

City of Rockville, Maryland

# Annual *Comprehensive* Financial Report



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Fiscal Year Ended June 30, 2021





City of Rockville, Maryland

# Annual Comprehensive Financial Report



Prepared by:  
Department of Finance

Gavin Cohen  
Chief Financial Officer

Xiaojing Zhang  
Director of Accounting

Fiscal Year 2021  
July 1, 2020 - June 30, 2021

# Table of Contents

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## City of Rockville, Maryland Annual Comprehensive Financial Report June 30, 2021

### 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 Auditors’ 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...<br>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund<br>Balances of Governmental Funds to the Statement of Activities..... | 29<br>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..... | 37-68 |
|--|-------|

#### Required Supplementary Information:

|   |    |
|---|----|
| Rockville Employee Retirement System – Schedule of Changes in the City’s Net Pension Liability<br>and Related Ratios (Unaudited – See Accompanying Independent Auditor’s Report)..... | 69 |
| Rockville Employee Retirement System – Schedule of City Contributions and Investment Returns<br>(Unaudited – See Accompanying Independent Auditor’s Report).....                      | 70 |
| Other Post-Employment Benefits Plan – Schedule of Changes in the City’s Net OPEB Liability<br>and Related Ratios (Unaudited – See Accompanying Independent Auditor’s Report).....     | 71 |
| Other Post-Employment Benefits Plan – Schedule of City Contributions and Investment Returns<br>(Unaudited – See Accompanying Independent Auditor’s Report).....                       | 72 |
| Budgetary Comparison Schedule – General Fund.....   | 73 |
| Notes to the Required Supplementary Information.....  | 74 |

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

|   |    |
|---|----|
| Budgetary Comparison Schedule – Debt Service Fund.....  | 75 |
| Combining Balance Sheet – Nonmajor Governmental Funds.....  | 76 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor<br>Governmental Funds..... | 77 |
| Budgetary Comparison Schedule – Nonmajor Governmental Funds.....  | 78 |

# Table of Contents

---

## City of Rockville, Maryland Annual Comprehensive Financial Report June 30, 2021

### PART II – FINANCIAL SECTION

#### Supplementary Information – Proprietary Funds:

|   |       |
|---|-------|
| Budgetary Comparison Schedule – Enterprise Funds..... | 79-80 |
|---|-------|

#### Supplementary Information – Fiduciary Fund:

|  |    |
|--|----|
| Combining Statement of Fiduciary Net Position – Pension and OPEB Trust Fund.....           | 81 |
| Combining Statement of Changes in Fiduciary Net Position – Pension and OPEB Trust Fund.... | 82 |

### PART III – STATISTICAL SECTION

|  |       |
|--|-------|
| Net Position by Category, Government-Wide (Governmental and Business-type Activities) -<br>Last Ten Fiscal Years (accrual basis of accounting).....            | 83    |
| Changes in Net Position by Category, Government-Wide (Governmental and Business-type<br>Activities) – Last Ten Fiscal Years (accrual basis of accounting)..... | 84-85 |
| Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual basis of<br>accounting).....   | 86    |
| Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years (modified accrual<br>basis of accounting).....  | 87    |
| Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....   | 88    |
| Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....   | 89    |
| Principal Property Tax Payers – Current Year and Nine Years Ago.....   | 90    |
| Property Tax Levies and Collections – Last Ten Fiscal Years.....   | 91    |
| Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....  | 92    |
| Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....   | 93    |
| Direct and Overlapping Governmental Activities Debt.....   | 94    |
| Demographic and Economic Statistics – Last Ten Fiscal Years.....   | 95    |
| Principal Employers – Current Year and Nine Years Ago.....   | 96    |
| Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years.  | 97    |
| Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....  | 98    |
| Operating Indicators by Function/Program – Last Ten Fiscal Years.....  | 99    |

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# *Introductory* Section



Fiscal Year Ended June 30, 2021







October 29, 2021

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 Annual Comprehensive Financial Report (ACFR) for the City of Rockville, Maryland (City), for the year ended June 30, 2021.

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, 2021, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## PROFILE OF THE GOVERNMENT

The City was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 67,117 and a land area of 13.55 square miles. According to the 2020 census, the City is the fourth 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 73 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 75 and 78.

## 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. During the fiscal year the City continued to face challenges brought on by the coronavirus pandemic. National and regional unemployment decreased compared to fiscal year 2020 but remained comparatively high. Major industries with headquarters or divisions located within the City's boundaries or in close proximity remain open, including computer hardware and software manufacturers, bio-tech and several financial institutions. Despite the onset of the pandemic and high unemployment rate, the City's two biggest revenues sources - real property tax and income tax were really strong. The City observed a 3.6% increase in real property tax revenues and a 3.6% increase in income tax revenues during fiscal year 2021.

The City has an employed labor force of approximately 78,700 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 cautiously optimistic as the impact of the pandemic continues and will closely monitor its programs and planned expenditures.

City revenues and expenditures will continue to be budgeted conservatively. The City will continue its fiscal responsibility by reducing costs where possible and seeking diverse revenues while maintaining the safety of the public in its delivery of 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 2016 through 2021. 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 |
| 2021 | 538,493           | 503,450    | 35,043       | 6.51%             | 6.83%             |
| 2020 | 565,295           | 518,736    | 46,559       | 8.20%             | 8.50%             |
| 2019 | 566,575           | 547,563    | 19,012       | 3.40%             | 3.90%             |
| 2018 | 559,522           | 539,265    | 20,257       | 3.60%             | 4.30%             |
| 2017 | 562,402           | 555,592    | 19,555       | 3.60%             | 4.10%             |
| 2016 | 551,670           | 531,475    | 20,195       | 3.70%             | 4.30%             |

Source: Maryland Department of Labor

**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 2021, the City spent over \$3.1 million on the asphalt repair and replacement project which supports sustainable streets. The work included milling, base asphalt repairs and restriping. The City maintains approximately 367 lane-miles of street. The City concluded the rehabilitation of approximately 30 lane miles of its streets.
- During fiscal year 2021, the City spent over \$1.6 million in completing a new Skate Park facility and a related SWM facility within Welsh Park. This project reconfigured the outdoor pooling parking lot to accommodate the new Skate Park while maintaining the current number of parking spaces. This project provides more modern recreational activities to residents.
- During fiscal year 2021, the City was faced with making significant changes to services and operations in response to the coronavirus pandemic. Many activities, events and programs that were planned for the fiscal year were cancelled, rescheduled or modified in the interest of public safety.



## 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, 2020. This was the 31<sup>st</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, 2019. 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 2020. This is the 13<sup>th</sup> year the City has received this award. The PAFR is specifically designed to be easily understandable to the general public and other interested parties without a background in finance.

This report could not have been prepared without the dedicated cooperation of the entire staff of the Finance Department. Special recognition is extended to Sharon Collins, Trupti Singh, Stacey Webster, Mary Sue Martin, Roshan Sohoratally, 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

Xiaojing Zhang  
Director of Accounting



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

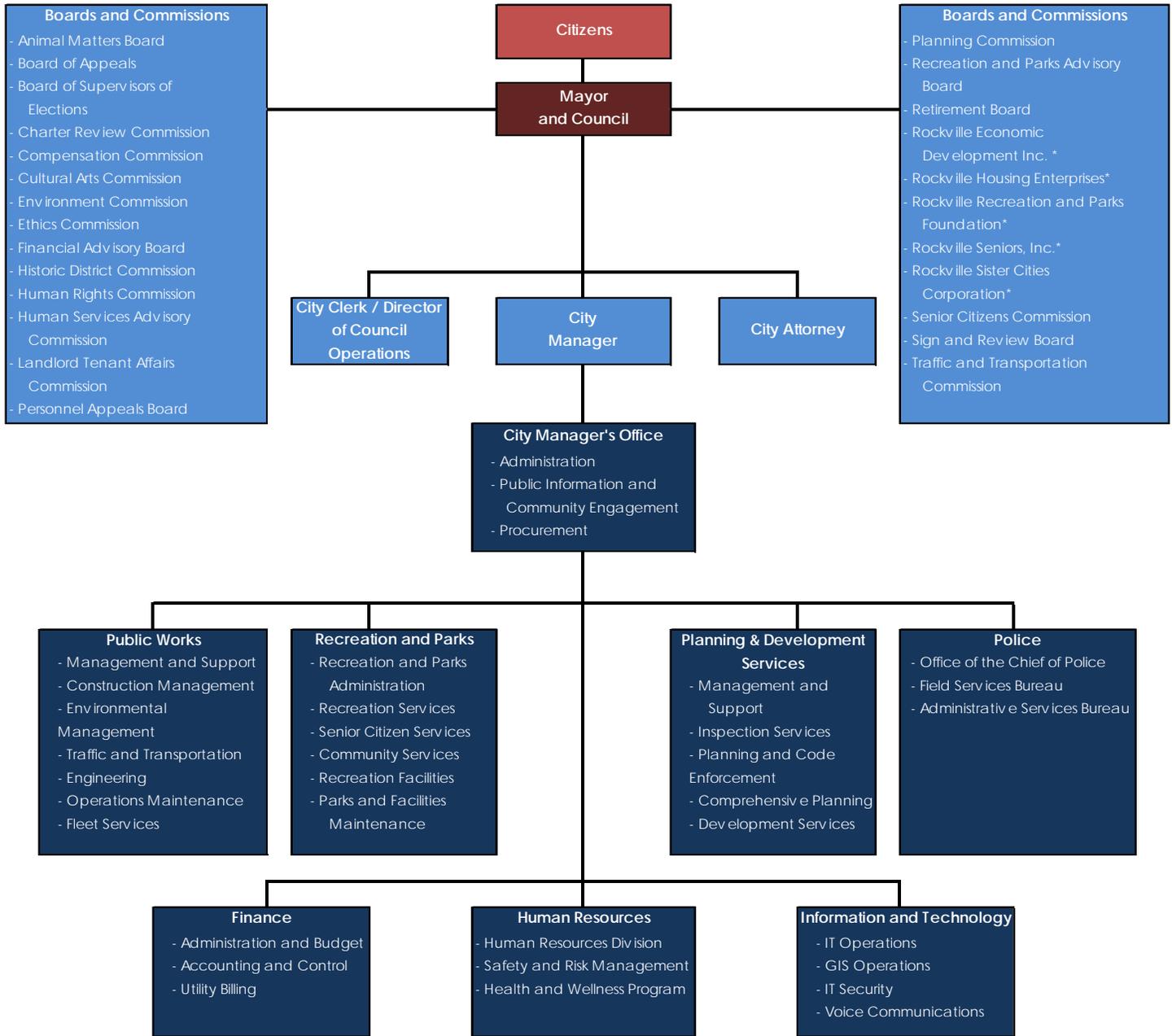
June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

# City of Rockville Organizational Chart

June 2021



\* Affiliated Organization

**CITY OF ROCKVILLE, MARYLAND**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**

JUNE 30, 2021



**MAYOR**

Bridget Donnell Newton



Monique Ashton



Beryl Feinberg



David Myles



Mark Pierzchala

**COUNCIL MEMBERS**

**CITY MANAGER**

Robert DiSpirito

**CITY CLERK/DIRECTOR OF COUNCIL OPERATIONS**

Sara Taylor-Ferrell

**CITY ATTORNEY**

Cynthia Walters - Acting

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# *Financial* Section



Fiscal Year Ended June 30, 2021







CliftonLarsonAllen LLP  
CLAAconnect.com

## INDEPENDENT AUDITORS' REPORT

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, 2021, 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.



CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://nexia.com/member-firm-disclaimer) for details.

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 of Rockville, Maryland as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17-24, Rockville Employee Retirement System on pages 69-70, Other Post-Employment Benefits Plan on pages 71-72, Budgetary Comparison Schedule – General Fund on pages 73 and the Notes to the Required Supplementary Information on pages 74 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 of Rockville, Maryland'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.

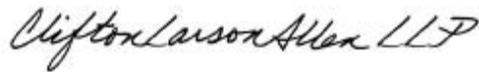
The Combining and Individual Fund Statements and Schedules, Proprietary Funds, and Fiduciary Funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected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

The Introductory and Statistical Sections has 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 it.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the City of Rockville, Maryland'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 results of that testing, and not to provide an opinion on the effectiveness of City of Rockville, Maryland'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 City of Rockville, Maryland's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 29, 2021

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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, 2021. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$307,115,278 (net position). That amount includes a positive balance of \$53,856,469 from unrestricted net position made up of \$18,021,201 from governmental activities and \$35,835,268 from business-type activities. The unrestricted balance from business-type activities includes negative balances from the RedGate Golf Course Fund which reflects the ending of operations at the course in fiscal year 2019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,322,859. Approximately 19.7% of this total amount is reported as restricted special revenue programming totaling \$10,872,899.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,869,949 or 27.0% of total General Fund budgeted revenues (adopted) of \$84,605,000.
- The City's total debt principal outstanding increased by \$8,043,792 or 6.2%. During fiscal year 2021, the City issued new general obligation bonds to fund certain capital projects of its Capital Improvement Program for the Water and Sewer Funds. During the year, advance refunding bonds were issued to refinance and defease outstanding debt in the Water Fund, Sewer Fund, Debt Service Fund, and the Stormwater Fund.
- Interest on investment earnings earned by the City's investment portfolio totaled \$426,309 for an average rate of return of 0.28%. The average daily investment portfolio was \$83,797,952.67.



### 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, 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. As of December 31, 2018 all golf operations were discontinued, however the RedGate Golf Course Fund continues to manage debt service payments.

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 76-77 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 73, 75 and 78, 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 81-82 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 37-67 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 69 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 76 through 78 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 \$307,115,278 at the close of the current fiscal year.

The largest portion of the City's net position (78.9%) is reflected in its net investment in capital assets (e.g., CIP and infrastructure less accumulated depreciation), less retainage and any related debt used to acquire those assets that is still outstanding, excluding unspent debt proceeds of \$19,838,782. 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          |                |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|   | 2021                    | 2020           | 2021                     | 2020           | 2021           | 2020           |
| Current and Other Assets                            | \$ 73,277,369           | \$ 61,999,899  | \$ 35,362,857            | \$ 16,432,932  | \$ 108,640,226 | \$ 78,432,831  |
| Capital Assets, net                                 | 223,178,820             | 222,481,466    | 136,071,035              | 139,144,803    | 359,249,855    | 361,626,269    |
| Noncurrent Assets                                   | -                       | -              | 22,623,885               | 22,931,276     | 22,623,885     | 22,931,276     |
| Total Assets  | 296,456,189             | 284,481,365    | 194,057,777              | 178,509,011    | 490,513,966    | 462,990,376    |
| Deferred Outflows of Resources                      | 7,922,325               | 13,509,589     | 2,413,920                | 1,597,600      | 10,336,245     | 15,107,189     |
| Total Assets and Deferred Outflows of Resources     | \$ 304,378,514          | \$ 297,990,954 | \$ 196,471,697           | \$ 180,106,611 | \$ 500,850,211 | \$ 478,097,565 |
| Noncurrent Liabilities                              | 45,780,588              | 68,169,671     | 110,875,510              | 98,178,968     | 156,656,098    | 166,348,639    |
| Other Liabilities                                   | 14,610,588              | 3,872,985      | 2,293,308                | 5,376,066      | 16,903,896     | 9,249,051      |
| Total Liabilities                                   | 60,391,176              | 72,042,656     | 113,168,818              | 103,555,034    | 173,559,994    | 175,597,690    |
| Deferred Inflows of Resources                       | 20,174,939              | 9,080,590      | -                        | -              | 20,174,939     | 9,080,590      |
| Total Liabilities and Deferred Inflows of Resources | \$ 80,566,115           | \$ 81,123,246  | \$ 113,168,818           | \$ 103,555,034 | \$ 193,734,933 | \$ 184,678,280 |
| Net Position:                                       |                         |                |                          |                |                |                |
| Net investment in capital assets                    | 194,918,299             | 189,355,879    | 47,467,611               | 45,275,449     | 242,385,910    | 234,631,328    |
| Restricted  | 10,872,899              | 10,877,025     | -                        | -              | 10,872,899     | 10,877,025     |
| Unrestricted  | 18,021,201              | 16,634,804     | 35,835,268               | 31,276,128     | 53,856,469     | 47,910,932     |
| Total Net Position                                  | \$ 223,812,399          | \$ 216,867,708 | \$ 83,302,879            | \$ 76,551,577  | \$ 307,115,278 | \$ 293,419,285 |

The current and other assets increased by 30,207,395 or 38.5%. This increase of \$18,929,925 or 115.2% in the business-type activities is primarily due to the improvements of cash positions in the Water and Sewer Funds. The cash balances of the Water Fund and Sewer Fund at the end of fiscal year 2021 are \$10,687,086 and \$6,965,788 respectively, compared to \$0 and \$0 in fiscal year 2020. The improvements on the cash positions for these two funds are the effect of the issuance of the new obligation bonds. These improvements also impacted the balances of other liabilities. The increase in governmental other liabilities of \$10,737,603 is primarily made up of the \$4,809,594 increase in unearned revenue from American Rescue Plan Act Fund (ARPA) and the retirement of interfund payables from fiscal year 2020 of \$3,565,707 for the Water, Sewer and Parking Funds. This also explains the decrease of \$3,082,758 in business-type other liabilities.

The non-current liabilities had a net decrease of \$9,692,541, or 5.8%. The non-current liabilities decreased by \$22,389,083 in the governmental activities. This decrease is the net effect of issuance of advance refunding bonds that reduced the total debt due as well as the decrease of the net pension liability of \$17,774,387. While there was a decrease on the governmental activities, there was an increase of \$12,696,542 in the business-type non-current liabilities. This increase is due to the new issuance of the general obligation bonds in the Water and Sewer Funds, and the total amount of bonds payable increased.

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 \$10,336,245 and deferred inflows of resources totaled \$20,174,939. The decreases in deferred outflows of resources and the increases in 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 \$53,856,469 in unrestricted net position. This is an increase of \$5,945,537 from the balance of \$47,910,932 in unrestricted net position in fiscal year 2020. This increase is attributable to the City's performance in fiscal year 2021. 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 Parking Fund.

The governmental net investment in capital assets, increased by \$5,562,420 or 2.9%. This increase is the net effect of capital projects expenditures during the current fiscal year and reductions in long term debt.

The business-type activities net investment in capital assets, increased by \$2,192,162 or 4.8%. This increase is the net effect of unspent debt proceeds.

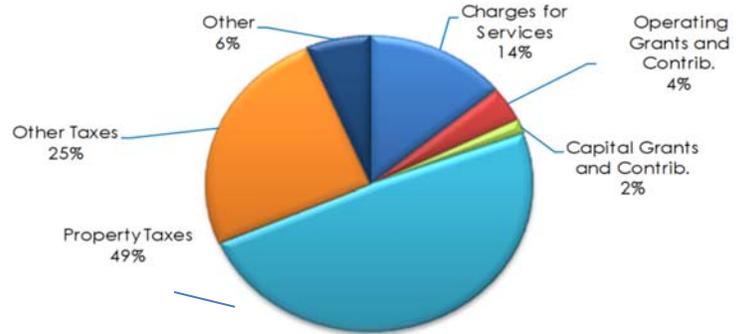
|   | Governmental Activities |                       | Business-Type Activities |                      | Total                 |                       |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|   | 2021                    | 2020                  | 2021                     | 2020                 | 2021                  | 2020                  |
| <b>Revenues:</b>  |                         |                       |                          |                      |                       |                       |
| Program revenues:   |                         |                       |                          |                      |                       |                       |
| Charges for services  | \$ 8,398,938            | \$ 12,175,275         | \$ 39,942,133            | \$ 41,109,269        | \$ 48,341,071         | \$ 53,284,544         |
| Operating grants & contrib.                                 | 2,762,499               | 3,379,267             | -                        | -                    | 2,762,499             | 3,379,267             |
| Capital grants & contrib.                                   | 499,774                 | 1,386,536             | 118,316                  | 597,096              | 618,090               | 1,983,632             |
| General revenues:   |                         |                       |                          |                      |                       |                       |
| Property taxes  | 44,310,187              | 42,761,718            | 147,019                  | 160,762              | 44,457,206            | 42,922,480            |
| Other taxes   | 22,117,391              | 21,962,837            | -                        | -                    | 22,117,391            | 21,962,837            |
| Other   | 3,153,328               | 5,489,428             | 315,710                  | 355,509              | 3,469,038             | 5,844,937             |
| <b>Total Revenues:</b>                                      | <b>\$ 81,242,117</b>    | <b>\$ 87,155,061</b>  | <b>\$ 40,523,178</b>     | <b>\$ 42,222,636</b> | <b>\$ 121,765,295</b> | <b>\$ 129,377,697</b> |
| <b>Expenses:</b>  |                         |                       |                          |                      |                       |                       |
| General government  | \$ 20,536,401           | \$ 25,240,933         | \$ -                     | \$ -                 | \$ 20,536,401         | \$ 25,240,933         |
| Community development                                       | 8,030,851               | 7,026,330             | -                        | -                    | 8,030,851             | 7,026,330             |
| Public safety   | 12,372,318              | 13,323,731            | -                        | -                    | 12,372,318            | 13,323,731            |
| Public works  | 14,201,763              | 13,341,995            | -                        | -                    | 14,201,763            | 13,341,995            |
| Recreation and Parks  | 20,028,092              | 23,261,943            | -                        | -                    | 20,028,092            | 23,261,943            |
| Interest on long term debt                                  | 1,042,271               | 1,369,546             | -                        | -                    | 1,042,271             | 1,369,546             |
| Water   | -                       | -                     | 9,945,637                | 10,225,304           | 9,945,637             | 10,225,304            |
| Sewer   | -                       | -                     | 10,850,259               | 11,608,010           | 10,850,259            | 11,608,010            |
| Refuse  | -                       | -                     | 5,429,616                | 5,405,423            | 5,429,616             | 5,405,423             |
| Parking   | -                       | -                     | 1,279,238                | 3,421,832            | 1,279,238             | 3,421,832             |
| Stormwater management                                       | -                       | -                     | 4,251,262                | 4,318,925            | 4,251,262             | 4,318,925             |
| Golf Course   | -                       | -                     | 101,594                  | 490,370              | 101,594               | 490,370               |
| <b>Total Expenses:</b>                                      | <b>\$ 76,211,696</b>    | <b>\$ 83,564,478</b>  | <b>\$ 31,857,606</b>     | <b>\$ 35,469,864</b> | <b>\$ 108,069,302</b> | <b>\$ 119,034,342</b> |
| Increase in net position before transfers and contributions | 5,030,421               | 3,590,583             | 8,665,572                | 6,752,772            | 13,695,993            | 10,343,355            |
| Transfers and contributions                                 | 1,914,270               | 2,619,270             | (1,914,270)              | (2,619,270)          | -                     | -                     |
| Increase/(Decrease) in net position                         | 6,944,691               | 6,209,853             | 6,751,302                | 4,133,502            | 13,695,993            | 10,343,355            |
| Net position - beginning, as previously reported            | 216,867,708             | 210,657,855           | 76,551,577               | 72,418,075           | 293,419,285           | 283,075,930           |
| <b>Net position - ending</b>                                | <b>\$ 223,812,399</b>   | <b>\$ 216,867,708</b> | <b>\$ 83,302,879</b>     | <b>\$ 76,551,577</b> | <b>\$ 307,115,278</b> | <b>\$ 293,419,285</b> |

**Governmental activities:** Governmental activities net position was \$223,812,399 at the end of the fiscal year, an increase of \$6,944,691, or 3.2% over beginning net position. Program revenues decreased by \$5,279,867 (31.2%), which is made up of decreases in charges for services of \$3,776,337, decreases in operating grants and contributions of \$616,768 and decreases in operating grants and contributions of \$886,762. General revenues decreased by \$633,077 (0.9%) which is mainly attributable to an increase in property tax revenues of \$1,548,469, income tax revenues of \$154,554 and offset by a decrease of \$2,336,100 in revenue from other. The decrease in other revenues attributes to unfavorable interest earnings during fiscal year 2021, as well as the decreases in revenues in cable fees and hotel taxes. Continued efforts to closely monitor costs across every department allowed for total revenues to exceed expenses in the government-wide Statement of Activities.

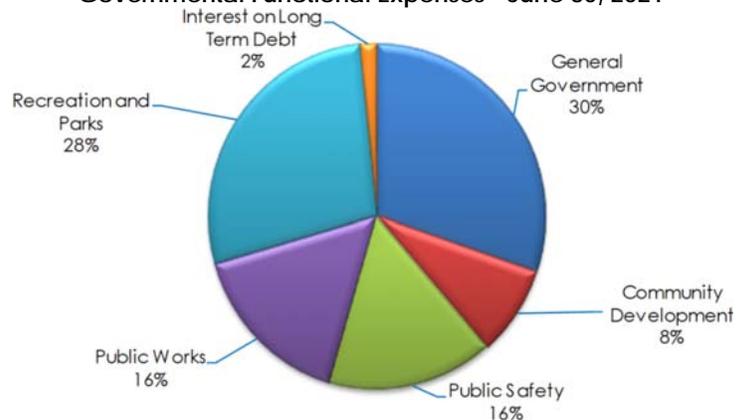
The total program revenues decreased while the revenues for property taxes and income taxes increased during the fiscal year 2021 represented a mixed pandemic impact.

**Business-type activities:** Business-type activities net position was \$83,302,879 at the end of the fiscal year, an increase of \$6,751,302, or 8.8% over beginning net position. Program revenues decreased by \$1,645,916 (3.9%) when compared to the previous fiscal year. This revenue decrease is due to the high level of delinquent water bills due to pandemic, along with no late fees or re-connection fees. Expenses decreased by \$3,612,258 (10.2%) when compared to the previous fiscal year. The most significant component of this decrease in expenses was the \$2,153,063 in recognition of loss on advance refunding associated with the defeasance of bonds in the Parking Fund in fiscal year 2020 and during fiscal year 2021, annual amortization was recognized. Close monitoring of expenses allowed for the overall increase of net position for business-type activities.

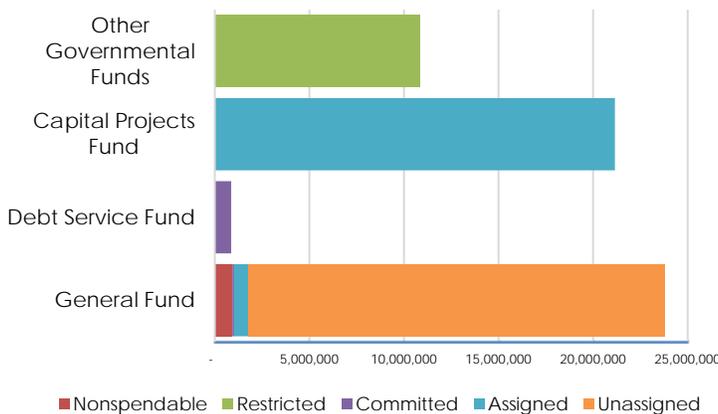
Governmental Revenue Sources - June 30, 2021



Governmental Functional Expenses - June 30, 2021



Governmental Fund Balance by Category



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

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

All 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 \$55,322,859, a decrease of \$1,362,834 or 2.4% in comparison with the prior fiscal year. This decrease is primarily due to capital and debt service expenditures exceeding tax revenues and bond proceeds in the current year. The classifications of fund balance are \$850,844 as nonspendable, \$10,872,899 as restricted for special revenue programming, \$311,221 as committed for debt service, \$270,000 as committed for web redesign planning, \$20,166,588 as assigned for capital outlays, consulting services, and other purposes, and \$22,851,307 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 \$22,869,949, of the total fund balance of \$24,982,821. The unassigned fund balance increased \$847,602 or 3.8% from the prior fiscal year and the total fund balance increased \$1,196,007 or 5.0% from the prior fiscal year. The increase in unassigned and overall fund balance is a result of expenditure reductions in the General Fund.

The Debt Service Fund has a total fund balance of \$311,221, which is committed to debt service. The decrease in fund balance was \$556,391 or 64.1%. This decrease was due to debt service expenditures exceeding revenues and transfers from the General Fund into the Debt Service Fund.

The Capital Projects Fund has a total fund balance of \$19,174,560, which is assigned to capital projects. The decrease in fund balance was \$1,979,682 or 9.4%. This decrease is due to capital outlays exceeding revenues 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. The Water Facility and Sanitary Sewer Funds do not have continued liquidity issues due to the investment in infrastructure improvements.

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 \$763,118, \$3,328,982, \$1,566,648, \$23,201,927, \$7,045,742 and (\$71,149), respectively.

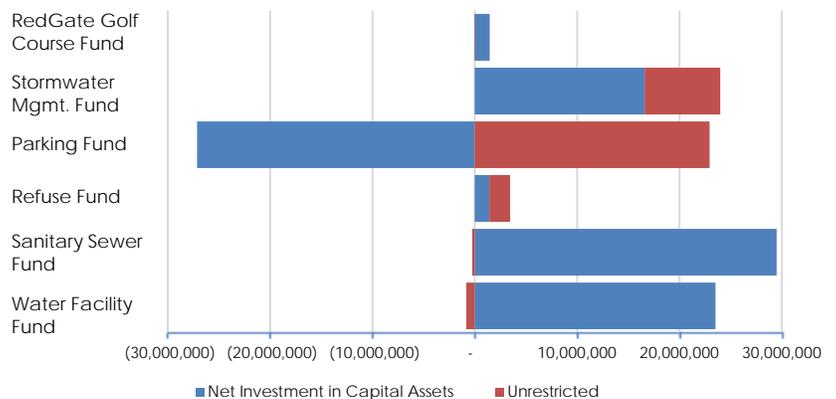
Fiduciary fund: The City’s fiduciary fund provides information on the pension and post-employment health benefit trusts maintained by the City. This fund is not reported in the government-wide financial statements.

The net position of the Pension and OPEB Trust Funds at the end of the year amounted to \$196,225,394. Net position increased by \$40,693,054 or 26.16% 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 81 and 82.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget included a \$1,604,522 net decrease in revenues from the original adopted budget primarily due to decreased revenue projections from charges for services and admissions and amusement taxes offset by increases to income taxes and grants. Expenses in the final amended budget included a \$1,171,737 decrease from the original adopted budget. The net increase is primarily a result of increases for reappropriation of fiscal year 2020 encumbrances and a \$1,177,000 increase to the planned capital projects transfer offset by decreases in recreation and parks operating expenses.

**Proprietary Funds Net Position by Category**



Actual revenues were \$1,403,411 lower than the final amended budget. The decrease is primarily a result of revenue shortfalls of \$1,313,545 in charges for services combined with other smaller variances. Actual operating expenditures were \$3,940,433 less than the final amended budget. This decrease is a result of vacant positions, unused programming expenses, unfinished consultant studies, and other smaller operating cost reductions across programs. The coronavirus pandemic impacted City operations and required that many planned programs and activities be rescheduled or cancelled altogether, which impacted revenues during the fiscal year and the associated expenditures planned for those programs and activities.

**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, 2021, amounts to \$359,249,855 (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 decrease in the City's investment in capital assets for the current fiscal year was \$2,376,414 or 0.6%, which reflects capital outlays less

than depreciation on capital assets. Governmental activities had a decrease in equipment of \$1,491,277 primarily due to the disposal of old automobiles and trucks. The improvements other than buildings decreased by \$3,502,783 in business-type activities. This decrease attributes to the depreciation on the capital assets in excess of capital outlays.

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

- Rehabilitation and replacement of water and sewer mains throughout the City totaling \$1,404,623.
- Improvements to City roads, bridges and sidewalks continued; construction costs at the end of the current fiscal year were \$7,262,646.

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

|                                   | Governmental Activities |                       | Business-Type Activities |                       | Total                 |                       |
|-----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                                   | 2021                    | 2020                  | 2021                     | 2020                  | 2021                  | 2020                  |
| Land                              | \$ 11,544,482           | \$ 11,544,482         | \$ 2,058,940             | \$ 2,058,940          | \$ 13,603,422         | \$ 13,603,422         |
| Construction in Progress          | 15,512,344              | 23,120,384            | 1,941,109                | 1,764,402             | 17,453,453            | 24,884,786            |
| Buildings                         | 57,033,948              | 59,349,446            | 348,419                  | 377,347               | 57,382,367            | 59,726,793            |
| Improvements other than Buildings | 29,762,583              | 19,438,817            | 119,682,923              | 122,735,706           | 149,445,506           | 142,174,523           |
| Equipment                         | 7,073,288               | 8,564,565             | 2,788,733                | 2,651,908             | 9,862,021             | 11,216,473            |
| Infrastructure                    | 102,252,175             | 100,463,772           | -                        | -                     | 102,252,175           | 100,463,772           |
| Purchased Capacity                | -                       | -                     | 9,250,911                | 9,556,500             | 9,250,911             | 9,556,500             |
| <b>Total</b>                      | <b>\$ 223,178,820</b>   | <b>\$ 222,481,466</b> | <b>\$ 136,071,035</b>    | <b>\$ 139,144,803</b> | <b>\$ 359,249,855</b> | <b>\$ 361,626,269</b> |

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

Long-term obligations: At the end of the current fiscal year, the City had total long-term obligations of \$156,656,098, excluding the Net OPEB Asset which is presented below for comparative purposes. Long-term obligations 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                 |                       |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                      | 2021                    | 2020                 | 2021                     | 2020                 | 2021                  | 2020                  |
| Bonds Payable and Loans Payable, net | \$ 28,988,553           | \$ 33,640,035        | \$ 109,786,135           | \$ 97,090,861        | \$ 138,774,688        | \$ 130,730,896        |
| Accrued Obligations for              |                         |                      |                          |                      |                       |                       |
| Compensated Balances                 | 5,876,305               | 5,886,603            | 1,089,375                | 1,088,107            | 6,965,680             | 6,974,710             |
| Claims Payable                       | 2,328,963               | 2,281,879            | -                        | -                    | 2,328,963             | 2,281,879             |
| Net Pension Liability                | 8,586,767               | 26,361,154           | -                        | -                    | 8,586,767             | 26,361,154            |
| Net OPEB (Asset)/Liability           | (3,000,528)             | (1,092,485)          | -                        | -                    | (3,000,528)           | (1,092,485)           |
| <b>Total Long-Term Liabilities</b>   | <b>\$ 42,780,060</b>    | <b>\$ 67,077,186</b> | <b>\$ 110,875,510</b>    | <b>\$ 98,178,968</b> | <b>\$ 153,655,570</b> | <b>\$ 165,256,154</b> |

Additional information on the City's long term obligations can be found in Note (2) F on pages 49-54 of this report.

The City's total debt principal outstanding increased by \$8,043,792 (6.2%) compared to the prior fiscal year, not including the impact of unamortized bond premiums and deferred charges on advance refundings. This increase represents the impact of the issuances of new general obligation bonds and advance refunding obligation bonds in the current fiscal year, offset by repayments on existing long-term debt and payments to the advance refunding escrow agent. The net pension liability decreased \$17,774,387 (67.4%) based on projected future pension payments. The net OPEB liability in fiscal year 2021 decreased by \$1,908,043 (174.7%) during the fiscal year and continued to be a net OPEB asset in fiscal year 2021 based on plan asset performance and projected future retiree benefit expenses.

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 net pension liability and net OPEB liability can be found in Note (4) and Note (5), respectively on pages 57-65 of this report.

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

The Mayor and Council adopted the Fiscal Year 2022 (FY22) operating and capital budgets on May 10, 2021. The total operating budget for all funds equals \$141.2 million, an increase of 0.7% from the previous year. The General Fund budget equals \$86.5 million, an increase of 2.2%. The FY21 real property tax rate of \$0.292 per \$100 of assessed valuation remains the same for FY22. In addition to adopting the FY22 budget ordinance, the Mayor and Council also approved several ordinances and resolutions that maintained several of the utility rates at the same level as FY21 for the first six months of the fiscal year FY22, in response to the Rockville community as a result of the coronavirus pandemic. The adopted FY22 rates include:

- A stormwater utility rate of \$132 per equivalent residential unit (ERU). Each residential property will pay \$132 or one ERU per year, and each commercial property will pay \$132 multiplied by the number of ERUs measured on their property. This rate is unchanged from fiscal year 2021.
- Water usage rates continue to follow a multi-tiered progressive structure which incorporates both fixed and variable charges based on consumption and meter size. These rates are unchanged from fiscal year 2021.
- Sewer usage rate of \$10.50 per 1,000 gallons, consistent with the FY21 rate. The FY22 rates also include a fixed ready-to-serve charge based on meter size which are unchanged from the prior year.
- Refuse rate of \$459 per residential property per year, a modest \$14 increase from the FY21 rate.

The pandemic has continued to impact all levels of government, non-profit organizations, and private businesses, as well as individuals, families, and the general Rockville community. Several of Rockville's major revenue sources have been impacted by the pandemic, including reductions in admissions and amusement tax, hotel tax, interest earnings, and recreation fees and charges. Other revenue sources such as utility penalties and parking meter revenue will never be recovered.

An important economic factor that directly impacts the City's budget is property assessments. The three-year phase in from the most recent reassessment combined with new properties on the City's tax roll, results in a projected 0.3% increase in real property tax revenues for fiscal year 2022. Budgeted personal property taxes are expected to remain relatively flat, consistent with recent trends. These combined factors, bring estimated total real and personal property tax revenue to \$44.9 million, an increase of approximately \$1,074,000. While this outlook is not as positive as previous years, 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, 2021

|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>Assets</b>  |                            |                             |                       |
| Cash and cash equivalents  | \$ 33,213,728              | \$ 27,742,945               | \$ 60,956,673         |
| Investments  | 32,028,022                 | -                           | 32,028,022            |
| Property tax receivable, net   | 361,460                    | -                           | 361,460               |
| Accounts receivable, net   | 900,926                    | 7,619,294                   | 8,520,220             |
| Due from other governments   | 2,872,765                  | -                           | 2,872,765             |
| Prepaid assets   | 156,000                    | -                           | 156,000               |
| Loans receivable   | 120,000                    | -                           | 120,000               |
| Other assets   | 575,343                    | 618                         | 575,961               |
| Unbilled assessments receivable  | 48,597                     | -                           | 48,597                |
| Net OPEB asset   | 3,000,528                  | -                           | 3,000,528             |
| Capital assets (net of accumulated depreciation):                        |                            |                             |                       |
| Land   | 11,544,482                 | 2,058,940                   | 13,603,422            |
| Construction in progress   | 15,512,344                 | 1,941,109                   | 17,453,453            |
| Buildings, Improvements and Infrastructure                               | 189,048,706                | 120,031,342                 | 309,080,048           |
| Equipment  | 7,073,288                  | 2,788,733                   | 9,862,021             |
| Purchased capacity   | -                          | 9,250,911                   | 9,250,911             |
| Capital lease receivable, net  | -                          | 22,623,885                  | 22,623,885            |
| <b>Total Assets</b>  | <b>\$ 296,456,189</b>      | <b>\$ 194,057,777</b>       | <b>\$ 490,513,966</b> |
| <b>Deferred Outflows of Resources</b>                                    |                            |                             |                       |
| Deferred outflows from pensions  | \$ 7,743,682               | \$ -                        | \$ 7,743,682          |
| Deferred charge on advance refunding                                     | 178,643                    | 2,413,920                   | 2,592,563             |
| <b>Total Deferred Outflows of Resources</b>                              | <b>\$ 7,922,325</b>        | <b>\$ 2,413,920</b>         | <b>\$ 10,336,245</b>  |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <b>\$ 304,378,514</b>      | <b>\$ 196,471,697</b>       | <b>\$ 500,850,211</b> |
| <b>Liabilities</b>   |                            |                             |                       |
| Accounts payable   | \$ 3,564,518               | \$ 1,232,818                | \$ 4,797,336          |
| Internal balances  | (70,637)                   | 70,637                      | -                     |
| Accrued liabilities  | 3,161,900                  | 840,251                     | 4,002,151             |
| Unearned revenue   | 6,042,492                  | -                           | 6,042,492             |
| Retainages payable   | 413,789                    | 91,353                      | 505,142               |
| Deposits and other liabilities   | 1,498,526                  | 58,249                      | 1,556,775             |
| Noncurrent Liabilities:  |                            |                             |                       |
| Due within one year:   |                            |                             |                       |
| Compensated absences   | 4,289,703                  | 795,243                     | 5,084,946             |
| Bonds payable and loans payable, net                                     | 4,052,722                  | 8,887,281                   | 12,940,003            |
| Claims payable   | 885,006                    | -                           | 885,006               |
| Due in more than one year:   |                            |                             |                       |
| Compensated absences   | 1,586,602                  | 294,132                     | 1,880,734             |
| Bonds payable and loans payable, net                                     | 24,935,831                 | 100,898,854                 | 125,834,685           |
| Claims payable   | 1,443,957                  | -                           | 1,443,957             |
| Net pension liability  | 8,586,767                  | -                           | 8,586,767             |
| <b>Total Liabilities</b>   | <b>\$ 60,391,176</b>       | <b>\$ 113,168,818</b>       | <b>\$ 173,559,994</b> |
| <b>Deferred Inflows of Resources</b>                                     |                            |                             |                       |
| Deferred inflows from pensions   | \$ 14,868,990              | \$ -                        | \$ 14,868,990         |
| Deferred inflows from OPEB   | 5,305,949                  | -                           | 5,305,949             |
| <b>Total Deferred Inflows of Resources</b>                               | <b>\$ 20,174,939</b>       | <b>\$ -</b>                 | <b>\$ 20,174,939</b>  |
| <b>Total Liabilities and Deferred Inflows of Resources</b>               | <b>\$ 80,566,115</b>       | <b>\$ 113,168,818</b>       | <b>\$ 193,734,933</b> |
| <b>Net Position</b>  |                            |                             |                       |
| Net investment in capital assets   | \$ 194,918,299             | \$ 47,467,611               | \$ 242,385,910        |
| Restricted for:  |                            |                             |                       |
| Special activities fund programming                                      | 10,872,899                 | -                           | 10,872,899            |
| Unrestricted   | 18,021,201                 | 35,835,268                  | 53,856,469            |
| <b>Total Net Position</b>  | <b>\$ 223,812,399</b>      | <b>\$ 83,302,879</b>        | <b>\$ 307,115,278</b> |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>\$ 304,378,514</b>      | <b>\$ 196,471,697</b>       | <b>\$ 500,850,211</b> |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2021

| Functions / Programs                        | Program Revenues      |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             | Total                  |
|---|-----------------------|-------------------------|--|--|--|-----------------------------|------------------------|
|   | Expenses              | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             |                        |
|   |                       |                         |  |  | Governmental<br>Activities                           | Business-type<br>Activities |                        |
| <b>Primary Government:</b>                  |                       |                         |  |  |  |                             |                        |
| <b>Governmental activities:</b>             |                       |                         |  |  |  |                             |                        |
| General government                          | \$ 20,536,401         | \$ 387,304              | \$ 1,198,101                             | \$ -                                   | \$ (18,950,996)                                      | \$ -                        | \$ (18,950,996)        |
| Community development                       | 8,030,851             | 3,060,460               | 571,082                                  | -                                      | (4,399,309)  | -                           | (4,399,309)            |
| Public safety                               | 12,372,318            | 2,250,734               | 765,768                                  | -                                      | (9,355,816)  | -                           | (9,355,816)            |
| Public works                                | 14,201,763            | 499,453                 | -  | 199,774                                | (13,502,536)   | -                           | (13,502,536)           |
| Recreation and parks                        | 20,028,092            | 2,200,987               | 227,548                                  | 300,000                                | (17,299,557)   | -                           | (17,299,557)           |
| Interest long-term debt                     | 1,042,271             | -                       | -  | -                                      | (1,042,271)  | -                           | (1,042,271)            |
| <b>Total Governmental Activities</b>        | <b>\$ 76,211,696</b>  | <b>\$ 8,398,938</b>     | <b>\$ 2,762,499</b>                      | <b>\$ 499,774</b>                      | <b>\$ (64,550,485)</b>                               | <b>\$ -</b>                 | <b>\$ (64,550,485)</b> |
| <b>Business-Type Activities:</b>            |                       |                         |  |  |  |                             |                        |
| Water                                       | \$ 9,945,637          | \$ 12,240,675           | \$ -                                     | \$ -                                   | \$ -   | \$ 2,295,038                | \$ 2,295,038           |
| Sewer                                       | 10,850,259            | 15,647,083              | -  | (196,685)                              | -  | 4,600,139                   | 4,600,139              |
| Refuse                                      | 5,429,616             | 6,247,044               | -  | -                                      | -  | 817,428                     | 817,428                |
| Parking                                     | 1,279,238             | 453,070                 | -  | 315,001                                | -  | (511,167)                   | (511,167)              |
| Stormwater management                       | 4,251,262             | 5,354,261               | -  | -                                      | -  | 1,102,999                   | 1,102,999              |
| RedGate golf course                         | 101,594               | -                       | -  | -                                      | -  | (101,594)                   | (101,594)              |
| <b>Total Business-Type Activities</b>       | <b>\$ 31,857,606</b>  | <b>\$ 39,942,133</b>    | <b>\$ -</b>                              | <b>\$ 118,316</b>                      | <b>\$ -</b>  | <b>\$ 8,202,843</b>         | <b>\$ 8,202,843</b>    |
| <b>Total primary government</b>             | <b>\$ 108,069,302</b> | <b>\$ 48,341,071</b>    | <b>\$ 2,762,499</b>                      | <b>\$ 618,090</b>                      | <b>\$ (64,550,485)</b>                               | <b>\$ 8,202,843</b>         | <b>\$ (56,347,642)</b> |
| <b>General revenues:</b>                    |                       |                         |  |  |  |                             |                        |
| Property taxes                              |                       |                         |  |  | \$ 44,310,187  | \$ 147,019                  | \$ 44,457,206          |
| Income taxes                                |                       |                         |  |  | 16,631,367   | -                           | 16,631,367             |
| Gas and motor vehicle taxes                 |                       |                         |  |  | 2,763,951  | -                           | 2,763,951              |
| County tax duplication payment              |                       |                         |  |  | 2,409,750  | -                           | 2,409,750              |
| Admissions and amusement taxes              |                       |                         |  |  | 312,323  | -                           | 312,323                |
| Use of money and property                   |                       |                         |  |  | 686,635  | 16,349                      | 702,984                |
| Other revenue                               |                       |                         |  |  | 2,466,693  | 299,361                     | 2,766,054              |
| Transfers and Contributions                 |                       |                         |  |  | 1,914,270  | (1,914,270)                 | -                      |
| <b>Total general revenues and transfers</b> |                       |                         |  |  | <b>\$ 71,495,176</b>                                 | <b>\$ (1,451,541)</b>       | <b>\$ 70,043,635</b>   |
| Change in net position                      |                       |                         |  |  | 6,944,691  | 6,751,302                   | 13,695,993             |
| Net Position at beginning of year           |                       |                         |  |  | 216,867,708  | 76,551,577                  | 293,419,285            |
| <b>Net Position at end of year</b>          |                       |                         |  |  | <b>\$223,812,399</b>                                 | <b>\$ 83,302,879</b>        | <b>\$307,115,278</b>   |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

| Assets   | General Fund        | Debt              |                     | Capital              | Other                | Total        |
|--|---------------------|-------------------|---------------------|----------------------|----------------------|--------------|
|  |                     | Service Fund      | Projects            | Fund                 | Governmental         | Governmental |
|  |                     |                   |                     |                      | Funds                | Funds        |
| Cash and cash equivalents  | \$18,082,939        | \$ 311,174        | \$ 4,087,446        | \$ 10,732,169        | \$ 33,213,728        |              |
| Investments  | 15,976,516          | -                 | 16,051,506          | -                    | 32,028,022           |              |
| Property taxes receivable, net   | 361,460             | -                 | -                   | -                    | 361,460              |              |
| Accounts receivable, net   | 607,047             | -                 | 166,260             | 127,619              | 900,926              |              |
| Interfund receivable   | 140,079             | -                 | -                   | -                    | 140,079              |              |
| Due from other governments   | 2,600,862           | -                 | -                   | 271,903              | 2,872,765            |              |
| Prepaid assets   | 156,000             | -                 | -                   | -                    | 156,000              |              |
| Loans receivable   | 120,000             | -                 | -                   | -                    | 120,000              |              |
| Other assets, net  | 575,239             | 47                | 57                  | -                    | 575,343              |              |
| Unbilled assessments receivable  | -                   | 48,597            | -                   | -                    | 48,597               |              |
| <b>Total Assets</b>  | <b>\$38,620,142</b> | <b>\$ 359,818</b> | <b>\$20,305,269</b> | <b>\$ 11,131,691</b> | <b>\$ 70,416,920</b> |              |
| <b>Liabilities</b>   |                     |                   |                     |                      |                      |              |
| Accounts payable   | \$ 2,640,295        | \$ -              | \$ 744,017          | \$ 180,206           | \$ 3,564,518         |              |
| Interfund payable  | -                   | -                 | -                   | 69,442               | 69,442               |              |
| Accrued liabilities  | 3,089,817           | -                 | -                   | 5,420                | 3,095,237            |              |
| Unearned revenue   | 6,042,492           | -                 | -                   | -                    | 6,042,492            |              |
| Retainages payable   | 4,731               | -                 | 386,692             | 22,366               | 413,789              |              |
| Deposits and other liabilities   | 1,498,526           | -                 | -                   | -                    | 1,498,526            |              |
| <b>Total Liabilities</b>   | <b>\$13,275,861</b> | <b>\$ -</b>       | <b>\$ 1,130,709</b> | <b>\$ 277,434</b>    | <b>\$ 14,684,004</b> |              |
| <b>Deferred Inflows of Resources</b>                                     |                     |                   |                     |                      |                      |              |
| Unavailable revenue - property taxes                                     | \$ 361,460          | \$ -              | \$ -                | \$ -                 | \$ 361,460           |              |
| Unavailable revenue - special assessments                                | -                   | 48,597            | -                   | -                    | 48,597               |              |
| <b>Total Deferred Inflows of Resources</b>                               | <b>\$ 361,460</b>   | <b>\$ 48,597</b>  | <b>\$ -</b>         | <b>\$ -</b>          | <b>\$ 410,057</b>    |              |
| <b>Total Liabilities and Deferred Inflows of Resources</b>               | <b>\$13,637,321</b> | <b>\$ 48,597</b>  | <b>\$ 1,130,709</b> | <b>\$ 277,434</b>    | <b>\$ 15,094,061</b> |              |
| <b>Fund Balances</b>   |                     |                   |                     |                      |                      |              |
| Nonspendable:  |                     |                   |                     |                      |                      |              |
| Inventory  | \$ 574,844          | \$ -              | \$ -                | \$ -                 | \$ 574,844           |              |
| Loans receivable   | 120,000             | -                 | -                   | -                    | 120,000              |              |
| Prepaid assets   | 156,000             | -                 | -                   | -                    | 156,000              |              |
| Restricted for:  |                     |                   |                     |                      |                      |              |
| Special revenue programming  | -                   | -                 | -                   | 10,872,899           | 10,872,899           |              |
| Committed to:  |                     |                   |                     |                      |                      |              |
| Debt service   | -                   | 311,221           | -                   | -                    | 311,221              |              |
| Web Redesign   | 270,000             | -                 | -                   | -                    | 270,000              |              |
| Assigned for:  |                     |                   |                     |                      |                      |              |
| Consulting services  | 221,252             | -                 | -                   | -                    | 221,252              |              |
| Capital outlays  | 475,044             | -                 | 19,174,560          | -                    | 19,649,604           |              |
| Other purposes   | 295,732             | -                 | -                   | -                    | 295,732              |              |
| Unassigned:  | 22,869,949          | -                 | -                   | (18,642)             | 22,851,307           |              |
| <b>Total Fund Balance</b>  | <b>\$24,982,821</b> | <b>\$ 311,221</b> | <b>\$19,174,560</b> | <b>\$ 10,854,257</b> | <b>\$ 55,322,859</b> |              |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$38,620,142</b> | <b>\$ 359,818</b> | <b>\$20,305,269</b> | <b>\$ 11,131,691</b> | <b>\$ 70,416,920</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, 2021**

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

|  |  |               |
|--|--|---------------|
| Total fund balances - governmental funds |  | \$ 55,322,859 |
|--|--|---------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                          |               |             |
|--------------------------|---------------|-------------|
| Cost of capital assets   | 437,905,659   |             |
| Accumulated depreciation | (214,726,839) | 223,178,820 |

|  |  |         |
|--|--|---------|
| Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased. |  | 410,057 |
|--|--|---------|

|   |  |         |
|---|--|---------|
| The unamortized deferred charge on advance refunding represents a long term outflow of resources that is not presented in the governmental funds. |  | 178,643 |
|---|--|---------|

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           | (8,586,767)  |              |
| Deferred outflows from pensions | 7,743,682    |              |
| Deferred inflows from pensions  | (14,868,990) | (15,712,075) |

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 asset             | 3,000,528   |             |
| Deferred inflows from OPEB | (5,305,949) | (2,305,421) |

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                                      | 5,876,305  |              |
| General obligation bonds payable                          | 26,599,225 |              |
| Accrued interest on the general obligation bonds          | 66,663     |              |
| Unamortized bond premiums on the general obligation bonds | 2,389,328  |              |
| Claims payable  | 2,328,963  | (37,260,484) |

|  |  |                             |
|--|--|-----------------------------|
| Total net position - governmental activities |  | <u><u>\$223,812,399</u></u> |
|--|--|-----------------------------|

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

|   | General Fund           | Debt<br>Service Fund | Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------------|----------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                   |                        |                      |                          |                                |                                |
| Property Taxes                                    | \$ 44,327,269          | \$ -                 | \$ -                     | \$ -                           | \$ 44,327,269                  |
| Revenue from other governments:                   |                        |                      |                          |                                |                                |
| Income taxes                                      | 16,631,367             | -                    | -                        | -                              | 16,631,367                     |
| Gas and motor vehicles taxes                      | 2,763,951              | -                    | -                        | -                              | 2,763,951                      |
| County tax duplication payment                    | 2,409,750              | -                    | -                        | -                              | 2,409,750                      |
| Admission and amusement taxes                     | 312,323                | -                    | -                        | -                              | 312,323                        |
| Grants and other governmental revenue             | 3,323,102              | -                    | 466,260                  | 966,898                        | 4,756,260                      |
| Licenses and permits                              | 2,832,775              | -                    | -                        | -                              | 2,832,775                      |
| Charges for services                              | 2,991,142              | -                    | -                        | 12,015                         | 3,003,157                      |
| Use of money and property                         | 687,692                | 2,333                | (4,389)                  | 999                            | 686,635                        |
| Fines and forfeitures                             | 948,252                | -                    | -                        | 1,229,124                      | 2,177,376                      |
| Other revenues                                    | 4,369,414              | -                    | -                        | 168,692                        | 4,538,106                      |
| <b>Total Revenues</b>                             | <b>\$ 81,597,037</b>   | <b>\$ 2,333</b>      | <b>\$ 461,871</b>        | <b>\$ 2,377,728</b>            | <b>\$ 84,438,969</b>           |
| <b>Expenditures</b>                               |                        |                      |                          |                                |                                |
| Current operations:                               |                        |                      |                          |                                |                                |
| General government                                | \$ 18,571,836          | \$ -                 | \$ -                     | \$ 100,032                     | \$ 18,671,868                  |
| Community development                             | 7,765,345              | -                    | -                        | 265,506                        | 8,030,851                      |
| Public safety                                     | 11,084,019             | -                    | -                        | 941,378                        | 12,025,397                     |
| Public works                                      | 8,211,625              | -                    | -                        | 191,851                        | 8,403,476                      |
| Recreation and parks                              | 19,769,237             | -                    | -                        | 141,309                        | 19,910,546                     |
| Capital outlay                                    | 529,798                | -                    | 9,948,553                | 925,860                        | 11,404,211                     |
| Debt service                                      | -                      | 6,381,996            | -                        | -                              | 6,381,996                      |
| <b>Total Expenditures</b>                         | <b>\$ 65,931,860</b>   | <b>\$ 6,381,996</b>  | <b>\$ 9,948,553</b>      | <b>\$ 2,565,936</b>            | <b>\$ 84,828,345</b>           |
| Excess (deficiency) of Revenues over Expenditures | \$ 15,665,177          | \$ (6,379,663)       | \$ (9,486,682)           | \$ (188,208)                   | \$ (389,376)                   |
| <b>Other Financing Sources (Uses)</b>             |                        |                      |                          |                                |                                |
| Transfers in                                      | \$ -                   | \$ 4,800,000         | \$ 7,507,000             | \$ 165,440                     | \$ 12,472,440                  |
| Transfers out                                     | (14,469,170)           | -                    | -                        | -                              | (14,469,170)                   |
| Issuance of refunding bonds                       | -                      | 1,020,000            | -                        | -                              | 1,020,000                      |
| Premium on general obligation bonds               | -                      | 3,272                | -                        | -                              | 3,272                          |
| <b>Total Other Financing Sources (uses)</b>       | <b>\$ (14,469,170)</b> | <b>\$ 5,823,272</b>  | <b>\$ 7,507,000</b>      | <b>\$ 165,440</b>              | <b>\$ (973,458)</b>            |
| Net change in fund balance                        | \$ 1,196,007           | \$ (556,391)         | \$ (1,979,682)           | \$ (22,768)                    | \$ (1,362,834)                 |
| Fund balance at beginning of year                 | 23,786,814             | 867,612              | 21,154,242               | 10,877,025                     | 56,685,693                     |
| <b>Fund balance at end of year</b>                | <b>\$ 24,982,821</b>   | <b>\$ 311,221</b>    | <b>\$ 19,174,560</b>     | <b>\$ 10,854,257</b>           | <b>\$ 55,322,859</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, 2021

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

|  |                     |                            |
|--|---------------------|----------------------------|
| Total net change in fund balances-total governmental funds   |                     | \$ (1,362,834)             |
| 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 \$11,404,211 exceeded depreciation of \$10,706,857.  |                     | 697,354                    |
| 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.   |                     | 57,721                     |
| In governmental funds, bond proceeds and repayment of bond principal are revenues and expenditures, respectively. In the Statement of Net Position these activities are adjustments to long term liabilities. Bond repayments of \$5,226,047 during the year exceeded bond proceeds of \$1,020,000.  |                     | 4,206,047                  |
| 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.  |                     | 445,435                    |
| Because the unav ailable revenue will not be collected for several months after the City's fiscal year end, it is not considered revenue in the governmental funds. Unav ailable revenue decreased in the current fiscal year.   |                     | (17,082)                   |
| 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  | 17,774,387          |                            |
| Deferred outflows from pensions  | (5,644,986)         |                            |
| Deferred inflows from pensions   | <u>(10,253,154)</u> | 1,876,247                  |
| 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   | 1,908,043           |                            |
| Deferred outflows from OPEB  | -                   |                            |
| Deferred inflows from OPEB   | <u>(841,195)</u>    | 1,066,848                  |
| 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.   |                     | (47,084)                   |
| 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 \$2,318,081 were less than the amounts used of \$2,328,379. |                     | 10,298                     |
| 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 2021, accrued interest on long-term debt reported in the Statement of Activities decreased.    |                     | <u>11,741</u>              |
| Change in net position of governmental activities  |                     | <u><u>\$ 6,944,691</u></u> |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

|  | Business-Type Activities - Enterprise Funds |                        |                     |                       |                          |                                | Total<br>Business-type<br>Activities |
|--|---|------------------------|---------------------|-----------------------|--------------------------|--------------------------------|--------------------------------------|
|  | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund      | Parking<br>Fund       | Stormwater<br>Mgmt. Fund | RedGate<br>Golf Course<br>Fund |                                      |
| <b>Assets</b>  |   |                        |                     |                       |                          |                                |                                      |
| <b>Current Assets</b>                                  |   |                        |                     |                       |                          |                                |                                      |
| Cash and cash equivalents                              | \$ 10,687,086                               | \$ 6,965,788           | \$ 2,203,430        | \$ 508,660            | \$ 7,377,981             | \$ -                           | \$ 27,742,945                        |
| Accounts receivable, net                               | 3,117,188                                   | 4,116,126              | 61,996              | 171,583               | 152,401                  | -                              | 7,619,294                            |
| Other receivables                                      | 212   | 178                    | 64                  | 17                    | 147                      | -                              | 618                                  |
| <b>Total current assets</b>                            | <b>\$ 13,804,486</b>                        | <b>\$ 11,082,092</b>   | <b>\$ 2,265,490</b> | <b>\$ 680,260</b>     | <b>\$ 7,530,529</b>      | <b>\$ -</b>                    | <b>\$ 35,362,857</b>                 |
| <b>Noncurrent Assets</b>                               |   |                        |                     |                       |                          |                                |                                      |
| <b>Capital Assets:</b>                                 |   |                        |                     |                       |                          |                                |                                      |
| Land   | 123,202                                     | -                      | -                   | -                     | 842,697                  | 1,093,041                      | 2,058,940                            |
| Utility plant and equipment                            | 95,977,327                                  | 123,015,877            | 8,592,955           | 70,302                | 25,746,255               | 2,607,389                      | 256,010,105                          |
| Construction in progress                               | 1,206,596                                   | -                      | -                   | -                     | 734,513                  | -                              | 1,941,109                            |
| Purchased capacity, long-term                          | -   | 15,279,453             | -                   | -                     | -                        | -                              | 15,279,453                           |
| Less-accumulated depreciation                          | (52,412,694)                                | (69,598,677)           | (6,447,031)         | (65,255)              | (8,430,567)              | (2,264,348)                    | (139,218,572)                        |
| <b>Other Noncurrent Assets:</b>                        |   |                        |                     |                       |                          |                                |                                      |
| Capital lease, net                                     | -   | -                      | -                   | 22,623,885            | -                        | -                              | 22,623,885                           |
| <b>Total noncurrent assets</b>                         | <b>\$ 44,894,431</b>                        | <b>\$ 68,696,653</b>   | <b>\$ 2,145,924</b> | <b>\$ 22,628,932</b>  | <b>\$ 18,892,898</b>     | <b>\$ 1,436,082</b>            | <b>\$ 158,694,920</b>                |
| <b>Total Assets</b>                                    | <b>\$ 58,698,917</b>                        | <b>\$ 79,778,745</b>   | <b>\$ 4,411,414</b> | <b>\$ 23,309,192</b>  | <b>\$ 26,423,427</b>     | <b>\$ 1,436,082</b>            | <b>\$ 194,057,777</b>                |
| <b>Deferred Outflows of Resources</b>                  |   |                        |                     |                       |                          |                                |                                      |
| Deferred charge on advance refunding                   | \$ 520,432                                  | \$ 761,588             | \$ -                | \$ 1,116,440          | \$ 15,460                | \$ -                           | \$ 2,413,920                         |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>\$ 59,219,349</b>                        | <b>\$ 80,540,333</b>   | <b>\$ 4,411,414</b> | <b>\$ 24,425,632</b>  | <b>\$ 26,438,887</b>     | <b>\$ 1,436,082</b>            | <b>\$ 196,471,697</b>                |
| <b>Liabilities</b>                                     |   |                        |                     |                       |                          |                                |                                      |
| <b>Current Liabilities</b>                             |   |                        |                     |                       |                          |                                |                                      |
| Bonds payable, net                                     | \$ 2,899,966                                | \$ 4,074,724           | \$ 104,039          | \$ 1,463,319          | \$ 321,873               | \$ 23,360                      | \$ 8,887,281                         |
| Accounts payable                                       | 439,762                                     | 393,626                | 218,137             | 12,307                | 168,986                  | -                              | 1,232,818                            |
| Interfund payable                                      | -   | -                      | -                   | -                     | -                        | 70,637                         | 70,637                               |
| Accrued liabilities                                    | 272,774                                     | 199,602                | 166,009             | 71,529                | 129,825                  | 512                            | 840,251                              |
| Compensated absences                                   | 258,275                                     | 146,773                | 229,728             | 13,419                | 147,048                  | -                              | 795,243                              |
| Retainages payable                                     | -   | -                      | -                   | -                     | 91,353                   | -                              | 91,353                               |
| Deposits and other liabilities                         | 58,249                                      | -                      | -                   | -                     | -                        | -                              | 58,249                               |
| <b>Total Current Liabilities</b>                       | <b>\$ 3,929,026</b>                         | <b>\$ 4,814,725</b>    | <b>\$ 717,913</b>   | <b>\$ 1,560,574</b>   | <b>\$ 859,085</b>        | <b>\$ 94,509</b>               | <b>\$ 11,975,832</b>                 |
| <b>Noncurrent Liabilities</b>                          |   |                        |                     |                       |                          |                                |                                      |
| Compensated absences                                   | 95,527                                      | 54,286                 | 84,968              | 4,963                 | 54,388                   | -                              | 294,132                              |
| Bonds payable, net                                     | 30,956,201                                  | 42,766,764             | 402,118             | 25,569,779            | 1,168,825                | 35,167                         | 100,898,854                          |
| <b>Total noncurrent liabilities</b>                    | <b>\$ 31,051,728</b>                        | <b>\$ 42,821,050</b>   | <b>\$ 487,086</b>   | <b>\$ 25,574,742</b>  | <b>\$ 1,223,213</b>      | <b>\$ 35,167</b>               | <b>\$ 101,192,986</b>                |
| <b>Total Liabilities</b>                               | <b>\$ 34,980,754</b>                        | <b>\$ 47,635,775</b>   | <b>\$ 1,204,999</b> | <b>\$ 27,135,316</b>  | <b>\$ 2,082,298</b>      | <b>\$ 129,676</b>              | <b>\$ 113,168,818</b>                |
| <b>Net Position</b>                                    |   |                        |                     |                       |                          |                                |                                      |
| Net investment in capital assets                       | \$ 23,475,477                               | \$ 29,575,576          | \$ 1,639,767        | \$ (25,911,611)       | \$ 17,310,847            | \$ 1,377,555                   | \$ 47,467,611                        |
| Unrestricted   | 763,118                                     | 3,328,982              | 1,566,648           | 23,201,927            | 7,045,742                | (71,149)                       | 35,835,268                           |
| <b>Total net position</b>                              | <b>\$ 24,238,595</b>                        | <b>\$ 32,904,558</b>   | <b>\$ 3,206,415</b> | <b>\$ (2,709,684)</b> | <b>\$ 24,356,589</b>     | <b>\$ 1,306,406</b>            | <b>\$ 83,302,879</b>                 |
| <b>Total Liabilities and Net Position</b>              | <b>\$ 59,219,349</b>                        | <b>\$ 80,540,333</b>   | <b>\$ 4,411,414</b> | <b>\$ 24,425,632</b>  | <b>\$ 26,438,887</b>     | <b>\$ 1,436,082</b>            | <b>\$ 196,471,697</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, 2021**

|   | Business-Type Activities - Enterprise Funds |                        |                     |                       |                          | RedGate             | Total                       |
|---|---|------------------------|---------------------|-----------------------|--------------------------|---------------------|-----------------------------|
|   | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund      | Parking<br>Fund       | Stormwater<br>Mgmt. Fund | Golf Course<br>Fund | Business-type<br>Activities |
| <b>Operating Revenues</b>                                   |   |                        |                     |                       |                          |                     |                             |
| Charges for Services  | \$ 12,240,675                               | \$ 15,647,083          | \$ 6,247,044        | \$ 453,070            | \$ 5,354,261             | \$ -                | \$ 39,942,133               |
| Other Revenues  | 250,957                                     | 375                    | 14,826              | 147,019               | 33,203                   | -                   | 446,380                     |
| Total Operating Revenues                                    | <u>\$ 12,491,632</u>                        | <u>\$ 15,647,458</u>   | <u>\$ 6,261,870</u> | <u>\$ 600,089</u>     | <u>\$ 5,387,464</u>      | <u>\$ -</u>         | <u>\$ 40,388,513</u>        |
| <b>Operating Expenses</b>                                   |   |                        |                     |                       |                          |                     |                             |
| Treatment and purification                                  | 2,488,338                                   | -                      | -                   | -                     | -                        | -                   | 2,488,338                   |
| Distribution  | 1,880,887                                   | -                      | -                   | -                     | -                        | -                   | 1,880,887                   |
| Collection and disposal                                     | -   | 2,804,956              | 4,182,162           | -                     | -                        | -                   | 6,987,118                   |
| Customer billing, collection,<br>operating expenses         | 2,792,687                                   | 3,134,837              | 1,289,518           | 433,928               | 4,048,307                | -                   | 11,699,277                  |
| Repairs and maintenance                                     | 152,860                                     | 132,549                | 597,735             | 2,579                 | 85,631                   | -                   | 971,354                     |
| Total Operating Expenses                                    | <u>\$ 7,314,772</u>                         | <u>\$ 6,072,342</u>    | <u>\$ 6,069,415</u> | <u>\$ 436,507</u>     | <u>\$ 4,133,938</u>      | <u>\$ -</u>         | <u>\$ 24,026,974</u>        |
| Operating income (loss) before<br>depreciation              | 5,176,860                                   | 9,575,116              | 192,455             | 163,582               | 1,253,526                | -                   | 16,361,539                  |
| Less - depreciation   | (3,427,788)                                 | (5,024,335)            | (466,609)           | (9,032)               | (936,192)                | (100,549)           | (9,964,505)                 |
| Operating Income (loss)                                     | <u>\$ 1,749,072</u>                         | <u>\$ 4,550,781</u>    | <u>\$ (274,154)</u> | <u>\$ 154,550</u>     | <u>\$ 317,334</u>        | <u>\$ (100,549)</u> | <u>\$ 6,397,034</u>         |
| <b>Nonoperating Income (Expenses)</b>                       |   |                        |                     |                       |                          |                     |                             |
| Interest income   | 3,522                                       | 3,501                  | 2,394               | 511                   | 6,421                    | -                   | 16,349                      |
| Interest expense  | (437,218)                                   | (316,571)              | (12,592)            | (783,669)             | 49,733                   | (1,045)             | (1,501,362)                 |
| Other, net  | (57,859)                                    | (74,011)               | -                   | (140,030)             | (3,865)                  | -                   | (275,765)                   |
| Total Nonoperating Income                                   | <u>\$ (491,555)</u>                         | <u>\$ (387,081)</u>    | <u>\$ (10,198)</u>  | <u>\$ (923,188)</u>   | <u>\$ 52,289</u>         | <u>\$ (1,045)</u>   | <u>\$ (1,760,778)</u>       |
| Income (loss) before capital<br>contributions and transfers | 1,257,517                                   | 4,163,700              | (284,352)           | (768,638)             | 369,623                  | (101,594)           | 4,636,256                   |
| <b>Capital Grants and Contributions</b>                     | -   | (196,685)              | -                   | 315,001               | -                        | -                   | 118,316                     |
| <b>Transfers</b>  |   |                        |                     |                       |                          |                     |                             |
| Transfer (to) from Proprietary Funds                        | 306,590                                     | (306,590)              | -                   | -                     | -                        | -                   | -                           |
| Transfer from General Fund                                  | -   | -                      | 46,730              | 1,950,000             | -                        | -                   | 1,996,730                   |
| Total Transfers   | <u>\$ 306,590</u>                           | <u>\$ (306,590)</u>    | <u>\$ 46,730</u>    | <u>\$ 1,950,000</u>   | <u>\$ -</u>              | <u>\$ -</u>         | <u>\$ 1,996,730</u>         |
| Increase (decrease) in net position                         | 1,564,107                                   | 3,660,425              | (237,622)           | 1,496,363             | 369,623                  | (101,594)           | 6,751,302                   |
| Net position at beginning of year                           | 22,674,488                                  | 29,244,133             | 3,444,037           | (4,206,047)           | 23,986,966               | 1,408,000           | 76,551,577                  |
| Net position at end of year                                 | <u>\$ 24,238,595</u>                        | <u>\$ 32,904,558</u>   | <u>\$ 3,206,415</u> | <u>\$ (2,709,684)</u> | <u>\$ 24,356,589</u>     | <u>\$ 1,306,406</u> | <u>\$ 83,302,879</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, 2021**

|   | Business-Type Activities - Enterprise Funds |                        |                     |                       |                          |                             | Total<br>Business-type<br>Activities |
|---|---|------------------------|---------------------|-----------------------|--------------------------|-----------------------------|--------------------------------------|
|   | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund      | Parking<br>Fund       | Stormwater<br>Mgmt. Fund | RedGate Golf<br>Course Fund |                                      |
| <b>Cash Flows from operating activities:</b>                      |   |                        |                     |                       |                          |                             |                                      |
| Cash received from customers                                      | \$ 11,937,923                               | \$ 14,623,060          | \$ 6,246,726        | \$ 565,489            | \$ 5,410,513             | \$ -                        | \$ 38,783,711                        |
| Cash payments to suppliers<br>for goods and services              | (3,437,013)                                 | (3,917,671)            | (3,254,949)         | (149,532)             | (1,506,492)              | -                           | (12,265,657)                         |
| Cash payments to employees<br>for services                        | (3,839,964)                                 | (1,935,155)            | (2,804,792)         | (280,570)             | (2,524,004)              | -                           | (11,384,485)                         |
| Net cash provided by operating<br>activities                      | <u>\$ 4,660,946</u>                         | <u>\$ 8,770,234</u>    | <u>\$ 186,985</u>   | <u>\$ 135,387</u>     | <u>\$ 1,380,017</u>      | <u>\$ -</u>                 | <u>\$ 15,133,569</u>                 |
| <b>Cash Flows from noncapital financing activities:</b>           |   |                        |                     |                       |                          |                             |                                      |
| Transfer in from the General Fund                                 | \$ -  | \$ -                   | \$ 46,730           | \$ 1,950,000          | \$ -                     | \$ -                        | \$ 1,996,730                         |
| Transfer (to) from Proprietary Funds                              | 306,590                                     | (306,590)              | -                   | -                     | -                        | -                           | -                                    |
| Proceeds from interfund payable                                   | -   | -                      | -                   | -                     | -                        | 24,662                      | 24,662                               |
| Retirement of interfund payable                                   | (1,931,010)                                 | (1,602,691)            | -                   | (32,006)              | -                        | -                           | (3,565,707)                          |
| Net cash provided by (used in)<br>noncapital financing activities | <u>\$ (1,624,420)</u>                       | <u>\$ (1,909,281)</u>  | <u>\$ 46,730</u>    | <u>\$ 1,917,994</u>   | <u>\$ -</u>              | <u>\$ 24,662</u>            | <u>\$ (1,544,315)</u>                |
| <b>Cash Flows from capital and related financing activities:</b>  |   |                        |                     |                       |                          |                             |                                      |
| Capital grants and contributions                                  | \$ -  | \$ (196,685)           | \$ -                | \$ 315,001            | \$ -                     | \$ -                        | \$ 118,316                           |
| Acquisition and construction<br>of capital assets                 | (1,363,661)                                 | (3,412,078)            | (589,848)           | -                     | (1,433,385)              | -                           | (6,798,972)                          |
| Payments to escrow for advance<br>refunding                       | -   | -                      | -                   | -                     | -                        | -                           | -                                    |
| Principal paid on general<br>obligation bond maturities           | (8,954,664)                                 | (18,707,610)           | (90,000)            | (1,390,000)           | (857,239)                | (22,027)                    | (30,021,540)                         |
| Deferred loss on advance refunding                                | (346,243)                                   | (762,055)              | -                   | -                     | (19,324)                 | -                           | (1,127,622)                          |
| Interest paid on general<br>obligation bonds                      | (907,114)                                   | (1,185,264)            | (21,994)            | (813,273)             | (29,303)                 | (2,635)                     | (2,959,583)                          |
| Proceeds from capital lease                                       | -   | -                      | -                   | 342,929               | -                        | -                           | 342,929                              |
| Proceeds from issuance of<br>debt/current refunding               | 19,218,921                                  | 24,364,960             | -                   | -                     | 581,861                  | -                           | 44,165,742                           |
| Net cash used in capital and<br>related financing activities      | <u>\$ 7,647,239</u>                         | <u>\$ 101,268</u>      | <u>\$ (701,842)</u> | <u>\$ (1,545,343)</u> | <u>\$ (1,757,390)</u>    | <u>\$ (24,662)</u>          | <u>\$ 3,719,270</u>                  |
| <b>Cash Flows from investing activities:</b>                      |   |                        |                     |                       |                          |                             |                                      |
| Interest on investments   | \$ 3,321                                    | \$ 3,567               | \$ 2,762            | \$ 622                | \$ 7,220                 | \$ -                        | \$ 17,492                            |
| Net increase (decrease) in<br>cash and cash equivalents           | 10,687,086                                  | 6,965,788              | (465,365)           | 508,660               | (370,153)                | -                           | 17,326,016                           |
| Cash and cash equivalents at<br>the beginning of year             | -   | -                      | 2,668,795           | -                     | 7,748,134                | -                           | 10,416,929                           |
| Cash and cash equivalents at<br>the end of year                   | <u>\$ 10,687,086</u>                        | <u>\$ 6,965,788</u>    | <u>\$ 2,203,430</u> | <u>\$ 508,660</u>     | <u>\$ 7,377,981</u>      | <u>\$ -</u>                 | <u>\$ 27,742,945</u>                 |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2021

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

|   | Business-Type Activities - Enterprise Funds |                        |                   |                    |                          |                             | Total<br>Business-type<br>Activities |
|---|---|------------------------|-------------------|--------------------|--------------------------|-----------------------------|--------------------------------------|
|   | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund    | Parking<br>Fund    | Stormwater<br>Mgmt. Fund | RedGate Golf<br>Course Fund |                                      |
| <b>Operating income (loss)</b>  | \$ 1,749,072                                | \$ 4,550,781           | \$ (274,154)      | \$ 154,550         | \$ 317,334               | \$ (100,549)                | \$ 6,397,034                         |
| <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b> |   |                        |                   |                    |                          |                             |                                      |
| Depreciation  | \$ 3,427,788                                | \$ 5,024,335           | \$ 466,609        | \$ 9,032           | \$ 936,192               | \$ 100,549                  | \$ 9,964,505                         |
| Changes in assets and liabilities:  |   |                        |                   |                    |                          |                             |                                      |
| Effect of changes in accounts receivable  | (553,958)                                   | (1,024,398)            | (15,144)          | (34,600)           | 23,049                   | -                           | (1,605,051)                          |
| Effect of changes in accounts payable   | 81,642                                      | 194,416                | 9,182             | 8,330              | 35,863                   | -                           | 329,433                              |
| Effect of changes in accrued liabilities  | (1,393)                                     | 1,963                  | (2,113)           | (1,842)            | 5,245                    | -                           | 1,860                                |
| Effect of changes in compensated absences   | (39,890)                                    | 23,137                 | 2,605             | (83)               | 15,499                   | -                           | 1,268                                |
| Effect of changes in retainages payable   | (2,564)                                     | -                      | -                 | -                  | 46,835                   | -                           | 44,271                               |
| Effect of changes in deposits and other liabilities   | 249   | -                      | -                 | -                  | -                        | -                           | 249                                  |
| Total adjustments   | <u>\$ 2,911,874</u>                         | <u>\$ 4,219,453</u>    | <u>\$ 461,139</u> | <u>\$ (19,163)</u> | <u>\$ 1,062,683</u>      | <u>\$ 100,549</u>           | <u>\$ 8,736,535</u>                  |
| Net cash provided by operating activities   | <u>\$ 4,660,946</u>                         | <u>\$ 8,770,234</u>    | <u>\$ 186,985</u> | <u>\$ 135,387</u>  | <u>\$ 1,380,017</u>      | <u>\$ -</u>                 | <u>\$ 15,133,569</u>                 |
| Noncash capital and related financing activities:   |   |                        |                   |                    |                          |                             |                                      |
| Purchase of equipment on account  | <u>\$ 4,674</u>                             | <u>\$ 122,112</u>      | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ (35,021)</u>       | <u>\$ -</u>                 | <u>\$ 91,765</u>                     |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021

|  | Pension and OPEB<br>Trust Funds |
|--|---------------------------------|
| <b>Assets</b>  |                                 |
| Open End Mutual Funds:                                 |                                 |
| Bonds  | \$ 29,530,210                   |
| Equities   | 97,471,840                      |
| Real estate  | 23,902,059                      |
| Global real assets                                     | 15,443                          |
| Global tactical asset allocation                       | 14,662,678                      |
| Money markets  | 2,073,771                       |
| Target Date Fund                                       | 21,859,853                      |
| Stable Value Fund                                      | 6,812,445                       |
| <b>Total Assets</b>                                    | <b>\$ 196,328,299</b>           |
| <b>Liabilities</b>                                     |                                 |
| Benefits Payable                                       | \$ 100,405                      |
| Administrative expense payable                         | 2,500                           |
| <b>Total Liabilities</b>                               | <b>\$ 102,905</b>               |
| <b>Net Position</b>                                    |                                 |
| Restricted for pensions                                | \$ 183,798,517                  |
| Restricted for OPEB                                    | 12,426,877                      |
| <b>Total Net Position restricted for plan benefits</b> | <b>\$ 196,225,394</b>           |
| <br><b>Total Liabilities and Net Position</b>          | <br><b>\$ 196,328,299</b>       |

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, 2021

|  | Pension and<br>OPEB<br>Trust Funds |
|--|------------------------------------|
| <b>Additions</b>                                       |                                    |
| Contributions  |                                    |
| Employer   | \$ 5,106,864                       |
| Plan Members   | 2,370,810                          |
| Total Contributions                                    | 7,477,674                          |
| Investment earnings                                    |                                    |
| Net appreciation in the fair value of plan investments | 40,780,661                         |
| Interest and dividends                                 | 1,572,419                          |
| Total investment earnings                              | 42,353,080                         |
| Plus investment expense refunds                        | (561,144)                          |
| Net investment earnings                                | 41,791,936                         |
| Total Additions  | \$ 49,269,610                      |
| <b>Deductions</b>                                      |                                    |
| Benefits   | \$ 8,495,142                       |
| Administrative expense                                 | 81,414                             |
| Total Deductions                                       | \$ 8,576,556                       |
| Net Increase   | 40,693,054                         |
| Net position at beginning of year                      | 155,532,340                        |
| Net position at end of year                            | \$ 196,225,394                     |

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Notes to the Basic Financial Statements**  
 June 30, 2021

(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 73,400 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 of 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 fund 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 long-term debt costs for the City's golf course facility. Golf operations at the RedGate property ceased on December 31, 2018.

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 City's policy to first use restricted resources, then unrestricted resources as they are needed.

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

**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. Cash and cash equivalents include cash on hand, demand deposits and pooled cash. Investments held by the City include commercial paper, U.S. Treasury securities, U.S. Agency securities and mutual funds which are all stated at fair value. The Pension and OPEB Trust Fund assets are separately managed by the City's Retirement Board. The Pension and OPEB Trust Fund investments consist of mutual funds which are stated at fair value. Short-term pooled investments of one year or less which are included as cash equivalents are stated at amortized cost plus accrued interest.

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 2021. 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Restricted Net Position

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

5. Capital Assets

Capital assets, which include buildings, infrastructure, equipment, furniture and fixtures, vehicles and purchased capacity assets, 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. The City early implemented GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period and therefore 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.

Capital assets 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                |
| Infrastructure         | 20-50                |
| Equipment              | 3-20                 |
| Furniture and fixtures | 7-10                 |
| Automobiles and trucks | 5-7                  |
| Purchased capacity     | 50                   |

6. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports separate sections for deferred outflows and inflows of resources. Separate financial statement elements represent either 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 three items that qualify for reporting in these categories. They are the deferred charge on advance refunding reported in the government-wide and proprietary fund Statement of Net Position, the unavailable revenue for property taxes and special assessments reported in the Governmental Fund Balance Sheet, and the deferred outflows and inflows from pension 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. Annual leave and sick leave are accrued when incurred and eligible for pay-out in the government-wide and proprietary financial statements. Sick leave is only eligible for pay-out when an employee is retiring, has elected sick leave pay-out instead of credited service and meets specific age and length of service requirements. 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.

## (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**

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

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

Commitments of fund balance in the Debt Service Fund have been made in accordance with the City's policy to maintain a minimum cash balance of 10% of average outstanding principal for future debt service appropriations. The City is not restricted by a legal debt limit.

**9. 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".

**10. 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)

11. 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, including any balances from advanced refundings. The portion of net position related to investment in capital assets, is adjusted for unspent debt proceeds of \$18,875,604 attributable to business-type activities. Unspent debt proceeds of \$963,178 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 \$10,872,899, 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. Cash, Cash Equivalents and Investments

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 of 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 invests in the MLGIP, a pooled fund money market for municipalities, which is highly efficient and utilizes a programmed approach to investing. The MLGIP was established under the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission (SEC), but generally operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method. The City maintains other investments in commercial paper, U.S. agency securities, U.S. treasury securities and open end mutual funds which are managed by a third party asset manager. The City’s Pension and OPEB Trust Funds are invested in open end mutual funds, which are subject to oversight by the City’s Retirement Board. The City’s open end mutual funds include equities, fixed income, real estate, global real assets, global tactical asset allocation accounts and money market funds. All investments are reported at fair value.

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 \$51,088,920 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, 2021, the City had the following cash, cash equivalents and investments included as cash and cash equivalents and investments in the Statement of Net Position and the Statement of Fiduciary Net Position:

|  | Primary Government | Fiduciary Funds | Interest Range |
|--|--------------------|-----------------|----------------|
| Deposits                               | \$ 9,867,753       | \$ -            | 0.00%          |
| Maryland Local Government Pool (MLGIP) | 51,088,920         | -               | 0.00% - 0.02%  |
| Total Cash and Cash Equivalents        | \$ 60,956,673      | \$ -            |                |
| US Agency Securities                   | \$ 11,577,211      | \$ -            | 0.16% - 1.51%  |
| US Treasury Securities                 | 20,274,484         | -               | 0.25% - 1.51%  |
| Open-End Mutual Funds                  | 176,327            | 196,328,299     | 0.00% - 0.01%  |
| Total Investments                      | \$ 32,028,022      | \$ 196,328,299  |                |
| Total                                  | \$ 92,984,695      | \$ 196,328,299  |                |

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

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

Effective July 1, 2015 the City adopted GASB Statement No. 72, Fair Value Measurement and Application. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2021:

| Asset Type                             | Total          | Level 1        | Level 2       | Level 3 |
|--|----------------|----------------|---------------|---------|
| <u>Primary Government</u>              |                |                |               |         |
| US Agency Securities                   | 11,577,211     | -              | 11,577,211    | -       |
| US Treasury Securities                 | 20,274,484     | -              | 20,274,484    | -       |
| Open-End Mutual Funds                  | 176,327        | 176,327        | -             | -       |
| <u>Fiduciary Funds</u>                 |                |                |               |         |
| Open-End Mutual Funds                  | \$ 196,328,299 | \$ 128,233,352 | \$ 68,094,947 | \$ -    |
| Total Investments at Fair Market Value | \$ 228,356,321 | \$ 128,409,679 | \$ 99,946,642 | \$ -    |

- Amounts invested in open-end mutual funds of \$128,409,679 are comprised of securities valued using quoted market prices (Level 1). These funds are required to publish their daily net asset value (NAV) and to transact at that price.
- Amounts invested in U.S. agency securities of \$11,577,211 are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades broker/dealer quotes, and issuer spreads (Level 2).
- Amounts invested in U.S. treasury securities of \$20,274,484 are comprised of securities valued using quoted market prices of similar, but not identical assets. (Level 2).
- Amounts invested in open-end mutual funds of \$44,192,888 include investments in 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).
- Amounts invested in open-end mutual funds of \$23,902,059 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).

**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, 2021, the City's bank balance was \$10,259,741, 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.

Foreign Currency Risk: Foreign currency risk, also known as exchange rate risk, is the financial risk arising from fluctuations in the value of a base currency against a foreign currency in which deposits are held. As of June 30, 2021 the City does not maintain deposits in foreign currencies and is not exposed to foreign currency risk.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

**Investments:**

Credit Risk: The Mayor and Council of Rockville recognize that their authority to invest the public funds of the City derives from Section 6-222a of the State of Maryland’s Finance and Procurement Article, as well as Article 95, Section 22-22N of the Annotated Code of Maryland. Authority to invest City funds in compliance and provisions of these State statutes is delegated to the Director of Finance. All City investments must receive the highest letter and numerical rating from at least one nationally recognized statistical rating organization, except for obligations which are backed by the full credit of the U.S. Government, obligations of federal agencies, or an instrument that has been issued in accordance with acts of Congress and unrated. Investments in commercial paper must receive the highest letter and numerical rating from at least two nationally recognized statistical rating organizations. The Pension and OPEB Trust funds are invested in open-end pooled mutual funds, which are unrated.

At June 30, 2021 the City and its Fiduciary Funds held cash equivalents and investments which were exposed to credit risk with the following ratings:

| Cash Equivalents and Investments       | S&P Rating | Total         |
|--|------------|---------------|
| Maryland Local Government Pool (MLGIP) | AAA        | \$ 51,088,920 |
| US Agency Securities                   | AA+        | 11,577,211    |
| US Treasury Securities                 | AA+        | 20,274,484    |
| Open-End Mutual Funds                  | Unrated    | 196,504,626   |

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 five 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. As of June 30, 2021, the cash equivalents and investments of the City and its Fiduciary Funds had the following maturities:

| Cash Equivalents and Investments       | Total         | Maturity      |           |           |           |           |
|--|---------------|---------------|-----------|-----------|-----------|-----------|
|  |               | <1 year       | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
| Maryland Local Government Pool (MLGIP) | \$ 51,088,920 | \$ 51,088,920 | \$ -      | \$ -      | \$ -      | \$ -      |
| US Agency Securities                   | 11,577,211    | 281,533       | 3,227,143 | 2,878,964 | 3,399,515 | 1,790,056 |
| US Treasury Securities                 | 20,274,484    | 2,844,322     | 5,505,876 | 4,277,168 | 3,920,954 | 3,726,164 |
| Open-End Mutual Funds                  | 196,504,626   | 196,504,626   | -         | -         | -         | -         |

Concentration of Credit Risk: Concentration of credit risk is the risk of losses associated with the City's investment in a single issuer. To reduce these risks the City's investment policy establishes the following limits: U.S. obligations backed by full faith and credit - 100%; federal agency obligations - 100% total, no more than 35% per federal agency issuer; repurchase agreements - 35% total; bankers' acceptances - 35% total; commercial paper - 10% total; money market mutual funds - 100%; Maryland local government investment pool - 100%.

At June 30, 2021 the City had \$20,274,484 of U.S. Treasury securities and \$11,577,211 of U.S. Agency securities which exceeded 5% of the City’s total portfolio.

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, 2021.

Foreign Currency Risk: Foreign currency risk, also known as exchange rate risk, is the financial risk arising from fluctuations in the value of a base currency against a foreign currency in which investments are held. As of June 30, 2021 the City does not maintain investments denominated in foreign currencies and is not exposed to foreign currency risk.

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

**B. Receivables**

Receivables as of the year ended June 30, 2021 for all of the City's individual funds were as follows:

| Receivables                     | General      | Debt Service | Capital Projects | Other Governmental Funds | Governmental Activities Total |
|---------------------------------|--------------|--------------|------------------|--------------------------|-------------------------------|
| Property Taxes Receivable       | \$ 1,143,255 | \$ -         | \$ -             | \$ -                     | \$ 1,143,255                  |
| Accounts Receivable             | 607,047      | -            | 166,260          | 127,619                  | 900,926                       |
| Interfund Receivable            | 140,079      | -            | -                | -                        | 140,079                       |
| Due from Other Governments      | 2,600,862    | -            | -                | 271,903                  | 2,872,765                     |
| Loans Receivable                |              |              |                  |                          |                               |
| REL P One, L.P.                 | 120,000      | -            | -                | -                        | 120,000                       |
| Other Receivables               | 395          | 47           | 57               | -                        | 499                           |
| Unbilled Assessments Receivable | -            | 48,597       | -                | -                        | 48,597                        |
| Gross Receivables               | 4,611,638    | 48,644       | 166,317          | 399,522                  | 5,226,121                     |
| Allowance for Uncollectibles    | (781,795)    | -            | -                | -                        | (781,795)                     |
| Net Receivables                 | \$ 3,829,843 | \$ 48,644    | \$ 166,317       | \$ 399,522               | \$ 4,444,326                  |

| Receivables                  | Water        | Sewer        | Refuse    | Parking    | Stormwater Management | RedGate Golf Course | Business-type Activities Total |
|------------------------------|--------------|--------------|-----------|------------|-----------------------|---------------------|--------------------------------|
| Billed / Unbilled Accounts   | \$ 3,124,384 | \$ 4,128,961 | \$ 61,996 | \$ -       | \$ 152,401            | \$ -                | \$ 7,467,742                   |
| Accounts Receivable          | -            | -            | -         | 266,580    | -                     | -                   | 266,580                        |
| Due from Other Governments   | -            | -            | -         | -          | -                     | -                   | -                              |
| Other Receivables            | 212          | 178          | 64        | 17         | 147                   | -                   | 618                            |
| Gross Receivables            | 3,124,596    | 4,129,139    | 62,060    | 266,597    | 152,548               | -                   | 7,734,940                      |
| Allowance for Uncollectibles | (7,196)      | (12,835)     | -         | (94,997)   | -                     | -                   | (115,028)                      |
| Net Receivables              | \$ 3,117,400 | \$ 4,116,304 | \$ 62,060 | \$ 171,600 | \$ 152,548            | \$ -                | \$ 7,619,912                   |

Other Receivables includes balances for interest and investment earnings receivable.

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$896,823 at June 30, 2021, and is composed of the following:

|   |            |
|---|------------|
| General Fund property taxes receivable        | \$ 781,795 |
| Enterprise Funds utility fees receivable      | 20,031     |
| Enterprise Funds parking citations receivable | 94,997     |
| Total allowance for uncollectibles            | \$ 896,823 |

(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)    | \$ 48,597  | \$ -         |
| Property taxes receivable (General Fund)               | 361,460    | -            |
| Recreation services not earned (General Fund)          | -          | 1,232,898    |
| American Rescue Plan Act not earned (General Fund)     | -          | 4,809,594    |
| Total deferred/unearned revenue for governmental funds | \$ 410,057 | \$ 6,042,492 |

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

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, 2021.

**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, 2021, 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, 2021 was as follows:

|  | Beginning<br>Balance    | Increases              | Decreases             | Transfers              | Ending<br>Balance       |
|--|-------------------------|------------------------|-----------------------|------------------------|-------------------------|
| <b>Governmental Activities:</b>              |                         |                        |                       |                        |                         |
| Capital assets, not being depreciated:       |                         |                        |                       |                        |                         |
| Land   | \$ 11,544,482           | \$ -                   | \$ -                  | \$ -                   | \$ 11,544,482           |
| Construction in progress                     | 23,120,384              | 3,269,752              | -                     | (10,877,792)           | 15,512,344              |
| Total capital assets, not being depreciated  | <u>\$ 34,664,866</u>    | <u>\$ 3,269,752</u>    | <u>\$ -</u>           | <u>\$ (10,877,792)</u> | <u>\$ 27,056,826</u>    |
| Capital assets, being depreciated:           |                         |                        |                       |                        |                         |
| Buildings                                    | 86,470,406              | -                      | -                     | -                      | 86,470,406              |
| Improvements other than buildings            | 31,063,223              | 1,120,047              | -                     | 10,856,028             | 43,039,298              |
| Equipment                                    | 29,462,135              | 326,358                | (1,646,196)           | -                      | 28,142,297              |
| Infrastructure                               | 246,487,014             | 6,688,054              | -                     | 21,764                 | 253,196,832             |
| Total capital assets being depreciated       | <u>\$ 393,482,778</u>   | <u>\$ 8,134,459</u>    | <u>\$ (1,646,196)</u> | <u>\$ 10,877,792</u>   | <u>\$ 410,848,833</u>   |
| Less accumulated depreciation for:           |                         |                        |                       |                        |                         |
| Buildings                                    | (27,120,960)            | (2,315,498)            | -                     | -                      | (29,436,458)            |
| Improvements other than buildings            | (11,624,406)            | (1,652,309)            | -                     | -                      | (13,276,715)            |
| Equipment                                    | (20,897,570)            | (1,817,635)            | 1,646,196             | -                      | (21,069,009)            |
| Infrastructure                               | (146,023,242)           | (4,921,415)            | -                     | -                      | (150,944,657)           |
| Total accumulated depreciation               | <u>\$ (205,666,178)</u> | <u>\$ (10,706,857)</u> | <u>\$ 1,646,196</u>   | <u>\$ -</u>            | <u>\$ (214,726,839)</u> |
| Total capital assets, being depreciated, net | <u>187,816,600</u>      | <u>(2,572,398)</u>     | <u>-</u>              | <u>10,877,792</u>      | <u>196,121,994</u>      |
| Governmental activities capital assets, net  | <u>\$ 222,481,466</u>   | <u>\$ 697,354</u>      | <u>\$ -</u>           | <u>\$ -</u>            | <u>\$ 223,178,820</u>   |
| <b>Business-Type Activities:</b>             |                         |                        |                       |                        |                         |
| Capital assets, not being depreciated:       |                         |                        |                       |                        |                         |
| Land   | \$ 2,058,940            | \$ -                   | \$ -                  | \$ -                   | \$ 2,058,940            |
| Construction in progress                     | 1,764,402               | 357,037                | -                     | (180,330)              | 1,941,109               |
| Total capital assets, not being depreciated  | <u>\$ 3,823,342</u>     | <u>\$ 357,037</u>      | <u>\$ -</u>           | <u>\$ (180,330)</u>    | <u>\$ 4,000,049</u>     |
| Capital assets, being depreciated:           |                         |                        |                       |                        |                         |
| Buildings                                    | 4,447,888               | -                      | -                     | -                      | 4,447,888               |
| Improvements other than buildings            | 232,581,200             | 5,786,568              | -                     | 180,330                | 238,548,098             |
| Equipment                                    | 12,679,275              | 747,132                | (412,288)             | -                      | 13,014,119              |
| Purchased capacity                           | 15,279,453              | -                      | -                     | -                      | 15,279,453              |
| Total capital assets being depreciated       | <u>\$ 264,987,816</u>   | <u>\$ 6,533,700</u>    | <u>\$ (412,288)</u>   | <u>\$ 180,330</u>      | <u>\$ 271,289,558</u>   |
| Less accumulated depreciation for:           |                         |                        |                       |                        |                         |
| Buildings                                    | (4,070,541)             | (28,928)               | -                     | -                      | (4,099,469)             |
| Improvements other than buildings            | (109,845,494)           | (9,000,908)            | -                     | (18,773)               | (118,865,175)           |
| Equipment                                    | (10,027,367)            | (629,080)              | 412,288               | 18,773                 | (10,225,386)            |
| Purchased capacity                           | (5,722,953)             | (305,589)              | -                     | -                      | (6,028,542)             |
| Total accumulated depreciation               | <u>\$ (129,666,355)</u> | <u>\$ (9,964,505)</u>  | <u>\$ 412,288</u>     | <u>\$ -</u>            | <u>\$ (139,218,572)</u> |
| Total capital assets, being depreciated, net | <u>135,321,461</u>      | <u>(3,430,805)</u>     | <u>-</u>              | <u>180,330</u>         | <u>132,070,986</u>      |
| Business-type activities capital assets, net | <u>\$ 139,144,803</u>   | <u>\$ (3,073,768)</u>  | <u>\$ -</u>           | <u>\$ -</u>            | <u>\$ 136,071,035</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                                    | \$ 4,267,103         |
| Public Safety   | 523,921              |
| Public Works  | 5,798,287            |
| Recreation and Parks                                  | 117,546              |
| Total depreciation expense - governmental activities  | <u>\$ 10,706,857</u> |
| Business-Type Activities:                             |                      |
| Water   | \$ 3,427,788         |
| Sewer   | 5,024,335            |
| Refuse  | 466,609              |
| Parking   | 9,032                |
| Stormwater Management                                 | 936,192              |
| RedGate Golf Course                                   | 100,549              |
| Total depreciation expense - business-type activities | <u>\$ 9,964,505</u>  |

**E. Interfund Payables and Transfers**

The interfund payables from various funds represent operating advances that are payable to the General Fund within one year. The interfund payables as of June 30, 2021 consisted of the following:

|   |                            |
|---|----------------------------|
|   | Interfund Payable<br>Total |
| Proprietary Funds:                            |                            |
| RedGate Golf Course Fund                      | 70,637                     |
| Governmental Funds:                           |                            |
| Community Development Block Grant Fund (CDBG) | 69,442                     |
| Total   | <u>\$ 140,079</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, 2021 consisted of the following:

|                         | Transfers from<br>General Fund | Purpose   |
|-------------------------|--------------------------------|---|
| Debt Service Fund       | \$ 4,800,000                   | To support repayment of general obligation bonds and loans        |
| Capital Projects Fund   | 7,507,000                      | To provide pay-as-you-go funding for planned capital outlay       |
| Special Activities Fund | 165,440                        | To support various arts, community assistance and senior programs |
| Refuse Fund             | 46,730                         | To provide payment for refuse services used by RHE properties     |
| Parking Fund            | 1,950,000                      | To support repayment of general obligation bonds                  |
| Total                   | <u>\$ 14,469,170</u>           |   |

Administrative functions of the City’s water and sewer utility operations are maintained in the Water Fund. During the year ended June 30, 2021 the Sewer Fund transferred \$306,590 to the Water Fund in order to cover their share of operational expenses.

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

## 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 direct borrowings due to other government entities in connection with specific intergovernmental activities and initiatives. These loans are not secured with any collateral and are not subject to any special terms related to events of default, termination events or escalation clauses. As of June 30, 2021, the City has one unused line of credit of \$553,310 through the Maryland Department of the Environment. General obligation bonds and loans payable which were outstanding at June 30, 2021 are as follows:

|  | Year of Issuance | Outstanding Principal | Interest Rate Range | Year of Final Maturity |
|--|------------------|-----------------------|---------------------|------------------------|
| <b>Governmental Activities</b>                 |                  |                       |                     |                        |
| General Improvements - Refunding 2013B         | 2013             | 894,371               | 3.00 - 4.00%        | 2023                   |
| General Improvements - Refunding 2014A         | 2014             | 1,540,192             | 2.00 - 5.00%        | 2024                   |
| General Improvements - 2014B                   | 2014             | 315,000               | 2.00 - 5.00%        | 2025                   |
| General Improvements - Refunding 2015A         | 2015             | 2,440,662             | 4.00 - 5.00%        | 2025                   |
| General Improvements - 2016A                   | 2016             | 825,000               | 2.00 - 3.00%        | 2036                   |
| General Improvements - Advance Refunding 2016B | 2016             | 2,704,000             | 2.00 - 5.00%        | 2028                   |
| General Improvements - 2017A                   | 2017             | 4,325,000             | 4.00%               | 2037                   |
| General Improvements - 2019A                   | 2019             | 5,765,000             | 2.00 - 5.00%        | 2039                   |
| General Improvements - Refunding 2020A         | 2020             | 6,795,000             | 1.90%               | 2031                   |
| General Improvements - Advance Refunding 2020C | 2020             | 995,000               | 1.00 - 1.70%        | 2025                   |
| <b>Total Governmental Activities</b>           |                  | <b>\$ 26,599,225</b>  |                     |                        |
| <b>Business-Type Activities</b>                |                  |                       |                     |                        |
| Loan Payable - State of Maryland               | 2002             | 412,194               | 1.90%               | 2023                   |
| Loan Payable - State of Maryland               | 2005             | 290,653               | 0.00%               | 2025                   |
| Loan Payable - State of Maryland               | 2010             | 444,790               | 1.00%               | 2031                   |
| General Improvements - 2013A                   | 2013             | 800,000               | 3.00 - 4.00%        | 2034                   |
| General Improvements - Refunding 2013B         | 2013             | 290,629               | 3.00 - 4.00%        | 2023                   |
| General Improvements - Refunding 2014A         | 2014             | 364,808               | 2.00 - 5.00%        | 2024                   |
| General Improvements - 2014B                   | 2014             | 655,000               | 2.00 - 5.00%        | 2035                   |
| General Improvements - Refunding 2015A         | 2015             | 1,839,338             | 4.00 - 5.00%        | 2025                   |
| General Improvements - 2015B                   | 2015             | 7,415,000             | 2.00 - 5.00%        | 2036                   |
| General Improvements - 2016A                   | 2016             | 3,830,000             | 2.00 - 3.00%        | 2036                   |
| General Improvements - Advance Refunding 2016B | 2016             | 4,516,000             | 2.00 - 5.00%        | 2028                   |
| General Improvements - 2017A                   | 2017             | 3,805,000             | 4.00%               | 2037                   |
| General Improvements - 2019A                   | 2019             | 7,575,000             | 2.00 - 5.00%        | 2039                   |
| General Improvements - Advance Refunding 2019B | 2019             | 26,660,000            | 2.55 - 3.00%        | 2036                   |
| General Improvements - Refunding 2020A         | 2020             | 4,885,000             | 1.90%               | 2031                   |
| General Improvements - 2020B                   | 2020             | 17,725,000            | 1.00 - 5.00%        | 2040                   |
| General Improvements - Advance Refunding 2020C | 2020             | 22,255,000            | 1.00 - 1.70%        | 2035                   |
| <b>Total Business-Type Activities</b>          |                  | <b>\$ 103,763,412</b> |                     |                        |

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.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

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<br>Activities | Business-Type<br>Activities |
|---------------------------------|----------------------------|-----------------------------|
| Long-term outstanding debt      | \$ 26,599,225              | \$ 103,763,412              |
| Unamortized bond premiums       | 2,389,328                  | 6,022,723                   |
| Long-term outstanding debt, net | <u>\$ 28,988,553</u>       | <u>\$ 109,786,135</u>       |

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

| Fiscal Year<br>Ending<br>June 30, | Governmental Activities |                     | Business-Type Activities |                      |                              |                  |
|-----------------------------------|-------------------------|---------------------|--------------------------|----------------------|------------------------------|------------------|
|                                   | Bonds                   |                     | Bonds                    |                      | Loans from Direct Borrowings |                  |
|                                   | Principal               | Interest            | Principal                | Interest             | Principal                    | Interest         |
| 2022                              | 3,722,423               | 893,915             | 7,977,581                | 2,942,818            | 326,891                      | 12,280           |
| 2023                              | 3,705,373               | 766,052             | 8,014,624                | 2,628,796            | 331,271                      | 7,900            |
| 2024                              | 3,246,802               | 635,453             | 7,863,197                | 2,375,538            | 123,741                      | 3,442            |
| 2025                              | 2,732,537               | 532,286             | 7,752,464                | 2,139,112            | 124,252                      | 2,930            |
| 2026                              | 1,791,970               | 434,344             | 7,088,030                | 1,914,959            | 52,105                       | 2,414            |
| 2027                              | 1,780,120               | 370,520             | 6,999,880                | 1,708,048            | 52,626                       | 1,894            |
| 2028                              | 1,310,000               | 306,821             | 6,720,001                | 1,499,162            | 53,152                       | 1,368            |
| 2029                              | 1,295,000               | 266,321             | 6,314,999                | 1,303,312            | 53,683                       | 836              |
| 2030                              | 1,285,000               | 226,104             | 6,330,000                | 1,126,572            | 29,916                       | 300              |
| 2031                              | 1,270,000               | 186,076             | 6,305,000                | 954,833              | -                            | -                |
| 2032                              | 645,000                 | 146,330             | 5,880,000                | 779,810              | -                            | -                |
| 2033                              | 645,000                 | 125,894             | 5,455,000                | 637,537              | -                            | -                |
| 2034                              | 645,000                 | 105,056             | 5,484,999                | 506,704              | -                            | -                |
| 2035                              | 645,000                 | 83,750              | 4,795,000                | 371,818              | -                            | -                |
| 2036                              | 645,000                 | 62,375              | 4,435,000                | 245,009              | -                            | -                |
| 2037                              | 595,000                 | 40,600              | 1,580,000                | 122,188              | -                            | -                |
| 2038                              | 320,000                 | 20,000              | 1,345,000                | 81,738               | -                            | -                |
| 2039                              | 320,000                 | 10,000              | 1,345,000                | 50,170               | -                            | -                |
| 2040                              | -                       | -                   | 930,000                  | 18,600               | -                            | -                |
| <b>Total</b>                      | <u>\$ 26,599,225</u>    | <u>\$ 5,211,897</u> | <u>\$ 102,615,775</u>    | <u>\$ 21,406,724</u> | <u>\$ 1,147,637</u>          | <u>\$ 33,364</u> |

Note: Principal amounts do not include net unamortized bond premiums of \$2,389,328 for governmental activities and \$6,022,723 for business-type activities.

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

## F. Long-Term Debt (Continued)

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

| Fiscal Year<br>Ending<br>June 30, | Principal            | Interest            | Total<br>Principal and<br>Interest |
|-----------------------------------|----------------------|---------------------|------------------------------------|
| 2022                              | 3,722,423            | 893,915             | \$ 4,616,337                       |
| 2023                              | 3,705,373            | 766,052             | 4,471,425                          |
| 2024                              | 3,246,802            | 635,453             | 3,882,255                          |
| 2025                              | 2,732,537            | 532,286             | 3,264,823                          |
| 2026                              | 1,791,970            | 434,344             | 2,226,314                          |
| 2027                              | 1,780,120            | 370,520             | 2,150,640                          |
| 2028                              | 1,310,000            | 306,821             | 1,616,821                          |
| 2029                              | 1,295,000            | 266,321             | 1,561,321                          |
| 2030                              | 1,285,000            | 226,104             | 1,511,104                          |
| 2031                              | 1,270,000            | 186,076             | 1,456,076                          |
| 2032                              | 645,000              | 146,330             | 791,330                            |
| 2033                              | 645,000              | 125,894             | 770,894                            |
| 2034                              | 645,000              | 105,056             | 750,056                            |
| 2035                              | 645,000              | 83,750              | 728,750                            |
| 2036                              | 645,000              | 62,375              | 707,375                            |
| 2037                              | 595,000              | 40,600              | 635,600                            |
| 2038                              | 320,000              | 20,000              | 340,000                            |
| 2039                              | 320,000              | 10,000              | 330,000                            |
| <b>Total</b>                      | <b>\$ 26,599,225</b> | <b>\$ 5,211,897</b> | <b>\$ 31,811,121</b>               |

Note: Principal amounts do not include net unamortized bond premiums of \$2,389,328 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<br>Ending<br>June 30, | Business-Type Activities |                     |                      |                     |                   |                  |                      |                     |                          |                  |                        |                 | Total<br>Principal<br>and<br>Interest |
|-----------------------------------|--------------------------|---------------------|----------------------|---------------------|-------------------|------------------|----------------------|---------------------|--------------------------|------------------|------------------------|-----------------|---------------------------------------|
|                                   | Water<br>Facility        |                     | Sanitary<br>Sewer    |                     | Refuse            |                  | Parking              |                     | Stormwater<br>Management |                  | RedGate<br>Golf Course |                 |                                       |
|                                   | Principal                | Interest            | Principal            | Interest            | Principal         | Interest         | Principal            | Interest            | Principal                | Interest         | Principal              | Interest        |                                       |
| 2022                              | 2,654,539                | 959,916             | 3,780,171            | 1,204,851           | 95,000            | 17,494           | 1,440,000            | 759,022             | 312,735                  | 12,060           | 22,027                 | 1,755           | 11,259,570                            |
| 2023                              | 2,658,406                | 850,954             | 3,767,413            | 1,046,805           | 95,000            | 12,744           | 1,490,000            | 715,822             | 313,235                  | 9,497            | 21,841                 | 874             | 10,982,591                            |
| 2024                              | 2,440,640                | 758,595             | 3,617,558            | 934,178             | 90,000            | 7,994            | 1,530,000            | 671,122             | 308,740                  | 7,091            | -                      | -               | 10,365,918                            |
| 2025                              | 2,429,329                | 675,317             | 3,473,134            | 832,377             | 95,000            | 4,394            | 1,575,000            | 625,223             | 304,253                  | 4,731            | -                      | -               | 10,018,758                            |
| 2026                              | 2,256,233                | 594,193             | 3,116,797            | 740,539             | 95,000            | 2,254            | 1,620,000            | 577,972             | 52,105                   | 2,415            | -                      | -               | 9,057,508                             |
| 2027                              | 2,238,476                | 520,797             | 3,086,404            | 657,879             | -                 | -                | 1,675,000            | 529,372             | 52,626                   | 1,894            | -                      | -               | 8,762,448                             |
| 2028                              | 2,214,188                | 445,898             | 2,785,813            | 574,141             | -                 | -                | 1,720,000            | 479,123             | 53,152                   | 1,368            | -                      | -               | 8,273,683                             |
| 2029                              | 1,786,459                | 371,557             | 2,753,541            | 504,233             | -                 | -                | 1,775,000            | 427,522             | 53,682                   | 836              | -                      | -               | 7,672,830                             |
| 2030                              | 1,773,673                | 317,958             | 2,731,327            | 434,342             | -                 | -                | 1,825,000            | 374,273             | 29,916                   | 299              | -                      | -               | 7,486,788                             |
| 2031                              | 1,739,553                | 263,785             | 2,690,447            | 363,313             | -                 | -                | 1,875,000            | 327,735             | -                        | -                | -                      | -               | 7,259,833                             |
| 2032                              | 1,523,515                | 209,594             | 2,436,485            | 291,231             | -                 | -                | 1,920,000            | 278,985             | -                        | -                | -                      | -               | 6,659,810                             |
| 2033                              | 1,377,848                | 171,585             | 2,107,152            | 237,847             | -                 | -                | 1,970,000            | 228,105             | -                        | -                | -                      | -               | 6,092,537                             |
| 2034                              | 1,368,291                | 140,375             | 2,091,708            | 191,414             | -                 | -                | 2,025,000            | 174,915             | -                        | -                | -                      | -               | 5,991,703                             |
| 2035                              | 1,140,000                | 108,799             | 1,570,000            | 143,791             | -                 | -                | 2,085,000            | 119,228             | -                        | -                | -                      | -               | 5,166,818                             |
| 2036                              | 1,025,000                | 80,436              | 1,275,000            | 103,725             | -                 | -                | 2,135,000            | 60,848              | -                        | -                | -                      | -               | 4,680,009                             |
| 2037                              | 705,000                  | 53,938              | 875,000              | 68,250              | -                 | -                | -                    | -                   | -                        | -                | -                      | -               | 1,702,188                             |
| 2038                              | 620,000                  | 37,388              | 725,000              | 44,350              | -                 | -                | -                    | -                   | -                        | -                | -                      | -               | 1,426,738                             |
| 2039                              | 620,000                  | 24,145              | 725,000              | 26,025              | -                 | -                | -                    | -                   | -                        | -                | -                      | -               | 1,395,170                             |
| 2040                              | 545,000                  | 10,900              | 385,000              | 7,700               | -                 | -                | -                    | -                   | -                        | -                | -                      | -               | 948,600                               |
| <b>Total</b>                      | <b>\$ 31,116,150</b>     | <b>\$ 6,596,130</b> | <b>\$ 43,992,950</b> | <b>\$ 8,406,991</b> | <b>\$ 470,000</b> | <b>\$ 44,880</b> | <b>\$ 26,660,000</b> | <b>\$ 6,349,267</b> | <b>\$ 1,480,444</b>      | <b>\$ 40,191</b> | <b>\$ 43,868</b>       | <b>\$ 2,629</b> | <b>\$ 125,203,500</b>                 |

Note: Principal amounts do not include net unamortized bond premiums of \$6,022,723 for business-type activities.

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

**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, 2021 there is one loan outstanding with a balance of \$412,194 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, 2021 the outstanding loan payable in the Stormwater Management Fund is \$290,653.

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 \$444,790 remained outstanding in the Stormwater Management Fund as of June 30, 2021.

Defeasance of Debt

Due to favorable interest rates during fiscal year 2021, the City issued \$21,552,588.40 including premium, of Series 2020B general obligation bonds for the purpose of financing certain capital projects of the City's Capital Improvement Program. The City also issued \$23,903,331.60 including premium, of Series 2020C advance refunding general obligation bonds, which refunded \$5,385,000 in Series 2011B, \$9,555,000 in Series 2013A and \$7,485,000 in Series 2014B. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent for redemption on future call dates. As a result, the Series 2011B bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position. A portion of the Series 2013A and the Series 2014B bonds are considered to be defeased, and the liability for those bonds have been removed from the Statement of Net Position.

The new total debt service of \$25,737,860.02 represents a total savings of \$2,313,893.86 as compared to the prior debt service of \$28,051,753.88. The economic gain (the difference between the present value of the old and new debt service payments) totals \$2,131,951.63. The associated deferred charge on advance refunding is recognized over 12 years in the Water and Sewer Funds and five years in Debt Service and Stormwater Funds, the term of the new general obligation bonds. The City recognized \$114,972 in deferred charges from the 2020C advance refunding. At June 30, 2021 the remaining deferred charge on advance refunding is \$1,106,396 and \$1,770,000 of defeased bonds remain outstanding.

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. Neither the City, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2021, there are Economic Development Revenue Bonds outstanding with National Lutheran Home & Village at Rockville, Inc. with a principal amount payable of \$19,335,000 and with King Farm Presbyterian Retirement Community, Inc. with a principal amount payable of \$155,260,000.

## (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, 2021:

|  | Balance as of<br>6/30/20 | Additions           | Reductions             | Balance as of<br>6/30/21 | Due within<br>One Year |
|--|--------------------------|---------------------|------------------------|--------------------------|------------------------|
| <b>Governmental Activities</b>                 |                          |                     |                        |                          |                        |
| General obligation bonds                       | \$ 30,805,272            | \$ 1,020,000        | \$ (5,226,047)         | \$ 26,599,225            | \$ 3,722,421           |
| Unamortized bond premiums                      | 2,834,763                | 3,272               | (448,707)              | 2,389,328                | 330,301                |
| Accrued obligations for compensated absences   | 5,886,603                | 2,318,081           | (2,328,379)            | 5,876,305                | 4,289,703              |
| Claims payable                                 | 2,281,879                | 717,800             | (670,716)              | 2,328,963                | 885,006                |
| Net pension liability                          | 26,361,154               | 14,917,428          | (32,691,815)           | 8,586,767                | -                      |
| Net OPEB liability/(Asset)                     | (1,092,485)              | 936,276             | (2,844,319)            | (3,000,528)              | -                      |
| Governmental activities long-term liabilities  | <u>\$ 67,077,186</u>     | <u>\$19,912,857</u> | <u>\$ (44,209,983)</u> | <u>\$ 42,780,060</u>     | <u>\$ 9,227,431</u>    |
| <b>Business-Type Activities</b>                |                          |                     |                        |                          |                        |
| General obligation bonds and loans             |                          |                     |                        |                          |                        |
| Water facility fund                            | \$ 22,513,601            | \$17,557,214        | \$ (8,954,665)         | \$ 31,116,150            | \$ 2,654,539           |
| Sanitary sewer fund                            | 39,537,774               | 23,162,786          | (18,707,610)           | 43,992,950               | 3,780,171              |
| Refuse fund                                    | 560,000                  | -                   | (90,000)               | 470,000                  | 95,000                 |
| Parking fund                                   | 28,050,000               | -                   | (1,390,000)            | 26,660,000               | 1,440,000              |
| Stormwater management fund                     | 1,757,682                | 580,000             | (857,238)              | 1,480,444                | 312,735                |
| RedGate golf course fund                       | 65,895                   | -                   | (22,027)               | 43,868                   | 22,027                 |
| Unamortized bond premiums                      | 4,605,909                | 2,865,741           | (1,448,927)            | 6,022,723                | 582,809                |
| Accrued obligations for compensated absences   | 1,088,107                | 567,573             | (566,305)              | 1,089,375                | 795,243                |
| Business-type activities long-term liabilities | <u>\$ 98,178,968</u>     | <u>\$44,733,314</u> | <u>\$ (32,036,772)</u> | <u>\$ 110,875,510</u>    | <u>\$ 9,682,524</u>    |

Note: The compensated absences, claims payable and liabilities for Pension and OPEB in the governmental activities have historically been paid from the General Fund and Automated Speed Enforcement 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       |
|-------------|-------------------|
| 2022        | 37,815            |
| 2023        | 38,949            |
| 2024        | 40,118            |
| 2025        | 41,321            |
| 2026 - 2027 | 86,399            |
| Total       | <u>\$ 244,602</u> |

The City received a total rental income of \$9,178.35 during fiscal year 2021. The Mayor and Council approved the six-month rent abatement for the months of January through June 2021, in a total amount of \$18,356.70.

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

**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 \$342,929 in proceeds from the capital lease. At June 30, 2021, the unearned income on the capital lease was \$1,430,416 and the lease receivable was \$24,054,301. Estimated future minimum lease payments and unearned income amortization is as follows:

| Fiscal Year | Lease Amount        | Unearned Income     | Net Amount           |
|-------------|---------------------|---------------------|----------------------|
| 2022        | 347,096             | 35,538              | 311,558              |
| 2022        | 350,196             | 35,538              | 314,658              |
| 2023        | 353,698             | 35,538              | 318,160              |
| 2024        | 357,235             | 35,538              | 321,697              |
| 2026 - 2061 | 22,646,076          | 1,288,264           | 21,357,812           |
| Total       | <u>\$24,054,301</u> | <u>\$ 1,430,416</u> | <u>\$ 22,623,885</u> |

**I. Fund Balance and Net Position**

The City has classified portions of its governmental fund balance as nonspendable, which reflects the nonspendable form of the assets. At June 30, 2021 total nonspendable fund balance is \$850,844.

At June 30, 2021 the City had a net position deficit in the Parking Fund of \$2,709,684. 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 \$2,328,963 reported at June 30, 2021 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 |
|-------------|--|--|----------------|----------------------------|
| 2020        | \$ 2,648,809                           | \$ 517,715                                   | \$ (884,645)   | \$ 2,281,879               |
| 2021        | \$ 2,281,879                           | \$ 717,800                                   | \$ (670,716)   | \$ 2,328,963               |

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. During fiscal year 2021, the Mayor and Council approved a new vendor for workers' compensation insurance. Upon leaving the current program with AIG, the City is responsible for making up the difference between the total estimated outstanding liabilities and the current collateral amount. The City has recognized the liability in fiscal year 2021.

(3) OTHER INFORMATION (CONTINUED)

**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, 2021, while maintaining the same tax rate, the City abated property taxes totaling \$77,380, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- 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 \$50,500.
- In support of affordable housing within the City, an agreement with Rockville Housing Enterprise’s subsidiary RELP, exempts certain properties from property tax. The abatement amounted to \$21,500.

**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, 2021, the City had paid \$83,198,447 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 \$16,447,521 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.

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 | \$ 992,028   |
| Total        | \$ 992,028   |

The City had commitments for other governmental funds of \$308,489 at year end.

ARPA

During fiscal year 2021 the City received \$4.8 million (half of a total of \$9.6 million) allocation from the American Rescue Plan Act (ARPA). Mayor and Council discussed and directed staff to hold a public hearing to solicit community feedback on the use of the funding during the October 4, 2021 meeting. The ARPA funds are unearned until spent.

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## (4) RETIREMENT PLANS

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### 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.

The City has implemented GASB Statement No. 67, Financial Reporting for Pension Plans and GASB Statement No. 68, Accounting and Financial Reporting for Pensions. These statements replace previously issued requirements for pension plans administered through trusts.

#### Measurement Focus and Basis of Accounting

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. City contributions to the defined benefit pension plan are actuarially determined. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Future payments of the net pension liability are the primary responsibility of the General Fund, therefore this long-term liability is presented in the Government-wide Statement of Net Position.

#### Administration

The Principal Financial Group and Lincoln Financial 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 Rockville Employee Retirement System (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 their final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent of their final average salary for credited service before April 1, 1996, and 2.0 percent of their final average salary for credited service after April 1, 1996.

(4) RETIREMENT PLANS (CONTINUED)

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

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

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

Post-1986 Hybrid Plan Benefits and Contributions

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

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

Membership

Membership in the defined benefit plan consisted of the following at July 1, 2020, the date of the most recent actuarial valuation:

|   |            |
|---|------------|
| Retirees and beneficiaries receiving benefits                 | 291        |
| Terminated plan members vested but not yet receiving benefits | 56         |
| Active plan members   | 507        |
| Total   | <u>854</u> |

## (4) RETIREMENT PLANS (CONTINUED)

**C. Net Pension Liability**

The City's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation date of July 1, 2020. Actuaries utilized update procedures to roll forward the total pension liability in the July 1, 2020 actuarial valuation to the June 30, 2021 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:

Actuarial assumptions

|  |                |
|--|----------------|
| -Actuarial valuation date                        | July 1, 2020   |
| -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                       | 1.00%          |

The mortality rates were based on the RP-2014 mortality tables, projected generationally using scale MP-2017.

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.

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%             | 6.60%                                  |
| International Equity                    | 20.0%             | 7.00%                                  |
| Fixed Income                            | 20.0%             | 0.38%                                  |
| Real Estate                             | 12.5%             | 3.50%                                  |
| Global Real Assets                      | 7.5%              | 3.55%                                  |
| Global Tactical Asset Allocation (GTAA) | 10.0%             | 3.40%                                  |
| 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, 2021, the annual money-weighted rate of return on investments, net of investment expense was 4.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

## (4) RETIREMENT PLANS (CONTINUED)

## C. Net Pension Liability (Continued)

Changes in the Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2021 were as follows:

|  | (A)                        | (B)                            | (A - B)                  |
|--|----------------------------|--------------------------------|--------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
| Balances at June 30, 2020  | \$ 129,992,309             | \$ 103,631,155                 | \$ 26,361,154            |
| Changes for the year:  |                            |                                |                          |
| Service Cost   | 2,883,883                  | -                              | 2,883,883                |
| Interest   | 8,882,122                  | -                              | 8,882,122                |
| Differences between expected and<br>actual experience            | 1,308,132                  | -                              | 1,308,132                |
| Changes of benefit terms   | -                          | -                              | -                        |
| Changes of assumptions   | 1,768,127                  | -                              | 1,768,127                |
| Contributions - employer   | -                          | 3,961,789                      | (3,961,789)              |
| Contributions - employee   | -                          | 849,728                        | (849,728)                |
| Net investment income  | -                          | 27,880,298                     | (27,880,298)             |
| Benefit payments, including refunds<br>of employee contributions | (6,209,717)                | (6,209,717)                    | -                        |
| Administrative expense   | -                          | (75,164)                       | 75,164                   |
| Net changes  | 8,632,547                  | 26,406,934                     | (17,774,387)             |
| Balances at June 30, 2021  | \$ 138,624,856             | \$ 130,038,089                 | \$ 8,586,767             |

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<br>(6.00%) | Current Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|------------------------|-------------------------|------------------------|
| \$ 25,777,388          | \$ 8,586,767            | \$ (5,776,905)         |

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2021, the City recognized pension expense of \$2,085,542. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and<br>actual experience                  | \$ 3,644,849                         | \$ 2,977,597                        |
| Changes of assumptions   | 4,098,833                            | 24,153                              |
| Net difference between projected<br>and actual earnings on investments | -                                    | 11,867,240                          |
| Total  | \$ 7,743,682                         | \$ 14,868,990                       |

## (4) RETIREMENT PLANS (CONTINUED)

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

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

| Year Ended June 30: |                             |
|---------------------|-----------------------------|
| 2022                | \$(1,065,556)               |
| 2023                | (1,386,506)                 |
| 2024                | (1,851,493)                 |
| 2025                | (3,334,462)                 |
| 2026                | 512,709                     |
| Total               | <u><u>\$(7,125,308)</u></u> |

**D. Defined Contribution Pension Plans**

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 Lincoln Financial 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 their 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 2021 by plan members totaled \$1,521,082 and the City contributed \$760,541.

The City provides a supplemental defined contribution plan to charter-appointed employees and non-appointed at-will contract employees of the City. The plan is administered by Lincoln Financial. The City provides an employer contribution equal to 10% of base salary, which is vested immediately, as biweekly contributions are made. The contributions made in fiscal year 2021 by the City totaled \$218,913.

**E. Deferred Compensation Plan**

All employees of the City Government may participate in the deferred compensation plan, organized under the Internal Revenue Code Section 457, and administered by Lincoln Financial. 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(b) 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, in a timely manner. 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) which include medical, dental and vision coverage. 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.

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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.

The City has implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions and 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 July 1, 2019, the date of the most recent valuation, plan membership was as follows:

|                       | Plan<br>Membership |
|-----------------------|--------------------|
| Pre-medicare retirees | 23                 |
| Disabled participants | 3                  |
| Active employees      | 344                |
| Total                 | <u>370</u>         |

Contributions and Funding

The Retirement Board establishes the employer contributions to the OPEB plan based on actuarially determined amounts. During fiscal year 2021 the City directly funded cash of \$163,815 for the actuarially determined contribution (ADC) of \$163,815. Benefit expenditures of \$244,300 were incurred by the City and were eligible for reimbursement by the trust. Benefit expenses of \$244,300 and administrative expenses of \$6,250 which were paid by the City, were reimbursed by the trust after June 30, 2021. 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.

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

**B. Net OPEB Asset**

The City's net OPEB asset was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2019. Actuaries utilized update procedures to roll forward the total OPEB liability in the July 1, 2019 actuarial valuation to the June 30, 2021 measurement date.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions which were adopted by the City during fiscal year 2019 and applied to all periods included in the measurement:

Actuarial assumptions

|  |   |
|--|---|
| -Actuarial valuation date                        | July 1, 2019  |
| -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 2019, 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 July 1, 2019 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, 2020 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<br>Expected Real Rate<br>of Return |
|---------------|-------------------|--|
| Global Equity | 55.00%            | 6.52%  |
| Fixed Income  | 45.00%            | 0.38%  |
| Total         | 100.00%           |  |

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.

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

## B. Net OPEB Asset (Continued)

Changes in the Net OPEB Liability/(Asset)

Changes in the City's net OPEB liability (asset) for the year ended June 30, 2021 were as follows:

|   | (A)                     | (B)                            | (A - B)                       |
|---|-------------------------|--------------------------------|-------------------------------|
|   | Total OPEB<br>Liability | Plan Fiduciary<br>Net Position | Net OPEB<br>Liability (Asset) |
| Balances at June 30, 2020                             | \$ 9,038,019            | \$ 10,130,504                  | \$ (1,092,485)                |
| Changes for the year:                                 |                         |                                |                               |
| Service Cost  | 316,324                 | -                              | 316,324                       |
| Interest  | 613,702                 | -                              | 613,702                       |
| Differences between expected and<br>actual experience | (297,396)               | -                              | (297,396)                     |
| Changes of assumptions                                | -                       | -                              | -                             |
| Contributions - employer                              | -                       | 163,815                        | (163,815)                     |
| Net investment income                                 | -                       | 2,383,108                      | (2,383,108)                   |
| Benefit payments                                      | (244,300)               | (244,300)                      | -                             |
| Administrative expense                                | -                       | (6,250)                        | 6,250                         |
| Net changes   | 388,330                 | 2,296,373                      | (1,908,043)                   |
| Balances at June 30, 2021                             | \$ 9,426,349            | \$ 12,426,877                  | \$ (3,000,528)                |

Sensitivity of the Net OPEB Asset

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset 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<br>(6.00%) | Current Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|----------------|------------------------|-------------------------|------------------------|
| Net OPEB Asset | \$ 2,261,013           | \$ 3,000,528            | \$ 3,677,055           |

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (approximately 2.80%) or 1-percentage-point higher (approximately 4.80%) than the current healthcare cost trend rates:

|                | 1% Decrease<br>(2.80%) | Healthcare Cost<br>Trend Rates<br>(3.80%) | 1% Increase<br>(4.80%) |
|----------------|------------------------|---|------------------------|
| Net OPEB Asset | \$ 4,007,803           | \$ 3,008,528                              | \$ 1,822,278           |

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

## B. Net OPEB Asset (Continued)

## OPEB Expense and Deferred Inflows of Resources

For the year ended June 30, 2021, the City recognized OPEB revenue of \$903,033. At June 30, 2021 the City reported deferred inflows of resources from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                  | \$ -                                 | \$ 2,545,877                        |
| Changes of assumptions  | -                                    | 1,208,336                           |
| Net difference between projected and actual earnings on investments | -                                    | 1,551,736                           |
| Total   | <u>\$ -</u>                          | <u>\$ 5,305,949</u>                 |

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

| Year Ended June 30: |                       |
|---------------------|-----------------------|
| 2022                | \$ (1,099,017)        |
| 2023                | (1,093,890)           |
| 2024                | (1,120,668)           |
| 2025                | (1,034,485)           |
| 2026                | (481,575)             |
| Thereafter          | (476,314)             |
| Total               | <u>\$ (5,305,949)</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, 2021:

|   | Combining Statement of Net Position<br>Pension and OPEB Trust Funds |                                  |                             |                      |   |
|---|---|----------------------------------|-----------------------------|----------------------|---|
|   | Pension Trust Fund  |                                  |                             | OPEB Trust Fund      | Total<br>Pension and<br>OPEB Trust<br>Funds |
|   | Defined<br>Benefit Trust  | Defined<br>Contribution<br>Trust | Total Pension<br>Trust Fund | OPEB Trust Fund      |   |
| <b>Assets</b>                             |   |                                  |                             |                      |   |
| Open End Mutual Funds:                    |   |                                  |                             |                      |   |
| Bonds                                     | \$ 21,563,074   | \$ 3,348,719                     | \$ 24,911,793               | \$ 4,618,417         | \$ 29,530,210                               |
| Equities                                  | 68,103,915  | 21,456,560                       | 89,560,475                  | 7,911,365            | 97,471,840                                  |
| Real estate                               | 23,634,651  | 267,408                          | 23,902,059                  | -                    | 23,902,059                                  |
| Global real assets                        | -   | 15,443                           | 15,443                      | -                    | 15,443                                      |
| Global tactical asset allocation          | 14,662,678  | -                                | 14,662,678                  | -                    | 14,662,678                                  |
| Money markets                             | 2,073,771   | -                                | 2,073,771                   | -                    | 2,073,771                                   |
| Target Date Fund                          | -   | 21,859,853                       | 21,859,853                  | -                    | 21,859,853                                  |
| Stable Value Fund                         | -   | 6,812,445                        | 6,812,445                   | -                    | 6,812,445                                   |
| <b>Total Assets</b>                       | <u>\$ 130,038,089</u>   | <u>\$ 53,760,428</u>             | <u>\$ 183,798,517</u>       | <u>\$ 12,529,782</u> | <u>\$ 196,328,299</u>                       |
| <b>Liabilities</b>                        |   |                                  |                             |                      |   |
| Benefits Payable                          | \$ -  | \$ -                             | \$ -                        | \$ 100,405           | \$ 100,405                                  |
| Administrative expense payable            | -   | -                                | -                           | 2,500                | 2,500                                       |
| <b>Total Liabilities</b>                  | <u>\$ -</u>   | <u>\$ -</u>                      | <u>\$ -</u>                 | <u>\$ 102,905</u>    | <u>\$ 102,905</u>                           |
| <b>Net Position</b>                       |   |                                  |                             |                      |   |
| Restricted for plan benefits              | \$ 130,038,089  | \$ 53,760,428                    | \$ 183,798,517              | \$ 12,426,877        | \$ 196,225,394                              |
| <b>Total Liabilities and Net Position</b> | <u>\$ 130,038,089</u>   | <u>\$ 53,760,428</u>             | <u>\$ 183,798,517</u>       | <u>\$ 12,529,782</u> | <u>\$ 196,328,299</u>                       |

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

## City of Rockville, Maryland

Combining Statement of Changes in Fiduciary Net Position  
Pension and OPEB Trust Funds

|  | Pension Trust Fund |                       |                | OPEB Trust Fund | Total<br>Pension and<br>OPEB Trust<br>Funds |
|--|--------------------|-----------------------|----------------|-----------------|---|
|  | Defined            | Defined               | Total Pension  | OPEB Trust Fund |   |
|  | Benefit Trust      | Contribution<br>Trust | Trust Funds    |                 |   |
| <b>Additions</b>                                       |                    |                       |                |                 |   |
| Contributions  |                    |                       |                |                 |   |
| Employer   | \$ 3,961,789       | \$ 981,260            | \$ 4,943,049   | \$ 163,815      | \$ 5,106,864                                |
| Plan Members   | 849,728            | 1,521,082             | 2,370,810      | -               | 2,370,810                                   |
| Total Contributions                                    | \$ 4,811,517       | \$ 2,502,342          | \$ 7,313,859   | \$ 163,815      | \$ 7,477,674                                |
| Investment earnings:                                   |                    |                       |                |                 |   |
| Net appreciation in the fair value of plan investments | 28,322,490         | 10,288,006            | 38,610,496     | 2,170,165       | 40,780,661                                  |
| Interest and dividends                                 | 41,739             | 1,317,737             | 1,359,476      | 212,943         | 1,572,419                                   |
| Total investment earnings                              | 28,364,229         | 11,605,743            | 39,969,972     | 2,383,108       | 42,353,080                                  |
| Less investment (expense) refunds                      | (483,931)          | (77,213)              | (561,144)      | -               | (561,144)                                   |
| Net investment earnings                                | 27,880,298         | 11,528,530            | 39,408,828     | 2,383,108       | 41,791,936                                  |
| Total Additions  | \$ 32,691,815      | \$ 14,030,872         | \$ 46,722,687  | \$ 2,546,923    | \$ 49,269,610                               |
| <b>Deductions</b>                                      |                    |                       |                |                 |   |
| Benefits   | \$ 6,209,717       | \$ 2,041,125          | \$ 8,250,842   | \$ 244,300      | \$ 8,495,142                                |
| Administrative expense                                 | 75,164             | -                     | 75,164         | 6,250           | 81,414                                      |
| Total Deductions                                       | \$ 6,284,881       | \$ 2,041,125          | \$ 8,326,006   | \$ 250,550      | \$ 8,576,556                                |
| Net Increase (Decrease)                                | 26,406,934         | 11,989,747            | 38,396,681     | 2,296,373       | 40,693,054                                  |
| Net position at beginning of year                      | 103,631,155        | 41,770,681            | 145,401,836    | 10,130,504      | 155,532,340                                 |
| Net position at end of year                            | \$ 130,038,089     | \$ 53,760,428         | \$ 183,798,517 | \$ 12,426,877   | \$ 196,225,394                              |

See accompanying notes to the basic financial statements.

## (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. 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. 95 extended this effective date by 18 months.
- 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. GASB Statement No. 95 extended this effective date by 12 months.
- GASB Statement No. 91, Conduit Debt Obligations is effective for reporting periods beginning after December 15, 2020. The requirements of this Statement improves financial reporting by establishing consistency in the reporting and disclosure of conduit debt obligations, clarifying the definition of conduit debt, and establishing standards for the accounting and financial reporting of additional commitments extended by issuers. GASB Statement No. 95 extended this effective date by 12 months.

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

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- GASB Statement No. 92, Omnibus 2020 is effective for reporting periods beginning after June 15, 2020. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. GASB Statement No. 95 extended this effective date by 12 months.
- GASB Statement No. 93, Replacement of Interbank Offered Rates is effective for reporting periods beginning after June 15, 2020. The requirements of this Statement updates financial reporting to reflect global rate reform and the planned end of LIBOR in 2021. This statement will maintain the reliability and relevance of reported information as interbank offered rates are replaced with other reference rates. GASB Statement No. 95 extended this effective date by 12 months.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is effective for reporting periods beginning after June 15, 2022. The requirements of this Statement will improve financial reporting, provide more relevant and reliable information for financial statement users and create greater consistency in practice.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements is effective for reporting periods beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 is effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while enhancing the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

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## **Required Supplementary Information**



## City of Rockville, Maryland

### Rockville Employee Retirement System – Schedule of Changes in the City’s Net Pension Liability and Related Ratios Last Ten Fiscal Years

(Unaudited – See Accompanying Independent Auditor’s Report)

|  | 2012 | 2013                            | 2014                 | 2015                  | 2016                  | 2017                  | 2018                  | 2019                  | 2020                  | 2021                  |
|--|------|---------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>   |      |                                 |                      |                       |                       |                       |                       |                       |                       |                       |
| Service cost   |      |                                 | \$ 2,286,185         | \$ 2,462,254          | \$ 2,338,305          | \$ 2,092,506          | \$ 1,980,718          | \$ 2,638,792          | \$ 2,718,028          | \$ 2,883,883          |
| Interest   |      |                                 | 7,037,226            | 7,280,449             | 7,576,514             | 7,847,249             | 7,996,269             | 7,944,162             | 8,391,525             | 8,882,122             |
| Changes of benefit terms   |      | Information for plan years      | -                    | -                     | -                     | -                     | -                     | -                     | 446,900               | -                     |
| Differences between expected and actual experience                     |      | 2013 and prior is not available | (1,135,056)          | (561,939)             | (845,894)             | 1,097,364             | (8,463,015)           | 2,296,074             | 1,730,195             | 1,308,132             |
| Changes of assumptions   |      |                                 | -                    | -                     | -                     | 6,150,798             | 3,617,949             | (48,306)              | -                     | 1,768,127             |
| Benefit payments including refunds of member contributions             |      |                                 | (4,825,594)          | (5,428,204)           | (4,778,615)           | (5,664,043)           | (5,219,512)           | (6,533,123)           | (6,346,521)           | (6,209,717)           |
| <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>    | <b>\$ 6,297,599</b>   | <b>\$ 6,940,127</b>   | <b>\$ 8,632,547</b>   |
| Total pension liability - beginning                                    |      |                                 | 93,912,669           | 97,275,430            | 101,027,990           | 105,318,300           | 116,842,174           | 116,754,583           | 123,052,182           | 129,992,309           |
| Total pension liability - end  |      |                                 | <u>\$ 97,275,430</u> | <u>\$ 101,027,990</u> | <u>\$ 105,318,300</u> | <u>\$ 116,842,174</u> | <u>\$ 116,754,583</u> | <u>\$ 123,052,182</u> | <u>\$ 129,992,309</u> | <u>\$ 138,624,856</u> |
| <b>Plan Fiduciary Net Position</b>                                     |      |                                 |                      |                       |                       |                       |                       |                       |                       |                       |
| Contributions - employer   |      |                                 | \$ 5,218,589         | \$ 4,024,603          | \$ 3,575,462          | \$ 3,473,255          | \$ 3,899,592          | \$ 4,210,698          | \$ 3,592,613          | \$ 3,961,789          |
| Contributions - member   |      | Information for plan years      | 730,162              | 740,120               | 743,813               | 756,187               | 783,669               | 890,199               | 868,669               | 849,728               |
| Net investment income  |      | 2013 and prior is not available | 11,520,268           | 2,236,876             | 1,240,819             | 9,378,222             | 7,287,735             | 3,396,845             | 1,663,635             | 27,880,298            |
| Benefit payments including refunds of member contributions             |      |                                 | (4,825,594)          | (5,428,204)           | (4,778,615)           | (5,664,043)           | (5,219,512)           | (6,533,123)           | (6,346,521)           | (6,209,717)           |
| Plan administrative expenses   |      |                                 | (18,798)             | (27,230)              | (35,543)              | (31,821)              | (30,041)              | (108,910)             | (46,229)              | (75,164)              |
| 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>   | <b>\$ 1,855,709</b>   | <b>\$ (267,833)</b>   | <b>\$ 26,406,934</b>  |
| Plan fiduciary net position - beginning                                |      |                                 | 72,493,308           | 85,117,935            | 86,664,100            | 87,410,036            | 95,321,836            | 102,043,279           | 103,898,988           | 103,631,155           |
| Plan fiduciary net position - end                                      |      |                                 | <u>\$ 85,117,935</u> | <u>\$ 86,664,100</u>  | <u>\$ 87,410,036</u>  | <u>\$ 95,321,836</u>  | <u>\$ 102,043,279</u> | <u>\$ 103,898,988</u> | <u>\$ 103,631,155</u> | <u>\$ 130,038,089</u> |
| <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>  | <b>\$ 19,153,194</b>  | <b>\$ 26,361,154</b>  | <b>\$ 8,586,767</b>   |
| Plan fiduciary net position as a percentage of total pension liability |      | Information for plan years      | 87.50%               | 85.78%                | 83.00%                | 81.58%                | 87.40%                | 84.43%                | 79.72%                | 93.81%                |
| Covered payroll  |      |                                 | \$ 34,875,678        | \$ 35,376,646         | \$ 34,922,626         | \$ 37,507,188         | \$ 36,810,351         | \$ 38,763,043         | \$ 39,968,358         | \$ 42,412,060         |
| Net pension liability as a percentage of covered payroll               |      |                                 | 34.86%               | 40.60%                | 51.28%                | 57.38%                | 39.97%                | 49.41%                | 65.96%                | 20.25%                |

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

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

|   | 2012                            | 2013 | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021          |
|---|---------------------------------|------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution                             |                                 |      | \$ 5,030,754  | \$ 4,024,603  | \$ 3,575,462  | \$ 3,473,255  | \$ 3,899,592  | \$ 4,210,681  | \$ 3,592,613  | \$ 3,961,789  |
| Contributions made  | Information for plan years      |      | 5,218,589     | 4,024,603     | 3,575,462     | 3,473,255     | 3,899,592     | 4,210,698     | 3,592,613     | 3,961,789     |
| Contribution deficiency (excess)                                | 2013 and prior is not available |      | \$ (187,835)  | \$ -          | \$ -          | \$ -          | \$ -          | \$ (17)       | \$ -          | \$ -          |
| Covered payroll   |                                 |      | \$ 34,875,678 | \$ 35,376,646 | \$ 34,922,626 | \$ 37,507,188 | \$ 36,810,351 | \$ 38,763,043 | \$ 39,968,358 | \$ 42,412,060 |
| Contributions as a percentage of covered payroll                | Information for plan years      |      | 14.96%        | 11.38%        | 10.24%        | 9.26%         | 10.59%        | 10.86%        | 8.99%         | 9.34%         |
| Annual money weighted rate of return, net of investment expense | 2013 and prior is not available |      | 16.16%        | 2.84%         | 1.62%         | 11.10%        | 8.40%         | 4.53%         | 1.47%         | 28.60%        |

**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 preceding 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-2014 mortality tables, 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 Pension data from the July 1, 2020 valuation to the June 30, 2021 measurement date.

**City of Rockville, Maryland**  
**Other Post-Employment Benefits Plan – Schedule of Changes in the City’s Net OPEB Liability (Asset) and Related Ratios**  
**Last Ten Fiscal Years**  
**(Unaudited – See Accompanying Independent Auditor’s Report)**

|   | 2012 | 2013 | 2014 | 2015 | 2016 | 2017                 | 2018                 | 2019                 | 2020                  | 2021                  |
|---|------|------|------|------|------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Total OPEB Liability  |      |      |      |      |      |                      |                      |                      |                       |                       |
| Service cost  |      |      |      |      |      | \$ 569,070           | \$ 506,923           | \$ 405,503           | \$ 340,740            | \$ 316,324            |
| Interest  |      |      |      |      |      | 722,728              | 784,240              | 733,193              | 778,238               | 613,702               |
| Changes of benefit terms  |      |      |      |      |      | -                    | -                    | -                    | -                     | -                     |
| Differences between expected and actual experience                  |      |      |      |      |      | -                    | (280,090)            | (339,500)            | (2,577,898)           | (297,396)             |
| Changes of assumptions  |      |      |      |      |      | -                    | (1,459,922)          | -                    | (637,832)             | -                     |
| Benefit payments  |      |      |      |      |      | (274,540)            | (271,490)            | (229,882)            | (193,415)             | (244,300)             |
| Net change in total OPEB liability                                  |      |      |      |      |      | \$ 1,017,258         | \$ (720,339)         | \$ 569,314           | \$ (2,290,167)        | \$ 388,330            |
| Total OPEB liability - beginning                                    |      |      |      |      |      | 10,461,953           | 11,479,211           | 10,758,872           | 11,328,186            | 9,038,019             |
| Total OPEB liability - end  |      |      |      |      |      | <u>\$ 11,479,211</u> | <u>\$ 10,758,872</u> | <u>\$ 11,328,186</u> | <u>\$ 9,038,019</u>   | <u>\$ 9,426,349</u>   |
| Plan Fiduciary Net Position   |      |      |      |      |      |                      |                      |                      |                       |                       |
| Contributions - employer  |      |      |      |      |      | \$ 639,042           | \$ 695,017           | \$ 582,804           | \$ 591,190            | \$ 163,815            |
| Net investment income   |      |      |      |      |      | 605,972              | 529,689              | 433,121              | 1,053,228             | 2,383,108             |
| Benefit payments  |      |      |      |      |      | (274,540)            | (271,490)            | (229,882)            | (193,415)             | (244,300)             |
| Plan administrative expenses  |      |      |      |      |      | (5,000)              | (22,581)             | (14,433)             | (23,040)              | (6,250)               |
| Other changes   |      |      |      |      |      | -                    | -                    | -                    | -                     | -                     |
| Net change in plan fiduciary net position                           |      |      |      |      |      | \$ 965,474           | \$ 930,635           | \$ 771,610           | \$ 1,427,963          | \$ 2,296,373          |
| Plan fiduciary net position - beginning                             |      |      |      |      |      | 6,034,822            | 7,000,296            | 7,930,931            | 8,702,541             | 10,130,504            |
| Plan fiduciary net position - end                                   |      |      |      |      |      | <u>\$ 7,000,296</u>  | <u>\$ 7,930,931</u>  | <u>\$ 8,702,541</u>  | <u>\$ 10,130,504</u>  | <u>\$ 12,426,877</u>  |
| <b>Net OPEB liability / (asset)</b>                                 |      |      |      |      |      | <u>\$ 4,478,915</u>  | <u>\$ 2,827,941</u>  | <u>\$ 2,625,645</u>  | <u>\$ (1,092,485)</u> | <u>\$ (3,000,528)</u> |
|   |      |      |      |      |      |                      |                      |                      |                       |                       |
| Plan fiduciary net position as a percentage of total OPEB liability |      |      |      |      |      | 60.98%               | 73.72%               | 76.82%               | 112.09%               | 131.83%               |
| Covered payroll   |      |      |      |      |      | \$ 36,993,233        | \$ 36,810,351        | \$ 38,763,043        | \$ 39,968,358         | \$ 42,412,060         |
| Net OPEB liability / (asset) as a percentage of covered payroll     |      |      |      |      |      | 12.11%               | 7.68%                | 6.77%                | -2.73%                | -7.07%                |

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)

|   | 2012 | 2013 | 2014 | 2015 | 2016   | 2017          | 2018          | 2019          | 2020          | 2021          |
|---|------|------|------|------|--|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution                             |      |      |      |      |  | \$ 658,361    | \$ 687,495    | \$ 582,804    | \$ 591,190    | \$ 163,815    |
| Contributions made  |      |      |      |      | Information for plan years 2016 and prior is not available | 639,042       | 695,017       | 582,804       | 591,190       | 163,815       |
| Contribution deficiency (excess)                                |      |      |      |      |  | \$ 19,319     | \$ (7,522)    | \$ -          | \$ -          | \$ -          |
| Covered payroll   |      |      |      |      |  | \$ 36,993,233 | \$ 36,810,351 | \$ 38,763,043 | \$ 39,968,358 | \$ 42,412,060 |
| Contributions as a percentage of covered payroll                |      |      |      |      | Information for plan years 2016 and prior is not available | 1.73%         | 1.89%         | 1.50%         | 1.48%         | 0.39%         |
| Annual money weighted rate of return, net of investment expense |      |      |      |      |  | 9.40%         | 7.80%         | 5.53%         | 11.36%        | 23.30%        |

**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 preceding 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 2019, 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 July 1, 2019 valuation to the June 30, 2021 measurement date.

**City of Rockville, Maryland**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2021

|  | Original Budget        | Budget as Amended      | Actual                 | Variance from Amended Budget Positive/(Negative) |
|--|------------------------|------------------------|------------------------|--|
| <b>Revenues</b>  |                        |                        |                        |  |
| Property Taxes   | \$ 43,816,000          | \$ 43,648,000          | \$ 44,327,269          | \$ 679,269                                       |
| Revenue from Other Governments:  |                        |                        |                        |  |
| Income taxes   | 14,900,000             | 16,000,000             | 16,631,367             | 631,367  |
| Gas and motor vehicle taxes  | 2,107,900              | 2,500,000              | 2,763,951              | 263,951  |
| County tax duplication payment   | 2,409,750              | 2,409,750              | 2,409,750              | -  |
| Admissions and amusement taxes   | 1,050,000              | 350,000                | 312,323                | (37,677)   |
| Grants and other governmental revenue  | 2,099,780              | 2,163,211              | 3,323,102              | 1,159,891  |
| Licenses and permits   | 3,411,000              | 3,411,000              | 2,832,775              | (578,225)  |
| Charges for Services   | 7,404,860              | 4,304,687              | 2,991,142              | (1,313,545)                                      |
| Use of Money and Property  | 423,800                | 887,082                | 687,692                | (199,390)  |
| Fines and Forfeitures  | 1,583,090              | 983,090                | 948,252                | (34,838)   |
| Other Revenues   | 5,398,820              | 6,343,658              | 4,369,414              | (1,974,244)                                      |
| <b>Total Revenues</b>  | <b>\$ 84,605,000</b>   | <b>\$ 83,000,478</b>   | <b>\$ 81,597,037</b>   | <b>\$ (1,403,441)</b>                            |
| <b>Expenditures</b>  |                        |                        |                        |  |
| Current operations:  |                        |                        |                        |  |
| General government   | \$ 18,802,500          | \$ 19,291,509          | \$ 18,595,469          | \$ 696,040                                       |
| Community development  | 6,390,270              | 6,598,825              | 7,765,345              | (1,166,520)                                      |
| Public safety  | 11,706,120             | 11,454,479             | 11,139,508             | 314,971  |
| Public works   | 8,878,760              | 9,079,000              | 8,211,625              | 867,375  |
| Recreation and parks   | 25,266,380             | 23,448,480             | 20,219,913             | 3,228,567  |
| <b>Total Expenditures</b>  | <b>\$ 71,044,030</b>   | <b>\$ 69,872,293</b>   | <b>\$ 65,931,860</b>   | <b>\$ 3,940,433</b>                              |
| Excess of Revenues over Expenditures   | \$ 13,560,970          | \$ 13,128,185          | \$ 15,665,177          | \$ 2,536,992                                     |
| <b>Other Financing Sources (Uses)</b>  |                        |                        |                        |  |
| Transfer to Debt Service Fund  | \$ (4,800,000)         | \$ (4,800,000)         | \$ (4,800,000)         | \$ -   |
| Transfer to Capital Projects Fund  | (6,330,000)            | (7,507,000)            | (7,507,000)            | -  |
| Transfer to Special Activities Fund  | (164,240)              | (165,440)              | (165,440)              | -  |
| Transfer to Refuse Fund  | (46,730)               | (46,730)               | (46,730)               | -  |
| Transfer to Parking Fund   | (1,250,000)            | (1,950,000)            | (1,950,000)            | -  |
| <b>Total Other Financing Sources (Uses)</b>  | <b>\$ (12,590,970)</b> | <b>\$ (14,469,170)</b> | <b>\$ (14,469,170)</b> | <b>\$ -</b>                                      |
| Excess (deficiency) of revenues and other financing sources (uses) over expenditures | \$ 970,000             | \$ (1,340,985)         | \$ 1,196,007           | \$ 2,536,992                                     |
| Fund balance at beginning of year  | 23,786,814             | 23,786,814             | 23,786,814             | -  |
| <b>Fund balance at end of year</b>   | <b>\$ 24,756,814</b>   | <b>\$ 22,445,829</b>   | <b>\$ 24,982,821</b>   | <b>\$ 2,536,992</b>                              |

**City of Rockville, Maryland**  
Notes to the Required Supplementary Information  
June 30, 2021

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 2021, such supplemental appropriations for all funds amounted to \$1,546,582. Supplemental appropriations in the General Fund totaled (\$1,604,522). Due to pandemic impact, the revenues in General Fund decreased during FY 2021, budget amendments were passed to reflect the decreased expenditures. Of these appropriations, \$500,000 was for General Fund transfer to the Capital Projects Fund for planned capital improvements of Spray Park, \$1,039,000 was to recognize defeased losses from the 2020C advance refunding principal and amortization and \$1,443,713 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, 2021 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, 2021

|   | Original<br>Budget  | Budget as<br>Amended | Actual              | Variance from<br>Amended Budget<br>Positive/(Negative) |
|---|---------------------|----------------------|---------------------|--|
| <b>Revenues</b>   |                     |                      |                     |  |
| Assessments   | \$ -                | \$ -                 | \$ -                | \$ -   |
| Use of money and property   | 31,000              | 31,000               | 2,333               | (28,667)   |
| <b>Total Revenues</b>   | <b>\$ 31,000</b>    | <b>\$ 31,000</b>     | <b>\$ 2,333</b>     | <b>\$ (28,667)</b>                                     |
| <b>Expenditures</b>   |                     |                      |                     |  |
| Principal repayments:   |                     |                      |                     |  |
| General obligation bonds  | \$ 4,308,700        | \$ 5,347,700         | \$ 5,226,047        | \$ 121,653   |
| Loans payable   | -                   | -                    | -                   | -  |
| Interest and issuance costs:  |                     |                      |                     |  |
| General obligation bonds  | 1,100,000           | 1,106,000            | 1,155,949           | (49,949)   |
| <b>Total Expenditures</b>   | <b>\$ 5,408,700</b> | <b>\$ 6,453,700</b>  | <b>\$ 6,381,996</b> | <b>\$ 71,704</b>                                       |
| Excess of Revenues over Expenditures  | \$ (5,377,700)      | \$ (6,422,700)       | \$ (6,379,663)      | \$ 43,037  |
| <b>Other Financing Sources (Uses)</b>   |                     |                      |                     |  |
| Transfer in from General Fund   | \$ 4,800,000        | \$ 4,800,000         | \$ 4,800,000        | \$ -   |
| Issuance of current refunding bonds   | -                   | 1,023,300            | 1,020,000           | (3,300)  |
| Premium on general obligation bonds   | -                   | -                    | 3,272               | 3,272  |
| <b>Total Other Financing Sources (Uses)</b>                                   | <b>\$ 4,800,000</b> | <b>\$ 5,823,300</b>  | <b>\$ 5,823,272</b> | <b>\$ (28)</b>   |
| Excess (deficiency) of revenues and other financing sources over expenditures | \$ (577,700)        | \$ (599,400)         | \$ (556,391)        | \$ 43,009  |
| Fund Balance at beginning of year   | 867,612             | 867,612              | 867,612             | -  |
| <b>Fund Balance at end of year</b>  | <b>\$ 289,912</b>   | <b>\$ 268,212</b>    | <b>\$ 311,221</b>   | <b>\$ 43,009</b>                                       |

**City of Rockville, Maryland**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

|                                     | Special Revenue               |  |   | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------|-------------------------------|--|---|--|
|                                     | Special<br>Activities<br>Fund | Community<br>Development<br>Block Grant<br>Fund (CDBG) | Automated<br>Speed<br>Enforcement<br>Fund |  |
| <b>Assets</b>                       |                               |  |   |  |
| Cash and cash equivalents           | \$ 9,278,870                  | \$ -   | \$ 1,453,299                              | \$ 10,732,169                              |
| Accounts receivable, net            | -                             | -  | 127,619                                   | 127,619                                    |
| Due from other governments          | 183,506                       | 88,397   | -   | 271,903                                    |
| Total Assets                        | <u>\$ 9,462,376</u>           | <u>\$ 88,397</u>                                       | <u>\$ 1,580,918</u>                       | <u>\$ 11,131,691</u>                       |
| <b>Liabilities and Fund Balance</b> |                               |  |   |  |
| <b>Liabilities</b>                  |                               |  |   |  |
| Accounts payable                    | \$ 99,470                     | \$ 24,610  | \$ 56,126                                 | \$ 180,206                                 |
| Interfund payable                   | -                             | 69,442   | -   | 69,442                                     |
| Accrued liabilities                 | -                             | -  | 5,420                                     | 5,420                                      |
| Retainages payable                  | 9,379                         | 12,987   | -   | 22,366                                     |
| Total Liabilities                   | <u>\$ 108,849</u>             | <u>\$ 107,039</u>                                      | <u>\$ 61,546</u>                          | <u>\$ 277,434</u>                          |
| <b>Fund Balance</b>                 |                               |  |   |  |
| Restricted for:                     |                               |  |   |  |
| Special revenue programming         | \$ 9,353,527                  | \$ -   | \$ 1,519,372                              | \$ 10,872,899                              |
| Unassigned:                         | -                             | (18,642)   | -   | (18,642)                                   |
| Total Fund Balance                  | <u>\$ 9,353,527</u>           | <u>\$ (18,642)</u>                                     | <u>\$ 1,519,372</u>                       | <u>\$ 10,854,257</u>                       |
| Total liabilities and fund balance  | <u>\$ 9,462,376</u>           | <u>\$ 88,397</u>                                       | <u>\$ 1,580,918</u>                       | <u>\$ 11,131,691</u>                       |

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2021

|  | Special Revenue               |  |   | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|--|---|--|
|  | Special<br>Activities<br>Fund | Community<br>Development<br>Block Grant<br>Fund (CDBG) | Automated<br>Speed<br>Enforcement<br>Fund |  |
| <b>Revenues</b>                                      |                               |  |   |  |
| Grants and other governmental revenue                | \$ 768,399                    | \$ 198,499   | \$ -                                      | \$ 966,898                                 |
| Charges for services                                 | 12,015                        | -  | -   | 12,015                                     |
| Use of money and property                            | -                             | -  | 999                                       | 999  |
| Fines and forfeitures                                | -                             | -  | 1,229,124                                 | 1,229,124                                  |
| Other revenue  | 153,561                       | 15,131   | -   | 168,692                                    |
| <b>Total Revenues</b>                                | <b>\$ 933,975</b>             | <b>\$ 213,630</b>                                      | <b>\$ 1,230,123</b>                       | <b>\$ 2,377,728</b>                        |
| <b>Expenditures</b>                                  |                               |  |   |  |
| General government                                   | \$ 100,032                    | \$ -   | \$ -                                      | \$ 100,032                                 |
| Community development                                | 29,410                        | 236,096  | -   | 265,506                                    |
| Public safety  | -                             | -  | 941,378                                   | 941,378                                    |
| Public works   | 191,851                       | -  | -   | 191,851                                    |
| Recreation and parks                                 | 141,309                       | -  | -   | 141,309                                    |
| Capital outlay                                       | 925,860                       | -  | -   | 925,860                                    |
| <b>Total Expenditures</b>                            | <b>\$ 1,388,462</b>           | <b>\$ 236,096</b>                                      | <b>\$ 941,378</b>                         | <b>\$ 2,565,936</b>                        |
| Excess (deficiency) of Revenues<br>over Expenditures | \$ (454,487)                  | \$ (22,466)  | \$ 288,745                                | \$ (188,208)                               |
| <b>Other Financing Sources</b>                       |                               |  |   |  |
| Transfer in from General Fund                        | \$ 165,440                    | \$ -   | \$ -                                      | \$ 165,440                                 |
| <b>Total Financing Sources</b>                       | <b>\$ 165,440</b>             | <b>\$ -</b>  | <b>\$ -</b>                               | <b>\$ 165,440</b>                          |
| Net change in fund balance                           | \$ (289,047)                  | \$ (22,466)  | \$ 288,745                                | \$ (22,768)                                |
| Fund balance at beginning of year                    | 9,642,574                     | 3,824  | 1,230,627                                 | 10,877,025                                 |
| Fund balance at end of year                          | <b>\$ 9,353,527</b>           | <b>\$ (18,642)</b>                                     | <b>\$ 1,519,372</b>                       | <b>\$ 10,854,257</b>                       |

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, 2021

|  | 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>  |                         |                     |                     |  |   |                   |                   |  |                                  |                   |                     |  |
| Grants and other governmental revenue                      | \$ 785,630              | \$ 818,560          | \$ 768,399          | \$ (50,161)                                      | \$ 263,000                                    | \$ 525,498        | \$ 198,499        | \$ (326,999)                                     | \$ -                             | \$ -              | \$ -                | \$ -   |
| Use of money and property                                  | 359,000                 | 359,000             | -                   | (359,000)  | -   | -                 | -                 | -  | 10,000                           | 10,000            | 999                 | (9,001)  |
| Fines and forfeitures                                      | -                       | -                   | -                   | -  | -   | -                 | -                 | -  | 1,448,000                        | 958,000           | 1,229,124           | 271,124  |
| Other*   | 438,490                 | 439,690             | 331,016             | (108,674)  | -   | -                 | 15,131            | 15,131   | -                                | -                 | -                   | -  |
| <b>Total Revenues</b>                                      | <b>\$ 1,583,120</b>     | <b>\$ 1,617,250</b> | <b>\$ 1,099,415</b> | <b>\$ (517,835)</b>                              | <b>\$ 263,000</b>                             | <b>\$ 525,498</b> | <b>\$ 213,630</b> | <b>\$ (311,868)</b>                              | <b>\$ 1,458,000</b>              | <b>\$ 968,000</b> | <b>\$ 1,230,123</b> | <b>\$ 262,123</b>                                |
| <b>Expenditures</b>  |                         |                     |                     |  |   |                   |                   |  |                                  |                   |                     |  |
| Community services   | \$ 1,315,840            | \$ 1,644,707        | \$ 462,602          | \$ 1,182,105                                     | \$ 263,000                                    | \$ 525,498        | \$ 236,096        | \$ 289,402                                       | \$ 980,940                       | \$ 980,940        | \$ 941,378          | \$ 39,562  |
| <b>Total expenditures</b>                                  | <b>\$ 1,315,840</b>     | <b>\$ 1,644,707</b> | <b>\$ 462,602</b>   | <b>\$ 1,182,105</b>                              | <b>\$ 263,000</b>                             | <b>\$ 525,498</b> | <b>\$ 236,096</b> | <b>\$ 289,402</b>                                | <b>\$ 980,940</b>                | <b>\$ 980,940</b> | <b>\$ 941,378</b>   | <b>\$ 39,562</b>                                 |
| Excess (deficiency) of budgeted revenues over expenditures | \$ 267,280              | \$ (27,457)         | \$ 636,813          | \$ 664,270                                       | \$ -  | \$ -              | \$ (22,466)       | \$ (22,466)                                      | \$ 477,060                       | \$ (12,940)       | \$ 288,745          | \$ 301,685                                       |
| Capital outlay**   |                         |                     | \$ (925,860)        |  |   |                   | \$ -              |  |                                  |                   | \$ -                |  |
| Net change in fund balance                                 |                         |                     | \$ (289,047)        |  |   |                   | \$ (22,466)       |  |                                  |                   | \$ 288,745          |  |

\*Note: Other revenue for the Special Activities Fund includes a transfer of \$165,440 from the General Fund.

\*\*Note: Expenditures in the Special Activities Fund include capital improvement outlays of \$925,860. 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, 2021**

|  | 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   | \$ 14,092,800       | \$ 14,092,800     | \$ 12,491,632 | \$ (1,601,168)                                    | \$ 15,785,130       | \$ 15,785,130     | \$ 15,647,458 | \$ (137,672)                                      | \$ 6,142,900    | \$ 6,142,900      | \$ 6,261,870 | \$ 118,970  |
| Total operating expenses                                     | 8,025,030           | 8,120,895         | 7,314,772     | 806,123   | 6,634,360           | 6,947,712         | 6,072,342     | 875,370   | 6,812,820       | 7,172,283         | 6,069,415    | 1,102,868   |
| Operating income (loss) before depreciation and amortization | \$ 6,067,770        | \$ 5,971,905      | \$ 5,176,860  | \$ (795,045)                                      | \$ 9,150,770        | \$ 8,837,418      | \$ 9,575,116  | \$ 737,698  | \$ (669,920)    | \$ (1,029,383)    | \$ 192,455   | \$ 1,221,838                                      |
| Depreciation   | (3,524,100)         | (3,524,100)       | (3,427,788)   | 96,312  | (5,067,000)         | (5,067,000)       | (5,024,335)   | 42,665  | (519,200)       | (519,200)         | (466,609)    | 52,591  |
| Operating income (loss)                                      | \$ 2,543,670        | \$ 2,447,805      | \$ 1,749,072  | \$ (698,733)                                      | \$ 4,083,770        | \$ 3,770,418      | \$ 4,550,781  | \$ 780,363  | \$ (1,189,120)  | \$ (1,548,583)    | \$ (274,154) | \$ 1,274,429                                      |
| <b>Non-Operating Income (Expenses)</b>                       |                     |                   |               |   |                     |                   |               |   |                 |                   |              |   |
| Interest income  | \$ -                | \$ -              | \$ 3,522      | \$ 3,522  | \$ -                | \$ -              | \$ 3,501      | \$ 3,501  | \$ 17,000       | \$ 17,000         | \$ 2,394     | \$ (14,606)                                       |
| Interest expense   | (831,900)           | (831,900)         | (437,218)     | 394,682   | (1,258,600)         | (1,258,600)       | (316,571)     | 942,029   | (12,900)        | (12,900)          | (12,592)     | 308   |
| Other, net   | (29,100)            | (29,100)          | (57,859)      | (28,759)  | (10,600)            | (10,600)          | (74,011)      | (63,411)  | -               | -                 | -            | -   |
| Total non-operating income (expense)                         | \$ (861,000)        | \$ (861,000)      | \$ (491,555)  | \$ 369,445  | \$ (1,269,200)      | \$ (1,269,200)    | \$ (387,081)  | \$ 882,119  | \$ 4,100        | \$ 4,100          | \$ (10,198)  | \$ (14,298)                                       |
| Income (loss) before contributions                           | \$ 1,682,670        | \$ 1,586,805      | \$ 1,257,517  | \$ (329,288)                                      | \$ 2,814,570        | \$ 2,501,218      | \$ 4,163,700  | \$ 1,662,482                                      | \$ (1,185,020)  | \$ (1,544,483)    | \$ (284,352) | \$ 1,260,131                                      |
| Capital grants and contributions                             | \$ -                | \$ -              | \$ -          | \$ -  | \$ -                | \$ -              | \$ (196,685)  | \$ (196,685)                                      | \$ -            | \$ -              | \$ -         | \$ -  |
| <b>Transfers:</b>  |                     |                   |               |   |                     |                   |               |   |                 |                   |              |   |
| Transfer (to) from Enterprise Funds                          | 306,590             | 306,590           | 306,590       | -   | (306,590)           | (306,590)         | (306,590)     | -   | -               | -                 | -            | -   |
| Transfer from General Fund                                   | -                   | -                 | -             | -   | -                   | -                 | -             | -   | 46,730          | 46,730            | 46,730       | -   |
| Total transfers  | \$ 306,590          | \$ 306,590        | \$ 306,590    | \$ -  | \$ (306,590)        | \$ (306,590)      | \$ (306,590)  | \$ -  | \$ 46,730       | \$ 46,730         | \$ 46,730    | \$ -  |
| Net increase (decrease) in net position                      | \$ 1,989,260        | \$ 1,893,395      | \$ 1,564,107  | \$ (329,288)                                      | \$ 2,507,980        | \$ 2,194,628      | \$ 3,660,425  | \$ 1,465,797                                      | \$ (1,138,290)  | \$ (1,497,753)    | \$ (237,622) | \$ 1,260,131                                      |

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**Enterprise Funds (Continued)**  
**For the Fiscal Year Ended June 30, 2021**

|  | 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   | \$ 1,063,850    | \$ 564,850        | \$ 600,089   | \$ 35,239   | \$ 6,000,000               | \$ 6,000,000      | \$ 5,387,464 | \$ (612,536)                                      | \$ -                     | \$ -              | \$ -         | \$ -  |
| Total operating expenses                                     | 586,250         | 586,250           | 436,507      | 149,743   | 4,437,030                  | 4,459,676         | 4,133,938    | 325,738   | -                        | -                 | -            | -   |
| Operating income (loss) before depreciation and amortization | \$ 477,600      | \$ (21,400)       | \$ 163,582   | \$ 184,982  | \$ 1,562,970               | \$ 1,540,324      | \$ 1,253,526 | \$ (286,798)                                      | \$ -                     | \$ -              | \$ -         | \$ -  |
| Depreciation   | (9,100)         | (9,100)           | (9,032)      | 68  | (1,002,000)                | (1,002,000)       | (936,192)    | 65,808  | (100,600)                | (100,600)         | (100,549)    | 51  |
| Operating income (loss)                                      | \$ 468,500      | \$ (30,500)       | \$ 154,550   | \$ 185,050  | \$ 560,970                 | \$ 538,324        | \$ 317,334   | \$ (220,990)                                      | \$ (100,600)             | \$ (100,600)      | \$ (100,549) | \$ 51   |
| <b>Non-Operating Income (Expenses)</b>                       |                 |                   |              |   |                            |                   |              |   |                          |                   |              |   |
| Interest income  | \$ 1,000        | \$ 1,000          | \$ 511       | \$ (489)  | \$ 112,000                 | \$ 112,000        | \$ 6,421     | \$ (105,579)                                      | \$ -                     | \$ -              | \$ -         | \$ -  |
| Interest expense   | (788,000)       | (788,000)         | (783,669)    | 4,331   | (23,250)                   | (23,250)          | 49,733       | 72,983  | (1,240)                  | (1,240)           | (1,045)      | 195   |
| Other, net   | (38,890)        | (139,890)         | (140,030)    | (140)   | -                          | -                 | (3,865)      | (3,865)   | -                        | -                 | -            | -   |
| Total non-operating income (expense)                         | \$ (825,890)    | \$ (926,890)      | \$ (923,188) | \$ 3,702  | \$ 88,750                  | \$ 88,750         | \$ 52,289    | \$ (36,461)                                       | \$ (1,240)               | \$ (1,240)        | \$ (1,045)   | \$ 195  |
| Income (loss) before contributions                           | \$ (357,390)    | \$ (957,390)      | \$ (768,638) | \$ 188,752  | \$ 649,720                 | \$ 627,074        | \$ 369,623   | \$ (257,451)                                      | \$ (101,840)             | \$ (101,840)      | \$ (101,594) | \$ 246  |
| Capital grants and contributions                             | \$ 315,000      | \$ 315,000        | \$ 315,001   | \$ 1  | \$ -                       | \$ -              | \$ -         | \$ -  | \$ -                     | \$ -              | \$ -         | \$ -  |
| Transfers:   |                 |                   |              |   |                            |                   |              |   |                          |                   |              |   |
| Transfer (to) from Enterprise Funds                          | -               | -                 | -            | -   | -                          | -                 | -            | -   | -                        | -                 | -            | -   |
| Transfer from General Fund                                   | 1,250,000       | 1,950,000         | 1,950,000    | -   | -                          | -                 | -            | -   | -                        | -                 | -            | -   |
| Total transfers  | \$ 1,250,000    | \$ 1,950,000      | \$ 1,950,000 | \$ -  | \$ -                       | \$ -              | \$ -         | \$ -  | \$ -                     | \$ -              | \$ -         | \$ -  |
| Net increase (decrease) in net position                      | \$ 1,207,610    | \$ 1,307,610      | \$ 1,496,363 | \$ 188,753  | \$ 649,720                 | \$ 627,074        | \$ 369,623   | \$ (257,451)                                      | \$ (101,840)             | \$ (101,840)      | \$ (101,594) | \$ 246  |

## **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, 2021**

|   | Pension Trust Fund           |                                  |                             | OPEB Trust Fund             | Total<br>Pension and<br>OPEB Trust<br>Funds |
|---|------------------------------|----------------------------------|-----------------------------|-----------------------------|---|
|   | Defined<br>Benefit Trust     | Defined<br>Contribution<br>Trust | Total Pension<br>Trust Fund | OPEB Trust Fund             |   |
| <b>Assets</b>                             |                              |                                  |                             |                             |   |
| Open End Mutual Funds:                    |                              |                                  |                             |                             |   |
| Bonds                                     | \$ 21,563,074                | \$ 3,348,719                     | \$ 24,911,793               | \$ 4,618,417                | \$ 29,530,210                               |
| Equities                                  | 68,103,915                   | 21,456,560                       | 89,560,475                  | 7,911,365                   | 97,471,840                                  |
| Real estate                               | 23,634,651                   | 267,408                          | 23,902,059                  | -                           | 23,902,059                                  |
| Global real assets                        | -                            | 15,443                           | 15,443                      | -                           | 15,443                                      |
| Global tactical asset allocation          | 14,662,678                   | -                                | 14,662,678                  | -                           | 14,662,678                                  |
| Money markets                             | 2,073,771                    | -                                | 2,073,771                   | -                           | 2,073,771                                   |
| Target Date Fund                          | -                            | 21,859,853                       | 21,859,853                  | -                           | 21,859,853                                  |
| Stable Value Fund                         | -                            | 6,812,445                        | 6,812,445                   | -                           | 6,812,445                                   |
| <b>Total Assets</b>                       | <b><u>\$ 130,038,089</u></b> | <b><u>\$ 53,760,428</u></b>      | <b><u>\$183,798,517</u></b> | <b><u>\$ 12,529,782</u></b> | <b><u>\$196,328,299</u></b>                 |
| <b>Liabilities</b>                        |                              |                                  |                             |                             |   |
| Benefits Payable                          | \$ -                         | \$ -                             | \$ -                        | \$ 100,405                  | \$ 100,405                                  |
| Administrative expense payable            | -                            | -                                | -                           | 2,500                       | 2,500                                       |
| <b>Total Liabilities</b>                  | <b><u>\$ -</u></b>           | <b><u>\$ -</u></b>               | <b><u>\$ -</u></b>          | <b><u>\$ 102,905</u></b>    | <b><u>\$ 102,905</u></b>                    |
| <b>Net Position</b>                       |                              |                                  |                             |                             |   |
| Restricted for plan benefits              | \$ 130,038,089               | \$ 53,760,428                    | \$183,798,517               | \$ 12,426,877               | \$196,225,394                               |
| <b>Total Liabilities and Net Position</b> | <b><u>\$ 130,038,089</u></b> | <b><u>\$ 53,760,428</u></b>      | <b><u>\$183,798,517</u></b> | <b><u>\$ 12,529,782</u></b> | <b><u>\$196,328,299</u></b>                 |

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, 2021

|   | Pension Trust Fund       |                                  |                              | OPEB Trust Fund      | Total<br>Pension and<br>OPEB Trust<br>Funds |
|---|--------------------------|----------------------------------|------------------------------|----------------------|---|
|   | Defined<br>Benefit Trust | Defined<br>Contribution<br>Trust | Total Pension<br>Trust Funds | OPEB Trust Fund      |   |
| <b>Additions</b>  |                          |                                  |                              |                      |   |
| Contributions   |                          |                                  |                              |                      |   |
| Employer  | \$ 3,961,789             | \$ 981,260                       | \$ 4,943,049                 | \$ 163,815           | \$ 5,106,864                                |
| Plan Members  | 849,728                  | 1,521,082                        | 2,370,810                    | -                    | 2,370,810                                   |
| Total Contributions                                       | <u>\$ 4,811,517</u>      | <u>\$ 2,502,342</u>              | <u>\$ 7,313,859</u>          | <u>\$ 163,815</u>    | <u>\$ 7,477,674</u>                         |
| Investment earnings:                                      |                          |                                  |                              |                      |   |
| Net appreciation in the fair<br>value of plan investments | 28,322,490               | 10,288,006                       | 38,610,496                   | 2,170,165            | 40,780,661                                  |
| Interest and dividends                                    | 41,739                   | 1,317,737                        | 1,359,476                    | 212,943              | 1,572,419                                   |
| Total investment earnings                                 | <u>28,364,229</u>        | <u>11,605,743</u>                | <u>39,969,972</u>            | <u>2,383,108</u>     | <u>42,353,080</u>                           |
| Less investment (expense) refunds                         | (483,931)                | (77,213)                         | (561,144)                    | -                    | (561,144)                                   |
| Net investment earnings                                   | <u>27,880,298</u>        | <u>11,528,530</u>                | <u>39,408,828</u>            | <u>2,383,108</u>     | <u>41,791,936</u>                           |
| Total Additions   | <u>\$ 32,691,815</u>     | <u>\$ 14,030,872</u>             | <u>\$ 46,722,687</u>         | <u>\$ 2,546,923</u>  | <u>\$ 49,269,610</u>                        |
| <b>Deductions</b>   |                          |                                  |                              |                      |   |
| Benefits  | \$ 6,209,717             | \$ 2,041,125                     | \$ 8,250,842                 | \$ 244,300           | \$ 8,495,142                                |
| Administrative expense                                    | 75,164                   | -                                | 75,164                       | 6,250                | 81,414                                      |
| Total Deductions  | <u>\$ 6,284,881</u>      | <u>\$ 2,041,125</u>              | <u>\$ 8,326,006</u>          | <u>\$ 250,550</u>    | <u>\$ 8,576,556</u>                         |
| Net Increase (Decrease)                                   | 26,406,934               | 11,989,747                       | 38,396,681                   | 2,296,373            | 40,693,054                                  |
| Net position at beginning of year                         | 103,631,155              | 41,770,681                       | 145,401,836                  | 10,130,504           | 155,532,340                                 |
| Net position at end of year                               | <u>\$ 130,038,089</u>    | <u>\$ 53,760,428</u>             | <u>\$ 183,798,517</u>        | <u>\$ 12,426,877</u> | <u>\$ 196,225,394</u>                       |

See accompanying notes to the basic financial statements.

# Statistical Section



Fiscal Year Ended June 30, 2021





# 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.



**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)**

|   | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Governmental Activities</b>              |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 215,237,694 | \$ 221,627,345 | \$ 227,007,883 | \$ 236,257,929 | \$ 242,206,193 | \$ 251,497,341 | \$ 258,103,935 | \$ 180,264,476 | \$ 189,355,879 | \$ 194,918,299 |
| Restricted                                  | 32,454,676     | 30,124,255     | 31,504,391     | 28,241,472     | 8,958,785      | 9,196,988      | 9,637,846      | 9,564,641      | 10,877,025     | 10,872,899     |
| Unrestricted                                | 6,785,231      | 9,464,633      | 11,252,856     | 842,090        | 20,493,148     | 18,653,066     | 18,669,094     | 20,828,738     | 16,634,804     | 18,021,201     |
| Total Governmental Activities Net Position  | \$ 254,477,601 | \$ 261,216,233 | \$ 269,765,130 | \$ 265,341,491 | \$ 271,658,126 | \$ 279,347,395 | \$ 286,410,875 | \$ 210,657,855 | \$ 216,867,708 | \$ 223,812,399 |
| <b>Business-Type Activities</b>             |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 61,807,784  | \$ 59,592,571  | \$ 69,660,027  | \$ 73,858,569  | \$ 80,207,561  | \$ 82,902,957  | \$ 84,792,752  | \$ 47,681,534  | \$ 45,275,449  | \$ 47,467,611  |
| Restricted                                  | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Unrestricted                                | (7,281,272)    | (3,133,639)    | (10,553,298)   | (12,866,439)   | (16,018,230)   | (13,447,240)   | (11,587,452)   | 24,736,541     | 31,276,128     | 35,835,268     |
| Total Business-Type Activities Net Position | \$ 54,526,512  | \$ 56,458,932  | \$ 59,106,729  | \$ 60,992,130  | \$ 64,189,331  | \$ 69,455,717  | \$ 73,205,300  | \$ 72,418,075  | \$ 76,551,577  | \$ 83,302,879  |
| <b>Primary Government</b>                   |                |                |                |                |                |                |                |                |                |                |
| Net investment in capital assets            | \$ 277,045,478 | \$ 281,219,916 | \$ 296,667,910 | \$ 310,116,498 | \$ 322,413,754 | \$ 334,400,298 | \$ 342,896,687 | \$ 227,946,010 | \$ 234,631,328 | \$ 242,385,910 |
| Restricted                                  | 32,454,676     | 30,124,255     | 31,504,391     | 28,241,472     | 8,958,785      | 9,196,988      | 9,637,846      | 9,564,641      | 10,877,025     | 10,872,899     |
| Unrestricted                                | (496,041)      | 6,330,994      | 699,558        | (12,024,349)   | 4,474,918      | 5,205,826      | 7,081,642      | 45,565,279     | 47,910,932     | 53,856,469     |
| Total Primary Government Net Position       | \$ 309,004,113 | \$ 317,675,165 | \$ 328,871,859 | \$ 326,333,621 | \$ 335,847,457 | \$ 348,803,112 | \$ 359,616,175 | \$ 283,075,930 | \$ 293,419,285 | \$ 307,115,278 |

- Note: In fiscal year 2019, the City had restatements of net position that consisted of adjustments to accumulated depreciation on fixed assets and adjustments to construction in progress as follows: The government-wide net position was restated by (\$93,367,113) which is made up of governmental net position restatements of (\$85,206,345) and business-type net position restatements of (\$8,160,768), which also decrease the reported net investment in capital assets, as observed in the table above. In addition, changes in the presentation of Parking Fund net position, contribute to the fiscal year 2019 decrease in business-type activities net investment in capital assets.

**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)**

|  | 2012                 | 2013                 | 2014                 | 2015                 | 2016                  | 2017                  | 2018                  | 2019                  | 2020                  | 2021                  |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>  |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Governmental activities:                               |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| General government                                     | \$ 16,721,358        | \$ 17,627,789        | \$ 18,029,867        | \$ 16,056,710        | \$ 19,939,261         | \$ 22,179,924         | \$ 20,613,735         | \$ 23,393,793         | \$ 25,240,933         | \$ 20,536,401         |
| Community development block grant                      | 667,294              | 130,807              | 274,100              | 324,341              | 192,372               | -                     | -                     | -                     | -                     | -                     |
| Community development                                  | 4,045,862            | 6,852,638            | 4,499,173            | 4,742,679            | 5,208,701             | 5,559,447             | 5,464,560             | 5,595,043             | 7,026,330             | 8,030,851             |
| Public safety  | 10,725,725           | 11,605,687           | 11,925,500           | 11,955,154           | 14,011,145            | 13,055,908            | 13,078,545            | 14,225,613            | 13,323,731            | 12,372,318            |
| Public works   | 7,473,069            | 7,360,540            | 10,480,582           | 10,680,119           | 11,489,202            | 11,298,192            | 11,903,718            | 12,709,877            | 13,341,995            | 14,201,763            |
| Recreation and parks                                   | 20,682,042           | 19,421,263           | 20,192,932           | 20,316,220           | 21,677,656            | 22,483,951            | 23,193,122            | 23,804,520            | 23,261,943            | 20,028,092            |
| Interest on long-term debt                             | 1,847,089            | 1,753,582            | 1,570,515            | 1,481,177            | 1,451,990             | 1,279,361             | 1,388,516             | 1,271,638             | 1,369,546             | 1,042,271             |
| <b>Total governmental activities expenses</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>  | <b>\$ 81,000,484</b>  | <b>\$ 83,564,478</b>  | <b>\$ 76,211,696</b>  |
| Business-type activities:                              |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Water  | \$ 8,454,296         | \$ 8,288,461         | \$ 8,781,145         | \$ 8,786,204         | \$ 8,954,708          | \$ 9,541,833          | \$ 10,196,312         | \$ 9,969,367          | \$ 10,225,304         | \$ 9,945,637          |
| Sewer  | 7,462,498            | 8,121,144            | 8,851,481            | 10,761,488           | 12,465,393            | 10,632,475            | 11,507,060            | 11,598,825            | 11,608,010            | 10,850,259            |
| Refuse   | 4,604,586            | 4,647,799            | 4,374,062            | 4,482,442            | 4,273,936             | 4,593,424             | 4,655,333             | 4,848,875             | 5,405,423             | 5,429,616             |
| Parking  | 3,632,123            | 2,294,266            | 1,856,615            | 1,826,227            | 1,783,298             | 1,800,872             | 2,004,078             | 1,816,468             | 3,421,832             | 1,279,238             |
| Stormwater management                                  | 2,564,028            | 2,582,736            | 2,931,502            | 2,963,825            | 3,176,524             | 3,522,042             | 3,734,179             | 3,837,179             | 4,318,925             | 4,251,262             |
| Golf course  | 938,164              | 306,241              | 121,087              | 106,119              | 105,439               | 104,761               | 104,090               | 103,357               | 490,370               | 101,594               |
| <b>Total business-type activities expenses</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>32,174,071</b>     | <b>35,469,864</b>     | <b>31,857,606</b>     |
| <b>Total primary government expenses</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>\$ 113,174,555</b> | <b>\$ 119,034,342</b> | <b>\$ 108,069,302</b> |
| <b>Program Revenues</b>                                |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Governmental activities:                               |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Charges for services:                                  |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| General government                                     | \$ 1,444,313         | \$ 1,015,524         | \$ 308,228           | \$ 331,004           | \$ 379,871            | \$ 411,704            | \$ 573,971            | \$ 652,239            | \$ 519,634            | \$ 387,304            |
| Community development                                  | 2,180,079            | 1,821,386            | 2,631,132            | 2,127,341            | 1,983,953             | 2,043,566             | 2,153,492             | 2,507,674             | 4,226,994             | 3,060,460             |
| Public safety  | 3,621,924            | 4,405,923            | 4,913,037            | 3,998,962            | 4,155,894             | 4,367,130             | 4,531,053             | 4,213,136             | 2,709,657             | 2,250,734             |
| Public works   | 552,704              | 482,064              | 655,773              | 647,298              | 677,274               | 208,457               | 780,999               | 1,066,358             | 343,141               | 499,453               |
| Recreation and parks                                   | 5,616,285            | 5,056,436            | 5,304,462            | 5,510,139            | 5,667,549             | 6,124,135             | 6,322,356             | 6,291,076             | 4,375,849             | 2,200,987             |
| Operating grants and contributions                     | 2,084,144            | 1,538,646            | 1,276,981            | 1,802,196            | 1,414,801             | 1,842,041             | 1,587,580             | 2,200,863             | 3,379,267             | 2,762,499             |
| Capital grants and contributions                       | 2,470,347            | 1,485,087            | 1,170,792            | 458,203              | 1,021,763             | 929,414               | 1,623,758             | 1,645,078             | 1,386,536             | 499,774               |
| <b>Total governmental activities program revenues</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>  | <b>\$ 18,576,424</b>  | <b>\$ 16,941,078</b>  | <b>\$ 11,661,211</b>  |
| Business-type activities:                              |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Charges for services:                                  |                      |                      |                      |                      |                       |                       |                       |                       |                       |                       |
| Water  | \$ 9,585,771         | \$ 10,443,600        | \$ 10,694,368        | \$ 11,028,502        | \$ 12,150,240         | \$ 12,360,559         | \$ 11,779,188         | \$ 12,280,599         | \$ 13,309,595         | \$ 12,240,675         |
| Sewer  | 7,984,131            | 8,669,101            | 9,118,470            | 9,447,082            | 11,041,983            | 12,407,271            | 13,283,207            | 14,212,488            | 15,518,514            | 15,647,083            |
| Refuse   | 5,934,886            | 5,554,293            | 5,534,943            | 5,687,674            | 5,799,796             | 6,121,016             | 6,294,727             | 6,193,581             | 6,195,480             | 6,247,044             |
| Parking  | 1,566,651            | 1,253,296            | 1,286,239            | 1,156,885            | 1,108,497             | 857,266               | 1,004,449             | 923,056               | 619,319               | 453,070               |
| Stormwater management                                  | 2,870,915            | 4,173,905            | 4,241,331            | 4,809,791            | 5,120,666             | 5,781,614             | 5,693,065             | 6,827,996             | 5,466,361             | 5,354,261             |
| Golf course  | 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             | 875,236               | 597,096               | 118,316               |
| <b>Total business-type activities program revenues</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>41,312,956</b>     | <b>41,706,365</b>     | <b>40,060,449</b>     |
| <b>Total primary government revenues</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>  | <b>\$ 59,889,380</b>  | <b>\$ 58,647,443</b>  | <b>\$ 51,721,660</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)

|   | 2012                   | 2013                   | 2014                   | 2015                   | 2016                   | 2017                   | 2018                   | 2019                   | 2020                   | 2021                   |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Net (Expense)/Revenue</b>                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   | \$ (44,192,643)        | \$ (48,947,240)        | \$ (50,712,264)        | \$ (50,681,257)        | \$ (58,669,222)        | \$ (59,930,336)        | \$ (58,068,987)        | \$ (62,424,060)        | \$ (66,623,400)        | \$ (64,550,485)        |
| Business-type activities                                  | 1,481,868              | 5,003,409              | 5,071,434              | 4,367,480              | 6,985,643              | 9,015,389              | 7,442,924              | 9,138,885              | 6,236,501              | 8,202,843              |
| Total primary government net expense                      | <u>\$ (42,710,775)</u> | <u>\$ (43,943,831)</u> | <u>\$ (45,640,830)</u> | <u>\$ (46,313,777)</u> | <u>\$ (51,683,579)</u> | <u>\$ (50,914,947)</u> | <u>\$ (50,626,063)</u> | <u>\$ (53,285,175)</u> | <u>\$ (60,386,899)</u> | <u>\$ (56,347,642)</u> |
| <b>General Revenues and Other Changes in Net Position</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes  | \$ 35,136,328          | \$ 35,845,676          | \$ 36,057,121          | \$ 35,774,964          | \$ 38,283,902          | \$ 40,246,427          | \$ 41,278,428          | \$ 42,110,434          | \$ 42,761,718          | \$ 44,310,187          |
| Income taxes  | 10,785,534             | 11,757,980             | 13,023,794             | 12,438,718             | 14,154,731             | 13,577,486             | 13,634,659             | 15,585,645             | 16,049,228             | 16,631,367             |
| Gas and motor vehicle taxes                               | 765,579                | 431,902                | 1,601,681              | 1,663,404              | 1,914,024              | 1,897,093              | 1,960,667              | 2,169,474              | 2,494,082              | 2,763,951              |
| County tax duplications payment                           | 1,894,182              | 2,116,671              | 2,116,671              | 2,116,671              | 2,116,671              | 2,409,750              | 2,409,750              | 2,409,750              | 2,409,750              | 2,409,750              |
| Admissions and amusement taxes                            | 1,056,916              | 1,053,387              | 1,036,536              | 993,387                | 985,525                | 1,321,900              | 1,350,266              | 1,375,116              | 1,009,777              | 312,323                |
| Use of money and property                                 | 347,043                | 266,761                | 289,824                | 299,215                | 384,646                | 456,123                | 768,464                | 1,690,421              | 2,443,669              | 686,635                |
| Other revenue   | 1,574,422              | 2,519,952              | 2,537,174              | 2,821,943              | 3,016,088              | 3,409,976              | 3,334,811              | 3,294,275              | 3,045,759              | 2,466,693              |
| Transfers   | 2,215,630              | 2,781,950              | 2,598,360              | 2,665,365              | 4,130,270              | 4,300,850              | 4,264,970              | 3,242,270              | 2,619,270              | 1,914,270              |
| Total governmental activities                             | <u>53,775,634</u>      | <u>56,774,279</u>      | <u>59,261,161</u>      | <u>58,773,667</u>      | <u>64,985,857</u>      | <u>67,619,605</u>      | <u>69,002,015</u>      | <u>71,877,385</u>      | <u>72,833,253</u>      | <u>71,495,176</u>      |
| Business-type activities:                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes  | \$ (60,328)            | \$ 156,443             | \$ 172,382             | \$ 181,081             | \$ 196,481             | \$ 206,704             | \$ 216,927             | \$ 208,743             | \$ 160,762             | \$ 147,019             |
| Use of money and property                                 | 9,416                  | 7,512                  | 2,341                  | 2,205                  | 15,451                 | 42,127                 | 91,976                 | 151,540                | 144,318                | 16,349                 |
| Other revenue   | -                      | -                      | -                      | -                      | 129,896                | 303,016                | 262,726                | 1,116,645              | 211,191                | 299,361                |
| Transfers   | (2,215,630)            | (2,781,950)            | (2,598,360)            | (2,665,365)            | (4,130,270)            | (4,300,850)            | (4,264,970)            | (3,242,270)            | (2,619,270)            | (1,914,270)            |
| Total business-type activities                            | <u>(2,266,542)</u>     | <u>(2,617,995)</u>     | <u>(2,423,637)</u>     | <u>(2,482,079)</u>     | <u>(3,788,442)</u>     | <u>(3,749,003)</u>     | <u>(3,693,341)</u>     | <u>(1,765,342)</u>     | <u>(2,102,999)</u>     | <u>(1,451,541)</u>     |
| Total primary government                                  | <u>\$ 51,509,092</u>   | <u>\$ 54,156,284</u>   | <u>\$ 56,837,524</u>   | <u>\$ 56,291,588</u>   | <u>\$ 61,197,415</u>   | <u>\$ 63,870,602</u>   | <u>\$ 65,308,674</u>   | <u>\$ 70,112,043</u>   | <u>\$ 70,730,254</u>   | <u>\$ 70,043,635</u>   |
| <b>Changes in Net Position</b>                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                   | \$ 9,582,991           | \$ 7,827,039           | \$ 8,548,897           | \$ 8,092,410           | \$ 6,316,635           | \$ 7,689,269           | \$ 10,933,028          | \$ 9,453,325           | \$ 6,209,853           | \$ 6,944,691           |
| Business-type activities                                  | (784,674)              | 2,385,414              | 2,647,797              | 1,885,401              | 3,197,201              | 5,266,386              | 3,749,583              | 7,373,543              | 4,133,502              | 6,751,302              |
| Total primary government                                  | <u>\$ 8,798,317</u>    | <u>\$ 10,212,453</u>   | <u>\$ 11,196,694</u>   | <u>\$ 9,977,811</u>    | <u>\$ 9,513,836</u>    | <u>\$ 12,955,655</u>   | <u>\$ 14,682,611</u>   | <u>\$ 16,826,868</u>   | <u>\$ 10,343,355</u>   | <u>\$ 13,695,993</u>   |

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

|                                       | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                          | \$ 499,301           | \$ 1,728,224         | \$ 1,712,687         | \$ 1,734,918         | \$ 1,793,249         | \$ 793,744           | \$ 824,326           | \$ 786,524           | \$ 923,482           | \$ 850,844           |
| Restricted                            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Committed                             | -                    | -                    | -                    | -                    | -                    | -                    | 428,000              | -                    | 100,000              | 270,000              |
| Assigned                              | 510,752              | 220,370              | 342,006              | 772,345              | 984,077              | 739,037              | 1,385,354            | 1,015,143            | 740,985              | 992,028              |
| Unassigned                            | 9,904,002            | 13,226,677           | 15,689,079           | 19,916,594           | 21,039,026           | 19,643,296           | 19,092,844           | 22,733,031           | 22,022,347           | 22,869,949           |
| <b>Total General Fund</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>\$ 24,534,698</b> | <b>\$ 23,786,814</b> | <b>\$ 24,982,821</b> |
| <b>All Other Governmental Funds</b>   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                          | \$ -                 | \$ 1,800,000         | \$ 1,750,728         | \$ 1,705,709         | \$ 1,705,709         | \$ 1,705,709         | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Restricted                            | 32,454,676           | 30,124,255           | 31,504,391           | 28,241,472           | 8,958,785            | 9,196,988            | 9,637,846            | 9,564,641            | 10,877,025           | 10,872,899           |
| Committed                             | -                    | -                    | -                    | -                    | 180,461              | 320,328              | 1,555,317            | 1,488,780            | 867,612              | 311,221              |
| Assigned                              | -                    | -                    | -                    | -                    | 15,795,046           | 17,467,665           | 24,146,176           | 24,877,332           | 21,154,242           | 19,174,560           |
| Unassigned                            | -                    | -                    | -                    | (4,312)              | (351,108)            | (12,988)             | (113)                | (19,972)             | -                    | (18,642)             |
| <b>Total Other Governmental Funds</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> | <b>\$ 35,910,781</b> | <b>\$ 32,898,879</b> | <b>\$ 30,340,038</b> |

## City of Rockville, Maryland

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

|  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                 | 2018                 | 2019                  | 2020                   | 2021                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|-----------------------|
| <b>Revenues</b>  |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| Property taxes   | \$ 35,030,305         | \$ 35,447,038         | \$ 36,300,047         | \$ 36,206,420         | \$ 38,435,104         | \$ 40,105,716        | \$ 41,385,199        | \$ 42,167,988         | \$ 42,551,677          | \$ 44,327,269         |
| Assessments  | 315,123               | 306,197               | 19,014                | 13,127                | 49,695                | 17,306               | 13,540               | 13,911                | 180                    | -                     |
| Revenue from other governments:                        |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| Community development block grant                      | 667,014               | 130,811               | 269,966               | 320,645               | 182,678               | 206,478              | 145,585              | 276,545               | -                      | -                     |
| Income taxes   | 10,785,534            | 11,757,980            | 13,023,794            | 12,438,718            | 14,154,731            | 13,577,486           | 13,634,659           | 15,585,645            | 16,049,228             | 16,631,367            |
| Gas and motor vehicle taxes                            | 765,579               | 431,902               | 1,601,681             | 1,663,404             | 1,914,024             | 1,897,093            | 1,960,667            | 2,169,474             | 2,494,082              | 2,763,951             |
| County tax duplication payment                         | 1,894,182             | 2,116,671             | 2,116,671             | 2,116,671             | 2,116,671             | 2,409,750            | 2,409,750            | 2,409,750             | 2,409,750              | 2,409,750             |
| Admissions and amusement taxes                         | 1,056,916             | 1,053,387             | 1,036,536             | 993,387               | 985,525               | 1,321,900            | 1,350,266            | 1,375,116             | 1,009,777              | 312,323               |
| Grants and other governmental revenue                  | 3,131,504             | 2,394,019             | 2,016,584             | 2,215,514             | 3,796,415             | 3,726,575            | 3,831,943            | 4,942,651             | 4,293,669              | 4,756,260             |
| Licenses and permits                                   | 2,809,367             | 2,510,196             | 3,179,708             | 2,604,279             | 2,919,812             | 2,927,369            | 3,085,155            | 3,464,229             | 3,594,801              | 2,832,775             |
| Charges for services                                   | 6,141,471             | 5,816,647             | 6,184,270             | 6,790,786             | 6,662,970             | 6,792,763            | 7,511,352            | 7,744,968             | 5,432,233              | 3,003,157             |
| Use of money and property                              | 347,043               | 266,761               | 289,824               | 299,215               | 384,646               | 456,123              | 768,464              | 1,690,421             | 2,443,669              | 686,635               |
| Fines and forfeitures                                  | 2,909,735             | 3,478,145             | 3,236,025             | 2,975,888             | 2,876,907             | 3,099,446            | 3,251,514            | 2,911,702             | 2,635,485              | 2,177,376             |
| Other revenues   | 7,179,576             | 7,177,050             | 7,407,613             | 6,215,424             | 6,944,972             | 7,606,955            | 7,568,233            | 7,397,901             | 7,440,081              | 4,538,106             |
| <b>Total revenues</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>\$ 92,150,301</b>  | <b>\$ 90,354,632</b>   | <b>\$ 84,438,969</b>  |
| <b>Expenditures</b>                                    |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| <b>Current operations:</b>                             |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| General government                                     | \$ 14,973,284         | \$ 14,391,806         | \$ 14,377,671         | \$ 14,275,094         | \$ 15,686,607         | \$ 16,407,663        | \$ 16,342,618        | \$ 17,814,977         | \$ 18,714,782          | \$ 18,671,868         |
| Community development block grant                      | 667,294               | 130,807               | 274,100               | 324,341               | 192,372               | -                    | -                    | -                     | -                      | -                     |
| Community development                                  | 4,025,134             | 4,514,388             | 4,498,124             | 4,741,630             | 5,207,652             | 5,542,514            | 5,464,560            | 5,595,043             | 7,026,330              | 8,030,851             |
| Public safety  | 10,866,513            | 11,200,748            | 11,496,594            | 11,501,814            | 12,185,400            | 12,443,786           | 12,459,492           | 13,567,548            | 12,689,749             | 12,025,397            |
| Public works   | 6,539,154             | 6,909,193             | 7,384,086             | 7,303,804             | 7,750,002             | 7,230,606            | 7,327,415            | 7,612,913             | 7,789,950              | 8,403,476             |
| Recreation and parks                                   | 19,651,278            | 19,368,267            | 20,143,088            | 20,263,690            | 21,624,308            | 22,432,984           | 23,136,161           | 23,718,127            | 23,161,217             | 19,910,546            |
| Capital outlay   | 18,466,555            | 9,281,250             | 8,064,997             | 12,158,974            | 13,099,398            | 15,418,428           | 14,704,558           | 21,146,123            | 17,983,725             | 11,404,211            |
| Debt service   |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| Principal  | 3,924,556             | 8,890,639             | 9,851,039             | 11,092,586            | 4,340,170             | 3,935,601            | 4,074,204            | 3,904,994             | 12,138,488             | 5,226,047             |
| Interest   | 1,871,444             | 1,780,295             | 1,609,647             | 1,474,312             | 1,475,550             | 1,298,334            | 1,392,498            | 1,268,855             | 1,438,225              | 1,115,727             |
| Bond Counsel/Amortization                              | -                     | -                     | 78,550                | 80,936                | -                     | 80,294               | 16,927               | 53,701                | 40,222                 | 40,222                |
| <b>Total expenditures</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> | <b>\$ 94,682,281</b>  | <b>\$ 100,982,688</b>  | <b>\$ 84,828,345</b>  |
| <b>Excess (deficiency) revenues over expenditures</b>  | <b>\$ (7,951,863)</b> | <b>\$ (3,580,589)</b> | <b>\$ (1,096,163)</b> | <b>\$ (8,363,703)</b> | <b>\$ (137,309)</b>   | <b>\$ (645,250)</b>  | <b>\$ 1,997,894</b>  | <b>\$ (2,531,980)</b> | <b>\$ (10,628,056)</b> | <b>\$ (389,376)</b>   |
| <b>Other Financing Sources (Uses)</b>                  |                       |                       |                       |                       |                       |                      |                      |                       |                        |                       |
| Transfers in   | \$ 13,457,875         | \$ 8,759,226          | \$ 12,147,230         | \$ 14,610,342         | \$ 13,397,890         | \$ 17,584,502        | \$ 16,849,860        | \$ 13,730,460         | \$ 14,855,250          | \$ 12,472,440         |
| Transfers out  | (14,629,075)          | (9,298,286)           | (12,936,290)          | (15,400,137)          | (14,277,890)          | (18,344,022)         | (17,746,590)         | (14,877,190)          | (16,001,980)           | (14,469,170)          |
| Payment to refunded bond escrow agent                  | -                     | -                     | -                     | -                     | -                     | (5,390,020)          | -                    | -                     | -                      | -                     |
| Issuance of general obligation bonds                   | -                     | -                     | -                     | 3,527,737             | -                     | 1,114,028            | 6,114,807            | 7,054,439             | -                      | -                     |
| Issuance of refunding bonds                            | -                     | 5,094,444             | 5,784,588             | 6,993,596             | -                     | 5,429,296            | -                    | -                     | 8,015,000              | 1,023,272             |
| Loan Proceeds  | -                     | 2,636,000             | -                     | -                     | -                     | -                    | -                    | -                     | -                      | -                     |
| <b>Total other financing sources (uses)</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>\$ 5,907,709</b>   | <b>\$ 6,868,270</b>    | <b>\$ (973,458)</b>   |
| <b>Net change in fund balances</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>  | <b>\$ 3,375,729</b>   | <b>\$ (3,759,786)</b>  | <b>\$ (1,362,834)</b> |
| Debt Service as percentage of non-capital expenditures | 9.27%                 | 15.88%                | 16.44%                | 17.69%                | 8.49%                 | 7.54%                | 7.79%                | 7.04%                 | 16.36%                 | 8.64%                 |

**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 |
|----------------------------|----------------|-------------------|------------------------------|-----------------------|--------------------------------|-------------------|
| 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%              |
| 2019                       | 13,395,760,564 | 423,664,690       | 13,819,425,254               | 0.292                 | 13,819,425,254                 | 1.9%              |
| 2020                       | 13,616,196,177 | 427,152,944       | 14,043,349,121               | 0.292                 | 14,043,349,121                 | 1.6%              |
| 2021                       | 14,010,077,827 | 436,757,839       | 14,446,835,666               | 0.292                 | 14,446,835,666                 | 2.9%              |

Note: Property is assessed at 100% and tax rates are per \$100 of assessed value. For fiscal year ends June 30, 2012 to June 30, 2021, 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<br>Year | City            | Overlapping Rates    |                      |
|----------------|-----------------|----------------------|----------------------|
|                | Total<br>Direct | Montgomery<br>County | State of<br>Maryland |
| 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                |
| 2019           | 0.292           | 0.899                | 0.112                |
| 2020           | 0.292           | 0.892                | 0.112                |
| 2021           | 0.292           | 0.888                | 0.112                |

Note: The City portion of property taxes (FY 2021 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, 2021

|                                 | Assessable Base              |                         |             | Ratio:             |
|---------------------------------|------------------------------|-------------------------|-------------|--------------------|
|                                 | Total                        | Real                    | Personal    | Taxpayer           |
|                                 |                              | Property                | Property    | Base to Total      |
|                                 | Total                        | Property                | Property    | Assessable Base    |
| Congressional Plaza Assoc LLC   | \$ 179,751,397               | \$ 179,751,397          | \$ -        | 1.24%              |
| Morguard Fenestra Apts LLC      | 126,208,599                  | 126,208,599             | -           | 0.87%              |
| Street Retail, Inc.             | 105,680,202                  | 105,680,202             | -           | 0.73%              |
| Upper Rock LLC                  | 107,000,000                  | 107,000,000             | -           | 0.74%              |
| 1800 Rockville Residential LLC  | 104,400,000                  | 104,400,000             | -           | 0.72%              |
| King Farm Apartments Ph 2 LLC   | 103,977,603                  | 103,977,603             | -           | 0.72%              |
| JPI/KF Apt Sec 1 LLLP           | 103,828,414                  | 103,828,414             | -           | 0.72%              |
| MEPT Congressional Village LLC  | 94,821,699                   | 94,821,699              | -           | 0.66%              |
| FP Redland Technology Center LP | 94,629,599                   | 94,629,599              | -           | 0.66%              |
| Duball Rockville LLC            | 80,632,497                   | 80,632,497              | -           | 0.56%              |
| <b>Total</b>                    | <b>\$ 1,100,930,010</b>      | <b>\$ 1,100,930,010</b> | <b>\$ -</b> | <b>7.62%</b>       |
| <br>Total Assessable Value      | <br><b>\$ 14,446,835,666</b> |                         |             | <br><b>100.00%</b> |

For the Fiscal Year Ended June 30, 2012

|                                   | Assessable Base              |                         |                   | Ratio:             |
|-----------------------------------|------------------------------|-------------------------|-------------------|--------------------|
|                                   | Total                        | Real                    | Personal          | Taxpayer           |
|                                   |                              | Property                | Property          | Base to Total      |
|                                   | Total                        | Property                | Property          | Assessable Base    |
| Rockville Town Square (CIM Group) | \$ 163,508,295               | \$ 163,508,295          | \$ -              | 1.39%              |
| King Farm Presbyterian Retirement | 123,820,000                  | 123,820,000             | -                 | 1.05%              |
| Congressional Plaza Assoc LLC     | 122,970,199                  | 122,970,199             | -                 | 1.05%              |
| King Farm Apartments              | 115,168,787                  | 114,949,397             | 219,390           | 0.98%              |
| Realty Associates                 | 103,953,298                  | 103,953,298             | -                 | 0.88%              |
| Boston Prop LTD Partnership       | 95,923,801                   | 95,923,801              | -                 | 0.82%              |
| Congressional Village Assoc LLC   | 95,630,900                   | 95,475,000              | 155,900           | 0.81%              |
| Brandywine Research LLC           | 83,003,280                   | 82,999,000              | 4,280             | 0.71%              |
| Tower-Dawson LLC                  | 74,593,659                   | 74,142,599              | 451,060           | 0.63%              |
| Congressional Towers              | 65,674,859                   | 65,603,199              | 71,660            | 0.56%              |
| <b>Total</b>                      | <b>\$ 1,044,247,078</b>      | <b>\$ 1,043,344,788</b> | <b>\$ 902,290</b> | <b>8.88%</b>       |
| <br>Total Assessable Value        | <br><b>\$ 11,756,261,157</b> |                         |                   | <br><b>100.00%</b> |

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

**City of Rockville, Maryland**  
 Revenue Capacity Information (unaudited)  
 Property Tax Levies and Collections – Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|----------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                  |  | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 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%                 | 777,828                               | 33,214,964                | 99.9%                 |
| 2014                             | 33,405,919                             | 33,291,816                                      | 99.6%                 | 95,030                                | 33,386,846                | 99.9%                 |
| 2015                             | 34,174,382                             | 33,785,982                                      | 98.9%                 | 359,086                               | 34,145,068                | 99.9%                 |
| 2016                             | 34,644,503                             | 34,596,817                                      | 99.9%                 | 14,429                                | 34,611,246                | 99.9%                 |
| 2017                             | 36,693,505                             | 36,531,512                                      | 99.6%                 | 51,106                                | 36,582,618                | 99.7%                 |
| 2018                             | 38,193,030                             | 38,097,608                                      | 99.8%                 | (18,948)                              | 38,078,660                | 99.7%                 |
| 2019                             | 39,115,621                             | 39,044,064                                      | 99.8%                 | 51,374                                | 39,095,438                | 99.9%                 |
| 2020                             | 39,759,293                             | 39,657,403                                      | 99.7%                 | 61,727                                | 39,719,130                | 99.9%                 |
| 2021                             | 40,679,013                             | 40,633,479                                      | 99.9%                 | -                                     | 40,633,479                | 99.9%                 |

Note: Collections are shown net of adjustments and refunds.

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

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

| Fiscal Year | Governmental Activities  |              | Business-Type Activities |              | Total Primary Government | Percentage of Estimated Personal Income | Per Capita |
|-------------|--------------------------|--------------|--------------------------|--------------|--------------------------|---|------------|
|             | General Obligation Bonds | Loan Payable | General Obligation Bonds | Loan Payable |                          |   |            |
| 2012        | 47,084,744               | -            | 87,029,809               | 1,743,220    | 135,857,773              | 2.86%                                   | 2,183      |
| 2013        | 42,908,541               | 2,472,665    | 94,028,283               | 5,509,868    | 144,919,357              | 3.16%                                   | 2,305      |
| 2014        | 39,098,908               | 1,809,332    | 89,446,092               | 4,946,130    | 135,300,462              | 2.85%                                   | 2,114      |
| 2015        | 40,228,422               | 1,119,999    | 97,349,903               | 4,369,475    | 143,067,799              | 2.72%                                   | 2,158      |
| 2016        | 36,344,961               | 430,666      | 102,077,045              | 3,779,524    | 142,632,196              | 2.55%                                   | 1,816      |
| 2017        | 33,580,117               | 241,333      | 100,676,067              | 3,175,889    | 137,673,406              | 2.34%                                   | 1,718      |
| 2018        | 35,466,495               | 52,000       | 99,024,440               | 2,558,165    | 137,101,100              | 2.26%                                   | 1,678      |
| 2019        | 38,265,910               | 26,000       | 101,676,922              | 1,925,939    | 141,894,771              | 2.19%                                   | 1,635      |
| 2020        | 33,640,035               | -            | 95,620,635               | 1,470,226    | 130,730,896              | 1.96%                                   | 1,418      |
| 2021        | 28,988,553               | -            | 108,638,498              | 1,147,637    | 138,774,688              | 2.32%                                   | 1,559      |

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<br>Year | General<br>Obligation<br>Bonds | Percentage of<br>Actual Taxable<br>Value of<br>Property | Per Capita |
|----------------|--------------------------------|---|------------|
| 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      |
| 2019           | 139,942,832                    | 1.01%   | 1,970      |
| 2020           | 129,260,670                    | 0.92%   | 1,790      |
| 2021           | 137,627,051                    | 0.95%   | 2,051      |

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<br>Outstanding  | Estimated<br>Percentage<br>Applicable | Share of<br>Overlapping<br>Debt |
|---------------------------------------|----------------------|---------------------------------------|---------------------------------|
| City of Rockville                     | \$ 28,988,553        | 100.00%                               | \$ 28,988,553                   |
| Montgomery County, Maryland           | 4,368,682,858        | 7.28%                                 | 318,040,112                     |
| <br>Total direct and overlapping debt | <br>\$ 4,397,671,411 |                                       | <br>\$ 347,028,665              |

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<br>Year | Personal Income<br>(in thousands) | Per Capita<br>Income | Population | Unemployment<br>Rate |
|----------------|-----------------------------------|----------------------|------------|----------------------|
| 2012           | 4,753,622                         | 76,372               | 62,243     | 4.91                 |
| 2013           | 4,584,639                         | 72,926               | 62,867     | 5.02                 |
| 2014           | 4,745,927                         | 74,147               | 64,007     | 4.30                 |
| 2015           | 5,251,490                         | 79,208               | 66,300     | 4.40                 |
| 2016           | 5,588,457                         | 83,038               | 67,300     | 3.70                 |
| 2017           | 5,890,410                         | 86,136               | 68,385     | 3.40                 |
| 2018           | 6,069,137                         | 88,236               | 68,783     | 3.10                 |
| 2019           | 6,485,891                         | 91,312               | 71,030     | 3.76                 |
| 2020           | 6,658,654                         | 92,225               | 72,200     | 8.20                 |
| 2021           | 5,975,359                         | 89,029               | 67,117     | 5.61                 |

## Notes:

- Population estimates are from City of Rockville Department of Planning and Development Services for years 2012 to 2020 Census. 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 2021 |      | Percentage<br>of Total<br>City<br>Employment | Fiscal Year 2012 |      | Percentage<br>of Total<br>City<br>Employment |
|--|------------------|------|--|------------------|------|--|
|  | Employees        | Rank |  | Employees        | Rank |  |
| Montgomery County Government           | 5,165            | 1    | 6.56%  | 4,985            | 1    | 6.66%  |
| Montgomery County Board of Education   | 2,500            | 2    | 3.18%  | 2,500            | 2    | 3.34%  |
| U.S. Nuclear Regulatory Commission     | *                | 3    | *  | *                |      | *  |
| Montgomery College                     | 1,950            | 4    | 2.48%  | 2,000            | 4    | 2.67%  |
| Westat, Inc.                           | 1,750            | 5    | 2.22%  | 955              | 6    | 1.28%  |
| Northwestern Mutual Life Insurance Co. | 623              | 6    | 0.79%  | *                |      | *  |
| Lockheed Martin Information Systems    | 565              | 7    | 0.72%  | 2,000            | 3    | 2.67%  |
| City of Rockville                      | 518              | 8    | 0.66%  | 537              | 9    | 0.72%  |
| Choice Hotels International            | 500              | 9    | 0.64%  | *                |      | *  |
| Quest Diagnostics Incorporated         | 500              | 10   | 0.64%  | *                |      | *  |
| Booz Allen Hamilton                    | *                |      | *  | 1,282            | 5    | 1.71%  |
| Quest Software                         | *                |      | *  | 784              | 7    | 1.05%  |
| BAE Systems                            | *                |      | *  | 650              | 8    | 0.87%  |
| Adventist Healthcare                   | *                |      | *  | 415              | 10   | 0.55%  |
| Total                                  | 14,071           |      | 17.88%                                       | 16,108           |      | 21.53%                                       |
| Total Estimated City Employment        | 78,700           |      |  | 74,800           |      |  |

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           | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government         |              |              |              |              |              |              |              |              |              |              |
| Mayor and Council          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          | 3.0          |
| City Manager               | 28.0         | 28.0         | 25.0         | 25.0         | 25.0         | 32.5         | 28.0         | 27.0         | 27.0         | 27.0         |
| City Attorney              | 6.0          | 6.0          | 6.0          | 6.0          | 6.0          | 6.0          | 6.0          | 6.0          | 7.0          | 7.0          |
| Human Resources            | 10.0         | 10.0         | 10.0         | 10.0         | 11.0         | 11.0         | 11.0         | 12.0         | 12.0         | 12.0         |
| Finance                    | 29.0         | 29.0         | 29.0         | 28.5         | 29.0         | 21.5         | 19.5         | 18.5         | 18.5         | 18.5         |
| Information and technology | 17.5         | 17.5         | 16.5         | 16.0         | 17.0         | 17.0         | 18.0         | 19.0         | 20.0         | 20.0         |
| Community development      | 40.6         | 40.6         | 40.6         | 41.0         | 42.0         | 42.0         | 42.0         | 41.0         | 50.0         | 47.0         |
| Public Safety              | 87.0         | 87.0         | 89.0         | 89.5         | 89.5         | 88.5         | 91.5         | 92.5         | 85.5         | 86.5         |
| Public Works               | 72.7         | 45.0         | 45.5         | 46.0         | 46.0         | 46.0         | 46.0         | 47.0         | 47.5         | 47.5         |
| Recreation and parks       | 143.1        | 142.6        | 139.9        | 138.5        | 136.7        | 136.7        | 138.1        | 139.1        | 137.1        | 135.3        |
| Water                      | 26.0         | 40.0         | 39.0         | 38.6         | 37.6         | 37.6         | 36.7         | 36.0         | 36.0         | 36.0         |
| Sewer                      | 13.8         | 17.9         | 17.9         | 17.9         | 17.9         | 17.9         | 18.6         | 18.5         | 17.9         | 17.9         |
| Refuse collection          | 33.3         | 35.8         | 35.8         | 34.8         | 32.8         | 32.8         | 33.5         | 33.5         | 34.2         | 37.2         |
| Parking                    | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          | 4.0          |
| Stormwater management      | 13.4         | 20.4         | 20.4         | 20.5         | 20.5         | 20.5         | 21.0         | 21.0         | 22.9         | 22.9         |
| Total                      | <u>527.4</u> | <u>526.8</u> | <u>521.6</u> | <u>519.3</u> | <u>518.0</u> | <u>517.0</u> | <u>516.9</u> | <u>518.1</u> | <u>522.6</u> | <u>521.8</u> |

Notes:

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

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

| Function/Program                          | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021  |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| Police                                    |        |        |        |        |        |        |        |        |        |       |
| Vehicles                                  | 69     | 69     | 71     | 71     | 71     | 71     | 71     | 71     | 71     | 72    |
| Refuse collection                         |        |        |        |        |        |        |        |        |        |       |
| Collection trucks                         | 16     | 16     | 17     | 17     | 17     | 17     | 17     | 17     | 17     | 17    |
| Other public works                        |        |        |        |        |        |        |        |        |        |       |
| Streets (miles)                           | 156.42 | 156.50 | 156.00 | 155.37 | 155.37 | 156.05 | 156.43 | 156.87 | 156.87 | 157   |
| Street lights                             | 3,069  | 3,069  | 3,069  | 3,071  | 3,071  | 3,170  | 3,170  | 3,170  | 3,171  | 3,171 |
| Sidewalks (miles)                         | 255.97 | 255.97 | 256.87 | 257.79 | 258.01 | 258.74 | 259.14 | 259.99 | 260.46 | 261   |
| Recreation and Parks                      |        |        |        |        |        |        |        |        |        |       |
| Acreage                                   | 1,062  | 1,062  | 1,062  | 1,062  | 1,105  | 1,074  | 1,089  | 1,089  | 1,058  | 1,058 |
| Playgrounds                               | 50     | 50     | 50     | 50     | 50     | 50     | 50     | 50     | 48     | 48    |
| Athletic Courts                           | 96     | 96     | 96     | 96     | 96     | 95     | 95     | 95     | 128    | 132   |
| Community centers                         | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6      | 6     |
| Water                                     |        |        |        |        |        |        |        |        |        |       |
| Water mains (miles)                       | 175.10 | 175.10 | 175.10 | 174.00 | 174.33 | 174.33 | 173.59 | 174.14 | 174.35 | 176   |
| Fire hydrants                             | 1,380  | 1,380  | 1,384  | 1,403  | 1,403  | 1,407  | 1,420  | 1,425  | 1,429  | 1,452 |
| Storage capacity<br>(millions of gallons) | 12.1   | 12.1   | 12.1   | 12.1   | 12.1   | 12.1   | 12.1   | 12.1   | 12.1   | 12    |
| Sewer                                     |        |        |        |        |        |        |        |        |        |       |
| Sanitary sewers (miles)                   | 147.23 | 147.21 | 148.00 | 148.00 | 148.00 | 148.00 | 148.00 | 148.00 | 149.37 | 148   |
| Storm sewers (miles)                      | 101.58 | 102.31 | 102.31 | 103.00 | 103.00 | 103.00 | 103.00 | 103.00 | 103.00 | 98    |

**Note:**

- 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  | 2012           | 2013           | 2014           | 2015          | 2016           | 2017           | 2018           | 2019           | 2020           | 2021       |
|---|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|------------|
| <b>General Government</b>                               |                |                |                |               |                |                |                |                |                |            |
| Building permits issued                                 | 757            | 774            | 813            | 861           | 811            | 815            | 840            | 857            | 704            | 944        |
| Estimated Cost of Construction                          | \$ 146,409,627 | \$ 163,990,730 | \$ 236,735,536 | \$ 94,420,016 | \$ 186,501,628 | \$ 167,368,076 | \$ 210,679,924 | \$ 281,563,786 | \$ 246,413,441 | 73,348,802 |
| <b>Police</b>   |                |                |                |               |                |                |                |                |                |            |
| Physical arrests  | 1,400          | 1,085          | 1,157          | 1,055         | 902            | 938            | 846            | 953            | 746            | 474        |
| Traffic violations*                                     | 20,638         | 15,063         | 16,469         | 16,234        | 13,397         | 16,227         | 13,582         | 15,910         | 16,832         | 15,397     |
| <b>Refuse collection</b>                                |                |                |                |               |                |                |                |                |                |            |
| Refuse (Disposed)<br>(tons per year)                    | 10,829         | 10,886         | 9,767          | 11,639        | 9,927          | 9,766          | 9,915          | 9,908          | 10,258         | 11,195     |
| Yard Waste<br>(composted/Mulched)<br>(tons per year)    | 6,072          | 6,229          | 4,694          | 5,309         | 4,402          | 3,677          | 3,788          | 4,196          | 4,209          | 4,255      |
| Recyclables collected<br>(tons per year)                | 5,509          | 5,393          | 5,398          | 5,358         | 5,283          | 4,993          | 4,825          | 4,744          | 4,770          | 4,937      |
| <b>Recreation and Parks</b>                             |                |                |                |               |                |                |                |                |                |            |
| Program enrollments                                     | 33,518         | 33,494         | 33,297         | 32,081        | 31,503         | 34,307         | 32,822         | 33,571         | 26,218         | 6,702      |
| <b>Water</b>  |                |                |                |               |                |                |                |                |                |            |
| Number of Accounts                                      | 12,650         | 12,688         | 12,517         | 12,694        | 12,678         | 12,663         | 12,668         | 12,667         | 12,682         | 12,811     |
| Average daily water Production<br>(millions of gallons) | 4.882          | 4.708          | 4.562          | 4.561         | 4.742          | 4.518          | 4.184          | 4.267          | 4.379          | 4.277      |
| <b>Sewer</b>  |                |                |                |               |                |                |                |                |                |            |
| Avg. daily sewer treatment<br>(millions of gallons)     | 6.391          | 6.292          | 6.069          | 5.948         | 5.797          | 5.628          | 5.595          | 7.240          | 6.453          | 6.391      |

**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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City of  
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