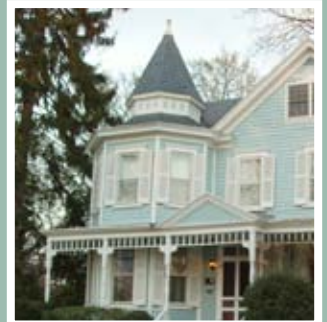
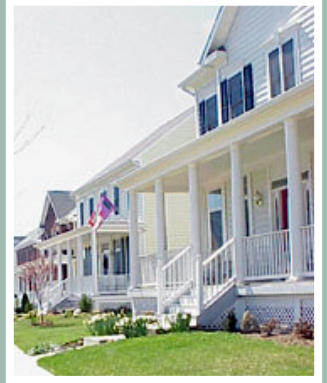


**City of Rockville, Maryland**

**Comprehensive  
Annual  
Financial  
Report**

**Fiscal Year 2008  
July 1, 2007 through June 30, 2008**

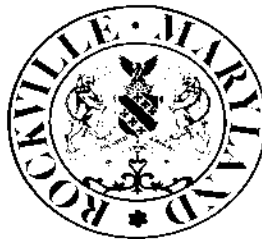


# **Introductory Section**



**City of Rockville, Maryland**

# **Comprehensive Annual Financial Report**



Prepared by:  
Department of Finance

Gavin Cohen  
Director of Finance

Jennifer Frank  
Accounting Manager

Fiscal Year 2008  
July 1, 2007 - June 30, 2008

# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

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City of Rockville, Maryland  
Comprehensive Annual Financial Report  
June 30, 2008

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Comprehensive Annual Financial Report  
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**CITY OF ROCKVILLE, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2008**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**MAYOR**

Susan R. Hoffmann

**COUNCIL MEMBERS**

John Britton

Piotr Gajewski

Phyllis Marcuccio

Anne M. Robbins

**CITY MANAGER**

Scott Ullery

**CITY CLERK**

Claire F. Funkhouser



October 31, 2008

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, 2008.

This report consists of management's representations concerning the finances of the City of Rockville. 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 audited by Reznick Group, PC, 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, 2008, 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 auditor 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, 2008, 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.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. 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 of Rockville's separately issued Single Audit Report.

GAAP require 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 the MD&A and should be read in conjunction. The City's MD&A can be found immediately following the independent auditors report.

#### PROFILE OF THE GOVERNMENT

The City of Rockville 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 is responsible, for passing ordinances,



adopting the budget, appointing boards and commissions, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the government, and for appointing the directors of the various departments.

The City provides a full range of services, including water, sewer, refuse, parking, streets and drainage, recreation and parks, police, planning and zoning, community development and community services. Schools, libraries, social services and fire protection are provided by Montgomery County, Maryland.

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. Rockville has an estimated population of 63,170 and a land area of 13.50 square miles. According to the 2000 census, Rockville 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.

As a management policy, unreserved and undesignated General Fund fund balance will be maintained at a level not less than 15 percent of annual general fund revenue. The purpose of the unreserved balance is to alleviate significant unanticipated budget shortfalls and to ensure orderly provision of services to residents. To the extent the unreserved general fund balance 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 items.

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 59 as part of the required supplementary information section for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, these comparisons are presented on pages 61, 64 and 65.

#### FACTORS AFFECTING FINANCIAL CONDITION

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

#### LOCAL ECONOMY

The City's economic environment and local indicators point to continued growth at a slower rate. The region has a firm employment base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, bio-tech and several financial institutions.

The City has an employed labor force of approximately 83,972. Rockville has experienced substantial residential and commercial growth in recent years and this growth is expected to slow down over the next several years.

The following table lists the labor force, employed persons and average unemployment rates for Montgomery County as compared to the unemployment rates for the State of Maryland for the years 2004 through 2008. Information presented in the table below has not been seasonally adjusted.



**Unemployment Statistics**

Year	Montgomery County				State of Maryland
	Labor Force	Employment	Unemployment	Unemployment Rate	Unemployment Rate
2008	512,760	498,396	14,364	2.80%	3.80%
2007	512,130	498,279	13,851	2.70%	3.60%
2006	516,688	504,751	14,937	2.90%	3.90%
2005	507,556	491,643	15,913	3.10%	4.20%
2004	498,237	482,131	16,106	3.20%	4.30%

*Source: Maryland Division of Employment Security.*

Income levels in the City of Rockville are among some of the highest in the nation. Retail sales have grown steadily, and many of the major retail centers are located in the Town Center and along Rockville Pike (Maryland Route 355). A significant percentage of the City’s retail trade results from expenditures by individuals living outside the City.

The retail sales and buying income lists median household effective buying income (EBI) and per capita retail sales for the City of Rockville and Montgomery County for the years 2002 through 2006, as reported in Sales and Marketing Management, “Survey of Buying Power.”

**Retail Sales / Buying Income**

Year	Median Household EBI		Per Capita Retail Sales	
	City of Rockville	Montgomery County	City of Rockville	Montgomery County
2006	63,850	66,215	28,960	16,588
2005	60,776	62,745	27,562	15,920
2004	57,206	61,223	26,901	14,640
2003	56,501	59,508	27,400	13,937
2002	56,213	58,620	24,424	13,186

*Source: Sales and Marketing Management, "Survey of Buying Power."*

**LONG - TERM FINANCIAL PLANNING**

The City spends significant time and resources planning for the future. Through a mix of land use, financial policies, and forecasting, the City's goal is to maximize its current use of resources to ensure stability. The success of these initiatives is reflected in the City's credit rating from both Standards and Poor's and Moody's rating agencies. Both agencies rated all of the City's debt at AAA and Aaa with a pending debt issue of \$13,150,000 in September 2008 for infrastructure improvements in the Water Fund.



The Mayor and Council utilize land use restrictions and zoning to ensure that developers pay a fair share for growth projects, and the City ensures infrastructure is in place to support any new development. The City has recently completed several large project areas such as King Farm, Falls Grove, and Town Center that have contributed significant tax revenue to the City. The City's financial 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, that allow policy makers to see the financial impact of their decisions for five years. Most importantly, the City continues to maintain its General Fund reserve levels of 15% of revenue that it has exceeded the past several years. Careful monitoring of City debt and charging fees at full cost recovery, where possible, will ensure the financial health of the City.

For the last several years, the City has been the beneficiary of a healthy regional economy including a strong housing market and very low unemployment which lead to strong tax revenue for the City. The City is preparing to deal with an economic slowdown.

## **MAJOR INITIATIVES**

- The Department of Public Works began replacing more than 30 miles of aging water pipe. This project is projected to span over 20 years. Rockville has also been replacing residential water meters. This program will last three years replacing 10,000 meters.
- The City is working to construct the eco-friendly Thomas Farm Community Center that will feature pervious surfaces, which absorb rainwater and runoff and a geo-thermal heating and cooling system.
- The City successfully lobbied for a 2 percent hotel tax. The tax will go into effect October 2008. The revenue received will be used to partially cover costs of providing roads, as well as police and recreation and parks services. Additionally, the state law that allowed Rockville to enact a hotel tax requires that 3.5 percent of the money collected be distributed to the Montgomery County Conference and Visitors Bureau, which markets the region to travelers.

## **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 of Rockville for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the 18th consecutive year that the government 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 and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, the government'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 Outstanding Achievement for the Popular Annual Financial Reporting (PAFR) for the fiscal year 2007. This is the first year the City has produced this report.



The PAFR is specifically designed to be readily accessible and 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 Tate, Fran Jablonski, Tim Peifer, Wanda Roelkey, Nancy Zombolas 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, conservative fashion.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Scott Ullery".

Scott Ullery  
City Manager

A handwritten signature in cursive script, appearing to read "Gavin Cohen".

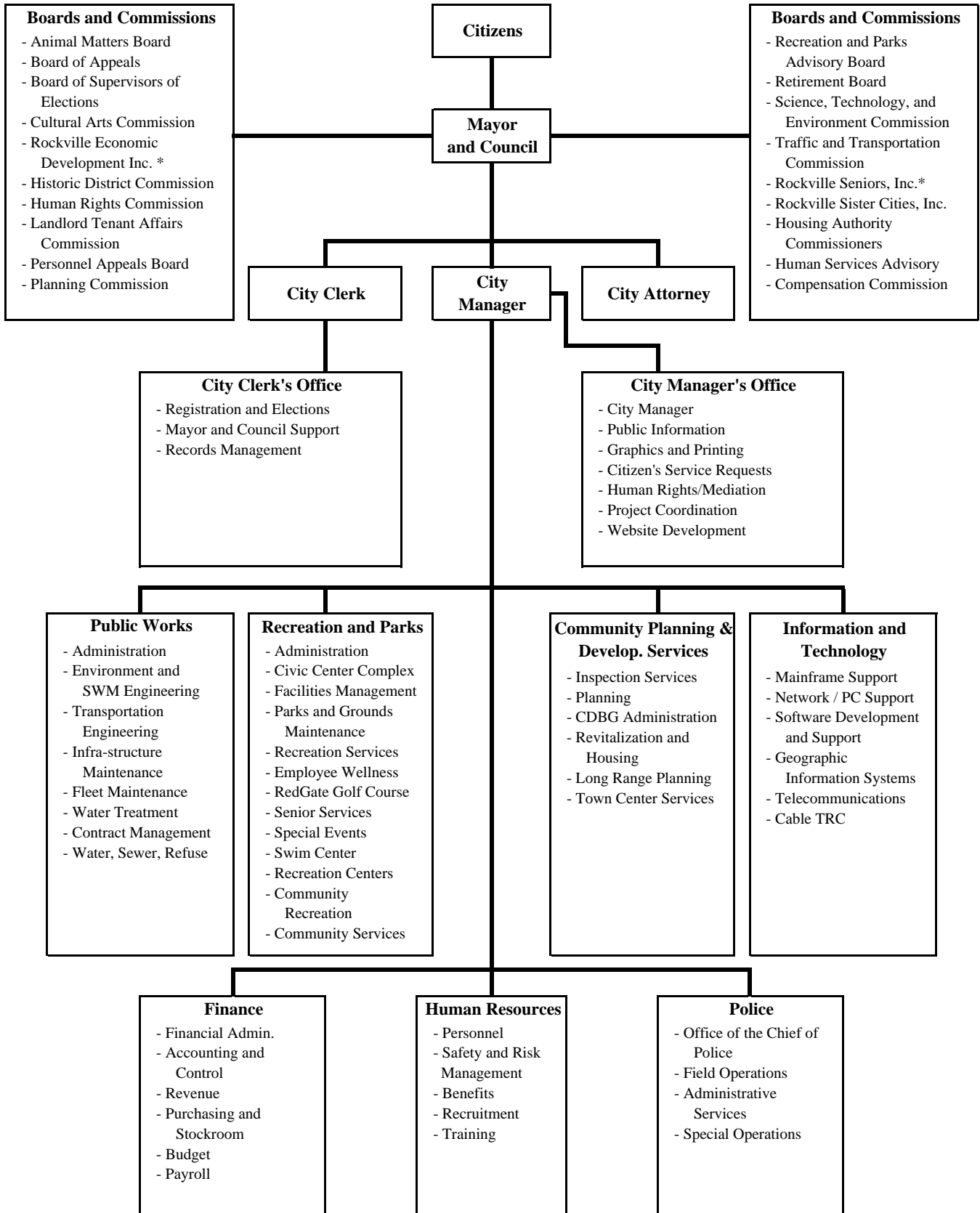
Gavin Cohen  
Director of Finance

A handwritten signature in cursive script, appearing to read "Jennifer Frank".

Jennifer Frank  
Accounting Manager

# City of Rockville Organizational Chart

June 2008



\* Affiliated Organization

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## **Financial Section**





Reznick Group, P.C.  
500 East Pratt Street  
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## 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, 2008, 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 of Rockville, Maryland, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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, 2008, 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.



The Management's Discussion and Analysis and Public Employee Retirement System information on pages 15 through 22 and 57 and 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockville, Maryland's basic financial statements. The Budgetary Comparison Schedule - General Fund on page 59 and the Budgetary Comparison Schedule - Debt Service Fund on page 61 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). The financial information listed as other supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Reznick Group, P.C.*

Baltimore, Maryland  
October 31, 2008

## **Management's Discussion and Analysis**



## Management's Discussion and Analysis

As management of the City of Rockville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6 – 10 of this report and the financial statements beginning on page 23.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Rockville exceeded its liabilities at the close of the most recent fiscal year by \$271,450,478 (net assets). Of this amount, \$59,741,587 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41,238,006. Approximately 8% of this total amount, \$3,359,269, is reserved for debt service.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,620,253 or 28.7% of total general fund expenditures.
- The City's total bonded debt increased by \$13,323,649 or 13.5% during the current fiscal year.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$2,948,069 for an average rate of return of 3.82%. The average daily investment portfolio was \$77,058,724.

### 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 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 government's net assets changed during the most recent 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, public safety, highways and streets, economic development, community development, community services, and parks and recreation. The business-type activities of the City of Rockville include water, sewer, refuse, stormwater management, parking and golf course operations.

The government-wide financial statements can be found on pages 23-24 of this report.

## **Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other four 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 62 – 63 of this report.

The City adopts an annual appropriated budget for its general fund, special revenue funds, and debt service fund. Budgetary comparison statements can be found on pages 59, 61, 64 and 65, respectively.

The governmental fund financial statements can be found on pages 25-28 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, storm water 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 fund financial statements provide separate information for the water, sewer, refuse, parking, storm water management and the golf course, which are considered the major funds of the City. The refuse and golf course funds do not meet the requirements of a major fund, but management has elected to report these funds as major.

The enterprise fund financial statements can be found on pages 29-32 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 statement can be found on pages 33 and 34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 55 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 57 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 and schedules can be found on pages 62 through 65 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Rockville's assets exceeded liabilities by \$271,450,478 at the close of the most recent fiscal year.

The largest portion of the City's net assets (78.0 percent) is reflected in its investment in capital assets (e.g., CIP and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; 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	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 45,066,007	\$ 50,923,347	\$ 25,335,478	\$ 25,856,733	\$ 70,401,485	\$ 76,780,080
Capital Assets	200,255,560	217,553,027	100,863,154	106,352,926	301,118,714	323,905,953
Total Assets	\$ 245,321,567	\$ 268,476,374	\$ 126,198,632	\$ 132,209,659	\$ 371,520,199	\$ 400,686,033
Long-term Liabilities	40,923,102	47,328,490	61,672,597	69,404,378	102,595,699	116,732,868
Other Liabilities	11,043,390	7,972,991	6,077,332	4,528,696	17,120,722	12,501,687
Total Liabilities	\$ 51,966,492	\$ 55,301,481	\$ 67,749,929	\$ 73,933,074	\$ 119,716,421	\$ 129,234,555
Net Assets:						
Invested in Capital Assets, Net of Related Debt	162,449,524	173,891,073	\$ 39,795,777	\$ 37,817,818	202,245,301	211,708,891
Unrestricted	30,905,551	39,283,820	18,652,926	20,457,767	49,558,477	59,741,587
Total Net Assets	\$ 193,355,075	\$ 213,174,893	\$ 58,448,703	\$ 58,275,585	\$ 251,803,778	\$ 271,450,478

At the end of the current fiscal year, the balance of unrestricted net assets \$59,741,587 may be used to meet the government's ongoing obligations to citizens and creditors. The City is able to report positive balances for the government as a whole, as well as for its separate governmental and business-type activities for the most recent fiscal year.

The governmental activities investment in capital assets, net of related debt increased by \$11,441,549 or 7.0%. Most of this increase is related to the issuance of new debt and increased capital projects expenditures.

The business-type activities investment in capital assets, net of related debt decreased by (\$1,977,959 ) or (4.97%). A majority of this decrease is related to the new debt issuance and lower capital expenditures.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 8,555,651	\$ 12,930,881	\$ 20,142,065	\$ 19,857,535	\$ 28,697,716	\$ 32,788,416
Operating grants & contrib	1,345,507	2,129,989	-	-	1,345,507	2,129,989
Capital grants & contrib.	27,433,293	5,958,450	-	-	27,433,293	5,958,450
General revenues:						
Property taxes	31,136,859	32,089,556	-	-	31,136,859	32,089,556
Other taxes	16,221,115	16,960,990	-	-	16,221,115	16,960,990
Other	1,909,070	2,247,548	1,787,286	1,629,023	3,696,356	3,876,571
<b>Total Revenues:</b>	<b>\$ 86,601,495</b>	<b>\$ 72,317,414</b>	<b>\$ 21,929,351</b>	<b>\$ 21,486,558</b>	<b>\$ 108,530,846</b>	<b>\$ 93,803,972</b>
<b>Expenses:</b>						
General government	\$ 11,183,434	\$ 12,221,181	\$ -	\$ -	\$ 11,183,434	\$ 12,221,181
CDBG	274,773	336,001	-	-	274,773	336,001
Community development	3,819,641	5,009,654	-	-	3,819,641	5,009,654
Public safety	7,642,022	9,276,061	-	-	7,642,022	9,276,061
Public works	6,540,061	6,618,979	-	-	6,540,061	6,618,979
Recreation and Parks	17,685,035	18,757,428	-	-	17,685,035	18,757,428
Interest on long term debt	1,576,441	1,695,792	-	-	1,576,441	1,695,792
Water	-	-	5,393,739	6,313,155	5,393,739	6,313,155
Sewer	-	-	4,871,708	5,830,893	4,871,708	5,830,893
Refuse	-	-	4,657,308	4,737,333	4,657,308	4,737,333
Parking	-	-	8,937,779	805,656	8,937,779	805,656
Stormwater management	-	-	2,673,487	1,185,276	2,673,487	1,185,276
Golf Course	-	-	1,279,976	1,369,863	1,279,976	1,369,863
<b>Total Expenses:</b>	<b>\$ 48,721,407</b>	<b>\$ 53,915,096</b>	<b>\$ 27,813,997</b>	<b>\$ 20,242,176</b>	<b>\$ 76,535,404</b>	<b>\$ 74,157,272</b>
Increase in net assets before transfers	37,880,088	18,402,318	(5,884,646)	1,244,382	31,995,442	19,646,700
Transfers	1,376,500	1,417,500	(1,376,500)	(1,417,500)	-	-
Increase in net assets	39,256,588	19,819,818	(7,261,146)	(173,118)	31,995,442	19,646,700
Net assets	154,098,487	193,355,075	65,709,849	58,448,703	219,808,336	251,803,778
Net assets – ending	\$ 193,355,075	\$ 213,174,893	\$ 58,448,703	\$ 58,275,585	\$ 251,803,778	\$ 271,450,478

**Governmental activities.** Governmental activities net assets were \$213,174,893 at the end of the fiscal year, an increase of \$19,819,818 or 10.3% over beginning net assets. Capital grants and contributions decreased by (\$21,474,843) (78.3%) during the year. This decrease is the result of Town Center being complete in FY 08 and no developer contributions were received. Only remaining grant funds were received in FY 08. Public Safety expenses increased by \$1,634,039, which represents an increase of 21.4% compared to the previous year. This increase is related to revenue received from the new speed camera program and the red light program.

**Business-type activities.** Business-type activities total net assets decreased by (\$173,118) or 0.3%. This is due to a decrease in capital assets due to completion of Town Center parking garages. Water and sewer revenues were stable but water/sewer connection revenues decreased due to less development in the area.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$41,238,006, an increase of \$9,051,488 or 28.0% in comparison with the prior year. The unreserved fund balance had a balance of \$34,081,427. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period \$3,019,057; 2) to pay debt service \$3,359,269; or 3) for a variety of other restricted purposes \$778,253.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$13,620,253, while total fund balance reached \$15,051,665.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28.7% of total general fund expenditures, while total fund balance represents 31.7% of that same amount.

The fund balance of the City of Rockville's general fund decreased by (\$615,328) during the current fiscal year. The decrease is related to the additional transfer of funds to the Parking Fund. The fund balance of Capital Projects increased by \$8,149,140 during the current fiscal year. This is related to the issuance of new debt for capital projects.

The debt service fund has a total fund balance of \$3,359,269 all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was (\$786,992). This decrease is due to drawing down the balance in the fund.

**Proprietary funds.** The City of Rockville's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the Water, Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds at the end of the year amounted to (\$1,138,052), \$5,663,878, \$4,388,783, \$4,953,814, \$7,425,694 and (\$836,350) respectively.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget was an increase of 12.6% during the year (\$7,317,062 increase in appropriations) and can be briefly summarized as follows:

- \$5,466,498 increase in pay-go contributions for construction projects
- \$615,000 additional funds to help support the parking fund
- \$1,195,197 increase for reappropriation of FY 07 encumbrances

This increase of \$7,317,062 was funded from available fund balance. Funds drawn from the fund balance are to be used only for expenditures or transfers of a non-recurring nature.

On the expenditures side, operating expenditures increased by \$1,235,564. This is due in part to increase in technology costs for the IT department. On the revenue side, income taxes received totaled \$2.3 million higher than budgeted and interest income received totaled \$1,094,515 higher than budgeted.

**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, 2008, amounts to \$323,905,953 (net of accumulated depreciation). This investment in capital assets includes land, 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 \$22,787,239 or 7.6% (a 8.6% increase for governmental activities and a 5.4% increase for business-type activities).

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

- Construction on the Thomas Farm Community Center; construction cost at the end of fiscal year were \$2,243,935.
- Construction on Parking Garages; construction costs at of the end of the current fiscal year were \$1,989,899.
- Construction on the I-270 Pedestrian Bridge was completed; construction costs at the end of the current fiscal year were \$1,017,360.
- Construction on the Gude Drive facility; construction costs at the end of the current fiscal year were \$2,833,668.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$ 7,843,832	\$ 7,843,832	\$ 2,058,940	\$ 2,058,940	\$ 9,902,772	\$ 9,902,772
Buildings	22,052,280	21,453,203	26,998,168	26,220,115	49,050,448	47,673,318
Improv. other than buildings	3,184,295	3,021,831	35,920,159	35,128,901	39,104,454	38,150,732
Machinery and Equipment	3,484,052	3,471,587	974,245	2,057,618	4,458,297	5,529,205
Infrastructure	85,100,568	88,776,665	-	-	85,100,568	88,776,665
Purchased Capacity	-	-	13,529,157	13,223,568	13,529,157	13,223,568
Construction in Progress	78,590,533	92,985,909	21,382,485	27,663,784	99,973,018	120,649,693
Total	\$ 200,255,560	\$ 217,553,027	\$ 100,863,154	\$ 106,352,926	\$ 301,118,714	\$ 323,905,953

Additional information on the City's capital assets can be found in note (2) C on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$116,732,868, which is backed by the full faith and credit of the government.

**City of Rockville's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
General Obligation Bonds	\$ 37,806,036	\$ 43,661,954	\$ 61,067,377	\$ 68,535,108	\$ 98,873,413	\$ 112,197,062
Accrued Obligations for Compensated Balances	3,117,066	3,666,536	605,220	869,270	3,722,286	4,535,806
<b>Total Long-Term Liabilities</b>	<b>\$ 40,923,102</b>	<b>\$ 47,328,490</b>	<b>\$ 61,672,597</b>	<b>\$ 69,404,378</b>	<b>\$ 102,595,699</b>	<b>\$ 116,732,868</b>

The City's total bonded debt increased by \$13,323,649 (13.5%) compared to last fiscal year. The key factor in this increase was the debt issuance of \$21,750,000 in September 2007. Compensated absences increased by \$813,520 (21.9%) during the fiscal year.

The City of Rockville has been awarded a "AAA" rating from Standard & Poor's and a "Aaa" rating from Moody's Investor Service for its general obligation debt.

The City's performance against key quantitative measures specified within it's fiscal policies is as follows:

**Key Financial Ratios Compared to Policy Targets Historical Performance**

	Policy Targets	As of June 30, 2008	As of June 30, 2007	As of June 30, 2006	As of June 30, 2005
Adjusted Net Bonded Debt as a Percentage of Assessed Value	2.0% / 0.8%	0.3%	0.5% / 0.3% <sup>3</sup>	0.6% / 0.4% <sup>3</sup>	0.5% / 0.4% <sup>2</sup>
Adjusted Net Bonded Debt per Capita	\$700	\$626	\$627 / 404 <sup>3</sup>	\$705 / 492 <sup>3</sup>	\$671 / 463 <sup>2</sup>
Adjusted Net Bonded Debt per Capita as a Percentage of Per Capita Income	2.5%	2.3%	2.4% / 2.0% <sup>3</sup>	2.4% / 2.0% <sup>3</sup>	2.3% / 1.9% <sup>1</sup>
Net Bonded Debt Service Costs as a Percentage of Expenditures for the General, Special Revenue, and Debt Service Funds	15.0%	8.2%	9.7%	10.4%	9.2%
Unreserved undesignated General Fund balance as a percentage of General Fund revenue	15.0%	20.7%	22.7%	28.7%	27.9%

The policy targets were all met.

1. On September 8, 2003, the City paid off \$14,715,000 of 1993 series general obligation bonds, which were refunded on June 1, 2003, see footnote (2) E for details. Based upon the above information, the restated ratios as of September 8, 2003 for adjusted net bonded debt to assessed value is 0.3%, the adjusted net bonded debt per capita would be \$326 and the adjusted net bonded debt per capita as a percentage of per capita income would be 1.1%, and the ratio for adjusted net bonded debt to assessed value is 0.3%.

2. The City issued \$12,350,000 of short-term Bond Anticipation Notes (BAN's) in June 2004 for costs associated with the redevelopment of Town Center. The BAN's were repaid with the developer contributions during FY 2006. Based upon the above information the restated dollar amount for adjusted net bonded debt per capital would be \$463 in FY 2005 and \$523 in FY 2004, adjusted net bonded debt per capita as a percentage of per capita income would be 1.9%, and the ratio for adjusted net bonded debt to assessed value is 0.4%.

3. On September 23, 2005, the City issued \$56,735,000 in general obligation bonds for costs associated with the development of Town Center. Based upon the above information the restated dollar amount for adjusted net bonded debt per capita would be \$492, adjusted net bonded debt per capita as a percentage of per capita income would be 2.0%, and the ratio for adjusted net bonded debt to assessed value is 0.4%

Additional information on the City of Rockville's long-term debt can be found in note (2) E on pages 44-48 of this report.

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

- The unemployment rate for the City of Rockville and the State of Maryland compares favorably to the national average rate.
- The occupancy rate of the government's business district has remained consistent for the past three years.
- Inflation in the region has been low as it has been across the country.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

The impact of the slower rate of new development is not apparent in the City because property values remain high and due to the phase in of assessments. Assessed valuations are not decreasing, however, they are increasing at lower rates. The projected revenue growth for FY 2009 allows for a one cent reduction in the real property tax rate from \$0.302 to \$0.292 per \$100 of assessed valuation. In addition to the penny decrease in the real property tax rate, the FY 09 budget includes a one-time tax credit of \$100 for every owner-occupied household through the States income tax offset program. In total, the FY 09 budget included \$2.7 million for property taxes to combat higher assessed value.

The water and sewer rates increased for the 2009 budget year. The water rates increased by 7.8 percent and the sewer rates increased by 3.93 percent for all customers, while refuse rate remained at \$32.70 per month, the same as in FY 2008. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage, the refuse rate applies only to residential customers. The increase in water and sewer rates are due to operating and capital expenses to evaluate the City's overall water program. In FY 08, the City completed a major meter replacement program and refuse went to single stream recycling and once a week trash collection.

## **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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 111 Maryland Avenue, City of Rockville, Rockville, Maryland, 20850.

# **Basic Financial Statements**



## City of Rockville, Maryland

### Statement of Net Assets June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 43,922,280	\$ 20,928,797	\$ 64,851,077
Property tax receivable, net	507,043	-	507,043
Accounts receivables, net	654,723	4,782,551	5,437,274
Due from other governments	3,259,242	-	3,259,242
Assessments receivable	-	9,859	9,859
Other assets	1,092,204	95,591	1,187,795
Unbilled assessments receivable	1,487,855	39,935	1,527,790
Capital assets (net of accumulated depreciation):			
Land	7,843,832	2,058,940	9,902,772
Construction in progress	92,985,909	27,663,784	120,649,693
Buildings	21,453,203	26,220,115	47,673,318
Improvements other than buildings	3,021,831	35,128,901	38,150,732
Equipment	3,471,587	2,057,618	5,529,205
Infrastructure	88,776,665	-	88,776,665
Purchase Capacity	-	13,223,568	13,223,568
<b>Total Assets</b>	<b>\$ 268,476,374</b>	<b>\$ 132,209,659</b>	<b>\$ 400,686,033</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 4,154,696	\$ 2,977,005	\$ 7,131,701
Internal balances	(605,901)	605,901	-
Accrued liabilities	1,266,564	699,701	1,966,265
Unearned revenue	913,214	49,028	962,242
Retainages payable	979,557	182,911	1,162,468
Deposits and other liabilities	1,264,861	14,150	1,279,011
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	2,676,571	413,361	3,089,932
Bonds payable and loan payable	3,467,981	3,301,960	6,769,941
Due in more than one year:			
Compensated absences	989,965	455,909	1,445,874
Bonds payable and loan payable	40,193,973	65,233,148	105,427,121
<b>Total Liabilities</b>	<b>\$ 55,301,481</b>	<b>\$ 73,933,074</b>	<b>\$ 129,234,555</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 173,891,073	\$ 37,817,818	\$ 211,708,891
Unrestricted	39,283,820	20,457,767	59,741,587
<b>Total Net Assets</b>	<b>\$ 213,174,893</b>	<b>\$ 58,275,585</b>	<b>\$ 271,450,478</b>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Activities June 30, 2008

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 12,886,455	\$ 678,759	\$ -	\$ 254,442	\$ (11,953,254)	\$ -	\$ (11,953,254)
Community development block grant	336,001	-	336,001	-	-	-	-
Community development	4,344,380	1,651,562	2,250	2,470,000	(220,568)	-	(220,568)
Public safety	9,276,061	5,247,732	681,361	-	(3,346,968)	-	(3,346,968)
Public works	6,618,979	319,425	535,830	1,169,022	(4,594,702)	-	(4,594,702)
Recreation and parks	18,757,428	4,943,264	574,547	2,064,986	(11,174,631)	-	(11,174,631)
Interest long-term debt	1,695,792	90,139	-	-	(1,605,653)	-	(1,605,653)
<b>Total governmental activities</b>	<b>\$ 53,915,096</b>	<b>\$ 12,930,881</b>	<b>\$ 2,129,989</b>	<b>\$ 5,958,450</b>	<b>\$ (32,895,776)</b>	<b>\$ -</b>	<b>\$ (32,895,776)</b>
Business-type activities:							
Water	6,313,155	5,217,205	-	-	-	(1,095,950)	(1,095,950)
Sewer	5,830,893	5,772,419	-	-	-	(58,474)	(58,474)
Refuse	4,737,333	5,403,071	-	-	-	665,738	665,738
Parking	805,656	1,732,455	-	-	-	926,799	926,799
Stormwater management	1,185,276	561,730	-	-	-	(623,546)	(623,546)
Golf course	1,369,863	1,170,655	-	-	-	(199,208)	(199,208)
<b>Total business-type activities</b>	<b>\$ 20,242,176</b>	<b>\$ 19,857,535</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (384,641)</b>	<b>\$ (384,641)</b>
<b>Total primary government</b>	<b>\$ 74,157,272</b>	<b>\$ 32,788,416</b>	<b>\$ 2,129,989</b>	<b>\$ 5,958,450</b>	<b>\$ (32,895,776)</b>	<b>\$ (384,641)</b>	<b>\$ (33,280,417)</b>
General revenues:							
Property taxes					\$ 32,089,556	\$ -	\$ 32,089,556
Income taxes					10,622,311	-	10,622,311
Gas and motor vehicle taxes					3,052,324	-	3,052,324
County tax duplication payment					2,228,499	-	2,228,499
Admissions and amusement taxes					1,057,856	-	1,057,856
Use of money and property					1,749,732	1,013,915	2,763,647
Other revenue					497,816	-	497,816
Gain on sale of capital assets					-	615,108	615,108
Transfers					1,417,500	(1,417,500)	-
<b>Total general revenues and transfers</b>					<b>\$ 52,715,594</b>	<b>\$ 211,523</b>	<b>\$ 52,927,117</b>
Change in net assets					19,819,818	(173,118)	19,646,700
Net assets – beginning					193,355,075	58,448,703	251,803,778
Net assets – ending					<b>\$ 213,174,893</b>	<b>\$ 58,275,585</b>	<b>\$ 271,450,478</b>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Balance Sheet Governmental Funds June 30, 2008

<b>Assets</b>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Equity in pooled cash and cash equivalents	\$ 15,422,509	\$ 3,698,411	\$ 22,091,450	\$ 2,709,910	\$ 43,922,280
Property taxes receivable, net	507,043	-	-	-	507,043
Accounts receivable, net	128,264	-	-	526,459	654,723
Interfund receivable	1,057,395	-	-	-	1,057,395
Due from other governments	1,949,523	-	877,234	432,485	3,259,242
Other assets	955,557	45,158	83,476	8,013	1,092,204
Unbilled assessments receivable	-	1,487,855	-	-	1,487,855
<b>Total assets</b>	<u>\$ 20,020,291</u>	<u>\$ 5,231,424</u>	<u>\$ 23,052,160</u>	<u>\$ 3,676,867</u>	<u>\$ 51,980,742</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,701,733	\$ -	\$ 2,190,289	\$ 262,674	\$ 4,154,696
Interfund payable	-	-	-	479,219	479,219
Accrued liabilities	946,596	-	3,091	6,604	956,291
Deferred revenue	507,043	1,487,855	-	-	1,994,898
Unearned revenue	913,214	-	-	-	913,214
Retainages payable	33,279	-	946,278	-	979,557
Deposits and other liabilities	866,761	384,300	7,500	6,300	1,264,861
<b>Total liabilities</b>	<u>\$ 4,968,626</u>	<u>\$ 1,872,155</u>	<u>\$ 3,147,158</u>	<u>\$ 754,797</u>	<u>\$ 10,742,736</u>
 <b>Fund balances</b>					
Reserved for encumbrances	\$ 653,159	\$ -	\$ 2,365,898	\$ -	\$ 3,019,057
Reserved for self insurance deposit	261,394	-	-	-	261,394
Reserved for inventory	266,859	-	-	-	266,859
Reserved for advance	250,000	-	-	-	250,000
Reserved for debt service	-	3,359,269	-	-	3,359,269
Unreserved:					
Designated Special Revenue Fund	-	-	-	2,922,070	2,922,070
Undesignated	13,620,253	-	17,539,104	-	31,159,357
<b>Total fund balance</b>	<u>\$ 15,051,665</u>	<u>\$ 3,359,269</u>	<u>\$ 19,905,002</u>	<u>\$ 2,922,070</u>	<u>\$ 41,238,006</u>
<b>Total liabilities and fund balance</b>	<u>\$ 20,020,291</u>	<u>\$ 5,231,424</u>	<u>\$ 23,052,160</u>	<u>\$ 3,676,867</u>	<u>\$ 51,980,742</u>

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, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 41,238,006
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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	267,979,184	
Accumulated depreciation	<u>(50,426,157)</u>	217,553,027

Deferred revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net assets are increased	1,994,898
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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	3,666,536	
General obligation bonds payable and issuance costs	43,661,958	
Accrued interest on the general obligation bonds	<u>282,544</u>	<u>(47,611,038)</u>

Total net assets - governmental activities	<u>\$ 213,174,893</u>
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See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds June 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property Taxes	\$ 32,205,812	\$ -	\$ -	\$ -	32,205,812
Assessments	-	334,456	-	-	334,456
Revenue from other governments:					
Community development block grant	-	-	-	336,001	336,001
Income taxes	10,622,311	-	-	-	10,622,311
Gas and motor vehicles taxes	3,052,324	-	-	-	3,052,324
County tax duplication payment	2,228,499	-	-	-	2,228,499
Admission and amusement taxes	1,057,856	-	-	-	1,057,856
Grants and other governmental revenue	1,020,966	-	4,644,746	-	5,665,712
Licenses and permits	1,797,039	-	-	-	1,797,039
Charges for services	4,859,899	-	-	-	4,859,899
Use of money and property	2,168,327	188,339	809,245	50,758	3,216,669
Fines and forfeitures	634,907	-	-	-	634,907
Other revenue	1,714,813	90,140	1,131,824	4,773,798	7,710,575
<b>Total revenue</b>	<b>\$ 61,362,753</b>	<b>\$ 612,935</b>	<b>\$ 6,585,815</b>	<b>\$ 5,160,557</b>	<b>\$ 73,722,060</b>
<b>Expenditures</b>					
Current operations:					
General government	\$ 12,229,523	-	-	\$ -	\$ 12,229,523
Community development block grant	-	-	-	336,001	336,001
Community development	3,609,061	-	-	721,098	4,330,159
Public safety	7,562,703	-	-	1,498,747	9,061,450
Public works	6,206,579	-	-	-	6,206,579
Recreation and parks	17,872,823	-	-	300,043	18,172,866
Capital outlay	-	-	16,678,175	-	16,678,175
Debt service	-	6,305,819	-	-	6,305,819
<b>Total expenditures</b>	<b>\$ 47,480,689</b>	<b>\$ 6,305,819</b>	<b>\$ 16,678,175</b>	<b>\$ 2,855,889</b>	<b>\$ 73,320,572</b>
Excess (deficiency) of revenue over expenditures	<b>\$ 13,882,064</b>	<b>\$ (5,692,884)</b>	<b>\$ (10,092,360)</b>	<b>\$ 2,304,668</b>	<b>\$ 401,488</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	4,905,892	7,831,500	-	12,737,392
Transfers out	(14,497,392)	-	-	-	(14,497,392)
Proceeds from General Obligation Bonds	-	-	10,410,000	-	10,410,000
<b>Total other financing sources (uses)</b>	<b>\$ (14,497,392)</b>	<b>\$ 4,905,892</b>	<b>\$ 18,241,500</b>	<b>\$ -</b>	<b>\$ 8,650,000</b>
Net change in fund balances	\$ (615,328)	\$ (786,992)	\$ 8,149,140	\$ 2,304,668	\$ 9,051,488
Fund balances at beginning of year	15,666,993	4,146,261	11,755,862	617,402	32,186,518
<b>Fund balances at end of year</b>	<b>\$ 15,051,665</b>	<b>\$ 3,359,269</b>	<b>\$ 19,905,002</b>	<b>\$ 2,922,070</b>	<b>\$ 41,238,006</b>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

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

Total net change in fund balances-total governmental funds	\$ 9,051,488
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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 \$19,385,078 exceeded depreciation of (\$2,087,611).	17,297,467
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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 \$845,914 less accumulated depreciation of \$845,914.

-

The proceeds of debt issuance is funded by agreements and is reported in the governmental funds as a source of financing. Also, governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

(10,444,945)

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

4,554,082

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 year.

(93,711)

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 year, vacation and sick leave earned of \$569,547 exceeded amounts used of \$20,077.

(549,470)

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 additional interest reported in the statement of activities is the result of accrued interest on the financing agreements.

4,907

Change in net assets of governmental activities

\$ 19,819,818

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Net Assets Proprietary Funds June 30, 2008

	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
<b>Assets</b>							
<b>Current Assets</b>							
Equity in pooled cash and cash equivalents	\$ 358,267	\$ 5,376,782	\$ 3,574,549	\$ 4,095,254	\$ 7,523,945	\$ -	\$ 20,928,797
Accounts receivable, net	858,996	1,187,952	1,218,012	1,482,690	30,600	4,301	4,782,551
Assessments receivable	4,897	4,962	-	-	-	-	9,859
Purchased capacity, current position	-	305,589	-	-	-	-	305,589
Other receivables	5,602	27,320	16,505	17,500	28,664	-	95,591
<b>Total current assets</b>	<b>\$ 1,227,762</b>	<b>\$ 6,902,605</b>	<b>\$ 4,809,066</b>	<b>\$ 5,595,444</b>	<b>\$ 7,583,209</b>	<b>\$ 4,301</b>	<b>\$ 26,122,387</b>
<b>Noncurrent Assets</b>							
Unbilled assessments receivable	19,405	20,530	-	-	-	-	39,935
<b>Capital Assets:</b>							
Utility plant and equip	36,134,208	32,438,162	4,076,608	25,960,300	5,836,770	3,948,812	108,394,860
Construction in progress	6,893,776	18,684,457	-	1,083,342	853,554	148,655	27,663,784
Less-accumulated depreciation	(19,556,967)	(18,419,511)	(2,997,879)	(682,890)	(1,908,251)	(1,419,673)	(44,985,171)
Purchased capacity, long-term, net	-	14,973,864	-	-	-	-	14,973,864
<b>Total noncurrent assets</b>	<b>23,490,422</b>	<b>47,697,502</b>	<b>1,078,729</b>	<b>26,360,752</b>	<b>4,782,073</b>	<b>2,677,794</b>	<b>106,087,272</b>
<b>Total assets</b>	<b>\$ 24,718,184</b>	<b>\$ 54,600,107</b>	<b>\$ 5,887,795</b>	<b>\$ 31,956,196</b>	<b>\$ 12,365,282</b>	<b>\$ 2,682,095</b>	<b>\$ 132,209,659</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Bonds payable within 1yr	\$ 915,668	\$ 1,238,825	\$ 375,000	\$ 675,000	\$ 72,663	\$ 24,804	\$ 3,301,960
Accounts payable	1,885,129	500,889	91,855	420,183	35,595	43,354	2,977,005
Interfund payable	-	-	-	-	-	605,901	605,901
Accrued liabilities	147,088	204,444	99,796	230,476	3,335	14,562	699,701
Compensated absences	90,786	43,812	166,901	3,716	17,987	90,159	413,361
Unearned revenue	-	-	-	-	-	49,028	49,028
Retainages payable	14,625	85,160	-	(14,120)	92,946	4,300	182,911
Deposits / other liabilities	13,241	909	-	-	-	-	14,150
<b>Total current liabilities</b>	<b>\$ 3,066,537</b>	<b>\$ 2,074,039</b>	<b>\$ 733,552</b>	<b>\$ 1,315,255</b>	<b>\$ 222,526</b>	<b>\$ 832,108</b>	<b>\$ 8,244,017</b>
<b>Noncurrent Liabilities</b>							
Compensated absences	234,349	118,454	61,731	1,375	6,653	33,347	455,909
Bonds payable	10,014,366	17,369,767	2,913,202	33,427,282	1,162,610	345,921	65,233,148
<b>Total noncurrent liabilities</b>	<b>\$ 10,248,715</b>	<b>\$ 17,488,221</b>	<b>\$ 2,974,933</b>	<b>\$ 33,428,657</b>	<b>\$ 1,169,263</b>	<b>\$ 379,268</b>	<b>\$ 65,689,057</b>
<b>Total Liabilities</b>	<b>\$ 13,315,252</b>	<b>\$ 19,562,260</b>	<b>\$ 3,708,485</b>	<b>\$ 34,743,912</b>	<b>\$ 1,391,789</b>	<b>\$ 1,211,376</b>	<b>\$ 73,933,074</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$ 12,540,983	\$ 29,373,969	\$ (2,209,473)	\$ (7,741,530)	\$ 3,546,800	\$ 2,307,069	\$ 37,817,818
Unrestricted	(1,138,052)	5,663,878	4,388,783	4,953,814	7,425,694	(836,350)	20,457,767
<b>Total net assets</b>	<b>\$ 11,402,931</b>	<b>\$ 35,037,847</b>	<b>\$ 2,179,310</b>	<b>\$ (2,787,716)</b>	<b>\$ 10,972,494</b>	<b>\$ 1,470,719</b>	<b>\$ 58,275,585</b>

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, 2008

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Operating Revenue</b>							
Charges for Services	\$ 4,598,017	\$ 5,625,900	\$ 5,294,935	\$ 1,262,436	\$ 561,730	\$ 1,170,655	\$ 18,513,673
Other Revenue	619,188	146,519	108,136	470,019	-	-	1,343,862
Total operating revenue	<u>\$ 5,217,205</u>	<u>\$ 5,772,419</u>	<u>\$ 5,403,071</u>	<u>\$ 1,732,455</u>	<u>\$ 561,730</u>	<u>\$ 1,170,655</u>	<u>\$ 19,857,535</u>
<b>Operating Expenses</b>							
Treatment and purification	1,944,785	-	-	-	-	-	1,944,785
Distribution	990,734	-	-	-	-	-	990,734
Collection and disposal	-	2,337,548	3,523,088	-	-	-	5,860,636
Customer billing, collection, operating expenses	1,552,650	2,037,705	642,842	1,704,830	1,020,067	1,228,506	8,186,600
Repairs and maintenance	79,870	94,868	444,003	5,150	554	15,548	639,993
Total operating expenses	<u>\$ 4,568,039</u>	<u>\$ 4,470,121</u>	<u>\$ 4,609,933</u>	<u>\$ 1,709,980</u>	<u>\$ 1,020,621</u>	<u>\$ 1,244,054</u>	<u>\$ 17,622,748</u>
Operating income (loss) before depreciation / amortization	649,166	1,302,298	793,138	22,475	(458,891)	(73,399)	2,234,787
Less - depreciation and amortization	(1,220,691)	(790,923)	(127,400)	(660,676)	(164,655)	(125,809)	(3,090,154)
Operating income (loss)	<u>\$ (571,525)</u>	<u>\$ 511,375</u>	<u>\$ 665,738</u>	<u>\$ (638,201)</u>	<u>\$ (623,546)</u>	<u>\$ (199,208)</u>	<u>\$ (855,367)</u>
<b>Nonoperating Income (Expenses)</b>							
Interest income	62,960	250,557	122,411	251,440	326,547	-	1,013,915
Interest expense	(394,485)	(718,638)	(115,584)	(1,465,859)	-	(12,208)	(2,706,774)
Gain on sale of capital asset	-	-	-	615,108	-	-	615,108
Total nonoperating income	<u>\$ (331,525)</u>	<u>\$ (468,081)</u>	<u>\$ 6,827</u>	<u>\$ (599,311)</u>	<u>\$ 326,547</u>	<u>\$ (12,208)</u>	<u>\$ (1,077,751)</u>
Income (loss) before transfers	<u>(903,050)</u>	<u>43,294</u>	<u>672,565</u>	<u>(1,237,512)</u>	<u>(296,999)</u>	<u>(211,416)</u>	<u>(1,933,118)</u>
<b>Transfers</b>							
Transfer in from General Fund	-	-	30,000	1,565,000	-	165,000	1,760,000
Increase (decrease) net assets	(903,050)	43,294	702,565	327,488	(296,999)	(46,416)	(173,118)
Net assets beginning of year	<u>\$ 12,305,981</u>	<u>\$ 34,994,553</u>	<u>\$ 1,476,745</u>	<u>\$ (3,115,204)</u>	<u>\$ 11,269,493</u>	<u>\$ 1,517,135</u>	<u>\$ 58,448,703</u>
Net assets end of year	<u><u>\$ 11,402,931</u></u>	<u><u>\$ 35,037,847</u></u>	<u><u>\$ 2,179,310</u></u>	<u><u>\$ (2,787,716)</u></u>	<u><u>\$ 10,972,494</u></u>	<u><u>\$ 1,470,719</u></u>	<u><u>\$ 58,275,585</u></u>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2008

### Business-Type Activities - Enterprise Funds

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Total Business-type Activities
<b>Cash Flows from operating activities:</b>							
Cash received from customers	\$ 5,212,151	\$ 5,765,600	\$ 5,400,046	\$ 1,262,436	\$ 561,730	\$ 1,170,654	\$ 19,372,617
Cash payments to suppliers for goods and services	(668,892)	(2,532,768)	(2,233,588)	(4,623,088)	(855,234)	(563,662)	(11,477,232)
Cash payments to employees for services	(2,412,086)	(1,291,488)	(2,467,528)	(265,962)	(506,775)	(732,933)	(7,676,772)
Net cash provided by (used in) operating activities	<u>\$ 2,131,173</u>	<u>\$ 1,941,344</u>	<u>\$ 698,930</u>	<u>\$ (3,626,614)</u>	<u>\$ (800,279)</u>	<u>\$ (125,941)</u>	<u>\$ 218,613</u>
<b>Cash Flows from noncapital financing activities:</b>							
Transfer from the General Fund	-	-	30,000	1,565,000	-	165,000	1,760,000
Net cash provided by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 1,565,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 1,760,000</u>
<b>Cash Flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets	\$ (2,649,852)	\$ (3,555,804)	\$ (383,020)	\$ 290,521	\$ (605,126)	\$ (118,461)	\$ (7,021,742)
Principal paid on general obligation bond maturities and equipment contracts	(1,149,702)	(1,333,595)	(526,338)	(650,000)	(72,663)	(5,945)	(3,738,243)
Interest paid on general obligation bonds and equipment contracts	(394,485)	(718,638)	(115,584)	(1,465,859)	-	(12,208)	(2,706,774)
Proceeds from issuance of debt	1,770,000	6,130,000	3,440,000	-	-	-	11,340,000
Proceeds (including interest) from special assessments	1,886	2,040	-	-	-	-	3,926
Net cash (used in) provided by capital and related financing activities	<u>\$ (2,422,153)</u>	<u>\$ 524,003</u>	<u>\$ 2,415,058</u>	<u>\$ (1,825,338)</u>	<u>\$ (677,789)</u>	<u>\$ (136,614)</u>	<u>\$ (2,122,833)</u>
<b>Cash Flows from investing activities:</b>							
Interest on investments	\$ 62,960	\$ 250,557	\$ 122,411	\$ 251,440	\$ 326,547	\$ -	\$ 1,013,915
Net (decrease) increase in cash and cash equivalents	<u>\$ (228,020)</u>	<u>\$ 2,715,904</u>	<u>\$ 3,266,399</u>	<u>\$ (3,635,512)</u>	<u>\$ (1,151,521)</u>	<u>\$ (97,555)</u>	<u>\$ 869,695</u>
Cash and cash equivalents at the beginning of year	<u>586,287</u>	<u>2,660,878</u>	<u>308,150</u>	<u>7,730,766</u>	<u>8,675,466</u>	<u>-</u>	<u>19,961,547</u>
Cash and cash equivalents at the end of year	<u><u>\$ 358,267</u></u>	<u><u>\$ 5,376,782</u></u>	<u><u>\$ 3,574,549</u></u>	<u><u>\$ 4,095,254</u></u>	<u><u>\$ 7,523,945</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,928,797</u></u>

(Continued)

## City of Rockville, Maryland

### Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2008

#### 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	
<b>Operating (loss) income</b>	<u>\$ (571,525)</u>	<u>\$ 511,375</u>	<u>\$ 665,738</u>	<u>\$ (638,201)</u>	<u>\$ (623,546)</u>	<u>\$ (199,208)</u>	<u>\$ (855,367)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>							
Depreciation and amortization	1,220,691	790,923	127,400	660,676	164,655	125,809	3,090,154
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	\$ 16,580	\$ 29,456	\$ 443	\$ (484,161)	\$ 69,080	\$ (1,882)	\$ (370,484)
Increase (decrease) in accounts payable	1,516,167	481,742	(70,794)	(1,325,849)	(426,098)	31,937	207,105
(Increase) decrease in interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (48,527)	\$ (48,527)
Increase (decrease) in accrued liabilities	(33,441)	57,426	(23,857)	57,964	(8,028)	(23,008)	27,056
Increase (decrease) in deferred revenue	-	-	-	(1,070,473)	-	(11,062)	(1,081,535)
Increase (decrease) in retainages payable	(19,749)	70,422	-	(826,570)	23,658	-	(752,239)
Increase in deposits and other liabilities	2,450	-	-	-	-	-	2,450
Total adjustments	<u>\$ 2,702,698</u>	<u>\$ 1,429,969</u>	<u>\$ 33,192</u>	<u>\$ (2,988,413)</u>	<u>\$ (176,733)</u>	<u>\$ 73,267</u>	<u>\$ 1,073,980</u>
Net cash provided by (used) in operating activities	<u>\$ 2,131,173</u>	<u>\$ 1,941,344</u>	<u>\$ 698,930</u>	<u>\$ (3,626,614)</u>	<u>\$ (800,279)</u>	<u>\$ (125,941)</u>	<u>\$ 218,613</u>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2008

	<u>Total Pension Trust Funds</u>
<b>Assets</b>	
Open End Mutual Funds:	
Bonds	\$17,433,355
Equities	41,255,839
Real Estate	9,642,387
Fixed Income	4,519,289
Total	<u>\$72,850,870</u>
<b>Liabilities</b>	<u>\$ -</u>
<b><u>Net Assets</u></b>	
Held in trust for pension benefits	<u>\$72,850,870</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, 2008

	<u>Total Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 2,588,393
Plan Members	<u>1,138,705</u>
Total Contributions	<u>\$ 3,727,098</u>
Investment Income (loss)	
Net shortfall in the fair value of plan investments	(8,505,000)
Interest and dividends	<u>100,217</u>
Total investment income (loss)	<u>(8,404,782)</u>
Total Additions	<u>\$ (4,677,684)</u>
<b>Deductions</b>	
Benefits	\$ 2,629,233
Refunds to terminated employees	461,461
Administrative expense	<u>53,781</u>
Total Deductions	<u>\$ 3,144,475</u>
Net Decrease	(\$7,822,159)
Net assets - beginning	<u>80,673,029</u>
Net assets - ending	<u><u>\$72,850,870</u></u>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## **(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. Rockville has an estimated population of 63,170 and a land area of 13.50 square miles. According to the 2000 census, Rockville 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 drainage, recreation and parks, police, planning and zoning, community development, and community 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 Authority, but the City's accountability does not extend beyond making the appointments, therefore the housing authority is 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 support.

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 with 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, even though 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## (1) Summary of Significant Accounting Policies (Continued)

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

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 of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 Red Gate Golf Course Fund. These funds account for the provision of water and sewer services, parking meter program, and operation of the parking garages in the City's Town Center 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 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. 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## (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 and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, refuse, and stormwater management funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 Principal Financial Group. 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 and U.S. Treasury securities.

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 once a month. 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 \$0.302 per \$100 of assessed value and the personal property tax rate was \$.805 per \$100 of assessed value in fiscal year 2008. 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 combined balance sheet) are maintained on a consumption basis of

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## (1) Summary of Significant Accounting Policies (Continued)

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

#### 3. Inventories and Prepaid Items (Continued)

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. Reservations of fund balance for the amounts of general fund inventories have been made to reflect the non-availability 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.

#### 4. Restricted Net Assets

The debt service fund is used to segregate resources accumulated for debt service payments for future years.

#### 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.

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 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 (In Years)
Buildings	40 - 50
Equipment	5 - 10
Furniture and fixtures	7 - 10
Automobiles and trucks	5 - 7
Water and sewer infrastructure	20 - 50
Stormwater management facilities	20 - 50
Purchase capacity	50

#### 6. Compensated Absences

It is the government'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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## (1) Summary of Significant Accounting Policies (Continued)

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

#### *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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### *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 “advances to/from other funds”. 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 Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances are not legally required segregations, but rather represent the intent of the City's administration to use fund balances for specific purposes in the future.

Encumbrances related to grant-funded contracts may cause a deficit in the undesignated fund balance in some funds. This results from a timing difference between the recording of the original encumbrance of the contract and the recognition of the grant revenue when it is measurable and available.

#### *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. 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 when an expense is incurred.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds

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

The City maintains cash and 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 association in the State of Maryland, or in the local government investment pool. The City primarily invests in the STI Classic Money Market Fund.

As of June 30, 2008, 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	\$ 305,656
Money Market Funds	57,101,421
Federal Agency Discount Notes	7,444,000
	<u>\$ 64,851,077</u>
Open End Mutual Funds	72,850,870
Total Fair Market Value of Investments	<u>\$ 137,701,947</u>

#### 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 to it. 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, 2008, 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 statues is delegated to the Director of Finance. The City invests in Money Market Funds are rated "AAA" by Standard and Poor's. The City's federal agency discount notes FHLMC, FHLB, and FNMA are rated A-1+ by Standard and Poor's, and the City's longer term Federal Agency Note FHLMC is rated AAA by Standards and Poor's, Fitch and Moody'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, are obligations of federal agency, or instrumentability that has been issued in accordance with acts of congress and unrated.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The 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, 2008.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds (Continued)

#### B. Receivables

Receivables as of year end for all the government's individual funds are as follows:

Receivables	Other Governmental Funds										Total
	General	Debt Service	Capital Projects	Water	Sewer	Refuse	Parking	Stormwater Management	Golf Course		
Billed / Unbilled Utilities	-	-	-	858,996	1,187,952	1,218,012	1,482,690	30,600	4,301		\$ 4,782,551
Property Taxes	507,043	-	-	-	-	-	-	-	-	-	\$ 507,043
Assessments Receivable	-	-	-	4,897	4,962	-	-	-	-	-	\$ 9,859
Accounts Receivable	128,264	-	-	-	-	-	-	-	-	-	\$ 654,723
Interfund Receivable	1,057,395	-	-	-	-	-	-	-	-	-	\$ 1,057,395
Due from Other Governments	1,949,523	-	877,234	-	-	-	-	-	-	-	\$ 3,259,242
Other Receivables	955,557	45,158	83,476	5,602	27,320	16,505	17,500	28,664	-	-	\$ 1,187,795
Unbilled Assessments Receivable	-	1,487,855	-	-	-	-	-	-	-	-	\$ 1,487,855

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts to \$1,912,753 at June 30, 2008, and is composed of the following:

General Fund property taxes receivable	\$ 1,583,950
Other Governmental Funds speed camera violations receivable	25,393
Enterprise Funds meter violations receivable	275,255
Enterprise Funds utility bills receivable	28,155
	<u>\$ 1,912,753</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 reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 507,043	-
Special assessments not yet due (Debt Service Fund)	1,487,855	-
Pending Allocation-Utility Receipts	-	9,572
Recreation services not earned (General Fund)	-	913,214
Total deferred/unearned revenue for governmental funds	<u>\$ 1,994,898</u>	<u>\$ 922,786</u>

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds (Continued)

#### C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,843,832	\$ -	\$ -	\$ -	\$ 7,843,832
Construction in progress	78,590,533	14,997,896	-	(602,520)	92,985,909
Total capital assets, not being depreciated	<u>\$ 86,434,365</u>	<u>\$ 14,997,896</u>	<u>\$ -</u>	<u>\$ (602,520)</u>	<u>\$ 100,829,741</u>
Capital assets, being depreciated:					
Buildings	29,702,583	-	-	49,958	29,752,541
Improvements other than buildings	5,256,594	-	-	-	5,256,594
Equipment	10,294,594	1,088,095	(845,914)	-	10,536,775
Infrastructure	117,751,884	3,299,087	-	552,562	121,603,533
Total capital assets being depreciated	<u>\$ 163,005,655</u>	<u>\$ 4,387,182</u>	<u>\$ (845,914)</u>	<u>\$ 602,520</u>	<u>\$ 167,149,443</u>
Less accumulated depreciation for:					
Buildings	(7,650,303)	(649,035)	-	-	(8,299,338)
Improvements other than buildings	(2,072,299)	(162,464)	-	-	(2,234,763)
Equipment	(6,810,542)	(1,100,560)	845,914	-	(7,065,188)
Infrastructure	(32,651,316)	(175,552)	-	-	(32,826,868)
Total accumulated depreciation	<u>\$ (49,184,460)</u>	<u>\$ (2,087,611)</u>	<u>\$ 845,914</u>	<u>\$ -</u>	<u>\$ (50,426,157)</u>
Total capital assets, being depreciated, net	<u>113,821,195</u>	<u>2,299,571</u>	<u>-</u>	<u>602,520</u>	<u>116,723,286</u>
Governmental activities capital assets, net	<u><u>\$ 200,255,560</u></u>	<u><u>\$ 17,297,467</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 217,553,027</u></u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	21,382,485	7,113,577	-	(832,278)	27,663,784
Total capital assets, not being depreciated	<u>\$ 23,441,425</u>	<u>\$ 7,113,577</u>	<u>\$ -</u>	<u>\$ (832,278)</u>	<u>\$ 29,722,724</u>
Capital assets, being depreciated:					
Buildings	30,358,108	-	-	-	30,358,108
Improvements other than buildings	68,191,163	-	-	832,278	69,023,441
Equipment	5,852,527	1,435,765	(333,918)	-	6,954,374
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 119,681,251</u>	<u>\$ 1,435,765</u>	<u>\$ (333,918)</u>	<u>\$ 832,278</u>	<u>\$ 121,615,376</u>
Less accumulated depreciation for:					
Buildings	(3,359,940)	(778,053)	-	-	(4,137,993)
Improvements other than buildings	(32,271,004)	(1,623,536)	-	-	(33,894,540)
Equipment	(4,878,282)	(352,392)	333,918	-	(4,896,756)
Purchased capacity	(1,750,296)	(305,589)	-	-	(2,055,885)
Total accumulated depreciation	<u>\$ (42,259,522)</u>	<u>\$ (3,059,570)</u>	<u>\$ 333,918</u>	<u>\$ -</u>	<u>\$ (44,985,174)</u>
Total capital assets, being depreciated, net	<u>77,421,729</u>	<u>(1,623,805)</u>	<u>-</u>	<u>832,278</u>	<u>76,630,202</u>
Business-type activities capital assets, net	<u><u>\$ 100,863,154</u></u>	<u><u>\$ 5,489,772</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 106,352,926</u></u>

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds (Continued)

#### C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 656,932
Community Development	14,221
Public Safety	213,901
Public Works	609,789
Recreation and Parks	592,768
Total depreciation expense - governmental activities	<u>\$ 2,087,611</u>
Business-Type Activities:	
Water	\$ 1,214,060
Sewer	774,922
Refuse	125,762
Parking	654,438
Stormwater Management	164,655
Golf Course	125,733
Total depreciation expense - business-type activities	<u>\$ 3,059,570</u>

#### D. Interfund Receivables, Payables and Transfers

The governmental interfund payable as of June 30, 2008 consists of the following:

	Interfund Payable Total
Governmental Fund:	
Community Development Block Grant Fund	\$ 113,445
Town Center Management District	365,774
Proprietary Fund:	
RedGate Golf Course Fund	605,901
Total	<u>\$ 1,085,120</u>

The interfund payables from various funds represent cash overdrafts that are payable to the General Fund within one year. Interfund transfers for the year ended June 30, 2008 consisted of the following:

	Transfer From:
Transfer To:	General
Capital Project Fund	\$ 7,831,500
Debt Service Fund	4,905,892
Golf Course Fund	165,000
Refuse Fund	30,000
Parking Fund	1,565,000
	<u>\$ 14,497,392</u>

Transfer from the General Fund to the Capital Projects Fund represents the City's budgeted pay-as-you-go funding.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds (Continued)

#### D. Interfund Receivables, Payables and Transfers (Continued)

Transfer from the General Fund to the Refuse Fund represents refuse pickup for Rockville Housing Enterprises.

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 Parking Fund represents resources to pay off general obligation bonds.

#### E. Long-Term Debt

##### General Obligation Bonds, Bond Anticipation Notes and Loan Payable

General Obligation Bonds of \$21,750,000 were issued in September 2007. These general obligation bonds were issued for governmental and business-type activities. The City will also be issuing \$13,150,000 in general obligation bonds in September 2008 for business-type activities. These bonds are for water fund improvements.

General obligation bonds are direct city obligations against which the full faith and credit of the government is pledged. These bonds generally are issued as 20-30 year serial bonds with equal amounts of principal maturing each year. General obligation bonds and loan payable currently outstanding are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
Governmental Activities				
General Improvements	1998	\$ 750,000	3.50 - 4.30%	2013
General Improvements	2002	1,746,745	4.00 - 4.65%	2021
General Improvements	2003	7,581,395	2.00 - 3.85%	2023
General Improvements - Refunding	2003	2,005,468	2.00 - 3.00%	2013
General Improvements	2004	9,120,000	4.00 - 5.00%	2029
Loan Payable	2005	348,346	2.00%	2012
General Improvements	2005	12,220,000	3.50 - 6.00%	2025
General Improvements	2007	9,890,000	4.00 - 4.25%	2027
Total Governmental Activities		<u>\$ 43,661,954</u>		
Business-Type Activities				
General Improvements	1999	\$ 1,750,915	3.21%	2019
General Improvements	2000	1,364,323	3.64%	2020
General Improvements	2002	2,218,255	1.90%	2023
General Improvements	2002	2,744,385	4.00 - 4.65%	2021
General Improvements	2003	2,463,605	2.00 - 3.875%	2023
General Improvements - Refunding	2003	819,532	2.00 - 3.00%	2013
General Improvements	2004	6,730,000	4.00 - 5.00%	2029
General Improvements	2005	1,235,273	0.00%	2025
General Improvements	2005	38,990,000	3.50% - 6.00%	2036
General Improvements	2007	10,520,000	4.00 - 4.25%	2027
Total Business-Type Activities		<u>\$ 68,836,288</u>		

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, 2008

### (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 amount for outstanding principal consists of the following:

Business-type activities long-term outstanding debt	\$68,836,288
Business-type activities unamortized bond discount	<u>(301,180)</u>
	<u><u>\$68,535,108</u></u>

The City's long-term debt for Governmental Activities are payable during the future years as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total Principal and Interest
2009	3,467,981	1,696,948	5,164,929
2010	3,464,031	1,568,977	5,033,008
2011	3,007,298	1,451,286	4,458,584
2012	2,982,120	1,345,920	4,328,040
2013	2,742,536	1,239,826	3,982,362
2014	2,425,061	1,136,055	3,561,116
2015	2,425,061	1,043,706	3,468,767
2016	2,425,061	953,354	3,378,415
2017	2,425,061	856,311	3,281,372
2018	2,425,061	758,222	3,183,283
2019	2,425,061	660,729	3,085,790
2020	2,425,061	562,662	2,987,723
2021	2,425,140	463,455	2,888,595
2022	2,285,518	363,280	2,648,798
2023	2,281,903	268,875	2,550,778
2024	1,780,000	172,525	1,952,525
2025	1,210,000	94,113	1,304,113
2026	520,000	44,200	564,200
2027	520,000	22,100	542,100
Total	\$ 43,661,954	\$ 14,702,544	\$ 58,364,498

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

## (2) Detailed Notes On All Funds (Continued) E. Long-Term Debt (Continued)

City's long-term debt for business type activities are payable during future years as follows:

Fiscal Year Ending June 30,	Water Facility		Sanitary Sewer		Refuse		Parking		RedGate Golf Course		Stormwater Management		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	915,668	380,326	1,238,825	742,033	375,000	132,320	675,000	1,445,461	24,804	24,804	72,663	-	6,014,216	-
2010	919,339	350,076	1,236,554	693,760	375,000	116,600	710,000	1,413,061	24,803	24,803	72,663	-	5,923,382	-
2011	836,866	321,887	1,183,565	649,780	375,000	101,700	735,000	1,387,511	24,803	24,803	72,663	-	5,699,644	-
2012	842,027	294,766	1,176,752	606,761	375,000	86,800	760,000	1,361,061	24,803	24,803	72,663	-	5,610,795	-
2013	817,561	267,457	1,142,687	563,496	375,000	71,900	785,000	1,333,711	24,804	24,804	72,663	-	5,463,697	-
2014	799,834	240,110	1,110,135	519,209	375,000	56,900	820,000	1,302,312	24,803	24,803	72,663	-	5,329,640	-
2015	812,289	213,456	1,105,136	475,688	365,000	41,900	850,000	1,269,512	24,803	24,803	72,663	-	5,238,377	-
2016	825,117	187,327	1,105,136	433,594	345,000	27,400	885,000	1,238,699	24,804	24,804	72,663	-	5,151,896	-
2017	838,332	153,664	1,105,136	388,356	340,000	13,600	920,000	1,201,086	24,804	24,804	72,663	-	5,063,990	-
2018	602,863	115,356	1,100,135	342,841	-	-	960,000	1,161,894	24,803	24,803	72,663	-	4,386,060	-
2019	685,964	96,853	1,100,136	298,055	-	-	1,000,000	1,122,714	24,803	24,803	72,663	-	4,405,825	-
2020	508,966	68,307	1,100,135	253,044	-	-	1,040,000	1,081,894	24,803	24,803	72,663	-	4,153,556	-
2021	375,350	48,487	1,100,370	207,673	-	-	1,080,000	1,039,244	24,804	24,804	72,663	-	3,951,418	-
2022	379,157	40,535	924,518	162,063	-	-	1,125,000	994,669	24,803	24,803	72,663	-	3,725,304	-
2023	383,058	32,566	923,478	124,417	-	-	1,175,000	948,059	24,618	24,618	72,664	-	3,684,814	-
2024	244,060	14,438	785,000	86,301	-	-	1,220,000	898,609	-	-	72,664	-	3,321,072	-
2025	175,000	7,219	650,000	52,737	-	-	1,275,000	846,053	-	-	72,664	-	3,078,673	-
2026	-	-	305,000	25,924	-	-	1,330,000	791,140	-	-	-	-	2,452,064	-
2027	-	-	305,000	12,962	-	-	1,390,000	733,040	-	-	-	-	2,441,002	-
2028	-	-	-	-	-	-	1,450,000	672,300	-	-	-	-	2,122,300	-
2029	-	-	-	-	-	-	1,515,000	608,350	-	-	-	-	2,123,350	-
2030	-	-	-	-	-	-	1,580,000	541,525	-	-	-	-	2,121,525	-
2031	-	-	-	-	-	-	1,645,000	474,375	-	-	-	-	2,119,375	-
2032	-	-	-	-	-	-	1,715,000	404,463	-	-	-	-	2,119,463	-
2033	-	-	-	-	-	-	1,790,000	331,575	-	-	-	-	2,121,575	-
2034	-	-	-	-	-	-	1,865,000	255,500	-	-	-	-	2,120,500	-
2035	-	-	-	-	-	-	1,945,000	173,906	-	-	-	-	2,118,906	-
2036	-	-	-	-	-	-	2,030,000	88,813	-	-	-	-	2,118,813	-
<b>Total</b>	<b>\$ 10,961,451</b>	<b>\$ 2,832,830</b>	<b>\$ 18,697,698</b>	<b>\$ 6,638,694</b>	<b>\$ 3,300,000</b>	<b>\$ 649,120</b>	<b>\$ 34,270,000</b>	<b>\$ 25,120,537</b>	<b>\$ 371,865</b>	<b>\$ 103,763</b>	<b>\$ 1,235,274</b>	<b>\$ -</b>	<b>\$ 104,181,232</b>	<b>\$ -</b>

Note: Principal amounts do not include unamortized bond discount/premium of \$81,892 for business-type activities.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

**(2) Detailed Notes On All Funds (Continued)**  
**E. Long-Term Debt (Continued)**

The requirements to long-term debt are summarized as follows:

Fiscal Year Ending June 30,	Governmental Activities		Total Principal and Interest
	Principal	Interest	
2009	3,467,981	1,696,948	5,164,929
2010	3,464,031	1,568,977	5,033,008
2011	3,007,298	1,451,286	4,458,584
2012	2,982,120	1,345,920	4,328,040
2013 - 2017	12,442,780	5,229,252	17,672,032
2018 - 2022	11,985,841	2,808,348	14,794,189
2023 - 2027	6,311,903	601,813	6,913,716
<b>Total</b>	<b>\$ 43,661,954</b>	<b>\$ 14,702,544</b>	<b>\$ 58,364,498</b>

Business-Type Activities

Fiscal Year Ending June 30,	Water Facility		Sanitary Sewer		Refuse		Parking		RedGate Golf Course		Stormwater Management		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	915,668	380,326	1,238,825	742,033	375,000	132,320	675,000	1,445,461	24,804	12,116	72,663	-	6,014,216	-
2010	919,339	350,076	1,236,554	693,760	375,000	116,600	710,000	1,413,061	24,803	11,526	72,663	-	5,923,382	-
2011	836,866	321,887	1,183,565	649,780	375,000	101,700	735,000	1,387,511	24,803	10,869	72,663	-	5,699,644	-
2012	842,027	294,766	1,176,752	606,761	375,000	86,800	760,000	1,361,061	24,803	10,162	72,663	-	5,610,795	-
2013 - 2017	4,093,133	1,062,014	5,568,230	2,380,343	1,800,000	211,700	4,260,000	6,345,320	124,018	39,527	363,315	-	26,247,600	-
2018 - 2022	2,552,300	369,538	5,325,294	1,263,676	-	-	5,205,000	5,400,415	124,016	18,609	363,315	-	20,622,163	-
2023 - 2027	802,118	54,223	2,968,478	302,341	-	-	6,390,000	4,216,901	24,618	954	217,992	-	14,977,625	-
2028 - 2032	-	-	-	-	-	-	7,905,000	2,701,013	-	-	-	-	10,606,013	-
2033 - 2037	-	-	-	-	-	-	7,630,000	849,794	-	-	-	-	8,479,794	-
<b>Total</b>	<b>\$ 10,961,451</b>	<b>\$ 2,832,830</b>	<b>\$ 18,697,698</b>	<b>\$ 6,638,694</b>	<b>\$ 3,300,000</b>	<b>\$ 649,120</b>	<b>\$ 34,270,000</b>	<b>\$ 25,120,537</b>	<b>\$ 371,865</b>	<b>\$ 103,763</b>	<b>\$ 1,235,274</b>	<b>\$ -</b>	<b>\$ 104,181,232</b>	<b>\$ -</b>

*Note: Principal amounts do not include unamortized bond discount /premium of \$81,892 for business-type activities.*

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (2) Detailed Notes On All Funds (Continued)

#### E. Long-Term Debt (Continued)

##### Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2008, \$1,708,700 of bonds outstanding are considered defeased, \$470,800 pertaining to bonds that were accounted for in business-type activities, and \$1,237,900 relating to general obligations that were accounted for within the governmental activities group. In accordance with the applicable bond indentures, the trustees will continue to extinguish the defeased debt until 2011.

##### 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, 2008:

	Balance as of 6/30/07	Additions	Reductions	Net Amortization of Bond Discount/ Premium	Balance as of 6/30/08	Remaining Unamortized Bond (Discount) / Premium 6/30/08	Due within One Year
<b><u>Governmental Activities</u></b>							
General obligation bonds	\$ 37,374,850	\$ 10,410,000	\$ (4,471,243)	\$ -	\$ 43,313,607		\$ 3,385,142
Loan payable-CELP	431,186	-	(82,839)	-	348,347	-	82,839
Accrued obligations for compensated absences	3,117,066	569,547	(20,077)	-	3,666,536	-	2,676,571
Governmental activity long-term liabilities	<u>\$ 40,923,102</u>	<u>\$ 10,979,547</u>	<u>\$ (4,574,159)</u>	<u>\$ -</u>	<u>\$ 47,328,490</u>	<u>\$ -</u>	<u>\$ 6,144,552</u>
<b><u>Business-type Activities</u></b>							
General obligation bonds							
Water facility fund	10,307,521	1,620,059	(1,149,702)	1,580	10,779,458	5,608	915,668
Sanitary sewer fund	13,857,452	6,130,000	(1,333,595)	9,186	18,663,043	(6,788)	1,238,825
Refuse fund	384,959	3,440,000	(526,338)	1,389	3,300,010	17,531	375,000
Parking fund	34,906,579	-	(650,000)	3,684	34,260,263	(97,102)	675,000
Stormwater management fund	1,234,274	-	(72,663)	-	1,161,611	-	72,663
RedGate golf course fund	376,592	-	(5,945)	76	370,723	(1,141)	24,804
Accrued obligations for compensated absences	605,220	296,086	(32,036)	-	\$ 869,270	-	413,361
Business-type activity long-term liabilities	<u>\$ 61,672,597</u>	<u>\$ 11,486,145</u>	<u>\$ (3,770,279)</u>	<u>\$ 15,915</u>	<u>\$ 69,404,378</u>	<u>\$ (81,892)</u>	<u>\$ 3,715,321</u>

The compensated absences in the governmental activities will be paid out of the general fund.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### F. Restricted Assets

The balances of the restricted asset accounts in the proprietary funds are as follows:

Reserved for debt payment – Stormwater Management	<u><u>\$ 75,000</u></u>
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### G. 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 thereafter.

Year	Rent Amount
2009	\$ 211,450
2010	217,794
2011	224,328
2012	231,058
2013	237,990
2014	127,404
Total	<u><u>\$ 1,250,024</u></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 will be allocated over lease years 2009, 2010, and 2011. The City will begin receiving monthly income for this lease on August 1, 2008.

Year	Rent Amount
2009	\$ 34,083
2010	34,856
2011	36,651
2012	28,138
2013	28,982
2014	29,851
2015	30,747
2016	31,669
2017	32,619
2018	33,598
2019	34,606
2020	35,644
2021	36,713
2022	37,815
2023	38,949
2024	40,118
2025	41,321
2026	42,561
2027	43,838
Total	<u><u>\$ 672,759</u></u>

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (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 participates in the Montgomery County Liability and Property Coverage self-insurance fund, under which participants share coverage 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. The Montgomery County Division of Risk Management is the administrator of the fund. The City pays an annual premium to Montgomery County for its insurance coverage.

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. Contingent Liabilities

##### Washington Suburban Sanitary Commission (WSSC)

The City had contracted with WSSC to upgrade and enhance a portion of the Blue Plains Waste Water Treatment Plant. Through June 30, 2008, the City had paid \$30,673,980 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines. The City's remaining contribution through the completion of the project is estimated to be \$14,074,073 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 for in these statements is considered to be immaterial.

#### C. Other Post-employment Benefits

In addition to the pension benefits described in Note 3D, the City provides post-employment health benefits. 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.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (3) Other Information (Continued)

#### C. Other Post-employment Benefits (Continued)

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. Currently, the City finances the post employment health insurance benefits on a pay-as-you-go basis and expenditures for these insurance premiums are recorded in the General Fund. During fiscal year 2008, 18 retirees received post-employment health benefits. Expenditures of approximately \$86,156 were incurred by the City in furnishing these benefits. The City will be implementing GASB 43 and 45 in FY 2009 with results from our actuarial report. The City is in the process establishing a trust to pre-fund our annual required contribution (ARC) of \$1.3 million.

#### D. Pension Plan

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan. The Retirement Board 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 a made 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 is the administrator of the single-employer defined benefit plan and defined contribution plan, which was established and is administered by the City of Rockville. The Public Employee Retirement System (PERS) is considered part of the City of Rockville reporting entity and is included in the City's financial reports as pension trust funds. The plans do not issue separate financial statements.

The PERS has a defined benefit option and a defined contribution option, which are reported as separate pension trust funds.

##### (1) Defined Benefit Option

This option is available to police employees, which 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 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.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (3) Other Information (Continued)

#### D. Pension Plan (Continued)

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 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 percent of their salaries to the plan starting April 1, 1996. Employees are vested 100% after 10 years of service.

#### (2) 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 partially vested after three years and fully vested after seven years of credited service. Employees attaining the age of 60 become fully vested regardless of the number of years of credited service. The contributions actually made in FY 08 for plan members were \$1,009,740 and the City contributed \$504,866.

Membership in the defined benefit plan consisted of the following at April 1, 2008, the date of the latest actuarial valuation.

Retirees and beneficiaries receiving payments	165
Terminated plan members entitled to but not yet receiving payments	177
Active plan members	<u>502</u>
Total	<u><u>844</u></u>

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (3) Other Information (Continued)

#### D. Pension Plan (Continued)

Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2008

	Defined Contributions Option	Defined Benefit Option	Total Pension Trust Funds
<u>Additions</u>			
Contributions			
Employer	1,009,740	1,578,653	2,588,393
Plan members	504,866	633,839	1,138,705
Total contributions	<u>\$ 1,514,606</u>	<u>\$ 2,212,492</u>	<u>\$ 3,727,098</u>
Investment Income			
Net shortfall in the fair value of plan investments	(2,077,720)	(6,427,280)	(8,505,000)
Interest and dividends	37,205	63,012	100,217
Total investment income	<u>\$ (2,040,515)</u>	<u>\$ (6,364,268)</u>	<u>\$ (8,404,782)</u>
Total additions	<u>\$ (525,909)</u>	<u>\$ (4,151,776)</u>	<u>\$ (4,677,684)</u>
<u>Deductions</u>			
Benefits	\$ -	\$ 2,629,233	\$ 2,629,233
Refunds to terminated employees	461,461	-	461,461
Administrative expense	30,552	23,229	53,781
Total deductions	<u>\$ 492,013</u>	<u>\$ 2,652,462</u>	<u>\$ 3,144,475</u>
Net decrease	(1,017,922)	(6,804,238)	(7,822,159)
Net assets - beginning	15,240,730	65,432,299	80,673,029
Net assets - ending	<u>\$ 14,222,808</u>	<u>\$ 58,628,061</u>	<u>\$ 72,850,870</u>

Combining Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2008

	Defined Contributions Option	Defined Benefit Option	Total Pension Trust Funds
Assets			
Investments at fair value - equity in pooled pension trust	<u>\$ 14,222,808</u>	<u>\$ 58,628,061</u>	<u>\$ 72,850,870</u>
Liabilities			
	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets			
Available for plan benefits	<u>\$ 14,222,808</u>	<u>\$ 58,628,061</u>	<u>\$ 72,850,870</u>

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (3) Other Information (Continued)

#### D. Pension Plan (Continued)

##### Funding Policy and Annual Pension Cost - Defined Benefit Option

The funded status of the plan as of April 1, 2008, 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
April 1 2008	63,868,591	66,853,253	(2,984,662)	95.5%	26,221,689	-11.4%

The schedules of funding progress presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

The employee contribution requirements for the plan are set by 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.

Contribution rates	
City	6.67% -6.92%
Plan members	0.00% - 8.50%
Annual pension cost	\$1,550,658
Contributions made	\$1,550,658
Actuarial valuation date	4/1/2008
Actuarial cost method	Entry age normal
Amortization method	Closed
Amortization period	20 years
Asset valuation method	
Fixed income assets	Contract basis
United States Stock	Four years smoothed market
Actuarial assumptions	
Investment rate of return	7.75%
Projected salary increases includes inflation at	3.88% - 8.10%
Cost of living adjustment	3.00%
	1.00%

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2008

### (4) New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2008 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. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post-employment benefit plans (OPEB plans) and supersedes existing guidance.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2009. This Statement will require governments to recognize an expense under the accrual basis for annual required OPEB contributions, regardless of amounts paid. This cumulative difference between amounts expensed and paid will create a liability (asset) similar to net pension obligations.
- GASB Statement No. 51, *Accounting for and Reporting Intangible Assets* is effective for the City beginning after June 30, 2009. This statement establishes accounting and financial reporting for intangible assets and results in a more faithful representation of the service capacity of intangible assets.

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## **Required Supplementary Information**



## City of Rockville, Maryland

### Public Employee Retirement System

June 30, 2008

(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
2003	45,435,953	46,294,593	(858,640)	98.1%	23,900,022	-3.6%
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%

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 one 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. Generally, the greater this percentage, the stronger the PERS. 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 PERS.

## City of Rockville, Maryland

Public Employee Retirement System  
June 30, 2008

### Schedule of Employer Contributions

The PERS 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 of Rockville is required to contribute all amounts in excess of employee contributions necessary to fund this pension plan, using the entry age-normal actuarial method.

<u>Plan Year Ending April 1</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 1,389,561	100%	\$ -
2004	\$ 1,529,727	100%	\$ -
2005	\$ 1,802,787	100%	\$ -
2006	\$ 1,919,531	100%	\$ -
2007	\$ 1,599,777	100%	\$ -
2008	\$ 1,578,653	100%	\$ -

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 June 30, 2008

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenue</b>				
Property Taxes	\$ 32,024,080	\$ 31,524,080	\$ 32,205,812	\$ 681,732
Revenue from Other Governments:				
Income taxes	8,300,000	9,500,000	10,622,311	1,122,311
Gas and motor vehicle taxes	3,200,000	2,900,000	3,052,324	152,324
County tax duplication payment	2,228,400	2,228,400	2,228,499	99
Admissions and amusement taxes	800,000	850,000	1,057,856	207,856
Grants and other governmental revenue	1,579,299	1,619,666	1,020,966	(598,700)
Licenses and permits	1,714,500	1,864,500	1,797,039	(67,461)
Charges for Services	5,539,942	5,729,942	4,859,899	(870,043)
Use of Money and Property	1,073,812	923,812	2,168,327	1,244,515
Fines and Forfeitures	774,000	824,000	634,907	(189,093)
Other Revenue	1,672,872	1,717,872	1,714,813	(3,059)
Total revenue	<u>\$ 58,906,905</u>	<u>\$ 59,682,272</u>	<u>\$ 61,362,753</u>	<u>\$ 1,680,481</u>
<b>Expenditures</b>				
Current operations:				
General government	\$ 13,252,736	\$ 13,447,504	\$ 11,564,249	\$ 1,883,255
Community development	4,685,027	4,708,487	4,274,335	434,152
Public safety	8,266,077	8,324,090	7,562,703	761,387
Public works	6,635,945	6,760,284	6,206,579	553,705
Recreation and parks	17,620,726	18,606,209	17,872,823	733,386
Total expenditures	<u>\$ 50,460,511</u>	<u>\$ 51,846,574</u>	<u>\$ 47,480,689</u>	<u>\$ 4,365,885</u>
Excess of revenue over expenditures	<u>\$ 8,446,394</u>	<u>\$ 7,835,698</u>	<u>\$ 13,882,064</u>	<u>\$ 6,046,366</u>
<b>Other Financing Uses</b>				
Transfer to refuse fund	(60,000)	(30,000)	(30,000)	-
Transfer to capital projects fund	(2,365,002)	(7,831,500)	(7,831,500)	-
Transfer to parking fund	(950,000)	(1,565,000)	(1,565,000)	-
Transfer to golf fund	(165,000)	(165,000)	(165,000)	-
Transfer to debt service fund	(4,905,892)	(4,905,892)	(4,905,892)	-
Total other financing uses	<u>\$ (8,445,894)</u>	<u>\$ (14,497,392)</u>	<u>\$ (14,497,392)</u>	<u>\$ -</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	500	(6,661,694)	(615,328)	6,046,366
Fund balance at beginning of year	15,666,993	15,666,993	15,666,993	-
Fund balance at end of year	<u>\$ 15,667,493</u>	<u>\$ 9,005,299</u>	<u>\$ 15,051,665</u>	<u>\$ 6,046,366</u>

See accompanying notes to the basic financial statements and required supplementary information.

## City of Rockville, Maryland

Note to the Required Supplementary Information  
June 30, 2008

### Stewardship, Compliance, and Accountability

#### Budgetary Information

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 government. The legal control which the budget ordinance establishes over spending is at the fund level. Each of the general, special revenue, 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 2008, such supplemental appropriations for all funds amounted to \$16,198,541.

At the end of the fiscal year, unexpended operating budget appropriations of the governmental and enterprise funds lapse. Budgets for the general, special revenue, 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, 2008 are reported as reservations of applicable fund balances and are subject to reappropriation by Council ordinance in the succeeding fiscal year.

## **Other Supplementary Information**

### **Major Governmental Funds**

#### **Debt Service Fund**

The Debt Service Fund accounts for payment of principal and interest on governmental activities for the City.

**and**

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources to be expended for specified purposes. The City maintains four funds: the Community Development Block Grant Fund, the Special Activities Fund, the Town Center Management District and the Automated Speed Enforcement Fund. 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, bike program, etc.). The Town Center Management District accounts for two new taxing districts: the Town Square Street and Area Lighting District and the Town Square Commercial District that will support maintenance cost in the Town Center Management District. The Automated Speed Enforcement Fund accounts for funds received from the speed camera program that are restricted by State Law. These funds are restricted for public safety projects.



## City of Rockville, Maryland

### Budgetary Comparison Schedule Debt Service Fund June 30, 2008

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenue</b>				
Assessments	\$ 360,000	\$ 360,000	\$ 334,456	\$ (25,544)
Use of money and property	180,000	180,000	188,339	8,339
Other revenue	-	-	90,140	90,140
<b>Total Revenue</b>	<b>\$ 540,000</b>	<b>\$ 540,000</b>	<b>\$ 612,935</b>	<b>\$ 72,935</b>
<b>Expenditures</b>				
Principal repayments:				
General obligation bonds	\$ 6,250,762	\$ 6,250,762	\$ 4,554,082	\$ 1,696,680
Interest and issuance costs:				
General obligation bonds	-	-	1,695,792	(1,695,792)
Other	65,000	65,000	55,945	9,055
<b>Total expenditures</b>	<b>\$ 6,315,762</b>	<b>\$ 6,315,762</b>	<b>\$ 6,305,819</b>	<b>\$ 9,943</b>
Excess of revenue over expenditures	\$ (5,775,762)	\$ (5,775,762)	\$ (5,692,884)	\$ 82,878
<b>Other Financing Sources</b>				
Transfers in from general fund	4,905,892	4,905,892	4,905,892	-
<b>Total Financing Sources</b>	<b>\$ 4,905,892</b>	<b>\$ 4,905,892</b>	<b>\$ 4,905,892</b>	<b>\$ -</b>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ (869,870)	\$ (869,870)	\$ (786,992)	\$ 82,878
Fund balance at beginning of year	3,611,192	3,611,192	4,146,261	535,069
<b>Fund balance at end of year</b>	<b>\$ 2,741,322</b>	<b>\$ 2,741,322</b>	<b>\$ 3,359,269</b>	<b>\$ 617,947</b>

## City of Rockville, Maryland

### Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue				Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund	Town Center Management District Fund	Automated Speed Enforcement Fund	
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 859,748	\$ -		\$ 1,850,162	\$ 2,709,910
Due from other governments	-	120,346	31,292	280,847	432,485
Other assets	3,038	-	-	531,434	534,472
<b>Total assets</b>	<b>\$ 862,786</b>	<b>\$ 120,346</b>	<b>\$ 31,292</b>	<b>\$ 2,662,443</b>	<b>\$ 3,676,867</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 22,266	\$ 600	\$ 120,183	\$ 119,625	\$ 262,674
Interfund payable	-	113,445	365,774	-	479,219
Other	183	6,300	-	6,421	12,904
<b>Total liabilities</b>	<b>\$ 22,449</b>	<b>\$ 120,345</b>	<b>\$ 485,957</b>	<b>\$ 126,046</b>	<b>\$ 754,797</b>
<b>Fund Balance:</b>					
Designated:					
Special Revenue	840,337	1	(454,665)	2,536,397	2,922,070
<b>Total fund balance</b>	<b>\$ 840,337</b>	<b>\$ 1</b>	<b>\$ (454,665)</b>	<b>\$ 2,536,397</b>	<b>\$ 2,922,070</b>
<b>Total liabilities and fund balance</b>	<b>\$ 862,786</b>	<b>\$ 120,346</b>	<b>\$ 31,292</b>	<b>\$ 2,662,443</b>	<b>\$ 3,676,867</b>

## City of Rockville, Maryland

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2008

	Special Revenue				Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund	Town Center Management District Fund	Automated Speed Enforcement Fund	
<b>Revenue</b>					
Grant revenue	\$ -	\$ 336,001	\$ -	\$ -	\$ 336,001
Use of money and property	31,331	-	-	19,427	50,758
Other	435,115	-	297,076	4,041,607	4,773,798
<b>Total Revenue</b>	<u>\$ 466,446</u>	<u>\$ 336,001</u>	<u>\$ 297,076</u>	<u>\$ 4,061,034</u>	<u>\$ 5,160,557</u>
<b>Expenditures</b>					
Community development block grant	\$ -	\$ 336,001	\$ -	\$ -	\$ 336,001
Community development	-	-	721,098	-	721,098
Public safety	-	-	-	1,498,747	1,498,747
Recreation and parks	300,043	-	-	-	300,043
<b>Total expenditures</b>	<u>\$ 300,043</u>	<u>\$ 336,001</u>	<u>\$ 721,098</u>	<u>\$ 1,498,747</u>	<u>\$ 2,855,889</u>
Excess of revenue over expenditures	<u>\$ 166,403</u>	<u>\$ -</u>	<u>\$ (424,022)</u>	<u>\$ 2,562,287</u>	<u>\$ 2,304,668</u>
Net change in fund balance	166,403	-	(424,022)	2,562,287	2,304,668
Fund balance at beginning of year	<u>673,934</u>	<u>-</u>	<u>(30,643)</u>	<u>(25,889)</u>	<u>617,402</u>
Fund balance at end of year	<u>\$ 840,337</u>	<u>\$ -</u>	<u>\$ (454,665)</u>	<u>\$ 2,536,398</u>	<u>\$ 2,922,070</u>

# City of Rockville, Maryland

Budgetary Comparison Schedule  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	Special Activities Fund			Community Development Block Grant Fund			Total			
	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
<b>Revenue</b>										
Grant revenue	\$ -	\$ -	\$ -	\$ 510,987	\$ 510,987	\$ 336,001	\$ 510,987	\$ 510,987	\$ 336,001	\$ (174,986)
Use of money and property	6,850	6,850	31,331	-	-	-	6,850	6,850	31,331	24,481
Other	1,152,500	1,152,500	435,115	-	-	-	1,152,500	1,152,500	435,115	(717,385)
<b>Total Revenue</b>	<u>\$ 1,159,350</u>	<u>\$ 1,159,350</u>	<u>\$ 466,446</u>	<u>\$ 510,987</u>	<u>\$ 510,987</u>	<u>\$ 336,001</u>	<u>\$ 1,670,337</u>	<u>\$ 1,670,337</u>	<u>\$ 802,447</u>	<u>\$ (867,890)</u>
<b>Expenditures</b>										
Community develop. block grant	-	-	-	-	-	336,001	-	-	336,001	(336,001)
Community services	785,310	858,841	300,043	-	-	-	858,841	858,841	300,043	558,798
<b>Total expenditures</b>	<u>\$ 785,310</u>	<u>\$ 858,841</u>	<u>\$ 300,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,001</u>	<u>\$ 858,841</u>	<u>\$ 858,841</u>	<u>\$ 636,044</u>	<u>\$ 222,797</u>
Excess of revenue over expenditures	<u>\$ 374,040</u>	<u>\$ 300,509</u>	<u>\$ 166,403</u>	<u>\$ 510,987</u>	<u>\$ 510,987</u>	<u>\$ -</u>	<u>\$ 811,496</u>	<u>\$ 811,496</u>	<u>\$ 166,403</u>	<u>\$ (645,093)</u>
Fund balance at beginning of year	673,934	673,934	673,934	-	-	-	673,934	673,934	673,934	-
<b>Fund balance at end of year</b>	<u>\$ 1,047,974</u>	<u>\$ 974,443</u>	<u>\$ 840,337</u>	<u>\$ 510,987</u>	<u>\$ 510,987</u>	<u>\$ -</u>	<u>\$ 1,485,430</u>	<u>\$ 1,485,430</u>	<u>\$ 840,337</u>	<u>\$ (645,093)</u>

**City of Rockville, Maryland**

Budgetary Comparison Schedule  
 Nonmajor Governmental Funds (con't)  
 For the Year Ended June 30, 2008

	Town Center Mgmt District Fund			Automated Speed Enforcement Fund			Total			
	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
<b>Revenue</b>										
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-	-	19,427	-	-	19,427	19,427
Other	-	-	297,076	1,684,200	4,084,200	4,041,607	1,684,200	4,084,200	4,338,683	254,483
<b>Total Revenue</b>	\$ -	\$ -	\$ 297,076	\$ 1,684,200	\$ 4,084,200	\$ 4,061,034	\$ 1,684,200	\$ 4,084,200	\$ 4,358,110	\$ 273,910
<b>Expenditures</b>										
Community develop. block grant	-	-	-	-	-	-	-	-	-	-
Community services	721,098	721,098	721,098	872,412	1,817,247	1,498,747	1,593,510	2,538,345	2,219,845	318,500
<b>Total expenditures</b>	\$ 721,098	\$ 721,098	\$ 721,098	\$ 872,412	\$ 1,817,247	\$ 1,498,747	\$ 1,593,510	\$ 2,538,345	\$ 2,219,845	\$ 318,500
<b>Excess of revenue over expenditures</b>	\$ (721,098)	\$ (721,098)	\$ (424,022)	\$ 811,788	\$ 2,266,953	\$ 2,562,287	\$ 90,690	\$ 1,545,855	\$ 2,138,265	\$ 592,410
<b>Fund balance at beginning of year</b>	(30,643)	(30,643)	(30,643)	(25,889)	(25,889)	(25,889)	(56,532)	(56,532)	(56,532)	-
<b>Fund balance at end of year</b>	\$ (751,741)	\$ (751,741)	\$ (454,665)	\$ 785,899	\$ 2,241,064	\$ 2,536,398	\$ 34,158	\$ 1,489,323	\$ 2,081,733	\$ 592,410

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**Other Supplementary Information**  
**Proprietary Funds**  
**Enterprise Funds**

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



# City of Rockville, Maryland

## Budgetary Comparison Schedule Enterprise Funds

For the Year Ended June 30, 2008

	Water Facility Fund			Sanitary Sewer Fund			Refuse Fund			
	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
Total revenue	\$ 4,775,000	\$ 4,705,000	\$ 5,217,205	\$ 6,267,000	\$ 6,117,000	\$ 5,772,419	\$ 5,470,000	\$ 5,560,000	\$ 5,403,071	\$ (156,929)
Total operating expenses	4,843,764	4,793,541	4,568,039	4,670,168	4,760,304	4,470,121	5,205,761	5,243,176	4,609,933	633,243
Operating income (loss) before depreciation and amortization										
Depreciation and amortization	\$ (68,764)	\$ (88,541)	\$ 649,166	\$ 1,596,832	\$ 1,356,696	\$ 1,302,298	\$ 264,239	\$ 316,824	\$ 793,138	\$ 476,314
Operating income (loss)	\$ (1,078,264)	\$ (1,230,041)	\$ (571,525)	\$ 678,832	\$ 526,820	\$ 511,375	\$ 142,739	\$ 195,324	\$ 665,738	\$ 470,414
<u>Non-Operating Income (Expenses)</u>										
Interest income	30,000	240,000	62,960	-	150,000	250,557	5,000	90,000	122,411	32,411
Interest expense	(342,000)	(394,485)	(394,485)	(539,000)	(718,638)	(718,638)	(13,800)	(115,584)	(115,584)	-
Total non-operating income (expense)	\$ (312,000)	\$ (154,485)	\$ (331,525)	\$ (539,000)	\$ (568,638)	\$ (468,081)	\$ (8,800)	\$ (25,584)	\$ 6,827	\$ 32,411
Operating income (loss) before transfers	\$ (1,390,264)	\$ (1,384,526)	\$ (903,050)	\$ 139,832	\$ (41,818)	\$ 43,294	\$ 133,939	\$ 169,740	\$ 672,565	\$ 502,825
Transfer in from General Fund	-	-	-	-	-	-	60,000	60,000	30,000	(30,000)
Net increase (decrease) in net assets	\$ (1,390,264)	\$ (1,384,526)	\$ (903,050)	\$ 139,832	\$ (41,818)	\$ 43,294	\$ 193,939	\$ 229,740	\$ 702,565	\$ 472,825

# City of Rockville, Maryland

## Budgetary Comparison Schedule Enterprise Funds (con't)

For the Year Ended June 30, 2008

	Parking Fund			Stormwater Management Fund			Redgate Golf Course Fund		
			Variance from Amended Budget			Variance from Amended Budget			Variance from Amended Budget
	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual	Original Budget	Budget as Amended	Actual
Total revenue	\$ 2,224,000	\$ 1,089,000	\$ 1,732,455	\$ 890,433	\$ 890,433	\$ 561,730	\$ 1,219,173	\$ 1,219,173	\$ 1,170,655
Total operating expenses	1,248,540	1,304,143	1,709,980	1,100,433	1,233,883	1,020,621	1,302,082	1,302,082	1,244,054
Operating income (loss) before depreciation and amortization	\$ 975,460	\$ (215,143)	\$ 22,475	\$ (210,000)	\$ (343,450)	\$ (458,891)	\$ (82,909)	\$ (82,909)	\$ (73,399)
Depreciation and amortization	(1,104,100)	(1,104,100)	(660,676)	(115,000)	(165,000)	(164,655)	(80,100)	(61,074)	(125,809)
Operating income (loss)	\$ (128,640)	\$ (1,319,243)	\$ (638,201)	\$ (325,000)	\$ (508,450)	\$ (623,546)	\$ (163,009)	\$ (143,983)	\$ (199,208)
<u>Non-Operating Income (Expenses)</u>									
Interest income	500,000	300,000	251,440	325,000	325,000	326,547	-	-	-
Interest expense	(1,468,900)	(1,468,900)	(1,465,859)	-	-	-	(12,500)	(12,500)	(12,208)
Sale of capital assets	-	-	615,108	-	-	-	-	-	-
Total non-operating income (expense)	\$ (968,900)	\$ (1,168,900)	\$ (599,311)	\$ 325,000	\$ 325,000	\$ 326,547	\$ (12,500)	\$ (12,500)	\$ (12,208)
Income (loss) before operating transfers	\$ (1,097,540)	\$ (2,488,143)	\$(1,257,512)	\$ -	\$ (183,450)	\$ (296,999)	\$ (175,509)	\$ (156,483)	\$ (211,416)
Transfer in from General Fund	950,000	1,565,000	1,565,000	-	-	-	165,000	165,000	165,000
Net increase (decrease) in net assets	\$ (147,540)	\$ (923,143)	\$ 327,488	\$ -	\$ (183,450)	\$ (296,999)	\$ (10,509)	\$ 8,517	\$ (46,416)
			\$ 1,250,631			\$ (113,549)			\$ (54,933)
			(405,837)			213,262			58,028

# STATISTICAL SECTION

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

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

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

**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 that year.



## City of Rockville, Maryland

### Financial Trends Information Net Assets by Category Government Wide, Last Six Fiscal Year: (accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>						
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
Restricted for capital projects	-	1,800,000			-	-
Unrestricted	15,277,069	7,806,848	23,945,011	21,073,192	30,905,551	39,283,820
Total Governmental Activities Net Assets	<u>\$ 29,419,901</u>	<u>\$ 34,681,734</u>	<u>\$ 57,278,220</u>	<u>\$143,335,498</u>	<u>\$193,355,075</u>	<u>\$213,174,893</u>
<b>Business-Type Activities</b>						
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
Unrestricted	23,317,986	12,942,474	9,806,139	44,092,837	18,652,926	20,457,767
Total Business-Type Activities Net Assets	<u>\$ 57,588,946</u>	<u>\$ 57,039,203</u>	<u>\$ 57,891,719</u>	<u>\$ 65,938,120</u>	<u>\$ 58,448,703</u>	<u>\$ 58,275,585</u>
<b>Primary Government</b>						
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
Restricted for capital projects		\$ 1,800,000				
Unrestricted	38,595,055	20,749,322	23,945,011	65,166,029	49,558,477	59,741,587
Total Primary Government Net Assets	<u>\$ 87,008,847</u>	<u>\$ 91,720,937</u>	<u>\$ 105,363,800</u>	<u>\$209,273,618</u>	<u>\$251,803,778</u>	<u>\$271,450,478</u>

**Note:**

- The City implemented GASB 34 in fiscal year 2003, therefore, only six years of government-wide financial data are presented.
- In FY 07, the Community Services Department was combined with the Recreation and Parks Department.

## City of Rockville, Maryland

### Financial Trends Information Changes in Net Assets by Category, Government Wide, Last Six Fiscal Year (accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 8,918,307	\$ 8,621,681	\$ 9,181,896	\$ 10,182,325	\$ 11,183,434	\$ 12,221,181
Community development block grant	401,357	412,712	357,432	294,481	274,773	336,001
Community development	1,471,759	1,534,045	1,607,760	3,565,924	3,819,641	5,009,654
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
Public Works	5,567,832	6,002,839	5,743,222	5,596,654	6,540,061	6,618,979
Recreation and parks	14,875,969	14,347,079	14,174,780	14,335,067	17,685,035	18,757,428
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
<b>Total governmental activities expenses</b>	<b>42,404,972</b>	<b>43,234,289</b>	<b>45,044,485</b>	<b>46,594,196</b>	<b>48,721,407</b>	<b>53,915,096</b>
Business-type activities:						
Water	4,296,885	4,410,814	4,333,962	5,412,906	5,393,739	6,313,155
Sewer	4,299,970	4,435,977	4,214,334	4,844,716	4,871,708	5,830,893
Refuse	4,024,746	4,177,891	4,222,021	4,315,562	4,657,308	4,737,333
Parking	-	114,945	312,212	494,594	8,937,779	805,656
Stormwater management	623,958	747,521	1,622,590	1,952,276	2,673,487	1,185,276
Golf course	1,259,282	1,128,753	1,074,327	1,019,370	1,279,976	1,369,863
<b>Total business-type activities expenses</b>	<b>14,504,841</b>	<b>15,015,901</b>	<b>15,779,446</b>	<b>18,039,424</b>	<b>27,813,997</b>	<b>20,242,176</b>
<b>Total primary government expenses</b>	<b>\$ 56,909,813</b>	<b>\$ 58,250,190</b>	<b>\$ 60,823,931</b>	<b>\$ 64,633,620</b>	<b>\$ 76,535,404</b>	<b>\$ 74,157,272</b>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 265,752	\$ 498,049	\$ 777,636	\$ 679,403	\$ 242,581	\$ 678,759
Community development	2,547,481	1,579,469	1,650,981	1,543,426	2,626,016	1,651,562
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
Public Works	296,597	578,549	274,988	540,524	253,014	319,425
Recreation and parks	4,250,600	4,240,368	4,279,807	5,087,899	4,420,486	4,943,264
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
Capital grants and contributions	3,429,666	3,101,162	5,587,548	4,541,337	27,433,272	5,958,450
<b>Total governmental activities program revenues</b>	<b>12,865,121</b>	<b>12,282,112</b>	<b>14,606,217</b>	<b>14,632,999</b>	<b>37,334,451</b>	<b>21,019,320</b>
Business type activities:						
Water	4,312,310	3,695,205	3,823,733	3,955,830	5,185,774	5,217,205
Sewer	5,789,796	5,300,119	5,424,798	5,473,314	6,204,915	5,772,419
Refuse	3,650,023	4,165,770	4,552,581	4,884,469	5,128,169	5,403,071
Parking	-	511,154	581,869	607,752	1,732,712	1,732,455
Stormwater management	867,323	747,894	1,121,963	1,357,430	742,847	561,730
Golf course	1,395,529	1,151,069	1,102,123	1,083,059	1,147,648	1,170,655
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	1,000,000	-	-	-
<b>Total business-type activities program revenues</b>	<b>16,014,981</b>	<b>15,571,211</b>	<b>17,607,067</b>	<b>17,361,854</b>	<b>20,142,065</b>	<b>19,857,535</b>
<b>Total primary government revenues</b>	<b>\$ 28,880,102</b>	<b>\$ 27,853,323</b>	<b>\$ 32,213,284</b>	<b>\$ 31,994,853</b>	<b>\$ 57,476,516</b>	<b>\$ 40,876,855</b>

## City of Rockville, Maryland

### Financial Trends Information Changes in Net Assets by Category, Government Wide, Last Six Fiscal Years (continued) (accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$(29,539,851)	\$ (30,952,177)	\$ (30,438,268)	\$ (31,961,197)	\$ (11,386,956)	\$ (32,895,776)
Business-type activities	1,510,140	555,310	1,827,621	(677,570)	(7,671,932)	(384,641)
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>\$ (19,058,888)</u>	<u>\$ (33,280,417)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Property taxes	\$ 21,939,085	\$ 22,963,744	\$ 25,980,805	\$ 28,253,720	\$ 31,136,859	\$ 32,089,556
Income taxes	6,281,463	7,019,649	7,874,409	9,035,343	9,816,933	10,622,311
Gas and motor vehicle taxes	2,564,114	1,991,434	2,497,974	3,097,689	3,264,162	3,052,324
County tax duplications payment	1,482,285	1,259,511	1,698,450	2,131,796	2,228,499	2,228,499
Admissions and amusement taxes	1,079,393	1,023,395	882,405	883,793	911,521	1,057,856
Use of money and property	175,598	163,345	362,566	1,577,137	1,443,093	1,749,732
Other Revenue	384,537	499,605	438,033	445,674	465,977	497,816
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
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>
Business-type activities:						
Use of money and property	178,343	188,274	305,584	1,463,990	1,741,055	1,013,915
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)
Total business-type activities	<u>(1,053,041)</u>	<u>(1,105,053)</u>	<u>(975,105)</u>	<u>139,863</u>	<u>410,786</u>	<u>211,523</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>\$ 51,054,330</u>	<u>\$ 52,927,117</u>
<b>Changes in Net Assets</b>						
Governmental activities	5,598,008	5,261,833	22,599,486	14,887,547	39,256,588	19,819,818
Business-type activities	457,099	(549,743)	852,516	(537,707)	(7,261,146)	(173,118)
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>

## City of Rockville, Maryland

### Financial Trends Information Fund Balances, Governmental Funds, Last Six Fiscal Years (modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>General Fund</b>						
Reserved	\$ 1,127,492	\$ 985,414	\$ 933,875	\$ 868,548	\$ 2,018,175	\$ 2,331,456
Unreserved/Undesignated	9,444,316	10,595,897	13,923,958	16,082,011	13,648,818	12,720,209
<b>Total general fund</b>	<u>\$ 10,571,808</u>	<u>\$ 11,581,311</u>	<u>\$ 14,857,833</u>	<u>\$ 16,950,559</u>	<u>\$ 15,666,993</u>	<u>\$ 15,051,665</u>
<b>All Other Governmental Funds</b>						
Reserved	\$ 4,835,518	\$ 10,027,786	\$ 24,713,202	\$ 4,643,863	\$ 15,902,123	\$ 5,725,167
Unreserved/Undesignated, reported in:						
Special revenue funds	415,209	276,905	289,665	429,152	617,402	2,922,070
Capital projects funds	2,367,186	(1,373,602)	(17,887,390)	-	-	17,539,104
Debt service funds	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 7,617,913</u>	<u>\$ 8,931,089</u>	<u>\$ 7,115,477</u>	<u>\$ 5,073,015</u>	<u>\$ 16,519,525</u>	<u>\$ 26,186,341</u>

Note:

-The City implemented GASB 34 in fiscal year 2003, therefore, only six years of government-wide financial data are presented.

-In FY 07, the Community Services Department was combined with the Recreation and Parks Department.

## City of Rockville, Maryland

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
Property taxes	\$ 21,496,983	\$ 23,386,926	\$ 26,229,753	\$ 28,513,927	\$ 31,192,975	\$ 32,205,812
Assessments	433,831	367,247	360,495	330,053	350,005	334,456
Revenue from other governments:	-	-	-	-	-	-
Community development block grant	401,357	412,712	357,432	294,481	336,001	336,001
Income taxes	6,281,463	7,019,049	7,874,409	9,035,343	9,816,933	10,622,311
Gas and motor vehicle taxes	2,564,114	1,991,434	2,497,974	3,097,689	3,264,162	3,052,324
County tax duplication payment	1,482,285	1,259,511	1,698,450	2,131,796	2,228,499	2,228,499
Admissions and amusement taxes	1,079,393	1,023,395	882,405	883,793	911,521	1,057,856
Grants and other governmental revenue	4,511,086	1,992,244	3,392,122	6,643,871	12,045,633	5,665,712
Licenses and permits	2,360,679	1,699,991	1,638,646	1,778,686	2,114,909	1,797,039
Charges for services	4,745,633	6,951,909	4,262,498	4,586,595	4,652,890	4,859,899
Use of money and property	813,154	769,971	1,007,890	2,488,505	2,233,471	3,216,669
Fines and forfeitures	157,787	285,253	811,771	799,486	877,137	634,907
Other revenue	1,670,470	1,937,796	4,313,827	2,500,074	10,510,649	7,710,575
<b>Total revenues</b>	<b>\$ 47,998,235</b>	<b>\$ 49,097,438</b>	<b>\$ 55,327,672</b>	<b>\$ 63,084,299</b>	<b>\$ 80,534,785</b>	<b>\$ 73,722,060</b>
<b>Expenditures</b>						
Current operations:						
General government	8,182,608	8,185,223	8,180,536	9,356,447	10,884,461	11,564,249
Community development block grant	401,357	412,712	357,432	294,481	336,001	336,001
Community development	1,412,115	1,628,277	1,579,939	3,526,755	3,760,087	4,995,433
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
Public works	5,160,692	5,232,331	5,315,785	5,253,643	5,862,318	6,206,579
Recreation and parks	12,726,536	13,323,501	13,348,331	13,786,689	16,476,639	18,172,866
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
Debt service						
Principal	2,026,136	2,696,026	3,126,988	16,528,272	4,105,428	4,554,082
Interest	810,209	875,088	1,217,935	1,744,915	1,552,264	1,695,792
Bond Counsel/Amortization	-	-	-	-	-	55,945
<b>Total expenditures</b>	<b>\$ 50,906,970</b>	<b>\$ 70,586,182</b>	<b>\$ 76,566,748</b>	<b>\$ 77,894,092</b>	<b>\$ 77,655,570</b>	<b>\$ 73,320,572</b>
Excess (deficiency) revenue over expenditures	\$ (2,908,735)	\$ (21,488,744)	\$ (21,239,076)	\$ (14,809,793)	\$ 2,879,215	\$ 401,488
<b>Other Financing Sources (Uses)</b>						
Transfers in	6,656,479	4,501,050	18,698,629	11,490,398	24,564,077	12,737,392
Transfers out	(6,693,271)	(4,537,842)	(18,735,421)	(11,580,341)	(17,280,348)	(14,497,392)
Proceeds from sale of capital assets	-	-	22,144,778	-	-	-
General obligation bonds issued	10,347,994	23,765,000	-	14,950,000	-	10,410,000
Loan payable issued	-	-	592,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 10,311,202</b>	<b>\$ 23,728,208</b>	<b>\$ 22,699,986</b>	<b>\$ 14,860,057</b>	<b>\$ 7,283,729</b>	<b>\$ 8,650,000</b>
<b>Net change in fund balances</b>	<b>\$ 7,402,467</b>	<b>\$ 2,239,464</b>	<b>\$ 1,460,910</b>	<b>\$ 50,264</b>	<b>\$ 10,162,944</b>	<b>\$ 9,051,488</b>
Debt Service as percentage of non-capital expenditures	6.89%	8.16%	9.64%	29.86%	11.22%	11.03%

## City of Rockville, Maryland

### Revenue Capacity Information Assessed and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Privately Owned Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value to Estimated Actual Value
1999	1,750,113,882	286,113,760	94,941,830	2,131,169,472	0.815	4,900,696,795	43.49%
2000	N/A	N/A	N/A	N/A	0.805	N/A	N/A
2001	1,952,589,315	327,180,110	104,083,470	2,383,852,895	0.805	5,312,736,868	44.87%
2002	5,365,409,658	346,798,430	128,933,300	5,841,141,388	0.322	5,841,141,388	100.00%
2003	5,921,959,542	358,574,751	112,825,340	6,393,359,633	0.322	6,393,359,633	100.00%
2004	6,312,353,479	294,840,190	110,712,160	6,717,905,929	0.322	6,717,905,829	100.00%
2005	7,193,741,551	286,635,530	115,241,520	7,595,618,601	0.322	7,595,618,601	100.00%
2006	7,539,816,746	282,505,725	118,952,785	7,941,275,256	0.322	7,941,275,256	100.00%
2007	9,008,163,075	266,743,524	121,600,205	9,396,506,804	0.312	9,396,506,804	100.00%
2008	10,148,794,995	273,424,734	120,985,475	10,543,205,204	0.302	10,543,205,204	100.00%

Note: As part of State Law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001.

## City of Rockville, Maryland

### Revenue Capacity Information Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years

Fiscal Year	City	Overlapping Rates	
	Total Direct	Montgomery County	State of Maryland
1999	0.820	2.292	0.210
2000	0.815	2.258	0.210
2001	0.805	2.253	0.210
2002	0.805	0.901	0.210
2003	0.322	0.910	0.084
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

## City of Rockville, Maryland

### Revenue Capacity Information Principal Real Property Tax Payers, Current Year and Nine Years Ago

For the Fiscal Year Ended June 30, 2008

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Research Grove Associates	\$ 73,658,964	\$ 73,658,964	\$ -	0.70%
T/A Western LLC	61,299,034	61,299,034	-	0.58%
Verizon	59,105,646	-	59,105,646	0.56%
Potomac Electric Power	57,568,905	-	57,568,905	0.55%
ARE Aquasitions	50,771,362	50,771,362	-	0.48%
TA/Western LLC	41,214,569	41,214,569	-	0.39%
Hub Woodmont	35,685,411	35,685,411	-	0.34%
Transwestern Gateway, LLC	34,656,889	34,656,889	-	0.33%
Washington Real Estate Invest	33,368,745	33,368,745	-	0.32%
Prime 1801, LLC	32,712,863	32,712,863	-	0.31%
Total	<u>\$ 480,042,388</u>	<u>\$ 363,367,837</u>	<u>\$ 116,674,551</u>	<u>4.56%</u>
Total Assessable Value	<u>\$ 10,543,205,204</u>			<u>100.00%</u>

For the Fiscal Year Ended June 30, 1999

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power	\$ 38,652,970	\$ -	\$ 38,652,970	1.81%
Bell Atlantic	34,828,640	-	34,828,640	1.63%
King Farm LLC	27,536,470	27,536,470	-	1.29%
Congressional Plaza Associate:	21,918,820	21,918,820	-	1.03%
New Jersey Colonial	20,557,370	-	20,557,370	0.96%
William Rickman	16,772,990	16,772,990	-	0.79%
Mid Atlantic Medical	16,558,170	-	16,558,170	0.78%
Prentis Property Research	15,439,510	15,439,510	-	0.72%
General Electric Information	15,058,400	-	15,058,400	0.71%
Congressional Towers	14,010,820	14,010,820	-	0.66%
Total	<u>\$ 221,334,160</u>	<u>\$ 95,678,610</u>	<u>\$ 125,655,550</u>	<u>9.09%</u>
Total Assessable Value	<u>\$ 2,131,169,472</u>			<u>100.00%</u>

Source: State of Maryland Department of Assessment and Taxation.

## City of Rockville, Maryland

### Revenue Capacity Information Property Tax Levies and Collections, Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date Amount	Percentage of Levy
		Fiscal Year of the Levy				
		Amount	Percentage of Levy			
1999	17,218,483	16,652,168	96.7	616,202	17,268,370	100.3
2000	17,569,656	17,245,761	98.2	83,500	17,329,261	98.6
2001	18,696,967	18,122,645	96.9	315,853	18,438,498	98.6
2002	20,747,696	19,546,914	94.2	842,049	20,388,963	98.6
2003	22,578,731	21,732,287	96.3	(235,304)	21,496,983	98.6
2004	24,315,580	23,325,909	95.9	61,017	23,386,926	98.6
2005	26,398,958	26,027,181	98.6	87,464	26,114,645	98.6
2006	28,956,431	28,410,726	98.1	91,920	28,502,646	98.6
2007	31,124,821	30,670,042	98.5	534,609	31,204,651	98.6
2008	33,234,662	32,630,186	98.2	126,255	32,756,441	98.5

## City of Rockville, Maryland

### Debt Capacity Information Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Loan Payable	General Obligation Bonds	Total Primary Government		
1999	21,253,062	-	7,925,620	29,180,681	7.52	608
2000	19,563,306	-	8,595,031	28,160,337	8.48	579
2001	16,604,107	-	8,701,478	25,307,586	9.68	517
2002	16,771,487	-	11,736,799	28,510,288	9.34	576
2003	35,295,444	-	18,656,273	53,953,720	5.13	1,046
2004	46,024,724	-	22,923,193	68,949,921	4.49	1,315
2005	42,918,551	592,000	22,500,169	66,012,725	N/A	1,145
2006	41,399,071	512,393	63,592,756	105,504,220	N/A	1,782
2007	37,374,850	431,186	61,090,128	98,896,164	N/A	1,622
2008	43,313,608	348,346	68,836,288	112,498,242	N/A	1,622

Notes: Population estimates for 2000 reflect the U.S. Bureau of the Census data. All other years are City of Rockville Department of Community Planning and Development Services estimates.

## City of Rockville, Maryland

### Debt Capacity Information Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1999	29,178,682	0.09	414
2000	28,158,337	0.08	380
2001	25,305,585	0.07	348
2002	28,508,286	0.02	330
2003	53,951,717	.05/.03	304
2004	68,947,917	.06/.04	607/326
2005	65,989,905	.03/.04	737/523
2006	105,504,220	.06/.04	671/463
2007	98,896,164	.05/.03	627/404
2008	112,498,242	0.03	626

Notes:

On September 8, 2003, the City paid off \$14,715,000 of 1993 series general obligation bonds, which were refunded on June 1, 2003, see footnote (2) E for details. Based upon the above information the restated ratios as of September 8, 2003 for adjusted net bonded debt to assessed value is 0.3%, the adjusted net bonded debt per capita would be \$326 and adjusted net bonded debt per capita as a percentage of per capita income would be 1.1% and the ratio for adjusted net bonded debt to assessed value is 0.3%.

The City issued \$12,350,000 of short-term Bond Anticipation Notes (BAN's) in June 2004 for costs associated with the redevelopment of Town Center. The BAN's was repaid with the developer contributions during FY 2006. Based upon the above information the restated dollar amount for adjusted net bonded debt per capital would be \$463, adjusted net bonded debt per capita as a percentage of per capita income would be 1.9% and the ratio for adjusted net bonded debt to assessed value is 0.4%.

On September 23, 2005, the City issued \$56,735,000 in general obligation bonds for costs associated with the development of Town Center. Based upon the above information the restated dollar amount for adjusted net bonded debt per capita would be \$463, adjusted net bonded debt per capita as a percentage of per capita income would be 2.0% and the ratio for adjusted net bonded debt to assessed value is 0.4%

## City of Rockville, Maryland

### Debt Capacity Information Direct and Overlapping Governmental Activities Debt

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Rockville	43,661,954	100.00%	43,661,954
Montgomery County, Maryland	<u>1,921,401,484</u>	7.44%	<u>189,699,224</u>
<b>Total direct and overlapping debt</b>	<b><u>\$1,965,063,438</u></b>		<b><u>\$233,361,178</u></b>

Notes:

Excludes County debt not attributable to the City of Rockville.

The City is not restricted by legal debt limit.

Based on 2008 assessed valuations reported by the State of Maryland Department of Assessments and Taxation.

## City of Rockville, Maryland

### Demographic and Economic Information Demographic and Economic Statistics, Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
1999	48,618	2,195,102	45,150	2.80
2000	48,920	2,390,769	48,871	1.90
2001	49,511	2,452,131	49,257	2.30
2002	51,578	2,665,086	51,671	2.80
2003	52,401	2,770,650	52,874	2.60
2004	57,619	3,097,251	53,754	3.10
2005	59,552	N/A	N/A	3.30
2006	59,887	N/A	N/A	3.20
2007	61,030	N/A	N/A	3.10
2008	63,170	N/A	N/A	3.08

Notes: Population estimates for 2000 reflect the U.S. Bureau of the Census data. All other years are City of Rockville Department of Community Planning and Development Services estimates.

## City of Rockville, Maryland

### Demographic and Economic Information Principal Employers, Current Year and Nine Years Ago

Employer	<u>Fiscal Year 2008</u>			<u>Fiscal Year 1999</u>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Westat Inc.	1,900	1	6.93%	950	5	3.39%
Human Genome Sciences	850	2	3.10%	*		0.00%
Wolpoff & Abramson, LLP	650	3	2.37%	*		0.00%
Community Services for Autistic Adult & Children	545	4	1.99%	2,600	1	9.28%
Booz Allen Hamilton	500	5	1.82%	*		0.00%
Lockheed Martin Information Systems	500	6	1.82%	*		0.00%
US Pharmacopeia	500	7	1.82%	1,700	4	6.07%
J. Craig Venter Institute	450	7	1.64%	*		0.00%
BioReliance	425	8	1.55%	*		0.00%
Legal & General America/Banner Life Insurance	400	10	1.46%	*		0.00%
GE Information Services	*		0.00%	1,925	2	6.87%
Computer Data Systems	*		0.00%	566	6	2.02%
Hewlett Packard Company	*		0.00%	1,635	3	5.84%
Alpha Scientific Inc.	*		0.00%	523	7	1.87%
Quest Diagnostics Inc.	*		0.00%	402	8	1.44%
MAMSI	*		0.00%	325	10	1.16%
Envelopes Unlimited, Inc	*		0.00%	398	9	1.42%
Total	<u>6,720</u>		<u>26.38%</u>	<u>11,024</u>		<u>39.36%</u>
Total City Employment	<u>27,436</u>			<u>28,004</u>		

Source: Rockville Economic Development Incorporated

## City of Rockville, Maryland

### Operating Information Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government									
Mayor and Council	7.0	7.0	6.5	6.5	5.5	5.5	4.5	4.5	4.0
City Manager	29.1	21.6	18.6	18.1	16.1	16.1	21.4	21.6	23.6
Human Resources	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Finance	28.0	28.0	28.0	28.0	27.5	27.5	28.5	29.0	29.0
Information and technology	14.5	19.0	20.0	21.0	21.0	21.0	21.0	21.0	20.0
Community development	44.0	48.0	41.0	46.0	44.0	44.0	44.0	45.0	43.6
Community service	-	12.0	24.0	26.5	27.5	27.0	13.0	-	-
Public Safety	61.8	63.8	67.5	67.5	68.5	68.5	79.0	85.5	84.0
Public Works	61.0	61.5	62.0	63.1	63.0	66.5	62.1	62.1	63.1
Recreation and parks	144.5	142.0	143.7	145.8	146.4	139.5	138.2	148.4	147.5
Water	17.6	17.6	18.9	18.8	19.9	20.0	21.3	24.3	26.3
Sewer	11.4	11.4	11.6	11.6	11.6	13.0	13.2	13.2	13.2
Refuse collection	42.0	42.0	42.0	42.0	44.0	43.0	45.9	45.9	45.9
Parking	-	-	-	-	-	-	1.0	1.0	6.5
Stormwater management	10.0	11.5	11.5	11.5	11.5	11.5	11.5	12.0	10.5
Golf course	12.8	13.8	12.8	12.8	12.8	10.8	9.8	9.8	9.8
<b>Total</b>	<b>491.70</b>	<b>507.20</b>	<b>516.10</b>	<b>527.20</b>	<b>527.30</b>	<b>521.90</b>	<b>522.40</b>	<b>531.30</b>	<b>535.00</b>

**Note:**

- In 2007 the Community Services Department merged with Recreation and Parks Department

- Information obtained from Human Resources

## City of Rockville, Maryland

### Operating Information Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2008
<b>Police</b>									
Vehicles	60	64	64	64	48	54	60	64	66
<b>Refuse collection</b>									
Collection trucks	13	13	13	13	12	14	13	13	15
<b>Other public works</b>									
Streets (miles)	136.29	138	143	144	147.81	150.57	156.42	156.42	156.42
Street lights	4,697	4,723	4,729	4,868	5,752	5,770	5,797	5,797	2,992
Sidewalks (miles)	214.82	217.16	221.09	227.75	227.75	261.21	297.62	297.62	297.62
<b>Recreation and Parks</b>									
Acreage	872	955	955	935	935	944	1,020	1,050	1,050
Playgrounds	34	34	34	36	36	36	39	40	41
Picnic Areas	29	29	29	30	30	30	33	34	34
Community centers	4	4	4	4	4	5	5	5	5
<b>Water</b>									
Water mains (miles)	178.00	185	185	185	148.84	179.65	178.00	178.40	178.40
Fire hydrants	1,222	1,229	1,237	1,248	1,302	1,320	1,369	1,369	1,369
Storage capacity (millions of gallons)	8,0000	8,0000	8,0000	8,0000	8,0000	8,0000	8,0000	8,0000	12,1000
<b>Sewer</b>									
Sanitary sewers (miles)	131.89	132.03	133.06	133.85	136.01	165.45	148.00	140.20	140.20
Storm sewers (miles)	54.04	55.52	58.40	59.90	62.14	103.14	97.60	97.60	97.60

Note: Information obtained from various City departments

## City of Rockville, Maryland

### Operating Information Operating Indicators by Function/Program, Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Government</b>										
Building permits issued	1,039	1,413	1,451	1,778	1,812	1,527	1,469	990	998	908
Estimated Cost of Permits	\$87,509,470	\$177,152,827	\$201,032,984	\$212,950,915	\$266,284,496	\$135,956,673	\$202,325,236	\$217,801,267	\$339,709,197	\$152,204,771
<b>Police</b>										
Physical arrests	599	510	492	807	982	1,132	1,173	1,144	1,213	1,289
Traffic violations	13,423	16,677	15,681	17,804	21,424	27,637	25,851	21,122	21,646	24,823
<b>Refuse collection</b>										
Refuse collected (tons per year)	15,492	15,920	20,971	20,861	21,720	20,760	21,600	22,676	23,021	23,021
Recyclables collected (tons per year)	-	-	8,854	9,126	9,000	9,720	17,640	18,100	18,761	18,761
<b>Recreation and Parks</b>										
Child care enrollment	262	281	281	281	235	272	262	281	292	263
Program enrollments	17,941	16,587	14,125	13,546	12,680	15,330	17,941	18,664	19,201	18,753
<b>Water</b>										
Number of Accounts	11,737	11,770	11,850	11,968	12,182	12,379	12,487	12,461	12,472	12,614
Average daily consumption (millions of gallons)	5.390	4.920	4.310	4.768	5.116	4.765	4.149	4.865	5.013	5.000
<b>Sewer</b>										
Avg. daily sewer treatment (thousands of gallons)	6,984	6,854	6,910	7,106	7,523	7,000	6,910	6,850	6,850	6,850

Note: Information obtained from various City departments

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