

Comprehensive Annual Financial Report
City of Rockville, Maryland

Fiscal Year 2012
July 1, 2011 -
June 30, 2012

Senior Center Expansion Project



City of
Rockville
Get Into It

City of Rockville, Maryland

Comprehensive Annual Financial Report



Prepared by:
Department of Finance

Gavin Cohen
Chief Financial Officer

Kimberly Stein
Accounting Manager

Fiscal Year 2012
July 1, 2011 - June 30, 2012

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June 30, 2012

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Introductory Section





October 31, 2012

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

State law requires that all general purpose local governments publish, within four months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants (CPA's). Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Rockville, Maryland (City), for the year ended June 30, 2012.

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

The City's financial statements have been independently audited by CohnReznick, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012, 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.

As part of the independent audit of the financial statements, a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies was performed. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit 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 of Rockville 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 62,243 and a land area of 13.50 square miles. According to the 2010 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members, who are elected for a two year term.



The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute 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. 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 City provides a full range of services, including water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services and fire protection are provided by Montgomery County, Maryland.

As a management policy, unassigned fund balance of the General Fund is maintained at a level not less than 15 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 will draw upon the fund balance to provide pay-as-you-go financing for capital projects and for other one time capital assets.

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 63 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 65 and 68.

FACTORS AFFECTING FINANCIAL CONDITION

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

LOCAL ECONOMY

The City's economic environment mirrors what is being experienced regionally and nationally. Unemployment remains high but relatively stable due to the presence of the Federal government and the many governmental employees that live and work in the City. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, biotech and several financial institutions.

The City has an employed labor force of approximately 74,800 within city limits. The City had experienced substantial residential and commercial growth in the past. Due to the recession that began in 2008, this growth has subsided. The national recession has resulted in a decline of the City's assessable tax base, which provides over 50% of the City's revenues. The impact of the recession has had a government-wide effect, lowering revenue streams in most areas.

The City is dealing with the economic slowdown by tightening its belt and closely monitoring expenditures. The City is prepared for several more years of flat or reduced revenues. The City will continue its fiscal responsibility by reducing costs and seeking diverse revenues while maintaining quality services and programs.

The following table lists the labor force, employed persons and average unemployment rates for Montgomery County, Maryland (County) as compared to the unemployment rates for the State of Maryland (State) for the years 2008 through 2012. Information presented in the table below has not been seasonally adjusted.

*Estimated City employment obtained internally from the department of Community Planning and Development Services.



Unemployment Statistics

Year	Montgomery County				State of Maryland
	Labor Force	Employment	Unemployment	Unemployment Rate	Unemployment Rate
2012	534,366	505,471	28,895	5.40%	7.10%
2011	529,885	499,876	30,009	5.70%	7.40%
2010	526,133	494,780	31,353	6.00%	7.30%
2009	527,122	494,573	32,549	6.20%	7.40%
2008	524,459	506,799	17,660	3.40%	3.80%

Source: Maryland Division of Workforce Development

LONG - TERM FINANCIAL PLANNING

The City spends significant time and resources planning for the future. Through a mix of land use, financial management policies, and forecasting, the City's goal is to maximize its current use of resources to ensure financial stability. The success of these initiatives is reflected in the City's credit rating from both Standard and Poor's and Moody's rating agencies. Both agencies rate all of 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 at 15% of budgeted revenue. Careful monitoring of the City's property values, debt and charging fees at full cost recovery, where possible, will ensure the continued financial health of the City.

MAJOR INITIATIVES

- The City's improvements to the Senior Center are completed. Facility improvements included an expansion of the fitness and exercise rooms, installation of energy efficient windows and doors, additions of lockers and restrooms along with other general renovations and energy efficient improvements.
- The City's planned improvements to the Gude Drive Maintenance Facility are underway. The City is utilizing the newly completed vehicle maintenance building, a brand new building with expanded maintenance bays and modern equipment. Currently, work is being done to renovate the old vehicle maintenance building to include enhancements for the stockroom and carpentry shop and added storage.
- The City's rehabilitation of the post office for the new Police Station is completed as of the date of the transmittal letter. The post office was surplus by the Federal Government and deeded to the City at no cost. The rehabilitation included modifications primarily to interior spaces and construction of a newly annexed area of the building.
- During the fiscal year, the City entered into lease agreements to outsource its golf operations and parking garage operations.



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, 2011. This was the 22nd consecutive year that the City has achieved this prestigious award. In order 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, 2011. In order 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 2011. This is the fourth 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, Fran Jablonski, Tim Piefer, Wanda Roelkey, Carey Kurnaz, Sylvia England 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,

Handwritten signature of Barbara Matthews in cursive script.

Barbara Matthews
City Manager*

Handwritten signature of Gavin Cohen in cursive script.

Gavin Cohen
Chief Financial Officer

Handwritten signature of Kimberly Stein in cursive script.

Kimberly Stein
Accounting Manager

*Barbara Matthews began as City Manager on October 1, 2012.

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

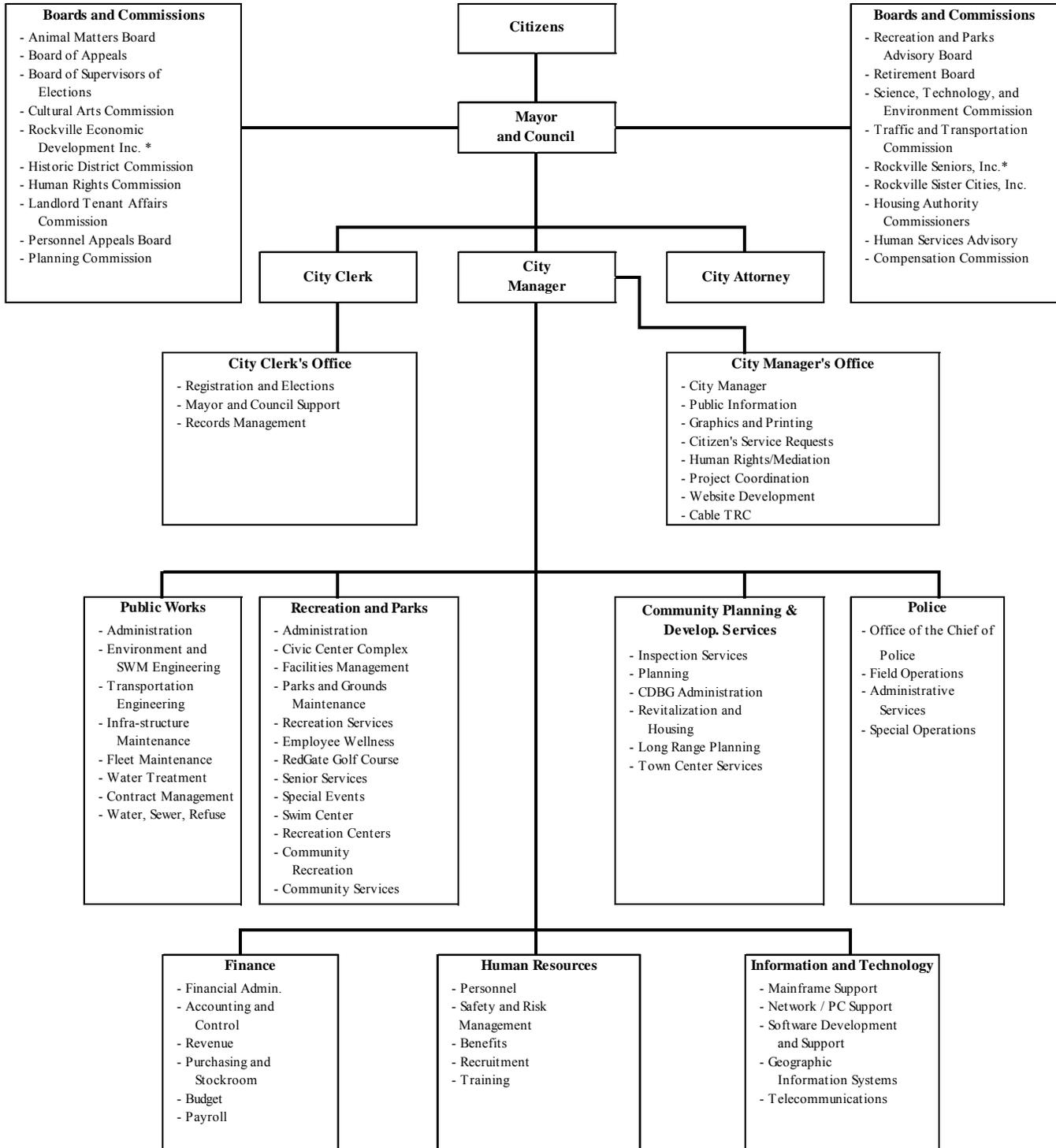
President

Jeffrey R. Emer

Executive Director

City of Rockville Organizational Chart

June 2012



* Affiliated Organization

CITY OF ROCKVILLE, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

LIST OF ELECTED AND APPOINTED OFFICIALS

MAYOR

Phyllis Marcuccio

COUNCIL MEMBERS

John F. Hall, Jr.
Bridget Donnell Newton

Tom Moore
Mark Pierzchala

CITY MANAGER

Barbara Matthews

ASSISTANT CITY MANAGER

Jennifer Kimball

CITY CLERK

Douglas Barber

CITY ATTORNEY

Debra Yerg Daniel

Note: Jennifer Kimball was the Acting City Manager at June 30, 2012

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Financial Section



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockville, Maryland (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Public Employee Retirement System information, and Budgetary Comparison Schedules information on pages 15 through 23, 61 through 63, 65, and 68 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As described in Note (3)B to the basic financial statements, an error was noted which resulted in the restatement of prior year balances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baltimore, Maryland
October 31, 2012



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, 2012. We encourage readers to consider the information presented in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report and the financial statements beginning on page 25.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the current fiscal year by \$309,004,113 (net assets). That amount is net of a \$496,041 unrestricted deficit. The unrestricted deficit exists due to continued costs of improvements to the City's water and sewer infrastructure.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,368,731. Approximately 74.8% of this total amount, is reported as restricted. Balances restricted for debt service, capital projects and special revenue programming total \$2,922,709, \$22,033,630 and \$7,498,337 respectively.
- At the end of the current fiscal year, unassigned fund balances for the General Fund was \$9,904,002 or 15.0% of total General Fund budgeted revenues of \$65,985,070.
- The City's total bonded debt increased by \$4,627,302 or 3.5%, which includes a deferred loss of \$3,672,523 during the current fiscal year. Advance refunding bonds were issued for the parking garage activities and general obligation bonds were issued for water and sewer infrastructure projects.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$55,475 for an average rate of return of 0.10%. The average daily investment portfolio was \$53,814,456.

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 assets presents information on the City's assets and liabilities, with the difference between the two reported as net assets. Over time, fluctuations in net assets 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 assets changed during the current fiscal year. All changes in net assets 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, CDBG, public safety, community development, public works, and recreation and parks. The business-type activities of the City include water, sewer, refuse, stormwater management, parking and golf course operations.

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

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of 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 Fund Balance Sheet and the government-wide Statement of Net Assets 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 66-67 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 63, 65 and 68, 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 and RedGate Golf Course Funds do not meet the requirements of a major fund, but management has elected to report these funds as major.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-59 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 City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found beginning on page 61 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 66 through 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, changes in net assets serves as a useful indicator of a government's financial position. The City's overall assets exceeded all of its liabilities by \$309,004,113 at the close of the current fiscal year.

The largest portion of the City's net assets (89.7%) is reflected in its invested in capital assets (e.g., CIP and infrastructure), less any related debt used to acquire those assets that is still outstanding, excluding unspent business-type debt proceeds of \$4,198,833. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rockville's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and Other Assets	\$ 51,579,636	\$ 40,322,092	\$ 14,918,931	\$ 12,908,393	\$ 66,498,567	\$ 53,230,485
Capital Assets	246,973,574	262,322,438	133,186,250	142,256,464	380,159,824	404,578,902
Total Assets	\$ 298,553,210	\$ 302,644,530	\$ 148,105,181	\$ 155,164,857	\$ 446,658,391	\$ 457,809,387
Long-term Liabilities	55,241,382	51,378,150	80,711,622	85,392,159	135,953,004	136,770,309
Other Liabilities	(2,672,049)	(3,211,221)	12,082,373	15,246,186	9,410,324	12,034,965
Total Liabilities	\$ 52,569,333	\$ 48,166,929	\$ 92,793,995	\$ 100,638,345	\$ 145,363,328	\$ 148,805,274
Net Assets:						
Invested in Capital Assets, Net of Related Debt	203,929,452	215,237,694	54,125,519	61,807,784	258,054,971	277,045,478
Restricted	38,820,595	32,454,676	-	-	38,820,595	32,454,676
Unrestricted	3,233,830	6,785,231	1,185,667	(7,281,272)	4,419,497	(496,041)
Total Net Assets	\$ 245,983,877	\$ 254,477,601	\$ 55,311,186	\$ 54,526,512	\$ 301,295,063	\$ 309,004,113

At the end of the current fiscal year, there is a \$496,041 deficit of unrestricted net assets. The City is able to report positive net asset 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 activities invested in capital assets, net of related debt, increased by \$11,308,242 or 5.5%. Most of this increase is related to capital projects expenditures during the current fiscal year.

The business-type activities invested in capital assets, net of related debt, increased by \$7,682,265 or 14.2%. Several construction projects in the Water and Sanitary Sewer Funds were completed and capitalized in the current year.

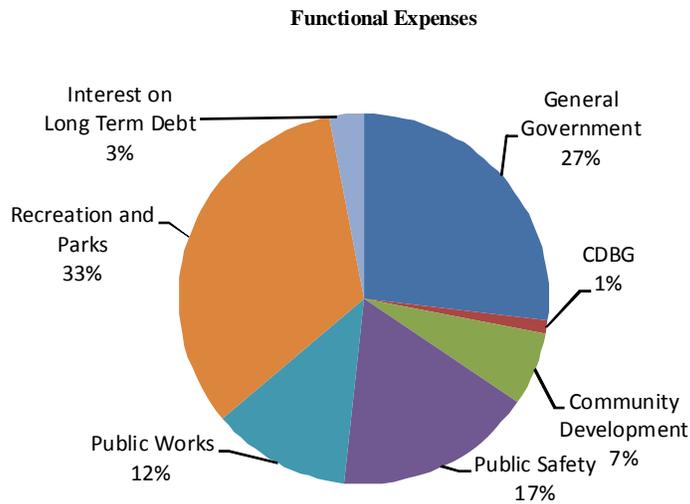
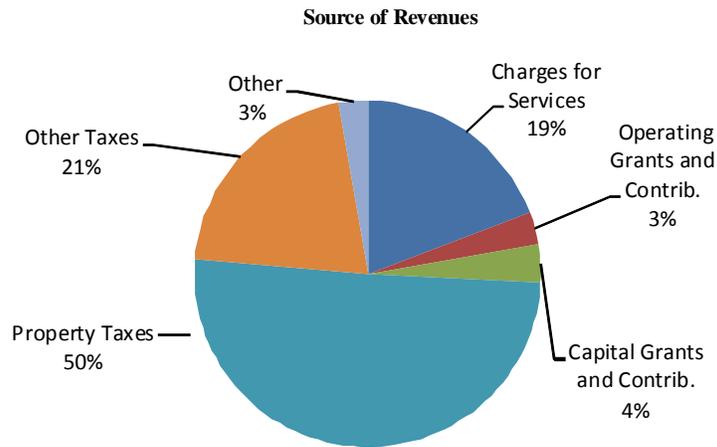
City of Rockville's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011*	2012*	2011*	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	\$ 12,070,988	\$ 13,415,305	\$ 29,278,846	\$ 28,406,279	\$ 41,349,834	\$ 41,821,584
Operating grants & contrib.	2,022,664	2,084,144	-	-	2,022,664	2,084,144
Capital grants & contrib.	1,124,980	2,470,347	-	731,284	1,124,980	3,201,631
General revenues:						
Property taxes	35,102,753	35,136,328	-	(60,328)	35,102,753	35,076,000
Other taxes	14,163,862	14,502,211	-	-	14,163,862	14,502,211
Other	2,814,259	1,921,465	14,289	9,416	2,828,548	1,930,881
Total Revenues:	\$ 67,299,506	\$ 69,529,800	\$ 29,293,135	\$ 29,086,651	\$ 96,592,641	\$ 98,616,451
Expenses:						
General government	\$ 14,835,922	\$ 16,721,358	\$ -	\$ -	\$ 14,835,922	\$ 16,721,358
CDBG	197,985	667,294	-	-	197,985	667,294
Community development	3,968,226	4,045,862	-	-	3,968,226	4,045,862
Public safety	10,882,743	10,725,725	-	-	10,882,743	10,725,725
Public works	7,402,630	7,473,069	-	-	7,402,630	7,473,069
Recreation and Parks	21,553,985	20,682,042	-	-	21,553,985	20,682,042
Interest on long term debt	1,814,951	1,847,089	-	-	1,814,951	1,847,089
Water	-	-	9,425,892	8,454,296	9,425,892	8,454,296
Sewer	-	-	7,149,860	7,462,498	7,149,860	7,462,498
Refuse	-	-	4,593,197	4,604,586	4,593,197	4,604,586
Parking	-	-	3,346,964	3,632,123	3,346,964	3,632,123
Stormwater management	-	-	2,373,398	2,564,028	2,373,398	2,564,028
Golf Course	-	-	1,431,459	938,164	1,431,459	938,164
Total Expenses:	\$ 60,656,442	\$ 62,162,439	\$ 28,320,770	\$ 27,655,695	\$ 88,977,212	\$ 89,818,134
Increase in net assets before transfers and contributions	6,643,064	7,367,361	972,365	1,430,956	7,615,429	8,798,317
Transfers and contributions	485,055	2,215,630	(485,055)	(2,215,630)	-	-
Increase/(Decrease) in net assets	7,128,119	9,582,991	487,310	(784,674)	7,615,429	8,798,317
Adjustments to restate net assets	394,107	(1,089,267)	(227,626)	-	166,481	(1,089,267)
Net assets - beginning, as previously reported	238,461,651	245,983,877	55,051,502	55,311,186	293,513,153	301,295,063
Net assets – ending	\$ 245,983,877	\$ 254,477,601	\$ 55,311,186	\$ 54,526,512	\$ 301,295,063	\$ 309,004,113

*2011 Restatements consisted of the following: 1) The beginning net assets of the Governmental Activities was restated by \$394,107 to record the beginning net pension asset; 2) The General Fund was restated by \$29,226 to record the transfer of certain activities from the Special Activities Fund (the net effect of this transaction was \$-0- to the Statement of Net Assets); 3) The Stormwater Management Fund was restated by (\$227,626) to correct loan proceeds inappropriately recorded as revenue.

*2012 Restatements consisted of the following: 1) The general fund was restated by (\$1,089,267) for retiree benefit expenses, previously unrecognized.

Governmental Activities For The Fiscal Year Ended June 30, 2012



Governmental activities. Governmental activities net assets were \$254,477,601 at the end of the fiscal year, an increase of \$8,493,724, or 3.5% over beginning net assets. Program revenues increased by \$2,751,164 (18%), including an increase of capital grants and contributions of \$1,345,367. General revenues decreased by \$520,870 (1.0%). Significant cost cutting measures taken across every department allowed for total revenues to exceed expenditures in the government-wide Statement of Activities.

Business-type activities. Business-type activities net assets were \$54,526,512 at the end of the fiscal year, a decrease of \$784,674, or 1.4% over beginning net assets. Revenues decreased by \$206,484 when compared to the previous fiscal year. This revenue source decrease is due to reduced charges for services and refunds of special taxing district property taxes paid in previous years. Expenses decreased \$665,075 when compared to the previous fiscal year. This decrease is partially due to the lease of RedGate Golf Course, which was previously managed internally. The decrease is also due to higher expenses in fiscal year 2011 related to repairs for a water main break.

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 City finances as it continues to weather a slow economic recovery.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$43,368,731, a decrease of \$10,212,330 or 19.1% in comparison with the prior fiscal year. This decrease is due to significant capital outlay in the current year. The classifications of fund balance are \$499,301 as nonspendable, \$2,922,709 as restricted for debt service, \$22,033,630 as restricted for capital projects, \$7,498,337 as restricted for special revenue spending, and \$510,752 assigned for consulting services and other purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$9,904,002, of the total fund balance of \$10,914,055. This is a decrease of \$4,035,118 or 28.9% in comparison to the prior fiscal year. This planned decrease is a result of a transfer to the Capital Projects Fund of \$8,315,055.

The Debt Service Fund has a total fund balance of \$2,922,709, which is restricted for the payment of debt service. The planned decrease in fund balance was \$377,491 or 11.4%. This net decrease was due to current year principal payments.

The Capital Projects Fund has a total fund balance of \$22,033,630, which is restricted for construction of capital projects. The planned decrease in fund balance was \$6,153,402 or 21.8%. This decrease was due to increased capital outlay for three major facility construction projects: Police Station, Senior Center Expansion, Maintenance Yard.

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

The City made two major changes in two of its Enterprise Funds during the year. Both changes will bolster the finances of the City enterprise operations.

In September 2011, through a 50 year capital lease, the City outsourced the operations and maintenance of its three downtown parking garages, to the developer of Rockville Town Square. In order to facilitate the lease, the City was required to defease its outstanding nontaxable debt and issue taxable bonds. Though the City retains responsibility for debt service, this transaction provides much needed relief to the City's General Fund, which is supporting the enterprise operations.

In January 2012, through a 10 year operating lease, the City outsourced the operations of the Red Gate Golf Course. This action will also provide relief to the General Fund, which was subsidizing the golf operations.

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

Unrestricted net assets of the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds at the end of the year amounted to (\$10,591,159), (\$3,844,286), \$3,415,714, \$664,528, \$2,924,167 and 149,764, respectively.

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

The net assets of the Pension Trust Funds and OPEB Trust Fund at the end of the year amounted to \$83,625,251 and \$3,152,577 respectively. Net assets increased in both funds as a result of investment performance and ongoing City contributions. The City made its full actuarially determined annual required contributions (ARC) for both funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget included a \$57,810 reduction in revenues from the original adopted budget primarily due to decreased revenue projections from property taxes combined with increases in other types of tax revenues. Operating expenses in the final amended budget included a \$296,902 reduction from the original adopted budget. The decrease is net of an increase of \$327,035 for reappropriation of fiscal year 2011 encumbrances.

Actual revenues were \$371,546 higher than the final amended budget. The increase includes higher than projected license and permit revenue and fines and forfeitures revenue of \$2,809,367 and \$850,554, respectively. Actual expenditures were \$1,015,923 less than the final amended budget. This decrease is a result of operating cost reductions across all programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$404,578,902 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and water and sewer improvements. The total increase in the City's investment in capital assets for the current fiscal year was \$24,419,078 or 6.4%.

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

- Construction continued on the renovation of the future location of the Police Station; construction costs at the end of the current fiscal year were \$6,322,624. The Police Station opened in September 2012.
- Improvements to the Senior Center continued; construction costs at the end of the current fiscal year were \$1,533,036. The new expanded facility opened to the public in June 2012.
- Modernization and expansion continued on the Gude Drive Facilities; construction costs at the end of the current fiscal year were \$3,931,713. The new vehicle maintenance facility opened in June 2012.
- Completion of several utility projects occurred in fiscal year 2012; construction costs for water and sewer system improvements were \$13,634,494.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 7,843,832	\$ 7,843,832	\$ 2,058,940	\$ 2,058,940	\$ 9,902,772	\$ 9,902,772
Buildings	29,766,754	43,521,151	25,421,270	681,976	55,188,024	44,203,127
Improv. other than buildings	9,715,301	12,435,607	80,925,002	95,779,264	90,640,303	108,214,871
Machinery and Equipment	8,123,620	10,816,432	3,554,559	3,153,398	11,678,179	13,969,830
Infrastructure	96,329,326	162,078,271	-	-	96,329,326	162,078,271
Purchased Capacity	-	-	12,306,801	12,001,212	12,306,801	12,001,212
Construction in Progress	95,194,741	25,627,145	8,919,678	3,379,650	104,114,419	29,006,795
Capital lease, net	-	-	-	25,202,024	-	25,202,024
Total	\$ 246,973,574	\$ 262,322,438	\$ 133,186,250	\$ 142,256,464	\$ 380,159,824	\$ 404,578,902

Additional information on the City's capital assets can be found in Note (2) C on pages 44-45 of this report.

Long-term obligations. At the end of the current fiscal year, the City had total long term obligations of \$136,770,309, which is 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	
	2011	2012	2011	2012	2011	2012
General Obligation Bonds, net	\$ 51,009,300	\$ 47,084,744	\$ 79,847,004	\$ 84,647,513	\$ 130,856,304	\$ 131,732,257
Accrued Obligations for Compensated Balances	4,232,082	4,293,406	864,618	744,646	5,096,700	5,038,052
Total Long-Term Liabilities	\$ 55,241,382	\$ 51,378,150	\$ 80,711,622	\$ 85,392,159	\$ 135,953,004	\$ 136,770,309

The City’s total bond principal outstanding increased by \$4,627,302 (3.5%) compared to the prior fiscal year, not including the impact of deferred losses on advance refundings. The key factor in this increase was the issuance of new debt in the current fiscal year. Compensated absences decreased by \$58,648 (1.1%) during the fiscal year.

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

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Mayor and Council adopted the Fiscal Year 2013 (FY13) operating and capital budgets on May 21, 2012. The total operating budget for all funds equals \$107.1 million, a decrease of less than 0.1% from the previous year. The General Fund budget equals \$65 million, a decrease of 1.1%. The FY12 real property tax rate of \$0.292 per \$100 of assessed valuation remains the same for FY13. In addition to adopting the FY13 budget ordinance, the Mayor and Council also approved several ordinances and resolutions that set the utility rates. Those include:

- A stormwater utility rate of \$78.90 per equivalent residential unit (ERU). Each residential property will pay \$78.90 or one ERU per year, and each commercial property will pay \$78.90 multiplied by the number of ERUs measured on their property.
- Water usage rates of \$4.68 per 1,000 gallons for the first 12,000 gallons used in the quarter, \$6.73 per 1,000 gallons for the next 12,000 gallons used in the quarter, and \$7.23 per 1,000 gallons for usage beyond 24,000 gallons.
- Sewer rate of \$5.73 per 1,000 gallons.
- Refuse rate of \$372.00 per residential property per year.

An important aspect of utility rate setting for the fiscal year 2013 budget was the rate increase in the water, sewer and stormwater programs, which ensure the financial health of these operations. Mayor and Council adopt fiscal year 2013 rates and future rates to ensure rate stability and consistency for Rockville residents. Projected cash flow modeling reflects that the rates are sufficient to provide for ongoing operations, maintenance and repairs of systems, and investment in infrastructure improvements.

An important economic factor that directly impacts the City's budget is property assessments. During calendar year 2011, a number of City properties that had appealed past assessments were reassessed at lower levels, resulting in a decline in the taxable assessed value and a decline in tax revenue for FY 2012. In January 2012, approximately half of the City's properties were reassessed, resulting in a 4.0% decrease in the City's total real property taxable assessed value and a decline in real property tax revenue. The next round of property reassessments will take place in January 2013 and is expected to produce a further decline in total real property assessed value. The City has sufficient reserves and budget flexibility to address the decreased property tax revenues, including a forecast tax rate increase of 2 cents in fiscal year 2014.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

City of Rockville, Maryland

Statement of Net Assets June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 35,802,020	\$ 7,276,891	\$ 43,078,911
Property tax receivable, net	372,860	-	372,860
Accounts receivables, net	529,276	5,622,123	6,151,399
Due from other governments	1,606,642	-	1,606,642
Other assets	1,339,898	643	1,340,541
Unbilled assessments receivable	294,798	8,736	303,534
Net pension asset	376,598	-	376,598
Capital assets (net of accumulated depreciation):			
Land	7,843,832	2,058,940	9,902,772
Construction in progress	25,627,145	3,379,650	29,006,795
Buildings	43,521,151	681,976	44,203,127
Improvements other than buildings	12,435,607	95,779,264	108,214,871
Equipment	10,816,432	3,153,398	13,969,830
Infrastructure	162,078,271	-	162,078,271
Purchase capacity	-	12,001,212	12,001,212
Capital lease, net	-	25,202,024	25,202,024
Total Assets	\$ 302,644,530	\$ 155,164,857	\$ 457,809,387
Liabilities			
Current Liabilities:			
Accounts payable	\$ 3,031,696	\$ 2,665,256	\$ 5,696,952
Internal balances	(11,266,470)	11,266,470	-
Accrued liabilities	1,244,585	1,147,469	2,392,054
Unearned revenue	1,012,036	3,342	1,015,378
Retainages payable	658,702	140,887	799,589
Claims payable	627,765	-	627,765
Deposits and other liabilities	1,480,465	22,762	1,503,227
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	3,134,186	543,590	3,677,776
Bonds payable and loan payable	3,674,145	5,091,434	8,765,579
Due in more than one year:			
Compensated absences	1,159,220	201,056	1,360,276
Bonds payable and loan payable	43,410,599	79,556,079	122,966,678
Total Liabilities	\$ 48,166,929	\$ 100,638,345	\$ 148,805,274
Net Assets			
Invested in capital assets, net of related debt	\$ 215,237,694	\$ 61,807,784	\$ 277,045,478
Restricted for:			
Debt service	2,922,709	-	2,922,709
Capital projects	22,033,630	-	22,033,630
Special revenue programming	7,498,337	-	7,498,337
Unrestricted	6,785,231	(7,281,272)	(496,041)
Total Net Assets	\$ 254,477,601	\$ 54,526,512	\$ 309,004,113

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Activities For The Fiscal Year Ended June 30, 2012

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 16,721,358	\$ 1,444,313	\$ -	\$ -	\$ (15,277,045)	\$ -	\$(15,277,045)
Community development block grant (CDBG)	667,294	-	667,014	-	(280)	-	(280)
Community development	4,045,862	2,180,079	161,735	-	(1,704,048)	-	(1,704,048)
Public safety	10,725,725	3,621,924	494,250	318,670	(6,290,881)	-	(6,290,881)
Public works	7,473,069	552,704	162,352	938,110	(5,819,903)	-	(5,819,903)
Recreation and parks	20,682,042	5,616,285	598,793	1,213,567	(13,253,397)	-	(13,253,397)
Interest long-term debt	1,847,089	-	-	-	(1,847,089)	-	(1,847,089)
Total governmental activities	\$ 62,162,439	\$13,415,305	\$ 2,084,144	\$ 2,470,347	\$ (44,192,643)	\$ -	\$(44,192,643)
Business-type activities:							
Water	8,454,296	9,585,771	-	121,500	-	1,252,975	1,252,975
Sewer	7,462,498	7,984,131	-	308,462	-	830,095	830,095
Refuse	4,604,586	5,934,886	-	-	-	1,330,300	1,330,300
Parking	3,632,123	1,566,651	-	301,322	-	(1,764,150)	(1,764,150)
Stormwater management	2,564,028	2,870,915	-	-	-	306,887	306,887
Golf course	938,164	463,925	-	-	-	(474,239)	(474,239)
Total business-type activities	\$ 27,655,695	\$28,406,279	\$ -	\$ 731,284	\$ -	\$ 1,481,868	\$ 1,481,868
Total primary government	\$ 89,818,134	\$41,821,584	\$ 2,084,144	\$ 3,201,631	\$ (44,192,643)	\$ 1,481,868	\$(42,710,775)
General revenues:							
Property taxes					\$ 35,136,328	\$ (60,328)	\$ 35,076,000
Income taxes					10,785,534	-	10,785,534
Gas and motor vehicle taxes					765,579	-	765,579
County tax duplication payment					1,894,182	-	1,894,182
Admissions and amusement taxes					1,056,916	-	1,056,916
Use of money and property					347,043	9,416	356,459
Other revenue					1,574,422	-	1,574,422
Transfers and Contributions					2,215,630	(2,215,630)	-
Total general revenues and transfers					\$ 53,775,634	\$ (2,266,542)	\$ 51,509,092
Change in net assets					9,582,991	(784,674)	8,798,317
Adjustments to restate net assets					(1,089,267)	-	(1,089,267)
Net assets - beginning, as previously reported					245,983,877	55,311,186	301,295,063
Net assets - ending					\$ 254,477,601	\$54,526,512	\$309,004,113

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Balance Sheet Governmental Funds June 30, 2012

Assets	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and cash equivalents	\$ 2,443,343	\$ 2,922,421	\$ 23,721,888	\$ 6,714,368	\$ 35,802,020
Property taxes receivable, net	372,860	-	-	-	372,860
Accounts receivable, net	529,276	-	-	-	529,276
Interfund receivable	11,365,400	-	-	-	11,365,400
Due from other governments	1,239,152	-	1,486	366,004	1,606,642
Other assets	500,987	288	1,426	837,197	1,339,898
Unbilled assessments receivable	-	294,798	-	-	294,798
Total assets	\$ 16,451,018	\$ 3,217,507	\$ 23,724,800	\$ 7,917,569	\$ 51,310,894
 Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,744,988	\$ -	\$ 1,032,468	\$ 254,240	\$ 3,031,696
Interfund payable	-	-	-	98,930	98,930
Accrued liabilities	992,676	-	-	-	992,676
Deferred revenue	372,860	294,798	-	-	667,658
Unearned revenue	1,012,036	-	-	-	1,012,036
Retainages payable	-	-	658,702	-	658,702
Deposits and other liabilities	1,414,403	-	-	66,062	1,480,465
Total liabilities	\$ 5,536,963	\$ 294,798	\$ 1,691,170	\$ 419,232	\$ 7,942,163
 Fund balances					
Nonspendable:					
Inventory	\$ 276,037	\$ -	\$ -	\$ -	\$ 276,037
Advances	223,264	-	-	-	223,264
Restricted for:					
Debt service	-	2,922,709	-	-	2,922,709
Capital projects	-	-	22,033,630	-	22,033,630
Special revenue programming	-	-	-	7,498,337	7,498,337
Assigned for:					
Consulting services	232,460	-	-	-	232,460
Other purposes	278,292	-	-	-	278,292
Unassigned:	9,904,002	-	-	-	9,904,002
Total fund balance	\$ 10,914,055	\$ 2,922,709	\$ 22,033,630	\$ 7,498,337	\$ 43,368,731
Total liabilities and fund balance	\$ 16,451,018	\$ 3,217,507	\$ 23,724,800	\$ 7,917,569	\$ 51,310,894

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities June 30, 2012

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

Total fund balances - governmental funds	\$	43,368,731
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	321,747,296	
Accumulated depreciation	<u>(59,424,858)</u>	262,322,438

Deferred revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net assets are increased		667,658
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The net pension asset related to governmental activities does not represent current financial resources and is not reported in the governmental funds		376,598
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities as of year-end consist of:

Compensated absences	4,293,406	
General obligation bonds payable and issuance costs	47,084,744	
Accrued interest on the general obligation bonds	251,909	
Claims payable	<u>627,765</u>	<u>(52,257,824)</u>

Total net assets - governmental activities	\$	<u><u>254,477,601</u></u>
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City of Rockville, Maryland

Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds For the Fiscal Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenue					
Property Taxes	\$ 35,030,305	\$ -	\$ -	\$ -	\$ 35,030,305
Assessments	-	315,123	-	-	315,123
Revenue from other governments:					
Community development block grant	-	-	-	667,014	667,014
Income taxes	10,785,534	-	-	-	10,785,534
Gas and motor vehicles taxes	765,579	-	-	-	765,579
County tax duplication payment	1,894,182	-	-	-	1,894,182
Admission and amusement taxes	1,056,916	-	-	-	1,056,916
Grants and other governmental revenue	1,591,199	-	1,403,656	136,649	3,131,504
Licenses and permits	2,809,367	-	-	-	2,809,367
Charges for services	6,141,471	-	-	-	6,141,471
Use of money and property	318,255	3,386	19,997	5,405	347,043
Fines and forfeitures	850,554	-	-	2,059,181	2,909,735
Other revenue	5,113,254	-	936,554	1,129,768	7,179,576
Total revenue	<u>\$ 66,356,616</u>	<u>\$ 318,509</u>	<u>\$ 2,360,207</u>	<u>\$ 3,998,017</u>	<u>\$ 73,033,349</u>
Expenditures					
Current operations:					
General government	\$ 14,973,284	\$ -	\$ -	\$ -	\$ 14,973,284
Community development block grant	-	-	-	667,294	667,294
Community development	4,025,134	-	-	-	4,025,134
Public safety	9,269,045	-	-	1,597,468	10,866,513
Public works	6,539,154	-	-	-	6,539,154
Recreation and parks	19,355,661	-	-	295,617	19,651,278
Capital outlay	322,407	-	16,828,664	1,315,484	18,466,555
Debt service	-	5,796,000	-	-	5,796,000
Total expenditures	<u>\$ 54,484,685</u>	<u>\$ 5,796,000</u>	<u>\$ 16,828,664</u>	<u>\$ 3,875,863</u>	<u>\$ 80,985,212</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 11,871,931</u>	<u>\$ (5,477,491)</u>	<u>\$ (14,468,457)</u>	<u>\$ 122,154</u>	<u>\$ (7,951,863)</u>
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 5,100,000	\$ 8,315,055	\$ 42,820	\$ 13,457,875
Transfers out	(14,629,075)	-	-	-	(14,629,075)
Total other financing sources (uses)	<u>\$ (14,629,075)</u>	<u>\$ 5,100,000</u>	<u>\$ 8,315,055</u>	<u>\$ 42,820</u>	<u>\$ (1,171,200)</u>
Net change in fund balances	\$ (2,757,144)	\$ (377,491)	\$ (6,153,402)	\$ 164,974	\$ (9,123,063)
Adjustments to beginning balance	(1,089,267)	-	-	-	(1,089,267)
Fund balances at beginning of year, as previously reported	14,760,466	3,300,200	28,187,032	7,333,363	53,581,061
Fund balances at end of year	<u>\$ 10,914,055</u>	<u>\$ 2,922,709</u>	<u>\$ 22,033,630</u>	<u>\$ 7,498,337</u>	<u>\$ 43,368,731</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2012

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

Total net change in fund balances-total governmental funds \$ (9,123,063)

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 \$18,466,555 exceeded depreciation of \$3,106,661. 15,359,894

In the Statement of Activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets disposed of (\$380,713) less accumulated depreciation of \$369,683. (11,030)

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,924,556

Because the deferred revenue will not be collected for several months after the City's fiscal year ends, it is not considered "available" revenue in the governmental funds. Deferred revenue increased in the current fiscal year. 106,023

The net pension asset relates to funding for future retiree benefit payments, which are not considered current. The net pension asset decreased in the current fiscal year. (8,655)

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 fiscal year, the City became partially self-insured resulting in new claims payable. (627,765)

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 \$1,967,568 exceeded amounts used of \$1,906,244. (61,324)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when it is due. The increased interest reported in the Statement of Activities is the result of accrued interest on the financing agreements. 24,355

Change in net assets of governmental activities \$ 9,582,991

City of Rockville, Maryland

Statement of Net Assets Proprietary Funds June 30, 2012

Business-Type Activities - Enterprise Funds

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Total Business-type Activities
Assets							
Current Assets							
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 2,572,544	\$ 1,260,243	\$ 3,279,205	\$ 164,899	\$ 7,276,891
Accounts receivable, net	1,941,862	1,702,673	1,304,864	672,724	-	-	5,622,123
Other receivables	-	-	194	175	274	-	643
Total current assets	\$ 1,941,862	\$ 1,702,673	\$ 3,877,602	\$ 1,933,142	\$ 3,279,479	\$ 164,899	\$ 12,899,657
Noncurrent Assets							
Unbilled assessments receivable	4,529	4,207	-	-	-	-	8,736
Total noncurrent assets	\$ 4,529	\$ 4,207	\$ -	\$ -	\$ -	\$ -	\$ 8,736
Capital Assets:							
Land	123,202	-	-	-	842,697	1,093,041	2,058,940
Utility plant and equip	63,339,979	72,650,628	6,261,213	61,080	9,192,873	3,169,455	154,675,228
Construction in progress	3,325,208	-	-	-	54,442	-	3,379,650
Less-accumulated depreciation	(25,413,518)	(24,300,394)	(4,032,196)	(55,080)	(2,712,811)	(1,824,832)	(58,338,831)
Purchased capacity, long-term	-	15,279,453	-	-	-	-	15,279,453
Capital lease, net	-	-	-	25,202,024	-	-	25,202,024
Total capital assets	\$41,374,871	\$ 63,629,687	\$ 2,229,017	\$ 25,208,024	\$ 7,377,201	\$ 2,437,664	\$ 142,256,464
Total assets	\$43,321,262	\$ 65,336,567	\$ 6,106,619	\$ 27,141,166	\$10,656,680	\$ 2,602,563	\$ 155,164,857
Liabilities							
Current Liabilities							
Bonds payable within 1yr	\$ 2,032,561	\$ 1,756,078	\$ 375,000	\$ 785,000	\$ 117,992	\$ 24,803	\$ 5,091,434
Accounts payable	1,115,998	106,217	108,094	1,057,878	272,665	4,404	2,665,256
Interfund payable	6,725,203	4,541,267	-	-	-	-	11,266,470
Accrued liabilities	451,070	360,444	87,479	200,789	37,956	9,731	1,147,469
Compensated absences	232,002	77,294	194,409	7,261	32,624	-	543,590
Unearned revenue	2,342	-	-	-	-	1,000	3,342
Retainages payable	89,357	51,530	-	-	-	-	140,887
Deposits / other liabilities	22,762	-	-	-	-	-	22,762
Total current liabilities	\$10,671,295	\$ 6,892,830	\$ 764,982	\$ 2,050,928	\$ 461,237	\$ 39,938	\$ 20,881,210
Noncurrent Liabilities							
Compensated absences	85,809	28,588	71,906	2,686	12,067	-	201,056
Bonds payable	22,473,203	23,701,510	1,418,206	30,090,920	1,625,228	247,012	79,556,079
Total noncurrent liabilities	\$22,559,012	\$ 23,730,098	\$ 1,490,112	\$ 30,093,606	\$ 1,637,295	\$ 247,012	\$ 79,757,135
Total Liabilities	\$33,230,307	\$ 30,622,928	\$ 2,255,094	\$ 32,144,534	\$ 2,098,532	\$ 286,950	\$ 100,638,345
Net Assets							
Invested in capital assets, net of related debt	\$20,682,114	\$ 38,557,925	\$ 435,811	\$ (5,667,896)	\$ 5,633,981	\$ 2,165,849	\$ 61,807,784
Unrestricted	(10,591,159)	(3,844,286)	3,415,714	664,528	2,924,167	149,764	(7,281,272)
Total net assets	\$10,090,955	\$ 34,713,639	\$ 3,851,525	\$ (5,003,368)	\$ 8,558,148	\$ 2,315,613	\$ 54,526,512

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2012

Business-Type Activities - Enterprise Funds

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Total Business-type Activities
Operating Revenue							
Charges for Services	\$ 9,516,914	\$ 7,968,169	\$ 5,470,363	\$ 1,452,130	\$ 2,870,415	\$ 439,874	\$ 27,717,865
Other Revenue	190,357	324,424	464,523	355,515	500	24,051	1,359,370
Total operating revenue	<u>\$ 9,707,271</u>	<u>\$ 8,292,593</u>	<u>\$ 5,934,886</u>	<u>\$ 1,807,645</u>	<u>\$ 2,870,915</u>	<u>\$ 463,925</u>	<u>\$ 29,077,235</u>
Operating Expenses							
Treatment and purification	2,529,929	-	-	-	-	-	2,529,929
Distribution	1,287,294	-	-	-	-	-	1,287,294
Collection and disposal	-	2,392,510	3,487,650	-	-	-	5,880,160
Customer billing, collection, operating expenses	2,508,093	2,456,730	1,118,732	2,507,295	2,881,353	871,434	12,343,637
Repairs and maintenance	132,368	104,202	563,768	7,037	23,591	13,100	844,066
Total operating expenses	<u>\$ 6,457,684</u>	<u>\$ 4,953,442</u>	<u>\$ 5,170,150</u>	<u>\$ 2,514,332</u>	<u>\$ 2,904,944</u>	<u>\$ 884,534</u>	<u>\$ 22,885,086</u>
Operating income (loss) before depreciation / amortization	3,249,587	3,339,151	764,736	(706,687)	(34,029)	(420,609)	6,192,149
Less - depreciation and amortization of bond (discount)/premium	(2,115,828)	(2,200,666)	(336,171)	(199,964)	(259,137)	(142,385)	(5,254,151)
Operating income (loss)	<u>\$ 1,133,759</u>	<u>\$ 1,138,485</u>	<u>\$ 428,565</u>	<u>\$ (906,651)</u>	<u>\$ (293,166)</u>	<u>\$ (562,994)</u>	<u>\$ 937,998</u>
Nonoperating Income (Expenses)							
Interest income	666	807	2,186	2,527	3,230	-	9,416
Interest expense	(890,894)	(855,460)	(85,515)	(950,552)	(10,937)	(9,945)	(2,803,303)
Other, net	-	-	-	(99,985)	-	-	(99,985)
Total nonoperating income	<u>\$ (890,228)</u>	<u>\$ (854,653)</u>	<u>\$ (83,329)</u>	<u>\$ (1,048,010)</u>	<u>\$ (7,707)</u>	<u>\$ (9,945)</u>	<u>\$ (2,893,872)</u>
Income (loss) before transfers	<u>243,531</u>	<u>283,832</u>	<u>345,236</u>	<u>(1,954,661)</u>	<u>(300,873)</u>	<u>(572,939)</u>	<u>(1,955,874)</u>
Transfers							
Transfer (to) from Proprietary Funds	450,970	(311,490)	(139,480)	-	-	-	-
Transfer from General Fund	-	-	41,200	500,000	-	630,000	1,171,200
Total transfers	<u>\$ 450,970</u>	<u>\$ (311,490)</u>	<u>\$ (98,280)</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 630,000</u>	<u>\$ 1,171,200</u>
Increase (decrease) net assets	694,501	(27,658)	246,956	(1,454,661)	(300,873)	57,061	(784,674)
Net assets - beginning of year	<u>\$ 9,396,454</u>	<u>\$ 34,741,297</u>	<u>\$ 3,604,569</u>	<u>\$ (3,548,707)</u>	<u>\$ 8,859,021</u>	<u>\$ 2,258,552</u>	<u>\$ 55,311,186</u>
Net assets - end of year	<u><u>\$ 10,090,955</u></u>	<u><u>\$ 34,713,639</u></u>	<u><u>\$ 3,851,525</u></u>	<u><u>\$ (5,003,368)</u></u>	<u><u>\$ 8,558,148</u></u>	<u><u>\$ 2,315,613</u></u>	<u><u>\$ 54,526,512</u></u>

City of Rockville, Maryland

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds						Total
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Business-type Activities
Cash Flows from operating activities:							
Cash received from customers	\$ 9,509,062	\$ 8,048,506	\$ 6,020,335	\$ 1,693,332	\$ 3,017,232	\$ 435,570	\$ 28,724,037
Cash payments to suppliers for goods and services	(3,247,726)	(3,468,606)	(2,854,433)	(1,317,721)	(1,193,394)	(422,520)	(12,504,400)
Cash payments to employees for services	(3,349,595)	(1,462,968)	(2,348,037)	(232,985)	(1,685,149)	(660,893)	(9,739,627)
Net cash provided by (used in) operating activities	<u>\$ 2,911,741</u>	<u>\$ 3,116,932</u>	<u>\$ 817,865</u>	<u>\$ 142,626</u>	<u>\$ 138,689</u>	<u>\$ (647,843)</u>	<u>\$ 6,480,010</u>
Cash Flows from noncapital financing activities:							
Transfer in from the General Fund	\$ -	\$ -	\$ 41,200	\$ 500,000	\$ -	\$ 630,000	\$ 1,171,200
Transfer (to)from Proprietary Funds	450,970	(311,490)	(139,480)	-	-	-	-
Interfund payable	972	1,837,844	-	-	-	-	1,838,816
Net cash provided by noncapital financing activities	<u>\$ 451,942</u>	<u>\$ 1,526,354</u>	<u>\$ (98,280)</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 630,000</u>	<u>\$ 3,010,016</u>
Cash Flows from capital and related financing activities:							
Acquisition and construction of capital assets	\$(3,661,834)	\$(9,100,289)	\$ -	\$ 269,000	\$ (294,393)	\$ -	\$(12,787,516)
Principal paid on general obligation bond maturities	(1,902,027)	(1,450,143)	(375,000)	(750,000)	(117,992)	(24,803)	(4,619,965)
Interest paid on general obligation bonds	(894,159)	(852,487)	(86,800)	(981,387)	(10,535)	(10,162)	(2,835,530)
Advance refunding payments to escrow	-	-	-	(31,284,161)	-	-	(31,284,161)
Proceeds from issuance of debt	3,089,033	6,758,826	-	30,727,250	-	-	40,575,109
Proceeds (including interest) from special assessments	5,304	807	-	-	-	-	6,111
Net cash (used in) provided by capital and related financing activities	<u>\$(3,363,683)</u>	<u>\$(4,643,286)</u>	<u>\$ (461,800)</u>	<u>\$ (2,019,298)</u>	<u>\$ (422,920)</u>	<u>\$ (34,965)</u>	<u>\$(10,945,952)</u>
Cash Flows from investing activities:							
Interest on investments	\$ -	\$ -	\$ 2,125	\$ 2,515	\$ 3,169	\$ -	\$ 7,809
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,910</u>	<u>\$ (1,374,157)</u>	<u>\$ (281,062)</u>	<u>\$ (52,808)</u>	<u>\$ (1,448,117)</u>
Cash and cash equivalents at the beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,312,634</u>	<u>\$ 2,634,400</u>	<u>\$ 3,560,267</u>	<u>\$ 217,707</u>	<u>\$ 8,725,008</u>
Cash and cash equivalents at the end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,572,544</u></u>	<u><u>\$ 1,260,243</u></u>	<u><u>\$ 3,279,205</u></u>	<u><u>\$ 164,899</u></u>	<u><u>\$ 7,276,891</u></u>

City of Rockville, Maryland

Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2012

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

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
Operating (loss) income	\$ 1,133,759	\$ 1,138,485	\$ 428,565	\$ (906,651)	\$ (293,166)	\$ (562,994)	\$ 937,998
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	\$ 2,115,828	\$ 2,200,666	\$ 336,171	\$ 199,964	\$ 259,137	\$ 142,385	\$ 5,254,151
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(198,520)	(243,178)	85,449	(114,613)	146,317	2,543	(322,002)
Increase (decrease) in accounts payable	(116,524)	(31,934)	(61,356)	956,320	68,550	(36,759)	778,297
Increase (decrease) in accrued liabilities	14,154	16,498	11,843	70	7,652	(10,702)	39,515
Increase (decrease) in compensated absences	(748)	10,702	17,193	5,383	(5,384)	(147,118)	(119,972)
Increase (decrease) in deferred revenue	-	-	-	-	-	(30,898)	(30,898)
Increase (decrease) in retainages payable	(36,519)	26,602	-	1,853	(44,417)	(4,300)	(56,781)
Increase (decrease) in deposits and other liabilities	311	(909)	-	300	-	-	(298)
Total adjustments	<u>\$ 1,777,982</u>	<u>\$ 1,978,447</u>	<u>\$ 389,300</u>	<u>\$ 1,049,277</u>	<u>\$ 431,855</u>	<u>\$ (84,849)</u>	<u>\$ 5,542,012</u>
Net cash provided by (used in) operating activities	<u>\$ 2,911,741</u>	<u>\$ 3,116,932</u>	<u>\$ 817,865</u>	<u>\$ 142,626</u>	<u>\$ 138,689</u>	<u>\$ (647,843)</u>	<u>\$ 6,480,010</u>
Noncash capital and related financing activities							
activities:							
Purchase of equipment on account	<u>\$ 469,540</u>	<u>\$ 41,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,903</u>	<u>\$ -</u>	<u>\$ 577,979</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2012

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Total Trust Funds</u>
Assets			
Open End Mutual Funds:			
Bonds	\$ 23,322,341	\$ 1,094,366	\$ 24,416,707
Equities	45,764,312	1,685,792	47,450,104
Real Estate	7,795,682	-	7,795,682
Money Markets	6,742,916	372,419	7,115,335
Total	<u>\$ 83,625,251</u>	<u>\$ 3,152,577</u>	<u>\$ 86,777,828</u>
Liabilities			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets			
Held in trust for benefits	<u>\$ 83,625,251</u>	<u>\$ 3,152,577</u>	<u>\$ 86,777,828</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Statement of Changes in Fiduciary Net Assets Pension Trust Funds For the Year Ended June 30, 2012

	Pension Trust Funds	OPEB Trust Fund	Total Trust Funds
Additions			
Contributions			
Employer	\$ 4,174,669	\$ 733,319	\$ 4,907,988
Plan Members	2,088,769	-	2,088,769
Total Contributions	<u>\$ 6,263,438</u>	<u>\$ 733,319</u>	<u>\$ 6,996,757</u>
Investment Income (loss)			
Net appreciation in the fair value of plan investments	224,577	37,063	261,640
Interest and dividends	62,568	28,841	91,409
Total investment income (loss)	<u>287,145</u>	<u>65,904</u>	<u>353,049</u>
Total	<u>\$ 6,550,583</u>	<u>\$ 799,223</u>	<u>\$ 7,349,806</u>
Deductions			
Benefits	\$ 4,491,046	\$ -	\$ 4,491,046
Refunds to terminated employees	19,378	-	19,378
Deaths	10,211	-	10,211
Administrative expense	348,904	28,818	377,722
Total Deductions	<u>\$ 4,869,539</u>	<u>\$ 28,818</u>	<u>\$ 4,898,357</u>
Net Increase	\$ 1,681,044	\$ 770,405	\$ 2,451,449
Net assets - beginning	81,944,207	2,382,172	84,326,379
Net assets - ending	<u>\$ 83,625,251</u>	<u>\$ 3,152,577</u>	<u>\$ 86,777,828</u>

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Rockville (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 62,243 and a land area of 13.50 square miles. According to the 2010 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members. Services provided include water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland.

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.

B. Government-wide and Fund Financial Statements

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

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 on 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 to be 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or for fines and forfeitures, if legally enforceable by a court.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

The City operates six major types of enterprise funds: The Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Parking Fund, the Stormwater Management Fund, and the RedGate Golf Course Fund. These funds account for the provision of water and sewer services, parking meter program, and storm water retention facilities to 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 trash collections and recycling. The RedGate Golf Course Fund accounts for the operating and capital costs for the City's golf course facility.

Additionally, the government reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

Interest income earned on City investments is allocated among the funds each month on a pro-rata basis in accordance with 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 \$.805 per \$100 of assessed value in fiscal year 2012. 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 the amounts of General Fund inventories is made to reflect the non-spendable nature of those amounts for appropriation in the General Fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

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

4. Restricted Net Assets

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The Capital Projects Fund is used to account for resources used in the acquisition or development of capital assets. The Special Activities Fund is used to account for programs for which the funding sources specify the use of funds for a particular purpose.

5. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The capitalization threshold for infrastructure items is \$25,000. GASB 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 previously capitalized infrastructure assets acquired after June 30, 2002.

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

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

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

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

7. Long-Term Obligations (Continued)

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

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The classification of fund balance in the Debt Service Fund for the amount of debt service due within one year is made to reflect the restriction for those amounts for appropriation in the Debt Service Fund.

8. 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".

9. Fund Balance

In the fund financial statements, governmental funds report reservations of 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 City adopted Government Accounting Standards Board Statement No. 54 (GASB 54) effective July 1, 2010. The designations of fund balances are made in accordance with GASB 54, and represent the intent of the City's administration to use fund balances for specific purposes in the future. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

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 designee of the Mayor and Council.

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

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds of \$4,198,833 attributable to business-type activities. Unspent debt proceeds of \$3,827,155 are attributable to governmental activities and are reported as restricted in the Capital Projects Fund. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations. When an expense is incurred for which both restricted and unrestricted net assets are available, the City will first apply restricted resources.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds

A. Equity in Pooled Cash and Cash Equivalents

The City maintains cash and an investment pool that is available for use by all of the City's funds, except the Pension Trust Fund. The City is restricted by State law to invest in any federally insured bank in the State of Maryland, federally insured savings and loan associations in the State of Maryland, or in the Maryland Local Government Investment Pool (MLGIP). The City primarily invests in the MLGIP.

As of June 30, 2012, the City had the following deposits and investments included as equity in pooled cash and cash equivalents in the Statement of Net Assets and the Statement of Fiduciary Net Assets:

Investment Type	Fair Value
Deposits	\$ 2,794,606
Maryland Local Government Pool (MLGIP)	40,284,305
	<hr/>
	\$ 43,078,911
Open End Mutual Funds	86,777,828
	<hr/>
Total Fair Market Value of Investments	\$ 129,856,739

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 in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at the least equal to the deposits. As of June 30, 2012, all the City's deposits were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City's name.

Investments:

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The 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.

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, 2012.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

B. Receivables

Receivables as of the year ended June 30, 2012 for all of the City's individual funds are as follows:

Receivables	General	Debt Service	Capital Projects	Other Governmental Funds	Water	Sewer	Refuse	Parking	Stormwater Management	RedGate Golf Course	Total
Billed / Unbilled Accounts	-	-	-	-	1,949,058	1,715,508	1,312,988	-	185,855	-	\$ 5,163,409
Property Taxes Receivable	871,364	-	-	-	-	-	-	-	-	-	871,364
Accounts Receivable	529,276	-	-	-	-	-	-	969,788	-	-	1,499,064
Interfund Receivable	11,365,400	-	-	-	-	-	-	-	-	-	11,365,400
Due from Other Governments	1,239,152	-	1,486	366,004	-	-	-	-	-	-	1,606,642
Other Assets	500,987	288	1,426	1,081,093	-	-	194	175	274	-	1,584,437
Unbilled Assessments Receivable	-	294,798	-	-	4,529	4,207	-	-	-	-	303,534
Gross Receivables	14,506,179	295,086	2,912	1,447,097	1,953,587	1,719,715	1,313,182	969,963	186,129	-	22,393,850
Allowance for Uncollectibles	(498,504)	-	-	(243,896)	(7,196)	(12,835)	(8,124)	(297,064)	(185,855)	-	(1,253,474)
Net Receivables	\$14,007,675	\$ 295,086	\$ 2,912	\$ 1,203,201	\$ 1,946,391	\$ 1,706,880	\$1,305,058	\$ 672,899	\$ 274	\$ -	\$ 21,140,376

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts to \$1,253,474 at June 30, 2012, and is composed of the following:

General Fund property taxes receivable	\$ 498,504
Other Governmental Funds violations receivable	243,896
Enterprise Funds meter violations receivable	297,064
Enterprise Funds utility bills receivable	28,155
Enterprise Funds stormwater management fees receivable	185,855
	<u>\$ 1,253,474</u>

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

	Deferred	Unearned
Special assessments not yet due (Debt Service Fund)	\$ 294,798	\$ -
Property taxes receivable (General Fund)	372,860	-
Recreation services not earned (General Fund)	-	1,012,036
Total deferred/unearned revenue for governmental funds	<u>\$ 667,658</u>	<u>\$ 1,012,036</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 7,843,832	\$ -	\$ -	\$ -	\$ 7,843,832
Construction in progress	95,194,741	12,144,584	-	(81,712,180)	25,627,145
Total capital assets, not being depreciated	<u>\$ 103,038,573</u>	<u>\$ 12,144,584</u>	<u>\$ -</u>	<u>\$ (81,712,180)</u>	<u>\$ 33,470,977</u>
Capital assets, being depreciated:					
Buildings	40,374,361	62,350	-	14,653,265	55,089,976
Improvements other than buildings	12,474,730	145,774	-	2,993,682	15,614,186
Equipment	17,725,724	1,796,710	(380,713)	2,177,945	21,319,666
Infrastructure	130,048,066	4,317,137	-	61,887,288	196,252,491
Total capital assets being depreciated	<u>\$ 200,622,881</u>	<u>\$ 6,321,971</u>	<u>\$ (380,713)</u>	<u>\$ 81,712,180</u>	<u>\$ 288,276,319</u>
Less accumulated depreciation for:					
Buildings	(10,607,607)	(961,218)	-	-	(11,568,825)
Improvements other than buildings	(2,759,429)	(419,150)	-	-	(3,178,579)
Equipment	(9,602,104)	(1,270,813)	369,683	-	(10,503,234)
Infrastructure	(33,718,740)	(455,480)	-	-	(34,174,220)
Total accumulated depreciation	<u>\$ (56,687,880)</u>	<u>\$ (3,106,661)</u>	<u>\$ 369,683</u>	<u>\$ -</u>	<u>\$ (59,424,858)</u>
Total capital assets, being depreciated, net	143,935,001	3,215,310	(11,030)	81,712,180	228,851,461
Governmental activities capital assets, net	<u>\$ 246,973,574</u>	<u>\$ 15,359,894</u>	<u>\$ (11,030)</u>	<u>\$ -</u>	<u>\$ 262,322,438</u>
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	8,919,678	802,703	-	(6,342,731)	3,379,650
Capital lease, net	-	25,450,371	(248,347)	-	25,202,024
Total capital assets, not being depreciated	<u>\$ 10,978,618</u>	<u>\$ 26,253,074</u>	<u>\$ (248,347)</u>	<u>\$ (6,342,731)</u>	<u>\$ 30,640,614</u>
Capital assets, being depreciated:					
Buildings	31,799,127	-	(27,351,239)	-	4,447,888
Improvements other than buildings	121,233,454	12,616,726	-	6,342,731	140,192,911
Equipment	9,938,859	221,067	(125,497)	-	10,034,429
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 178,250,893</u>	<u>\$ 12,837,793</u>	<u>\$ (27,476,736)</u>	<u>\$ 6,342,731</u>	<u>\$ 169,954,681</u>
Less accumulated depreciation for:					
Buildings	(6,377,857)	(154,533)	2,766,478	-	(3,765,912)
Improvements other than buildings	(40,308,452)	(4,105,195)	-	-	(44,413,647)
Equipment	(6,384,300)	(613,828)	117,097	-	(6,881,031)
Purchased capacity	(2,972,652)	(305,589)	-	-	(3,278,241)
Total accumulated depreciation	<u>\$ (56,043,261)</u>	<u>\$ (5,179,145)</u>	<u>\$ 2,883,575</u>	<u>\$ -</u>	<u>\$ (58,338,831)</u>
Total capital assets, being depreciated, net	122,207,632	7,658,648	(24,593,161)	6,342,731	111,615,850
Business-type activities capital assets, net	<u>\$ 133,186,250</u>	<u>\$ 33,911,722</u>	<u>\$ (24,841,508)</u>	<u>\$ -</u>	<u>\$ 142,256,464</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 1,037,502
Community Development	20,728
Public Safety	83,752
Public Works	933,915
Recreation and Parks	1,030,764
Total depreciation expense - governmental activities	\$ 3,106,661
Business-Type Activities:	
Water	\$ 2,125,332
Sewer	2,205,247
Refuse	337,946
Parking	117,572
Stormwater Management	259,137
Golf Course	133,911
Total depreciation expense - business-type activities	\$ 5,179,145

D. Interfund Payables and Transfers

The interfund payables from various funds represent cash overdrafts that are payable to the General Fund within one year. The interfund payables as of June 30, 2012 consisted of the following:

	Interfund Payable Total
Governmental Funds:	
Community Development Block Grant Fund	\$ 98,930
Proprietary Funds:	
Water Facility Fund	6,725,203
Sanitary Sewer Fund	4,541,267
Total	\$ 11,365,400

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, 2012 consisted of the following:

<u>Transfer To:</u>	
Debt Service Fund	\$ 5,100,000
Capital Project Fund	8,315,055
Special Activities Fund	42,820
Refuse Fund	41,200
Parking Fund	500,000
RedGate Golf Course Fund	630,000
	\$ 14,629,075

Transfer from the General Fund to the Debt Service Fund represents resources to pay off general obligation bonds.
 Transfer from the General Fund to the Capital Projects Fund represents the City's budgeted pay-as-you-go funding.
 Transfer from the General Fund to the Special Activities Fund represents resources for Art in Public Architecture and the Rockville Emergency Assistance Fund Endowment.
 Transfer from the General Fund to the Refuse Fund represents refuse pickup for Rockville Housing Enterprises.
 Transfer from the General Fund to the Parking Fund represents resources to pay off general obligation bonds.
 Transfer from the General Fund to the RedGate Golf Course Fund represents resources to fund operations.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt

General Obligation Bonds and Loan Payable

A loan was awarded to the City for \$998,100 from American Recovery and Reinvestment Act (ARRA) Funds through Maryland Department of the Environment (MDE) in December 2009. This is a revolving loan that was awarded to the City for improvements to Woodley Gardens Park, of which \$800,422 remain outstanding.

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

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
Governmental Activities				
General Improvements	2003	\$ 5,558,683	2.00 - 3.85%	2023
General Improvements - Refunding	2003	152,629	2.00 - 3.00%	2013
General Improvements	2004	6,840,000	4.00 - 5.00%	2029
General Improvements	2005	9,015,000	3.50 - 6.00%	2025
General Improvements	2007	7,800,000	4.00 - 4.25%	2027
General Improvements	2011	16,520,000	2.00 - 4.10%	2031
General Improvements - Refunding	2011	1,198,432	2.00 - 3.00%	2021
Total Governmental Activities		\$ 47,084,744		
Business-Type Activities				
General Improvements	1999	\$ 1,183,355	3.21%	2019
General Improvements	2000	972,824	3.64%	2020
General Improvements	2002	2,086,550	1.90%	2023
General Improvements	2003	1,806,317	2.00 - 3.875%	2023
General Improvements - Refunding	2003	62,372	2.00 - 3.00%	2013
General Improvements	2004	2,110,000	4.00 - 5.00%	2029
General Improvements	2005	944,621	0.00%	2025
General Improvements	2005	10,350,000	3.50% - 6.00%	2036
General Improvements	2007	7,180,000	4.00 - 4.25%	2027
General Improvements	2008	9,820,000	3.00 - 4.50%	2028
Loan Payable	2010	800,422	1.00%	2031
General Improvements	2011	9,270,000	2.00 - 4.10%	2031
General Improvements - Refunding	2011	1,521,568	2.00 - 3.00%	2021
General Improvements	2012	9,835,000	2.00 - 3.375%	
General Improvements	2012	30,830,000	3.50 - 4.375%	
Total Business-Type Activities		\$ 88,773,029		

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.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Unamortized bond discount is not included in outstanding principal for business-type activities. The outstanding principal consists of the following:

Business-type activities long-term outstanding debt	\$	88,773,029
Business-type activities unamortized bond discount		(452,993)
Business-type deferred loss on advance refunding		(3,672,523)
		\$ 84,647,513

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

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total Principal and Interest
	Principal	Interest	Interest
2013	3,674,145	1,736,450	5,410,595
2014	3,521,670	1,620,798	5,142,468
2015	3,521,670	1,498,708	5,020,378
2016	3,510,061	1,378,748	4,888,809
2017	3,507,858	1,252,515	4,760,373
2018	3,507,858	1,123,956	4,631,814
2019	3,503,452	996,065	4,499,517
2020	3,496,249	867,794	4,364,043
2021	3,494,359	738,671	4,233,030
2022	2,961,347	608,642	3,569,989
2023	2,956,902	493,988	3,450,890
2024	2,455,000	375,700	2,830,700
2025	1,885,000	274,507	2,159,507
2026	1,195,000	200,969	1,395,969
2027	1,195,000	154,400	1,349,400
2028	675,000	107,325	782,325
2029	675,000	81,675	756,675
2030	675,000	54,675	729,675
2031	674,173	27,675	701,848
Total	\$ 47,084,744	\$ 13,593,261	\$ 60,678,005

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Business-Type Activities												Total Principal and Interest
	Water Facility		Sanitary Sewer		Refuse		Parking		Stormwater Management		RedGate Golf Course		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	2,032,561	847,882	1,756,078	878,181	375,000	71,900	785,000	1,424,991	117,992	9,528	24,803	9,418	8,333,334
2014	2,014,834	786,842	1,723,527	825,380	375,000	56,900	820,000	1,393,591	111,648	9,070	24,804	8,674	8,150,270
2015	2,022,289	723,199	1,718,527	770,864	365,000	41,900	800,000	1,360,791	111,655	8,607	24,803	7,930	7,955,565
2016	2,040,118	660,245	1,710,136	717,949	345,000	27,400	705,000	1,332,041	112,124	8,140	24,804	7,156	7,690,113
2017	2,053,332	589,132	1,707,339	662,228	340,000	13,600	735,000	1,302,079	112,596	7,671	24,804	6,349	7,554,130
2018	1,881,943	517,620	1,702,339	604,605	-	-	1,180,000	1,270,841	113,070	7,192	24,803	5,505	7,307,918
2019	1,550,964	453,449	1,696,744	547,796	-	-	1,160,000	1,223,641	113,554	6,711	24,803	4,637	6,782,299
2020	1,373,966	402,205	1,693,947	487,618	-	-	1,210,000	1,177,241	114,040	6,225	24,803	3,744	6,493,789
2021	1,240,350	354,670	1,691,151	427,246	-	-	1,255,000	1,128,841	114,529	5,734	24,804	2,827	6,245,152
2022	1,244,157	313,063	1,529,518	366,723	-	-	1,305,000	1,078,641	115,026	5,239	24,803	1,896	5,984,066
2023	1,243,036	272,159	1,525,301	312,626	-	-	1,360,000	1,026,441	115,529	4,738	24,618	954	5,885,402
2024	1,035,000	229,425	1,380,000	257,104	-	-	1,405,000	978,841	116,033	4,232	-	-	5,405,635
2025	1,035,000	189,950	1,245,000	198,973	-	-	1,455,000	926,856	101,129	3,721	-	-	5,155,629
2026	860,000	149,400	900,000	160,010	-	-	1,510,000	871,566	44,396	3,205	-	-	4,498,577
2027	860,000	115,594	900,000	127,573	-	-	1,575,000	811,166	44,915	2,684	-	-	4,436,932
2028	855,000	81,619	595,000	94,940	-	-	1,635,000	746,591	45,445	2,158	-	-	4,055,753
2029	380,000	47,044	595,000	75,010	-	-	1,705,000	678,739	45,975	1,627	-	-	3,528,395
2030	380,000	33,200	595,000	54,141	-	-	1,775,000	607,129	46,510	1,090	-	-	3,492,070
2031	375,000	19,163	595,000	32,854	-	-	1,855,000	532,579	47,054	548	-	-	3,457,198
2032	150,000	5,063	335,000	11,306	-	-	1,930,000	454,669	-	-	-	-	2,886,038
2033	-	-	-	-	-	-	2,010,000	372,644	-	-	-	-	2,382,644
2034	-	-	-	-	-	-	2,095,000	287,219	-	-	-	-	2,382,219
2035	-	-	-	-	-	-	2,190,000	195,563	-	-	-	-	2,385,563
2036	-	-	-	-	-	-	2,280,000	99,752	-	-	-	-	2,379,752
Total	\$ 24,627,550	\$ 6,790,924	\$25,594,607	\$7,613,127	\$ 1,800,000	\$ 211,700	\$ 34,735,000	\$21,282,453	\$ 1,743,220	\$ 98,120	\$ 272,652	\$ 59,090	\$ 124,828,443

Note: Principal amounts do not include net unamortized bond (discount)/premium of \$125,454 for business-type activities.

City of Rockville, Maryland

Notes to the Basic Financial Statements
June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

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

Governmental Activities			
Fiscal Year Ending June 30,			Total Principal and Interest
	Principal	Interest	
2013	3,674,145	1,736,450	5,410,595
2014	3,521,670	1,620,798	5,142,468
2015 - 2019	17,550,899	6,249,992	23,800,891
2020 - 2024	15,363,857	3,084,795	18,448,652
2025 - 2029	5,625,000	818,876	6,443,876
2030 - 2031	1,349,173	82,350	1,431,523
Total	\$47,084,744	\$ 13,593,261	\$ 60,678,005

Business-Type Activities

Fiscal Year Ending June 30,	Water Facility		Sanitary Sewer		Refuse		Parking		Stormwater Management		RedGate Golf Course		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	2,032,561	847,882	1,756,078	878,181	375,000	71,900	785,000	1,424,991	117,992	9,528	24,803	9,418	8,333,334
2014	2,014,834	786,842	1,723,527	825,380	375,000	56,900	820,000	1,393,591	111,648	9,070	24,804	8,674	8,150,270
2015 - 2019	9,548,646	2,943,645	8,535,085	3,303,442	1,050,000	82,900	4,580,000	6,489,393	562,999	38,321	124,017	31,577	37,290,025
2020 - 2024	6,136,509	1,571,522	7,819,917	1,851,317	-	-	6,535,000	5,390,005	575,157	26,168	99,028	9,421	30,014,044
2025 - 2029	3,990,000	583,607	4,235,000	656,506	-	-	7,880,000	4,034,918	281,860	13,395	-	-	21,675,286
2030 - 2034	905,000	57,426	1,525,000	98,301	-	-	9,665,000	2,254,240	93,564	1,638	-	-	14,600,169
2035 - 2037	-	-	-	-	-	-	4,470,000	295,315	-	-	-	-	4,765,315
Total	\$ 24,627,550	\$ 6,790,924	\$25,594,607	\$7,613,127	\$ 1,800,000	\$ 211,700	\$ 34,735,000	\$21,282,453	\$ 1,743,220	\$ 98,120	\$ 272,652	\$ 59,090	\$ 124,828,443

Note: Principal amounts do not include net unamortized bond (discount)/premium of \$125,454 for business-type activities.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Defeasance of Debt

During the current fiscal year, the City issued \$30,830,000 of taxable general obligation advance refunding bonds with interest rates ranging from 3.5% to 4.375%. The proceeds were used to advance refund \$27,485,000 of outstanding 2004 and 2005 tax-exempt general obligation bonds which had interest rates ranging from 3.5% to 6.0%. The net proceeds of \$30,903,917 (after premiums of \$73,917) along with City funds of \$380,244 for a total of \$31,284,161 was deposited in an irrevocable trust to provide for future debt service payments on the refunded bonds. As a result, a portion of the 2004 and 2005 general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$3,799,161. This amount is being netted against the new debt and amortized over the life of the new refunding debt. The City advance refunded the Parking Fund portions of the tax-exempt 2004 and 2005 general obligation bonds related to the construction of parking garages and replaced the debt with taxable bonds in order to lease the parking garages to be operated by a privately owned corporation. The total debt service payments over the next 24 years will be increased by \$1,450,584 and results in an economic loss of \$1,546,768 (the difference between the present values of the debt service payments on the old and new debt).

At June 30, 2012 there are no bonds outstanding relating to general obligations that were accounted for within the governmental activities which are considered defeased.

Conduit Debt Obligations

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

In February 2012, the City issued Economic Development Revenue Bonds totaling \$22,000,000 for the improvement of senior housing facilities owned and operated by a not-for-profit organization. The principal amount payable at June 30, 2012 totaled \$22,000,000.

Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2012:

	Balance as of 6/30/11	Additions	Reductions	Net Amortization of Bond Discount/ Premium	Balance as of 6/30/12	Remaining Unamortized Bond (Discount) / Premium 6/30/12	Due within One Year
Governmental Activities							
General obligation bonds	\$ 50,918,770	\$ -	\$ (3,834,026)	\$ -	\$ 47,084,744	-	\$ 3,674,145
Loan payable-CELP	90,530	-	(90,530)	-	-	-	-
Accrued obligations for compensated absences	4,232,082	1,967,568	(1,906,244)	-	4,293,406	-	3,134,186
Governmental activity long-term liabilities	<u>\$ 55,241,382</u>	<u>\$ 1,967,568</u>	<u>\$ (5,830,800)</u>	<u>\$ -</u>	<u>\$ 51,378,150</u>	<u>\$ -</u>	<u>\$ 6,808,331</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

	Balance as of 6/30/11	Additions	Reductions	Net Amortization of Bond Discount/ Premium	Balance as of 6/30/12	Remaining Unamortized Bond (Discount) / Premium 6/30/12	Due within One Year
Business-type Activities							
General obligation bonds							
Water facility fund	\$23,594,142	\$ 3,085,000	\$ (1,902,027)	\$ (5,469)	\$ 24,771,646	\$ 144,096	\$ 2,032,561
Sanitary sewer fund	20,373,135	6,750,000	(1,450,143)	4,244	25,677,236	82,629	1,756,078
Refuse fund	2,185,001	-	(375,000)	(1,775)	1,808,226	8,226	375,000
Parking fund	32,061,697	30,830,000	(28,245,000)	(20,358)	34,626,339	(108,661)	785,000
Stormwater	1,861,212	-	(117,992)	-	1,743,220	-	117,992
RedGate golf course fund	296,542	-	(24,803)	77	271,816	(836)	24,803
Accrued obligations for compensated absences	864,618	316,843	(436,815)	-	744,646	-	543,590
Business-type activity long-term liabilities	<u>\$81,236,347</u>	<u>\$ 40,981,843</u>	<u>\$(32,551,780)</u>	<u>\$ (23,281)</u>	<u>\$ 89,643,129</u>	<u>\$ 125,454</u>	<u>\$ 5,635,024</u>

Notes:

- The compensated absences in the governmental activities will be paid out of the General Fund.
- The long-term debt balance as of 6/30/12 for business-type activities includes the cumulative net amortization of bond (Discount)/Premium in the amount of \$125,454

F. Operating Leases

The City entered into a ten year office lease which began on June 1, 2004, and expires on May 31, 2014. Total annual rent is \$94,800, with an annual rent increase of 3% for each year, thereafter. The City also has a five year office lease which began on June 1, 2008 and expires on May 31, 2013. Total annual rent is \$101,551 with an annual rent increase of 3% each year.

Fiscal Year	Rent Amount
2013	237,990
2014	127,404
Total	<u>\$ 365,394</u>

The City leased the Arts and Innovations Center to VisArts under a 20 year lease which began on August 1, 2007 and expires on June 30, 2027. The rental income for the months beginning August 1, 2007 through July 1, 2008 were abated and the base rent for that year was allocated over lease years 2009, 2010, and 2011. The City began receiving monthly income for this lease on August 1, 2008.

Fiscal Year	Rent Amount
2013	28,982
2014	29,851
2015	30,747
2016	31,669
2017 - 2027	417,782
Total	<u>\$ 539,031</u>

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(2) Detailed Notes on All Funds (Continued)

F. Operating Leases (Continued)

The City leased the Red Gate Golf Course under a 10 year lease which began on January 1, 2012 and expires on December 31, 2021. The lease agreement contains options for two additional 10 year periods and provisions for revenue sharing. The annual lease fee is \$12,000 for the first five calendar years, and \$24,000 for the remaining five calendar years under the initial ten year term. In accordance with the lease agreement, the lessee will be responsible for reimbursing the City for the annual long-term debt payments associated with the Red Gate Golf Course. During the current year, the City received total payments of \$6,000 for the prorated first year of the lease.

Fiscal Year	Rent Amount
2013	12,000
2014	12,000
2015	12,000
2016	12,000
2017 - 2022	126,000
Total	<u>\$ 174,000</u>

G. Capital Leases

The City leased the Town Center Parking Garages under a fifty year capital lease which began on September 1, 2011, and expires on August 31, 2061. The initial annual fixed minimum rent is \$300,000, with annual adjustments based on increases to the Consumer Price Index. The agreement specifies that the annual fixed minimum rent may not be less than the previous year and contains provisions for revenue sharing. Upon initial measurement, the net carrying value of the parking garages was less than the estimated future minimum lease payments, resulting in unearned income that will be recognized over the term of the capital lease. At June 30, 2012 the unearned income on the capital lease was \$1,750,261 and the lease receivable was \$26,952,285. Estimated future minimum lease payments and unearned income amortization is as follows:

Fiscal Year	Lease Amount	Unearned Income
2013	306,750	35,538
2014	313,652	35,538
2015	320,709	35,538
2016	327,925	35,538
2017 - 2061	25,683,249	1,608,109
Total	<u>\$ 26,952,285</u>	<u>\$ 1,750,261</u>

(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; error 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 \$250,000 per claim with an aggregate retention of \$1,000,000 for the policy year. The worker's compensation claims payable of \$627,765 reported at June 30, 2012 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.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

A. Risk Management (Continued)

Changes in the claims liability amounts are as follows:

		Beginning of the Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012	\$	-	\$ 670,132	\$ (42,367)	\$ 627,765

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

B. Prior Period Adjustment and Individual Fund Disclosure

The adjustment of the beginning net assets of the Governmental Activities in the government-wide Statement of Net Assets and the adjustment of the beginning fund balance of the Statement of Revenues, Expenditures and Changes in Fund Balance is to reflect post-employment retiree benefit expenses of \$1,089,267 previously unrecognized.

C. Commitments and Contingent Liabilities

Encumbrances

The following table lists the outstanding encumbrances at June 30, 2012. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

	Governmental Activities				Total
	General Fund	Debt Service	Capital Projects	Other Governmental Funds	
Encumbrances Outstanding	\$ 510,752	\$ -	\$ -	\$ 464,153	\$ 974,905

	Business-Type Activities						Total
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
Encumbrances Outstanding	\$ 28,887	\$ 126,494	\$ 2,631	\$ -	\$ 47,097	\$ -	\$ 205,109

General Fund – Of this amount, \$232,460 is assigned to consulting services.

Other Governmental Funds – Of this amount, \$350,012 is restricted for Channel 11 upgrades to Council chambers.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

C. Commitments and Contingent Liabilities (Continued)

Washington Suburban Sanitary Commission (WSSC)

The City has contracted with WSSC to upgrade and enhance a portion of the Blue Plains Waste Water Treatment Plant. Through June 30, 2012, the City had paid \$46,699,238 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines, which were recorded in capital assets. The City's remaining contribution through the completion of the project is estimated to be \$20,750,767 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 final bill is received by the City.

Litigation

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount 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.

D. Other Post-employment Benefits

In addition to the pension benefits described in Note 3E, the City provides other post-employment health benefits (OPEB). The pension plan, under the direction of the Retirement Board, authorizes a retiree who elects to stay with the City's policy group 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.

The pension plan stipulates that eligible retirees from the administrative and union employee groups shall include those who (a) retire, having attained age 60 while employed with the City and who have completed at least 10 years of service prior to retirement, (b) take early retirement occasioned by poor health, having attained age 50 while employed with the City and having completed 10 years of service, or (c) take early retirement from the City when their age plus service equals or exceeds 85. Eligible police retirees are those who have met the conditions stated above or who have attained their normal retirement date on the first day of the month coinciding with or following the earlier of (a) the employee's 60th birthday or (b) the later of the employee's 51st birthday and completion of 25 years of credited service. Previously, the City financed the post employment health insurance benefits on a pay-as-you-go basis and expenditures for these insurance premiums were recorded in the General Fund. However, during fiscal year 2009, the City implemented GASB statements 43 and 45 and created a single-employer plan. The City established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants.

During fiscal year 2012, 21 retirees received post employment health benefits. Expenditures of \$139,749 were incurred and were eligible for reimbursement by the trust. The City directly funded cash of \$733,319 of the Annual Required Contribution (ARC) of \$733,319. The \$139,749 of benefit expenses paid by the City, and not reimbursed by the trust, assists in improving the funded status of the plan. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

D. Other Post-employment Benefits (Continued)

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

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

Annual required contribution (ARC)	\$ 733,319
Interest on net OPEB obligation	52,407
Adjustment to ARC	(38,854)
Annual OPEB cost (expense)	746,872
Contributions made	(733,319)
Increase in net OPEB obligation	13,553
Net OPEB obligation, beginning of year	726,000
Net OPEB obligation, end of year	\$ 739,553

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2012 and the two preceding fiscal years, are presented below.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2010	\$ 1,418,000	17.0%	\$ 772,719
2011	\$ 996,000	32.0%	\$ 1,451,719
2012	\$ 746,872	98.2%	\$ 739,553

The funded status of the plan as of July 1, 2011, the most recent actuarial date, is as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A-B) Funded (Unfunded) AAL (FAAL)/UAAL	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) FAAL/UAAL as a percentage of Covered Payroll
2011	\$ 2,385,350	\$ 7,031,320	\$ (4,645,970)	33.9%	\$ 33,384,756	-13.9%

Actuarial Assumptions

Actuarial valuation date:	7/1/2011
Actuarial cost method:	Projected Unit Credit
Amortization period:	30 years (closed period as of July 1, 2008)
Amortization method:	Level percentage of pay
Asset valuation method:	Fair Value
Healthcare cost trends:	Medical and prescription drug trend rate applied to the 2011 valuation is 6.54%. The ultimate rate is 4.20%.
Investment rate of return:	7.22%
Inflation rate:	3.20%
Salary increase:	4.00%

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

E. Pension Plan

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan. 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 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. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Principal Financial Group and Prudential Bank and Trust are administrators of the single-employer defined benefit plan and defined contribution plan, which was established and is administered by the City. The Rockville Employee Retirement System (ROCKERS) is considered part of the City reporting entity and is included in the City's financial reports as Pension Trust Funds. The plans do not issue separate financial statements.

The ROCKERS has a defined benefit option and a defined contribution option, which are reported as separate Pension Trust Funds.

Defined Benefit Option

This option is available to police employees, who participate 100 percent in the defined benefit option regardless of the date of employment, and non-police employees who were members of the plan as of April 14, 1986. All benefits vest after 10 years of credited service. An employee who retires at age 60 (age 65 for employees hired after July 1, 2011) 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 in an amount equal to 1.8 percent of his/her final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent before April 1, 1996, and 2.0 percent on or after April 1, 1996, of his/her final average salary, for each year of credited service and for police personnel in an amount equal to the lesser of (a)(1) 2.0 percent of his/her final average earnings multiplied by his/her years of credited service prior to April 1, 2004, plus (2) 2.25 percent of his/her final average earnings multiplied by his/her years of credited service on or after April 1, 2004, or (b) 60 percent of his/her final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

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

This option also is available to full-time, permanent, non-police employees hired on or after April 15, 1986. These employees also are covered by the defined contribution option 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. Employees are fully vested after 10 years of service.

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

E. Pension Plan (Continued)

Defined Contribution Option

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this option from the date of employment. The plan allows contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$.50 by the City for each \$1 contributed by the employee. The employee is fully vested in his/her employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is fully vested after three years of credited service. Employees attaining the age of 60 become fully vested regardless of the number of years of credited service. Employees hired after July 1, 2011 become fully vested after attaining the age of 60 with ten years of credited service. The contributions made in fiscal year 2012 by plan members totaled \$1,290,171 and the City contributed \$611,565.

Membership in the defined benefit plan consisted of the following at April 1, 2011, the date of the actuarial valuation corresponding to the fiscal year ended June 30, 2012.

Retirees and beneficiaries receiving payments	184
Terminated plan members vested but not yet receiving payments	190
Active plan members	531
Total	905

Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds June 30, 2012

	Defined Contribution Option	Defined Benefit Option	OPEB Trust	Total Pension Trust Funds
<u>Additions</u>				
Contributions				
Employer	\$ 611,565	\$ 3,563,104	\$ 733,319	\$ 4,907,988
Plan members	1,290,171	798,598	-	2,088,769
Total contributions	\$ 1,901,736	\$ 4,361,702	\$ 733,319	\$ 6,996,757
Investment Income				
Net appreciation in the fair value of plan investments	(105,085)	329,662	37,063	261,640
Interest and dividends	62,568	-	28,841	91,409
Total investment income	\$ (42,517)	\$ 329,662	\$ 65,904	\$ 353,049
Total additions	\$ 1,859,219	\$ 4,691,364	\$ 799,223	\$ 7,349,806
<u>Deductions</u>				
Benefits	\$ 937,822	\$ 3,553,224	\$ -	\$ 4,491,046
Refunds to terminated employees	-	19,378	-	19,378
Deaths	10,211	-	-	10,211
Administrative expense	25,435	323,469	28,818	377,722
Total deductions	\$ 973,468	\$ 3,896,071	\$ 28,818	\$ 4,898,357
Net (decrease)/increase	885,751	795,293	770,405	2,451,449
Net assets - beginning	18,088,049	63,856,158	2,382,172	84,326,379
Net assets - ending	\$ 18,973,800	\$ 64,651,451	\$ 3,152,577	\$ 86,777,828

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

E. Pension Plan (Continued)

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2012

	Defined Contribution Option	Defined Benefit Option	OPEB Trust	Total Pension Trust Funds
Assets				
Investments at fair value - equity in pooled pension trust	\$ 18,973,800	\$ 64,651,451	\$ 3,152,577	\$ 86,777,828
Liabilities				
	-	-	-	-
Net Assets				
Available for plan benefits	\$ 18,973,800	\$ 64,651,451	\$ 3,152,577	\$ 86,777,828

Funding Policy and Annual Pension Cost – Defined Benefit Plan

The actuarial required contribution and net pension obligation information for the year ended June 30, 2012 and the preceding two fiscal years is as follows:

Fiscal Year Ending June 30	Annual Pension Cost	Employer Contributions	Percentage Contributed	Net Pension Obligation (Asset)
2010	\$ 2,520,809	\$ 2,511,752	99.6%	\$ (394,107)
2011	\$ 3,487,096	\$ 3,478,242	99.7%	\$ (385,253)
2012	\$ 3,571,759	\$ 3,563,104	99.8%	\$ (376,598)

The development of the Net Pension Obligation for the year ended June 30, 2012 and the preceding two fiscal years is as follows:

	June 30, 2010	June 30, 2011	June 30, 2012
Annual required contribution (ARC)	\$ 2,511,752	\$ 3,478,242	\$ 3,563,104
Interest on net pension obligation (NPO)	(31,245)	(30,543)	(29,857)
Adjustment to ARC	40,302	39,397	38,512
Annual pension cost (expense)	2,520,809	3,487,096	3,571,759
Contributions made	(2,511,752)	(3,478,242)	(3,563,104)
Increase in net pension obligation (NPO)	9,057	8,854	8,655
Net pension obligation, beginning of year	(403,164)	(394,107)	(385,253)
Net pension obligation, end of year	\$ (394,107)	\$ (385,253)	\$ (376,598)

The schedule of funding progress for the year ended June 30, 2012 is as follows:

Actuarial Valuation Date April 1	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A-B) Funded (Unfunded) AAL (FAAL)/UAAL	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) FAAL/UAAL as a percentage of Covered Payroll
2011	\$60,360,919	\$79,794,044	(\$19,433,125)	75.6%	\$33,384,756	-58.2%

City of Rockville, Maryland

Notes to the Basic Financial Statements June 30, 2012

(3) Other Information (Continued)

E. Pension Plan (Continued)

Historical data for the funding progress of the Defined Benefit Plan is presented as required supplementary information (RSI) following the notes to financial statements. This schedule presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

The employee contribution requirements for the plan are set by Mayor and Council, at the recommendation of the Retirement Board. The City's annual contribution is based on annual actuarial valuations. The City of Rockville bears the cost of administering the pension plan. In Plan Year 2011, the actuarially determined ARC was \$3,563,104 and the City contributed \$3,563,104. The ARC for plan year 2011 was paid in fiscal year 2012.

<u>Contribution rates</u>	
-City	Remaining Cost
-Plan members	4.20% - 8.50%
Annual pension cost	\$3,571,759
Contributions made	\$3,563,104
Actuarial valuation date	4/1/2011
Actuarial cost method	Entry age normal
Amortization method	Closed
Amortization period	20 years
<u>Asset valuation method</u>	
-Fixed income assets	Contract basis
-United States Stock	Five years smoothed market
<u>Actuarial assumptions</u>	
-Investment rate of return	7.50%
-Projected salary increases	3.88% - 8.10%
-Includes inflation at	2.00% - 3.00%
-Cost of living adjustment	0.00%

(4) New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that will impact future financial presentations. 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. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34* is effective for financial statements for periods beginning after June 15, 2012. This statement will modify requirements for inclusion of reporting component units in the financial reporting entity and will clarify the reporting of equity in legally separate organizations.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* is effective for financial statements for periods beginning after December 15, 2011. This statement will supersede Statement No. 20 which allows the enterprise funds of an entity to elect to implement FASB statements and interpretations that do not conflict with GASB pronouncement, and will specify that enterprise funds may elect to implement FASB pronouncements that do not conflict with GASB pronouncements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* is effective for periods beginning after December 15, 2011. This statement will incorporate deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and rename that measure as net position, rather than net assets.

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Required Supplementary Information

City of Rockville, Maryland

Rockville Employee Retirement System - Schedule of Funding Progress
 June 30, 2012
 (Unaudited - See Accompanying Independent Auditor's Report)

Schedule of Funding Progress

Historical trend information about pension plans is presented herewith as required supplementary information. This information is intended to help users assess pension plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. The amount shown in the historical trend information as the "actuarial accrued liability" is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. Annual pension costs equal the employer's annual required contributions for all disclosed fiscal years.

Actuarial Valuation Date April 1	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A-B) Funded (Unfunded) AAL (FAAL)/UAAL	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) FAAL/UAAL as a percentage of Covered Payroll
2004	\$47,866,312	\$51,064,065	(\$3,197,753)	93.7%	\$25,211,836	-12.7%
2005	50,585,815	54,966,616	(4,380,801)	92.0%	25,290,170	-17.3%
2006	54,487,954	58,873,284	(4,385,330)	92.6%	26,243,676	-16.7%
2007	60,851,362	63,778,911	(2,927,549)	95.4%	25,923,304	-11.3%
2008	63,868,591	66,853,253	(2,984,662)	95.5%	26,221,689	-11.4%
2009	61,698,621	72,290,941	(10,592,320)	85.3%	31,708,344	-33.4%
2010	59,550,874	79,275,687	(19,724,813)	75.1%	33,863,526	-58.2%
2011	60,360,919	79,794,044	(19,433,125)	75.6%	33,384,756	-58.2%
2012	63,020,079	87,934,360	(24,914,281)	71.7%	34,736,846	-71.7%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and funded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides an indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Trends in the funded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the funded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the greater this percentage, the stronger the Plans. The actuarial valuation for the plan year beginning April 1, 2012 corresponds to fiscal year 2013.

City of Rockville, Maryland

Rockville Employee Retirement System - Schedule of Employer Contributions
June 30, 2012
(Unaudited - See Accompanying Independent Auditor's Report)

Schedule of Employer Contributions

The ROCKERS funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The actuarial assumptions used to compute the required contribution amount are the same as those used to compute the pension benefits earned. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service. The City is required to contribute all amounts in excess of employee contributions necessary to fund this pension plan, using the entry age-normal actuarial method.

Fiscal Year Ending June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation (Asset)
2005	\$1,529,727	100%	-
2006	1,473,052	100%	-
2007	1,599,777	100%	-
2008	1,550,658	100%	-
2009	1,578,653	125%	(403,164)
2010	2,511,752	100%	(394,107)
2011	3,478,242	100%	(385,253)
2012	3,563,104	100%	(376,598)

Contributions have been made in accordance with actuarially determined requirements which have been computed each year.

City of Rockville, Maryland

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
Revenue				
Property Taxes	\$ 36,895,000	\$ 35,914,670	\$ 35,030,305	\$ (884,365)
Revenue from Other Governments:				
Income taxes	10,000,000	10,500,000	10,785,534	285,534
Gas and motor vehicle taxes	709,800	709,800	765,579	55,779
County tax duplication payment	1,799,110	1,894,182	1,894,182	-
Admissions and amusement taxes	1,000,000	1,000,000	1,056,916	56,916
Grants and other governmental revenue	1,307,090	1,518,833	1,591,199	72,366
Licenses and permits	2,261,000	2,331,000	2,809,367	478,367
Charges for Services	6,132,610	6,011,310	6,141,471	130,161
Use of Money and Property	405,900	525,900	318,255	(207,645)
Fines and Forfeitures	645,000	645,000	850,554	205,554
Other Revenue	4,887,370	4,934,375	5,113,254	178,879
Total revenue	<u>\$ 66,042,880</u>	<u>\$ 65,985,070</u>	<u>\$ 66,356,616</u>	<u>\$ 371,546</u>
Expenditures				
Current operations:				
General government	\$ 15,505,710	\$ 15,277,070	\$ 15,112,293	\$ 164,777
Community development	4,241,470	4,321,873	4,030,379	291,494
Public safety	8,972,740	9,147,237	9,315,542	(168,305)
Public works	7,017,500	6,923,138	6,613,953	309,185
Recreation and parks	20,060,090	19,831,290	19,412,518	418,772
Total expenditures	<u>\$ 55,797,510</u>	<u>\$ 55,500,608</u>	<u>\$ 54,484,685</u>	<u>\$ 1,015,923</u>
Excess of revenue over expenditures	<u>\$ 10,245,370</u>	<u>\$ 10,484,462</u>	<u>\$ 11,871,931</u>	<u>\$ 1,387,469</u>
Other Financing Uses				
Transfer to Debt Service Fund	\$ (5,100,000)	\$ (5,100,000)	\$ (5,100,000)	\$ -
Transfer to Capital Projects Fund	(3,967,000)	(8,315,055)	(8,315,055)	-
Transfer to Special Activities Fund	(7,170)	(42,820)	(42,820)	-
Transfer to Refuse Fund	(41,200)	(41,200)	(41,200)	-
Transfer to Parking Fund	(500,000)	(500,000)	(500,000)	-
Transfer to RedGate Golf Course	(630,000)	(630,000)	(630,000)	-
Total other financing uses	<u>\$ (10,245,370)</u>	<u>\$ (14,629,075)</u>	<u>\$ (14,629,075)</u>	<u>\$ -</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	-	(4,144,613)	(2,757,144)	1,387,469
Adjustments to beginning balance	-	-	(1,089,267)	(1,089,267)
Fund balance at beginning of year, as previously reported	14,760,466	14,760,466	14,760,466	-
Fund balance at end of year	<u>\$ 14,760,466</u>	<u>\$ 10,615,853</u>	<u>\$ 10,914,055</u>	<u>\$ 298,202</u>

City of Rockville, Maryland

Note to the Required Supplementary Information
June 30, 2012

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 2012, such supplemental appropriations for all funds amounted to \$6,918,241.

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.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order 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, 2012 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 Community Development Block Grant, the Special Activities, and the Automated Speed Enforcement Funds. The Community Development Block Grant Fund accounts for federal grants for housing and community development programs. The Special Activities Fund accounts for funds raised for various community activities (i.e. Rockville Seniors Inc., mansion improvements, etc.). 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, 2012

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
Revenue				
Assessments	\$ 280,000	\$ 280,000	\$ 315,123	\$ 35,123
Use of money and property	20,000	20,000	3,386	(16,614)
Other revenue	-	-	-	-
Total Revenue	\$ 300,000	\$ 300,000	\$ 318,509	\$ 18,509
Expenditures				
Principal repayments:				
General obligation bonds	\$ 3,924,000	\$ 3,924,000	\$ 3,924,556	\$ (556)
Interest and issuance costs:				
General obligation bonds	1,862,000	1,862,000	1,871,444	(9,444)
Other	10,000	10,000	-	10,000
Total expenditures	\$ 5,796,000	\$ 5,796,000	\$ 5,796,000	\$ -
Excess of revenue over expenditures	\$ (5,496,000)	\$ (5,496,000)	\$ (5,477,491)	\$ 18,509
Other Financing Sources				
Transfer in from General Fund	5,100,000	5,100,000	5,100,000	-
Total Financing Sources	\$ 5,100,000	\$ 5,100,000	\$ 5,100,000	\$ -
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ (396,000)	\$ (396,000)	\$ (377,491)	\$ 18,509
Fund balance at beginning of year	3,300,200	3,300,200	3,300,200	-
Fund balance at end of year	\$ 2,904,200	\$ 2,904,200	\$ 2,922,709	\$ 18,509

City of Rockville, Maryland

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
Assets				
Equity in pooled cash and cash equivalents	\$ 5,020,731	\$ -	\$ 1,693,637	\$ 6,714,368
Due from other governments	172,929	145,915	47,160	366,004
Other assets	351	-	836,846	837,197
Total assets	\$ 5,194,011	\$ 145,915	\$ 2,577,643	\$ 7,917,569
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 30,703	\$ 35,402	\$ 188,135	\$ 254,240
Interfund payable	-	98,930	-	98,930
Other	-	8,069	57,993	66,062
Total liabilities	\$ 30,703	\$ 142,401	\$ 246,128	\$ 419,232
Fund Balance:				
Restricted for:				
Special revenue programming	5,163,308	3,514	2,331,515	7,498,337
Total fund balance	\$ 5,163,308	\$ 3,514	\$ 2,331,515	\$ 7,498,337
Total liabilities and fund balance	\$ 5,194,011	\$ 145,915	\$ 2,577,643	\$ 7,917,569

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	
Revenue				
Grant revenue	\$ -	\$ 667,014	\$ 136,649	\$ 803,663
Use of money and property	3,846	-	1,559	5,405
Other	1,129,768	-	2,059,181	3,188,949
Total Revenue	\$ 1,133,614	\$ 667,014	\$ 2,197,389	\$ 3,998,017
Expenditures				
Community development block grant	\$ -	\$ 667,294	\$ -	\$ 667,294
Community development	-	-	-	-
Public safety	173,580	-	1,423,888	1,597,468
Recreation and parks	295,617	-	-	295,617
Capital outlay	25,413	-	1,290,071	1,315,484
Total expenditures	\$ 494,610	\$ 667,294	\$ 2,713,959	\$ 3,875,863
Excess of revenue over expenditures	\$ 639,004	\$ (280)	\$ (516,570)	\$ 122,154
Other Financing Sources				
Transfer in from General Fund	42,820	-	-	42,820
Total Financing Sources	\$ 42,820	\$ -	\$ -	\$ 42,820
Net change in fund balance	681,824	(280)	(516,570)	164,974
Fund balance at beginning of year	4,481,484	3,794	2,848,085	7,333,363
Fund balance at end of year	\$ 5,163,308	\$ 3,514	\$ 2,331,515	\$ 7,498,337

See accompanying notes to the basic financial statements.

City of Rockville, Maryland

Budgetary Comparison Schedule Nonmajor Governmental Funds For the Year Ended June 30, 2012

	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)
Revenue												
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ 593,000	\$ 593,000	\$ 667,014	\$ 74,014	\$ -	\$ -	\$ 136,649	\$ 136,649
Use of money and property	650	650	3,846	3,196	-	-	-	-	37,000	1,300	1,559	259
Other*	810,210	848,032	1,172,588	324,556	-	-	-	-	1,392,000	1,902,400	2,059,181	156,781
Total Revenue	<u>\$ 810,860</u>	<u>\$ 848,682</u>	<u>\$ 1,176,434</u>	<u>\$ 327,752</u>	<u>\$ 593,000</u>	<u>\$ 593,000</u>	<u>\$ 667,014</u>	<u>\$ 74,014</u>	<u>\$ 1,429,000</u>	<u>\$ 1,903,700</u>	<u>\$ 2,197,389</u>	<u>\$ 293,689</u>
Expenditures												
Community develop. block grant	-	-	-	-	593,000	593,000	667,294	(74,294)	-	-	-	-
Community services	1,139,910	1,442,068	494,610	947,458	-	-	-	-	1,264,200	1,604,740	2,713,959	(1,109,219)
Total expenditures	<u>\$ 1,139,910</u>	<u>\$ 1,442,068</u>	<u>\$ 494,610</u>	<u>\$ 947,458</u>	<u>\$ 593,000</u>	<u>\$ 593,000</u>	<u>\$ 667,294</u>	<u>\$ (74,294)</u>	<u>\$ 1,264,200</u>	<u>\$ 1,604,740</u>	<u>\$ 2,713,959</u>	<u>\$ (1,109,219)</u>
Excess of revenue over expenditures	<u>\$ (329,050)</u>	<u>\$ (593,386)</u>	<u>\$ 681,824</u>	<u>\$ 1,275,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (280)</u>	<u>\$ (280)</u>	<u>\$ 164,800</u>	<u>\$ 298,960</u>	<u>\$ (516,570)</u>	<u>\$ (815,530)</u>
Fund balance at beginning of year	4,481,484	4,481,484	4,481,484	-	3,794	3,794	3,794	-	2,848,085	2,848,085	2,848,085	-
Fund balance at end of year	<u>\$ 4,152,434</u>	<u>\$ 3,888,098</u>	<u>\$ 5,163,308</u>	<u>\$ 1,275,210</u>	<u>\$ 3,794</u>	<u>\$ 3,794</u>	<u>\$ 3,514</u>	<u>\$ (280)</u>	<u>\$ 3,012,885</u>	<u>\$ 3,147,045</u>	<u>\$ 2,331,515</u>	<u>\$ (815,530)</u>

*Note: Other revenue for the Special Activities Fund includes a transfer of \$42,820 from the General Fund.

Other Supplementary Information

Proprietary Funds Enterprise Funds

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

City of Rockville, Maryland

Budgetary Comparison Schedule Enterprise Funds For the Year Ended June 30, 2012

	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 revenue	\$ 9,616,500	\$ 9,616,500	\$ 9,707,271	\$ 90,771	\$ 8,083,000	\$ 8,083,000	\$ 8,292,593	\$ 209,593	\$5,632,600	\$ 5,803,100	\$ 5,934,886	\$ 131,786
Total operating expenses	6,831,130	6,963,145	6,457,684	505,461	4,934,410	5,568,079	4,953,442	614,637	5,430,590	5,654,340	5,170,150	484,190
Operating income (loss) before depreciation and amortization	\$ 2,785,370	\$ 2,653,355	\$ 3,249,587	\$ 596,232	\$ 3,148,590	\$ 2,514,921	\$ 3,339,151	\$ 824,230	\$ 202,010	\$ 148,760	\$ 764,736	\$ 615,976
Depreciation and amortization	(1,715,000)	(2,129,400)	(2,115,828)	13,572	(1,510,000)	(2,213,000)	(2,200,666)	12,334	(352,000)	(352,000)	(336,171)	15,829
Operating income (loss)	\$ 1,070,370	\$ 523,955	\$ 1,133,759	\$ 609,804	\$ 1,638,590	\$ 301,921	\$ 1,138,485	\$ 836,564	\$ (149,990)	\$ (203,240)	\$ 428,565	\$ 631,805
Non-Operating Income (Expenses)												
Interest income	34,000	34,000	666	(33,334)	4,000	4,000	807	(3,193)	25,000	25,000	2,186	(22,814)
Interest expense	(971,120)	(971,120)	(890,894)	138,428	(1,141,280)	(1,141,280)	(855,460)	415,622	(86,800)	(86,800)	(85,515)	(13,615)
Other, net	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (937,120)	\$ (937,120)	\$ (890,228)	\$ 46,892	\$ (1,137,280)	\$ (1,137,280)	\$ (854,653)	\$ 282,627	\$ (61,800)	\$ (61,800)	\$ (83,329)	\$ (21,529)
Income (loss) before operating transfers	\$ 133,250	\$ (413,165)	\$ 243,531	\$ 656,696	\$ 501,310	\$ (835,359)	\$ 283,832	\$ 1,119,191	\$ (211,790)	\$ (265,040)	\$ 345,236	\$ 610,276
Transfers												
Transfer (to) from Enterprise Funds	450,970	450,970	450,970	-	(311,490)	(311,490)	(311,490)	-	(139,480)	(139,480)	(139,480)	-
Transfer from General Fund	-	-	-	-	-	-	-	-	41,200	41,200	41,200	-
Total transfers	450,970	450,970	450,970	-	(311,490)	(311,490)	(311,490)	-	(98,280)	(98,280)	(98,280)	-
Net increase (decrease) in net assets	\$ 584,220	\$ 37,805	\$ 694,501	\$ 656,696	\$ 189,820	\$ (1,146,849)	\$ (27,658)	\$ 1,119,191	\$ (310,070)	\$ (363,320)	\$ 246,956	\$ 610,276

City of Rockville, Maryland

Budgetary Comparison Schedule Enterprise Funds (Continued) For the Year Ended June 30, 2012

	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 revenue	\$ 1,858,000	\$ 1,708,000	\$ 1,807,645	\$ 99,645	\$ 2,621,700	\$ 2,621,700	\$ 2,870,915	\$ 249,215	\$1,157,480	\$ 451,430	\$ 463,925	\$ 12,495
Total operating expenses	699,940	1,703,443	2,514,332	(810,889)	2,925,810	3,146,018	2,904,944	241,074	1,586,890	1,112,450	884,534	227,916
Operating income (loss) before depreciation and amortization	\$ 1,158,060	\$ 4,557	\$ (706,687)	\$ (711,244)	\$ (304,110)	\$ (524,318)	\$ (34,029)	\$ 490,289	\$ (429,410)	\$ (661,020)	\$ (420,609)	\$ 240,411
Depreciation and amortization	(706,500)	(706,500)	(199,964)	506,536	(250,000)	(250,000)	(259,137)	(9,137)	(125,100)	(125,100)	(142,385)	(17,285)
Operating income (loss)	\$ 451,560	\$ (701,943)	\$ (906,651)	\$ (204,708)	\$ (554,110)	\$ (774,318)	\$ (293,166)	\$ 481,152	\$ (554,510)	\$ (786,120)	\$ (562,994)	\$ 223,126
Non-Operating Income (Expenses)												
Interest income	15,000	15,000	2,527	(12,473)	19,500	19,500	3,230	(16,270)	-	-	-	-
Interest expense	(1,631,200)	(1,631,200)	(950,552)	680,648	(10,370)	(10,370)	(10,937)	(567)	(10,200)	(10,200)	(9,945)	255
Other, net	-	-	(99,985)	(99,985)	-	-	-	-	-	-	-	-
Total non-operating income (expense)	\$ (1,616,200)	\$ (1,616,200)	\$(1,048,010)	\$ 568,190	\$ 9,130	\$ 9,130	\$ (7,707)	\$ (16,837)	\$ (10,200)	\$ (10,200)	\$ (9,945)	\$ 255
Income (loss) before operating transfers	\$ (1,164,640)	\$ (2,318,143)	\$(1,954,661)	\$ 363,482	\$ (544,980)	\$ (765,188)	\$ (300,873)	\$ 464,315	\$ (564,710)	\$ (796,320)	\$ (572,939)	\$ 223,381
Transfers												
Transfer (to)from Enterprise Funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Fund	500,000	500,000	500,000	-	-	-	-	-	630,000	630,000	630,000	(588,800)
Total transfers	500,000	500,000	500,000	-	-	-	-	-	630,000	630,000	630,000	(588,800)
Net increase (decrease) in net assets	\$ (664,640)	\$ (1,818,143)	\$(1,454,661)	\$ 363,482	\$ (544,980)	\$ (765,188)	\$ (300,873)	\$ 464,315	\$ 65,290	\$ (166,320)	\$ 57,061	\$ (365,419)

Statistical Section



Statistical Section

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

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

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

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

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; Schedules presenting government-wide information include information beginning in 2003. The City implemented GASB Statement 54 in 2011; Schedules presenting components of fund balance will have different classifications prior to 2011.

City of Rockville, Maryland

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 14,142,832	\$ 25,074,886	\$ 33,333,209	\$ 122,262,306	\$ 162,449,524	\$ 173,891,073	\$ 190,671,208	\$ 201,226,769	\$ 195,964,274	\$ 215,237,694
Restricted	-	1,800,000	-	-	-	-	-	-	38,820,595	32,454,676
Unrestricted	15,277,069	7,806,848	23,945,011	21,073,192	30,905,551	39,283,820	36,934,536	37,234,882	11,199,008	6,785,231
Total Governmental Activities Net Assets	\$ 29,419,901	\$ 34,681,734	\$ 57,278,220	\$ 143,335,498	\$ 193,355,075	\$ 213,174,893	\$ 227,605,744	\$ 238,461,651	\$ 245,983,877	\$ 254,477,601
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 34,270,960	\$ 44,096,729	\$ 48,085,580	\$ 21,845,283	\$ 39,795,777	\$ 37,817,818	\$ 38,831,178	\$ 52,250,740	\$ 54,125,519	\$ 61,807,784
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	23,317,986	12,942,474	9,806,139	44,092,837	18,652,926	20,457,767	17,359,925	2,800,762	1,185,667	(7,281,272)
Total Business-Type Activities Net Assets	\$ 57,588,946	\$ 57,039,203	\$ 57,891,719	\$ 65,938,120	\$ 58,448,703	\$ 58,275,585	\$ 56,191,103	\$ 55,051,502	\$ 55,311,186	\$ 54,526,512
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 48,413,792	\$ 69,171,615	\$ 81,418,789	\$ 144,107,589	\$ 202,245,301	\$ 211,708,891	\$ 229,502,386	\$ 253,477,509	\$ 250,089,793	\$ 277,045,478
Restricted	-	1,800,000	-	-	-	-	-	-	38,820,595	32,454,676
Unrestricted	38,595,055	20,749,322	33,751,150	65,166,029	49,558,477	59,741,587	54,294,461	40,035,644	12,384,675	(496,041)
Total Primary Government Net Assets	\$ 87,008,847	\$ 91,720,937	\$ 115,169,939	\$ 209,273,618	\$ 251,803,778	\$ 271,450,478	\$ 283,796,847	\$ 293,513,153	\$ 301,295,063	\$ 309,004,113

City of Rockville, Maryland

Financial Trends Information (unaudited)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 8,918,307	\$ 8,621,681	\$ 9,181,896	\$ 10,182,325	\$ 11,183,434	\$ 12,221,181	\$ 14,068,981	\$ 14,479,318	\$ 14,835,922	\$ 16,721,358
Community development block grant	401,357	412,712	357,432	294,481	274,773	336,001	292,500	336,574	197,985	667,294
Community development	1,471,759	1,534,045	1,607,760	3,565,924	3,819,641	5,009,654	5,592,503	3,817,837	3,968,226	4,045,862
Community services	1,268,156	1,319,078	1,200,217	1,036,754	-	-	-	-	-	-
Public Safety	7,298,573	7,933,531	8,130,281	6,989,835	7,642,022	9,276,061	9,537,975	10,718,613	10,882,743	10,725,725
Public Works	5,567,832	6,002,839	5,743,222	5,596,654	6,540,061	6,618,979	7,013,916	8,249,148	7,402,630	7,473,069
Recreation and parks	14,875,969	14,347,079	14,174,780	14,335,067	17,685,035	18,757,428	20,106,554	21,100,499	21,553,985	20,682,042
Non-departmental	1,841,600	2,259,160	3,102,804	2,884,558	-	-	-	-	-	-
Interest on long-term debt	761,419	804,164	1,546,093	1,708,598	1,576,441	1,695,792	1,696,785	1,568,037	1,814,951	1,847,089
Total governmental activities expenses	<u>\$ 42,404,972</u>	<u>\$ 43,234,289</u>	<u>\$ 45,044,485</u>	<u>\$ 46,594,196</u>	<u>\$ 48,721,407</u>	<u>\$ 53,915,096</u>	<u>\$ 58,309,214</u>	<u>\$ 60,270,026</u>	<u>\$ 60,656,442</u>	<u>\$ 62,162,439</u>
Business-type activities:										
Water	\$ 4,296,885	\$ 4,410,814	\$ 4,333,962	\$ 5,412,906	\$ 5,393,739	\$ 6,313,155	\$ 6,277,841	\$ 7,033,399	\$ 9,425,892	\$ 8,454,296
Sewer	4,299,970	4,435,977	4,214,334	4,844,716	4,871,708	5,830,893	5,978,046	5,938,443	7,149,860	7,462,498
Refuse	4,024,746	4,177,891	4,222,021	4,315,562	4,657,308	4,737,333	5,367,619	5,389,135	4,593,197	4,604,586
Parking	-	114,945	312,212	494,594	8,937,779	805,656	2,436,440	2,068,626	3,346,964	3,632,123
Stormwater management	623,958	747,521	1,622,590	1,952,276	2,673,487	1,185,276	1,871,839	2,625,807	2,373,398	2,564,028
Golf course	1,259,282	1,128,753	1,074,327	1,019,370	1,279,976	1,369,863	1,496,244	1,594,306	1,431,459	938,164
Total business-type activities expenses	<u>14,504,841</u>	<u>15,015,901</u>	<u>15,779,446</u>	<u>18,039,424</u>	<u>27,813,997</u>	<u>20,242,176</u>	<u>23,428,029</u>	<u>24,649,716</u>	<u>28,320,770</u>	<u>27,655,695</u>
Total primary government expenses	<u>\$ 56,909,813</u>	<u>\$ 58,250,190</u>	<u>\$ 60,823,931</u>	<u>\$ 64,633,620</u>	<u>\$ 76,535,404</u>	<u>\$ 74,157,272</u>	<u>\$ 81,737,243</u>	<u>\$ 84,919,742</u>	<u>\$ 88,977,212</u>	<u>\$ 89,818,134</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 265,752	\$ 498,049	\$ 777,636	\$ 679,403	\$ 242,581	\$ 678,759	\$ 670,262	\$ 726,112	\$ 577,103	\$ 1,444,313
Community development	2,547,481	1,579,469	1,650,981	1,543,426	2,626,016	1,651,562	1,237,549	1,015,376	1,618,728	2,180,079
Community services	275,276	354,679	306,176	38,092	-	-	-	-	-	-
Public Safety	67,151	74,814	109,358	629,162	963,513	5,247,732	3,980,102	3,569,717	4,213,306	3,621,924
Public Works	296,597	578,549	274,988	540,524	253,014	319,425	800,038	492,619	247,639	552,704
Recreation and parks	4,250,600	4,240,368	4,279,807	5,087,899	4,420,486	4,943,264	5,040,493	5,469,890	5,414,212	5,616,285
Non-departmental	196,904	218,428	-	217,125	-	-	-	-	-	-
Interest on long-term debt	-	83,975	97,226	143,851	50,062	90,139	-	-	-	-
Operating grants and contributions	1,535,694	1,552,619	1,522,497	1,212,180	1,345,507	2,129,989	2,169,862	1,951,177	2,022,664	2,084,144
Capital grants and contributions	3,429,666	3,101,162	5,587,548	4,541,337	27,433,272	5,958,450	4,349,929	5,200,111	1,124,980	2,470,347
Total governmental activities program revenues	<u>\$ 12,865,121</u>	<u>\$ 12,282,112</u>	<u>\$ 14,606,217</u>	<u>\$ 14,632,999</u>	<u>\$ 37,334,451</u>	<u>\$ 21,019,320</u>	<u>\$ 18,248,235</u>	<u>\$ 18,425,002</u>	<u>\$ 15,218,632</u>	<u>\$ 17,969,796</u>
Business type activities:										
Charges for services:										
Water	\$ 4,312,310	\$ 3,695,205	\$ 3,823,733	\$ 3,955,830	\$ 5,185,774	\$ 5,217,205	\$ 5,757,485	\$ 7,080,662	\$ 9,875,646	\$ 9,585,771
Sewer	5,789,796	5,300,119	5,424,798	5,473,314	6,204,915	5,772,419	6,226,055	6,398,050	7,111,162	7,984,131
Refuse	3,650,023	4,165,770	4,552,581	4,884,469	5,128,169	5,403,071	5,565,864	5,560,345	5,952,237	5,934,886
Parking	-	511,154	581,869	607,752	1,642,712	1,605,157	2,930,890	2,932,919	2,580,362	1,566,651
Stormwater management	867,323	747,894	1,121,963	1,357,430	742,847	561,730	704,938	1,927,928	2,718,972	2,870,915
Golf course	1,395,529	1,151,069	1,102,123	1,083,059	1,147,648	1,170,655	1,169,150	961,412	879,764	463,925
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	1,000,000	-	-	-	-	-	-	731,284
Total business-type activities program revenues	<u>16,014,981</u>	<u>15,571,211</u>	<u>17,607,067</u>	<u>17,361,854</u>	<u>20,052,065</u>	<u>19,730,237</u>	<u>22,354,382</u>	<u>24,861,316</u>	<u>29,118,143</u>	<u>29,137,563</u>
Total primary government revenues	<u>\$ 28,880,102</u>	<u>\$ 27,853,323</u>	<u>\$ 32,213,284</u>	<u>\$ 31,994,853</u>	<u>\$ 57,386,516</u>	<u>\$ 40,749,557</u>	<u>\$ 40,602,617</u>	<u>\$ 43,286,318</u>	<u>\$ 44,336,775</u>	<u>\$ 47,107,359</u>

City of Rockville, Maryland

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (29,539,851)	\$ (30,952,177)	\$ (30,438,268)	\$ (31,961,197)	\$ (11,386,956)	\$ (32,895,776)	\$ (40,060,979)	\$ (41,845,024)	\$ (45,437,810)	\$ (44,192,643)
Business-type activities	1,510,140	555,310	1,827,621	(677,570)	(7,761,932)	(511,939)	(1,073,647)	211,600	797,373	1,481,868
Total primary government net expense	<u>\$ (28,029,711)</u>	<u>\$ (30,396,867)</u>	<u>\$ (28,610,647)</u>	<u>\$ (32,638,767)</u>	<u>\$ (19,148,888)</u>	<u>\$ (33,407,715)</u>	<u>\$ (41,134,626)</u>	<u>\$ (41,633,424)</u>	<u>\$ (44,640,437)</u>	<u>\$ (42,710,775)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 21,939,085	\$ 22,963,744	\$ 25,980,805	\$ 28,253,720	\$ 31,136,859	\$ 32,089,556	\$ 35,498,520	\$ 35,958,915	\$ 35,102,753	\$ 35,136,328
Income taxes	6,281,463	7,019,649	7,874,409	9,035,343	9,816,933	10,622,311	10,438,811	10,306,947	11,048,348	10,785,534
Gas and motor vehicle taxes	2,564,114	1,991,434	2,497,974	3,097,689	3,264,162	3,052,324	2,666,415	325,985	233,163	765,579
County tax duplications payment	1,482,285	1,259,511	1,698,450	2,131,796	2,228,499	2,228,499	2,228,449	2,228,449	1,894,182	1,894,182
Admissions and amusement taxes	1,079,393	1,023,395	882,405	883,793	911,521	1,057,856	993,354	1,006,370	988,169	1,056,916
Use of money and property	175,598	163,345	362,566	1,577,137	1,443,093	1,749,732	443,807	33,038	270,975	347,043
Other Revenue	384,537	499,605	438,033	445,674	465,977	497,816	760,474	1,320,044	2,543,284	1,574,422
Gain on sale of capital assets	-	-	11,920,985	-	-	-	-	-	-	-
Transfers	1,231,384	1,293,327	1,382,127	1,423,592	1,376,500	1,417,500	1,462,000	1,506,000	485,055	2,215,630
Total governmental activities	<u>35,137,859</u>	<u>36,214,010</u>	<u>53,037,754</u>	<u>46,848,744</u>	<u>50,643,544</u>	<u>52,715,594</u>	<u>54,491,830</u>	<u>52,685,748</u>	<u>52,565,929</u>	<u>53,775,634</u>
Business-type activities:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 90,000	\$ 127,298	\$ 209,005	\$ 140,388	\$ 160,703	\$ (60,328)
Use of money and property	178,343	188,274	305,584	1,463,990	1,741,055	1,013,915	242,160	14,411	14,289	9,416
Gain on sale of capital assets	-	-	101,438	99,465	46,231	615,108	-	-	-	-
Transfers	(1,231,384)	(1,293,327)	(1,382,127)	(1,423,592)	(1,376,500)	(1,417,500)	(1,462,000)	(1,506,000)	(485,055)	(2,215,630)
Total business-type activities	<u>(1,053,041)</u>	<u>(1,105,053)</u>	<u>(975,105)</u>	<u>139,863</u>	<u>500,786</u>	<u>338,821</u>	<u>(1,010,835)</u>	<u>(1,351,201)</u>	<u>(310,063)</u>	<u>(2,266,542)</u>
Total primary government	<u>\$ 34,084,818</u>	<u>\$ 35,108,957</u>	<u>\$ 52,062,649</u>	<u>\$ 46,988,607</u>	<u>\$ 51,144,330</u>	<u>\$ 53,054,415</u>	<u>\$ 53,480,995</u>	<u>\$ 51,334,547</u>	<u>\$ 52,255,866</u>	<u>\$ 51,509,092</u>
Changes in Net Assets										
Governmental activities	5,598,008	5,261,833	22,599,486	14,887,547	39,256,588	19,819,818	14,430,851	10,840,724	7,128,119	9,582,991
Business-type activities	457,099	(549,743)	852,516	(537,707)	(7,261,146)	(173,118)	(2,084,482)	(1,139,601)	487,310	(784,674)
Total primary government	<u>\$ 6,055,107</u>	<u>\$ 4,712,090</u>	<u>\$ 23,452,002</u>	<u>\$ 14,349,840</u>	<u>\$ 31,995,442</u>	<u>\$ 19,646,700</u>	<u>\$ 12,346,369</u>	<u>\$ 9,701,123</u>	<u>\$ 7,615,429</u>	<u>\$ 8,798,317</u>

City of Rockville, Maryland

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,127,492	\$ 985,414	\$ 933,875	\$ 868,548	\$ 2,018,175	\$ 2,331,456	\$ 1,609,972	\$ 1,257,382	\$ -	\$ -
Unreserved/Undesignated	9,444,316	10,595,897	13,923,958	16,082,011	13,648,818	12,720,209	11,995,404	14,031,467	-	-
Nonspendable	-	-	-	-	-	-	-	-	494,311	499,301
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	327,035	510,752
Unassigned	-	-	-	-	-	-	-	-	13,939,120	9,904,002
Total General Fund	\$ 10,571,808	\$ 11,581,311	\$ 14,857,833	\$ 16,950,559	\$ 15,666,993	\$ 15,051,665	\$ 13,605,376	\$ 15,288,849	\$ 14,760,466	\$ 10,914,055
All Other Governmental Funds										
Reserved	\$ 4,835,518	\$ 10,027,786	\$ 24,713,202	\$ 4,643,863	\$ 15,902,123	\$ 5,725,167	\$ 7,998,785	\$ 3,050,726	\$ -	\$ -
Unreserved/Designated in Special revenue fund:	-	-	-	-	-	-	-	3,536,455	-	-
Unreserved/Undesignated, reported in:										
Special revenue funds	415,209	276,905	289,665	429,152	617,402	2,922,070	8,929,383	4,141,005	-	-
Capital projects funds	2,367,186	(1,373,602)	(17,887,390)	-	-	17,539,104	9,270,398	14,442,728	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	38,820,595	32,454,676
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 7,617,913	\$ 8,931,089	\$ 7,115,477	\$ 5,073,015	\$ 16,519,525	\$ 26,186,341	\$ 26,198,566	\$ 25,170,914	\$ 38,820,595	\$ 32,454,676

City of Rockville, Maryland

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Property taxes	\$ 21,496,983	\$ 23,386,926	\$ 26,229,753	\$ 28,513,927	\$ 31,192,975	\$ 32,205,812	\$ 34,526,050	\$ 35,454,838	\$ 34,412,039	\$ 35,030,305
Assessments	433,831	367,247	360,495	330,053	350,005	334,456	442,429	358,924	335,374	315,123
Revenue from other governments:										
Community development block grant	401,357	412,712	357,432	294,481	336,001	336,001	292,500	336,574	195,478	667,014
Income taxes	6,281,463	7,019,049	7,874,409	9,035,343	9,816,933	10,622,311	10,438,811	10,306,947	11,048,348	10,785,534
Gas and motor vehicle taxes	2,564,114	1,991,434	2,497,974	3,097,689	3,264,162	3,052,324	2,666,415	325,985	233,163	765,579
County tax duplication payment	1,482,285	1,259,511	1,698,450	2,131,796	2,228,499	2,228,499	2,228,449	2,228,449	1,894,182	1,894,182
Admissions and amusement taxes	1,079,393	1,023,395	882,405	883,793	911,521	1,057,856	993,354	1,006,370	988,169	1,056,916
Grants and other governmental revenue	4,511,086	1,992,244	3,392,122	6,643,871	12,045,633	5,665,712	5,824,380	5,071,157	2,801,337	3,131,504
Licenses and permits	2,360,679	1,699,991	1,638,646	1,778,686	2,114,909	1,797,039	1,606,198	1,737,186	2,404,046	2,809,367
Charges for services	4,745,633	6,951,909	4,262,498	4,586,595	4,652,890	4,859,899	5,473,187	5,766,551	5,932,617	6,141,471
Use of money and property	813,154	769,971	1,007,890	2,488,505	2,233,471	3,216,669	586,761	204,371	270,975	347,043
Fines and forfeitures	157,787	285,253	811,771	799,486	877,137	634,907	648,478	687,733	3,218,505	2,909,735
Other revenue	1,670,470	1,937,796	4,313,827	2,500,074	10,510,649	7,710,575	7,804,778	7,941,010	8,539,036	7,179,576
Total revenues	\$ 47,998,235	\$ 49,097,438	\$ 55,327,672	\$ 63,084,299	\$ 80,534,785	\$ 73,722,060	\$ 73,531,790	\$ 71,426,095	\$ 72,273,269	\$ 73,033,349
Expenditures										
Current operations:										
General government	8,182,608	8,185,223	8,180,536	9,356,447	10,884,461	11,564,249	14,009,636	14,175,052	14,212,518	14,973,284
Community development block grant	401,357	412,712	357,432	294,481	336,001	336,001	292,500	336,574	197,985	667,294
Community development	1,412,115	1,628,277	1,579,939	3,526,755	3,760,087	4,995,433	3,827,609	3,866,116	4,752,323	4,025,134
Community services	1,434,814	1,496,033	1,360,851	1,156,014	-	-	-	-	-	-
Public safety	7,078,902	7,603,115	7,985,542	6,662,819	7,520,764	9,061,450	9,506,371	10,998,913	10,808,510	10,866,513
Public works	5,160,692	5,232,331	5,315,785	5,253,643	5,862,318	6,206,579	6,088,239	7,107,065	6,574,860	6,539,154
Recreation and parks	12,726,536	13,323,501	13,348,331	13,786,689	16,476,639	18,172,866	19,793,219	19,086,513	19,837,905	19,651,278
Nondepartmental	1,926,597	2,311,980	2,598,367	2,884,558	-	-	-	-	-	-
Capital outlay	9,747,004	26,821,896	31,495,042	16,699,499	27,157,608	16,678,175	15,210,290	9,299,116	11,769,603	18,466,555
Debt service										
Principal	2,026,136	2,696,026	3,126,988	16,528,272	4,105,428	4,554,082	3,467,152	3,464,030	4,669,071	3,924,556
Interest	810,209	875,088	1,217,935	1,744,915	1,552,264	1,695,792	1,700,826	1,568,036	1,713,426	1,871,444
Bond Counsel/Amortization	-	-	-	-	-	55,945	-	4,042	101,525	-
Total expenditures	\$ 50,906,970	\$ 70,586,182	\$ 76,566,748	\$ 77,894,092	\$ 77,655,570	\$ 73,320,572	\$ 73,895,842	\$ 69,905,457	\$ 74,637,726	\$ 80,985,212
Excess (deficiency) revenue over expenditures	\$ (2,908,735)	\$ (21,488,744)	\$ (21,239,076)	\$ (14,809,793)	\$ 2,879,215	\$ 401,488	\$ (364,052)	\$ 1,520,638	\$ (2,364,457)	\$ (7,951,863)
Other Financing Sources (Uses)										
Transfers in	6,656,479	4,501,050	18,698,629	11,490,398	24,564,077	12,737,392	12,633,324	6,522,266	9,064,530	13,457,875
Transfers out	(6,693,271)	(4,537,842)	(18,735,421)	(11,580,341)	(17,280,348)	(14,497,392)	(13,706,324)	(7,402,266)	(12,526,375)	(14,629,075)
Proceeds from sale of capital assets	-	-	22,144,778	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	1,337,600	-
General obligation bonds issued	10,347,994	23,765,000	-	14,950,000	-	10,410,000	-	-	17,610,000	-
Loan payable issued	-	-	592,000	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 10,311,202	\$ 23,728,208	\$ 22,699,986	\$ 14,860,057	\$ 7,283,729	\$ 8,650,000	\$ (1,073,000)	\$ (880,000)	\$ 15,485,755	\$ (1,171,200)
Net change in fund balances	\$ 7,402,467	\$ 2,239,464	\$ 1,460,910	\$ 50,264	\$ 10,162,944	\$ 9,051,488	\$ (1,437,052)	\$ 640,638	\$ 13,121,298	\$ (9,123,063)
Debt Service as percentage of non-capital expenditures	6.89%	8.16%	9.64%	29.86%	11.20%	11.13%	8.81%	8.31%	10.31%	9.27%

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
2003	5,921,959,542	471,400,091	6,393,359,633	0.322	6,393,359,633	9.5%
2004	6,312,353,479	405,552,350	6,717,905,829	0.322	6,717,905,829	5.1%
2005	7,193,741,551	401,877,050	7,595,618,601	0.322	7,595,618,601	13.1%
2006	7,539,816,746	401,458,510	7,941,275,256	0.322	7,941,275,256	4.6%
2007	9,008,163,075	388,343,729	9,396,506,804	0.312	9,396,506,804	18.3%
2008	10,148,794,995	394,410,209	10,543,205,204	0.302	10,543,205,204	12.2%
2009	11,117,285,215	398,207,920	11,515,493,135	0.292	11,515,493,135	9.2%
2010	11,594,235,339	414,163,958	12,008,399,297	0.292	12,008,399,297	4.3%
2011	11,495,912,704	434,487,416	11,930,400,120	0.292	11,930,400,120	-0.6%
2012	11,330,168,497	426,092,660	11,756,261,157	0.292	11,756,261,157	-1.5%

Note: Property is assessed at 100%. For fiscal year ends June 30, 2003 to June 30, 2012, real property and personal property figures are based on the Montgomery County confirmation and Personal Property Assessment Report.

City of Rockville, Maryland

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

Fiscal Year	City	Overlapping Rates	
	Total Direct	Montgomery County	State of Maryland
2003	0.322	0.910	0.132
2004	0.322	0.914	0.132
2005	0.322	0.902	0.132
2006	0.322	0.856	0.132
2007	0.312	0.812	0.112
2008	0.302	0.812	0.112
2009	0.292	0.818	0.112
2010	0.292	0.826	0.112
2011	0.292	0.834	0.112
2012	0.292	0.873	0.112

Note: The City portion of property taxes (FY 2012 direct rate of .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, 2012

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
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%
Total	\$ 1,044,247,078	\$ 1,043,344,788	\$ 902,290	8.88%
Total Assessable Value	<u>\$11,756,261,157</u>			<u>100.00%</u>

For the Fiscal Year Ended June 30, 2003

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Federal Realty Investment Trust	\$ 86,114,880	\$ 84,678,680	\$ 1,436,200	1.35%
Realty Associates Fund III LLP	78,918,410	78,890,580	27,830	1.23%
King Farm, LLC	71,952,204	71,553,764	398,440	1.13%
Tower Dawson, LLC	62,893,660	62,893,660	-	0.98%
Prentiss Property Research	60,388,520	60,381,670	6,850	0.94%
Washington Real Estate Investment	52,697,910	52,601,500	96,410	0.82%
ARE Acquisitions	49,282,850	49,241,600	41,250	0.77%
PEPCO	47,888,730	-	47,888,730	0.75%
T A Western, LLC	47,526,040	47,526,040	-	0.74%
William M. Rickman	46,198,200	46,198,200	-	0.72%
Total	\$ 603,861,404	\$ 553,965,694	\$ 49,895,710	9.45%
Total Assessable Value	<u>\$ 6,393,359,633</u>			<u>100.00%</u>

Source: State of Maryland Department of Assessment and Taxation.

City of Rockville, Maryland

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections /(Refunds) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	22,578,731	21,732,287	96.3%	(235,304)	21,496,983	95.2%
2004	24,315,580	23,325,909	95.9%	61,017	23,386,926	96.2%
2005	26,398,958	26,027,181	98.6%	87,464	26,114,645	98.9%
2006	28,956,431	28,410,726	98.1%	91,920	28,502,646	98.4%
2007	31,124,821	30,670,042	98.5%	534,609	31,204,651	100.3%
2008	33,234,662	32,630,186	98.2%	126,255	32,756,441	98.6%
2009	36,589,554	35,682,475	97.5%	461,407	36,143,882	98.8%
2010	31,804,031	31,710,185	99.7%	1,139,217	32,849,402	103.3%
2011	32,361,767	32,177,932	99.4%	(530,451)	31,647,481	97.8%
2012	33,366,584	33,108,151	99.2%	(1,431,248)	31,676,903	94.9%

Note: Collections are shown net of adjustments and refunds.

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

City of Rockville, Maryland

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Estimated Taxable Value of Property	Per Capita
	General	Loan	General	Loan			
	Obligation Bonds	Payable	Obligation Bonds	Payable			
2003	35,295,444	-	18,656,273	-	53,951,717	0.84%	1,030
2004	46,024,724	-	22,923,193	-	68,947,917	1.03%	1,197
2005	42,918,551	592,000	22,500,169	-	66,010,720	0.87%	1,107
2006	41,399,071	512,393	63,592,756	-	105,504,220	1.33%	1,763
2007	37,374,850	431,186	61,090,128	-	98,896,164	1.05%	1,642
2008	43,313,608	348,346	68,836,288	-	112,498,242	1.07%	1,852
2009	39,930,132	264,670	77,859,328	-	118,054,130	1.03%	1,929
2010	36,552,304	178,467	73,685,966	-	110,416,737	0.92%	1,804
2011	50,918,770	90,530	79,377,243	843,928	131,230,471	1.10%	2,117
2012	47,084,744	-	87,029,809	1,743,220	135,857,773	1.16%	2,183

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

City of Rockville, Maryland

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2003	35,295,444	0.55%	674
2004	46,024,724	0.69%	799
2005	42,918,551	0.57%	720
2006	41,399,071	0.52%	692
2007	37,374,850	0.40%	620
2008	43,313,608	0.41%	713
2009	39,930,132	0.35%	652
2010	36,552,304	0.30%	597
2011	50,918,770	0.43%	821
2012	47,084,744	0.40%	756

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

City of Rockville, Maryland

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

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Rockville	\$ 47,084,744	100.00%	\$ 47,084,744
Montgomery County, Maryland	2,851,196,443	8.09%	230,661,792
Total direct and overlapping debt	\$ 2,898,281,187		\$ 277,746,536

Notes:

- The City is not restricted by legal debt limit.
- Amounts are based on 2012 assessed valuations reported by the State of Maryland Department of Assessments and Taxation.
- 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

<u>Fiscal Year</u>	<u>Population</u>	<u>Unemployment Rate</u>
2003	52,401	2.60
2004	57,619	3.10
2005	59,618	3.18
2006	59,833	2.80
2007	60,242	2.70
2008	60,731	2.62
2009	61,201	4.15
2010	61,209	5.03
2011	61,998	4.78
2012	62,243	4.91

Notes:

- Population estimates are from City of Rockville Department of Community Planning and Development Services for years 2005 to 2009 and 2011 to 2012. Population data for 2010 are taken from US Census Bureau. Employment rates for 2005 to 2012 are a twelve month average taken from Bureau of Labor Statistics.

City of Rockville, Maryland

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

Employer	Fiscal Year 2012		Percentage of Total City Employment	Fiscal Year 2003		Percentage of Total City Employment
	Employees	Rank		Employees	Rank	
Montgomery County Government	4,985	1	6.66%	5,633	1	7.70%
Montgomery County Board of Education	2,500	2	3.34%	2,252	2	3.08%
Lockheed Martin Information Systems	2,000	3	2.67%	*		*
Westat, Inc	2,000	4	2.67%	1,800	3	2.46%
Booz Allen Hamilton	1,282	5	1.71%	*		*
Montgomery College	955	6	1.28%	746	4	1.02%
Quest Software	784	7	1.05%	*		*
BAE Systems	650	8	0.87%	*		*
City Of Rockville	537	9	0.72%	529	5	0.72%
Adventist Healthcare	415	10	0.55%	*		*
Booz Allen Hamilton	*		*	500	6	0.68%
Bae Applied Technologies	*		*	400	7	0.55%
Thomas Financial	*		*	375	8	0.51%
EU Services	*		*	373	9	0.51%
Otsuka American Pharmaceutical Inc.	*		*	360	10	0.49%
Total	<u>16,108</u>		<u>21.53%</u>	<u>12,968</u>		<u>17.72%</u>
Total Estimated City Employment	<u>74,800</u>			<u>73,179</u>		

Sources: Rockville Economic Development Incorporated.

* Not applicable for the fiscal year presented.

City of Rockville, Maryland

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Mayor and Council	6.5	5.5	5.5	4.5	4.5	4.0	5.0	3.0	3.0	3.0
City Manager	18.1	16.1	16.1	21.4	21.6	23.6	28.0	28.0	28.0	28.0
City Attorney	-	-	-	-	-	-	-	5.0	5.0	6.0
Human Resources	8.0	8.0	8.0	8.0	8.0	8.0	9.0	10.0	10.0	10.0
Finance	28.0	27.5	27.5	28.5	29.0	29.0	30.0	30.0	30.0	29.0
Information and technology	21.0	21.0	21.0	21.0	21.0	20.0	17.5	17.5	17.5	17.5
Community development	46.0	44.0	44.0	44.0	45.0	43.6	43.6	42.6	40.6	40.6
Community service	26.5	27.5	27.0	13.0	-	-	-	-	-	-
Public Safety	67.5	68.5	68.5	79.0	85.5	84.0	88.0	90.0	86.1	87.0
Public Works	63.1	63.0	66.5	62.1	62.1	63.1	74.2	76.1	72.7	72.7
Recreation and parks	145.8	146.4	139.5	138.2	148.4	147.5	151.7	151.1	147.8	143.1
Water	18.8	19.9	20.0	21.3	24.3	26.3	24.3	24.0	24.0	26.0
Sewer	11.6	11.6	13.0	13.2	13.2	13.2	14.0	13.5	13.8	13.8
Refuse collection	42.0	44.0	43.0	45.9	45.9	45.9	40.9	37.3	33.3	33.3
Parking	-	-	-	1.0	1.0	6.5	7.4	6.0	5.9	4.0
Stormwater management	11.5	11.5	11.5	11.5	12.0	10.5	10.7	11.2	12.4	13.4
Golf course	12.8	12.8	10.8	9.8	9.8	9.8	9.8	9.8	9.8	-
Total	<u>527.20</u>	<u>527.30</u>	<u>521.90</u>	<u>522.40</u>	<u>531.30</u>	<u>535.00</u>	<u>554.10</u>	<u>555.10</u>	<u>539.80</u>	<u>527.30</u>

Notes:

- In 2007 the Community Services Department merged with Recreation and Parks Department.
- 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Vehicles	48	54	60	64	66	66	72	69	69	69
Refuse collection										
Collection trucks	12	14	13	13	15	15	16	16	16	16
Other public works										
Streets (miles)	147.81	150.57	156.42	156.42	156.42	156.42	156.42	156.42	156.42	156.42
Street lights	5,752	5,770	5,797	5,797	2,992	2,992	2,992	3,064	3,337	3,266
Sidewalks (miles)	227.75	261.21	297.62	297.62	297.62	297.62	297.62	251.02	251.02	255.97
Recreation and Parks										
Acreage	935	944	1,020	1,050	1,050	1,050	1,071	1,061	1,062	1,062
Playgrounds	36	36	39	40	41	41	48	52	53	53
Athletic Courts	88	88	88	88	95	95	95	96	96	96
Community centers	4	5	5	5	5	5	6	6	6	6
Water										
Water mains (miles)	148.84	179.65	178.00	178.40	178.40	178.40	178.40	178.80	174.92	175.10
Fire hydrants	1,302	1,320	1,369	1,369	1,369	1,369	1,369	1,372	1,379	1,382
Storage capacity (millions of gallons)	8.0	8.0	8.0	8.0	12.1	12.1	12.1	12.1	12.1	12.1
Sewer										
Sanitary sewers (miles)	136.01	140.20	140.20	140.20	140.20	140.20	141.60	148.40	147.66	147.23
Storm sewers (miles)	62.14	97.60	97.60	97.60	97.60	97.60	97.60	100.00	101.33	101.58

Note:

- In FY 2010, the number of existing sidewalks is lower than previously reported. Tools used to measure the infrastructure are now more accurate than in previous years. Information was obtained from various City departments. In FY 2011, the total water mains decreased as a result of improved tools used to measure infrastructure.
- Prior to FY 2007, the City reported all street lights, including those owned by private utility companies. In FY 2007 and going forward, the City reports only City owned street lights.

City of Rockville, Maryland

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building permits issued	1,812	1,527	1,469	990	998	908	741	721	837	793
Estimated Cost of Construction	\$ 266,284,496	\$ 135,956,673	\$ 202,325,236	\$ 217,801,267	\$ 339,709,197	\$ 152,204,771	\$ 161,437,877	\$ 57,578,308	\$ 191,277,388	\$ 146,811,135
Police										
Physical arrests	982	1,132	1,173	1,144	1,213	1,165	1,196	896	1,070	1,400
Traffic violations*	21,424	27,637	25,851	21,213	22,478	20,337	13,922	10,735	15,947	32,788
Refuse collection										
Refuse (Disposed) (tons per year)	13,045	13,385	13,957	14,012	14,000	13,929	12,132	11,621	11,439	10,829
Yard Waste (composted/Mulched)	5,792	5,792	5,833	6,266	5,749	5,860	4,788	6,430	5,934	6,072
Recyclables collected (tons per year)	5,175	5,296	5,318	5,315	5,404	5,303	5,189	5,561	5,634	5,508
Recreation and Parks										
Program enrollments	28,674	30,767	30,704	29,525	31,535	32,260	32,610	31,359	32,423	33,518
Water										
Number of Accounts	12,182	12,379	12,487	12,461	12,472	12,614	12,654	12,623	12,617	12,650
Average daily consumption (millions of gallons)	5.116	4.765	4.149	4.865	5.013	5.000	5.016	4.813	4.750	4.882
Sewer										
Avg. daily sewer treatment (millions of gallons)	7.523	6.550	6.146	6.113	6.291	5.915	6.125	6.698	6.588	6.391

Note:

- Information was obtained from various City departments.

*Traffic violations do not include speed camera or redlight camera citations. E-Tix system was implemented during FY12, resulting in higher traffic citations.

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