</b>	<b>\$ 39,012,443</b>	<b>\$ 10,200,444</b>	<b>\$ 740,000</b>	<b>\$ 123,462</b>	<b>\$ 29,710,000</b>	<b>\$ 13,198,117</b>	<b>\$ 2,360,692</b>	<b>\$ 246,679</b>	<b>\$ 109,949</b>	<b>\$ 13,180</b>	<b>\$ 127,736,117</b>

Note: Principal amounts do not include net unamortized bond premiums of \$4,346,194 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, 2018 there is \$1,457,473 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, 2018 the outstanding loan payable in the Stormwater Management Fund is \$508,642.

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 \$592,050 remained outstanding in the Stormwater Management Fund as of June 30, 2018.

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 loans 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. During the year one loan was repaid. As of June 30, 2018 the remaining outstanding loan payable is \$52,000.

Defeasance of Debt

In prior years, the City defeased general obligation bonds in the Parking Fund. At June 30, 2018 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, 2018 the City recognized expenses of \$189,958 and the remaining deferred charge on advance refunding is \$2,532,774.

In fiscal year 2017, the City defeased general obligation bonds in the Debt Service, Water and Sewer Funds. At June 30, 2018 there are no defeased bonds outstanding within these funds, however 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 term of the new general obligation bonds. For the year ended June 30, 2018 the City recognized expenses of \$56,787 and the remaining deferred charge on advance refunding is \$540,086.

Conduit Debt Obligations

From time to time, the City may issue Economic Revenue Development Bonds to provide financial assistance to non-profit 501(c)3 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 non-profit 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.

In November 2017, the City issued Economic Development Revenue Bonds totaling \$224,280,000 for the financing and refinancing of the acquisition and improvement of King Farm Presbyterian Retirement Community. The principal amount payable at June 30, 2018 totals \$224,280,000.

As of June 30, 2018, there are Economic Development Revenue Bonds outstanding with National Lutheran Home & Village at Rockville, Inc. with a principal amount payable of \$20,610,000.

Bonds Authorized For Future Issuance

On May 14, 2018 the Mayor and Council authorized the issuance and sale of general obligation bonds for an amount not to exceed \$12,620,000. At June 30, 2018 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, 2018:

	Balance as of 6/30/17	Additions	Reductions	Balance as of 6/30/18	Due within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 30,861,625	\$ 5,400,000	\$ (3,884,871)	\$ 32,376,754	\$ 3,878,994
Unamortized bond premiums	2,718,492	714,807	(343,558)	3,089,741	-
Loans payable	241,333	-	(189,333)	52,000	26,000
Accrued obligations for compensated absences	4,920,012	2,133,080	(1,947,963)	5,105,129	3,726,744
Claims payable	1,768,150	1,146,000	(868,489)	2,045,661	920,547
Net pension liability	21,520,338	13,624,977	(20,434,011)	14,711,304	-
Net OPEB liability	4,478,915	1,313,744	(2,964,718)	2,827,941	-
Governmental activities long-term liabilities	<u>\$ 66,508,865</u>	<u>\$ 24,332,608</u>	<u>\$ (30,632,943)</u>	<u>\$ 60,208,530</u>	<u>\$ 8,552,286</u>
<b>Business-Type Activities</b>					
General obligation bonds and loans					
Water facility fund	\$ 26,258,610	\$ 1,680,000	\$ (2,635,283)	\$ 25,303,327	\$ 2,235,144
Sanitary sewer fund	38,960,976	3,075,000	(3,023,533)	39,012,443	3,019,799
Refuse fund	830,000	-	(90,000)	740,000	90,000
Parking fund	30,880,860	-	(1,170,860)	29,710,000	1,160,000
Stormwater management fund	2,661,473	-	(300,781)	2,360,692	301,262
RedGate golf course fund	132,346	-	(22,397)	109,949	22,027
Unamortized bond premiums	4,127,691	629,430	(410,927)	4,346,194	-
Accrued obligations for compensated absences	984,933	512,622	(495,759)	1,001,796	731,311
Business-type activities long-term liabilities	<u>\$ 104,836,889</u>	<u>\$ 5,897,052</u>	<u>\$ (8,149,540)</u>	<u>\$ 102,584,401</u>	<u>\$ 7,559,543</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 lease agreement contains options for four additional 5-year periods. 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
2019	34,606
2020	35,644
2021	36,713
2022	37,815
2023	38,949
2024 - 2027	167,838
Total	<u>\$ 351,565</u>

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

**G. Operating Leases (Continued)**

The City leased the Red Gate Golf Course to Billy Casper Golf 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 \$12,000 from calendar year 2018 to 2021. During the current year, the City recorded revenues of \$12,000. Rental income related to the operating leases is recognized as rent becomes due. During fiscal year 2018, Billy Casper Golf fell behind with its lease payments and at June 30, 2018 was out of compliance with the terms of the lease. The following schedule provides future lease payments expected under the operating lease:

Fiscal Year	Rent Amount
2019	12,000
2020	12,000
2021	12,000
2022	6,000
Total	<u>\$ 42,000</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. During the current year, the City received \$323,960 in proceeds from the capital lease. At June 30, 2018, the unearned income on the capital lease was \$1,537,031 and the lease receivable was \$25,068,615. Estimated future minimum lease payments and unearned income amortization is as follows:

Fiscal Year	Lease Amount	Unearned Income	Net Amount
2019	333,225	35,538	297,687
2020	336,557	35,538	301,019
2021	339,923	35,538	304,385
2022	343,322	35,538	307,784
2023	346,755	35,538	311,217
2024 - 2061	23,368,833	1,359,341	22,009,492
Total	<u>\$ 25,068,615</u>	<u>\$ 1,537,031</u>	<u>\$ 23,531,584</u>

**I. Fund Balance and Net Position**

At June 30, 2018 the City had a fund balance deficit for the CDBG Fund of \$113. 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, 2018 total nonspendable fund balance is \$824,326.

At June 30, 2018 the City had a net position deficit for the Parking Fund of \$3,545,423. 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 \$2,045,661 reported at June 30, 2018 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
2017	\$ 1,591,998	\$ 777,000	\$ (600,848)	\$ 1,768,150
2018	\$ 1,768,150	\$ 1,146,000	\$ (868,489)	\$ 2,045,661

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, 2018, the City abated property taxes totaling \$251,130, 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 \$36,750.

**C. Commitments and Contingent Liabilities**Washington Suburban Sanitary Commission (WSSC)

The City has an agreement with WSSC that includes shared responsibility for upgrades and enhancements to the Blue Plains Waste Water Treatment Plant. Through June 30, 2018, the City had paid \$78,190,942 as its 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 \$15,237,771 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)

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.

Encumbrances

As discussed in Note (1)D, Budgetary Basis of Accounting, encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	Encumbrances
General Fund	\$ 1,385,354
Other Governmental Funds	80,446
Total	<u>\$ 1,465,800</u>

D. Prior Period Adjustment and Individual Fund Disclosure

Change in Accounting Principle

On July 1, 2017 the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adjustment to beginning net position in the government-wide Statement of Activities reflects the removal of the previously reported net OPEB obligation of \$746,803 and the addition of the beginning balance of the new net OPEB liability of \$4,478,915 and the new beginning balance of deferred inflows from OPEB of \$137,436. The net effect is an adjustment which decreases beginning balances by \$3,869,548.

(4) RETIREMENT PLANS

A. Retirement Plan Descriptions

Covered police and non-police employees hired before 1986 participate in a single-employer defined benefit pension plan. Non-police employees hired on or after 1986 participate in a hybrid pension plan that includes a single-employer defined benefit plan and a 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.

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#### (4) RETIREMENT PLANS (CONTINUED)

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##### A. Retirement Plan Descriptions (Continued)

###### 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 includes the Pension and OPEB Trust Funds, 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.

##### 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.

(4) RETIREMENT PLANS (CONTINUED)

**B. Defined Benefit Pension Plan (Continued)**

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, 2017, the date of the actuarial valuation corresponding to the fiscal year ended June 30, 2018.

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

**C. Net Pension Liability**

The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation date of July 1, 2017. Actuaries utilized update procedures to roll forward the total pension liability in the July 1, 2017 actuarial valuation to the June 30, 2018 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, 2017
-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 April 1, 2011 through July 1, 2015.

## (4) RETIREMENT PLANS (CONTINUED)

## C. Net Pension Liability (Continued)

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	30.0%	6.59%
International Equity	20.0%	6.54%
Fixed Income Core	20.0%	1.35%
Real Estate	12.5%	4.90%
Treasury Inflation Protected Securities (TIPS)	7.5%	4.71%
U.S. Treasuries	10.0%	4.90%
Total	100.0%	

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, 2018, the annual money-weighted rate of return on investments, net of investment expense was 8.40%.

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.

Changes in the Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2018 were as follows:

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances at June 30, 2017	\$ 116,842,174	\$ 95,321,836	\$ 21,520,338
Changes for the year:			
Service Cost	1,980,718	-	1,980,718
Interest	7,996,269	-	7,996,269
Differences between expected and actual experience	(8,463,015)	-	(8,463,015)
Changes of assumptions	3,617,949	-	3,617,949
Contributions - employer	-	3,899,592	(3,899,592)
Contributions - employee	-	783,669	(783,669)
Net investment income	-	7,287,735	(7,287,735)
Benefit payments, including refunds of employee contributions	(5,219,512)	(5,219,512)	-
Administrative expense	-	(30,041)	30,041
Other charges	-	-	-
Net changes	(87,591)	6,721,443	(6,809,034)
Balances at June 30, 2018	\$ 116,754,583	\$ 102,043,279	\$ 14,711,304

## (4) RETIREMENT PLANS (CONTINUED)

**C. Net Pension Liability (Continued)**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%)
\$ 28,863,752	\$ 14,711,304	\$ 2,786,085

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2018, the City recognized pension expense of \$3,852,871. At June 30, 2018, 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	\$ 759,714	\$ 7,795,702
Changes of assumptions	7,273,201	-
Net difference between projected and actual earnings on investments	686,714	-
Total	<u>\$ 8,719,629</u>	<u>\$ 7,795,702</u>

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:	
2019	\$ 1,282,222
2020	457,915
2021	(590,240)
2022	47,490
2023	(273,460)
Total	<u>\$ 923,927</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 2018 by plan members totaled \$1,422,835 and the City contributed \$711,417.

## (4) RETIREMENT PLANS (CONTINUED)

## F. 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.

## (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 part of the Pension and OPEB Trust Funds, a Fiduciary Fund in the City's financial statements. No other financial statements are issued related to the OPEB Trust Fund.

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, which includes the OPEB 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 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. As of July 1, 2017, the City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These statements replace previously issued requirements for OPEB plans administered through trusts.

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.

Membership

At November 1, 2017, the date of the most recent valuation, plan membership was as follows:

	Plan Membership
Pre-medicare retirees	26
Disabled participants	4
Active employees	<u>350</u>
Total	<u><u>380</u></u>

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Contributions and Funding

The Retirement Board establishes the employer contributions to the OPEB plan based on actuarially determined amounts. During fiscal year 2018 the City directly funded cash of \$695,017 for the annual required contribution (ARC) of \$687,495. Expenditures of \$271,490 were incurred by the City and were eligible for reimbursement by the trust. Benefit expenses of \$21,941 which were paid by the City, were reimbursed by the trust after June 30, 2018. Future payments of the net OPEB liability 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.

**B. Net OPEB Liability**

The City’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of November 1, 2017. Actuaries utilized update procedures to roll forward the total OPEB liability in the November 1, 2017 actuarial valuation to the June 30, 2018 measurement date.

Actuarial Assumptions

The total OPEB 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:

Actuarial assumptions

-Actuarial valuation date	November 1, 2017
-Investment rate of return, including inflation	7.00%
-Projected salary increases, including inflation	2.50%
-Includes inflation at	2.20%
-Healthcare cost trends:	5.40% for 2017, increasing to 6.39% for 2023 then decreasing to an ultimate rate of 3.84% by 2090

Mortality rates were based on the RP-2014 Total Dataset Mortality Table projected generationally using Scale MP-2017.

The actuarial assumptions used in the November 1, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2011 through July 1, 2015. As noted above, the actuarial roll forward procedures to determine the OPEB liability at June 30, 2018 used the most recently adopted assumptions.

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. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	55.00%	6.20%
Fixed Income	45.00%	1.35%
Total	100.00%	

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

**B. Net OPEB Liability (Continued)**Discount 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. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total OPEB liability.

Changes in the Net OPEB Liability

Changes in the City's net OPEB liability for the year ended June 30, 2018 were as follows:

	(A) Total OPEB Liability	(B) Plan Fiduciary Net Position	(A - B) Net OPEB Liability
Balances at June 30, 2017	\$ 11,479,211	\$ 7,000,296	\$ 4,478,915
Changes for the year:			
Service Cost	506,923	-	506,923
Interest	784,240	-	784,240
Differences between expected and actual experience	(280,090)	-	(280,090)
Changes of assumptions	(1,459,922)	-	(1,459,922)
Contributions - employer	-	695,017	(695,017)
Net investment income	-	529,689	(529,689)
Benefit payments	(271,490)	(271,490)	-
Administrative expense	-	(22,581)	22,581
Other charges	-	-	-
Net changes	(720,339)	930,635	(1,650,974)
Balances at June 30, 2018	\$ 10,758,872	\$ 7,930,931	\$ 2,827,941

Sensitivity of the Net 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	\$ 3,753,089	\$ 2,827,941	\$ 1,987,113

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 (approximately 2.84%) or 1-percentage-point higher (approximately 4.84%) than the current healthcare cost trend rates:

	1% Decrease (2.84%)	Healthcare Cost Trend Rates (3.84%)	1% Increase (4.84%)
Net OPEB Liability	\$ 1,716,759	\$ 2,827,941	\$ 4,129,376

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

OPEB Expense and Deferred Inflows of Resources

For the year ended June 30, 2018, the City recognized OPEB expense of \$530,290. At June 30, 2018 the City reported deferred inflows of resources from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 245,079
Changes of assumptions	1,277,432
Net difference between projected and actual earnings on investments	<u>123,079</u>
Total	<u>\$ 1,645,590</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (256,818)
2020	(256,818)
2021	(256,820)
2022	(222,627)
2023	(217,501)
Thereafter	<u>(435,006)</u>
Total	<u>\$ (1,645,590)</u>

(6) CONDENSED FINANCIAL INFORMATION OF PENSION AND OPEB TRUST FUNDS

The Pension and OPEB Trust Funds are presented in the statement of Fiduciary Net Position and in the Statement of Changes in Fiduciary Net Position. The combining statements of the Pension and OPEB Trust Funds are provided below for the year ended June 30, 2018:

	Combining Statement of Net Position Pension and OPEB Trust Funds			<u>OPEB Trust Fund</u>	Total Pension and OPEB Trust Funds
	<u>Defined Benefit Trust</u>	<u>Defined Contribution Trust</u>	<u>Total Pension Trust Fund</u>		
<b>Assets</b>					
Open End Mutual Funds:					
Bonds	\$ 19,472,899	\$ 8,185,660	\$ 27,658,559	\$ 3,605,976	\$ 31,264,535
Equities	61,194,296	27,524,269	88,718,565	4,176,901	92,895,466
Real estate	13,931,613	147,003	14,078,616	-	14,078,616
Global real assets	6,586,691	43,479	6,630,170	-	6,630,170
Money markets	857,780	-	857,780	169,995	1,027,775
<b>Total Assets</b>	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,952,872</u>	<u>\$145,896,562</u>
<b>Liabilities</b>					
Benefits Payable	\$ -	\$ -	\$ -	\$ 21,941	\$ 21,941
<b>Net Position</b>					
Restricted for plan benefits	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,930,931</u>	<u>\$145,874,621</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,952,872</u>	<u>\$145,896,562</u>

## (6) CONDENSED FINANCIAL INFORMATION OF PENSION AND OPEB TRUST FUNDS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position Pension and OPEB Trust Funds					
	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Funds	OPEB Trust Fund	
<b>Additions</b>					
Contributions					
Employer	\$ 3,899,592	\$ 711,417	\$ 4,611,009	\$ 695,017	\$ 5,306,026
Plan Members	783,669	1,422,835	2,206,504	-	2,206,504
Total Contributions	<u>\$ 4,683,261</u>	<u>\$ 2,134,252</u>	<u>\$ 6,817,513</u>	<u>\$ 695,017</u>	<u>\$ 7,512,530</u>
Investment earnings:					
Net appreciation in the fair value of plan investments	6,968,708	3,049,678	10,018,386	443,097	10,461,483
Interest and dividends	967,853	-	967,853	135,482	1,103,335
Total investment earnings	<u>7,936,561</u>	<u>3,049,678</u>	<u>10,986,239</u>	<u>578,579</u>	<u>11,564,818</u>
Less investment expense	<u>(648,826)</u>	<u>(105,409)</u>	<u>(754,235)</u>	<u>(48,890)</u>	<u>(803,125)</u>
Net investment earnings	<u>7,287,735</u>	<u>2,944,269</u>	<u>10,232,004</u>	<u>529,689</u>	<u>10,761,693</u>
Total Additions	<u>\$ 11,970,996</u>	<u>\$ 5,078,521</u>	<u>\$ 17,049,517</u>	<u>\$ 1,224,706</u>	<u>\$ 18,274,223</u>
<b>Deductions</b>					
Benefits	\$ 5,219,512	\$ 1,142,476	\$ 6,361,988	\$ 271,490	\$ 6,633,478
Administrative expense	30,041	-	30,041	22,581	52,622
Total Deductions	<u>\$ 5,249,553</u>	<u>\$ 1,142,476</u>	<u>\$ 6,392,029</u>	<u>\$ 294,071</u>	<u>\$ 6,686,100</u>
Net Increase	6,721,443	3,936,045	10,657,488	930,635	11,588,123
Net position at beginning of year	<u>95,321,836</u>	<u>31,964,366</u>	<u>127,286,202</u>	<u>7,000,296</u>	<u>134,286,498</u>
Net position at end of year	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,930,931</u>	<u>\$ 145,874,621</u>

## (7) NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

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

- GASB Statement No. 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. 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.
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements is effective for reporting periods beginning after June 15, 2018. This Statement improves the consistency of reporting essential information related to debt and requires that additional information be provided for direct borrowings and direct placements separately from other debt.

(7) NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS (CONTINUED)

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- GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period is effective for reporting periods beginning after December 15, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The requirements of this Statement will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 is effective for reporting periods beginning after December 15, 2018. The requirements of this Statement improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously were reported inconsistently.

## **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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Total Pension Liability											
Service cost						\$ 2,286,185	\$ 2,462,254	\$ 2,338,305	\$ 2,092,506	\$ 1,980,718	
Interest						7,037,226	7,280,449	7,576,514	7,847,249	7,996,269	
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	(8,463,015)	
Changes of assumptions						-	-	-	6,150,798	3,617,949	
Benefit payments including refunds of member contributions						(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)	(5,219,512)	
<b>Net change in total pension liability</b>						<b>\$ 3,362,761</b>	<b>\$ 3,752,560</b>	<b>\$ 4,290,310</b>	<b>\$ 11,523,874</b>	<b>\$ (87,591)</b>	
Total pension liability - beginning						93,912,669	97,275,430	101,027,990	105,318,300	116,842,174	
Total pension liability - end						<b>\$ 97,275,430</b>	<b>\$ 101,027,990</b>	<b>\$ 105,318,300</b>	<b>\$ 116,842,174</b>	<b>\$ 116,754,583</b>	
<b>Plan Fiduciary Net Position</b>											
Contributions - employer						\$ 5,218,589	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255	\$ 3,899,592	
Contributions - member		Information for plan years 2013 and prior is not available					730,162	740,120	743,813	756,187	783,669
Net investment income						11,520,268	2,236,876	1,240,819	9,378,222	7,287,735	
Benefit payments including refunds of member contributions						(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)	(5,219,512)	
Plan administrative expenses						(18,798)	(27,230)	(35,543)	(31,821)	(30,041)	
Other changes						-	-	-	-	-	
<b>Net change in plan fiduciary net position</b>						<b>\$ 12,624,627</b>	<b>\$ 1,546,165</b>	<b>\$ 745,936</b>	<b>\$ 7,911,800</b>	<b>\$ 6,721,443</b>	
Plan fiduciary net position - beginning						72,493,308	85,117,935	86,664,100	87,410,036	95,321,836	
Plan fiduciary net position - end						<b>\$ 85,117,935</b>	<b>\$ 86,664,100</b>	<b>\$ 87,410,036</b>	<b>\$ 95,321,836</b>	<b>\$ 102,043,279</b>	
<b>Net pension liability</b>						<b>\$ 12,157,495</b>	<b>\$ 14,363,890</b>	<b>\$ 17,908,264</b>	<b>\$ 21,520,338</b>	<b>\$ 14,711,304</b>	
		Information for plan years 2013 and prior is not available									
Plan fiduciary net position as a percentage of total pension liability						87.50%	85.78%	83.00%	81.58%	87.40%	
Covered employee payroll						\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188	\$ 36,810,351	
Net pension liability as a percentage of covered employee payroll						34.86%	40.60%	51.28%	57.38%	39.97%	

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Actuarially determined contribution						\$ 5,030,754	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255	\$ 3,899,592	
Contributions made		Information for plan years 2013 and prior is not available					5,218,589	4,024,603	3,575,462	3,473,255	3,899,592
Contribution deficiency (excess)						\$ (187,835)	\$ -	\$ -	\$ -	\$ -	
Covered employee payroll						\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188	\$ 36,810,351	
Contributions as a percentage of covered employee payroll		Information for plan years 2013 and prior is not available					14.96%	11.38%	10.24%	9.26%	10.59%
Annual money weighted rate of return, net of investment expense						16.16%	2.84%	1.62%	11.10%	8.40%	

**Notes to Schedule:**

<b>Valuation Date:</b>	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 2018 actuarial assumptions were updated to reflect the most recent experience study.
<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Amortization Method:</b>	Level Percentage of Payroll
<b>Amortization Period:</b>	20 years
<b>Asset Valuation Method:</b>	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.
<b>Inflation:</b>	2.50%
<b>Salary Increases:</b>	4.75% - 12.50%, including inflation
<b>Investment Rate of Return:</b>	7.00%
<b>Retirement Age:</b>	Varies by participant age and years of credited service
<b>Mortality:</b>	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 complied, 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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Total OPEB Liability											
Service cost									\$ 569,070	\$ 506,923	
Interest									722,728	784,240	
Changes of benefit terms				Information for plan years 2016 and prior is not available						-	-
Differences between expected and actual experience									-	(280,090)	
Changes of assumptions									-	(1,459,922)	
Benefit payments									(274,540)	(271,490)	
Net change in total OPEB liability									\$ 1,017,258	\$ (720,339)	
Total OPEB liability - beginning									10,461,953	11,479,211	
Total OPEB liability - end									<u>\$ 11,479,211</u>	<u>\$ 10,758,872</u>	
Plan Fiduciary Net Position											
Contributions - employer									\$ 639,042	\$ 695,017	
Net investment income				Information for plan years 2016 and prior is not available						605,972	529,689
Benefit payments									(274,540)	(271,490)	
Plan administrative expenses									(5,000)	(22,581)	
Other changes									-	-	
Net change in plan fiduciary net position									\$ 965,474	\$ 930,635	
Plan fiduciary net position - beginning									6,034,822	7,000,296	
Plan fiduciary net position - end									<u>\$ 7,000,296</u>	<u>\$ 7,930,931</u>	
<b>Net OPEB liability</b>									<u>\$ 4,478,915</u>	<u>\$ 2,827,941</u>	
Plan fiduciary net position as a percentage of total OPEB liability									60.98%	73.72%	
Covered employee payroll									\$ 36,993,233	\$ 36,810,351	
Net OPEB liability as a percentage of covered employee payroll									12.11%	7.68%	

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution									\$ 658,361	\$ 687,495
Contributions made		Information for plan years 2016 and prior is not available							639,042	695,017
Contribution deficiency (excess)									\$ 19,319	\$ (7,522)
Covered employee payroll									\$ 36,993,233	\$ 36,810,351
Contributions as a percentage of covered employee payroll		Information for plan years 2016 and prior is not available							1.73%	1.89%
Annual money weighted rate of return, net of investment expense									9.40%	7.80%

**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.
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percentage of Payroll
Amortization Period:	21 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:	5.40% for 2017, increasing to 6.39% for 2023 then decreasing to an ultimate rate of 3.84% by 2090
Salary Increases:	2.50%, 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-2014 Total Dataset Mortality Table projected generationally using Scale MP-2017.

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 November 1, 2017 valuation to the June 30, 2018 measurement date.

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Property Taxes	\$ 40,867,000	\$ 41,467,000	\$ 41,385,199	\$ (81,801)
Revenue from Other Governments:				
Income taxes	13,380,000	13,800,000	13,634,659	(165,341)
Gas and motor vehicle taxes	1,955,150	1,955,150	1,960,667	5,517
County tax duplication payment	2,409,750	2,409,750	2,409,750	-
Admissions and amusement taxes	1,080,000	1,080,000	1,350,266	270,266
Grants and other governmental revenue	2,096,380	2,178,410	2,293,931	115,521
Licenses and permits	2,875,000	2,875,000	3,085,155	210,155
Charges for Services	6,762,990	6,782,990	7,511,352	728,362
Use of Money and Property	245,200	245,200	495,205	250,005
Fines and Forfeitures	1,243,130	1,243,130	1,443,469	200,339
Other Revenues	6,775,400	7,076,354	7,034,451	(41,903)
<b>Total Revenues</b>	<b>\$ 79,690,000</b>	<b>\$ 81,112,984</b>	<b>\$ 82,604,104</b>	<b>\$ 1,491,120</b>
<b>Expenditures</b>				
Current operations:				
General government	\$ 17,120,870	\$ 17,167,224	\$ 16,347,932	\$ 819,292
Community development	5,583,220	5,698,557	5,308,230	390,327
Public safety	11,529,590	11,630,370	11,363,262	267,108
Public works	9,154,950	9,658,079	7,904,471	1,753,608
Recreation and parks	23,455,130	23,599,132	23,379,172	219,960
<b>Total Expenditures</b>	<b>\$ 66,843,760</b>	<b>\$ 67,753,362</b>	<b>\$ 64,303,067</b>	<b>\$ 3,450,295</b>
Excess of Revenues over Expenditures	\$ 12,846,240	\$ 13,359,622	\$ 18,301,037	\$ 4,941,415
<b>Other Financing Sources (Uses)</b>				
Transfer to Debt Service Fund	\$ (5,230,000)	\$ (5,230,000)	\$ (5,230,000)	\$ -
Transfer to Capital Projects Fund	(6,600,000)	(11,500,350)	(11,500,350)	-
Transfer to Special Activities Fund	(119,510)	(119,510)	(119,510)	-
Transfer to Refuse Fund	(46,730)	(46,730)	(46,730)	-
Transfer to Parking Fund	(850,000)	(850,000)	(850,000)	-
<b>Total Other Financing Uses</b>	<b>\$ (12,846,240)</b>	<b>\$ (17,746,590)</b>	<b>\$ (17,746,590)</b>	<b>\$ -</b>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ -	\$ (4,386,968)	\$ 554,447	\$ 4,941,415
Fund balance at beginning of year	21,176,077	21,176,077	21,176,077	-
<b>Fund balance at end of year</b>	<b>\$ 21,176,077</b>	<b>\$ 16,789,109</b>	<b>\$ 21,730,524</b>	<b>\$ 4,941,415</b>

**City of Rockville, Maryland**  
Notes to the Required Supplementary Information  
June 30, 2018

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 2018, such supplemental appropriations for all funds amounted to \$6,807,427. Of this total \$4,900,300 was for General Fund transfers to the Capital Projects Fund for planned capital improvements and \$1,188,360 was to reappropriate funding for prior year encumbrances.

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, 2018 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, 2018

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Assessments	\$ -	\$ -	\$ 13,540	\$ 13,540
Use of money and property	59,500	59,500	53,340	(6,160)
Total Revenues	<u>\$ 59,500</u>	<u>\$ 59,500</u>	<u>\$ 66,880</u>	<u>\$ 7,380</u>
<b>Expenditures</b>				
Principal repayments:				
General obligation bonds	\$ 3,748,627	\$ 3,748,627	\$ 3,884,871	\$ (136,244)
Loans payable	189,333	189,333	189,333	-
Interest and issuance costs:				
General obligation bonds	1,472,500	1,546,500	1,409,425	137,075
Total Expenditures	<u>\$ 5,410,460</u>	<u>\$ 5,484,460</u>	<u>\$ 5,483,629</u>	<u>\$ 831</u>
Excess of Revenues over Expenditures	<u>\$ (5,350,960)</u>	<u>\$ (5,424,960)</u>	<u>\$ (5,416,749)</u>	<u>\$ 8,211</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from General Fund	\$ 5,230,000	\$ 5,230,000	\$ 5,230,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ 5,230,000</u>	<u>\$ 5,230,000</u>	<u>\$ 5,230,000</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over expenditures	\$ (120,960)	\$ (194,960)	\$ (186,749)	\$ 8,211
Fund Balance at beginning of year	1,742,066	1,742,066	1,742,066	-
Fund Balance at end of year	<u>\$ 1,621,106</u>	<u>\$ 1,547,106</u>	<u>\$ 1,555,317</u>	<u>\$ 8,211</u>

**City of Rockville, Maryland**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

	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	\$ 8,504,676	\$ -	\$ 627,697	\$ 9,132,373
Accounts receivable, net	-	-	158,705	158,705
Due from other governments	220,554	31,846	-	252,400
Loans receivable	283,971	-	-	283,971
<b>Total Assets</b>	<b>\$ 9,009,201</b>	<b>\$ 31,846</b>	<b>\$ 786,402</b>	<b>\$ 9,827,449</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 72,741	\$ 790	\$ 54,002	\$ 127,533
Interfund payable	-	28,022	-	28,022
Other	17,265	3,147	13,749	34,161
<b>Total Liabilities</b>	<b>\$ 90,006</b>	<b>\$ 31,959</b>	<b>\$ 67,751</b>	<b>\$ 189,716</b>
<b>Fund Balance</b>				
Restricted for:				
Special revenue programming	\$ 8,919,195	\$ -	\$ 718,651	\$ 9,637,846
Unassigned:	-	(113)	-	(113)
<b>Total Fund Balance</b>	<b>\$ 8,919,195</b>	<b>\$ (113)</b>	<b>\$ 718,651</b>	<b>\$ 9,637,733</b>
<b>Total liabilities and fund balance</b>	<b>\$ 9,009,201</b>	<b>\$ 31,846</b>	<b>\$ 786,402</b>	<b>\$ 9,827,449</b>

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, 2018

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
<b>Revenues</b>				
Grant revenues	\$ 885,203	\$ 145,585	\$ -	\$ 1,030,788
Use of money and property	8,699	-	3,680	12,379
Other	510,162	23,620	1,808,045	2,341,827
Total Revenues	<u>\$ 1,404,064</u>	<u>\$ 169,205</u>	<u>\$ 1,811,725</u>	<u>\$ 3,384,994</u>
<b>Expenditures</b>				
General government	\$ 15,500	\$ -	\$ -	\$ 15,500
Community development	-	156,330	-	156,330
Public safety	99,563	-	1,072,077	1,171,640
Recreation and parks	251,224	-	-	251,224
Capital outlay	1,539,025	-	201,023	1,740,048
Total Expenditures	<u>\$ 1,905,312</u>	<u>\$ 156,330</u>	<u>\$ 1,273,100</u>	<u>\$ 3,334,742</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (501,248)</u>	<u>\$ 12,875</u>	<u>\$ 538,625</u>	<u>\$ 50,252</u>
<b>Other Financing Sources</b>				
Transfer in from General Fund	\$ 119,510	\$ -	\$ -	\$ 119,510
Total Financing Sources	<u>\$ 119,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,510</u>
Net change in fund balance	\$ (381,738)	\$ 12,875	\$ 538,625	\$ 169,762
Fund balances at beginning of year	9,300,933	(12,988)	180,026	9,467,971
Fund balance (deficit) at end of year	<u>\$ 8,919,195</u>	<u>\$ (113)</u>	<u>\$ 718,651</u>	<u>\$ 9,637,733</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, 2018

	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	\$ -	\$ 100,000	\$ 885,203	\$ 785,203	\$ 263,000	\$ 359,933	\$ 145,585	\$ (214,348)	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,139,980	1,139,980	8,699	(1,131,281)	-	-	-	-	-	-	3,680	3,680
Other*	263,790	263,790	629,672	365,882	-	-	23,620	23,620	1,400,000	1,400,000	1,808,045	408,045
<b>Total Revenues</b>	<b>\$ 1,403,770</b>	<b>\$ 1,503,770</b>	<b>\$ 1,523,574</b>	<b>\$ 19,804</b>	<b>\$ 263,000</b>	<b>\$ 359,933</b>	<b>\$ 169,205</b>	<b>\$ (190,728)</b>	<b>\$ 1,400,000</b>	<b>\$ 1,400,000</b>	<b>\$ 1,811,725</b>	<b>\$ 411,725</b>
<b>Expenditures</b>												
Community develop. block grant	\$ -	\$ -	\$ -	\$ -	\$ 263,000	\$ 359,933	\$ 156,330	\$ 203,603	\$ -	\$ -	\$ -	\$ -
Community services	848,890	1,006,966	366,287	640,679	-	-	-	-	1,074,490	1,122,790	1,072,077	50,713
<b>Total expenditures</b>	<b>\$ 848,890</b>	<b>\$ 1,006,966</b>	<b>\$ 366,287</b>	<b>\$ 640,679</b>	<b>\$ 263,000</b>	<b>\$ 359,933</b>	<b>\$ 156,330</b>	<b>\$ 203,603</b>	<b>\$ 1,074,490</b>	<b>\$ 1,122,790</b>	<b>\$ 1,072,077</b>	<b>\$ 50,713</b>
Excess (deficiency) of budgeted revenues over expenditures	\$ 554,880	\$ 496,804	\$ 1,157,287	\$ 660,483	\$ -	\$ -	\$ 12,875	\$ 12,875	\$ 325,510	\$ 277,210	\$ 739,648	\$ 462,438
Capital outlay**			\$(1,539,025)				\$ -				\$(201,023)	
Net change in fund balance			\$ (381,738)				\$ 12,875				\$ 180,026	

\*Note: Other revenue for the Special Activities Fund includes a transfer of \$119,510 from the General Fund.

\*\*Note: Expenditures in the Special Activities Fund and Automated Speed Enforcement Fund include capital improvement outlays of \$1,539,025 and \$201,023, respectively. Capital improvements are budgeted separately as multi-year budgets, reflective of the project length. Capital budgets 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, 2018**

	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	\$ 12,672,400	\$ 12,672,400	\$ 11,926,207	\$ (746,193)	\$ 13,429,530	\$ 13,429,530	\$ 13,308,572	\$ (120,958)	\$ 6,128,030	\$ 6,365,030	\$ 6,310,190	\$ (54,840)
Total operating expenses	7,489,750	7,812,798	7,539,096	273,702	6,697,570	6,729,194	6,568,181	161,013	6,757,560	7,426,026	5,939,422	1,486,604
Operating income (loss) before depreciation and amortization	\$ 5,182,650	\$ 4,859,602	\$ 4,387,111	\$ (472,491)	\$ 6,731,960	\$ 6,700,336	\$ 6,740,391	\$ 40,055	\$ (629,530)	\$ (1,060,996)	\$ 370,768	\$ 1,431,764
Depreciation and amortization	(3,203,180)	(3,203,180)	(3,337,704)	(134,524)	(4,440,640)	(4,440,640)	(4,581,343)	(140,703)	(348,490)	(348,490)	(360,374)	(11,884)
Operating income (loss)	\$ 1,979,470	\$ 1,656,422	\$ 1,049,407	\$ (607,015)	\$ 2,291,320	\$ 2,259,696	\$ 2,159,048	\$ (100,648)	\$ (978,020)	\$ (1,409,486)	\$ 10,394	\$ 1,419,880
<b>Non-Operating Income (Expenses)</b>												
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,900	\$ 2,900	\$ 30,099	\$ 27,199
Interest expense	(1,000,040)	(1,000,040)	(847,306)	152,734	(1,393,690)	(1,393,690)	(1,242,330)	151,360	(32,800)	(32,800)	(23,537)	9,263
Other, net	(20,080)	(20,080)	(29,006)	(8,926)	(13,880)	(13,880)	(10,506)	3,374	-	-	-	-
Total non-operating income (expense)	\$ (1,020,120)	\$ (1,020,120)	\$ (876,312)	\$ 143,808	\$ (1,407,570)	\$ (1,407,570)	\$ (1,252,836)	\$ 154,734	\$ (29,900)	\$ (29,900)	\$ 6,562	\$ 36,462
Income (loss) before contributions and operating transfers	\$ 959,350	\$ 636,302	\$ 173,095	\$ (463,207)	\$ 883,750	\$ 852,126	\$ 906,212	\$ 54,086	\$ (1,007,920)	\$ (1,439,386)	\$ 16,956	\$ 1,456,342
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers:												
Transfer (to) from Enterprise Funds	425,620	425,620	425,620	-	(425,620)	(425,620)	(425,620)	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-	-	-	-	46,730	46,730	46,730	-
Total transfers	\$ 425,620	\$ 425,620	\$ 425,620	\$ -	\$ (425,620)	\$ (425,620)	\$ (425,620)	\$ -	\$ 46,730	\$ 46,730	\$ 46,730	\$ -
Net increase (decrease) in net position	\$ 1,384,970	\$ 1,061,922	\$ 598,715	\$ (463,207)	\$ 458,130	\$ 426,506	\$ 480,592	\$ 54,086	\$ (961,190)	\$ (1,392,656)	\$ 63,686	\$ 1,456,342

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**Enterprise Funds (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

	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	\$ 1,320,000	\$ 1,320,000	\$ 1,253,145	\$ (66,855)	\$ 5,433,000	\$ 5,433,000	\$ 5,724,175	\$ 291,175	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Total operating expenses	614,490	755,675	738,322	17,353	3,927,430	3,954,537	3,779,813	174,724	-	-	-	-
Operating income (loss) before depreciation and amortization	\$ 705,510	\$ 564,325	\$ 514,823	\$ (49,502)	\$ 1,505,570	\$ 1,478,463	\$ 1,944,362	\$ 465,899	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Depreciation and amortization	(10,120)	(10,120)	(11,861)	(1,741)	(881,000)	(881,000)	(784,093)	96,907	(99,210)	(99,210)	(100,549)	(1,339)
Operating income (loss)	\$ 695,390	\$ 554,205	\$ 502,962	\$ (51,243)	\$ 624,570	\$ 597,463	\$ 1,160,269	\$ 562,806	\$ (87,210)	\$ (87,210)	\$ (88,549)	\$ (1,339)
<u>Non-Operating Income (Expenses)</u>												
Interest income	\$ 2,900	\$ 2,900	\$ 10,229	\$ 7,329	\$ 10,400	\$ 10,400	\$ 51,468	\$ 41,068	\$ -	\$ -	\$ 180	\$ 180
Interest expense	(1,271,000)	(1,271,000)	(1,263,475)	7,525	(67,610)	(67,610)	(47,873)	19,737	(5,070)	(5,070)	(3,541)	1,529
Other, net	(154,420)	(154,420)	(154,420)	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (1,422,520)	\$ (1,422,520)	\$ (1,407,666)	\$ 14,854	\$ (57,210)	\$ (57,210)	\$ 3,595	\$ 60,805	\$ (5,070)	\$ (5,070)	\$ (3,361)	\$ 1,709
Income (loss) before contributions and operating transfers	\$ (727,130)	\$ (868,315)	\$ (904,704)	\$ (36,389)	\$ 567,360	\$ 540,253	\$ 1,163,864	\$ 623,611	\$ (92,280)	\$ (92,280)	\$ (91,910)	\$ 370
Capital grants and contributions	\$ 310,000	\$ 310,000	\$ 310,046	\$ 46	\$ -	\$ -	\$ 1,279,294	\$ 1,279,294	\$ -	\$ -	\$ -	\$ -
Transfers:												
Transfer (to) from Enterprise Funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Fund	850,000	850,000	850,000	-	-	-	-	-	-	-	-	-
Total transfers	\$ 850,000	\$ 850,000	\$ 850,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net increase (decrease) in net position	\$ 432,870	\$ 291,685	\$ 255,342	\$ (36,343)	\$ 567,360	\$ 540,253	\$ 2,443,158	\$ 1,902,905	\$ (92,280)	\$ (92,280)	\$ (91,910)	\$ 370

## **Other Supplementary Information**

### **Fiduciary Fund Pension and OPEB Trust Fund**

Combining Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for City's Pension Trust and OPEB Trust.



**City of Rockville, Maryland**  
Combining Statement of Fiduciary Net Position  
Pension and OPEB Trust Funds  
June 30, 2018

	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Fund	OPEB Trust Fund	
<b>Assets</b>					
Open End Mutual Funds:					
Bonds	\$ 19,472,899	\$ 8,185,660	\$ 27,658,559	\$ 3,605,976	\$ 31,264,535
Equities	61,194,296	27,524,269	88,718,565	4,176,901	92,895,466
Real estate	13,931,613	147,003	14,078,616	-	14,078,616
Global real assets	6,586,691	43,479	6,630,170	-	6,630,170
Money markets	857,780	-	857,780	169,995	1,027,775
<b>Total Assets</b>	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,952,872</u>	<u>\$ 145,896,562</u>
<b>Liabilities</b>					
Benefits Payable	\$ -	\$ -	\$ -	\$ 21,941	\$ 21,941
<b>Net Position</b>					
Restricted for plan benefits	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,930,931</u>	<u>\$ 145,874,621</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,952,872</u>	<u>\$ 145,896,562</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and OPEB Trust Funds**  
**For the Fiscal Year Ended June 30, 2018**

	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Funds	OPEB Trust Fund	
<b>Additions</b>					
Contributions					
Employer	\$ 3,899,592	\$ 711,417	\$ 4,611,009	\$ 695,017	\$ 5,306,026
Plan Members	783,669	1,422,835	2,206,504	-	2,206,504
Total Contributions	<u>\$ 4,683,261</u>	<u>\$ 2,134,252</u>	<u>\$ 6,817,513</u>	<u>\$ 695,017</u>	<u>\$ 7,512,530</u>
Investment earnings:					
Net appreciation in the fair value of plan investments	6,968,708	3,049,678	10,018,386	443,097	10,461,483
Interest and dividends	967,853	-	967,853	135,482	1,103,335
Total investment earnings	<u>7,936,561</u>	<u>3,049,678</u>	<u>10,986,239</u>	<u>578,579</u>	<u>11,564,818</u>
Less investment expense	<u>(648,826)</u>	<u>(105,409)</u>	<u>(754,235)</u>	<u>(48,890)</u>	<u>(803,125)</u>
Net investment earnings	<u>7,287,735</u>	<u>2,944,269</u>	<u>10,232,004</u>	<u>529,689</u>	<u>10,761,693</u>
Total Additions	<u>\$ 11,970,996</u>	<u>\$ 5,078,521</u>	<u>\$ 17,049,517</u>	<u>\$ 1,224,706</u>	<u>\$ 18,274,223</u>
<b>Deductions</b>					
Benefits	\$ 5,219,512	\$ 1,142,476	\$ 6,361,988	\$ 271,490	\$ 6,633,478
Administrative expense	30,041	-	30,041	22,581	52,622
Total Deductions	<u>\$ 5,249,553</u>	<u>\$ 1,142,476</u>	<u>\$ 6,392,029</u>	<u>\$ 294,071</u>	<u>\$ 6,686,100</u>
Net Increase	6,721,443	3,936,045	10,657,488	930,635	11,588,123
Net position at beginning of year	95,321,836	31,964,366	127,286,202	7,000,296	134,286,498
Net position at end of year	<u>\$ 102,043,279</u>	<u>\$ 35,900,411</u>	<u>\$ 137,943,690</u>	<u>\$ 7,930,931</u>	<u>\$ 145,874,621</u>

See accompanying notes to the basic financial statements.



# Statistical Section

*Rockville celebrated the inaugural Rocktoberfest in October with breweries and bands.*

**City of Rockville, Maryland**

**Fiscal Year Ended June 30, 2018**



**[www.rockvillemd.gov/finance](http://www.rockvillemd.gov/finance)**



# 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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 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	\$ 258,103,935
Restricted	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785	9,196,988	9,637,846
Unrestricted	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	18,669,094
<b>Total Governmental Activities Net Position</b>	<b>\$ 227,605,744</b>	<b>\$ 238,461,651</b>	<b>\$ 245,983,877</b>	<b>\$ 254,477,601</b>	<b>\$ 261,216,233</b>	<b>\$ 269,765,130</b>	<b>\$ 265,341,491</b>	<b>\$ 271,658,126</b>	<b>\$ 279,347,395</b>	<b>\$ 286,410,875</b>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 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	\$ 84,792,752
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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)	(11,587,452)
<b>Total Business-Type Activities Net Position</b>	<b>\$ 56,191,103</b>	<b>\$ 55,051,502</b>	<b>\$ 55,311,186</b>	<b>\$ 54,526,512</b>	<b>\$ 56,458,932</b>	<b>\$ 59,106,729</b>	<b>\$ 60,992,130</b>	<b>\$ 64,189,331</b>	<b>\$ 69,455,717</b>	<b>\$ 73,205,300</b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 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	\$ 342,896,687
Restricted	-	-	38,820,595	32,454,676	30,124,255	31,504,391	28,241,472	8,958,785	9,196,988	9,637,846
Unrestricted	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	7,081,642
<b>Total Primary Government Net Position</b>	<b>\$ 283,796,847</b>	<b>\$ 293,513,153</b>	<b>\$ 301,295,063</b>	<b>\$ 309,004,113</b>	<b>\$ 317,675,165</b>	<b>\$ 328,871,859</b>	<b>\$ 326,333,621</b>	<b>\$ 335,847,457</b>	<b>\$ 348,803,112</b>	<b>\$ 359,616,175</b>

**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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 20,613,735
Community development block grant	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372	-	-
Community development	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	5,464,560
Public Safety	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	13,078,545
Public Works	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	11,903,718
Recreation and parks	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	23,193,122
Interest on long-term debt	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	1,388,516
<b>Total governmental activities expenses</b>	<b>\$ 58,309,214</b>	<b>\$ 60,270,026</b>	<b>\$ 60,656,442</b>	<b>\$ 62,162,439</b>	<b>\$ 64,752,306</b>	<b>\$ 66,972,669</b>	<b>\$ 65,556,400</b>	<b>\$ 73,970,327</b>	<b>\$ 75,856,783</b>	<b>\$ 75,642,196</b>
Business-type activities:										
Water	\$ 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	\$ 10,196,312
Sewer	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	11,507,060
Refuse	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	4,655,333
Parking	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	2,004,078
Stormwater management	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	3,734,179
Golf course	1,496,244	1,594,306	1,431,459	938,164	306,241	121,087	106,119	105,439	104,761	104,090
<b>Total business-type activities expenses</b>	<b>23,428,029</b>	<b>24,649,716</b>	<b>28,320,770</b>	<b>27,655,695</b>	<b>26,240,647</b>	<b>26,915,892</b>	<b>28,926,305</b>	<b>30,759,298</b>	<b>30,195,407</b>	<b>32,201,052</b>
<b>Total primary government expenses</b>	<b>\$ 81,737,243</b>	<b>\$ 84,919,742</b>	<b>\$ 88,977,212</b>	<b>\$ 89,818,134</b>	<b>\$ 90,992,953</b>	<b>\$ 93,888,561</b>	<b>\$ 94,482,705</b>	<b>\$ 104,729,625</b>	<b>\$ 106,052,190</b>	<b>\$ 107,843,248</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 670,262	\$ 726,112	\$ 577,103	\$ 1,444,313	\$ 1,015,524	\$ 308,228	\$ 331,004	\$ 379,871	\$ 411,704	\$ 573,971
Community development	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	2,153,492
Public Safety	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	4,531,053
Public Works	800,038	492,619	247,639	552,704	482,064	655,773	647,298	677,274	208,457	780,999
Recreation and parks	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	6,322,356
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	1,587,580
Capital grants and contributions	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	1,623,758
<b>Total governmental activities program revenues</b>	<b>\$ 18,248,235</b>	<b>\$ 18,425,002</b>	<b>\$ 15,218,632</b>	<b>\$ 17,969,796</b>	<b>\$ 15,805,066</b>	<b>\$ 16,260,405</b>	<b>\$ 14,875,143</b>	<b>\$ 15,301,105</b>	<b>\$ 15,926,447</b>	<b>\$ 17,573,209</b>
Business type activities:										
Charges for services:										
Water	\$ 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	\$ 11,779,188
Sewer	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	13,283,207
Refuse	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	6,294,727
Parking	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	1,004,449
Stormwater management	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	5,693,065
Golf course	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	1,589,340
<b>Total business-type activities program revenues</b>	<b>22,354,382</b>	<b>24,861,316</b>	<b>29,118,143</b>	<b>29,137,563</b>	<b>31,244,056</b>	<b>31,987,326</b>	<b>33,293,785</b>	<b>37,744,941</b>	<b>39,210,796</b>	<b>39,643,976</b>
<b>Total primary government revenues</b>	<b>\$ 40,602,617</b>	<b>\$ 43,286,318</b>	<b>\$ 44,336,775</b>	<b>\$ 47,107,359</b>	<b>\$ 47,049,122</b>	<b>\$ 48,247,731</b>	<b>\$ 48,168,928</b>	<b>\$ 53,046,046</b>	<b>\$ 55,137,243</b>	<b>\$ 57,217,185</b>

**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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (58,068,987)
Business-type activities	(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	7,442,924
Total primary government net expense	\$ (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)	\$ (50,626,063)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 41,278,428
Income taxes	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	13,634,659
Gas and motor vehicle taxes	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404	1,914,024	1,897,093	1,960,667
County tax duplications payment	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	2,409,750
Admissions and amusement taxes	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525	1,321,900	1,350,266
Use of money and property	443,807	33,038	270,975	347,043	266,761	289,824	299,215	384,646	456,123	768,464
Other revenue	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	3,334,811
Transfers	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	4,264,970
Total governmental activities	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	69,002,015
Business-type activities:										
Property taxes	\$ 209,005	\$ 140,388	\$ 160,703	\$ (60,328)	\$ 156,443	\$ 172,382	\$ 181,081	\$ 196,481	\$ 206,704	\$ 216,927
Use of money and property	242,160	14,411	14,289	9,416	7,512	2,341	2,205	15,451	42,127	91,976
Other revenue	-	-	-	-	-	-	-	129,896	303,016	262,726
Transfers	(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)	(4,264,970)
Total business-type activities	(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)	(3,693,341)
Total primary government	\$ 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	\$ 65,308,674
<b>Changes in Net Position</b>										
Governmental activities	\$ 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	\$ 10,933,028
Business-type activities	(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	3,749,583
Total primary government	\$ 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	\$ 14,682,611

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$ 1,609,972	\$ 1,257,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	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	824,326
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	428,000
Assigned	-	-	327,035	510,752	220,370	342,006	772,345	984,077	739,037	1,385,354
Unassigned	-	-	13,939,120	9,904,002	13,226,677	15,689,079	19,916,594	21,039,026	19,643,296	19,092,844
<b>Total General Fund</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>\$ 21,730,524</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 7,998,785	\$ 3,050,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Designated in Special revenue funds	-	3,536,455	-	-	-	-	-	-	-	-
Unreserved/Undesignated, reported in:										
Special revenue funds	8,929,383	4,141,005	-	-	-	-	-	-	-	-
Capital projects funds	9,270,398	14,442,728	-	-	-	-	-	-	-	-
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	9,637,846
Committed	-	-	-	-	-	-	-	180,461	320,328	1,555,317
Assigned	-	-	-	-	-	-	-	15,795,046	17,467,665	24,146,176
Unassigned	-	-	-	-	-	-	(4,312)	(351,108)	(12,988)	(113)
<b>Total Other Governmental Funds</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>	<b>\$ 35,339,226</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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Property taxes	\$ 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	\$ 41,385,199
Assessments	442,429	358,924	335,374	315,123	306,197	19,014	13,127	49,695	17,306	13,540
Revenue from other governments:										
Community development block grant	292,500	336,574	195,478	667,014	130,811	269,966	320,645	182,678	206,478	145,585
Income taxes	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	13,634,659
Gas and motor vehicle taxes	2,666,415	325,985	233,163	765,579	431,902	1,601,681	1,663,404	1,914,024	1,897,093	1,960,667
County tax duplication payment	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	2,409,750
Admissions and amusement taxes	993,354	1,006,370	988,169	1,056,916	1,053,387	1,036,536	993,387	985,525	1,321,900	1,350,266
Grants and other governmental revenue	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	3,831,943
Licenses and permits	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	3,085,155
Charges for services	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	7,511,352
Use of money and property	586,761	204,371	270,975	347,043	266,761	289,824	299,215	384,646	456,123	768,464
Fines and forfeitures	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	3,251,514
Other revenues	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	7,568,233
<b>Total revenues</b>	<b>\$ 73,531,790</b>	<b>\$ 71,426,095</b>	<b>\$ 72,273,269</b>	<b>\$ 73,033,349</b>	<b>\$ 72,886,804</b>	<b>\$ 76,681,733</b>	<b>\$ 74,853,478</b>	<b>\$ 81,424,150</b>	<b>\$ 84,144,960</b>	<b>\$ 86,916,327</b>
<b>Expenditures</b>										
Current operations:										
General government	\$ 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	\$ 16,342,618
Community development block grant	292,500	336,574	197,985	667,294	130,807	274,100	324,341	192,372	-	-
Community development	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	5,464,560
Public safety	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	12,459,492
Public works	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	7,327,415
Recreation and parks	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	23,136,161
Capital outlay	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	14,704,558
Debt service										
Principal	3,467,152	3,464,030	4,669,071	3,924,556	8,890,639	9,851,039	11,092,586	4,340,170	3,935,601	4,074,204
Interest	1,700,826	1,568,036	1,713,426	1,871,444	1,780,295	1,609,647	1,474,312	1,475,550	1,298,334	1,392,498
Bond Counsel/Amortization	-	4,042	101,525	-	-	78,550	80,936	-	80,294	16,927
<b>Total expenditures</b>	<b>\$ 73,895,842</b>	<b>\$ 69,905,457</b>	<b>\$ 74,637,726</b>	<b>\$ 80,985,212</b>	<b>\$ 76,467,393</b>	<b>\$ 77,777,896</b>	<b>\$ 83,217,181</b>	<b>\$ 81,561,459</b>	<b>\$ 84,790,210</b>	<b>\$ 84,918,433</b>
Excess (deficiency) revenues over expenditures	\$ (364,052)	\$ 1,520,638	\$ (2,364,457)	\$ (7,951,863)	\$ (3,580,589)	\$ (1,096,163)	\$ (8,363,703)	\$ (137,309)	\$ (645,250)	\$ 1,997,894
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 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	\$ 16,849,860
Transfers out	(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)	(17,746,590)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(5,390,020)	-
General obligation bonds issued	-	-	17,610,000	-	-	-	3,527,737	-	1,114,028	6,114,807
Refunding bonds issued	-	-	1,337,600	-	5,094,444	5,784,588	6,993,596	-	5,429,296	-
Loan Proceeds	-	-	-	-	2,636,000	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ (1,073,000)</b>	<b>\$ (880,000)</b>	<b>\$ 15,485,755</b>	<b>\$ (1,171,200)</b>	<b>\$ 7,191,384</b>	<b>\$ 4,995,528</b>	<b>\$ 9,731,538</b>	<b>\$ (880,000)</b>	<b>\$ 393,784</b>	<b>\$ 5,218,077</b>
<b>Net change in fund balances</b>	<b>\$ (1,437,052)</b>	<b>\$ 640,638</b>	<b>\$ 13,121,298</b>	<b>\$ (9,123,063)</b>	<b>\$ 3,610,795</b>	<b>\$ 3,899,365</b>	<b>\$ 1,367,835</b>	<b>\$ (1,017,309)</b>	<b>\$ (251,466)</b>	<b>\$ 7,215,971</b>
Debt Service as percentage of non-capital expenditures	8.81%	8.30%	10.15%	9.27%	15.88%	16.44%	17.69%	8.49%	7.54%	7.79%

**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
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%
2018	13,115,652,277	450,448,415	13,566,100,692	0.292	13,566,100,692	3.7%

Note: Property is assessed at 100% and tax rates are per \$100 of assessed value. For fiscal year ends June 30, 2009 to June 30, 2018, 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
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
2018	0.292	0.916	0.112

Note: The City portion of property taxes (FY 2018 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, 2018

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
		Property	Property	Base to Total
				Assessable Base
Congressional Plaza Assoc LLC	\$ 170,724,500	\$ 170,724,500	\$ -	1.26%
Street Retail, Inc.	127,808,216	127,808,216	-	0.94%
Upper Rock LLC	94,606,099	94,606,099	-	0.70%
1800 Rockville Residential LLC	88,542,702	88,542,702	-	0.65%
MEPT Congressional Village LLC	87,495,000	87,495,000	-	0.64%
Duball Rockville LLC	85,292,493	85,292,493	-	0.63%
King Farm Apartments Ph 2 LLC	84,171,401	84,171,401	-	0.62%
JPI/KF Apt Sec 1 LLLP	82,087,401	82,087,401	-	0.61%
FP Redland Technology Center LP	80,461,801	80,461,801	-	0.59%
PF Apartments LLC	73,762,199	73,762,199	-	0.54%
<b>Total</b>	<b>\$ 974,951,812</b>	<b>\$ 974,951,812</b>	<b>\$ -</b>	<b>7.19%</b>
 Total Assessable Value	 <u>\$ 13,566,100,692</u>			<u>100.00%</u>

For the Fiscal Year Ended June 30, 2009

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
		Property	Property	Base to Total
				Assessable Base
Brandywine Research LLC	\$ 82,978,000	\$ 82,978,000	\$ -	0.72%
TA Western, LLC	73,781,800	73,781,800	-	0.64%
PHF Rockville	65,000,000	65,000,000	-	0.56%
Tower Dawson, LLC	62,976,800	62,976,800	-	0.55%
Verizon	61,107,600	-	61,107,600	0.53%
PEPCO	58,479,300	-	58,479,300	0.51%
James Campbell Co., LLC	55,335,400	55,335,400	-	0.48%
FG Retail Group	50,530,500	50,530,500	-	0.44%
Four Irvington Center	51,437,300	51,437,300	-	0.45%
Transwestern Gateway	42,415,700	42,415,700	-	0.37%
<b>Total</b>	<b>\$ 604,042,400</b>	<b>\$ 484,455,500</b>	<b>\$ 119,586,900</b>	<b>5.25%</b>
 Total Assessable Value	 <u>\$ 11,515,493,135</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
2009	36,589,554	35,682,475	97.5%	907,079	36,589,554	100.0%
2010	31,804,031	31,710,185	99.7%	90,501	31,800,686	100.0%
2011	32,361,767	32,177,932	99.4%	166,578	32,344,510	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%	777,819	33,214,955	99.9%
2014	33,405,919	33,291,816	99.6%	110,742	33,402,558	100.0%
2015	34,174,382	33,785,982	98.9%	359,930	34,145,912	99.9%
2016	34,644,503	34,596,817	99.9%	14,875	34,611,692	99.9%
2017	36,693,505	36,531,512	99.6%	63,572	36,595,084	99.7%
2018	38,193,030	38,097,608	99.8%	-	38,097,608	99.8%

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 Personal Income	Per Capita
	General	Loan	General	Loan			
	Obligation Bonds	Payable	Obligation Bonds	Payable			
2009	39,930,132	264,670	77,859,328	-	118,054,130	2.81%	1,929
2010	36,552,304	178,467	73,685,966	-	110,416,737	2.59%	1,804
2011	50,918,770	90,530	79,377,243	843,928	131,230,471	2.95%	2,117
2012	47,084,744	-	87,029,809	1,743,220	135,857,773	2.98%	2,183
2013	42,908,541	2,472,665	94,028,283	5,509,868	144,919,357	3.17%	2,305
2014	39,098,908	1,809,332	89,446,092	4,946,130	135,300,462	2.83%	2,114
2015	40,228,422	1,119,999	97,349,903	4,369,475	143,067,799	2.78%	2,158
2016	36,344,961	430,666	102,077,045	3,779,524	142,632,196	2.70%	1,816
2017	33,580,117	241,333	100,676,067	3,175,889	137,673,406	2.51%	1,718
2018	35,466,495	52,000	99,024,440	2,558,165	137,101,100	2.44%	1,678

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

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

**City of Rockville, Maryland**  
 Debt Capacity Information (unaudited)  
 Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
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
2018	134,490,935	0.99%	1,955

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

**City of Rockville, Maryland**  
 Debt Capacity Information (unaudited)  
 Direct and Overlapping Governmental Activities Debt

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Rockville	\$ 35,518,495	100.00%	\$ 35,518,495
Montgomery County, Maryland	<u>4,284,990,518</u>	7.21%	<u>308,947,816</u>
Total direct and overlapping debt	<u>\$ 4,320,509,013</u>		<u>\$ 344,466,311</u>

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
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
2018	5,621,397	81,727	68,783	3.10

## Notes:

- Population estimates are from City of Rockville Department of Community Planning and Development Services for years 2009 and 2011 to 2018. Population data for 2010 are taken from US Census Bureau. Employment rates for 2009 to 2018 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 2018		Percentage of Total City Employment	Fiscal Year 2009		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	2.77%	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	1.35%	*		*
United States Pharmacopeial Convention	560	9	0.72%	500	9	0.73%
City of Rockville	517	10	0.67%	*		*
Comm. Services for Autistic Adults & Children	*		*	545	6	0.80%
Wolproof & Abramson, LLP	*		*	650	5	0.95%
Total	18,652		24.07%	14,667		21.54%
Total Estimated City Employment	77,500			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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Mayor and Council	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City Manager	28.0	28.0	28.0	28.0	28.0	25.0	25.0	25.0	32.5	28.0
City Attorney	-	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Human Resources	9.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0	11.0
Finance	30.0	30.0	30.0	29.0	29.0	29.0	28.5	29.0	21.5	19.5
Information and technology	17.5	17.5	17.5	17.5	17.5	16.5	16.0	17.0	17.0	18.0
Community development	43.6	42.6	40.6	40.6	40.6	40.6	41.0	42.0	42.0	42.0
Public Safety	88.0	90.0	86.1	87.0	87.0	89.0	89.5	89.5	88.5	91.5
Public Works	74.2	76.1	72.7	72.7	45.0	45.5	46.0	46.0	46.0	46.0
Recreation and parks	151.7	151.1	147.8	143.1	142.6	139.9	138.5	136.7	136.7	138.1
Water	24.3	24.0	24.0	26.0	40.0	39.0	38.6	37.6	37.6	36.7
Sewer	14.0	13.5	13.8	13.8	17.9	17.9	17.9	17.9	17.9	18.6
Refuse collection	40.9	37.3	33.3	33.3	35.8	35.8	34.8	32.8	32.8	33.5
Parking	7.4	6.0	5.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Stormwater management	10.7	11.2	12.4	13.4	20.4	20.4	20.5	20.5	20.5	21.0
Golf course	9.8	9.8	9.8	-	-	-	-	-	-	-
Total	554.1	555.1	539.9	527.4	526.8	521.6	519.3	518.0	517.0	516.9

Notes:

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

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Vehicles	72	69	69	69	69	71	71	71	71	71
Refuse collection										
Collection trucks	16	16	16	16	16	17	17	17	17	17
Other public works										
Streets (miles)	156.42	156.42	156.42	156.42	156.50	156.00	155.37	155.37	156.05	156.43
Street lights	2,992	3,064	3,069	3,069	3,069	3,069	3,071	3,071	3,170	3,170
Sidewalks (miles)	297.62	251.02	251.02	255.97	255.97	256.87	257.79	258.01	258.74	259.14
Recreation and Parks										
Acreage	1,061	1,061	1,062	1,062	1,062	1,062	1,062	1,105	1,074	1,089
Playgrounds	48	50	50	50	50	50	50	50	50	50
Athletic Courts	95	96	96	96	96	96	96	96	95	95
Community centers	6	6	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	178.40	178.80	174.92	175.10	175.10	175.10	174.00	174.33	174.33	173.59
Fire hydrants	1,369	1,372	1,379	1,380	1,380	1,384	1,403	1,403	1,407	1,420
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)	141.60	148.40	147.66	147.23	147.21	148.00	148.00	148.00	148.00	148.00
Storm sewers (miles)	97.60	100.00	101.33	101.58	102.31	102.31	103.00	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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
Building permits issued	728	629	698	757	774	813	861	811	815	840
Estimated Cost of Construction	\$ 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	\$ 210,679,924
<b>Police</b>										
Physical arrests	1,196	896	1,070	1,400	1,085	1,157	1,055	902	938	846
Traffic violations*	13,922	10,735	15,947	20,638	15,063	16,469	16,234	13,397	16,227	13,582
<b>Refuse collection</b>										
Refuse (Disposed) (tons per year)	12,132	11,621	11,439	10,829	10,886	9,767	11,639	9,927	9,766	9,915
Yard Waste (composted/Mulched) (tons per year)	4,788	6,430	5,934	6,072	6,229	4,694	5,309	4,402	3,677	3,788
Recyclables collected (tons per year)	5,189	5,561	5,634	5,509	5,393	5,398	5,358	5,283	4,993	4,825
<b>Recreation and Parks</b>										
Program enrollments	32,610	31,359	32,423	33,518	33,494	33,297	32,081	31,503	34,307	32,822
<b>Water</b>										
Number of Accounts	12,654	12,623	12,617	12,650	12,688	12,517	12,694	12,678	12,663	12,668
Average daily water Production (millions of gallons)	5.016	4.813	4.750	4.882	4.708	4.562	4.561	4.742	4.518	4.184
<b>Sewer</b>										
Avg. daily sewer treatment (millions of gallons)	6.125	6.698	6.588	6.391	6.292	6.069	5.948	5.797	5.628	5.595

**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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