

**City of
Gaithersburg**



**For the Fiscal
Year Ended**

June 30, 2009

**Comprehensive
Annual Financial
Report**



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Gaithersburg
A CHARACTER COUNTS! CITY

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2009

Prepared by

The Department of Finance and Administration
Harold Belton, *Director*

CITY OF GAITHERSBURG, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended
June 30, 2009

MAYOR	COUNCIL	CITY MANAGER
Sidney A. Katz	MEMBERS	Angel L. Jones
	Ryan Spiegel	
	Michael A. Sesma	
	Henry F. Marraffa, Jr.	
	Jud Ashman	
	Cathy C. Drzyzgula	

DIRECTOR OF FINANCE AND ADMINISTRATION
Harold W. Belton, CGFM

INDEPENDENT AUDITORS
Clifton Gunderson LLP

CITY OF GAITHERSBURG, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

Fiscal Year 2009
July 1, 2008 – June 30, 2009

Prepared by:

DIRECTOR OF FINANCE AND ADMINISTRATION
Harold W. Belton, CGFM

DEPARTMENT OF FINANCE AND ADMINISTRATION
Accounting Division

Tina Smith, CPA, Comptroller
Ling Yan Angela Woo, CPA, Chief Accountant
Sherry Lewis, Accounting Technician
Wesley Rhodes, Accounting Specialist
Denise Gantz, Administrative Assistant

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Gaithersburg

A CHARACTER COUNTS! CITY

October 30, 2009

To the Mayor and City Council
City of Gaithersburg, Maryland

This Comprehensive Annual Financial Report is issued for the City of Gaithersburg, Maryland, for the fiscal year ending June 30, 2009. Its purpose is to provide financial information of importance to the decision-making process of the Mayor and City Council, the citizens of Gaithersburg, oversight bodies, and creditors. This report is also a vehicle for City officials to gauge the extent to which sound financial management and reporting practices are being applied to protect the public interest.

A high priority of the City is to maintain a sound financial condition. We believe that our financial results for the year ending June 30, 2009 reflect our commitment to this objective:

- The City continues to provide facilities and services to its citizens while preserving a pay-as-you-go philosophy and maintaining the same property tax rate since 1964.
- Even in these challenging economic times, the City has maintained reserves adequate to support unexpected emergencies, ensuring that we can continue to provide the highest quality of services to our constituency.

During Fiscal Year 2009, the City made progress in the eleven goal areas that make up our Strategic Plan. These are just a few highlights:

- The City's Personnel Rules and Regulations were completely overhauled. The modifications have led to improved internal organizational efficiencies and consistencies.
- Gaithersburg's Olde Towne area received designation as an Enterprise Zone, positioning our historic City center as a desirable location for development once the economy rebounds.
- Affordable housing has never been a more critical issue. We are proud that a Moderately Priced Dwelling Unit and Workforce Housing policy is now allowing for affordable units in several new and redeveloped properties. A housing stipend is being used by City employees, encouraging them to live in the community in which they work. And we continue to fund a foreclosure counseling service to help our most vulnerable residents retain their housing.

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Angel L. Jones

- The U.S. Homeland Security and Emergency Management Agency awarded two Urban Area Security Initiative subgrants to the City of Gaithersburg Police Department totaling \$475,400. The grants, which Gaithersburg will administer on behalf of other municipalities involved, provide for the development Continuity of Operations and Emergency Operations Plans for several jurisdictions.
- Through the American Recovery and Reinvestment Act, Gaithersburg received \$578,000 in federal funding from the new Energy Efficiency and Conservation Block Grant program. These funds will be used to conduct energy audits and implement energy efficiency upgrades at major City facilities.
- The City received approximately \$2,200,000 in federal funds in FY09, most of which were used for the design and construction of the new Olde Towne Youth Center. Other federal funds were used for the Wells/Robertson House program, and for the installation of a new roof and gutter system on the historic B&O Railroad Station and Community Museum. State funds were awarded to the City to support numerous City initiatives, including a grant to fund façade improvements on properties in and around the Olde Towne Central Business District, and to support the City's homeless programs, police salaries and equipment, nutrition programs for seniors, and other important human service initiatives.

We are proud to receive regional and national recognition for our efforts.

- The City was awarded its 31st Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for the Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2008.
- A seventh Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA) was received for the fiscal year that ended June 30, 2008.
- *BusinessWeek* magazine ranked Gaithersburg the number one place in Maryland on its annual list of "Best Places to Raise Your Kids."
- Gaithersburg earned "Banner City/Town" designation from the Maryland Municipal League (MML) for the second year in a row. The program recognizes those communities that educate their residents about the important of municipal government, and that demonstrate a commitment to MML programs and activities through the involvement of their elected and appointed officials.
- Seven members of the Gaithersburg Police Department received Public Safety Awards from the Gaithersburg-Germantown Chamber of Commerce for distinguished service and meritorious conduct.

- The City's Cable TV staff received two awards from the National Association of Telecommunications Officers and Advisors for programming in FY 2009, one for a presentation made at the State of the City Dinner on community policing and one for a cable TV feature on the City's participation in a statewide geocache trail.
- Three City employees received APEX Awards for Communication Excellence, two for cable TV features on community policing and Gaithersburg's participation in Maryland's Capital for a Day program, and one for speechwriting for the Mayor's annual State of the City address.
- The Gaithersburg Upcounty Senior Center received a Maryland Recreation and Parks Association Service Award for its continued commitment to healthy lifestyles, and for providing innovative programming to meet the changing needs of mature adults. The Center also received a Physical Fitness Excellence Award from the Maryland State Advisory Council on Physical Fitness.
- A City magazine highlighting environmental initiatives received an ECO Merit Award for Excellence in Environmental Communications.
- Gaithersburg received Tree City USA designation from the National Arbor Day Foundation for the 20th consecutive year.

Because of conservative, prudent fiscal policies that have been in place for years, the City of Gaithersburg is in a position to weather the current economic crisis with a minimum of sacrifice. By ensuring that we focus our efforts on those items identified in our strategic plan, by building consensus within the community through the engagement of all stakeholders, and by making smart, tough decisions now and in the months to come, we are laying the groundwork for sound, municipal governance that continues to meet the needs of its citizenry

Sincerely,



Angel L. Jones
City Manager



FALL AT CITY HALL

October 30, 2009



To the Citizens of the City of Gaithersburg, 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 by a firm of licensed certified public accountants. Pursuant to that requirement, and the provisions of the City's Charter, Section 53, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Gaithersburg, Maryland, for the year which ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Gaithersburg. 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 of the City of Gaithersburg 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 of Gaithersburg statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gaithersburg's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be 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 of Gaithersburg's financial statements have been audited by Clifton Gunderson, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Gaithersburg for the fiscal year that ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 of Gaithersburg financial statements for the fiscal year ended that June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of the CAFR.

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In prior years, the independent audit of the financial statements of the City of Gaithersburg, Maryland was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The City's grant expenditures during fiscal year 2009 met the threshold to require a Single Audit. These reports are available in the City of Gaithersburg, Maryland Single Audit Section of the CAFR.

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

The remainder of this letter provides an overview of local economic conditions and prospects for the future, provides a report on some of the City's current initiatives, and highlights the City's financial results.

REPORTING ENTITY

The City's financial statements include Casey Community Center operations, Aquatic Facility operations, Senior Center operations, and all departments and funds operated by the City. In addition, the Employees' Retirement Plan is included as a component unit of the reporting entity. The retirement plan activity is reported in the Pension Trust Fund in the accompanying financial statements.

The financial activities of the Montgomery County Board of Education and the Washington Suburban Sanitary Commission are not considered part of the City's reporting entity. These are separate entities over which the City exercises no control and are not included in this report.

ECONOMIC CONDITION AND OUTLOOK

Gaithersburg is centrally located in the heart of Montgomery County. The southeastern border lies 12 miles from the northwestern border of Washington, D.C., and 18.5 miles northwest of the U.S. Capitol Building. Gaithersburg occupies approximately 10 square miles, with a population of 57,818 as of January 2009.

The City continues to attract and maintain a dense concentration of high-technology companies along the Interstate 270 Technology Corridor, which benefit from their proximity to the regulatory agencies in the National Capital region. Additionally, the residential assessable tax base continues its growth. The current economic condition of the City is excellent, and we are confident that this can be maintained.

Gaithersburg's consistent strategy to attract biotechnology firms continues to reap substantial benefits. MedImmune, one of the 10 largest pharmaceutical companies in

the world, has sited its Headquarters in the City and continues to expand its complex annually. MedImmune's neighbors include Digene, GenVec, Antex, Gene Logic, IBM and Lockheed Martin. According to *Expansion Management* magazine, Gaithersburg possesses many attributes these technology firms seek including a superior work force, good transportation infrastructure, quality of life, competitive operating costs, and a pro-business government.

Due to the current economy, the expectation is one of real property tax revenue posting a moderate increase, resulting in a slight increase to total revenues for FY 2010. While it is slowing, we expect the real property assessed base to continue to grow for the next several years, but this growth will be offset by reductions in other revenue areas.

The City fiscal health is tied to revenues at the local, state and federal level, as well as sources such as interest income and permit fees that are susceptible to fluctuation due to changing economic conditions.

MAJOR INITIATIVES

In preparing the 2009 Budget, the government identified, through a strategic planning process, several major programs needed to meet citizens' requirements for services and to safeguard the environment, in conformity with applicable federal and state standards. These programs:

- Ensure that all planning and development considers and responds to the City's environmental, transportation, economic, social and civic needs.
- Implement traffic and transportation management strategies to improve the safety, structure and function of streets, transit, bikeways and sidewalks within the City.
- Actively pursue Olde Towne Blueprint.
- Maintain and enhance priority City services.
- Pursue programs that preserve and improve current and future housing stock and mix (e.g., aging apartments).
- Maintain support of neighborhood Community Policing programs.
- Implement programs to enhance delivery of services that address the needs of the City's culturally diverse population.
- Implement the Master Plan for Parks, Recreation, Cultural, and Leisure Activities.

- Implement recommendations from ongoing evaluation of natural resources and encourage protection and enhancement of the environment (streams, parks, stormwater management, and other CIP projects).
- Actively pursue economic development programs and strategies.
- Continue communication activities and implement programs that promote citizen involvement.

The largest capital projects are the development of the Gaithersburg Senior Center Center, and Community Development Block Grant - HUD, for which \$3,031,447 and \$2,082,235 respectively was appropriated in fiscal year 2009.

RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

The City sponsors a single employer non-contributory defined contribution pension plan covering all full-time employees. The City also has its own contributory savings plan authorized under Section 401(k) of the Internal Revenue Code covering all full-time employees. Additionally, the City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457 which is available to all employees.

The City provides a Vantagecare Retirement Health Savings Plan. Under the adoption agreement of the plan, employees may make a one-time irrevocable election of the amount of Employer contributions of compensation made on his or her behalf.

The City also provides hospitalization, dental, and life insurance benefits for qualifying retirees and disabled employees. There are currently 36 retirees receiving benefits, which are financed through the OPEB Trust.

Additional information on the City's retirement and other postemployment benefits can be found in Notes 8 and 9 to the basic financial statements.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in the State of Maryland Local Government Investment Pool and in the Montgomery County Investment Pool. On June 30, 2009, the City's financial assets consisted of \$221,415 cash and \$62,985,524 in the respective pools.

Interest earned on investments during fiscal year 2009 totaled \$930,421, which was \$1,282,438 less than the interest earned on investments in fiscal year 2008.

RISK MANAGEMENT

As of July 1, 1987, the City joined with other local governments and formed a self-insurance pool. In the 20 years since, this action has saved considerable money for all participants. The pool initially only provided liability coverage (in the amount of \$1,000,000); therefore, the City still had casualty coverage with a private carrier. Coverage has now been extended for all risks except Workers' Compensation, which is carried by the Montgomery County Self-Insurance Fund.

ECONOMIC DEVELOPMENT REVENUE BONDS

(Asbury Methodist Village, Incorporated Facilities)

The total conduit debt outstanding at June 30, 2009 was \$126,590,000 and consists of the following:

The City issued Economic Development Revenue Bonds, Series 2006 totaling \$130,565,000 which refunded 1993, 1997 and 2004 totaling \$35,460,000, \$42,935,000 and \$44,000,000 respectively. All bonds are used to fund the acquisition, construction and equipping of an assisted living facility at Asbury Methodist Village. An agreement was executed between Asbury Methodist Village, Incorporated and the City concurrently with the issuance of the bonds.

Certain assets of Asbury Methodist Village, Incorporated secure the loan in full. The agreements provide for Asbury Methodist Village, Incorporated to repay the loan in installments in aggregate amounts sufficient to provide full and prompt payment of principal and interest on the bonds when due. The full faith and credit of the City have not been pledged in support of the bonds, and in the event of default, the City cannot be held liable.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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 Gaithersburg for its Comprehensive Annual Financial Report for the year which ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), the contents of which conform to the program standards. Such Comprehensive Annual Financial Report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Gaithersburg has received a Certificate of Achievement for the last 31 consecutive

years (fiscal years 1978-2008). We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to the Government Finance Officers Association of the United States and Canada for review.

DISTINGUISHED BUDGET PRESENTATION

GFOA presented an award of Distinguished Presentation to the City of Gaithersburg for its annual budget for the fiscal year beginning July 1, 2008. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is only valid for a period of one year. The City of Gaithersburg is proud to be the recipient of the award for the seventh consecutive year (fiscal years 2003-2009). It is our belief the current budget continues to conform to program requirements and submitted it to GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

The preparation of this report in a timely basis could not be accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and Administration, along with the various City staff that assisted and contributed to its preparation. Their hard work, professional dedication and continuing efforts to improve the quality of this report are a direct benefit to all who read and use it. A special thank you goes to the Public Information Office for their invaluable assistance. We also would like to acknowledge the cooperation and assistance of the City's departments throughout the year in the efficient administration of the City's financial operations.

In closing, we also would like to thank the Mayor, the members of the City Council, and the Acting City Manager for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Harold W. Belton, CGFM
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gaithersburg
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



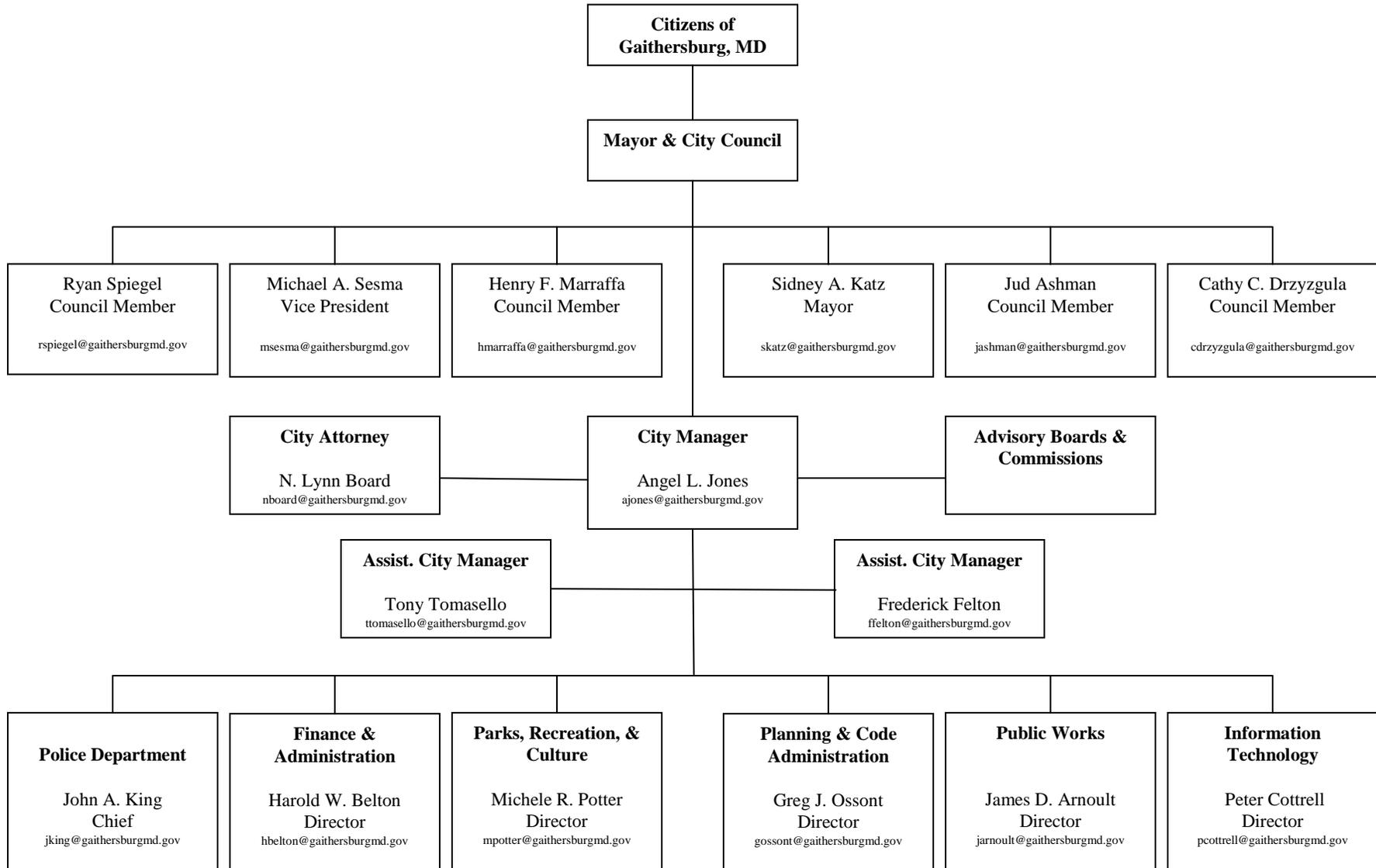
A handwritten signature in black ink, appearing to read "K. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title.

Executive Director

City of Gaithersburg



Independent Auditor's Report

Honorable Mayor and City Council
City of Gaithersburg, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Gaithersburg, Maryland (the City) as of and for the year ended June 30, 2009, 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the general fund 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 30, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Management's Discussion and Analysis and the Pension and Retiree Health Plan schedules, as referenced in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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's basic financial statements. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are 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 introductory and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Baltimore, Maryland
October 30, 2009

CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Introduction

This section of the City of Gaithersburg's annual financial report presents a discussion and analysis, prepared by the City's senior management, of the financial performance for the fiscal year ended June 30, 2009. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

Financial Highlights for FY 2009

- The City's government-wide net assets increased by \$2.9 million.
- The General Fund, on a current financial resource basis, reported an excess of revenues over expenditures and other financing sources and uses of \$27,696 after making a \$9.3 million transfer to the Capital Projects Fund.
- The City's financial position improved over the past year. Total governmental funds' fund balance increased by 6.7 percent to \$60.4 million.
- Interest income decreased from \$2.2 million to \$0.9 million, as a result of general market conditions.
- Capital Projects Fund expenditures of \$5.6 million included completion of storm water management projects, street reconstruction and resurfacing, and the building of a new youth center.

Overview of the Financial Statements

This Comprehensive Annual Financial Report (CAFR) consists of three sections. They are: Introductory, Financial, and Statistical. The basic financial statements in the financial section include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the City's *overall* financial status. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City, reporting the operations in *more detail* than the government-wide statements. The City's fund financial statements include:
 - *Governmental funds statements* that tell how basic services were financed in the *short-term* as well as what remains for future spending.
 - *Fiduciary funds statements* that provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others.

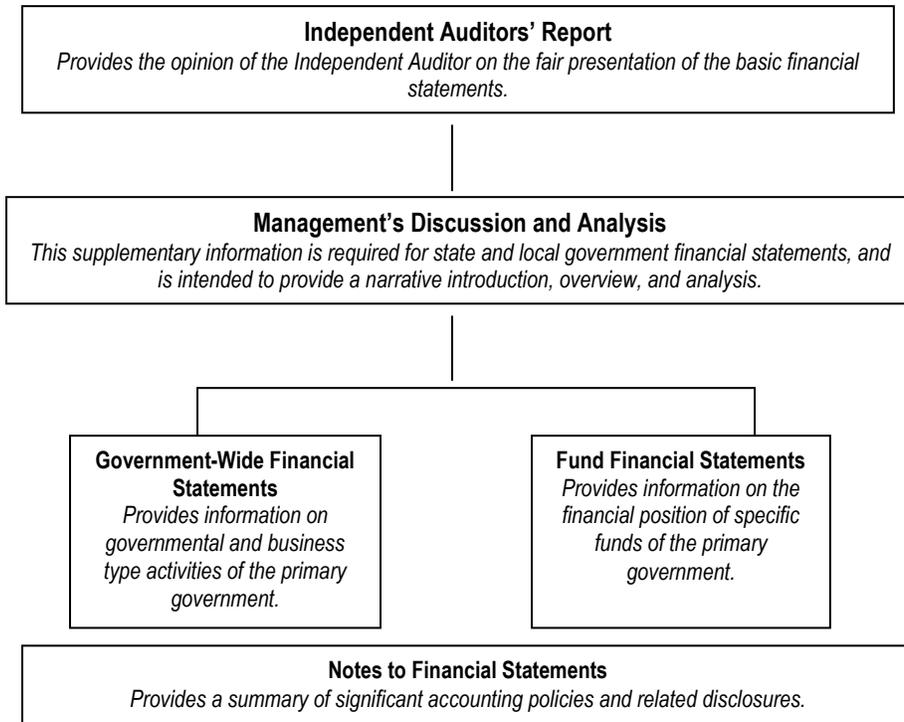
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's budget for the year. Figure 1 shows how the various parts of this annual report are arranged and related to one another.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

The chart below summarizes the major features of the City's financial statements, including the portion of the activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure 1

Organization and Flow of Financial Section Information



**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Figure 2: Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as Police, Parks, Recreation & Culture, Public Works, Planning and Code and General Administration.	Instances in which the City administers resources on behalf of someone else, such as pension and retiree benefit trusts.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable	All additions and deductions during the year, regardless of when cash is received or paid

CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets is designed to provide bottom line results for the City's governmental activities. This statement reports governmental funds' current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the City, and infrastructure dedicated by developers, are included in the accompanying government-wide financial statements. The difference between the City's assets and liabilities is reported as net assets.

- Over time, increases or decreases in the system's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the City's overall health, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The statement of activities is focused on both the gross and net cost of various functions. This is intended to summarize and simplify the users' analysis of the cost of various governmental services. In the government-wide financial statements, the activities of the City is maintained within one category:

- *Governmental activities:* The City's basic services are reported here: Public Works, Police, Planning and Code, Parks, Recreation and Culture, and General Government. Property taxes, other state, county, and local taxes, and state and federal grants finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds, not the City as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories:

- Governmental funds, and
- Fiduciary funds.
- *Governmental funds:* The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the governmental funds balance sheet to the statement of net assets and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities. The City of Gaithersburg

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

maintains only two governmental funds, those being the General Fund and Capital Projects Fund.

- *Fiduciary funds:* The City is the trustee, or *fiduciary*, for assets that belong to its employees' pension plan, retiree benefit trust, private purpose trusts, and agency funds. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

Financial Analysis of the City as a Whole

Statement of Net Assets: The following table presents a summary of the Statement of Net Assets for the City as of June 30, 2009 with a FY 2008 comparative analysis:

Figure 3		
Condensed Statement of Net Assets		
	Total Governmental Activities	
	2009	2008
Assets:		
Current and other assets	\$ 67,977,874	\$ 63,725,909
Capital assets, net	<u>101,308,114</u>	<u>101,079,002</u>
Total Assets	<u>169,285,988</u>	<u>164,804,911</u>
Liabilities:		
Long-term liabilities outstanding	4,099,100	3,021,416
Other liabilities	<u>4,378,938</u>	<u>3,835,409</u>
Total Liabilities	<u>8,478,038</u>	<u>6,856,825</u>
Net assets:		
Invested in capital assets	101,308,114	101,079,002
Unrestricted	<u>59,499,836</u>	<u>56,869,084</u>
Total Net Assets	<u>\$ 160,807,950</u>	<u>\$ 157,948,086</u>

The City's assets exceeded its liabilities at the close of FY 2009 by \$160.8 million. By far the largest portion of the City's net assets reflects its investment in capital assets, (e.g., land, buildings, improvements, furniture and equipment, infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Activities: The City's total revenues were \$46.6 million. Local property taxes funding amounted to \$20.5 million; intergovernmental funding, \$9.9 million; charges for services, \$7.5 million; operating grants and contributions, \$1.2 million; and capital grants and contributions, \$2.2 million. The remaining \$5.3 million came from investment earnings, gain on sale of capital assets and miscellaneous sources.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

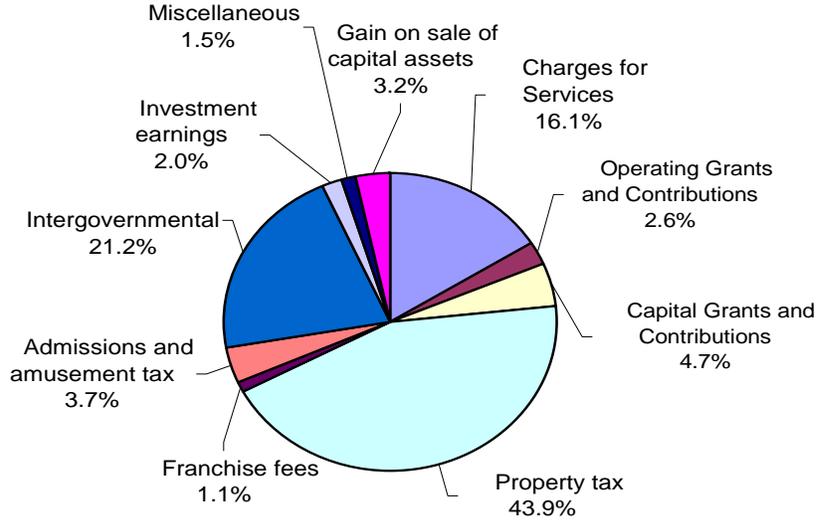
Figure 4

Condensed Statement of Activities

	Total Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 7,499,877	\$ 8,433,782
Operating grants and contributions	1,202,924	1,569,161
Capital grants and contributions	2,206,960	2,696,447
General revenues:		
Property tax	20,455,347	18,516,490
Franchise fees	494,925	599,253
Admissions, amusement, hotel & motel tax	1,718,650	830,156
Intergovernmental	9,889,917	10,108,343
Investment earnings	930,421	2,212,859
Other	683,730	-
Gain on sale of capital assets	<u>1,497,522</u>	<u>5,398,897</u>
Total revenues	<u>46,580,273</u>	<u>50,365,388</u>
Expenses		
General government	10,104,931	10,536,978
Public safety	11,281,073	10,918,534
Public works	11,438,388	10,811,440
Parks and recreation	7,255,705	9,118,751
Community services and development	2,103,765	2,148,811
Other	<u>1,536,547</u>	<u>1,797,067</u>
Total Expenses	<u>43,720,409</u>	<u>45,331,581</u>
Increase in Net Assets	2,859,864	5,033,807
Net Assets, beginning	<u>157,948,086</u>	<u>152,914,279</u>
Net Assets, ending	<u>\$ 160,807,950</u>	<u>\$ 157,948,086</u>

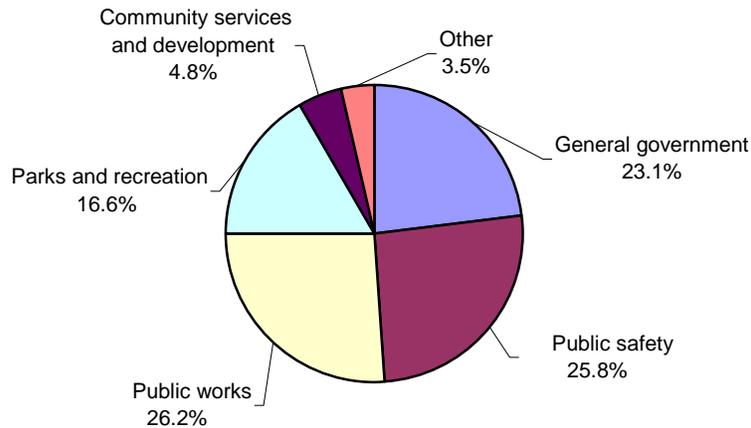
**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

**Figure 5: Revenues by Source - Governmental Activities
For the Fiscal Year Ended June 30, 2009**



The cost of governmental activities for FY 2009 was \$43.7 million. As the chart below indicates, Public Safety and Public Works are two of the largest programs; however, the highest priority is placed on Public Safety, for which current year expenses totaled \$11.3 million. Major cost decreases in fiscal year 2009 were attributable to cost savings measures instituted going into FY 09 including reductions in overtime, reduction in part-time employees, no new hires, CIP delays, and not making a full contribution to OPEB.

**Figure 6: Expense by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2009**



**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Governmental Activities

General revenues for the governmental activities were \$35.7 million, while total expenses, net of charges for services and grants, were \$32.8 million. The increase in net assets for governmental activities was \$2.9 million and can be largely attributed the following:

- Capital outlays of \$4.5 million offset by depreciation expense of \$3.6 million as accounted for in accordance with GASB 34,
- Property taxes increased by \$2.0 million during the year. This increase is based on the assessments of new growth, and increased property values, as determined by the State of Maryland Department of Assessments and Taxation, of approximately \$920 million.
- Intergovernmental represent primarily grants and aid from the Federal, State and County governments. The majority of such revenues was received from the State for Income Tax (\$8.8 million), and
- Overall, expenditures remained relatively constant compared to the prior year.

The following table, presents the cost and program revenues of each of the seven City activities: general government, public safety, public works, parks and recreation, community services and development, miscellaneous, and capital outlay. This table also shows each activity's *net cost* (total cost less fees generated by the activities and program specific intergovernmental aid). The *net cost* shows the financial burden placed upon local taxpayers for each of these functions.

	2009			2008		
	Cost of Services	Program Revenues	Net Cost of Services	Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 10,104,931	\$ 1,703,735	\$ (8,401,196)	\$ 10,536,978	\$ 1,855,587	\$ (8,681,391)
Public safety	11,281,073	1,941,892	(9,339,181)	10,918,534	2,484,635	(8,433,899)
Public works	11,438,388	3,186,149	(8,252,239)	10,811,440	3,630,391	(7,181,049)
Parks and recreation	7,255,705	3,041,387	(4,214,318)	9,118,751	3,076,408	(6,042,343)
Community services and development	2,103,765	1,036,598	(1,067,167)	2,148,811	1,652,369	(496,442)
Other	1,536,547	-	(1,536,547)	1,797,067	-	(1,797,067)
Total	\$ 43,720,409	\$ 10,909,761	\$ (32,810,648)	\$ 45,331,581	\$ 12,699,390	\$ (32,632,191)

The cost of all governmental activities this year was \$43.7 million. Some of the cost of government activities was paid by those who directly benefited from the programs (\$7.5 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$3.4 million). Of the \$32.8 million net cost of services, the amount that our taxpayers paid for the activities through City property taxes was \$20.5 million.

Financial Analysis of The City's Funds

The strong financial performance of the City as a whole is reflected in its governmental funds as well. At year-end, the governmental funds reported combined fund balances of \$60.4 million; an increase of \$3.8 million over last year's ending fund balance of \$56.6 million.

CITY OF GAITHERSBURG
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General Fund (Governmental): The general fund had less expenditures than revenues in 2009, thereby increasing total fund balance to \$31.2 million. It is important to note that the net change in fund balance is \$27,696. This figure is calculated on the modified accrual basis and is slightly different from the \$0.6 million budgetary basis deficit. This difference is due to the treatment of prior and current year encumbrances and the usage of prior year's fund balance.

Capital Projects Fund (Governmental): The Capital Projects Fund showed a \$3.8 million increase in fund balance. Capital Projects Funds' total fund balance of \$29.3 million represents authorized and funded projects that are not complete.

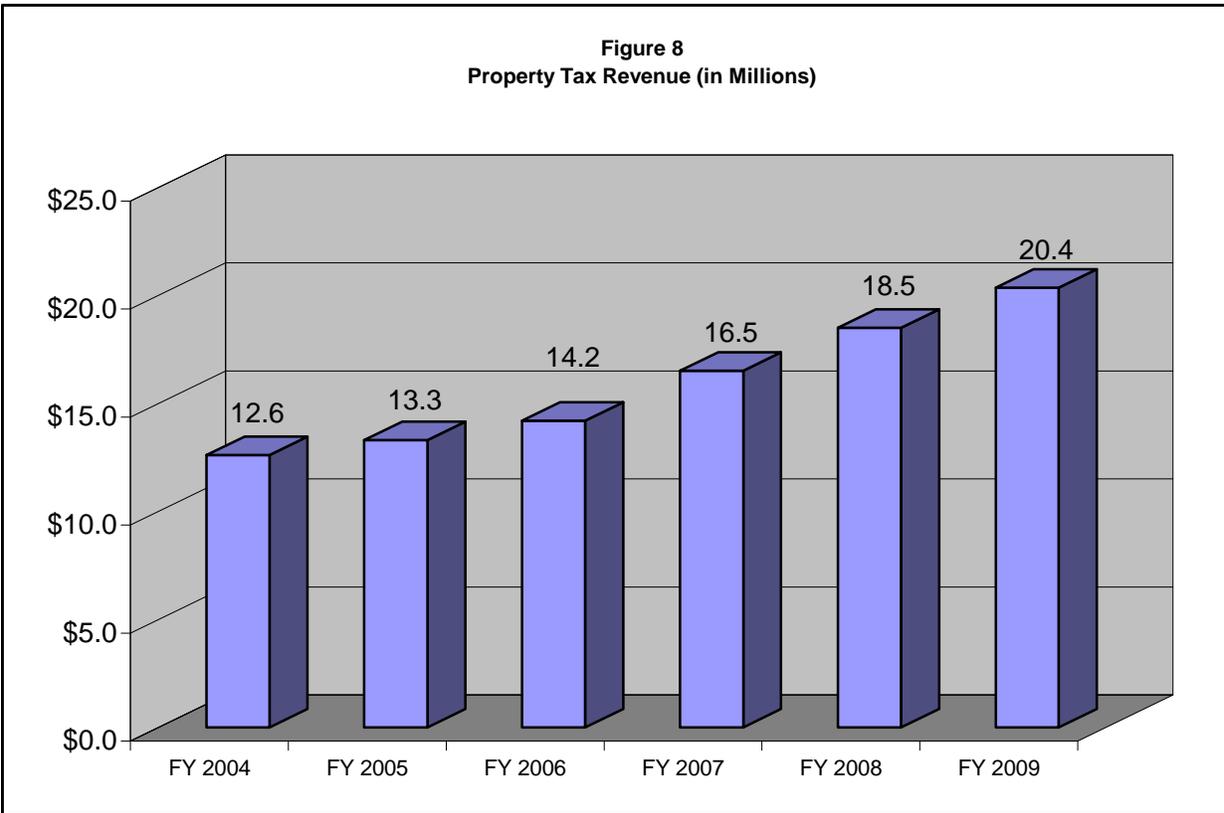
General Fund Budgetary Highlights

In accordance with a Resolution of the Mayor and City Council, the City Manager is authorized to make transfers only after May 31st of each year so long as no activity budget is increased more than 25 percent. The resolution requires any changes to the budget exceeding the 25 percent to come before the Mayor and City Council for adoption.

Actual revenues were less than the budgeted amount by \$2.4 million, while actual expenditures and net transfers out were less than final budget by \$4.4 million. Actual expenditures of \$38.6 million were \$4.4 million less than budgeted due primarily to the concerted efforts of each department to generate savings in anticipation of FY 2009 revenue shortfalls. These savings are to be carried forward to FY 2010.

The largest revenue source for the General Fund is City property tax. In FY 2009, property tax revenues of \$20.4 million represented 45 percent of total revenues for the General Fund, and were 4.8% percent more than the budget estimate. As a result of continued increases in assessed values in both real and personal property, the total assessable base grew 11 percent in FY 2009.

**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**



**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Capital Asset and Debt Administration

Capital Assets

By the end of 2009, the City had invested \$101.3 million (net of depreciation) in a broad range of capital assets, including buildings, athletic facilities, computers, and vehicles and equipment. Total depreciation expense for the year was \$3.6 million, while additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$4.5 million. More detailed information about capital assets can be found in Note 6 to the basic financial statements.

**Figure 9
Capital Assets, Net of Depreciation**

	Total Governmental Activities	
	2009	2008
Land	\$ 37,616,909	\$ 38,074,503
Buildings	21,796,561	20,195,801
Improvements other than buildings	3,354,447	3,613,704
Machinery and equipment	3,176,638	3,342,263
Infrastructure	34,632,177	35,152,120
Construction in progress	<u>731,382</u>	<u>700,611</u>
Total	<u>\$ 101,308,114</u>	<u>\$ 101,079,002</u>

The fiscal year 2009 capital projects spending amounted to \$5.6 million for capital projects, principally in three areas: a new youth center in Olde Towne and Public Works water penetration project, annual expenditures for street resurfacing, street reconstruction, and sidewalk and handicapped ramps.

Debt

The City of Gaithersburg is a strong proponent of the “pay-as-you-go” methodology, and proud of the fact that the City has no outstanding debt obligations. The City’s debt consists only of compensated absences payable and other post-employment benefits liabilities. More detailed information about debt can be found in Note 7 to the basic financial statements.

**Figure 10
Long-Term Liabilities**

	Total Governmental Activities	
	2009	2008
Accumulated unused compensated absences		
Vacation	\$ 1,415,245	\$ 1,248,050
Sick leave	<u>607,295</u>	<u>490,250</u>
Total	<u>\$ 2,022,540</u>	<u>\$ 1,738,300</u>
Other post-employment benefits liability	<u>\$ 2,076,560</u>	<u>\$ 1,283,116</u>
Total Long-Term Liabilities	<u>\$ 4,099,100</u>	<u>\$ 3,021,416</u>

**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Factors Bearing on the City's Future

The following economic factors are reflected in the City's FY 2010 budget:

- The City's economic projections in the FY 2010 budget are based on plans for projected development on the remaining amount of undeveloped land in the City. Based on economic factors, licenses and permits are projected at a 33% decrease from actual from FY 2009.
- As we go forward, maintaining property assessments at a minimal increase and income tax collections at current levels are being factored in future projects.
- Reductions in shared revenues and grants from Federal, State and County sources were factored into assumptions.
- Economic factors of the State, County and City are considered and reviewed for changes that may cause challenges in our ability to fulfill all FY 2010 projections in revenue as well as expenditures.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, creditors, and employees of the City of Gaithersburg with a general overview of the City's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance and Administration, City Hall, 31 South Summit Avenue, Gaithersburg, MD 20877, telephone 301-258-6320, fax 301-258-6326, or visit the City's web site at www.gaithersburgmd.gov.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF NET ASSETS
June 30, 2009

		<u>Governmental Activities</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$	221,415
Investments		62,985,524
Receivables:		
Property taxes, net		221,247
Due from other governments		3,843,003
Other, net		629,803
Inventory		33,592
Prepays		43,290
Capital assets:		
Land		37,616,909
Buildings		32,155,724
Improvements other than buildings		8,427,428
Machinery and equipment		11,551,598
Infrastructure		65,012,789
Construction in progress		731,382
Less: accumulated depreciation		<u>(54,187,716)</u>
TOTAL ASSETS	\$	<u>169,285,988</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	1,364,710
Accrued liabilities		1,831,611
Deposits		1,182,617
Non-current liabilities:		
Due within one year:		
Accumulated unused compensated absences		607,295
Due in more than one year:		
Accumulated unused compensated absences		1,415,245
Other post-employment benefit liability		<u>2,076,560</u>
Total liabilities		<u>8,478,038</u>
NET ASSETS		
Invested in capital assets		101,308,114
Unrestricted		<u>59,499,836</u>
Total net assets		<u>160,807,950</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>169,285,988</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 10,104,931	\$ 1,703,735	\$ -	\$ -	\$ (8,401,196)
Public safety	11,281,073	1,381,525	560,367	-	(9,339,181)
Public works	11,438,388	1,400,167	-	1,785,982	(8,252,239)
Parks and recreation	7,255,705	3,014,450	26,937	-	(4,214,318)
Community services and development	2,103,765	-	615,620	420,978	(1,067,167)
Miscellaneous	1,536,547	-	-	-	(1,536,547)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 43,720,409</u>	<u>\$ 7,499,877</u>	<u>\$ 1,202,924</u>	<u>\$ 2,206,960</u>	<u>(32,810,648)</u>
General revenues:					
Property taxes					20,455,347
Franchise fees					494,925
Admissions, amusement, hotel & motel tax					1,718,650
Intergovernmental not restricted to specific programs					9,889,917
Investment earnings					930,421
Miscellaneous revenues					683,730
Gain on sale of capital assets					<u>1,497,522</u>
Total general revenues					<u>35,670,512</u>
CHANGE IN NET ASSETS					2,859,864
NET ASSETS, BEGINNING OF YEAR					<u>157,948,086</u>
NET ASSETS, END OF YEAR					<u><u>\$ 160,807,950</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
ASSETS			
Cash	\$ 221,415	\$ -	\$ 221,415
Investments	62,985,524	-	62,985,524
Taxes receivable, net	221,247	-	221,247
Prepays	43,290	-	43,290
Inventory	33,592	-	33,592
Due from other funds	-	29,757,871	29,757,871
Due from other governments	3,843,003	-	3,843,003
Other receivables	<u>629,803</u>	<u>-</u>	<u>629,803</u>
TOTAL ASSETS	<u>\$ 67,977,874</u>	<u>\$ 29,757,871</u>	<u>\$ 97,735,745</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 875,258	\$ 489,452	\$ 1,364,710
Accrued liabilities	1,331,166	-	1,331,166
Deposits	1,182,617	-	1,182,617
Deferred revenue	3,175,868	-	3,175,868
Due to other funds	<u>30,258,316</u>	<u>-</u>	<u>30,258,316</u>
Total liabilities	<u>36,823,225</u>	<u>489,452</u>	<u>37,312,677</u>
FUND BALANCES			
Reserved for:			
Encumbrances	1,155,468	3,772,000	4,927,468
Prepaid expenditures	43,290	-	43,290
Inventory	33,592	-	33,592
Unreserved:			
Designated for:			
Vehicle and equipment replacement	6,940,386	-	6,940,386
Subsequent years' expenditures	3,493,485	25,496,419	28,989,904
Group insurance funding	46,433	-	46,433
Self-insurance	41,360	-	41,360
Training	26,989	-	26,989
Economic development	250,000	-	250,000
Emergency and disaster	400,000	-	400,000
Unreserved and undesignated	<u>18,723,646</u>	<u>-</u>	<u>18,723,646</u>
Total fund balances	<u>31,154,649</u>	<u>29,268,419</u>	<u>60,423,068</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,977,874</u>	<u>\$ 29,757,871</u>	<u>\$ 97,735,745</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balance - total governmental funds	\$ 60,423,068
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	\$ 155,495,830
Accumulated depreciation	<u>(54,187,716)</u>
	101,308,114
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	3,175,868
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	<u>(4,099,100)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 160,807,950</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and special assessments	\$ 22,136,525	\$ -	\$ 22,136,525
Licenses and permits	2,887,975	-	2,887,975
Intergovernmental	13,427,699	-	13,427,699
Charges for services	4,496,354	-	4,496,354
Fines and forfeitures	610,473	-	610,473
Investment earnings	930,421	-	930,421
Miscellaneous revenues	<u>683,730</u>	<u>-</u>	<u>683,730</u>
Total revenues	<u>45,173,177</u>	<u>-</u>	<u>45,173,177</u>
EXPENDITURES			
Current:			
General government	8,783,798	-	8,783,798
Public safety	10,464,470	-	10,464,470
Public works	8,626,303	-	8,626,303
Parks and recreation	6,517,399	-	6,517,399
Community services and development	2,052,646	-	2,052,646
Miscellaneous	1,074,042	-	1,074,042
OPEB contribution	455,000	-	455,000
Capital outlay	<u>-</u>	<u>5,557,414</u>	<u>5,557,414</u>
Total expenditures	<u>37,973,658</u>	<u>5,557,414</u>	<u>43,531,072</u>
Excess (deficiency) of revenues over expenditures	<u>7,199,519</u>	<u>(5,557,414)</u>	<u>1,642,105</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	2,156,122	-	2,156,122
Transfers in	-	9,327,945	9,327,945
Transfers out	<u>(9,327,945)</u>	<u>-</u>	<u>(9,327,945)</u>
Total other financing sources (uses)	<u>(7,171,823)</u>	<u>9,327,945</u>	<u>2,156,122</u>
NET CHANGE IN FUND BALANCES	27,696	3,770,531	3,798,227
FUND BALANCE, BEGINNING OF YEAR	<u>31,126,953</u>	<u>25,497,888</u>	<u>56,624,841</u>
FUND BALANCE, END OF YEAR	<u>\$ 31,154,649</u>	<u>\$ 29,268,419</u>	<u>\$ 60,423,068</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF GAITHERSBURG, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

Total net change in fund balances - total governmental funds \$ 3,798,227

Amounts reported for governmental activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital outlays	\$ 4,529,530	
Depreciation	<u>(3,641,816)</u>	887,714

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 \$1,320,305 less any accumulated depreciation of \$661,705.

(658,600)

A certain amount of property tax revenues in the Statement of Activities does not provide current financial resources and is not reported as revenue in the governmental funds. This is the amount by which deferred revenue increased (decreased).

(89,793)

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the amount by which accumulated unused compensated absences (increased) decreased.

(284,240)

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the amount by which other post-employment benefit liability (increased) decreased.

(793,444)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 2,859,864**

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL -
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Amended</u>	<u>(Budgetary</u>	<u>Amended</u>
			<u>Basis)</u>	<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes and special assessments	\$ 20,520,000	\$ 20,520,000	\$ 22,136,525	\$ 1,616,525
Licenses and permits	2,090,095	2,090,095	2,887,975	797,880
Intergovernmental	15,682,665	15,682,665	13,427,699	(2,254,966)
Charges for services	4,382,760	4,382,760	4,496,354	113,594
Fines and forfeitures	2,454,000	2,454,000	610,473	(1,843,527)
Investment earnings	2,050,000	2,050,000	930,421	(1,119,579)
Miscellaneous revenues	358,005	358,005	683,730	325,725
Total revenues	<u>47,537,525</u>	<u>47,537,525</u>	<u>45,173,177</u>	<u>(2,364,348)</u>
EXPENDITURES				
General government	9,500,480	9,516,857	8,806,088	710,769
Public safety	10,891,761	10,891,761	10,420,535	471,226
Public works	9,612,141	9,595,764	8,622,953	972,811
Parks and recreation	6,977,236	6,977,236	6,511,576	465,660
Community services and development	2,153,717	2,153,717	2,051,281	102,436
Miscellaneous	2,967,190	2,967,190	1,745,131	1,222,059
Transfers to retiree benefit trust	910,000	910,000	455,000	455,000
Total expenditures	<u>43,012,525</u>	<u>43,012,525</u>	<u>38,612,564</u>	<u>4,399,961</u>
Excess of revenues over expenditures	<u>4,525,000</u>	<u>4,525,000</u>	<u>6,560,613</u>	<u>2,035,613</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,327,945)	(9,327,945)	(9,327,945)	-
Sale of capital assets	1,195,000	1,195,000	2,156,122	961,122
Total other financing sources (uses)	<u>(8,132,945)</u>	<u>(8,132,945)</u>	<u>(7,171,823)</u>	<u>961,122</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,607,945)</u>	<u>\$ (3,607,945)</u>	(611,210)	<u>\$ 2,996,735</u>
Adjustments to conform with generally accepted accounting principles			638,906	
FUND BALANCE, BEGINNING OF YEAR			<u>31,126,953</u>	
FUND BALANCE, END OF YEAR			<u>\$ 31,154,649</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS
June 30, 2009

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Funds
ASSETS			
ASSETS			
Investments:			
Open-end mutual funds	\$ 33,693,237	\$ -	\$ -
Certificate of deposit	-	13,274	-
Due from other funds	301,022	-	199,423
TOTAL ASSETS	\$ 33,994,259	\$ 13,274	\$ 199,423
LIABILITIES AND NET ASSETS			
LIABILITIES			
Deposits	\$ -	\$ -	\$ 199,423
NET ASSETS			
Held in trust for pension benefits and other purposes	33,994,259	13,274	-
TOTAL LIABILITIES AND NET ASSETS	\$ 33,994,259	\$ 13,274	\$ 199,423

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
Year Ended June 30, 2009

	Pension Trust Funds	Private- Purpose Trust Fund
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employee	\$ 1,084,966	\$ -
Employer	2,676,449	-
Interest and gains (losses)	(7,675,060)	201
Other	<u>168,891</u>	<u>-</u>
Total additions	<u>(3,744,754)</u>	<u>201</u>
DEDUCTIONS		
Benefits and withdrawals	<u>1,280,192</u>	<u>-</u>
Total deductions	<u>1,280,192</u>	<u>-</u>
CHANGE IN NET ASSETS	(5,024,946)	201
NET ASSETS, BEGINNING OF YEAR	<u>39,019,205</u>	<u>13,073</u>
NET ASSETS, END OF YEAR	<u>\$ 33,994,259</u>	<u>\$ 13,274</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gaithersburg was incorporated in 1878 under the provisions of Maryland law. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, public safety, public works, parks and recreation, and community services and development. Schools, libraries, social services, and fire protection are provided by Montgomery County and the Board of Education.

Financial Reporting Entity

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Based on these criteria, there are no other organizations or agencies, which should be included in these basic financial statements.

Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently, the City has no business-type activities.

Statement of Net Assets: This statement is designed to display the financial position of the City as of year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The City's net assets are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and, 3) unrestricted.

Statement of Activities: This statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses.

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

General Fund Budget-to-Actual Comparison Statement

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, the City has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The City and many other governments revise their original budgets over the course of the year for a variety of reasons; as a result, both the original adopted budget and the final amended budget have been reflected in this statement.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

General Fund: The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance; public safety, parks and recreation programs, are accounted for in this fund.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (continued)

Fiduciary Fund Types

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Pension Trust Funds: Pension trust funds are accounted for in essentially the same manner as proprietary fund types; that is, the measurement focus is upon income determination, financial position, and cash flows. The City's Pension Trust Fund is included as such and accounts for the contributions made by the City and its employees to finance future pension payments. The plans are administered by a committee appointed by the City.

Private Purpose Trust Funds: Private purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments and are accounted for in essentially the same manner as proprietary funds. The City's Sam and Claire Rosen Trust Fund is included as such and accounts for recreational sports scholarships financed by the interest earnings of the fund.

Retiree Benefit Trust Funds: Retiree benefit trust funds are accounted for in essentially the same manner as proprietary fund types; that is, the measurement focus is upon income determination, financial position, and cash flows. The City's Retiree Benefit Fund is included as such and accounts for the contributions made by the City and its employees to finance future other postemployment benefit payments. The plan is administered by a committee appointed by the City.

Agency Funds: Agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations. The agency funds function primarily as a clearing mechanism for cash resources, which are collected, held as such for a brief period, and then disbursed to authorized recipients. The City's Forest Conservation Fund is included as such and accounts for monies held on behalf of developers for reforestation.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fund financial statements for the Pension Trust, Private-Purpose Trust, and Retiree Benefit Trust funds. 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 revenues 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 resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier, if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time they are levied. The City's property tax is 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. 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. Montgomery County, Maryland bills and collects property taxes for the City and remits cash collections to the City once a month. Property taxes are considered available if received within 31 days of year-end. Delinquent tax receivables not received within 31 days of year-end are reflected as deferred revenue and are recognized at date of receipt. The City's tax rate for the collection year ended June 30, 2009, was \$.212 per \$100 of assessed valuation.

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.

Encumbrances

Appropriations in the governmental funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account and reported in the General Fund. Cash equivalents include highly liquid deposits, including repurchase agreements that have a maturity of three months or less at the time of purchase.

Investments

Investments are stated at fair value.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful accounts. It is management's policy to use the aggregate of all accounts that are delinquent three years or more on property taxes and one year or more on police tickets as the basis and determination of the allowance for doubtful accounts. At June 30, 2009, the aggregate of property tax accounts, delinquent three years or more, was \$686,060. At June 30, 2009, the aggregate of police ticket receivables, delinquent one year or more, was \$261,681. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

Inventory

Inventory is maintained on a consumption basis of accounting and is valued at cost on a first-in, first-out basis. Inventory consists of gasoline held for consumption in City owned vehicles and equipment.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, including land, buildings, improvements, equipment, and infrastructure (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 – 40
Improvements other than buildings	15
Machinery and equipment	5 – 10
Infrastructure	15 – 50

Deferred Revenues

Deferred revenues in the governmental funds represent amounts due, which are measurable, but not available.

Inter-Fund Transactions

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government, are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

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." Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the government-wide financial statements as "accrued liabilities."

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-Fund Transactions (continued)

Noncurrent portions of long-term inter-fund loan receivables are offset by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

Compensated Absences

Full-time employees earn 1¼ days of sick leave for each month of service. Sick leave may be accumulated with no maximum balance. Upon retirement from service, the employee is paid one day's pay for every four days of sick leave accumulated. An employee may apply day-for-day accumulated sick leave in order to meet the age and service retirement requirements.

Employees earn annual vacation leave at the rate of 12 days per year from one to three years of service; 15 days per year for three to six years of service; 18 days per year for six to nine years of service; 21 days per year for nine to twelve years of service; and 24 days per year after twelve years of service. At the City Manager's discretion, employees may receive payment for unused vacation. All outstanding vacation is payable upon separation of service.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if the leave is payable for anticipated employee retirements and resignations.

Fund Balance

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions or those restrictions imposed by law through constitutional provisions or enabling legislation. Designations of fund balance represent tentative management plans that are subject to change.

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. As of June 30, 2009, the City had no debt associated with acquisition of capital assets. 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 appropriation.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City follows these procedures in establishing the operating and capital budgetary data reflected in the financial statements:

- Prior to May 2, the City Manager submits to the City Council a proposed operating and capital budget at the program level within each department for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed budgeted appropriations at the department level.
- Public hearings are conducted at City Hall to obtain taxpayer comments.
- Prior to July 1, the budget for the General Fund is legally enacted through passage of an ordinance.
- The City Council is authorized to transfer budgeted amounts between programs, then departments within any fund; however, any revisions that alter the total expenditures of any fund must be presented at a public hearing prior to adoption by the City Council. The City Manager is authorized to make transfers in the operating budget so long as no activity area budget is increased more than twenty-five percent.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Project-length financial plans are adopted for the Capital Projects Fund.
- The policy established by the Mayor and Council of the City of Gaithersburg with respect to the City Budget (budgetary basis) does not conform with accounting principles generally accepted in the United States of America (GAAP basis) in certain respects. The primary differences between budgetary and GAAP basis is that under the budgetary basis, encumbrances are recorded as the equivalent of expenditures. Budgeted amounts are as originally adopted, and as amended by the City Council and the City Manager. Unencumbered appropriations of the operating budget lapse at the end of each fiscal year. Appropriations in the capital budget continue as authority for subsequent period expenditures, and lapse in the year of completion of the capital project.

Adjustments necessary to convert the excess of revenues and other sources over expenditures and other uses from the budgetary basis to the GAAP basis are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
General Fund				
Budgetary basis	\$ 45,173,177	\$ 38,612,564	\$ 7,171,823	\$ (611,210)
Prior year encumbrances outstanding, June 30, 2008	-	516,563	-	(516,563)
Current year encumbrances outstanding, June 30, 2009	-	(1,155,469)	-	1,155,469
GAAP Basis	\$ 45,173,177	\$ 37,973,658	\$ 7,171,823	\$ 27,696

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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 transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2009 all of the City's deposits were either covered by federal depository insurance or were covered by collateral held by the City's agent in the City's name.

Investments

The City's investments consist of the following at June 30, 2009:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Private- Purpose Trust Fund</u>
State Treasurer's Investment Pool	\$ 28,715,187	\$ -	\$ -
Montgomery County's General Investment Fund	33,958,900	-	-
Certificates of deposit	311,437	-	13,274
Open-end mutual funds	<u>-</u>	<u>33,693,237</u>	<u>-</u>
Total	<u>\$ 62,985,524</u>	<u>\$ 33,693,237</u>	<u>\$ 13,274</u>

Credit risk

The Mayor and Council of Gaithersburg 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 with provisions of these State statutes is delegated to the Director of Finance. Consequently, the City invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administrative control of the Maryland State Treasurer's Office and the Montgomery County General Investment Fund, which is under the administrative control of the Montgomery County Department of Finance. These investment pools invest only in securities allowed by Maryland State statutes. The fair value of these pools is the same as the value of the respective pool share. The investment pools seek to maintain a constant value of \$1 per share. The City's policy is to attain a rate of return consistent with credit risk. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating) and the Montgomery County General Investment Fund is not rated. The City places no limit on the amount the City may invest in any one issuer. Pension and retiree benefit trust funds are invested in pooled mutual funds which are unrated.

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities. Investments in the MLGIP are highly liquid and consist of money market funds. Investments in the Montgomery County General Investment Fund consist of various instruments with varying maturities, majority of which are less than one year with no maturities greater than two years. Certificates of deposit have maturities less than one year. A portion of the trust funds mutual funds are invested in bond funds. These funds consist of debt instruments with varying maturities.

Custodial credit risk

Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the City will not recover the value of the investment or collateral securities that are in the possession of an outside party. Except for the certificates of deposit, the remaining investments of the City were not exposed to custodial credit risk at June 30, 2009. For purposes of risk exposure, certificates of deposit are treated as deposits, which were previously discussed above.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2009, consist of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>
Due from other governments:			
County	\$ 77,427	\$ -	\$ 77,427
State	3,691,108	-	3,691,108
Federal	<u>74,468</u>	<u>-</u>	<u>74,468</u>
Total	<u>\$ 3,843,003</u>	<u>\$ -</u>	<u>\$ 3,843,003</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>
Other receivables:			
Cable TV fees	\$ 267,528	-	267,528
Police tickets and fines, net	107,755	-	107,755
Miscellaneous	<u>254,520</u>	<u>-</u>	<u>254,520</u>
Total	<u>\$ 629,803</u>	<u>\$ -</u>	<u>\$ 629,803</u>

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2009, are as follows:

	Due to Other Funds
Due to other funds	
Capital Projects Fund	\$ 29,757,871
Pension Trust Fund	301,022
Agency Fund	199,423
Total	\$ 30,258,316

The balance of \$29,757,871 due to the Capital Projects Fund from the General Fund, results from all operating cash and investments being reported in the General Fund to facilitate effective management of the City's resources.

Remaining interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non interest-bearing and are normally settled in the subsequent period.

Interfund transfers for the year ended June 30, 2009, consisted of a transfer in the City's normal course of business from the General Fund to the Capital Fund in the amount of \$9,327,945.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 38,074,503	\$ -	\$ (457,594)	\$ -	\$ 37,616,909
Construction in progress	700,611	2,573,845	-	(2,543,074)	731,382
	<u>38,775,114</u>	<u>2,573,845</u>	<u>(457,594)</u>	<u>(2,543,074)</u>	<u>38,348,291</u>
Capital assets being depreciated:					
Buildings	29,850,859	-	(238,209)	2,543,074	32,155,724
Improvements other than buildings	8,325,271	102,157	-	-	8,427,428
Machinery and equipment	11,209,529	925,481	(583,412)	-	11,551,598
Infrastructure	64,125,834	928,047	(41,092)	-	65,012,789
	<u>113,511,493</u>	<u>1,955,685</u>	<u>(862,713)</u>	<u>2,543,074</u>	<u>117,147,539</u>
Less accumulated depreciation for:					
Buildings	(9,655,058)	(766,635)	62,530	-	(10,359,163)
Improvements other than buildings	(4,711,567)	(361,414)	-	-	(5,072,981)
Machinery and equipment	(7,867,266)	(1,087,862)	580,168	-	(8,374,960)
Infrastructure	(28,973,714)	(1,425,905)	19,007	-	(30,380,612)
	<u>(51,207,605)</u>	<u>(3,641,816)</u>	<u>661,705</u>	<u>-</u>	<u>(54,187,716)</u>
Capital assets, net	<u>\$ 101,079,002</u>	<u>\$ 887,714</u>	<u>\$ (658,602)</u>	<u>\$ -</u>	<u>\$ 101,308,114</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2009, as follows:

General government	\$ 831,200
Public safety	385,121
Public works	1,971,427
Parks and recreation	<u>454,068</u>
Total	<u>\$ 3,641,816</u>

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 7 – LONG-TERM LIABILITIES

At June 30, 2009, the City's long-term liabilities consist of accumulated unused compensated absences and other post-employment benefits liabilities. The City's entire long-term liability will be liquidated solely by the General Fund. The following is a summary of changes in the City's long-term liabilities for the year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Accumulated unused compensated absences:					
Vacation	\$ 1,248,050	\$ 318,608	\$ 151,413	\$ 1,415,245	\$ 424,946
Sick leave	490,250	120,883	3,838	607,295	182,349
Total	<u>\$ 1,738,300</u>	<u>\$ 439,491</u>	<u>\$ 155,251</u>	<u>\$ 2,022,540</u>	<u>\$ 607,295</u>
Other post-employment benefits liability	<u>\$ 1,283,116</u>	<u>\$ 1,485,000</u>	<u>\$ 691,556</u>	<u>\$ 2,076,560</u>	<u>\$ - 0 -</u>
Total	<u>\$ 3,021,416</u>	<u>\$ 1,924,491</u>	<u>\$ 846,807</u>	<u>\$ 4,099,100</u>	<u>\$ 607,295</u>

NOTE 8 – POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE

The City has a plan, which provides hospitalization, dental, and life insurance benefits for qualifying retirees and disabled employees. The personnel ordinance requires that the City pay 100% of the life insurance premiums and 85% of the hospitalization and dental premiums. To be eligible for General Retirement, retirees must meet certain age and service requirements. The sum of the retiree's age and number of service years must be at least 75 with a minimum age of 50 and a minimum of 15 years of service. There are 36 retirees eligible currently receiving benefits. To retire under the Early Retirement Plan, the employee must be at least 46 years of age and have a minimum of 20 years of service. Employees retiring under the Early Retirement Plan pay an additional 5% of the health care premium cost of the lowest HMO offered at the time of retirement. All other benefits afforded to a retiree at the time of retirement remain the same whether an employee retires under the General Retirement Plan or the Early Retirement Plan. On the budgetary basis of accounting, funding of these costs is provided through the earnings generated on the monies set aside as designated for group insurance funding, and the cost of these benefits is recognized as a reduction of the group insurance designated fund balance as claims are paid. The total cost of providing this benefit for the years ended June 30, 2009 and 2008, was approximately \$236,556 and \$206,884, respectively.

On April 1, 2007, the City established a 115 Trust account (the "Trust") for the purpose of prefunding a portion of retiree insurance costs in the future. Per the Trust agreement, the City may elect to contribute additional amounts as deemed necessary to meet its benefit costs. The City is not required to make additional contributions unless obligated to do so by resolution, and the Trust account has not been funded based on actuarial information. The City's 2009 budget includes contributions to the 115 Trust based on actuarial information. The City's intent is to phase in from pay-as-you-go funding beginning in FY 2007 to full funding of the Actuarially Required Contribution (ARC).

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 8 – POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE (CONTINUED)

Actuarial Methods for Retiree Health Care Benefits Plans – The actuarial value of assets is the fair value of the investments. This year’s asset value is based on the July 1, 2005 actuarial valuation.

The Projected Unit Credit Cost method is used, with level percentage of pay amortization of the unfunded actuarial liabilities over an open 30 year amortization period.

The actuarial accrued liability was estimated as part of an actuarial valuation performed as of July 1, 2005. Significant actuarial assumptions used in the valuation are as follows:

Rate of Return – The assumed rate of return in the investment of present and future assets is 5.5 % a year compounded annually based on partial funding of the ARC.

Salary Increases – Salary increases of 3.5% a year are projected for calculating the level percentage of pay.

Healthcare Cost Trend Rates – The expected rate of increase for healthcare costs in 2005 was estimated at 10% for prescription drugs and medical costs. Declining rates of increase were used, with 2009 and later rates at 6% for prescription and medical.

The funded status of the plan as of the most recent actuarial date, July 1, 2005 is as follows:

Actuarial Valuation of Plan Assets	\$ -
Actuarial Accrued Liability	20,768,000
Funded Ratio	0.00%
Unfunded Actuarial Accrued Liability	18,238,950
Annual Covered Payroll	11,752,939
Unfunded Actuarial Liability as a Percentage of Covered Payroll	155.2%

The following table shows the components of the City’s annual OPEB cost for the year, the amount contributed to the plan and changes in the City’s net OPEB obligation (NOO):

Annual required contribution (ARC)	\$ 1,480,000
Amortization of NOO	(20,000)
Interest on NOO	25,000
Annual OPEB Cost (AOC)	<u>\$ 1,485,000</u>
NOO, beginning of year	\$ 1,283,116
Current year AOC	1,485,000
Contribution made	(691,556)
NOO, end of year	<u>\$ 2,076,560</u>

The 115 Trust is reported by the City as a pension trust fund, the Retiree Benefit Trust Fund.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 9 – RETIREMENT, SAVINGS, AND DEFERRED COMPENSATION PLANS

The City has its own (single employer) non-contributory defined contribution pension plan covering all full-time employees. The City contributes 8.0% of annual salary for participating employees. Employees are eligible to participate immediately upon hire. Participants vest over five years in the City's contribution to the plan. A supplemental Retirement Plan Contribution up to 2% is also available for the eligible Public Safety and Public Works full-time employees since August 2005; up to additional 3% for these employees who also participate in 457 Plan. The amount of the City's covered payroll was \$17,550,843 and its total payroll for all employees was \$20,435,840. Required employer contributions of \$1,731,106 or 9.86% of covered payroll were made to the plan during fiscal year 2009. The plan is administered by a committee appointed by the City. ICMA Retirement Corporation serves as trustee of the plan.

The City also has its own contributory savings plan covering all full-time employees. This plan is authorized under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate immediately upon hire. Employees can contribute up to the maximum limit established annually by the Internal Revenue Service. During fiscal year 2009, employees made contributions to the Plan totaling \$1,084,966 or 6.18% of covered payroll. The City will match employees' contributions in an amount equal to 60% of employees' contributions up to a maximum of 5% of the employees' annual salary. Required employer contributions of \$490,343 or 2.79% of covered payroll were made to the Plan during fiscal year 2009.

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457, and administered by ICMA. All City employees may participate in the plan and defer a portion of their salary, subject to limitations imposed by the Internal Revenue Service. In November 1996, the City amended the plan in accordance with the provisions of IRC Section 457(g). The requirements of the IRC Section prescribes that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the deferred compensation plan participants, including earnings on plan assets, are not included in the City's financial statements. The plan assets will not be subject to the claims of the public entity's creditors during financial crises.

The City has established a Retirement Health Savings (RHS) plan. Employees are eligible to participate immediately upon hire in the first year that an employee opts out of medical and/or dental coverage from the City. He or she may make a one-time irrevocable election for this contribution to his or her RHS account equal to the amount of the premium that would be paid by the City for single medical coverage and/or single dental coverage. Similar to the deferred compensation plan, the RHS plan assets will not be subject to the claims of the public entity's creditors during financial crises and the City no longer owns the amounts contributed by employees or by the City under the elections discussed above, including the related income on those amounts. Accordingly, the assets and the liability for the RHS plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City is committed under various contracts pertaining to street resurfacing, storm water management, traffic signalization, and other capital improvement program projects totaling \$3,772,000 at June 30, 2009. All contracts binding as of June 30, 2009, are appropriately included on the governmental funds' balance sheet as a reservation of fund balance for encumbrances in the Capital Projects Fund.

These notes are an integral part of the accompanying financial statements.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The City is a member of the Local Government Insurance Trust (LGIT) sponsored by the Maryland Municipal League (MML), and the Maryland Association of Counties. The LGIT is a self-insured public entity risk pool offering general liability, excess liability, business auto liability, police legal liability, public official liability, environmental liability, and property coverage.

LGIT is capitalized at an actuarially determined level to provide financial stability for its local government members to reduce the possibility of assessments. The trust is owned by the participating counties and cities and managed by a Board of Trustees elected by the members. Annual premiums are assessed for the various policy coverages. During fiscal year 2009, the City paid premiums of \$272,909 to the trust. The agreement for the formation of the LGIT provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$5 million for each insured event.

The City also participates in a similar risk sharing pool for its workers' compensation coverage. The City is one of twelve local governmental entities covered by the Montgomery County Self-Insurance Program. Each member's annual premium is calculated using an actuarial study and an estimate of incurred but not reported losses. During fiscal year 2009, the City paid premiums of \$159,820 to Montgomery County.

NOTE 12 – SENIOR CITIZENS CENTER AGREEMENT

On June 6, 1990, the City entered into an agreement to acquire, jointly with the Housing Opportunities Commission of Montgomery County, property containing a five-story motel, outdoor swimming pool and parking areas. Under this agreement, a portion of the property was converted into a senior citizens' center to be operated by the City and the remainder of the property into a rental housing facility to be operated by the Housing Opportunities Commission. Under the agreement, the City was required to pay \$500,000 for their portion of the total purchase price of \$5,200,000. The Housing Opportunities Commission holds legal title to the property. The City has an equity interest in the property and upon sale of the property the proceeds, to the extent available after certain other considerations are paid, as noted in the agreement, will be distributed in the following manner:

- 1) The City will be paid the amount of their contribution to the purchase price.
- 2) The City will be paid an amount equal to the expenditures they paid for the design and renovations in the City use area and joint use areas.
- 3) The City will be paid 30% of the proceeds which remain.

The City's share of the costs of acquiring and renovating the property are included in capital assets in the amount of \$608,600. The costs of operations of the senior citizens' center are accounted for in the General Fund of the City.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 13 – LITIGATION

There are several pending lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

NOTE 14 – CONDUIT DEBT OBLIGATION

The total conduit debt outstanding at June 30, 2009 was \$126,590,000 and consists of the following:

The City issued Economic Development Revenue Bonds, Series 2006 totaling \$130,565,000 which refunded 1993, 1997 and 2004 totaling \$35,460,000, \$42,935,000 and \$44,000,000 respectively. All bonds are used to fund the acquisition, construction and equipping of an assisted living facility at Asbury Methodist Village. An agreement was executed between Asbury Methodist Village, Incorporated and the City concurrently with the issuance of the bonds.

Certain assets of Asbury Methodist Village, Incorporated secure the loan in full. The agreements provide for Asbury Methodist Village, Incorporated to repay the loan in installments in aggregate amounts sufficient to provide full and prompt payment of principal and interest on the bonds when due. The full faith and credit of the City have not been pledged in support of the bonds, and in the event of default, the City cannot be held liable.

CITY OF GAITHERSBURG, MARYLAND

Year Ended June 30, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2005	\$ - 0-	\$ 20,768,000	\$ 18,238,950	0.0%	\$ 11,752,939	155.2%
July 1, 2009	\$ 2,200,000	\$ 24,884,000	\$ 22,684,000	8.8%	\$ 17,550,843	129.2%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2008	\$ 1,891,000	\$ 607,884	32.1%	\$ 1,283,116
June 30, 2009	\$ 1,480,000	\$ 691,556	46.7%	\$ 2,076,560



ARTS BARN

**CITY OF GAITHERSBURG, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS –
 PENSION TRUST FUNDS
 Year Ended June 30, 2009**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
ASSETS			
ASSETS			
Investments:			
Open-end mutual funds	\$ 31,493,200	2,200,037	\$ 33,693,237
Certificate of deposit	-	-	-
Due from other funds	301,022	-	301,022
TOTAL ASSETS	\$ 31,794,222	\$ 2,200,037	\$ 33,994,259
LIABILITIES AND NET ASSETS			
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 31,794,222	\$ 2,200,037	\$ 33,994,259
TOTAL LIABILITIES AND NET ASSETS	\$ 31,794,222	\$ 2,200,037	\$ 33,994,259

**CITY OF GAITHERSBURG, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS –
PENSION TRUST FUNDS
Year Ended June 30, 2009**

	<u>Pension Trust Fund</u>	<u>Retiree Benefit Trust Fund</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employee	\$ 1,084,966	\$ -	\$ 1,084,966
Employer	2,221,449	455,000	2,676,449
Interest and gains (losses)	(7,074,441)	(600,619)	(7,675,060)
Other	<u>168,891</u>	<u>-</u>	<u>168,891</u>
Total additions	<u>(3,599,135)</u>	<u>(145,619)</u>	<u>(3,744,754)</u>
DEDUCTIONS			
Benefits and withdrawals	<u>996,969</u>	<u>283,223</u>	<u>1,280,192</u>
Total deductions	<u>996,969</u>	<u>283,223</u>	<u>1,280,192</u>
CHANGE IN NET ASSETS	(4,596,104)	(428,842)	(5,024,946)
NET ASSETS, BEGINNING OF YEAR	<u>36,390,326</u>	<u>2,628,879</u>	<u>39,019,205</u>
NET ASSETS, END OF YEAR	<u>\$ 31,794,222</u>	<u>\$ 2,200,037</u>	<u>\$ 33,994,259</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

2009

	Original		Amended		2008 Actual
	Budget	Budget	Actual	Budget Positive (Negative)	
Taxes and Special Assessments				Variance with Amended Budget Positive (Negative)	
Real estate taxes	\$ 17,000,000	\$ 17,000,000	\$ 18,589,600	\$ 1,589,600	\$ 16,623,090
Personal property taxes	1,590,000	1,590,000	1,616,736	26,736	1,634,420
Prior year's taxes	700,000	700,000	130,315	(569,685)	87,088
Penalties and interest	200,000	200,000	81,224	(118,776)	87,827
Admissions, amusement, hotel & motel tax	1,030,000	1,030,000	1,718,650	688,650	830,156
	<u>20,520,000</u>	<u>20,520,000</u>	<u>22,136,525</u>	<u>1,616,525</u>	<u>19,262,581</u>
Licenses and Permits					
Street permits	20,000	20,000	10,821	(9,179)	181,952
Telecommunications/utility permits	-	-	-	-	-
Amusement licenses	23,000	23,000	22,540	(460)	21,180
Traders license	50,000	50,000	203,716	153,716	121,332
Hawkers/peddlers licenses	2,500	2,500	15,750	13,250	4,000
Electricians licenses	20,500	20,500	40,060	19,560	84,025
Rental housing licenses	516,750	516,750	589,200	72,450	393,135
Bus shelter franchise fee	21,000	21,000	19,383	(1,617)	20,863
CATV franchise	525,000	525,000	475,542	(49,458)	564,607
CATV access fees	55,100	55,100	-	(55,100)	13,783
Animal licenses	18,000	18,000	18,116	116	17,866
Pet shop/commercial kennel	1,000	1,000	750	(250)	1,000
Building permits	470,865	470,865	874,606	403,741	1,045,514
Electrical permits	72,180	72,180	127,396	55,216	100,737
Occupancy permits	20,000	20,000	86,540	66,540	56,580
Sign permits	9,500	9,500	15,565	6,065	13,485
Mechanical permits	46,380	46,380	65,383	19,003	68,555
Grading permits	95,340	95,340	48,055	(47,285)	58,992
On site improvements	16,000	16,000	113,970	97,970	128,739
Fire protection permits	104,880	104,880	158,442	53,562	107,399
Special events permits	2,000	2,000	1,500	(500)	1,750
Home occupation permits	100	100	640	540	610
	<u>2,090,095</u>	<u>2,090,095</u>	<u>2,887,975</u>	<u>797,880</u>	<u>3,006,104</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

(Continued)

	2009				2008 Actual
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	
Intergovernmental					
State-shared taxes:					
Highway user	\$ 2,050,000	\$ 2,050,000	\$ 1,785,982	\$ (264,018)	\$ 1,999,094
Stormwater management	75,000	75,000	-	(75,000)	-
County grants and shared taxes:					
Financial corporations	2,645	2,645	2,645	-	2,645
County revenue sharing	1,230,000	1,230,000	1,230,181	181	1,230,181
Income tax	8,600,000	8,600,000	8,787,634	187,634	8,741,260
County Construction Contribution	-	-	-	-	-
Homeless program	9,500	9,500	9,519	19	9,519
Seniors program	100,000	100,000	100,000	-	100,000
Stars program	-	-	-	-	-
Nutrition program	45,000	45,000	45,945	945	35,131
MCPS	4,500	4,500	616	(3,884)	3,175
Miscellaneous	9,800	9,800	42,420	32,620	12,383
State grants:					
Police	522,000	522,000	560,367	38,367	537,784
Homeless program	6,300	6,300	6,317	17	6,317
Arts	28,000	28,000	26,937	(1,063)	27,000
Youth	-	-	-	-	-
Miscellaneous	101,300	101,300	11,299	(90,001)	134,321
Open space grant	-	-	193,613	193,613	56,785
Olde Towne revitalization	75,000	75,000	75,000	-	61,453
Department of Justice- Police Equipment	117,000	117,000	-	(117,000)	49,361
Senior Center design/construction	200,000	200,000	-	(200,000)	-
Federal grants:					
Community development	2,187,975	2,187,975	420,978	(1,766,997)	697,353
Transitional housing	128,245	128,245	128,246	1	128,248
Department of Justice - COPS	-	-	-	-	-
Housing opportunity	-	-	-	-	294,159
Transportation enhancement program	190,400	190,400	-	(190,400)	-
Miscellaneous	-	-	-	-	110,880
Total intergovernmental	15,682,665	15,682,665	13,427,699	(2,254,966)	14,237,049

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

(Continued)

	2009				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	2008 Actual
Charges for Services					
Zoning fees	\$ 75,000	\$ 75,000	\$ 87,769	\$ 12,769	\$ 149,738
Casey Community Center	191,000	191,000	181,163	(9,837)	184,073
Pool	286,000	286,000	335,143	49,143	354,174
Gaithersburg Aquatic Center	192,000	192,000	258,131	66,131	224,530
Miniature golf revenue	95,000	95,000	105,537	10,537	110,488
Group picnics	50,000	50,000	46,012	(3,988)	48,957
Recreation fees	1,129,000	1,129,000	1,121,881	(7,119)	1,144,538
Winter lights	245,000	245,000	199,727	(45,273)	202,848
Gaithersburg Arts Barn	101,000	101,000	89,201	(11,799)	94,434
Council of the Arts	15,000	15,000	13,873	(1,127)	15,785
Gaithersburg Youth Center	46,000	46,000	73,863	27,863	65,068
Teen Center	2,000	2,000	4,466	2,466	3,561
Kentlands Mansion	175,000	175,000	127,762	(47,238)	140,943
Special events	57,000	57,000	58,293	1,293	58,959
Community events	2,000	2,000	2,448	448	1,518
Senior Center revenue	62,500	62,500	69,325	6,825	68,088
Stormwater management fees	20,000	20,000	110,600	90,600	352,552
Recycling collections	796,180	796,180	793,887	(2,293)	750,558
Rental - Senior Center	30,000	30,000	22,660	(7,340)	14,550
Membership fee - dog exercise	6,000	6,000	4,544	(1,456)	3,868
Activity Center programs	255,000	255,000	260,145	5,145	270,608
Food services	3,300	3,300	3,645	345	3,645
Skate park	44,000	44,000	41,175	(2,825)	42,641
Environmental fees	1,000	1,000	4,200	3,200	6,210
Water quality protection	503,780	503,780	480,659	(23,121)	340,025
Miscellaneous	-	-	245	245	350
Total charges for services	4,382,760	4,382,760	4,496,354	113,594	4,652,709
Fines and Forfeitures					
Ordinance fines	2,454,000	2,454,000	610,473	(1,843,527)	1,374,222

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

(Continued)

	2009				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	2008 Actual
Investment Earnings	\$ 2,050,000	\$ 2,050,000	\$ 930,421	\$ (1,119,579)	\$ 2,212,859
Miscellaneous Revenue					
Rents	\$ 103,450	\$ 103,450	\$ 110,046	\$ 6,596	\$ 192,805
Miscellaneous	8,500	8,500	414,144	405,644	124,942
Sale of materials	2,500	2,500	7,888	5,388	5,957
Bus shelters	20,000	20,000	-	(20,000)	-
Contributions	188,300	188,300	122,890	(65,410)	5,121,365
Passports	35,000	35,000	15,875	(19,125)	26,117
Community promotion	-	-	884	884	1,059
Expenditure reimbursement	255	255	12,003	11,748	719
Total miscellaneous	358,005	358,005	683,730	325,725	5,472,964
TOTAL REVENUE - BUDGETARY BASIS	\$ 47,537,525	\$ 47,537,525	\$ 45,173,177	\$ (2,364,348)	\$ 50,218,488

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

2009					
	Original	Amended		Variance with Amended Budget Positive	
	Budget	Budget	Actual	(Negative)	2008 Actual
General Government					
Mayor and City Council	\$ 210,146	\$ 210,146	\$ 207,413	\$ 2,733	\$ 199,936
City Manager	666,505	666,505	663,680	2,825	774,235
Economic and Community Development	307,423	307,423	283,740	23,683	814,221
Environmental affairs	224,019	224,019	222,294	1,725	196,718
Registration and elections	2,000	2,000	6	1,994	39,591
Finance and administration	836,434	836,434	806,660	29,774	726,467
Legal	368,511	368,511	332,077	36,434	359,393
Planning	1,158,691	1,158,691	1,151,960	6,731	1,188,495
Information technology	1,059,666	1,059,666	877,936	181,730	755,407
Human resources	695,062	695,062	683,511	11,551	572,204
Housing and community development	330,185	330,185	285,566	44,619	-
General services	140,990	140,990	109,290	31,700	73,860
Facilities management	962,251	962,251	937,156	25,095	834,384
Building and grounds:		-			
City Hall	193,700	232,110	228,490	3,620	181,708
Police	81,141	85,038	82,541	2,497	70,835
Public Services	124,520	124,520	118,635	5,885	104,451
Kentlands Firehouse	2,500	2,500	140	2,360	265
Gaithersburg Arts Barn	79,850	79,850	76,767	3,083	72,097
Training Station	30,170	30,170	25,478	4,692	24,664
Kentlands Mansion	67,365	53,265	47,119	6,146	53,064
Senior Center	65,070	69,652	69,166	486	73,508
Casey Community Center	133,820	124,420	120,705	3,715	98,848
Old Towne Pavilion	8,730	5,730	3,551	2,179	4,868
Teen Center	27,318	27,318	24,355	2,963	18,479
Activity Center at Bohrer Park	315,824	327,247	325,674	1,573	312,964
Water Park	125,040	123,040	119,543	3,497	103,749
Miniature Golf Course	38,300	29,600	26,024	3,576	20,906
Skate Park	4,700	6,204	5,416	788	971
Parking Facility	124,350	105,650	101,825	3,825	109,264
Gaithersburg Youth Center	66,950	66,950	65,623	1,327	59,021
Miscellaneous	33,400	45,861	39,748	6,113	21,044
Public information	612,001	612,001	534,939	77,062	508,353
Cable television - Channel 54	403,848	403,848	229,060	174,788	216,895
Total general government	9,500,480	9,516,857	8,806,088	710,769	8,590,865

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

(Continued)

	2009				
	Original	Amended	Actual	Variance with	2008 Actual
	Budget	Budget		Amended	
			Budget Positive		
			(Negative)		
Public Safety					
Police	\$ 8,014,221	\$ 8,014,221	\$ 7,821,024	\$ 193,197	\$ 7,059,406
Building and Code Administration	2,213,729	2,213,729	2,013,657	200,072	1,940,410
Traffic Engineering	252,287	252,287	184,249	68,038	182,623
Animal Control	411,524	411,524	401,605	9,919	358,949
	<u>10,891,761</u>	<u>10,891,761</u>	<u>10,420,535</u>	<u>471,226</u>	<u>9,541,388</u>
Public Works					
Public Works Administration	688,874	688,874	671,050	17,824	527,794
Municipal parks maintenance	1,825,621	1,825,621	1,560,534	265,087	1,590,015
Engineering services	367,568	367,568	276,346	91,222	325,016
Streets and special projects	1,471,370	1,450,893	1,350,309	100,584	1,241,742
Fleet maintenance	495,984	500,684	499,308	1,376	431,081
Street lighting	670,000	689,714	665,148	24,566	598,409
Landscaping and forestry	1,218,584	1,198,270	1,048,873	149,397	952,050
Mowing and bulk pick-up	2,065,140	2,065,140	1,793,123	272,017	1,728,504
Recycling	809,000	809,000	758,262	50,738	717,753
	<u>9,612,141</u>	<u>9,595,764</u>	<u>8,622,953</u>	<u>972,811</u>	<u>8,112,364</u>
Parks, Recreation and Culture					
Administration	681,787	671,387	638,096	33,291	542,585
Recreation programs and sports	850,499	799,403	775,926	23,477	737,300
Special events	684,705	719,921	716,919	3,002	689,467
Summer programs	592,710	582,711	434,981	147,730	529,644
Gaithersburg Youth Center	230,664	230,664	229,349	1,315	208,615
Skate Park	61,267	61,267	50,477	10,790	51,049
Recreation classes	344,930	344,930	334,985	9,945	322,034
Casey Community Center	375,072	375,072	332,093	42,979	330,271
Water Park	396,539	396,539	391,963	4,576	364,994
Aquatic facilities	302,710	293,663	268,173	25,490	242,983
Picnic pavilions	26,171	26,171	18,261	7,910	17,617
Gaithersburg Arts Barn	228,990	259,490	253,174	6,316	216,345
Kentlands Mansion	377,387	377,387	325,810	51,577	322,884
Winter Lights	265,141	270,901	266,901	4,000	255,487
Miniature golf course	97,223	97,223	78,194	19,029	86,615
Cultural arts programs	270,678	285,504	278,601	6,903	273,744
Youth services	499,559	493,799	457,610	36,189	479,349
Activities Center at Bohrer Park	458,421	458,421	445,796	12,625	429,939
Olde Towne Youth Center	227,783	227,783	213,744	14,039	166,474
Food service	5,000	5,000	523	4,477	-
	<u>6,977,236</u>	<u>6,977,236</u>	<u>6,511,576</u>	<u>465,660</u>	<u>6,267,396</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2009 (With Comparative Totals for 2008)

(Continued)

	2009				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	2008 Actual
Community Services and Development					
Senior Program	\$ 674,266	\$ 674,266	\$ 619,135	\$ 55,131	\$ 539,576
Human Services	1,019,161	1,019,161	999,682	19,479	981,441
Homeless Assistance	460,290	460,290	432,464	27,826	423,455
Total community services and development	<u>2,153,717</u>	<u>2,153,717</u>	<u>2,051,281</u>	<u>102,436</u>	<u>1,944,472</u>
Miscellaneous					
Contingency	943,000	943,000	709,710	233,290	(90,023)
Non-departmental	2,024,190	2,024,190	1,035,421	988,769	1,019,919
OPEB contribution	910,000	910,000	455,000	455,000	-
Total miscellaneous	<u>3,877,190</u>	<u>3,877,190</u>	<u>2,200,131</u>	<u>1,677,059</u>	<u>929,896</u>
Total expenditures and encumbrances - budgetary basis	<u>\$ 43,012,525</u>	<u>\$ 43,012,525</u>	38,612,564	<u>\$ 4,399,961</u>	35,386,381
Adjustments to conform with generally accepted accounting principles			<u>(638,906)</u>		<u>433,813</u>
Total expenditures - GAAP basis			<u>\$ 37,973,658</u>		<u>\$ 35,820,194</u>

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND
Year Ended June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Investments	\$ 152,269	\$ 47,154	\$ -	\$ 199,423
LIABILITIES				
Deposits	\$ 152,269	\$ 47,154	\$ -	\$ 199,423

STATISTICAL SECTION

This part of the City of Gaithersburg, Maryland's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	64-70
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.	71-75
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	76-77
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	78-79
Operating Information These schedules contain 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.	80-88

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 GAITHERSBURG, MARYLAND
NET ASSETS BY COMPONENT
Last Seven Fiscal Years
(accrual basis of accounting)
June 30, 2009

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities							
Invested in Capital Assets	\$ 101,308,114	\$ 101,079,002	\$ 102,235,261	\$ 103,385,743	\$ 105,089,489	\$ 104,360,134	\$ 102,590,615
Unrestricted	<u>59,499,836</u>	<u>56,869,084</u>	<u>50,679,018</u>	<u>49,091,738</u>	<u>41,301,909</u>	<u>39,171,939</u>	<u>37,736,850</u>
<i>Total Governmental</i> <i>Activities Net Assets</i>	<u>\$ 160,807,950</u>	<u>\$ 157,948,086</u>	<u>\$ 152,914,279</u>	<u>\$ 152,477,481</u>	<u>\$ 146,391,398</u>	<u>\$ 143,532,073</u>	<u>\$ 140,327,465</u>

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN NET ASSETS
Last Seven Fiscal Years
(accrual basis of accounting)
June 30, 2009

	2009	2008	2007	2006	2005	2004	2003
Expenses							
Governmental Activities:							
General Government	\$ 10,104,931	\$ 10,536,978	\$ 8,745,788	\$ 8,210,925	\$ 6,929,027	\$ 6,978,070	\$ 6,605,324
Public Safety	11,281,073	10,918,534	9,118,647	7,876,021	6,479,474	5,976,365	5,545,727
Public Works	11,438,388	10,811,440	9,746,888	9,412,588	9,237,552	9,222,580	5,946,142
Park, Recreation & Culture	7,255,705	9,118,751	8,538,526	7,940,172	6,858,152	6,591,139	6,332,747
Community Services & Development	2,103,765	2,148,811	1,897,647	1,871,188	1,777,491	1,582,419	1,499,289
Miscellaneous	1,536,547	1,797,067	4,258,951	1,174,091	1,263,435	642,433	1,039,064
<i>Total Governmental Activities Expenses</i>	<u>43,720,409</u>	<u>45,331,581</u>	<u>42,306,447</u>	<u>36,484,985</u>	<u>32,545,131</u>	<u>30,993,006</u>	<u>26,968,293</u>
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	\$ 1,703,735	\$ 1,855,587	\$ 1,175,102	\$ 1,649,170	\$ 2,343,286	\$ 1,880,197	\$ 148,008
Public Safety	1,381,525	1,897,490	799,743	782,440	950,677	906,313	110,452
Public Works	1,400,167	1,631,297	1,333,515	1,375,813	999,598	738,210	899,183
Park, Recreation & Culture	3,014,450	3,049,408	3,072,008	2,989,088	2,929,167	2,084,867	2,605,305
Operating Grants and Contributions	1,202,924	1,569,161	2,141,875	1,561,444	938,266	1,103,083	3,766,654
Capital Grants and Contributions	2,206,960	2,696,447	2,364,816	2,386,066	2,789,941	3,794,716	5,485,835
<i>Total Governmental Activities</i>							
<i>Program Revenues</i>	<u>\$ 10,909,761</u>	<u>\$ 12,699,390</u>	<u>\$ 10,887,059</u>	<u>\$ 10,744,021</u>	<u>\$ 10,950,935</u>	<u>\$ 10,507,386</u>	<u>\$ 13,015,437</u>

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN NET ASSETS
Last Seven Fiscal Years
(accrual basis of accounting)
June 30, 2009
(continued)

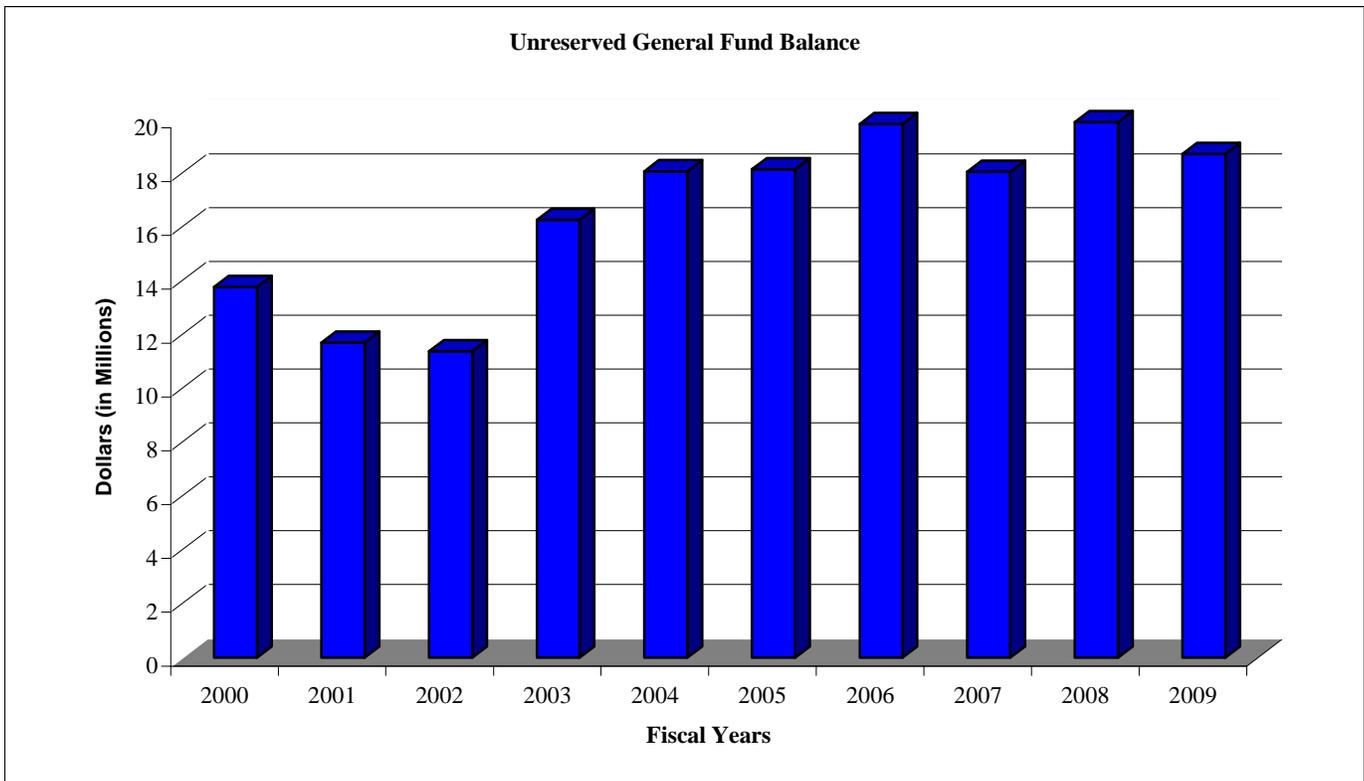
	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue							
Governmental Activities	\$ (32,810,648)	\$ (32,632,191)	\$ (31,419,388)	\$ (25,740,964)	\$ (21,594,196)	\$ (19,765,620)	\$ (13,952,856)
<i>Total Primary Government Net Expense</i>	<u>\$ (32,810,648)</u>	<u>\$ (32,632,191)</u>	<u>\$ (31,419,388)</u>	<u>\$ (25,740,964)</u>	<u>\$ (21,594,196)</u>	<u>\$ (19,765,620)</u>	<u>\$ (13,952,856)</u>

General Revenues and Other Changes in Net Assets

Governmental Activities:							
Property Taxes	\$ 20,455,347	\$ 18,516,490	\$ 16,454,046	\$ 14,114,464	\$ 13,310,028	\$ 12,538,737	\$ 11,151,698
Franchise Fees	494,925	599,253	557,181	483,125	444,881	440,892	380,807
Admissions, Amusement, Hotel & Motel Tax	1,718,650	830,156	985,453	1,165,087	1,008,836	887,000	672,731
Intergovernmental not Restricted to Specific Programs	9,889,917	10,108,343	9,808,731	8,779,326	8,008,710	7,900,819	7,413,523
Investment Earnings	930,421	2,212,859	2,627,160	1,925,574	870,163	424,765	527,717
Gain (loss) on Sale of Capital Assets	1,497,522	-	-	1,860,248	-	-	-
Miscellaneous	683,730	5,398,897	1,423,615	853,929	810,903	778,015	1,105,466
<i>Total Governmental Activities</i>	<u>\$ 35,670,512</u>	<u>\$ 37,665,998</u>	<u>\$ 31,856,186</u>	<u>\$ 29,181,753</u>	<u>\$ 24,453,521</u>	<u>\$ 22,970,228</u>	<u>\$ 21,251,942</u>

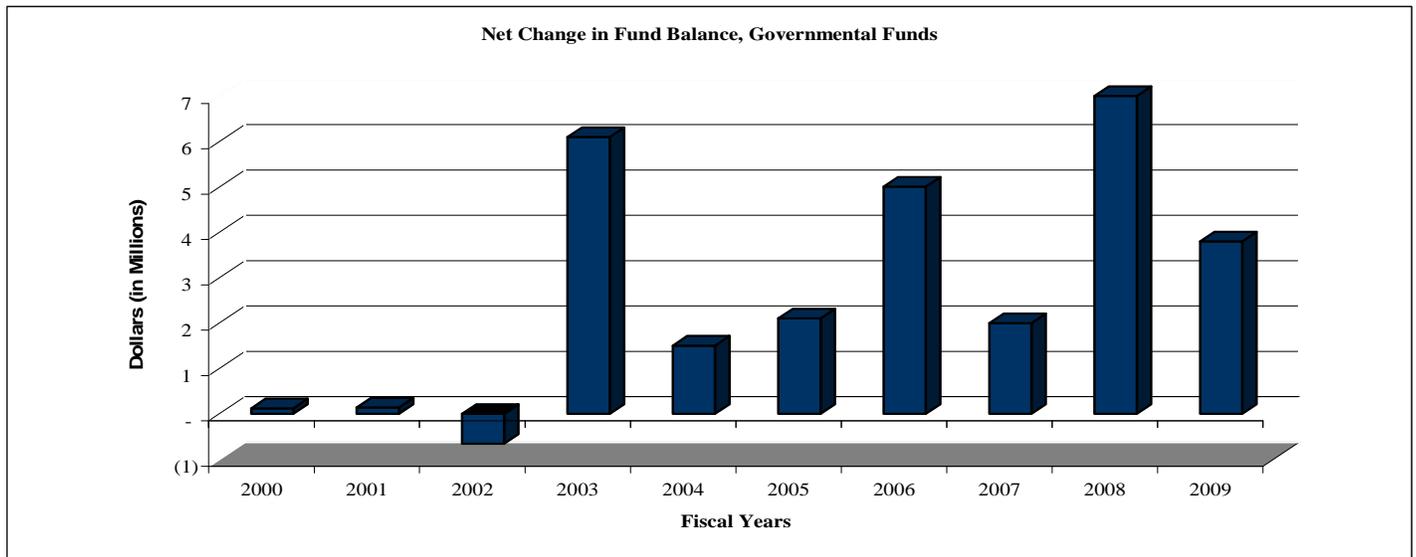
CITY OF GAITHERSBURG, MARYLAND
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2009

	2009	2008	2007	2006	2005
General Fund					
Reserved for Encumbrances and Other	\$ 12,431,003	\$ 11,224,516	\$ 10,629,786	\$ 12,437,949	\$ 12,934,815
Unreserved	18,723,646	19,902,437	18,055,440	19,827,024	18,148,339
Total General Fund	\$ 31,154,649	\$ 31,126,953	\$ 28,685,226	\$ 32,264,973	\$ 31,083,154
All Other Governmental Funds					
Reserved for Encumbrances	\$ 3,772,000	\$ 3,238,750	\$ 3,993,897	\$ 1,686,943	\$ 3,375,847
Designated, Reported in:					
Capital Projects Funds	25,496,419	22,259,138	16,549,764	13,255,730	7,741,939
Total All Other Governmental Funds	29,268,419	25,497,888	20,543,661	14,942,673	11,117,786
Total Governmental Funds	\$ 60,423,068	\$ 56,624,841	\$ 49,228,887	\$ 47,207,646	\$ 42,200,940
 Unreserved General Fund Balance as a Percentage of Expenditures	 51.7%	 59.5%	 61.3%	 71.7%	 69.7%



CITY OF GAITHERSBURG, MARYLAND
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2009

	2004	2003	2002	2001	2000
General Fund					
Reserved for Encumbrances and Other	\$ 10,068,026	\$ 9,544,154	\$ 8,806,011	\$ 9,330,420	\$ 7,562,679
Unreserved	18,076,256	16,271,512	11,385,958	11,708,168	13,780,144
Total General Fund	\$ 28,144,282	\$ 25,815,666	\$ 20,191,969	\$ 21,038,588	\$ 21,342,823
All Other Governmental Funds					
Reserved for Encumbrances	\$ 4,592,300	\$ 3,937,907	\$ 2,509,092	\$ 4,573,523	\$ 5,302,410
Designated, Reported in: Capital Projects Funds	7,383,977	8,899,014	9,868,484	7,621,150	7,064,519
Total All Other Governmental Funds	11,976,277	12,836,921	12,377,576	12,194,673	12,366,929
Total Governmental Funds	\$ 40,120,559	\$ 38,652,587	\$ 32,569,545	\$ 33,233,261	\$ 33,709,752
 Unreserved General Fund Balance as a Percentage of Expenditures	 73.2%	 62.4%	 51.2%	 54.5%	 66.6%



See pages 68-69 for additional information on change in fund balance.

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2009

	2009	2008	2007	2006	2005
Revenues					
Taxes and special assessments	\$ 22,136,525	\$ 19,262,581	\$ 17,563,444	\$ 15,329,572	\$ 14,288,983
Licenses and Permits	2,887,975	3,006,104	2,350,832	2,839,355	3,546,026
Intergovernment	13,427,699	14,237,049	14,365,733	12,376,203	11,736,917
Charges for Services	4,496,354	4,652,709	4,421,041	4,255,294	3,851,601
Fines and Forfeitures	610,473	1,374,222	165,676	184,987	269,982
Investment earnings	930,421	2,212,859	2,627,160	1,925,574	870,163
Miscellaneous	683,730	5,472,964	1,421,317	853,929	810,903
<i>Total Revenues</i>	<u>\$ 45,173,177</u>	<u>\$ 50,218,488</u>	<u>\$ 42,915,203</u>	<u>\$ 37,764,914</u>	<u>\$ 35,374,575</u>
Expenditures					
Current:					
General Government	\$ 8,783,798	\$ 8,285,566	\$ 7,428,673	\$ 6,778,533	\$ 6,272,714
Public Safety	10,464,470	9,586,914	8,402,909	7,163,130	6,573,228
Public Works	8,626,303	6,668,288	6,339,144	5,492,217	5,051,478
Parks, Recreation and Culture	6,517,399	7,806,505	7,698,543	7,006,072	6,713,263
Community Services and Development*	2,052,646	2,081,517	1,883,026	1,860,500	1,777,491
Transfer to retiree benefit trust	455,000	-	-	-	-
Other	1,074,042	1,391,404	1,693,749	1,168,328	1,283,143
Capital Outlay	5,557,414	6,629,977	4,914,067	5,401,735	6,049,046
<i>Total Expenditures</i>	<u>\$ 43,531,072</u>	<u>\$ 42,450,171</u>	<u>\$ 38,360,111</u>	<u>\$ 34,870,515</u>	<u>\$ 33,720,363</u>
<i>Excess of Revenues Over (Under) Expenditure:</i>	<u>\$ 1,642,105</u>	<u>\$ 7,768,317</u>	<u>\$ 4,555,092</u>	<u>\$ 2,894,399</u>	<u>\$ 1,654,212</u>
Other Financing Sources (Uses)					
Sales of capital assets	\$ 2,156,122	\$ 28,637	\$ 18,199	\$ 2,112,309	\$ 426,169
Transfers In	9,327,945	11,584,204	10,515,055	9,226,622	5,190,555
Transfers out	(9,327,945)	(11,584,204)	(10,515,055)	(9,226,622)	(5,190,555)
Transfers to GASB 43 Trust	-	(401,000)	(2,552,050)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 2,156,122</u>	<u>\$ (372,363)</u>	<u>\$ (2,533,851)</u>	<u>\$ 2,112,309</u>	<u>\$ 426,169</u>
Adjustments to Reclassify Liabilities			-	-	-
<i>Net Change in Fund Balances</i>	<u>\$ 3,798,227</u>	<u>\$ 7,395,954</u>	<u>\$ 2,021,241</u>	<u>\$ 5,006,708</u>	<u>\$ 2,080,381</u>

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2009
(continued)

	2004	2003	2002	2001	2000
Revenues					
Taxes and special assessments	\$ 13,497,432	\$ 12,299,149	\$ 11,044,580	\$ 10,338,771	\$ 9,520,070
Licenses and Permits	2,846,186	2,393,830	3,342,405	3,231,719	2,766,428
Intergovernment	10,618,001	14,652,989	9,949,156	11,985,809	15,186,630
Charges for Services	3,653,432	3,664,998	3,457,067	3,039,498	3,399,369
Fines and Forfeitures	270,861	97,950	197,949	204,358	119,043
Investment earnings	424,765	527,717	831,396	1,837,086	1,864,106
Miscellaneous	2,958,632	1,105,466	397,026	549,331	122,009
Total Revenues	\$ 34,269,309	\$ 34,742,099	\$ 29,219,579	\$ 31,186,572	\$ 32,977,655
Expenditures					
Current:					
General Government	\$ 6,111,467	\$ 5,780,224	\$ 5,530,902	\$ 5,683,711	\$ 5,440,656
Public Safety	6,201,423	5,584,233	5,090,247	4,944,825	4,626,937
Public Works	5,059,108	4,777,453	4,149,430	3,869,722	3,791,244
Parks, Recreation and Culture	6,384,575	6,023,875	9,122,557	5,719,980	5,583,393
Community Services and Development	1,582,419	1,487,092	-	-	-
Other	681,245	1,039,064	2,191,188	2,013,389	2,036,339
Capital Outlay	6,796,200	3,985,566	7,846,247	8,806,856	11,375,676
Total Expenditures	\$ 32,816,437	\$ 28,677,507	\$ 33,930,571	\$ 31,038,483	\$ 32,854,245
<i>Excess of Revenues Over (Under)</i>					
<i>Expenditures</i>	\$ 1,452,872	\$ 6,064,592	\$ (4,710,992)	\$ 148,089	\$ 123,410
Other Financing Sources (Uses)					
Sales of capital assets	\$ 15,100	\$ 18,450	\$ 4,047,276	\$ -	\$ -
Transfers In	3,920,537	4,444,911	8,029,150	8,634,600	8,777,000
Transfers out	(3,920,537)	(4,444,911)	(8,029,150)	(8,634,600)	(8,777,000)
Total Other Financing Sources (Uses)	\$ 15,100	\$ 18,450	\$ 4,047,276	\$ -	\$ -
Adjustments to Reclassify Liabilities	-	-	-	-	-
Net Change in Fund Balances	\$ 1,467,972	\$ 6,083,042	\$ (663,716)	\$ 148,089	\$ 123,410

CITY OF GAITHERSBURG, MARYLAND
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2009

Year	Property Taxes	Admissions and Amusement Taxes	Income Taxes	Total
2009	\$ 20,336,651	\$ 1,718,650	\$ 8,787,634	\$ 30,842,935
2008	18,344,598	830,156	8,741,260	27,916,014
2007	16,379,040	985,453	8,628,861	25,993,354
2006	14,183,160	1,165,087	7,305,720	22,653,967
2005	13,227,493	1,008,836	6,958,212	21,194,541
2004	12,539,373	887,000	6,732,747	20,159,120
2003	11,564,983	672,731	6,484,421	18,722,135
2002	10,281,266	710,998	6,330,861	17,323,125
2001	9,718,500	545,637	7,016,500	17,280,637
2000	8,941,380	528,879	7,437,894	16,908,153
Change 2000-2009	127.4%	225.0%	18.1%	82.4%

CITY OF GAITHERSBURG, MARYLAND
ASSESSED VALUATION OF TAXABLE PROPERTY
Last Ten Fiscal Years
June 30, 2009

Year	Real Property	Personal Property	Corporate Personal Property	Total	Estimated Actual Values of Taxable Property	Percentage Of Change
2009	\$ 8,822,557,075	\$ 88,708,679	\$ 229,259,434	\$ 9,140,525,188	\$ 9,140,525,188	11.0%
2008	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	12.0%
2007	7,029,366,190	96,571,060	228,289,623	7,354,226,873	7,354,226,873	0.3%
2006	7,010,239,417	95,085,977	224,084,580	7,329,409,974	7,329,409,974	36.0%
2005	6,435,021,700	107,679,883	225,612,110	6,768,313,693	5,388,270,239	11.2%
2004	5,005,439,589	111,987,078	221,531,600	5,338,958,267	4,844,344,068	5.2%
2003	4,464,294,558	116,466,561	225,771,450	4,806,532,569	4,602,994,028	4.4%
2002 *	4,288,476,868	121,125,223	239,989,990	4,649,592,081	4,408,996,816	0.8%
2001	1,619,152,641	125,970,232	227,587,400	1,972,710,273	4,375,798,932	6.4%
2000	1,608,896,520	131,009,042	198,864,170	1,938,769,732	4,112,679,487	0.7%

* Fiscal Year 2002 is the first year that all real property in the State of Maryland is assessed at 100 percent of actual values instead of the previous 40 percent assessment method.
All Personal Property has always been valued at 100 percent of actual value.

CITY OF GAITHERSBURG, MARYLAND
ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY
Last Ten Fiscal Years
June 30, 2009

Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	%	Delinquent Tax Collections	Total Tax Collections*	Percent of Total Tax Collections To Tax Levy	%
2009	\$ 21,179,664	\$ 20,206,336	95.40	%	\$ 130,315	\$ 20,336,651	96.02	%
2008	18,566,771	18,257,510	98.33		87,088	18,344,598	98.80	
2007	16,483,710	16,479,710	99.97		(100,669)	16,379,041	99.37	
2006	14,507,688	14,275,316	98.40		(92,156)	14,183,160	97.76	
2005	13,642,246	13,311,314	97.67		(1,286)	13,310,028	97.56	
2004	12,640,534	12,533,437	99.15		114,394	12,647,831	100.06	
2003	11,478,573	11,351,057	98.89		22,345	11,373,402	99.08	
2002	10,951,176	10,547,730	96.32		(32,447)	10,515,283	96.02	
2001	10,237,743	9,891,868	96.62		74,617	9,966,485	97.35	
2000	9,239,261	9,053,770	97.99		(297,881)	8,755,889	94.77	

* "Total Tax Levy" and "Current Tax Collections" represent the Original tax levy, less real property tax credits for State of Maryland Homeowners Tax Credit program.

**CITY OF GAITHERSBURG, MARYLAND
PRINCIPAL TAXPAYERS
Current Fiscal Year and Ten Years Ago
June 30, 2009**

2009		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	\$ 203,871,261	2.15 %
Asbury Methodist Home, Inc.	162,862,779	1.72
Lake Forest Associates	133,899,333	1.41
Medimmune, Inc	131,584,398	1.39
CHI Two Washingtonian LLC	109,962,133	1.16
Federal Realty Investment Trust	84,282,632	0.89
MR 270 NMD LLC	82,992,466	0.88
Saul Holdings LTD Partnership	81,572,497	0.86
TRT 270 Center Owner, LLC	76,344,532	0.81
893 Clopper Road Investors	71,445,966	0.75
	<u>\$ 1,138,817,997</u>	<u>12.02 %</u>
<i>Total Assessed Valuation</i>	<u>\$ 9,474,000,903</u>	

2000		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Lake Forest Associates	\$ 50,583,410	3.18 %
Asbury Methodist Home	44,135,450	2.77
ARE - 19 Firstfield Road LLC	30,800,030	1.94
Washingtonian Associates LLC	28,079,420	1.77
Saul Holding LTD Partnership	21,582,560	1.36
Gaithersburg Realty Trust	18,732,380	1.18
Gaithersburg Assoc. LTD Partnership	18,641,970	1.17
Federal Realty Investment Trust	18,473,670	1.16
Loral Federal Systems	18,298,720	1.15
Jamestown 17 LP	17,127,140	1.08
	<u>\$ 266,454,750</u>	<u>16.75 %</u>
<i>Total Assessed Valuation</i>	<u>\$ 1,590,607,580</u>	

(1) Assessed valuation based on the valuation of property for taxes collected in 2009 and 2000 respectively, and a review of the 10 largest taxpayers for the City.

Source: City of Gaithersburg Finance Department

**CITY OF GAITHERSBURG, MARYLAND
REAL PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Valuation*)
Last Ten Fiscal Years
June 30, 2009**

Year	Direct Rate	Overlapping Rates			Total
	City of Gaithersburg	Montgomery County	State of Maryland	Service Areas & Transit	
2009	\$ 0.212	\$ 0.661	\$ 0.112	\$ 0.165	\$ 1.150
2008	0.212	0.627	0.112	0.185	1.136
2007	0.212	0.624	0.112	0.188	1.136
2006	0.212	0.679	0.112	0.177	1.180
2005	0.212	0.734	0.132	0.167	1.245
2004	0.212	0.751	0.132	0.125	1.220
2003	0.212	0.754	0.132	0.125	1.223
2002	* 0.212	0.741	0.084	0.141	1.178
2001	0.530	1.857	0.084	0.323	2.794
2000	0.530	1.863	0.210	0.321	2.924

- NOTES:
- Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1.
 - Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payments due by September 30 and December 31.
 - Interest and penalty at 20 percent are assessed on delinquent tax bills.

Source: City of Gaithersburg, Maryland Department of Finance & Administration, State Department of Assessments and Taxation, and Montgomery County Department of Finance.

* Fiscal Year 2002 is the first year that all real property in the State of Maryland is assessed at 100 percent of actual value instead of the previous 40 percent assessment method.

**CITY OF GAITHERSBURG, MARYLAND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2009**

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City	Amount Applicable to City of Gaithersburg
Direct			
City of Gaithersburg	\$ 0	0.0%	\$ 0
Overlapping			
	0	0.0%	0
Montgomery County	2,231,068,093	0.0%	0
Total Direct and Overlapping Debt	\$ 2,231,068,093	0.0%	0

Source: Montgomery County Department of Finance

**CITY OF GAITHERSBURG, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2009**

Neither state law nor the City Charter mandates a limit on the amount of municipal debt that may be issued.

CITY OF GAITHERSBURG, MARYLAND
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years
June 30, 2009

Year	(1) Population	(2) Per Capita Income	(2) Montgomery County Personal Income	Median Age	(3) Montgomery County Avg. School Enrollment	(4) Montgomery County Unemployment Rate	
2009	57,818	\$ 70,059	67,100,000	N/A	137,763	5.4	%
2008	59,912	69,685	65,400,000	N/A	137,745	2.8	
2007	60,736	67,575	62,900,000	N/A	137,798	2.7	
2006	58,607	63,753	59,300,000	N/A	139,387	2.8	
2005	57,812	60,389	55,600,356	N/A	139,337	3.1	
2004	56,365	56,670	52,215,427	N/A	139,203	3.2	
2003	55,253	53,219	48,533,753	N/A	138,891	3.3	
2002	53,141	51,991	47,041,902	N/A	136,832	3.5	
2001	53,095	51,004	45,537,627	N/A	134,180	3.1	
2000	* 52,613	49,592	43,575,224	33.6	130,689	2.6	

- (1) City of Gaithersburg, Department of Planning & Code Administration
- (2) Bureau of Economic Analysis (BEA), U. S. Department of Commerce
- (3) Office of Management and Budget, Montgomery County Government
- (4) Montgomery County Department of Finance

* U.S. Census Bureau

**CITY OF GAITHERSBURG, MARYLAND
PRINCIPAL EMPLOYERS
Current Fiscal Year
Number of employees for quarter ending June 30, 2009**

2009		
Employer	Employees	Percentage of Total City Employment
National Institute of Standards and Technology	2,115	1.80 %
IBM	1,100	0.93
MedImmune	1,027	0.87
Sodexo USA	1,000	0.85
Asbury Methodist Village	867	0.74
The Gazette Newspaper	428	0.36
Gene Logic	362	0.31
Broadsoft, Inc.	200	0.17
Digene	280	0.24
Airline Foods	185	0.16
 Total	 7,564	 6.42 %
 Total Montgomery County Employees	 117,799	
 (Data for total employees available for county only)		

Source: City of Gaithersburg Department of Economic and Community Development & Department of Finance and Administration. Amounts are estimates generated from correspondence with the companies. The City of Gaithersburg only started to keep track of this information beginning in FY 2006; therefore, comparative information for nine years ago is not available.

CITY OF GAITHERSBURG, MARYLAND
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009

<u>Function/Program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	2	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	5	5	5	6	6
Economic & Community Development	2	3	3	2	2.5
Environmental Affairs	2	2	2	2	1.5
Human Resources	5	4	4	4	3
Finance & Administration	6	6	6	6	6
Housing & Community Deve	1	-	-	-	-
Information Technology	8	7	6	5	5
Facilities Management	8	8	7	5	5
Buildings and Grounds	-	-	-	2	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	2	2	2	3
Planning	10	11	11	12	11
Public Safety					
Police Services	58	56	51	47	45
Code Administration	20	20	19	15	17
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	4	4
Public Works					
Public Works Administration	5	5	5	5	5
Parks Maintenance Division	16	16	16	17	16
Streets & Special Projects	10	9	9	9	7
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	13	13	12	11	11
Mowing & Bulk Pick-Up	20	19	17	18	18
Recycling	-	-	-	-	-
Engineering Services	2	2	1	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	5	5	5	5
Recreation Programs & Sports	5	5	5	5	4
Recreation Classes	1	1	1	1	1
Youth Services	3	3	3	4	4
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	1	1	-	1
Olde Towne Youth Center	1	1	-	1	-
Casey Community Center	2	2	2	2	2
Water Park	1	1	1	1	1
Gaithersburg Arts Barn	1	1	2	1	1
Kentlands Mansion	2	2	2	2	2
Cultural Arts Programs	1	1	1	1	1
Special Events	4	4	4	4	4
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	1	1	1	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	4	4	4	4	4
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development					
Seniors Program	5	5	5	5	4
Human Services	3	3	3	3	3
Homeless Assistance	3	3	3	3	2
Full-Time Employee Totals:	255.0	248.0	236.0	228.0	221.0
Employment Agreement Employee Totals:	8.4	10.6	11.6	17.6	18.7
Part-Time Employee Totals:	117.5	117.4	115.8	113.4	108.6
Total Employees	380.9	376.0	363.4	359.0	348.3

Source: City of Gaithersburg, Maryland 2000-2009 Adopted Budgets

CITY OF GAITHERSBURG, MARYLAND
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009

Function/Program	2004	2003	2002	2001	2000
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	-	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	7	6	6	6	8
Economic & Community Development	2	2	2	2	2
Environmental Affairs	-	-	-	-	-
Human Resources	3	3	3	3	2
Finance & Administration	6	6	6	6	5
Information Technology	4	4	5	4	4
Facilities Management	4	5	5	5	5
Buildings and Grounds	2	2	2	2	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	3	3	3	2	2
Planning	11	11	12	12	12
Public Safety					
Police Services	41	39	39	39	39
Code Administration	17	17	17	17	18
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	3	3
Public Works					
Public Works Administration	7	6	6	6	5
Parks Maintenance Division	6	14	13	12	12
Streets & Special Projects	6	6	7	8	8
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	11	11	10	10	9
Mowing & Bulk Pick-Up	17	17	18	16	16
Recycling	-	-	-	2	2
Engineering Services	1	1	1	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	16	7	6	6	7
Recreation Programs & Sports	4	4	5	5	5
Recreation Classes	1	1	1	1	1
Youth Services	4	4	4	3	3
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	-	-	-	-	-
Parks, Recreation & Culture (Cont.)	2				
Olde Towne Youth Center	1	-	-	-	-
Casey Community Center	1	2	2	2	2
Water Park	2	1	1	1	1
Gaithersburg Arts Barn	1	1.5	1	1	-
Kentlands Mansion	4	1.5	1	1	1
Cultural Arts Programs	1	1	1	1	1
Special Events	-	4	2	2	2
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	2	1	1	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	-	2	3	3	3
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development	4				
Seniors Program	2	4	4	4	3
Human Services	2	2	2	2	2
Homeless Assistance	-	2	2	2	2
Full-Time Employee Totals:	211.0	208.0	208.0	204.0	202.0
Employment Agreement Employee Totals:	19.5	16.6	19.1	23.3	21.3
Part-Time Employee Totals:	105.3	102.2	110.6	119.5	114.4
Total Employees	335.8	326.8	337.7	346.8	337.7

Source: City of Gaithersburg, Maryland 2000-2009 Adopted Budgets
Method: Using 1.0 for each full-time employee (FTE).

CITY OF GAITHERSBURG, MARYLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009

Function/Program	2009	2008	2007	2006	2005
General Information					
Population	57,818	59,912	60,736	58,607	57,812
Registered Voters	25,469	25,469	27,725	25,936	25,936
General Government					
Commercial Construction Permits Issued	11	4	7	9	17
Residential Construction Permits Issued	72	89	126	134	94
Estimated Value of Construction	\$ 46,746,126	\$ 36,022,880	\$ 30,177,912	\$ 40,815,382	\$ 74,313,532
Transitional Housing to Permanent Housing	11	3	6	8	6
Public Safety					
Police Officers	53	49	46	45	43
Traffic Citations	8,085	5,966	6,803	7,818	7,066
Calls for Service	7,805	7,955	11,956	17,844	30,995
Fire Marshall Inspections	1	1	1	1	1
Animal Control Officers	3	3	3	3	3
Fire Marshall Inspections	1,262	979	1,094	1,527	1,302
Animal Licenses	2,508	2,467	2,477	2,454	2,472
Solid Waste					
Co-Mingled (tons)	2,474	907	579	804	972
Newspaper (tons)	*	N/A	1,449	1,407	2,013
Yard Waste (tons)	1,014	1,036	934	902	967

* In FY09, the City single stream recycling materials and combined Co-Mingled goods with newspaper.

CITY OF GAITHERSBURG, MARYLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009
 (continued)

2004	2003	2002	2001	2000
56,365	55,253	53,141	53,095	52,613
25,936	25,936	24,631	24,631	24,631
11	13	27	33	23
77	273	544	389	466
\$ 25,020,215	\$ 38,415,978	\$ 110,686,357	\$ 80,143,840	\$ 94,577,424
8	9	10	7	6
39	36	36	36	36
4,699	8,733	8,033	9,367	5,994
28,643	24,431	25,145	23,311	22,550
1	1	1	1	1
3	3	3	3	3
2,118	2,313	2,222	2,546	2,424
2,624	2,498	2,249	2,164	2,132
745	831	699	667	656
1,812	1,873	1,525	1,561	1,677
1,322	888	543	497	438

**CITY OF GAITHERSBURG, MARYLAND
 COMBINED SCHEDULE OF CASH AND INVESTMENTS -
 BY FINANCIAL INSTITUTIONS
 June 30, 2009**

Description	Total
Bank of America	\$206,009
PNC Bank	\$90,620
PNC Bank Certificate of Deposit	\$311,437
Total Financial Institutions	\$608,066
Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow:	
General Fund	\$9,226
Pension Trust Fund	\$31,493,201
Retiree Benefit Trust Fund	\$2,200,036
Private-Purpose Trust Fund	\$13,274
Total Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow	\$33,715,737
Total Cash Deposits in Financial Institutions and on Hand	\$34,323,803
Investments, State Treasurer's Investment Pool	\$28,715,187
Montgomery County's General Investment Fund	\$33,958,900
Total Investments	\$62,674,087
Total Cash and Investments	\$96,997,890



CASEY COMMUNITY CENTER

CITY OF GAITHERSBURG, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009

Function/Program	2009	2008	2007	2006	2005
General Information					
Area in Square Miles	10.33	10.33	10.33	10.04	10.04
Public Safety - Police					
Stations	1	1	1	1	1
Number of Patrol Units	36 *	58	46	57	50
Highways and Streets					
City Streets (miles)	87.95	87.95	87.95	87.95	88.24
County Streets (miles)	6.06	6.06	6.06	5.75	5.34
State Streets (miles)	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	3.98	3.98	3.98	3.98	4.28
Street Lights	4,377	4,368	4,323	3,550	3,350
Recreation and Culture					
Park Acreage	853.48	853.48	853.48	853.48	853.48
Parks	25	25	25	25	25
Museums	1	1	1	1	1
Performance Pavilions	1	1	1	1	1
Skate Parks	1	1	1	1	1
Swimming Pools	2	2	2	2	2
Miniature Golf	1	1	1	1	1
Community Centers	5	5	5	5	4
Performance Arts	1	1	1	1	1
Tennis Courts	14	14	14	12	12

* The number of patrol units show in FY 2009 no longer include command staff, detectives or parking ticket processing units.

CITY OF GAITHERSBURG, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2009
(continued)

2004	2003	2002	2001	2000
10.01	10.01	10.01	10.01	10.01
1	1	1	1	1
47	47	34	47	45
87.61	84.92	82.17	87.61	77.58
5.34	5.32	5.25	5.32	5.70
17.54	17.61	19.01	17.54	14.15
4.93	4.93	4.93	4.93	1.06
3,150	2,950	2,775	2,500	2,430
853.48	853.48	853.48	777.71	743.73
24	23	22	21	21
1	-	-	-	-
1	1	-	-	-
1	1	-	-	-
2	2	2	2	2
1	1	1	1	1
4	4	4	4	4
1	1	-	-	-
12	12	12	12	12

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF CUMULATIVE APPROPRIATIONS, EXPENDITURES,
AND ENCUMBRANCES – CAPITAL PROJECTS
From Project Inception Through June 30, 2009

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
CITY FACILITY:				
70-2	City Hall	\$ 4,423,852	\$ 4,135,730	\$ 288,122
72-2	Public Service Facility	3,718,894	3,559,275	159,619
86-3	Latitude Observatory	462,168	232,978	229,190
92-1	Americans With Disabilities Act	478,000	446,956	31,044
93-1	Technology Projects	3,270,863	1,913,053	1,357,810
98-1	Facilities Projects	1,966,646	1,846,924	119,722
01-2	Kentlands Mansion	1,034,473	866,975	167,498
02-1	Kentlands Firehouse	20,000	-	20,000
07-1	Emergency Preparedness	180,000	-	180,000
09-1	Police Station Improvement	250,000	13,037	236,963
Total City Facility		15,804,896	13,014,928	2,789,968
COMMUNITY ENHANCEMENT				
71-2	Street Lighting	2,146,406	1,640,729	505,677
79-5	Olde Towne Revitalization	3,960,518	3,067,724	892,794
81-4	Property Acquisition and Disposition	14,411,544	14,355,049	56,495
82-3	Landscape Improvement	1,354,233	1,341,549	12,684
99-4	Olde Towne Park Bell Tower	1,760,000	190,216	1,569,784
99-6	Neighborhood Amenities Program	508,363	508,363	-
00-1	West Diamond Avenue Sector Program	13,131,052	12,901,874	229,178
02-4	Historic District Improvements	993,790	927,984	65,806
04-1	Community Development Block Grant - HUD	3,734,453	3,352,447	382,006
09-2	Historic Preservation at Crown Farm	70,000	-	70,000
00-0	Contingency and Future Projects	3,167,209	1,684,528	1,482,681
Total Community Enhancement		45,237,568	39,970,463	5,267,105
TRANSPORTATION/ENVIRONMENT				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	2,019,016	1,642,748	376,268
82-1	Stormwater Management and Storm Drainage	9,031,478	7,346,641	1,684,837
83-1	Street Resurfacing	15,563,175	15,303,914	259,261
91-3	Street Reconstruction	5,320,661	5,233,446	87,215
92-2	Traffic Calming and Signalization	1,257,536	1,112,562	144,974
98-7	Transit Enhancements	188,800	154,232	34,568
99-1	North Frederick Avenue Corridor Plan Implementation	165,000	125,457	39,543
07-2	Teachers Way	600,400	147,295	453,105
Total Transportation/Environment		34,146,066	31,066,295	3,079,771

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF CUMULATIVE APPROPRIATIONS, EXPENDITURES,
AND ENCUMBRANCES – CAPITAL PROJECTS
From Project Inception Through June 30, 2009
(continued)

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
RECREATION/LEISURE				
83-2	Bohrer Park at Summit Hall Farm	\$ 12,451,514	\$ 12,148,304	\$ 303,210
87-3	Recreation Courts Renovation	629,000	622,253	6,747
93-2	Ballfield Projects	564,314	525,975	38,339
98-2	Winter Lights	193,555	164,080	29,475
98-3	Lakelands Park	2,875,985	2,875,001	984
98-4	Art In Public Places	416,509	352,803	63,706
99-7	School Playground Match Program	49,600	49,600	-
00-2	Casey Community Center Renovations	585,468	539,118	46,350
00-3	Gaithersburg Youth Center At Robertson Park	2,229,036	2,174,481	54,555
00-4	Renovation/Improvements Of Existing Parks	530,000	318,296	211,704
02-2	Parks and Facility Signage	126,308	94,276	32,032
03-1	Gaithersburg Aquatic/Recreation Center	13,544,332	1,776,541	11,767,791
06-1	Gaithersburg Youth Center in Olde Towne	1,890,000	1,662,482	227,518
06-2	Market Square Park Plaza	736,874	736,874	-
06-3	Gaithersburg UpCounty Senior Center	181,270	181,270	-
09-3	Gaithersburg Senior Center	2,989,040	-	2,989,040
	Total Recreation/Leisure	<u>39,992,805</u>	<u>24,221,354</u>	<u>15,771,451</u>
Grand Total		<u>\$ 135,181,335</u>	<u>\$ 108,273,040</u>	<u>\$ 26,908,295</u>



CITY HALL HOLIDAY TRIMMINGS

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Mayor and City Council
City of Gaithersburg, Maryland

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Gaithersburg, Maryland (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
October 30, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

To the Honorable Mayor and City Council
City of Gaithersburg, Maryland

Compliance

We have audited the compliance of the City of Gaithersburg, Maryland (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Gaithersburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information and use of the Mayor, City Council, City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
October 30, 2009

**CITY OF GAITHERSBURG, MARYLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Program:			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 64,123
Supportive Housing for Persons with Disabilities	14.181	N/A	<u>64,124</u>
Total for Supportive Housing for Persons with Disabilities			128,247
Community Development Block Grant	14.218	N/A	89,236
Community Development Block Grant	14.218	N/A	331,741
Community Development Block Grant	14.218	N/A	<u>1,660,909</u>
Total for Community Development Block Grant			<u>2,081,886</u>
Total Expenditures of Federal Awards			<u>\$ 2,210,133</u>

CITY OF GAITHERSBURG, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

NOTE 1 – SINGLE AUDIT OVERVIEW

The Single Audit is the performance of a uniform audit of all the City of Gaithersburg, Maryland's (the City's) federal grants in conjunction with the annual audit of the basic financial statements. The adoption of such a procedure was formalized by the *Federal Office of Management and Budget (OMB) in Circular A-133*. The Single Audit fulfills all the Federal agencies' audit requirements which include financial, compliance and the adequacy of internal control.

NOTE 2 – FISCAL PERIOD AUDITED

Single audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2009.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when expenditures are made in accordance with the requirements of the respective grants.

NOTE 4 – SUB-GRANTEES

Sub award	Federal CFDA number	Amount Provided to Sub-recipients
Child and Adults Services	14.218	\$ 13,690
Liberty Promise	14.218	<u>19,819</u>
Total		<u>\$ 33,509</u>

**CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	_____	Yes	_____	X	None noted
Noncompliance material to financial statements noted?	_____	Yes	_____	X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	_____	Yes	_____	X	None noted

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	_____	X	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Community Development Block Grant Program	14.218
Dollar threshold used to distinguish between type A and type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____
	X Yes _____ No

**CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

II. Financial Statement Findings

None noted

III. Federal Award Findings and Questioned Costs

None noted

**CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2009**

Finding 2008-01: The City of Gaithersburg (the City) failed to comply with the 20% and 15% earmarking requirement for planning and administration and public service respectively.

Federal Program: Community Development Block Grant, CFDA 14.218

Condition: The City exceeded the 20% planning and administration and 15% public service earmarking requirement by 0.14% and 0.94%, respectively.

The City detected the non-compliance during the annual IDIS close-out process for the grant.

Current Status: The City enhanced the internal control procedures related to review and monitoring of the amounts entered into IDIS. We tested the City's compliance with the earmarking requirement and noted no exceptions. Resolved.

Finding 2008-02: The City does not have procedures for documenting employee's time and effort and was unable to adequately document the allowability of the related payroll costs.

Federal Program: Community Development Block Grant, CFDA 14.218

Condition: The City could not provide documentation to support an employee's time and effort related to federal programs. The City did not have internal controls to ensure compliance with the time and effort requirement.

Current Status: The City implemented procedures to identify and record staff's time and efforts related to the CDBG program. We tested the City's time and effort procedures as part of the current year's audit. No exceptions were noted. Resolved.



CITY HALL