

**City of Gaithersburg
Maryland**



**For the Fiscal
Year Ended**
June 30, 2010

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**Comprehensive
Annual Financial
Report**

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Gaithersburg
A CHARACTER COUNTS! CITY

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

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, 2010

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 2010
July 1, 2009 – June 30, 2010

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

Betty Woods, Senior Accounting Technician

Louise Kauffmann, Housing and Community Development Director

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Introductory Section



Gaithersburg
A CHARACTER COUNTS! CITY





October 30, 2010

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, 2010. 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, 2010 reflect our commitment to this objective:

- The City continues to provide quality facilities and services to its citizens while preserving a pay-as-you-go philosophy.
- Through conservative and prudent financial practices we have developed a five year plan that allows the City to maintain reserves adequate to support unexpected emergencies, ensuring that we can continue to provide the highest quality of services to our constituency even in these most challenging of economic times.

During Fiscal Year 2010, the City made progress in the ten goal areas that make up our Strategic Plan. Highlights include:

- Through a public-private partnership, Gaithersburg launched an accelerator facility which is attracting life sciences companies seeking lab and office space in a shared environment.
- In FY 2009 Gaithersburg's Olde Towne area received designation as an Enterprise Zone. In FY 2010 we initiated procedures to expand the Zone, providing Gaithersburg with another element in our economic toolbox to help spur much-needed development activity in our City.
- The Gaithersburg Police Department received reaccreditation for the fifth time from the Commission on Accreditation for Law Enforcement Agencies (CALEA). The City also earned "Flagship" status from CALEA, demonstrating excellence in commitment to the reaccreditation process.

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MAYOR
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Angel L. Jones

- Severe snow storms in December and February demanded maintenance efforts of historic proportions. City staff was unilaterally praised for their response. Application for FEMA reimbursement has been approved for the December storm. We are awaiting word of reimbursement for the February event.
- Gaithersburg's new Olde Towne Youth Center opened in October of 2009. The facility, our second municipal green building, earned LEED Platinum certification from the U.S. Green Building Council. It is the first youth center in the country and only the fourth building in Maryland to achieve the highest level of certification possible.
- New technologies are leading to increased efficiencies in operations. A computerized fuel monitoring and management system at Public Works is assisting with fleet maintenance and cost management, while implementation of new payroll and time and attendance programs will ensure accuracy and reduce staff time in payroll processing. Gaithersburg also conducted its first payroll audit in FY 2010, determining that there are no "shadow" employees in the system.
- An inaugural Book Festival attracted nearly 7,000 visitors in May of 2010. It is designed to become the region's premier literary event, and is poised to expand in FY 2011. Significant efforts to recruit sponsors and partners have helped keep the City's financial investment in the program to a minimum.

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

- The City was awarded its 32nd 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, 2009.
- An 8th 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, 2009.
- *CNN/Money* magazine ranked Gaithersburg at #25 on its list of "Best Places to Live" in the country.
- The Environmental Protection Agency presented Gaithersburg with its "Building Healthy Communities for Active Aging" Commitment Award, recognizing both environmental stewardship and programming for seniors.
- Gaithersburg earned "Banner City/Town" designation from the Maryland Municipal League (MML) for the third 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.

- The City's Cable TV staff received two awards from the National Association of Telecommunications Officers and Advisors for programming in FY 2010, one for a presentation made at the State of the City Dinner on youth programming and one celebrating the 20th anniversary of the Kentlands Community Foundation.
- The National Arbor Day Foundation has named Gaithersburg, Maryland a Tree City USA for the 21st consecutive year, recognizing our commitment to the environment and our aggressive approach to preserving and enhancing the City's urban forest.

Because of conservative, prudent fiscal policies, 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,

A handwritten signature in black ink, appearing to read 'Angel L. Jones', with a stylized flourish at the end.

Angel L. Jones
City Manager



October 30, 2010

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, 2010.

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

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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, 2010, 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.

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 2010 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 58,017 as of January 2010.

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 2010 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.
- In the fiscal year ended June 30, 2010 there were no significant impact on the period's financial statements.

The largest capital projects are the construction and expansion of the street, "Teacher's Way, major maintenance of city facilities and Federal Energy Efficiency and Conservation Block Grant for which \$750,000, \$593,677 and 528,000 respectively was appropriated in fiscal year 2010.

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, 2009. 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 32 consecutive years (fiscal years 1978-2009). 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

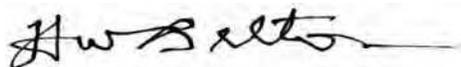
GFOA presented an award of Distinguished Presentation to the City of Gaithersburg for its annual budget for the fiscal year beginning July 1, 2009. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as 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 eighth consecutive year (fiscal years 2003-2010). 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 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, 2009

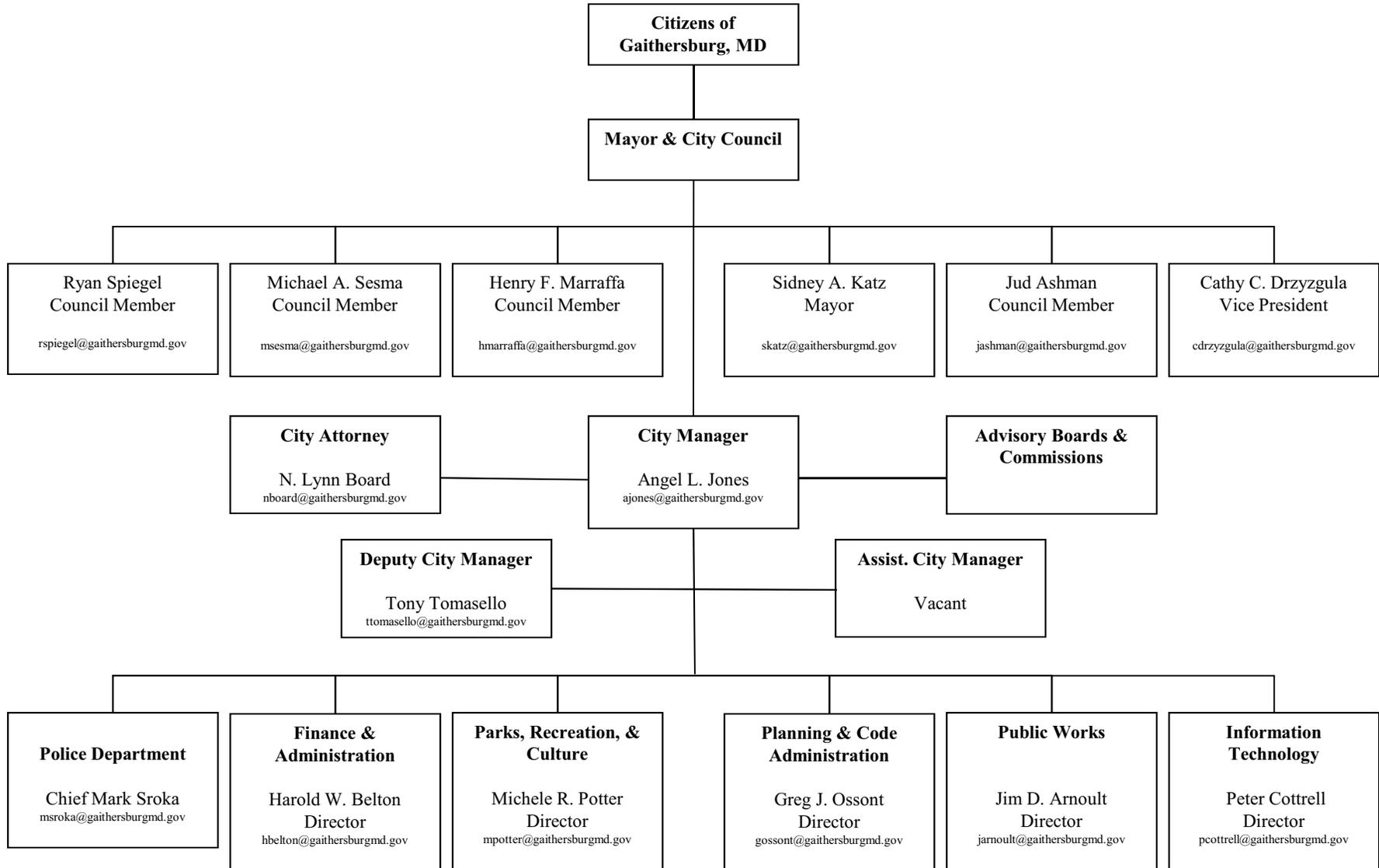
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Gaithersburg



Financial Section



Gaithersburg
A CHARACTER COUNTS! CITY



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, 2010, 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, 2010, 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, 2010, 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 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

Calverton, Maryland
October 30, 2010

CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010. 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 2010

- The City's government-wide net assets decreased by \$1.0 million.
- The General Fund, on a current financial resource basis, reported an excess of revenues over expenditures and other financing sources and uses of \$1.8 million after making a \$5.1 million transfer to the Capital Projects Fund.
- The City's financial position improved over the past year. Total governmental funds' fund balance increased by 5.4% to \$63.7 million.
- Interest income decreased from \$0.9 million to \$0.1 million, as a result of general market conditions.
- Capital Projects Fund expenditures of \$3.7 million included completion of the Olde Towne Youth Center and storm water management projects, street reconstruction and resurfacing, and the renovation of City Hall.

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.

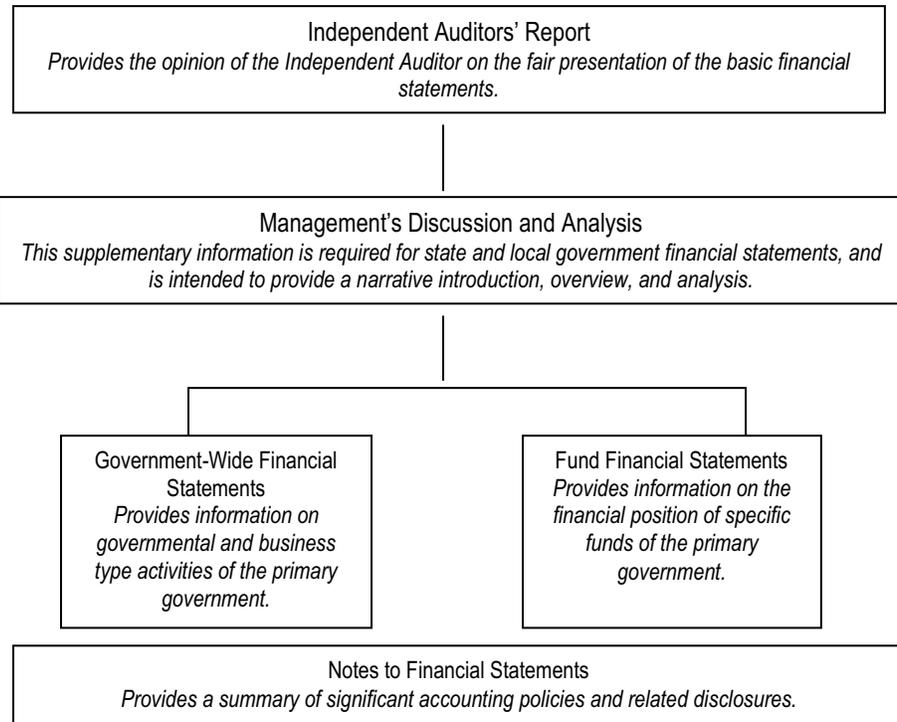
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the 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, 2010**

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, 2010**

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, 2010

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, 2010**

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, 2010 with a FY 2009 comparative analysis:

Figure 3		
Condensed Statement of Net Assets		
	Total Governmental Activities 2010	2009
Assets:		
Current and other assets	\$ 69,897,907	\$ 67,977,874
Capital assets, net	<u>99,881,968</u>	<u>101,308,114</u>
Total Assets	<u>169,779,875</u>	<u>169,285,988</u>
Liabilities:		
Long-term liabilities outstanding	5,946,463	4,099,100
Other liabilities	<u>4,004,858</u>	<u>4,378,938</u>
Total Liabilities	<u>9,951,321</u>	<u>8,478,038</u>
Net assets:		
Invested in capital assets	99,881,968	101,308,114
Unrestricted	<u>59,946,586</u>	<u>59,499,836</u>
Total Net Assets	<u>\$ 159,828,554</u>	<u>\$ 160,807,950</u>

The City's assets exceeded its liabilities at the close of FY 2010 by \$159.8 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 \$44.8 million. Local property taxes funding amounted to \$20.4 million; intergovernmental funding, \$9.4 million; charges for services, \$9.5 million; operating grants and contributions, \$2.2 million; and capital grants and contributions, \$.5 million. The remaining \$2.8 million came from investment earnings, loss on sale of capital assets and miscellaneous sources.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

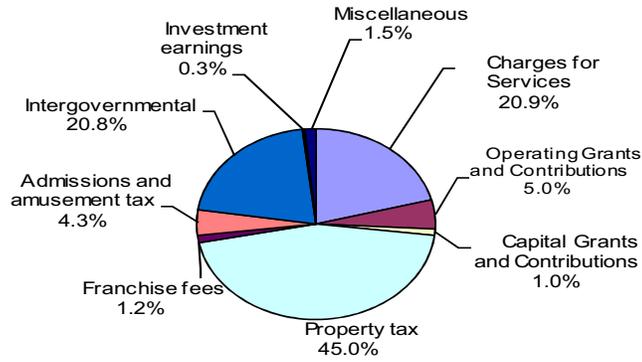
Figure 4

Condensed Statement of Activities

	Total Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 9,446,680	\$ 7,499,877
Operating grants and contributions	2,246,034	1,202,924
Capital grants and contributions	464,815	2,206,960
General revenues:		
Property tax	20,357,547	20,455,347
Franchise fees	553,860	494,925
Admissions, amusement, hotel & motel tax	1,952,656	1,718,650
Intergovernmental	9,393,667	9,889,917
Investment earnings	135,532	930,421
Other	682,179	683,730
Gain (loss) on sale of capital assets	<u>(478,113)</u>	<u>1,497,522</u>
Total revenues	<u>44,754,857</u>	<u>46,580,273</u>
Expenses		
General government	12,907,455	11,641,478
Public safety	11,148,695	11,281,073
Public works	12,246,680	11,438,388
Parks and recreation	7,280,057	7,255,705
Community services and development	<u>2,151,366</u>	<u>2,103,765</u>
Total Expenses	<u>45,734,253</u>	<u>43,720,409</u>
Change in Net Assets	(979,396)	2,859,864
Net Assets, beginning	<u>160,807,950</u>	<u>157,948,086</u>
Net Assets, ending	<u>\$ 159,828,554</u>	<u>\$ 160,807,950</u>

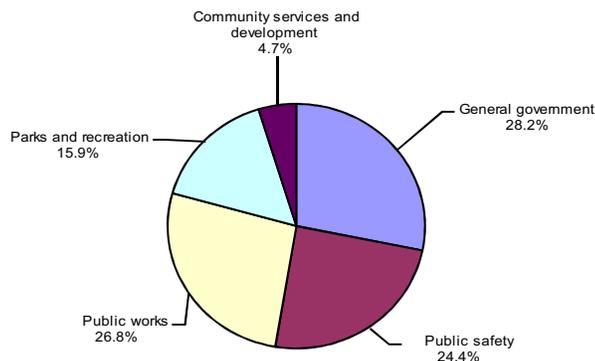
**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

**Figure 5: Revenues by Source - Governmental Activities
For the Fiscal Year Ended June 30, 2010**



The cost of governmental activities for FY 2010 was \$45.7 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 \$11.2 million. Major cost increases in fiscal year 2010 were attributable to increases in speed camera processing fee, which was offset by the additional speed camera revenue, and additional costs incurred due to two major snow storms during the winter of FY10.

**Figure 6: Expense by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2010**



**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Governmental Activities

General revenues for the governmental activities were \$32.6 million, while total expenses, net of charges for services and grants, were \$33.6 million. The decrease in net assets for governmental activities was \$1.0 million and can be largely attributed the following:

- Capital outlays of \$2.6 million offset by depreciation expense of \$3.5 million as accounted for in accordance with GASB 34,
- Property taxes decreased by \$0.1 million during the year. This decrease is based on the assessments of new growth and property values, as determined by the State of Maryland Department of Assessments and Taxation.
- 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 (\$9.2 million), and
- Overall, expenses remained relatively constant compared to the prior year.
- Decrease in gain on sale of capital assets of \$2.0 million.

The following table, presents the cost and program revenues of each of the five City activities: general government, public safety, public works, parks and recreation, and community services and development. 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.

	2010			2009		
	Cost of Services	Program Revenues	Net Cost of Services	Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 12,907,455	\$ 2,121,622	\$ (10,785,833)	\$ 11,641,478	\$ 1,703,735	\$ (9,937,743)
Public safety	11,148,695	3,083,377	(8,065,318)	11,281,073	1,941,892	(9,339,181)
Public works	12,246,680	1,745,042	(10,501,638)	11,438,388	3,186,149	(8,252,239)
Parks and recreation	7,280,057	3,119,350	(4,160,707)	7,255,705	3,041,387	(4,214,318)
Community services and development	2,151,366	2,088,138	(63,228)	2,103,765	1,036,598	(1,067,167)
Total	\$ 45,734,253	\$ 12,157,529	\$ (33,576,724)	\$ 43,720,409	\$ 10,909,761	\$ (32,810,648)

The cost of all governmental activities this year was \$45.7 million. Some of the cost of government activities was paid by those who directly benefited from the programs (\$9.5 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$2.7 million). Of the \$33.6 million net cost of services, the amount that our taxpayers paid for the activities through City property taxes was \$20.4 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 \$63.7 million; an increase of \$3.3 million over last year's ending fund balance of \$60.4 million.

**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

General Fund (Governmental): The general fund had less expenditures than revenues in 2010, thereby increasing total fund balance to \$33.0 million. It is important to note that the net change in fund balance is \$1.8 million. This figure is calculated on the modified accrual basis and is slightly different from the \$2.3 million budgetary basis surplus. This difference is due to the treatment of prior and current year encumbrances.

Capital Projects Fund (Governmental): The Capital Projects Fund showed a \$1.5 million increase in fund balance. Capital Projects Funds' total fund balance of \$30.7 million represents authorized and funded projects that are not complete.

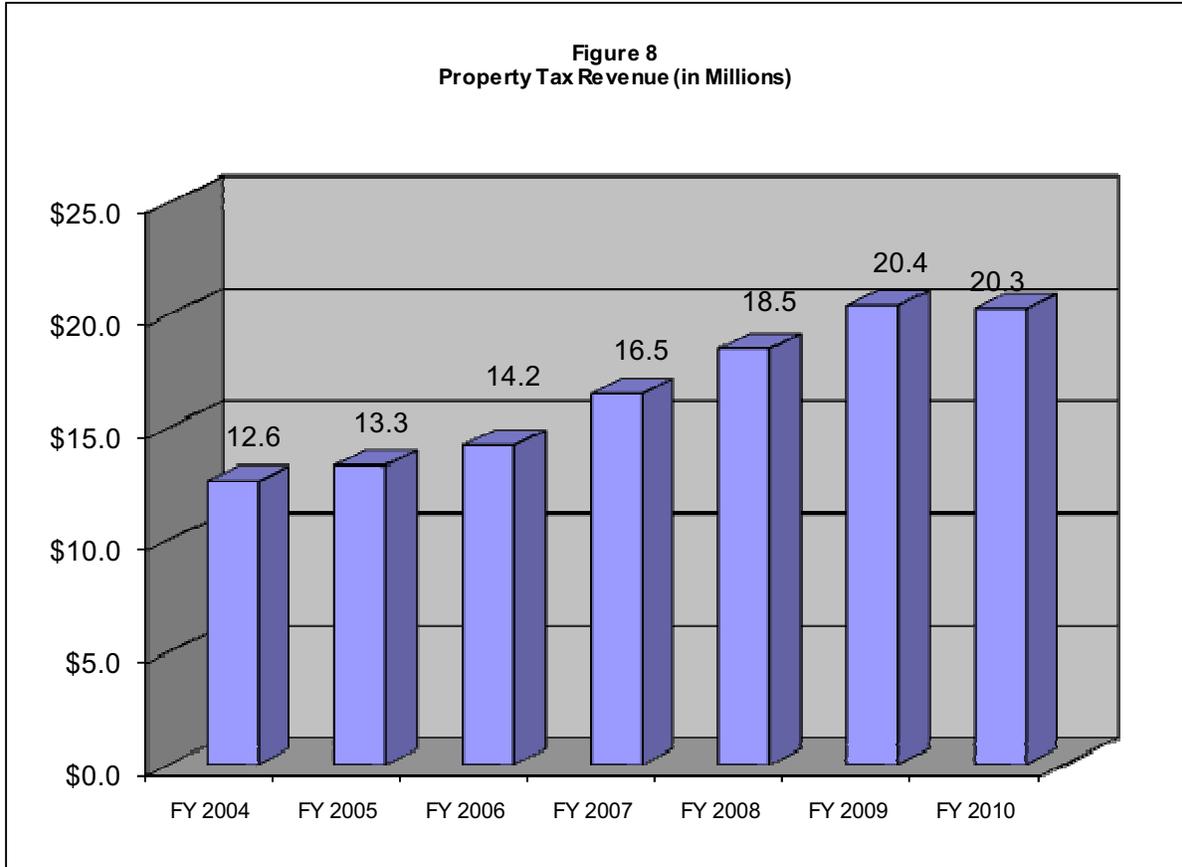
General Fund Budgetary Highlights

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 more than the budgeted amount by \$2.2 million, while actual expenditures and net transfers out were less than final budget by \$3.8 million. Actual expenditures of \$38.9 million were \$3.8 million less than budgeted due primarily to the concerted efforts of each department to generate savings in anticipation of FY 2010 revenue shortfalls. These savings are to be carried forward to FY 2011.

The largest revenue source for the General Fund is City property tax. In FY 2010, property tax revenues of \$20.3 million represented 45 percent of total revenues for the General Fund, and were 1.6% percent less than the budget estimate. As a result of economic conditions, the changes in real and personal property values were relatively flat in FY 2010.

**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**



**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the City had invested \$99.9 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 \$3.5 million, while additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$2.6 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	
	2010	2009
Land	\$ 37,616,909	\$ 37,616,909
Buildings	21,696,957	21,796,561
Improvements other than buildings	3,261,156	3,354,447
Machinery and equipment	2,796,135	3,176,638
Infrastructure	33,488,536	34,632,177
Construction in progress	<u>1,022,275</u>	<u>731,382</u>
Total	<u>\$ 99,881,968</u>	<u>\$ 101,308,114</u>

The fiscal year 2010 capital projects spending amounted to \$3.7 million for capital projects, principally in three areas: a new youth center in Olde Towne and City Hall renovation, 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	
	2010	2009
Accumulated unused compensated absences		
Vacation	\$ 1,121,207	\$ 1,415,245
Sick leave	<u>600,135</u>	<u>607,295</u>
Total	\$ 1,721,342	\$ 2,022,540
Other post-employment benefits liability	<u>\$ 4,225,121</u>	<u>\$ 2,076,560</u>
Total Long-Term Liabilities	<u>\$ 5,946,463</u>	<u>\$ 4,099,100</u>

**CITY OF GAITHERSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Factors Bearing on the City's Future

The following economic factors are reflected in the City's FY 2011 budget:

- The City's economic projections in the FY 2011 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 14% decrease from actual from FY 2010.
- 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 2011 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, 2010

		<u>Governmental Activities</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$	679,226
Investments		64,585,916
Receivables:		
Property taxes, net		249,840
Due from other governments		3,641,277
Other, net		650,882
Inventory		22,182
Prepays		68,584
Capital assets:		
Land		37,616,909
Buildings		32,698,478
Improvements other than buildings		8,656,727
Machinery and equipment		11,770,217
Infrastructure		65,107,926
Construction in progress		1,022,275
Less: accumulated depreciation		<u>(56,990,564)</u>
TOTAL ASSETS	\$	<u>169,779,875</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	1,089,569
Accrued liabilities		1,909,723
Deposits		1,005,566
Non-current liabilities:		
Due within one year:		
Accumulated unused compensated absences		600,135
Due in more than one year:		
Accumulated unused compensated absences		1,121,207
Other post-employment benefit liability		<u>4,225,121</u>
Total liabilities		<u>9,951,321</u>
NET ASSETS		
Invested in capital assets		99,881,968
Unrestricted		<u>59,946,586</u>
Total net assets		<u>159,828,554</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>169,779,875</u>

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

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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	\$ 12,907,455	\$ 2,121,622	\$ -	\$ -	\$ (10,785,833)
Public safety	11,148,695	2,705,648	377,729	-	(8,065,318)
Public works	12,246,680	1,527,357	-	217,685	(10,501,638)
Parks and recreation	7,280,057	3,092,053	27,297	-	(4,160,707)
Community services and development	2,151,366	-	1,841,008	247,130	(63,228)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 45,734,253	\$ 9,446,680	\$ 2,246,034	\$ 464,815	(33,576,724)
General revenues:					
Property taxes					20,357,547
Franchise fees					553,860
Admissions, amusement, hotel & motel tax					1,952,656
Intergovernmental not restricted to specific programs					9,393,667
Investment earnings					135,532
Miscellaneous revenues					682,179
Loss on sale of capital assets					(478,113)
Total general revenues					<u>32,597,328</u>
CHANGE IN NET ASSETS					(979,396)
NET ASSETS, BEGINNING OF YEAR					<u>160,807,950</u>
NET ASSETS, END OF YEAR					<u>\$ 159,828,554</u>

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

CITY OF GAITHERSBURG, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
ASSETS			
Cash	\$ 679,226	\$ -	\$ 679,226
Investments	64,585,916	-	64,585,916
Taxes receivable, net	249,840	-	249,840
Prepays	68,584	-	68,584
Inventory	22,182	-	22,182
Due from other funds	-	31,025,504	31,025,504
Due from other governments	3,641,277	-	3,641,277
Other receivables	<u>650,882</u>	<u>-</u>	<u>650,882</u>
TOTAL ASSETS	<u>\$ 69,897,907</u>	<u>\$ 31,025,504</u>	<u>\$ 100,923,411</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 782,444	\$ 307,125	\$ 1,089,569
Accrued liabilities	1,422,822	-	1,422,822
Deposits	1,005,566	-	1,005,566
Deferred revenue	2,180,834	-	2,180,834
Due to other funds	<u>31,512,405</u>	<u>-</u>	<u>31,512,405</u>
Total liabilities	<u>36,904,071</u>	<u>307,125</u>	<u>37,211,196</u>
FUND BALANCES			
Reserved for:			
Encumbrances	726,542	2,608,276	3,334,818
Prepaid expenditures	68,584	-	68,584
Inventory	22,182	-	22,182
Unreserved:			
Designated for:			
Vehicle and equipment replacement	7,614,733	-	7,614,733
Subsequent years' expenditures	-	28,110,103	28,110,103
Group insurance funding	46,433	-	46,433
Self-insurance	75,556	-	75,556
Emergency and disaster	400,000	-	400,000
Unreserved and undesignated	<u>24,039,806</u>	<u>-</u>	<u>24,039,806</u>
Total fund balances	<u>32,993,836</u>	<u>30,718,379</u>	<u>63,712,215</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,897,907</u>	<u>\$ 31,025,504</u>	<u>\$ 100,923,411</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, 2010

Total fund balance - total governmental funds	\$ 63,712,215
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	\$ 156,872,532
Accumulated depreciation	<u>(56,990,564)</u>
	99,881,968
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	2,180,834
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	<u>(5,946,463)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 159,828,554</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, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and special assessments	\$ 22,288,431	\$ -	\$ 22,288,431
Licenses and permits	3,298,308	-	3,298,308
Intergovernmental	13,128,144	-	13,128,144
Charges for services	4,693,924	-	4,693,924
Fines and forfeitures	2,008,308	-	2,008,308
Investment earnings	135,532	-	135,532
Miscellaneous revenues	682,179	-	682,179
Total revenues	<u>46,234,826</u>	<u>-</u>	<u>46,234,826</u>
EXPENDITURES			
Current:			
General government	9,400,030	-	9,400,030
Public safety	10,039,331	-	10,039,331
Public works	9,270,532	-	9,270,532
Parks and recreation	6,491,537	-	6,491,537
Community services and development	2,074,583	-	2,074,583
Miscellaneous	2,022,587	-	2,022,587
Capital outlay	-	3,680,679	3,680,679
Total expenditures	<u>39,298,600</u>	<u>3,680,679</u>	<u>42,979,279</u>
Excess (deficiency) of revenues over expenditures	<u>6,936,226</u>	<u>(3,680,679)</u>	<u>3,255,547</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	33,600	-	33,600
Transfers in	-	5,130,639	5,130,639
Transfers out	<u>(5,130,639)</u>	<u>-</u>	<u>(5,130,639)</u>
Total other financing sources (uses)	<u>(5,097,039)</u>	<u>5,130,639</u>	<u>33,600</u>
NET CHANGE IN FUND BALANCES	1,839,187	1,449,960	3,289,147
FUND BALANCE, BEGINNING OF YEAR	<u>31,154,649</u>	<u>29,268,419</u>	<u>60,423,068</u>
FUND BALANCE, END OF YEAR	<u>\$ 32,993,836</u>	<u>\$ 30,718,379</u>	<u>\$ 63,712,215</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, 2010**

Total net change in fund balances - total governmental funds \$ 3,289,147

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	\$ 2,566,626	
Depreciation	<u>(3,481,059)</u>	(914,433)

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 \$1,189,924 less any accumulated depreciation of \$678,211.

(511,713)

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).

(995,034)

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.

301,198

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.

(2,148,561)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (979,396)**

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 (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2010

	<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	\$ 22,600,000	\$ 22,600,000	\$ 22,288,431	\$ (311,569)
Licenses and permits	1,883,500	1,883,500	3,298,308	1,414,808
Intergovernmental	13,373,947	13,373,947	13,128,144	(245,803)
Charges for services	4,504,460	4,504,460	4,693,924	189,464
Fines and forfeitures	380,500	380,500	2,008,308	1,627,808
Investment earnings	1,000,000	1,000,000	135,532	(864,468)
Miscellaneous revenues	267,150	267,150	682,179	415,029
Total revenues	<u>44,009,557</u>	<u>44,009,557</u>	<u>46,234,826</u>	<u>2,225,269</u>
EXPENDITURES				
General government	11,010,183	11,205,683	9,664,027	1,541,656
Public safety	10,642,971	10,542,971	10,022,987	519,984
Public works	9,275,258	9,351,508	9,222,622	128,886
Parks and recreation	6,902,564	6,930,916	6,493,811	437,105
Community services and development	2,168,250	2,168,250	2,072,743	95,507
Miscellaneous	2,635,402	2,435,300	1,393,484	1,041,816
Total expenditures	<u>42,634,628</u>	<u>42,634,628</u>	<u>38,869,674</u>	<u>3,764,954</u>
Excess of revenues over expenditures	<u>1,374,929</u>	<u>1,374,929</u>	<u>7,365,152</u>	<u>5,990,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,130,639)	(5,130,639)	(5,130,639)	-
Sale of capital assets	-	-	33,600	33,600
Total other financing sources (uses)	<u>(5,130,639)</u>	<u>(5,130,639)</u>	<u>(5,097,039)</u>	<u>33,600</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,755,710)</u>	<u>\$ (3,755,710)</u>	2,268,113	<u>\$ 6,023,823</u>
Adjustments to conform with generally accepted accounting principles - effect of encumbrances			(428,926)	
FUND BALANCE, BEGINNING OF YEAR			<u>31,154,649</u>	
FUND BALANCE, END OF YEAR			<u>\$ 32,993,836</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, 2010

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Funds
ASSETS			
ASSETS			
Investments:			
Open-end mutual funds	\$ 39,394,977	\$ -	\$ -
Certificate of deposit	-	13,421	-
Due from other funds	301,022	-	185,879
TOTAL ASSETS	\$ 39,695,999	\$ 13,421	\$ 185,879
LIABILITIES AND NET ASSETS			
LIABILITIES			
Deposits	\$ -	\$ -	\$ 185,879
NET ASSETS			
Held in trust for pension benefits and other purposes	39,695,999	13,421	-
TOTAL LIABILITIES AND NET ASSETS	\$ 39,695,999	\$ 13,421	\$ 185,879

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, 2010

	Pension Trust Funds	Private- Purpose Trust Fund
ADDITIONS		
Contributions:		
Employee	\$ 1,188,978	\$ -
Employer	2,042,754	-
Interest and gains (losses)	3,705,135	147
Other	188,144	-
Total additions	7,125,011	147
DEDUCTIONS		
Benefits and withdrawals	1,423,271	-
Total deductions	1,423,271	-
CHANGE IN NET ASSETS	5,701,740	147
NET ASSETS, BEGINNING OF YEAR	33,994,259	13,274
NET ASSETS, END OF YEAR	\$ 39,695,999	\$ 13,421

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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, 2010

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, 2010

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, 2010

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, 2010, 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.

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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, 2010, the aggregate of property tax accounts, delinquent three years or more, was \$727,048. At June 30, 2010, the aggregate of police ticket receivables, delinquent one year or more, was \$290,090. 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, 2010, 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, 2010

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, 2010

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, 2010, 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, 2010

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. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed budgeted appropriations) is 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	\$ 46,234,826	\$ 38,869,674	\$ (5,097,039)	\$ 2,268,113
Prior year encumbrances outstanding, June 30, 2009	-	1,155,469	-	(1,155,469)
Current year encumbrances outstanding, June 30, 2010	-	(726,543)	-	726,543
GAAP Basis	\$ 46,234,826	\$ 39,298,600	\$ (5,097,039)	\$ 1,839,187

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$104,664,354 and the bank balances were \$105,135,373.

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, 2010, 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, 2010:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Private- Purpose Trust Fund</u>
State Treasurer's Investment Pool	\$ 28,781,101	\$ -	\$ -
Montgomery County's General Investment Fund	35,490,555	-	-
Certificates of deposit	314,260	-	13,421
Open-end mutual funds	<u>-</u>	<u>39,394,977</u>	<u>-</u>
Total	<u>\$ 64,585,916</u>	<u>\$ 39,394,977</u>	<u>\$ 13,421</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. The City does not have a formal investment policy for credit risk.

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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. The City does not have a formal investment policy for interest rate risk.

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, 2010. For purposes of risk exposure, certificates of deposit are treated as deposits, which were previously discussed above. The City does not have a formal investment policy for custodial credit risk.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010, consist of the following:

	General Fund/ Total Governmental Activities
Due from other governments:	
County	\$ 149,439
State	3,023,516
Federal	468,322
Total	\$ 3,641,277
	General Fund/ Total Governmental Activities
Other receivables:	
Cable TV fees	\$ 272,809
Police tickets and fines, net	119,950
Miscellaneous	258,123
Total	\$ 650,882

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2010, are as follows:

	Due to Other Funds
Due to other funds	
Capital Projects Fund	\$ 31,025,504
Pension Trust Fund	301,022
Agency Fund	185,879
Total	\$ 31,512,405

The balance of \$31,025,504 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.

The 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, 2010, consisted of a transfer in the City's normal course of business from the General Fund to the Capital Fund in the amount of \$5,130,639.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, consisted of the following:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 37,616,909	\$ -	\$ -	\$ -	\$ 37,616,909
Construction in progress	731,382	315,953	-	(25,060)	1,022,275
	38,348,291	315,953	-	(25,060)	38,639,184
Capital assets being depreciated:					
Buildings	32,155,724	1,074,207	(548,418)	16,965	32,698,478
Improvements other than buildings	8,427,428	246,354	(25,150)	8,095	8,656,727
Machinery and equipment	11,551,598	690,241	(471,622)	-	11,770,217
Infrastructure	65,012,789	239,871	(144,734)	-	65,107,926
	117,147,539	2,250,673	(1,189,924)	25,060	118,233,348
Less accumulated depreciation for:					
Buildings	(10,359,163)	(819,495)	177,137	-	(11,001,521)
Improvements other than buildings	(5,072,981)	(343,430)	20,840	-	(5,395,571)
Machinery and equipment	(8,374,960)	(1,042,975)	443,853	-	(8,974,082)
Infrastructure	(30,380,612)	(1,275,159)	36,381	-	(31,619,390)
	(54,187,716)	(3,481,059)	678,211	-	(56,990,564)
Capital assets, net	\$ 101,308,114	\$ (914,433)	\$ (511,713)	\$ -	\$ 99,881,968

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions for the year ended June 30, 2010, as follows:

General government	\$ 826,127
Public safety	362,527
Public works	1,874,386
Parks and recreation	<u>418,019</u>
Total	<u>\$ 3,481,059</u>

NOTE 7 – LONG-TERM LIABILITIES

At June 30, 2010, the City's long-term liabilities consisted 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, 2010:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Accumulated unused compensated absences:					
Vacation	\$ 1,415,245	\$ 243,148	\$ 537,186	\$ 1,121,207	\$ 390,902
Sick leave	<u>607,295</u>	<u>33,803</u>	<u>40,963</u>	<u>600,135</u>	<u>209,233</u>
Total	<u>\$ 2,022,540</u>	<u>\$ 276,951</u>	<u>\$ 578,149</u>	<u>\$ 1,721,342</u>	<u>\$ 600,135</u>
Other post-employment benefits liability	<u>\$ 2,076,560</u>	<u>\$ 2,384,194</u>	<u>\$ 235,633</u>	<u>\$ 4,225,121</u>	<u>\$ - 0 -</u>
Total	<u>\$ 4,099,100</u>	<u>\$ 2,661,145</u>	<u>\$ 813,782</u>	<u>\$ 5,946,463</u>	<u>\$ 600,135</u>

NOTE 8 – PENSION PLANS

The City maintains one single-employer, non-contributory defined contribution pension plan covering all full-time employees. The pension plan is maintained as a Pension Trust Fund. The City also maintains a single-employer, defined benefit postretirement healthcare and insurance plan for qualifying retirees and disabled employees.

The City does not produce separate comprehensive annual financial reports for either of these plans; therefore, all required disclosures for the plans are included within this report.

The following are the required statements for the City's Fiduciary Funds. See Notes 9 and 10 for further details of the plans.

**CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010**

**CITY OF GAITHERSBURG, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
JUNE 30, 2010**

	<u>Pension Trust Fund</u>	<u>Retiree Benefit Trust Fund</u>	<u>Total</u>
ASSETS			
ASSETS			
Investments:			
Open-end mutual funds	\$ 37,141,269	2,253,708	\$ 39,394,977
Certificate of deposit	-	-	-
Due from other funds	<u>301,022</u>	<u>-</u>	<u>301,022</u>
TOTAL ASSETS	<u>\$ 37,442,291</u>	<u>\$ 2,253,708</u>	<u>\$ 39,695,999</u>
LIABILITIES AND NET ASSETS			
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 37,442,291</u>	<u>\$ 2,253,708</u>	<u>\$ 39,695,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,442,291</u>	<u>\$ 2,253,708</u>	<u>\$ 39,695,999</u>

**CITY OF GAITHERSBURG, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Pension Trust Fund</u>	<u>Retiree Benefit Trust Fund</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employee	\$ 1,188,978	\$ -	\$ 1,188,978
Employer	2,042,754	-	2,042,754
Interest and gains (losses)	3,405,995	299,140	3,705,135
Other	<u>188,144</u>	<u>-</u>	<u>188,144</u>
Total additions	<u>6,825,871</u>	<u>299,140</u>	<u>7,125,011</u>
DEDUCTIONS			
Benefits and withdrawals	<u>1,177,802</u>	<u>245,469</u>	<u>1,423,271</u>
Total deductions	<u>1,177,802</u>	<u>245,469</u>	<u>1,423,271</u>
CHANGE IN NET ASSETS	5,648,069	53,671	5,701,740
NET ASSETS, BEGINNING OF YEAR	<u>31,794,222</u>	<u>2,200,037</u>	<u>33,994,259</u>
NET ASSETS, END OF YEAR	<u>\$ 37,442,291</u>	<u>\$ 2,253,708</u>	<u>\$ 39,695,999</u>

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 9 – POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE

The City has a plan (single-employer), 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 37 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, 2010 and 2009, was approximately \$235,633 and \$236,556, 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 2010 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).

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, 2009 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 4.0 % 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 2010 and later rates at 6% for prescription and medical.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 9 – POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE (CONTINUED)

The funded status of the plan as of the most recent actuarial date, July 1, 2009 is as follows:

Actuarial Valuation of Plan Assets	\$ -
Actuarial Accrued Liability	24,884,000
Funded Ratio	7.64%
Unfunded Actuarial Accrued Liability	22,984,000
Annual Covered Payroll	11,752,939
Unfunded Actuarial Liability as a Percentage of Covered Payroll	155.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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)	\$ 2,381,000
Amortization of NOO	(79,868)
Interest on NOO	83,062
Annual OPEB Cost (AOC)	<u>\$ 2,384,194</u>
NOO, beginning of year	\$ 2,076,560
Current year AOC	2,384,194
Contribution made	<u>(235,633)</u>
NOO, end of year	<u>\$ 4,225,121</u>

The following table shows the City's annual required and actual contribution, percentage contributed and net OPEB obligation for the current year and the two preceding years:

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
June 30, 2010	\$ 2,381,000	\$ 235,633	9.9%	\$ 4,225,121

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, 2010

NOTE 10 – 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 fully 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 \$16,150,559 and its total payroll for all employees was \$20,950,267. Required employer contributions of \$1,619,005 or 10.02% of covered payroll were made to the plan during fiscal year 2010. 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 2010, employees made contributions to the Plan totaling \$1,188,978 or 7.36% 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 \$423,749 or 2.62% of covered payroll were made to the Plan during fiscal year 2010.

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.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 11 – 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 \$2,608,276 at June 30, 2010. All contracts binding as of June 30, 2010, are appropriately included on the governmental funds' balance sheet as a reservation of fund balance for encumbrances in the Capital Projects Fund.

NOTE 12 – 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. No insurance settlement has exceeded the coverage in any of the past three years.

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 2010, the City paid premiums of \$268,995 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 2010, the City paid premiums of \$233,300 to Montgomery County.

NOTE 13 – 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.

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

CITY OF GAITHERSBURG, MARYLAND
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 13 – SENIOR CITIZENS CENTER AGREEMENT (CONTINUED)

The City's share of the costs of acquiring and renovating the property are included in capital assets in the amount of \$647,856. The costs of operations of the senior citizens' center are accounted for in the General Fund of the City.

NOTE 14 – LITIGATION

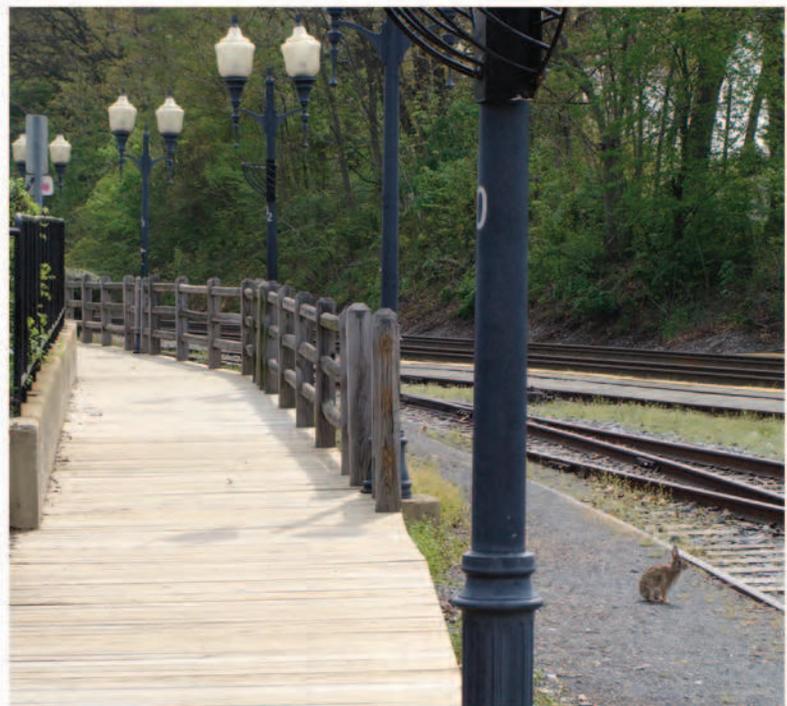
There are several pending lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

NOTE 15 – CONDUIT DEBT OBLIGATION

The total conduit debt outstanding at June 30, 2010 was \$142,600,000 and consists of the following:

The City issued Economic Development Revenue Bonds, Series 2009 A of \$16,000,000 and 2009 B of \$43,820,000 which refunded 2006 B and 2006 C totaling \$17,880,000 and \$29,905,000 respectively. Previously issued series 2006 A in the amount of \$82,780,000 was not refunded. All bonds are used to fund the acquisition, construction and equipping of an assisted living facility at Asbury Methodist Village, a specific third party that is not part of the City's financial reporting entity. 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.



Gaithersburg Railroad Station

Required Supplemental Information Section



Gaithersburg
A CHARACTER COUNTS! CITY



CAMP RAINBOW

CITY OF GAITHERSBURG, MARYLAND

Year Ended June 30, 2010

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%



St. Patrick's Day Parade

Supplemental Information Section



Gaithersburg
A CHARACTER COUNTS! CITY



CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010				
	Original	Amended	Actual	Variance with	2009 Actual
	Budget	Budget		Amended	
			Budget Positive		
			(Negative)		
Taxes and Special Assessments					
Real estate taxes	\$ 19,100,000	\$ 19,100,000	\$ 18,681,468	\$ (418,532)	\$ 18,589,600
Personal property taxes	1,500,000	1,500,000	1,547,353	47,353	1,616,736
Prior year's taxes	-	-	43,423	43,423	130,315
Penalties and interest	75,000	75,000	63,531	(11,469)	81,224
Admissions, amusement, hotel & motel tax	1,925,000	1,925,000	1,952,656	27,656	1,718,650
	<u>22,600,000</u>	<u>22,600,000</u>	<u>22,288,431</u>	<u>(311,569)</u>	<u>22,136,525</u>
Licenses and Permits					
Street permits	5,000	5,000	21,717	16,717	10,821
Telecommunications/utility permits	75,000	75,000	75,000	-	-
Amusement licenses	23,000	23,000	28,365	5,365	22,540
Traders license	100,000	100,000	121,992	21,992	203,716
Hawkers/peddlers licenses	2,500	2,500	8,500	6,000	15,750
Electricians licenses	76,000	76,000	64,315	(11,685)	40,060
Rental housing licenses	490,000	490,000	529,320	39,320	589,200
Bus shelter franchise fee	21,000	21,000	21,864	864	19,383
CATV franchise	525,000	525,000	531,996	6,996	475,542
CATV access fees	55,000	55,000	-	(55,000)	-
Animal licenses	18,000	18,000	19,815	1,815	18,116
Pet shop/commercial kennel	800	800	750	(50)	750
Building permits	285,000	285,000	1,189,649	904,649	874,606
Electrical permits	27,000	27,000	145,440	118,440	127,396
Occupancy permits	15,000	15,000	123,430	108,430	86,540
Sign permits	8,000	8,000	16,529	8,529	15,565
Mechanical permits	29,000	29,000	60,859	31,859	65,383
Grading permits	10,000	10,000	36,258	26,258	48,055
On site improvements	5,000	5,000	145,803	140,803	113,970
Fire protection permits	111,000	111,000	143,620	32,620	158,442
Special events permits	2,000	2,000	12,966	10,966	1,500
Home occupation permits	200	200	120	(80)	640
	<u>1,883,500</u>	<u>1,883,500</u>	<u>3,298,308</u>	<u>1,414,808</u>	<u>2,887,975</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

(Continued)

	2010				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	2009 Actual
Intergovernmental					
State-shared taxes:					
Highway user	\$ 1,641,842	\$ 1,641,842	\$ 217,685	\$ (1,424,157)	\$ 1,785,982
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	8,000,000	8,000,000	9,187,114	1,187,114	8,787,634
County rental assistance program	4,800	4,800	-	(4,800)	-
Homeless program	12,500	12,500	9,614	(2,886)	9,519
Seniors program	100,000	100,000	100,000	-	100,000
County supportive housing asst program	5,000	5,000	-	(5,000)	-
Nutrition program	40,000	40,000	40,836	836	45,945
MCPS	3,000	3,000	-	(3,000)	616
Miscellaneous	-	-	6,364	6,364	42,420
State grants:					
Police	500,000	500,000	377,729	(122,271)	560,367
Homeless program	6,300	6,300	5,628	(672)	6,317
Arts	32,000	32,000	27,297	(4,703)	26,937
Rolling stock	250,000	250,000	-	(250,000)	-
Miscellaneous	-	-	18,395	18,395	11,299
Open space grant	-	-	-	-	193,613
Olde Towne revitalization	75,000	75,000	21,998	(53,002)	75,000
Capital grant - observatory	100,000	100,000	700,000	600,000	-
SHA - green park	25,000	25,000	25,000	-	-
Federal grants:					
Community development	564,860	564,860	247,130	(317,730)	420,978
Transitional housing	128,000	128,000	128,246	246	128,246
Department of Justice - COPS	75,000	75,000	-	(75,000)	-
Emergency efficiency & conservation	578,000	578,000	569,191	(8,809)	-
FEMA	-	-	209,000	209,000	-
Miscellaneous	-	-	4,091	4,091	-
Total intergovernmental	13,373,947	13,373,947	13,128,144	(245,803)	13,427,699

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

(Continued)

	2010				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	2009 Actual
Charges for Services					
Zoning fees	\$ 55,000	\$ 55,000	\$ 92,291	\$ 37,291	\$ 87,769
Casey Community Center	180,000	180,000	162,586	(17,414)	181,163
Pool	200,000	200,000	386,542	186,542	335,143
Gaithersburg Aquatic Center	300,000	300,000	271,106	(28,894)	258,131
Miniature golf revenue	95,000	95,000	118,068	23,068	105,537
Group picnics	50,000	50,000	50,638	638	46,012
Recreation fees	1,147,180	1,147,180	1,133,490	(13,690)	1,121,881
Winter lights	230,000	230,000	169,595	(60,405)	199,727
Gaithersburg Arts Barn	103,500	103,500	109,098	5,598	89,201
Council of the Arts	15,000	15,000	19,772	4,772	13,873
Gaithersburg Youth Center	75,000	75,000	64,765	(10,235)	73,863
Teen Center	15,000	15,000	21,098	6,098	4,466
Kentlands Mansion	128,650	128,650	126,731	(1,919)	127,762
Special events	69,000	69,000	54,712	(14,288)	58,293
Community events	2,000	2,000	816	(1,184)	2,448
Senior Center revenue	83,600	83,600	81,103	(2,497)	69,325
Stormwater management fees	6,000	6,000	95,830	89,830	110,600
Recycling collections	816,000	816,000	818,408	2,408	793,887
Rental - Senior Center	25,000	25,000	22,050	(2,950)	22,660
Membership fee - dog exercise	4,600	4,600	3,835	(765)	4,544
Activity Center programs	260,000	260,000	255,132	(4,868)	260,145
Food services	3,300	3,300	3,645	345	3,645
Skate park	44,000	44,000	41,106	(2,894)	41,175
Environmental fees	1,000	1,000	4,570	3,570	4,200
Water quality protection	595,630	595,630	586,832	(8,798)	480,659
Miscellaneous	-	-	105	105	245
Total charges for services	4,504,460	4,504,460	4,693,924	189,464	4,496,354
Fines and Forfeitures					
Ordinance fines	380,500	380,500	2,008,308	1,627,808	610,473

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

(Continued)

	2010				2009 Actual
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)	
Investment Earnings	\$ 1,000,000	\$ 1,000,000	\$ 135,532	\$ (864,468)	\$ 930,421
Miscellaneous Revenue					
Rents	\$ 100,000	\$ 100,000	\$ 119,639	\$ 19,639	\$ 110,046
Miscellaneous	18,500	18,500	361,830	343,330	414,144
Sale of materials	2,500	2,500	12,970	10,470	7,888
Contributions	134,150	134,150	157,248	23,098	122,890
Passports	10,000	10,000	14,125	4,125	15,875
Community promotion	1,000	1,000	1,290	290	884
Expenditure reimbursement	1,000	1,000	15,077	14,077	12,003
 Total miscellaneous	 267,150	 267,150	 682,179	 415,029	 683,730
 TOTAL REVENUE - BUDGETARY BASIS	 \$ 44,009,557	 \$ 44,009,557	 \$ 46,234,826	 \$ 2,225,269	 \$ 45,173,177

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

2010					
	Original	Amended		Variance with Amended Budget Positive	
	Budget	Budget	Actual	(Negative)	2009 Actual
General Government					
Mayor and City Council	\$ 235,540	\$ 243,295	\$ 242,407	\$ 888	\$ 207,413
City Manager	700,121	669,441	505,421	164,020	663,680
Economic and Community Development	559,002	559,002	506,450	52,552	283,740
Environmental affairs	255,434	248,739	185,253	63,486	222,294
Registration and elections	36,000	36,000	35,760	240	6
Finance and administration	924,466	924,466	907,493	16,973	806,660
Legal	368,698	391,623	383,418	8,205	332,077
Planning	1,186,495	1,186,495	1,139,299	47,196	1,151,960
Information technology	1,074,047	1,074,047	960,951	113,096	877,936
Human resources	673,993	680,688	662,894	17,794	683,511
Housing and community development	382,003	382,003	279,772	102,231	285,566
General services	130,015	130,015	54,574	75,441	109,290
Facilities management	1,140,289	1,127,184	1,030,187	96,997	937,156
Building and grounds:					
City Hall	229,391	239,891	237,706	2,185	228,490
Police	128,199	128,199	101,493	26,706	82,541
Public Services	236,260	236,260	210,195	26,065	118,635
Kentlands Firehouse	3,800	3,800	218	3,582	140
Gaithersburg Arts Barn	126,224	126,224	78,751	47,473	76,767
Training Station	132,453	132,453	28,654	103,799	25,478
Kentlands Mansion	85,165	85,165	35,909	49,256	47,119
Senior Center	77,897	77,897	74,064	3,833	69,166
Casey Community Center	274,744	274,744	153,741	121,003	120,705
Old Towne Pavilion	9,010	9,010	2,872	6,138	3,551
Teen Center	55,705	55,705	40,334	15,371	24,355
Activity Center at Bohrer Park	432,996	432,996	284,723	148,273	325,674
Water Park	152,606	152,606	135,158	17,448	119,543
Miniature Golf Course	36,300	36,300	15,340	20,960	26,024
Skate Park	4,200	6,805	4,278	2,527	5,416
Parking Facility	155,972	155,972	112,147	43,825	101,825
Gaithersburg Youth Center	74,826	74,826	45,920	28,906	65,623
Miscellaneous	93,795	93,795	35,702	58,093	39,748
Public information	628,523	578,523	523,577	54,946	534,939
Cable television - Channel 54	406,014	651,514	649,366	2,148	229,060
Total general government	11,010,183	11,205,683	9,664,027	1,541,656	8,806,088

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

(Continued)

	2010				
	Original	Amended	Actual	Variance with	2009 Actual
	Budget	Budget		Amended	
			Budget Positive		
			(Negative)		
Public Safety					
Police	\$ 7,686,319	\$ 7,621,319	\$ 7,267,047	\$ 354,272	\$ 7,821,024
Building and Code Administration	2,240,377	2,235,377	2,115,743	119,634	2,013,657
Traffic Engineering	254,007	219,007	177,128	41,879	184,249
Animal Control	462,268	467,268	463,069	4,199	401,605
	<u>10,642,971</u>	<u>10,542,971</u>	<u>10,022,987</u>	<u>519,984</u>	<u>10,420,535</u>
Public Works					
Public Works Administration	704,096	704,096	686,067	18,029	671,050
Municipal parks maintenance	1,768,938	1,804,338	1,794,378	9,960	1,560,534
Engineering services	332,607	323,107	322,233	874	276,346
Streets and special projects	1,405,678	1,594,028	1,578,955	15,073	1,350,309
Fleet maintenance	523,819	562,419	560,453	1,966	499,308
Street lighting	672,000	643,500	629,182	14,318	665,148
Landscaping and forestry	1,215,494	1,121,894	1,092,050	29,844	1,048,873
Mowing and bulk pick-up	1,949,626	1,904,626	1,874,961	29,665	1,793,123
Recycling	703,000	693,500	684,343	9,157	758,262
	<u>9,275,258</u>	<u>9,351,508</u>	<u>9,222,622</u>	<u>128,886</u>	<u>8,622,953</u>
Parks, Recreation and Culture					
Administration	610,566	610,566	566,238	44,328	638,096
Recreation programs and sports	863,713	861,653	797,716	63,937	775,926
Special events	791,048	791,048	766,017	25,031	716,919
Summer programs	564,594	562,094	533,435	28,659	434,981
Gaithersburg Youth Center	228,894	236,914	234,733	2,181	229,349
Skate Park	56,152	56,152	42,884	13,268	50,477
Recreation classes	339,104	331,084	320,296	10,788	334,985
Casey Community Center	380,305	380,305	313,660	66,645	332,093
Water Park	459,507	447,007	405,576	41,431	391,963
Aquatic facilities	308,672	308,672	265,469	43,203	268,173
Picnic pavilions	24,081	24,081	17,247	6,834	18,261
Gaithersburg Arts Barn	230,766	243,266	238,725	4,541	253,174
Kentlands Mansion	383,539	383,539	379,428	4,111	325,810
Winter Lights	149,890	149,890	133,290	16,600	266,901
Miniature golf course	96,297	96,297	72,768	23,529	78,194
Cultural arts programs	275,052	303,404	299,467	3,937	278,601
Youth services	427,351	429,411	427,705	1,706	457,610
Activities Center at Bohrer Park	448,184	448,184	418,364	29,820	445,796
Olde Towne Youth Center	259,849	262,349	260,561	1,788	213,744
Food service	5,000	5,000	232	4,768	523
	<u>6,902,564</u>	<u>6,930,916</u>	<u>6,493,811</u>	<u>437,105</u>	<u>6,511,576</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES – BUDGET AND ACTUAL
(BUDGETARY BASIS) – GENERAL FUND
Year Ended June 30, 2010 (With Comparative Totals for 2009)

(Continued)

	2010		Actual	Variance with	2009 Actual
	Original Budget	Amended Budget		Amended Budget Positive (Negative)	
Community Services and Development					
Senior Program	\$ 688,893	\$ 688,893	\$ 600,499	\$ 88,394	\$ 619,135
Human Services	1,027,402	1,027,402	1,026,021	1,381	999,682
Homeless Assistance	451,955	451,955	446,223	5,732	432,464
Total community services and development	<u>2,168,250</u>	<u>2,168,250</u>	<u>2,072,743</u>	<u>95,507</u>	<u>2,051,281</u>
Miscellaneous					
Contingency	698,000	698,000	(156,240)	854,240	709,710
Non-departmental	1,027,402	827,300	1,549,724	(722,424)	1,035,421
OPEB contribution	910,000	910,000	-	910,000	455,000
Total miscellaneous	<u>2,635,402</u>	<u>2,435,300</u>	<u>1,393,484</u>	<u>1,041,816</u>	<u>2,200,131</u>
Total expenditures and encumbrances - budgetary basis	<u>\$ 42,634,628</u>	<u>\$ 42,634,628</u>	38,869,674	<u>\$ 3,764,954</u>	38,612,564
Adjustments to conform with generally accepted accounting principles			<u>428,926</u>		<u>(638,906)</u>
Total expenditures - GAAP basis			<u>\$ 39,298,600</u>		<u>\$ 37,973,658</u>

CITY OF GAITHERSBURG, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND
Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Investments	\$ 199,423	\$ -	\$ (13,544)	\$ 185,879
LIABILITIES				
Deposits	\$ 199,423	\$ -	\$ (13,544)	\$ 185,879

Statistical Section



Gaithersburg
A CHARACTER COUNTS! CITY



TRAIN AT HOLIDAY SEASON

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.	62-68
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.	69-73
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.	74-75
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.	76-77
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.	78-86

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 Eight Fiscal Years
(accrual basis of accounting)
June 30, 2010

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<i>Governmental Activities</i>								
Invested in Capital Assets	\$ 99,881,968	\$ 101,308,114	\$ 101,079,002	\$ 102,235,261	\$ 103,385,743	\$ 105,089,489	\$ 104,360,134	\$ 102,590,615
Unrestricted	<u>59,946,586</u>	<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>\$ 159,828,554</u>	<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 Eight Fiscal Years
(accrual basis of accounting)
June 30, 2010

	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental Activities:								
General Government	\$ 12,907,455	\$ 11,641,478	\$ 10,536,978	\$ 8,745,788	\$ 8,210,925	\$ 6,929,027	\$ 6,978,070	\$ 6,605,324
Public Safety	11,148,695	11,281,073	10,918,534	9,118,647	7,876,021	6,479,474	5,976,365	5,545,727
Public Works	12,246,680	11,438,388	10,811,440	9,746,888	9,412,588	9,237,552	9,222,580	5,946,142
Park, Recreation & Culture	7,280,057	7,255,705	9,118,751	8,538,526	7,940,172	6,858,152	6,591,139	6,332,747
Community Services & Development	2,151,366	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>45,734,253</u>	<u>45,256,956</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	\$ 2,121,622	\$ 1,703,735	\$ 1,855,587	\$ 1,175,102	\$ 1,649,170	\$ 2,343,286	\$ 1,880,197	\$ 148,008
Public Safety	2,705,648	1,381,525	1,897,490	799,743	782,440	950,677	906,313	110,452
Public Works	1,527,357	1,400,167	1,631,297	1,333,515	1,375,813	999,598	738,210	899,183
Park, Recreation & Culture	3,092,053	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	2,246,034	1,202,924	1,569,161	2,141,875	1,561,444	938,266	1,103,083	3,766,654
Capital Grants and Contributions	464,815	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>								
Program Revenues	<u>\$ 12,157,529</u>	<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>

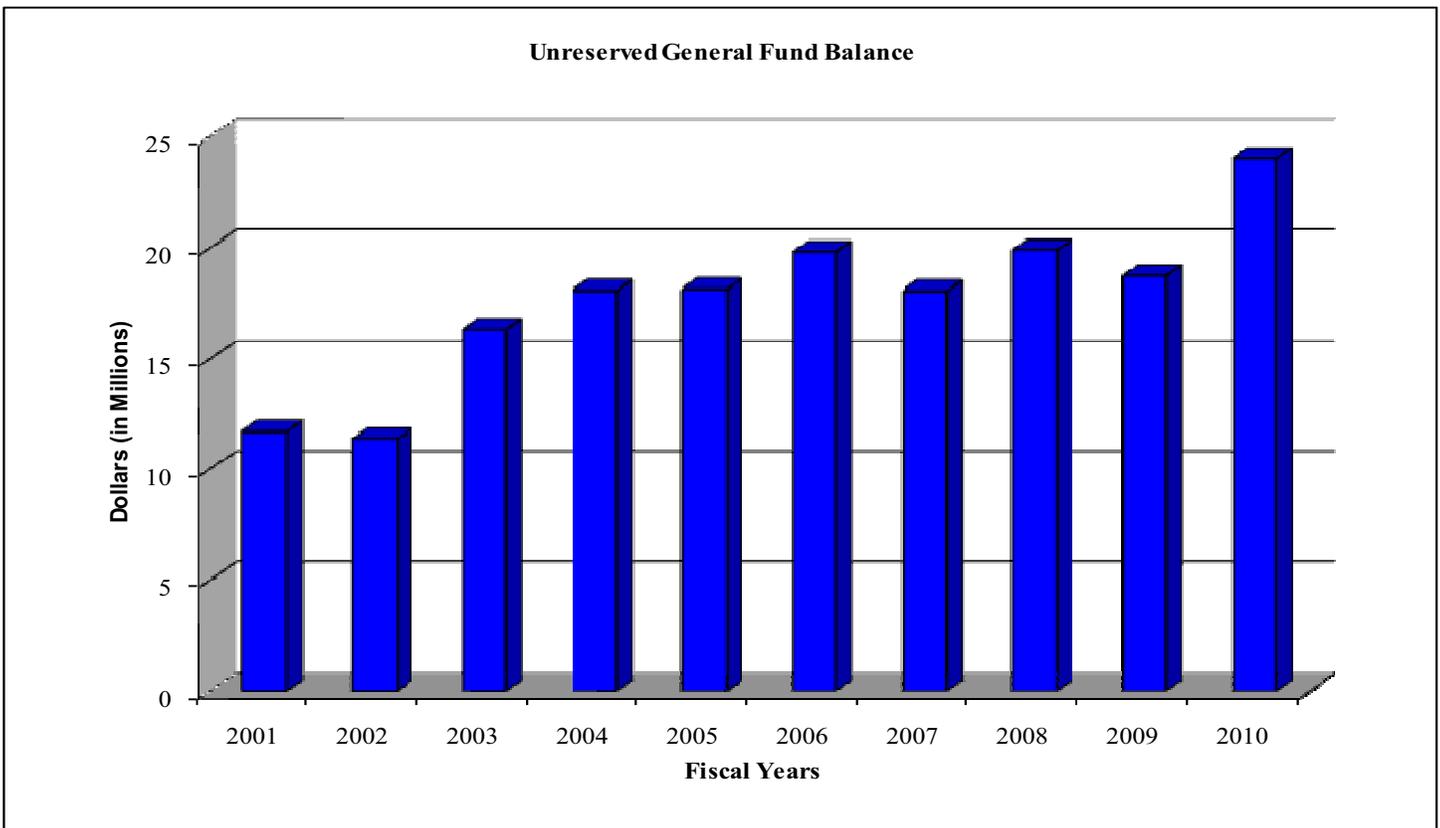
* The City began combining Miscellaneous Expenses with General Government beginning FY10.

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN NET ASSETS
Last Eight Fiscal Years
(accrual basis of accounting)
June 30, 2010
(continued)

	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue								
Governmental Activities	\$ (33,576,724)	\$ (34,347,195)	\$ (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>\$ (33,576,724)</u>	<u>\$ (34,347,195)</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	\$ 20,357,547	\$ 20,455,347	\$ 18,516,490	\$ 16,454,046	\$ 14,114,464	\$ 13,310,028	\$ 12,538,737	\$ 11,151,698
Franchise Fees	553,860	494,925	599,253	557,181	483,125	444,881	440,892	380,807
Admissions, Amusement, Hotel & Motel Tax	1,952,656	1,718,650	830,156	985,453	1,165,087	1,008,836	887,000	672,731
Intergovernmental not Restricted to Specific Programs	9,393,667	9,889,917	10,108,343	9,808,731	8,779,326	8,008,710	7,900,819	7,413,523
Investment Earnings	135,532	930,421	2,212,859	2,627,160	1,925,574	870,163	424,765	527,717
Gain (loss) on Sale of Capital Assets	(478,113)	1,497,522	-	-	1,860,248	-	-	-
Miscellaneous	682,179	683,730	5,398,897	1,423,615	853,929	810,903	778,015	1,105,466
<i>Total Governmental Activities</i>	<u>\$ 32,597,328</u>	<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>

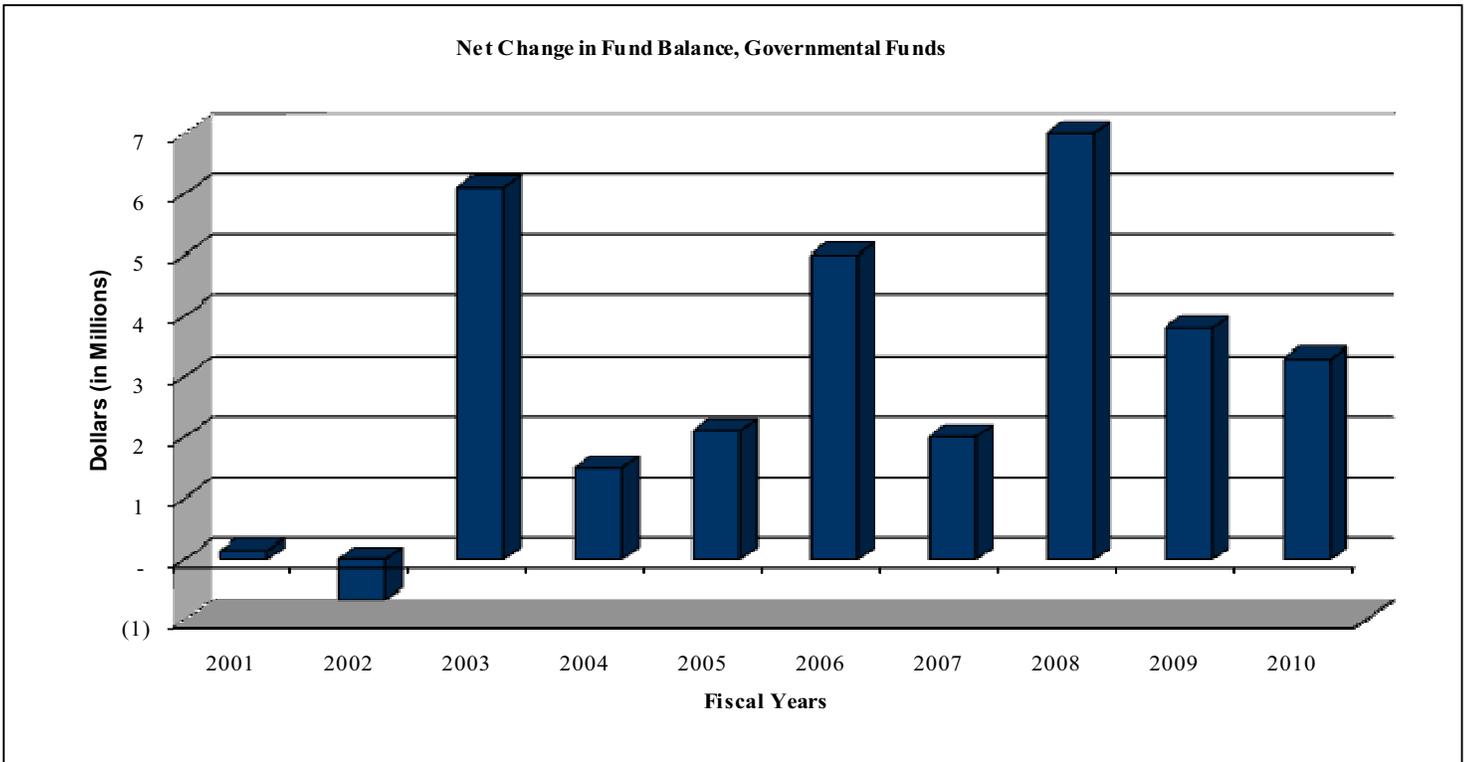
CITY OF GAITHERSBURG, MARYLAND
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2010

	2010	2009	2008	2007	2006
General Fund					
Reserved for Encumbrances and Other	\$ 8,954,030	\$ 12,431,003	\$ 11,224,516	\$ 10,629,786	\$ 12,437,949
Unreserved and undesignated	24,039,806	18,723,646	19,902,437	18,055,440	19,827,024
Total General Fund	\$ 32,993,836	\$ 31,154,649	\$ 31,126,953	\$ 28,685,226	\$ 32,264,973
All Other Governmental Funds					
Reserved for Encumbrances	\$ 2,608,276	\$ 3,772,000	\$ 3,238,750	\$ 3,993,897	\$ 1,686,943
Designated, Reported in:					
Capital Projects Funds	28,110,103	25,496,419	22,259,138	16,549,764	13,255,730
Total All Other Governmental Funds	30,718,379	29,268,419	25,497,888	20,543,661	14,942,673
Total Governmental Funds	\$ 63,712,215	\$ 60,423,068	\$ 56,624,841	\$ 49,228,887	\$ 47,207,646
 Unreserved General Fund Balance as a Percentage of Expenditures	 61.2%	 51.7%	 59.5%	 61.3%	 71.7%



CITY OF GAITHERSBURG, MARYLAND
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2010
 (continued)

	2005	2004	2003	2002	2001
General Fund					
Reserved for Encumbrances and Other	\$ 12,934,815	\$ 10,068,026	\$ 9,544,154	\$ 8,806,011	\$ 9,330,420
Unreserved and undesignated	18,148,339	18,076,256	16,271,512	11,385,958	11,708,168
Total General Fund	\$ 31,083,154	\$ 28,144,282	\$ 25,815,666	\$ 20,191,969	\$ 21,038,588
All Other Governmental Funds					
Reserved for Encumbrances	\$ 3,375,847	\$ 4,592,300	\$ 3,937,907	\$ 2,509,092	\$ 4,573,523
Designated, Reported in:					
Capital Projects Funds	7,741,939	7,383,977	8,899,014	9,868,484	7,621,150
Total All Other Governmental Funds	11,117,786	11,976,277	12,836,921	12,377,576	12,194,673
Total Governmental Funds	\$ 42,200,940	\$ 40,120,559	\$ 38,652,587	\$ 32,569,545	\$ 33,233,261
Unreserved General Fund Balance as a Percentage of Expenditures	69.7%	73.2%	62.4%	51.2%	54.5%



See pages 67-68 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, 2010

	2010	2009	2008	2007	2006
Revenues					
Taxes and special assessments	\$ 22,288,431	\$ 22,136,525	\$ 19,262,581	\$ 17,563,444	\$ 15,329,572
Licenses and Permits	3,298,308	2,887,975	3,006,104	2,350,832	2,839,355
Intergovernment	13,128,144	13,427,699	14,237,049	14,365,733	12,376,203
Charges for Services	4,693,924	4,496,354	4,652,709	4,421,041	4,255,294
Fines and Forfeitures	2,008,308	610,473	1,374,222	165,676	184,987
Investment earnings	135,532	930,421	2,212,859	2,627,160	1,925,574
Miscellaneous	682,179	683,730	5,472,964	1,421,317	853,929
<i>Total Revenues</i>	<u>\$ 46,234,826</u>	<u>\$ 45,173,177</u>	<u>\$ 50,218,488</u>	<u>\$ 42,915,203</u>	<u>\$ 37,764,914</u>
Expenditures					
Current:					
General Government	\$ 9,400,030	\$ 8,783,798	\$ 8,285,566	\$ 7,428,673	\$ 6,778,533
Public Safety	10,039,331	10,464,470	9,586,914	8,402,909	7,163,130
Public Works	9,270,532	8,626,303	6,668,288	6,339,144	5,492,217
Parks, Recreation and Culture	6,491,537	6,517,399	7,806,505	7,698,543	7,006,072
Community Services and Development*	2,074,583	2,052,646	2,081,517	1,883,026	1,860,500
Transfer to retiree benefit trust	-	455,000	-	-	-
Other	2,022,587	1,074,042	1,391,404	1,693,749	1,168,328
Capital Outlay	3,680,679	5,557,414	6,629,977	4,914,067	5,401,735
<i>Total Expenditures</i>	<u>\$ 42,979,279</u>	<u>\$ 43,531,072</u>	<u>\$ 42,450,171</u>	<u>\$ 38,360,111</u>	<u>\$ 34,870,515</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>\$ 3,255,547</u>	<u>\$ 1,642,105</u>	<u>\$ 7,768,317</u>	<u>\$ 4,555,092</u>	<u>\$ 2,894,399</u>
Other Financing Sources (Uses)					
Sales of capital assets	\$ 33,600	\$ 2,156,122	\$ 28,637	\$ 18,199	\$ 2,112,309
Transfers In	5,130,639	9,327,945	11,584,204	10,515,055	9,226,622
Transfers out	(5,130,639)	(9,327,945)	(11,584,204)	(10,515,055)	(9,226,622)
Transfers to GASB 43 Trust	-	-	(401,000)	(2,552,050)	-
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 33,600</u>	<u>\$ 2,156,122</u>	<u>\$ (372,363)</u>	<u>\$ (2,533,851)</u>	<u>\$ 2,112,309</u>
Adjustments to Reclassify Liabilities				-	-
<i>Net Change in Fund Balances</i>	<u>\$ 3,289,147</u>	<u>\$ 3,798,227</u>	<u>\$ 7,395,954</u>	<u>\$ 2,021,241</u>	<u>\$ 5,006,708</u>

CITY OF GAITHERSBURG, MARYLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2010
(continued)

	2005	2004	2003	2002	2001
Revenues					
Taxes and special assessments	\$ 14,288,983	\$ 13,497,432	\$ 12,299,149	\$ 11,044,580	\$ 10,338,771
Licenses and Permits	3,546,026	2,846,186	2,393,830	3,342,405	3,231,719
Intergovernment	11,736,917	10,618,001	14,652,989	9,949,156	11,985,809
Charges for Services	3,851,601	3,653,432	3,664,998	3,457,067	3,039,498
Fines and Forfeitures	269,982	270,861	97,950	197,949	204,358
Investment earnings	870,163	424,765	527,717	831,396	1,837,086
Miscellaneous	810,903	2,958,632	1,105,466	397,026	549,331
<i>Total Revenues</i>	<u>\$ 35,374,575</u>	<u>\$ 34,269,309</u>	<u>\$ 34,742,099</u>	<u>\$ 29,219,579</u>	<u>\$ 31,186,572</u>
Expenditures					
Current:					
General Government	\$ 6,272,714	\$ 6,111,467	\$ 5,780,224	\$ 5,530,902	\$ 5,683,711
Public Safety	6,573,228	6,201,423	5,584,233	5,090,247	4,944,825
Public Works	5,051,478	5,059,108	4,777,453	4,149,430	3,869,722
Parks, Recreation and Culture	6,713,263	6,384,575	6,023,875	9,122,557	5,719,980
Community Services and Development	1,777,491	1,582,419	1,487,092	-	-
Transfer to retiree benefit trust	-	-	-	-	-
Other	1,283,143	681,245	1,039,064	2,191,188	2,013,389
Capital Outlay	6,049,046	6,796,200	3,985,566	7,846,247	8,806,856
<i>Total Expenditures</i>	<u>\$ 33,720,363</u>	<u>\$ 32,816,437</u>	<u>\$ 28,677,507</u>	<u>\$ 33,930,571</u>	<u>\$ 31,038,483</u>
<i>Excess of Revenues Over (Under) Expenditure</i>	<u>\$ 1,654,212</u>	<u>\$ 1,452,872</u>	<u>\$ 6,064,592</u>	<u>\$ (4,710,992)</u>	<u>\$ 148,089</u>
Other Financing Sources (Uses)					
Sales of capital assets	\$ 426,169	\$ 15,100	\$ 18,450	\$ 4,047,276	\$ -
Transfers In	5,190,555	3,920,537	4,444,911	8,029,150	8,634,600
Transfers out	(5,190,555)	(3,920,537)	(4,444,911)	(8,029,150)	(8,634,600)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 426,169</u>	<u>\$ 15,100</u>	<u>\$ 18,450</u>	<u>\$ 4,047,276</u>	<u>\$ -</u>
Adjustments to Reclassify Liabilities	-	-	-	-	-
<i>Net Change in Fund Balances</i>	<u>\$ 2,080,381</u>	<u>\$ 1,467,972</u>	<u>\$ 6,083,042</u>	<u>\$ (663,716)</u>	<u>\$ 148,089</u>

CITY OF GAITHERSBURG, MARYLAND
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
June 30, 2010

Year	Property Taxes	Hotel and Admissions and Amusement Taxes	Income Taxes	Total
2010	\$ 20,272,244	\$ 1,952,656	\$ 9,187,114	\$ 31,412,014
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
Change 2001-2010	108.6%	257.9%	30.9%	81.8%

CITY OF GAITHERSBURG, MARYLAND
ASSESSED VALUATION OF TAXABLE PROPERTY
Last Ten Fiscal Years
June 30, 2010

Year	Real Property	Personal Property	Corporate Personal Property	Total	Estimated Actual Values of Taxable Property	Direct Tax Rate ⁽¹⁾	Percentage Of Change
2010	\$ 8,826,640,580	\$ 90,363,370	\$ 221,516,130	\$ 9,138,520,080	\$ 9,138,520,080	\$ 2.23	-0.02%
2009	8,822,557,075	88,708,679	229,259,434	9,140,525,188	9,140,525,188	2.23	11.0%
2008	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	2.23	12.0%
2007	7,029,366,190	96,571,060	228,289,623	7,354,226,873	7,354,226,873	2.23	0.3%
2006	7,010,239,417	95,085,977	224,084,580	7,329,409,974	7,329,409,974	2.23	36.0%
2005	6,435,021,700	107,679,883	225,612,110	6,768,313,693	5,388,270,239	2.23	11.2%
2004	5,005,439,589	111,987,078	221,531,600	5,338,958,267	4,844,344,068	2.23	5.2%
2003	4,464,294,558	116,466,561	225,771,450	4,806,532,569	4,602,994,028	2.23	4.4%
2002 *	4,288,476,868	121,125,223	239,989,990	4,649,592,081	4,408,996,816	2.23	0.8%
2001	1,619,152,641	125,970,232	227,587,400	1,972,710,273	4,375,798,932	2.23	6.4%

(1) direct tax rate per every \$100 of assessed value.

* 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, 2010

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	%
2010	\$ 21,389,471	\$ 20,228,821	94.57	%	\$ 43,423	\$ 20,272,244	94.78	%
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	

* "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, 2010**

2010		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	193,638,400	2.19 %
Asbury Atlantic Inc.	163,251,180	1.85
Medimmune, Inc	124,679,900	1.41
Lake Forest Associates	121,591,200	1.38
Chi Two Washingtonian LLC ET AL	119,886,400	1.36
TRT 270 Center Owner LLC	92,679,200	1.05
Federal Realty Investments TR	90,187,700	1.02
Saul Holdings LTD Partnership	87,196,100	0.99
893 Clopper Road Investors Corp	76,431,500	0.87
MR 270 NMD I LLC	73,845,200	0.84
	\$ 1,143,386,780	12.95 %
<i>Total Assessed Valuation</i>	\$ 8,826,640,580	

2001		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Lake Forest Associates	50,491,660	3.12 %
Asbury Methodist Home, Inc	44,536,210	2.75
ARE - 19 Firstfield Road LLC	30,800,030	1.90
Washingtonian Associates LC	22,009,360	1.36
9801 Washinton Office, Inc	18,614,970	1.15
Federal Realty Investment Trust	18,473,670	1.14
Loral Federal Systems	17,237,710	1.06
Jamestown 17 LP	17,127,140	1.06
IBM Corporation	17,000,220	1.05
Saul Holding LP	16,110,570	1.00
	\$ 252,401,540	15.59 %
<i>Total Assessed Valuation</i>	\$ 1,619,152,641	

(1) Assessed valuation based on the valuation of property for taxes collected in 2010 and 2001 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, 2010

Year	Direct Rate	Overlapping Rates			Total
	City of Gaithersburg	Montgomery County	State of Maryland	Service Areas & Transit	
2010	\$ 0.212	\$ 0.699	\$ 0.112	\$ 0.171	\$ 1.194
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

- 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, 2010**

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	2,594,583,242	0.0%	0
Total Direct and Overlapping Debt	\$ 2,594,583,242	0.0%	0

Source: Montgomery County Department of Finance

**CITY OF GAITHERSBURG, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2010**

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, 2010**

Year	(1) Population	Personal Income (\$ thousands)	(2) Per Capita Income	Median Age	(3) Montgomery County Avg. School Enrollment	(4) Montgomery County Unemployment Rate	%
2010	58,017	\$ 4,049,761	\$ 69,803	N/A	140,500	5.6	%
2009	57,818	3,990,251	69,014	N/A	137,763	5.3	
2008	59,912	4,045,917	67,531	N/A	137,745	3.3	
2007	60,736	4,057,833	66,811	N/A	137,798	2.7	
2006	58,607	3,789,822	64,665	N/A	139,387	2.8	
2005	57,812	3,486,237	60,303	N/A	139,337	3.1	
2004	56,365	3,206,548	56,889	N/A	139,203	3.2	
2003	55,253	2,942,885	53,262	N/A	138,891	3.3	
2002	53,141	2,760,356	51,944	N/A	136,832	3.5	
2001	53,095	2,703,438	50,917	N/A	134,180	3.1	

(1) City of Gaithersburg, Department of Planning & Code Administration

(2) Bureau of Economic Analysis (BEA), U. S. Department of Commerce (Montgomery County information)

(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, 2010**

2010		
Employer	Employees	Percentage of Total City Employment
National Institute of Standards and Technology	2,115	1.83 %
IBM	1,021	0.88
Medimmune	1,100	0.95
Sodexo USA	1,000	0.86
Asbury Atlantic, Inc.	805	0.70
The Gazette Newspaper	390	0.34
Gene Logic	362	0.31
Broadsoft, Inc.	200	0.17
Digene	300	0.26
Airline Foods	185	0.16
Total	7,478	6.46 %
Total Montgomery County Employees	115,791	
(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, 2010

Function/Program	2010	2009	2008	2007	2006
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	2	2	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	3	5	5	5	6
Economic & Community Development	1	2	3	3	2
Environmental Affairs	1	2	2	2	2
Human Resources	4	5	4	4	4
Finance & Administration	7	6	6	6	6
Housing & Community Development	1	1	-	-	-
Information Technology	8	8	7	6	5
Facilities Management	8	8	8	7	5
Buildings and Grounds	-	-	-	-	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	2	2	2	2
Planning	10	10	11	11	12
Public Safety					
Police Services	63	58	56	51	47
Code Administration	20	20	20	19	15
Traffic Engineering	2	2	2	2	2
Animal Control	5	4	4	4	4
Public Works					
Public Works Administration	5	5	5	5	5
Parks Maintenance Division	16	16	16	16	17
Streets & Special Projects	10	10	9	9	9
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	13	13	13	12	11
Mowing & Bulk Pick-Up	20	20	19	17	18
Recycling	-	-	-	-	-
Engineering Services	2	2	2	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	5	5	5	5
Recreation Programs & Sports	5	5	5	5	5
Recreation Classes	1	1	1	1	1
Youth Services	3	3	3	3	4
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	1	1	1	-
Olde Towne Youth Center	1	1	1	-	1
Casey Community Center	2	2	2	2	2
Water Park	1	1	1	1	1
Gaithersburg Arts Barn	1	1	1	2	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	5
Human Services	3	3	3	3	3
Homeless Assistance	3	3	3	3	3
Full-Time Employee Totals:	257.0	255.0	248.0	236.0	228.0
Employment Agreement Employee Totals:	8.3	8.4	10.6	11.6	17.6
Part-Time Employee Totals:	119.4	117.5	117.4	115.8	113.4
Total Employees	384.7	380.9	376.0	363.4	359.0

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

**CITY OF GAITHERSBURG, MARYLAND
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**

Last Ten Fiscal Years

June 30, 2010

(continued)

General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	-	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	6	7	6	6	6
Economic & Community Development	2.5	2	2	2	2
Environmental Affairs	1.5	-	-	-	-
Human Resources	3	3	3	3	3
Finance & Administration	6	6	6	6	6
Housing & Community Deve	-	-	-	-	-
Information Technology	5	4	4	5	4
Facilities Management	5	4	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	3	2
Planning	11	11	11	12	12
Public Safety					
Police Services	45	41	39	39	39
Code Administration	17	17	17	17	17
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	4	3
Public Works					
Public Works Administration	5	7	6	6	6
Parks Maintenance Division	16	6	14	13	12
Streets & Special Projects	7	6	6	7	8
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	11	11	11	10	10
Mowing & Bulk Pick-Up	18	17	17	18	16
Recycling	-	-	-	-	2
Engineering Services	1	1	1	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	16	7	6	6
Recreation Programs & Sports	4	4	4	5	5
Recreation Classes	1	1	1	1	1
Youth Services	4	4	4	4	3
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	-	-	-	-
Olde Towne Youth Center	-	1	-	-	-
Casey Community Center	2	1	2	2	2
Water Park	1	2	1	1	1
Gaithersburg Arts Barn	1	1	1.5	1	1
Kentlands Mansion	2	4	1.5	1	1
Cultural Arts Programs	1	1	1	1	1
Special Events	4	-	4	2	2
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	1	2	1	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	4	-	2	3	3
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development					
Seniors Program	4	2	4	4	4
Human Services	3	2	2	2	2
Homeless Assistance	2	-	2	2	2
Full-Time Employee Totals:	221.0	209.0	208.0	208.0	204.0
Employment Agreement Employee Totals:	18.7	19.5	16.6	19.1	23.3
Part-Time Employee Totals:	108.6	105.3	102.2	110.6	119.5
Total Employees	<u>348.3</u>	<u>333.8</u>	<u>326.8</u>	<u>337.7</u>	<u>346.8</u>

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, 2010

Function/Program	2010	2009	2008	2007	2006
General Information					
Population	58,017	57,818	59,912	60,736	58,607
Registered Voters	28,115	25,469	25,469	27,725	25,936
General Government					
Commercial Construction Permits Issued	1	11	4	7	9
Residential Construction Permits Issued	125	72	89	126	134
Estimated Value of Construction	\$ 24,799,660	\$ 46,746,126	\$ 36,022,880	\$ 30,177,912	\$ 40,815,382
Transitional Housing to Permanent Housing	13	11	3	6	8
Public Safety					
Police Officers	52	53	49	46	45
Traffic Citations	7,858	8,085	5,966	6,803	7,818
Calls for Service	8,653	7,805	7,955	11,956	17,844
Fire Marshall Inspections	1	1	1	1	1
Animal Control Officers	4	3	3	3	3
Fire Marshall Inspections	1,291	1,262	979	1,094	1,527
Animal Licenses	2,596	2,508	2,467	2,477	2,454
Solid Waste					
Co-Mingled (tons)	3,171	2,474	907	579	804
Newspaper (tons)	N/A *	N/A	1,432	1,449	1,407
Yard Waste (tons)	993	1,014	1,036	934	902

* 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, 2010
 (continued)

2005	2004	2003	2002	2001
57,812	56,365	55,253	53,141	53,095
25,936	25,936	25,936	24,631	24,631
17	11	13	27	33
94	77	273	544	389
\$ 74,313,532	\$ 25,020,215	\$ 38,415,978	\$ 110,686,357	\$ 80,143,840
6	8	9	10	7
43	39	36	36	36
7,066	4,699	8,733	8,033	9,367
30,995	28,643	24,431	25,145	23,311
1	1	1	1	1
3	3	3	3	3
1,302	2,118	2,313	2,222	2,546
2,472	2,624	2,498	2,249	2,164
972	745	831	699	667
2,013	1,812	1,873	1,525	1,561
967	1,322	888	543	497

**CITY OF GAITHERSBURG, MARYLAND
 COMBINED SCHEDULE OF CASH AND INVESTMENTS -
 BY FINANCIAL INSTITUTIONS
 June 30, 2010**

Description	Total Bank Balances
Bank of America	\$1,062,382
PNC Bank	\$78,677
PNC Bank Certificate of Deposit	\$314,260
Total Financial Institutions	\$1,455,319
Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow:	
General Fund	\$9,186
Pension Trust Fund	\$37,141,270
Retiree Benefit Trust Fund	\$2,253,707
Private-Purpose Trust Fund	\$13,421
Total Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow	\$39,417,584
Total Cash Deposits in Financial Institutions and on Hand	\$40,872,903
Investments, State Treasurer's Investment Pool	\$28,781,101
Montgomery County's General Investment Fund	\$35,490,555
Total Investments	\$64,271,656
Total Cash and Investments	\$105,144,559



Kentlands Mansion

CITY OF GAITHERSBURG, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2010

Function/Program	2010	2009	2008	2007	2006
General Information					
Area in Square Miles	10.33	10.33	10.33	10.33	10.04
Public Safety - Police					
Stations	1	1	1	1	1
Number of Patrol Units	33	36 *	58	46	57
Highways and Streets					
City Streets (miles)	87.95	87.95	87.95	87.95	87.95
County Streets (miles)	6.06	6.06	6.06	6.06	5.75
State Streets (miles)	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	3.98	3.98	3.98	3.98	3.98
Street Lights	4,367	4,377	4,368	4,323	3,550
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	5
Performance Arts	1	1	1	1	1
Tennis Courts	14	14	14	14	12
Masion	1 **				

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

** The Mansion operation was transferred to Recreation and Culture in FY10.

CITY OF GAITHERSBURG, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
June 30, 2010
(continued)

2005	2004	2003	2002	2001
10.04	10.01	10.01	10.01	10.01
1	1	1	1	1
50	47	47	34	47
88.24	87.61	84.92	82.17	87.61
5.34	5.34	5.32	5.25	5.32
17.54	17.54	17.61	19.01	17.54
4.28	4.93	4.93	4.93	4.93
3,350	3,150	2,950	2,775	2,500
853.48	853.48	853.48	853.48	777.71
25	24	23	22	21
1	1	-	-	-
1	1	1	-	-
1	1	1	-	-
2	2	2	2	2
1	1	1	1	1
4	4	4	4	4
1	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, 2010

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
CITY FACILITY:				
70-2	City Hall	\$ 4,423,852	\$ 4,383,704	\$ 40,148
72-2	Public Service Facility	3,718,894	3,664,555	54,339
86-3	Latitude Observatory	462,168	354,305	107,863
92-1	Americans With Disabilities Act	446,957	446,957	-
93-1	Technology Projects	3,570,863	2,236,083	1,334,780
98-1	Facilities Projects	2,560,323	2,060,548	499,775
01-2	Kentlands Mansion	1,034,473	858,863	175,610
02-1	Kentlands Firehouse	20,000	-	20,000
07-1	Emergency Preparedness	180,000	110,781	69,219
09-1	Police Station Improvement	250,000	11,397	238,603
10-1	Energy Efficiency and Conservation	528,000	33,955	494,045
Total City Facility		<u>17,195,530</u>	<u>14,161,148</u>	<u>3,034,382</u>
COMMUNITY ENHANCEMENT				
71-2	Street Lighting	2,261,406	1,638,321	623,085
79-5	Olde Towne Revitalization	3,328,523	3,067,724	260,799
81-4	Property Acquisition and Disposition	14,411,544	14,355,049	56,495
82-3	Landscape Improvement	1,341,549	1,341,549	-
99-4	Olde Towne Park Bell Tower	1,760,000	190,216	1,569,784
00-1	Y Site Development	13,131,052	12,901,874	229,178
04-1	Community Development Block Grant - HUD	4,101,614	3,552,384	549,230
09-2	Historic Preservation at Crown Farm	70,000	-	70,000
09-4	Rolling Stock Project	881,995	15,886	866,109
00-0	Contingency and Future Projects	3,339,448	1,768,229	1,571,219
Total Community Enhancement		<u>44,627,131</u>	<u>38,831,232</u>	<u>5,795,899</u>
TRANSPORTATION/ENVIRONMENT				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	2,294,016	1,679,491	614,525
82-1	Stormwater Management and Storm Drainage	9,481,478	7,747,070	1,734,408
83-1	Street Resurfacing	16,013,175	15,834,353	178,822
91-3	Street Reconstruction	5,970,661	5,791,825	178,836
92-2	Traffic Calming and Signalization	1,307,536	1,197,856	109,680
98-7	Transit Enhancements	208,800	155,344	53,456
99-1	North Frederick Avenue Corridor Plan Implementation	165,000	125,457	39,543
07-2	Teachers Way	1,350,400	161,607	1,188,793
Total Transportation/Environment		<u>36,791,066</u>	<u>32,693,003</u>	<u>4,098,063</u>

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF CUMULATIVE APPROPRIATIONS, EXPENDITURES,
AND ENCUMBRANCES – CAPITAL PROJECTS
From Project Inception Through June 30, 2010
(continued)

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
RECREATION/LEISURE				
83-2	Bohrer Park at Summit Hall Farm	\$ 12,651,514	\$ 12,410,130	\$ 241,384
87-3	Recreation Courts Renovation	622,253	622,253	-
93-2	Ballfield Projects	525,975	525,975	-
98-2	Winter Lights	193,555	176,738	16,817
98-3	Lakelands Park	2,875,985	2,875,001	984
98-4	Art In Public Places	451,509	328,803	122,706
00-2	Casey Community Center Renovations	539,118	539,118	-
00-3	Gaithersburg Youth Center At Robertson Park	2,174,481	2,174,481	-
00-4	Renovation/Improvements Of Existing Parks	710,086	529,789	180,297
02-2	Parks and Facility Signage	126,308	89,196	37,112
03-1	Gaithersburg Aquatic/Recreation Center	13,544,332	706,321	12,838,011
06-1	Gaithersburg Youth Center in Olde Towne	1,890,000	1,722,716	167,284
09-3	Gaithersburg Senior Center	2,989,040	-	2,989,040
	Total Recreation/Leisure	<u>39,294,156</u>	<u>22,700,521</u>	<u>16,593,635</u>
Grand Total		<u>\$ 137,907,883</u>	<u>\$ 108,385,904</u>	<u>\$ 29,521,979</u>



Gaithersburg Miniature Golf Course

Single Audit Section



Gaithersburg
A CHARACTER COUNTS! CITY



Memorial Day

**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**

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

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2010. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

Calverton, Maryland
October 30, 2010

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Gaithersburg, Maryland (the City) with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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 Gundersen LLP

Calverton, Maryland
October 30, 2010

CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

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	223,788
Community Development Block Grant- ARRA	14.253	N/A	<u>23,343</u>
Total for Community Development Block Grant			247,131
Energy Efficiency and Conservation Block Grant- ARRA	81.128	N/A	38,954
U.S Department of Homeland Security			
Direct Program:			
Disaster Grants- Public Assistance	97.036	N/A	209,791
Pass-through the District of Columbia Homeland Security and Emergency Management Agency			
Homeland Security Grant Program	97.067		263,353
Homeland Security Grant Program	97.067		<u>57,094</u>
Total for Community Development Block Grant			<u>320,447</u>
Total Expenditures of Federal Awards			<u>\$ 944,570</u>

The accompanying notes are an integral part of the schedule.

CITY OF GAITHERSBURG, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

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, 2010.

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

<u>Sub award</u>	<u>Federal CFDA number</u>	<u>Amount Provided to Sub-recipients</u>
Child and Adults Services	14.218	\$ 68,186
Liberty Promise	14.218	<u>15,909</u>
Total		<u><u>\$ 84,095</u></u>

**CITY OF GAITHERSBURG, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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>
Homeland Security Grant Program	97.067
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, 2010**

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, 2010**

None noted.




Gaithersburg
City Hall
The Sanford W. Daily
Municipal Center

Gaithersburg City Hall



Gaithersburg
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City of Gaithersburg
Department of Finance and Administration

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