

COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE

CITY OF ROCKVILLE, MARYLAND

JUNE 30, 2010

December 1, 2010

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

We have audited the 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) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2010. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in note 1 to the Comprehensive Annual Financial Report (the financial statements). The City implemented a new accounting policy related to intangible assets by adopting Statements of Governmental Accounting Standards (GASB Statement) No. 51 (Accounting and Financial Reporting for Intangible Assets). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements financial statements were:

Management's estimate of the depreciation and amortization expense of assets is based on the estimated useful life of the related assets. We evaluated the key factors and assumptions used to develop the depreciation and amortization expense to determine that it is reasonable related to the financial statements taken as a whole.

Management's estimate of the accumulated vacation leave is based on payroll reports. We evaluated the key factors and assumptions used to develop the unused sick leave to determine that it is reasonable related to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on uncollectible water, sewer and refuse accounts over 60 days. We have evaluated key factors and assumptions used to develop the allowance for doubtful accounts to determine that it is reasonable related to the financial statements taken as a whole.

Management's estimate of the actuarial accrued liability related to other post-employment benefits on an actuarial valuation report. We reviewed the accrual for reasonableness based on the actuarial report.

Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Honorable Mayor, Members of the City Council, City Manager and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Reznick Group, P.C.