



City of Gaithersburg, MD
Comprehensive Annual Financial Report

F Y 2 0 1 2

For the Fiscal Year Ended June 30, 2012



Gaithersburg

A CHARACTER COUNTS! CITY

On the cover is the City's 18 hole Miniature Golf Course located at Bohrer Park at Summit Hall Farm.



Gaithersburg
A CHARACTER COUNTS! CITY

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2012

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, 2012**

MAYOR

Sidney A. Katz

**COUNCIL
MEMBERS**

Ryan Spiegel
Michael A. Sesma
Henry F. Marraffa, Jr.
Jud Ashman
Cathy C. Drzyzgula

**ACTING
CITY MANAGER**

Tony Tomasello

DIRECTOR OF FINANCE AND ADMINISTRATION

Harold W. Belton, CGFM

INDEPENDENT AUDITORS

McGladrey LLP

CITY OF GAITHERSBURG, MARYLAND

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

**Fiscal Year 2012
July 1, 2011 – June 30, 2012**

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

Tammy Majano, Accounting Specialist

Wesley Rhodes, Procurement Officer

Administrative Assistant, Vacant

Betty Woods, Senior Accounting Technician

Louise Kauffmann, Housing and Community Development

Director

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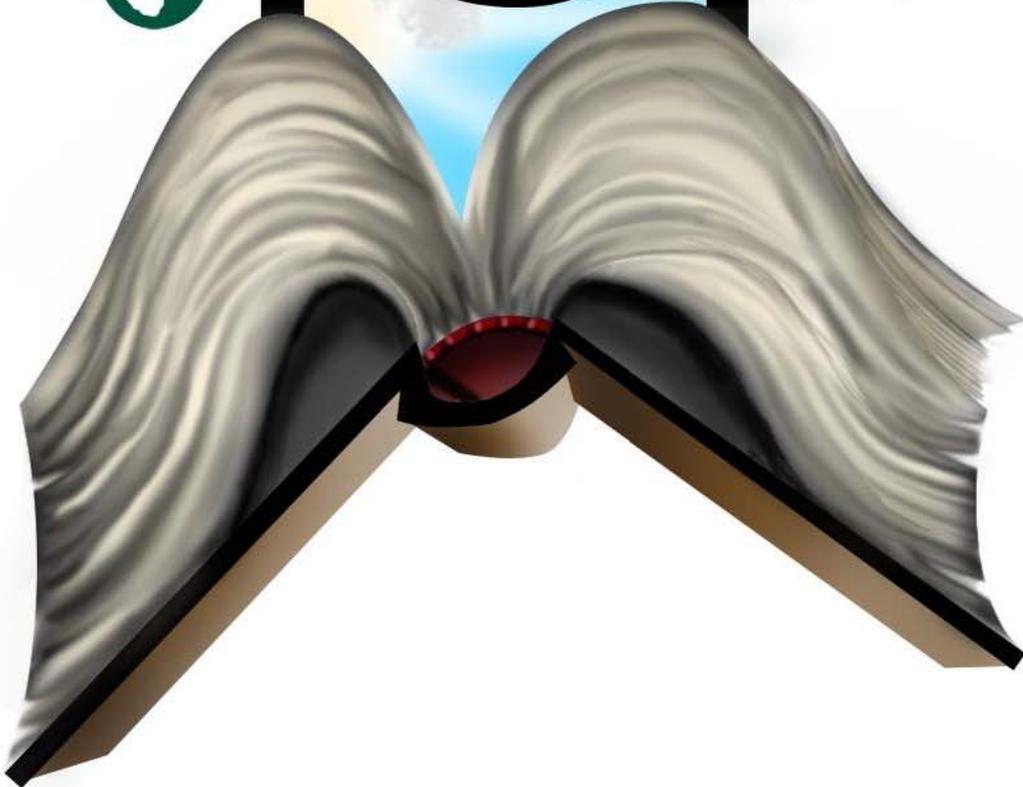
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Introductory Section



Gaithersburg
A CHARACTER COUNTS! CITY



Gaithersburg
A CHARACTER COUNTS! CITY

October 26, 2012

To the Mayor and City Council
To the Residents 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 ending June 30, 2012.

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 McGladrey 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, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gaithersburg financial statements for the fiscal year that ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of 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 2012 met the threshold to require a Single Audit. These reports are available in the City of Gaithersburg, Maryland Single Audit Section of the CAFR.

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MAYOR
Sidney A. Katz

CITY COUNCIL MEMBERS
Jud Ashman
Cathy C. Drzyzgula
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Michael A. Sesma
Ryan Spiegel

ACTING CITY MANAGER
Tony Tomasello

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 of Gaithersburg. 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 10.33 square miles, with a population of 62,848 as of July 2012.

In 2012, *CNN/Money Magazine* ranked Gaithersburg #23 on a national list of Best Places to Live. This designation recognizes Gaithersburg for its desirable attributes such as family purchasing power, median home price sales, student test scores, job growth, air quality, incidents of personal and property crimes, commute times, and access to arts and leisure activities.

The City continues to attract and maintain a dense concentration of information and biotechnology companies along the Interstate 270 Technology Corridor, which benefit from their proximity to the regulatory agencies in the National Capital region. The recent opening of the InterCounty Connector, a highway linking Gaithersburg to the busy I-95 corridor, increases the accessibility of our community for both workforce and commercial transportation. 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, is headquartered in the City and continues to eye future expansion. 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.

Additionally, we were recently informed that Adventist HealthCare will move its corporate headquarters to Gaithersburg, and biotechnology firm Novavax will be relocating to Gaithersburg as well.

Due to the current economy, real property tax revenue posted a moderate increase, resulting in an overall increase to total revenues for fiscal year 2012. With the current development projects in the pipeline, 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's 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. Over the past two years, the City has made a concerted effort to lessen the effect of waning state and federal revenue.

MAJOR INITIATIVES

In preparing the FY 2012 Budget, the City of Gaithersburg identified, through a strategic planning process, several major programs needed to meet resident requirements for services and to safeguard the environment, in conformity with applicable federal and state standards. These programs include:

- 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 the Olde Towne Blueprint.
- Maintain and enhance priority City services.
- Pursue programs that preserve and improve current and future housing stock and mix (e.g., aging apartments).
- Maintain support of neighborhood Community Policing programs.
- Implement programs to enhance delivery of services that address the needs of the City's culturally diverse population.
- Implement the Master Plan for Parks, Recreation, Cultural, and Leisure Activities.
- Implement recommendations from ongoing evaluation of natural resources and encourage protection and enhancement of the environment (streams, parks, stormwater management, and other CIP projects).
- Actively pursue economic development programs and strategies.
- Continue communication activities and implement programs that promote citizen involvement.

The largest capital projects are the renovation of the Water Park at Bohrer Park at Summit Hall Farm (\$1.4mm); Technology Projects, one of which is a Planning, Code Enforcement and Inspection package (\$700k); construction, retrofit and stream restorations of stormwater management projects (\$685k); and major street reconstruction projects and street resurfacing projects (\$1.3mm). Parenthetical figures represent Fiscal Year 2012 appropriations.

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 that ended June 30, 2011. 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 34 consecutive years (fiscal years 1978-2011). 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, 2011. 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 ninth consecutive year (fiscal years 2003-2011). It is our belief the current budget continues to conform to program requirements and we have submitted it to GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

The preparation of this report in a timely manner 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 staff 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 would like to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Tony Tomasello
Acting City Manager



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, 2011

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



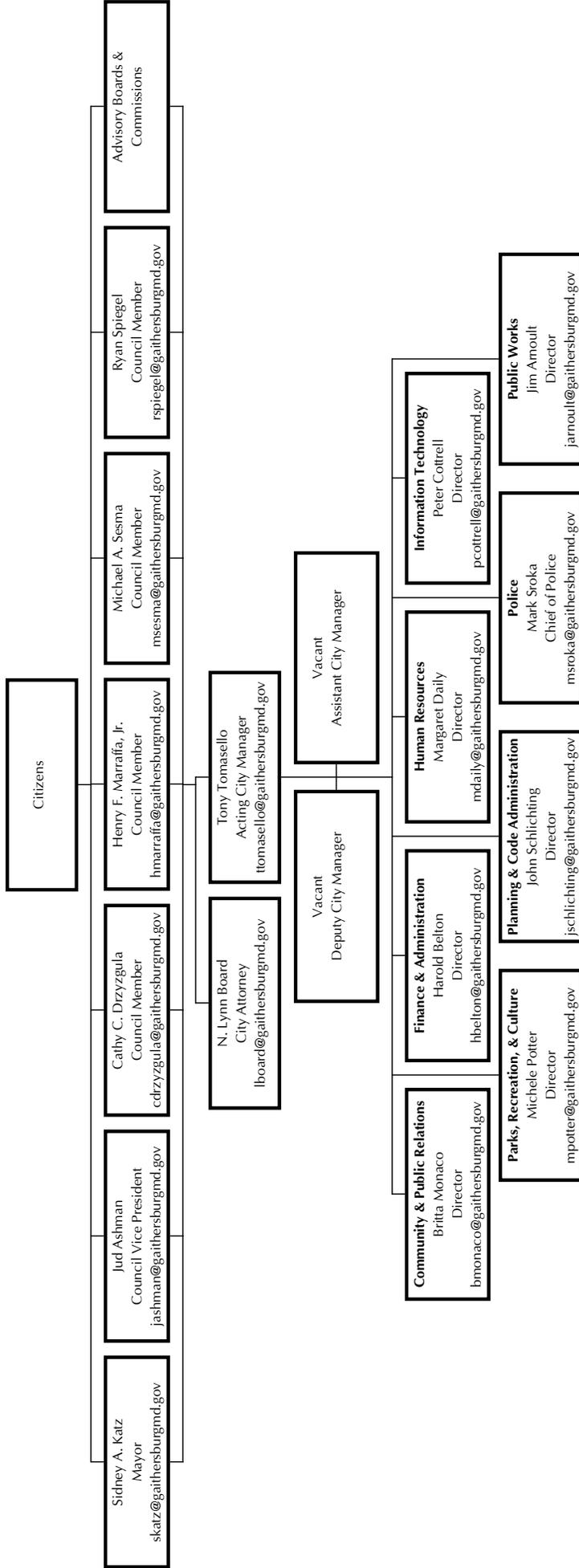
Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

CITY OF GAITHERSBURG, MARYLAND



Financial Section



Gaithersburg
A CHARACTER COUNTS! CITY



Independent Auditor's Report

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

We have audited the accompanying 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gaithersburg, Maryland'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Gaithersburg, Maryland, as of June 30, 2012, 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 17, 2012, on our consideration of the City of Gaithersburg, Maryland's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 23 and the Required Supplementary Information Postretirement Healthcare And Insurance Plan – Schedules Of Funding Progress And Employer Contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gaithersburg, Maryland's basic financial statements. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financials. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and also is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gaithersburg, Maryland's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.



Frederick, Maryland
October 17, 2012

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012. 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 2012

- The City's government-wide net assets increased by 5.5 million.
- The General Fund, on a current financial resource basis, reported an excess of revenues over expenditures and other financing sources and uses of \$8.9 million after making a \$5.4 million transfer to the Capital Projects Fund.
- The City's financial position improved over the past year. Total governmental funds' fund balance increased by 11.0% to \$80.8 million.
- Interest income decreased from \$91K to \$54K, as a result of financial market conditions.
- Capital Projects Fund expenditures of \$6.3 million included the Senior Center renovation and equipment replacement, acquisition and renovation of the historical Budd Carr into museum space, City wide emergency efficiency upgrades, water park expansion, public safety cameras installed in Olde Towne and storm water management projects, street reconstruction and resurfacing.

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.

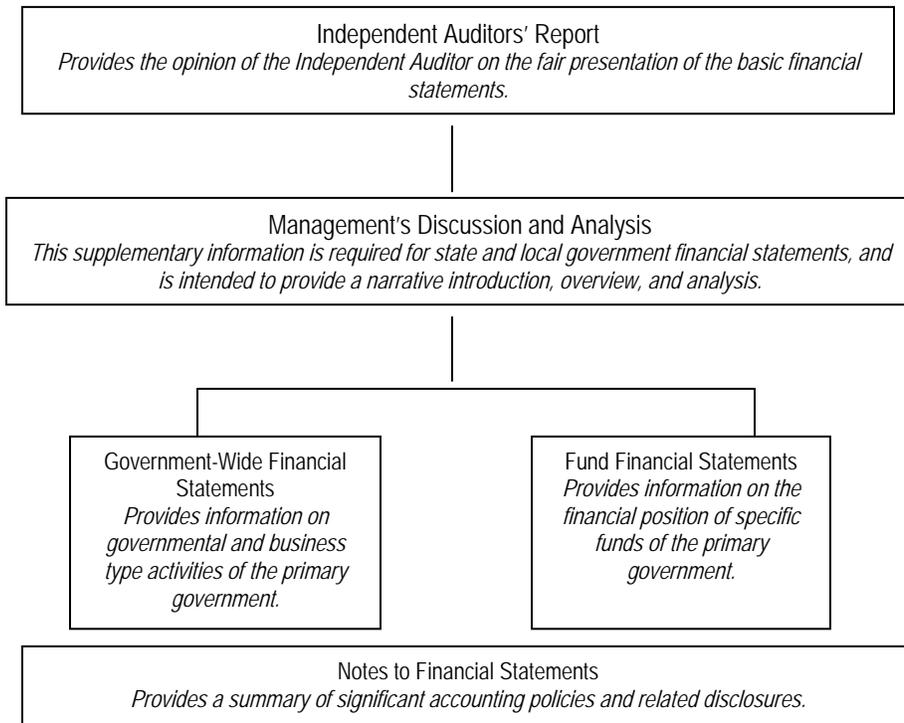
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the 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, 2012**

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, 2012**

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, 2012

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 future 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 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.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012 with a FY 2011 comparative analysis:

	Governmental Activities	
	2012	2011
Figure 3		
Condensed Statement of Net Assets		
Current and other assets	\$ 89,330,579	\$ 80,858,202
Capital assets	99,456,894	98,705,783
Total assets	188,787,473	179,563,985
Long-term liabilities outstanding	10,737,220	8,143,363
Other liabilities	6,466,944	5,345,751
Total liabilities	17,204,164	13,489,114
Net assets		
Invested in capital assets	99,456,894	98,705,783
Unrestricted	72,126,415	67,369,088
Total net assets	\$ 171,583,309	\$ 166,074,871

The City's assets exceeded its liabilities at the close of FY 2012 by \$171.6 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 \$53.3 million. Local property taxes funding amounted to \$24.6 million; intergovernmental funding, \$10.0 million; charges for services, \$13.1 million; operating grants and contributions, \$0.8 million; and capital grants and contributions, \$1.3 million. The remaining \$3.5 million primarily came from admission and amusement and hotel and motel taxes, and franchise fees.

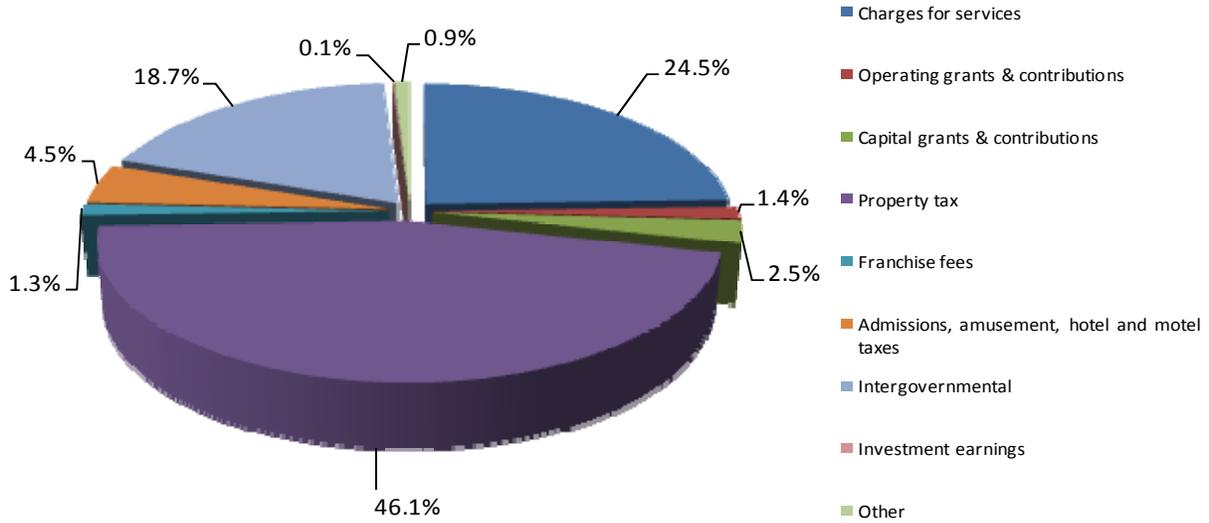
**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

**Figure 4
Condensed Statement of Activities**

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 13,070,343	\$ 11,457,985
Operating grants & contributions	751,938	709,575
Capital grants & contributions	1,312,834	1,400,883
General revenues:		
Property tax	24,575,499	24,723,315
Franchise fees	689,385	611,947
Admissions, amusement, hotel and motel taxes	2,395,490	1,877,403
Intergovernmental	9,986,624	10,341,660
Investment earnings	54,191	91,395
Other	468,463	452,943
Total revenues	53,304,767	51,667,106
Expenses		
General government	16,369,822	15,481,747
Public safety	10,538,639	10,273,073
Public works	13,138,836	11,524,148
Parks and recreation	5,659,702	6,131,521
Community services and development	2,089,330	2,010,300
Total expenses	47,796,329	45,420,789
Change in net assets	\$ 5,508,438	\$ 6,246,317

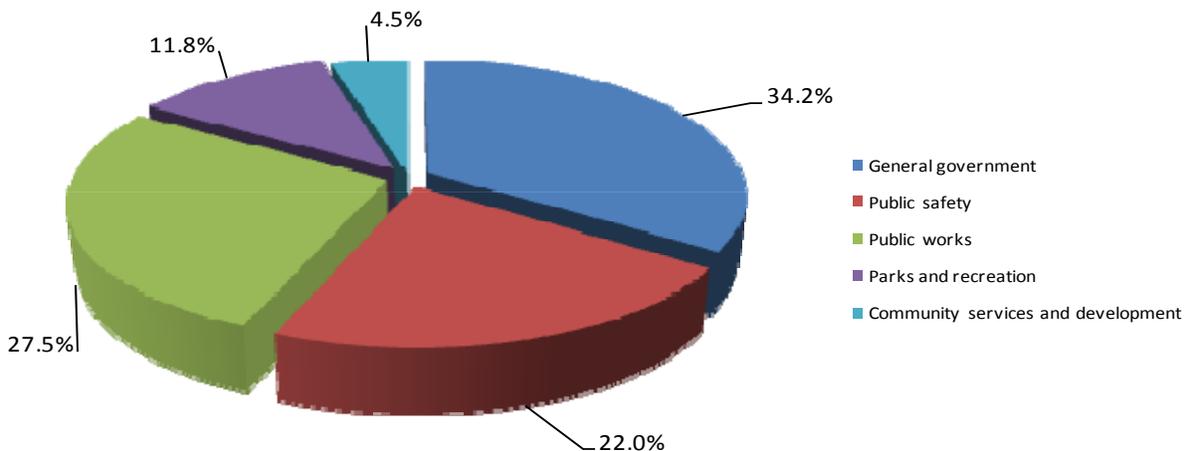
**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

**Figure 5 Sources of Revenues FY-2012
Governmental Activities - \$53.3 million**



The cost of governmental activities for FY 2012 was \$47.8 million. As the chart below indicates, General Government and Public Works are two of the largest programs; however, the highest priority is placed on Public Safety, for which current year expenses totaled \$10.9 million. Major cost increases in fiscal year 2012 were attributable to increases in speed camera processing fee, which was offset by the additional speed camera revenue, and additional costs incurred due to the filing of positions within the departments of Police and Public Works which had been held vacant during the economic downturn. Additionally, the City replaced a number of vehicles in the Police Department and Code Enforcement Division of Planning and Code Administration.

**Figure 6 Expenses FY-2012
Governmental Activities - \$47.8 million**



**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Activities

General revenues for the governmental activities were \$38.2 million, while total expenses, net of charges for services and grants and contribution, were \$32.7 million. The increase in net assets for governmental activities was \$5.5 million and can be largely attributed the following:

- Capital outlays of \$4.3 million offset by depreciation expense of \$3.4 million as accounted for in accordance with GASB 34, and
- 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 Taxes (\$9.5 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.

	2012			2011		
	Cost Of Services	Program Revenues	Net Cost Of Services	Cost Of Services	Program Revenues	Net Cost Of Services
General government	\$ 16,369,822	\$ 3,136,931	\$ (13,232,891)	\$ 15,481,747	\$ 2,808,890	\$ (12,672,857)
Public safety	10,538,639	4,842,574	(5,696,065)	10,273,073	3,944,317	(6,328,756)
Public works	13,138,836	3,111,564	(10,027,272)	11,524,148	2,118,700	(9,405,448)
Parks and recreation	5,659,702	3,520,020	(2,139,682)	6,131,521	3,293,405	(2,838,116)
Community services and development	2,089,330	524,026	(1,565,304)	2,010,300	1,403,131	(607,169)
Total	\$ 47,796,329	\$ 15,135,115	\$ (32,661,214)	\$ 45,420,789	\$ 13,568,443	\$ (31,852,346)

The cost of all governmental activities this year was \$47.8 million. Some of the cost of government activities was paid by those who directly benefited from the programs (\$13.1 million) and other governments organizations that subsidized certain programs with grants and contributions (\$2.0 million). Of the \$32.7 million net cost of services, the amount that our taxpayers paid for the activities through City property taxes was \$24.6 million.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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 \$80.8 million; an increase of \$8.0 million over last year's ending fund balance of \$72.8 million.

General Fund (Governmental): The general fund had less expenditures than revenues in 2012, thereby increasing total fund balance to \$52.1 million. It is important to note that the net change in fund balance is \$8.9 million. This figure is calculated on the modified accrual basis and is slightly different from the \$8.2 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 \$0.9 million decrease in fund balance. Capital Projects Funds' total fund balance of \$28.6 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 \$5.7 million, while actual expenditures and net transfers out were less than final budget by \$2.2 million. Actual expenditures of \$40.3 million were \$2.2 million less than budgeted due primarily to the concerted efforts of each department to generate savings as the instability of the housing markets continued to be an issue and the fact that the City did experience FY 2011 revenue shortfalls. The \$2.2M savings generated from unspent expenditures are to be carried forward to FY 2013.

The largest revenue source for the General Fund is City property tax. In FY 2012, property tax revenues of \$24.6 million represented 46 percent of total revenues for the General Fund, and were 1.4 percent less than the budget estimate for 2012. It is due to a development project budgeted for but did not begin construction until October 2012 (FY 2013).



**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Capital Asset and Debt Administration

Capital Assets

By the end of 2012, the City had invested \$99.5 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 \$3.4 million, while additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$4.3 million. More detailed information about capital assets can be found in Note 6 to the basic financial statements.

	Governmental Activities	
	2012	2011
Land	\$ 37,616,909	\$ 37,616,909
Buildings	20,961,937	21,662,250
Improvements other than buildings	4,397,807	3,239,583
Machinery and equipment	3,271,754	2,782,045
Infrastructure	31,194,757	32,385,723
Construction in progress	2,013,730	1,019,273
Total capital assets, net	\$ 99,456,894	\$ 98,705,783

The fiscal year 2012 capital projects spending amounted to \$6.3 million for capital projects, principally in the following areas: included the Senior Center renovation and equipment replacement, acquisition and renovation of the historical Budd Carr into museum space, City wide emergency efficiency upgrades, water park expansion, public safety cameras installed in Olde Towne and storm water management projects, street reconstruction and resurfacing.

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.

	Governmental Activities	
	2012	2011
Compensated absences:		
Vacation	\$ 1,281,140	\$ 1,236,000
Sick leave	838,030	739,631
	2,119,170	1,975,631
Net OPEB obligation	8,618,050	6,167,732
Total long-term debt	\$ 10,737,220	\$ 8,143,363

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Factors Bearing on the City's Future

The following economic factors are reflected in the City's FY 2013 budget:

- The City's economic projections in the FY 2013 budget are based on plans for projected development on the remaining amount of undeveloped land in the City. The city had development in the pipe line with an expectation of ground breaking in FY 2013. Due to some changes in the economy, we say an uptick in permits late FY 2012.
- As we go forward, maintaining property assessments at an increase, accounting for development projects underway 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 challenges that may adversely affect on our ability to fulfill all FY 2013 projections in revenue as well as in 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, 2012**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 605,288
Investments	84,114,469
Receivables:	
Due from other governments	3,621,172
Other, net	573,083
Inventory	65,972
Prepays	350,595
Capital assets:	
Land	37,616,909
Buildings	33,656,767
Improvements other than buildings	10,490,788
Machinery and equipment	12,771,312
Infrastructure	65,165,695
Construction-in-progress	2,013,730
Less: accumulated depreciation	<u>(62,258,307)</u>
Total assets	<u>188,787,473</u>
Liabilities	
Accounts payable	2,109,392
Due to other governments	56,423
Accrued liabilities	789,551
Deposits	2,317,519
Unearned revenue	1,194,059
Non-current liabilities:	
Due within one year:	
Accumulated unused compensated absences	590,410
Due in more than one year:	
Accumulated unused compensated absences	1,528,760
Other postemployment benefit liability	<u>8,618,050</u>
Total liabilities	<u>17,204,164</u>
Net Assets	
Invested in capital assets	99,456,894
Unrestricted	<u>72,126,415</u>
Total net assets	<u><u>\$ 171,583,309</u></u>

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Revenue And Changes In Net Assets
					Primary Governmental Activities
Governmental activities:					
General government	\$ 16,369,822	\$ 2,731,495	\$ 59,662	\$ 345,774	\$ (13,232,891)
Public safety	10,538,639	4,295,957	377,729	168,888	(5,696,065)
Public works	13,138,836	2,630,871	-	480,693	(10,027,272)
Parks and recreation	5,659,702	3,412,020	108,000	-	(2,139,682)
Community services and development	2,089,330	-	206,547	317,479	(1,565,304)
Total governmental activities	\$ 47,796,329	\$ 13,070,343	\$ 751,938	\$ 1,312,834	(32,661,214)
General revenues:					
Property tax					24,575,499
Franchise fees					689,385
Admissions, amusement, and hotel taxes					2,395,490
Intergovernmental not restricted to specific programs					9,986,624
Investment earnings					54,191
Miscellaneous revenues					468,463
Total general revenues					38,169,652
					Change in net assets
					5,508,438
Net assets:					
Beginning					166,074,871
Ending					\$ 171,583,309

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Balance Sheet – Governmental Funds
June 30, 2012**

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 605,288	\$ -	\$ 605,288
Investments	84,114,469	-	84,114,469
Prepays	350,595	-	350,595
Inventory	65,972	-	65,972
Due from other funds	-	29,256,130	29,256,130
Due from other governments	3,621,172	-	3,621,172
Other receivables	573,083	-	573,083
Total assets	\$ 89,330,579	\$ 29,256,130	\$ 118,586,709
Liabilities And Fund Balances			
Liabilities:			
Accounts payable	\$ 1,069,795	\$ 485,342	\$ 1,555,137
Accrued liabilities	662,427	127,124	789,551
Deposits	2,317,519	-	2,317,519
Deferred revenue	3,289,372	-	3,289,372
Due to other governments	56,423	-	56,423
Due to other funds	29,810,385	-	29,810,385
Total liabilities	37,205,921	612,466	37,818,387
Fund balances:			
Non-spendable	416,567	-	416,567
Committed	-	3,266,162	3,266,162
Assigned	11,081,062	25,377,502	36,458,564
Unassigned	40,627,029	-	40,627,029
Total fund balances	52,124,658	28,643,664	80,768,322
Total liabilities and fund balances	\$ 89,330,579	\$ 29,256,130	\$ 118,586,709

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Reconciliation Of The Balance Sheet Of Governmental Funds
To The Statement Of Net Assets
June 30, 2012**

Total fund balance – governmental funds		\$	80,768,322
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	\$	161,715,201	
Accumulated depreciation		<u>(62,258,307)</u>	99,456,894
Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
			2,095,313
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Net OPEB obligation		(8,618,050)	
Accumulated unused compensated absences		<u>(2,119,170)</u>	<u>(10,737,220)</u>
Net assets of governmental activities			<u>\$ 171,583,309</u>

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Statement Of Revenues, Expenditures, And Changes
In Fund Balances – Governmental Funds
Year Ended June 30, 2012**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes and special assessments	\$ 26,996,881	\$ -	\$ 26,996,881
Licenses and permits	4,968,781	-	4,968,781
Intergovernmental	12,637,614	-	12,637,614
Charges for services	5,393,662	-	5,393,662
Fines and forfeitures	3,424,352	-	3,424,352
Investment earnings	54,191	-	54,191
Miscellaneous	468,463	-	468,463
Total revenues	53,943,944	-	53,943,944
Expenditures:			
Current:			
General government	9,025,529	-	9,025,529
Public safety	10,944,777	-	10,944,777
Public works	8,087,831	-	8,087,831
Parks and recreation	6,338,094	-	6,338,094
Community services and development	2,089,330	-	2,089,330
Miscellaneous	3,223,589	-	3,223,589
Capital outlay	-	6,326,508	6,326,508
Total expenditures	39,709,150	6,326,508	46,035,658
Excess (deficiency) of revenues over expenditures	14,234,794	(6,326,508)	7,908,286
Other Financing Sources (Uses):			
Transfers in	-	5,437,130	5,437,130
Transfers out	(5,437,130)	-	(5,437,130)
Proceeds from sale of capital assets	82,075	-	82,075
Total other financing sources (uses)	(5,355,055)	5,437,130	82,075
Net change in fund balances	8,879,739	(889,378)	7,990,361
Fund Balance:			
Beginning	43,244,919	29,533,042	72,777,961
Ending	\$ 52,124,658	\$ 28,643,664	\$ 80,768,322

See Notes To Basic 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, 2012**

Total net change in fund balances – governmental funds \$ 7,990,361

Amounts reported for governmental activities in the statement of 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 estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period:

Capital outlays	\$ 4,347,937	
Depreciation	<u>(3,400,011)</u>	947,926

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 sold less any accumulated depreciation:

Asset disposals	(977,389)	
Accumulated depreciation	<u>780,574</u>	(196,815)

A certain amount of 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). (639,177)

In the statement of activities, OPEB costs are measured by the amounts earned during the year as actuarially computed. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Net assets differs from the change in fund balances by the amount of accrued OPEB benefits earned. (2,450,318)

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. (143,539)

Change in net assets of governmental activities \$ 5,508,438

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Statement Of Revenues, Expenditures, And Changes In Fund Balance –
Budget (Budgetary Basis) And Actual – General Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Positive (Negative)
	Original	Amended		
Revenues:				
Taxes and special assessments	\$ 26,500,000	\$ 26,500,000	\$ 26,996,881	\$ 496,881
Licenses and permits	3,008,100	3,008,100	4,968,781	1,960,681
Intergovernmental	10,593,002	10,593,002	12,637,614	2,044,612
Charges for services	5,103,530	5,103,530	5,393,662	290,132
Fines and forfeitures	1,249,500	1,249,500	3,424,352	2,174,852
Investment earnings	175,000	175,000	54,191	(120,809)
Miscellaneous	1,594,079	1,594,079	468,463	(1,125,616)
Total revenues	48,223,211	48,223,211	53,943,944	5,720,733
Expenditures:				
General government	10,105,004	9,951,054	9,182,020	769,034
Public safety	10,634,116	11,086,306	10,946,145	140,161
Public works	8,712,648	8,521,212	8,150,686	370,526
Parks and recreation	6,509,315	6,624,141	6,358,070	266,071
Community services and development	2,111,124	2,162,094	2,105,260	56,834
Miscellaneous	4,470,118	4,197,518	3,590,491	607,027
Total expenditures	42,542,325	42,542,325	40,332,672	2,209,653
Excess of revenues over expenditures	5,680,886	5,680,886	13,611,272	7,930,386
Other Financing Sources (Uses):				
Transfers out	(5,437,130)	(5,437,130)	(5,437,130)	-
Proceeds from sale of capital assets	-	-	37,075	37,075
	(5,437,130)	(5,437,130)	(5,400,055)	37,075
Net change in fund balance	\$ 243,756	\$ 243,756	8,211,217	\$ 7,967,461
Adjustments to conform with generally accepted accounting principles			668,522	
Fund Balance:				
Beginning			43,244,919	
Ending			<u>\$ 52,124,658</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Fiduciary Net Assets – Fiduciary Funds
June 30, 2012

	Pension Trust Funds	Private-Purpose Trust Fund	Agency Funds
Assets			
Investments:			
Open-end mutual funds	\$ 47,810,644	\$ -	\$ -
Certificate of deposit	-	13,552	-
Due from other funds	398,914	2,000	153,341
Total assets	<u>\$ 48,209,558</u>	<u>\$ 15,552</u>	<u>\$ 153,341</u>
Liabilities			
Deposits	\$ -	\$ -	<u>\$ 153,341</u>
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 48,209,558</u>	<u>\$ 15,552</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Statement Of Changes In Fiduciary Net Assets – Fiduciary Funds
Year Ended June 30, 2012**

	Pension Trust Funds	Private-Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 1,227,908	\$ -
Employer	2,918,460	-
Interest and gains	5,129	55
Other	154,737	-
Total additions	4,306,234	55
Deductions:		
Benefits and withdrawals	4,166,713	-
Change in net assets	139,521	55
Net Assets:		
Beginning	48,070,037	15,497
Ending	\$ 48,209,558	\$ 15,552

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 1. Overview And 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.

A. 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 that should be included in these basic financial statements.

B. 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.

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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

C. 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 are typically 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.

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 Fund: 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 Fund is included as such and accounts for the contributions made by the City and its employees to finance future pension payments.

Private-Purpose Trust Fund: 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 they 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 Fund: 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 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 Fund: 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.

Notes To Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

D. 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 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 the date of receipt. The City's tax rate for the collection year ended June 30, 2012, was \$.262 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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

E. Encumbrances

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

F. Use of Estimates

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.

G. 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.

H. Investments

General Fund, Pension Trust Fund, Private-Purpose Trust Fund, and Retiree Benefit Trust Fund investments are stated at fair value.

I. 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 as the basis and determination of the allowance for doubtful accounts. At June 30, 2012, the aggregate of property tax accounts, delinquent three years or more, was \$50,615. Receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received.

J. 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.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

L. 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

M. Deferred Revenues

Deferred revenues in the governmental funds represent amounts due that are measurable but not available, in the amount of \$2,095,313. The remaining amount of \$1,194,059 represents amounts received before June 30, 2012, for services to be provided by the City in fiscal year 2013.

N. 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 that 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 that 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 business-type activities are reported in the government-wide financial statements as "internal balances."

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.

Notes To Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

O. Compensated Absences

Full-time employees earn four hours of sick leave for each pay period of service. Sick leave may be accumulated with no maximum balance, and may be applied day-for-day in order to assist an employee in meeting the years of service retirement requirement. Upon retirement from service, the employee is paid for one quarter of their accumulated sick leave.

Employees earn annual vacation leave at the rate of 12 days per year for up to three years of service; 15 days per year for four to six years of service; 18 days per year for seven to nine years of service; 21 days per year for 10 to 12 years of service; and 24 days per year after 12 years of service. At the City Manager's discretion, employees may receive payment for unused vacation under unusual circumstances. All outstanding vacation, not to exceed 240 hours, is payable upon separation of service.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if it has matured, for example, as a result of employee retirements and resignations. As of June 30, 2012, no accumulated unpaid vacation or sick leave had matured, resulting in it being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

P. Fund Balance

Governmental fund types report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained. Restricted fund balance are amounts that are restricted to specific purposes when the constraints are externally imposed by creditors, grantors, contributors or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes. The City Council must approve a resolution in order to establish a fund balance commitment, as well as approve the elimination of a fund balance commitment. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and the Director of Finance and Administration have the authority to establish assignments of fund balance. Unassigned fund balance is the residual classification for the General Fund.

The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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, 2012, 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 Basic Financial Statements

Note 1. Overview And Summary Of Significant Accounting Policies (Continued)

R. Subsequent Events

The City evaluated subsequent events through October 17, 2012, which represents the date the financial statements were available to be issued.

Note 2. Stewardship, Compliance, And Accountability

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

- 1) Prior to May 2, the City Manager submits to the City Council a proposed operating and capital budget at the program level within each department for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed budgeted appropriations at the department level.
- 2) Public hearings are conducted at City Hall to obtain taxpayer comments.
- 3) Prior to July 1, the budget for the General Fund is legally enacted through passage of an ordinance.
- 4) The City Council is authorized to transfer budgeted amounts between programs and 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 25 percent.
- 5) 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.
- 6) 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 difference 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 they 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:

General Fund	Revenues	Expenditures And Encumbrances	Other Financing Sources (Uses)	Current Year Effect On Fund Balance
Budgetary basis	\$ 53,943,944	\$ 40,332,672	\$ (5,400,055)	\$ 8,211,217
Prior year encumbrances outstanding, 6/30/11	-	610,010	-	(610,010)
Current year encumbrances outstanding, 6/30/12	-	(1,278,532)	-	1,278,532
Proceeds from traded equipment	-	45,000	45,000	-
GAAP basis	\$ 53,943,944	\$ 39,709,150	\$ (5,355,055)	\$ 8,879,739

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 3. Cash And Investments

Deposits:

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2012, 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, 2012:

Investment Type	General	Trust	Private-Purpose
	Fund	Fund	Trust Fund
State Treasurer's Investment Pool	\$ 57,392,845	\$ -	\$ -
Montgomery County's General Investment Fund	26,404,008	-	-
Certificates of deposit	317,616	-	13,552
Open-end mutual funds	-	47,810,644	-
	<u>\$ 84,114,469</u>	<u>\$ 47,810,644</u>	<u>\$ 13,552</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 MLGIP is rated "AAA_m" 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 trusts are invested in pooled mutual funds, which are unrated. The City does not have a formal investment policy for credit risk.

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 primarily consist of money market funds. Investments in the Montgomery County General Investment Fund consist of various instruments with varying maturities, the majority of which are less than one year, with no maturities greater than two years. Certificates of deposit have maturities of less than one year. A portion of the trust fund mutual funds is 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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 3. Cash And Investments (Continued)

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, 2012. 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, 2012, consist of the following:

	General Fund	Capital Projects Fund	Total Governmental Activities
Due from other governments:			
County	\$ 171,478	\$ -	\$ 171,478
State	3,288,073	-	3,288,073
Federal	161,621	-	161,621
	<u>\$ 3,621,172</u>	<u>\$ -</u>	<u>\$ 3,621,172</u>
Other receivables:			
Cable TV fees	\$ 185,642	\$ -	\$ 185,642
Police tickets and fines	162,020	-	162,020
OPEB Trust reimbursement	61,853	-	61,853
Miscellaneous	163,568	-	163,568
	<u>\$ 573,083</u>	<u>\$ -</u>	<u>\$ 573,083</u>

Note 5. Inter-Fund Receivables, Payables, And Transfers

Inter-fund receivable and payable balances at June 30, 2012, are as follows:

Due From Fund	Due To Fund General Fund
Capital Projects Fund	\$ 29,256,130
Pension Trust Fund	398,914
Private-Purpose Trust Fund	2,000
Agency Fund	153,341
	<u>\$ 29,810,385</u>

The balance of \$29,256,130, due to the Capital Projects Fund from the General Fund, results from all operating cash and investments being reported in the General Fund to facilitate effective management of the City's resources. Remaining inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Inter-fund receivables and payables are non-interest-bearing and are normally settled in the subsequent period.

Inter-fund transfers for the year ended June 30, 2012, consisted of a transfer in the City's normal course of business from the General Fund to the Capital Projects Fund in the amount of \$5,437,130.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012, consisted of the following:

Governmental Activities	Balance, July 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2012
Capital assets not being depreciated:				
Land	\$ 37,616,909	\$ -	\$ -	\$ 37,616,909
Construction-in-progress	1,019,273	2,701,197	(1,706,740)	2,013,730
	<u>38,636,182</u>	<u>2,701,197</u>	<u>(1,706,740)</u>	<u>39,630,639</u>
Capital assets being depreciated:				
Buildings	33,492,739	164,028	-	33,656,767
Improvements other than buildings	8,957,093	1,533,695	-	10,490,788
Machinery and equipment	12,071,384	1,467,713	(767,785)	12,771,312
Infrastructure	65,187,255	14,999	(36,559)	65,165,695
	<u>119,708,471</u>	<u>3,180,435</u>	<u>(804,344)</u>	<u>122,084,562</u>
Less accumulated depreciation for:				
Buildings	(11,830,489)	(864,341)	-	(12,694,830)
Improvements other than buildings	(5,717,510)	(375,471)	-	(6,092,981)
Machinery and equipment	(9,289,339)	(977,976)	767,757	(9,499,558)
Infrastructure	(32,801,532)	(1,182,223)	12,817	(33,970,938)
	<u>(59,638,870)</u>	<u>(3,400,011)</u>	<u>780,574</u>	<u>(62,258,307)</u>
Capital assets, net	<u>\$ 98,705,783</u>	<u>\$ 2,481,621</u>	<u>\$ (1,730,510)</u>	<u>\$ 99,456,894</u>

Depreciation expense was charged to governmental functions for the year ended June 30, 2012, as follows:

General government	\$ 894,528
Public safety	379,454
Public works	1,743,360
Parks and recreation	382,669
	<u>\$ 3,400,011</u>

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 7. Long-Term Liabilities

At June 30, 2012, the City's long-term liabilities consist of accumulated unused compensated absences and other postemployment benefits liabilities. The 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, 2012:

	Balance, June 30, 2011	Additions	Deductions	Balance, June 30, 2012	Amounts Due Within One Year
Compensated absences:					
Vacation	\$ 1,236,000	\$ 212,124	\$ (166,984)	\$ 1,281,140	\$ 590,410
Sick leave	739,631	180,645	(82,246)	838,030	-
	<u>1,975,631</u>	<u>392,769</u>	<u>(249,230)</u>	<u>2,119,170</u>	<u>590,410</u>
OPEB liability					
	6,167,732	3,088,000	(637,682)	8,618,050	-
	<u>\$ 8,143,363</u>	<u>\$ 3,480,769</u>	<u>\$ (886,912)</u>	<u>\$ 10,737,220</u>	<u>\$ 590,410</u>

Note 8. Fund Balance

Governmental fund balances at June 30, 2012, are summarized as follows:

	General Fund	Capital Projects Fund
Non-spendable:		
Prepays	\$ 350,595	\$ -
Inventory	65,972	-
	<u>416,567</u>	<u>-</u>
Committed to:		
Capital projects	-	3,266,162
Assigned to:		
Vehicle and equipment replacement	7,695,765	-
Economic development	1,846,434	-
Self-insurance	179,050	-
Training	81,281	-
General government	643,489	-
Public safety	1,368	-
Public works	138,891	-
Parks and recreation	19,977	-
Community service	16,230	-
Other	458,577	-
Other capital projects	-	25,377,502
	<u>11,081,062</u>	<u>25,377,502</u>
Unassigned		
	40,627,029	-
Total fund balances	<u>\$ 52,124,658</u>	<u>\$ 28,643,664</u>

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 9. 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. These plans are further discussed in Notes 10 and 11.

The City does not produce separate comprehensive annual financial reports for either of these plans; as such, all required disclosures for the plans are included within this report and are as follows:

**Combining Statement Of Fiduciary Net Assets – Pension Trust Funds
June 30, 2012**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
Assets			
Investments:			
Open-end mutual funds	\$ 44,273,539	\$ 3,537,105	\$ 47,810,644
Due from other funds	398,914	-	398,914
Total assets	\$ 44,672,453	\$ 3,537,105	\$ 48,209,558
Net Assets			
Held in trust for pension benefits and other purposes	\$ 44,672,453	\$ 3,537,105	\$ 48,209,558

**Combining Statement Of Changes In Fiduciary Net Assets – Pension Trust Funds
Year Ended June 30, 2012**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
Additions:			
Contributions:			
Employee	\$ 1,227,908	\$ -	\$ 1,227,908
Employer	2,008,460	910,000	2,918,460
Interest and gains (losses)	(1,533)	6,662	5,129
Other	154,737	-	154,737
Total additions	3,389,572	916,662	4,306,234
Deductions:			
Benefits and withdrawals	3,800,982	365,731	4,166,713
Change in net assets	(411,410)	550,931	139,521
Net Assets:			
Beginning	45,083,861	2,986,176	48,070,037
Ending	\$ 44,672,451	\$ 3,537,107	\$ 48,209,558

Notes To Basic Financial Statements

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 percent 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 percent is also available for the eligible public safety and public works full-time employees since August 2005, with up to an additional 3 percent for these employees who also participate in the City's 457 plan. The amount of the City's covered payroll was \$15,747,350 and \$15,516,025, and its total payroll for all employees was \$20,010,629 and \$20,021,302, for the years ended June 30, 2012 and 2011, respectively. Required employer contributions of \$1,576,832 and \$1,550,884, or 10.0 percent of covered payroll, were made to the plan for the years ended June 30, 2012 and 2011, respectively. 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. Employees made contributions to the plan totaling \$1,078,859 and \$1,104,898, or 6.85 percent and 7.12 percent of covered payroll, for the years ended June 30, 2012 and 2011, respectively. The City will match employees' contributions in an amount equal to 60 percent of employees' contributions up to a maximum of five percent of the employees' annual salary. Required employer contributions of \$431,628 and \$434,126, or 2.74 percent and 2.80 percent of covered payroll, were made to the Plan for the years ended June 30, 2012 and 2011, respectively.

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 prescribe 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 Basic Financial Statements

Note 11. Postretirement Healthcare And Life Insurance

Plan description: 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 percent of the life insurance premiums and 85 percent 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 currently 42 eligible retirees 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 five percent 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 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 2012 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). The 115 Trust is reported by the City as a pension trust fund, the Retiree Benefit Trust Fund.

Funding policy: The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of not to exceed 30 years. The current ARC consisted of the normal cost of \$1,766,000 and the amortization of unfunded accrued liability of \$1,310,000 for a total current year required contribution of \$3,076,000.

Annual OPEB cost and net OPEB obligation: The City's annual other postemployment benefit (OPEB) cost (expense) and the net OPEB obligation are as follows:

Annual OPEB Cost (AOC)	
ARC	\$ 3,076,000
Less amortization of net OPEB obligation	(296,000)
Plus interest on net OPEB obligation	308,000
	<hr/>
Total AOC	\$ 3,088,000
	<hr/>
Net OPEB Obligation (NOO)	
Beginning of year NOO	\$ 6,167,732
Current year AOC	3,088,000
Employer contributions:	
Trust contribution	(910,000)
Implicit hidden subsidy payment to retirees	(92,000)
Reimbursement received from Trust for previous pay-as-you-go funding	364,318
	<hr/>
End of year net NOO	\$ 8,618,050

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 11. Postretirement Healthcare And Life Insurance (Continued)

Funded status and funding progress: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The City continues to maintain a partially funded status. The schedules of funding progress and employer contributions, presented as required supplementary information following the notes to the basic financial statements on page 51, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used include (a) overall rate of inflation of 2.5 percent; (b) a rate of return on the investment of 5.0 percent per year compounded annually; (c) projected salary increases of 3.5 percent compounded annually (used for amortization purposes); (d) annual medical and prescription drug trend rate of 8.0 percent initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.2 percent; (e) rates of mortality based upon RP-2000 Healthy Mortality Table; (f) termination of service rates based upon sex and length of service, equal to the decrements used in the June 30, 2011 valuation for the State of Maryland Employees' Pension System; and (g) claims costs based upon age-adjusted premiums for single or family coverage, with explicit costs ranging from \$5,412 to \$12,674, medical and drug costs ranging from \$5,469 to \$22,516, and dental costs ranging from \$603 to \$1,062. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 26 years for year ended June 30, 2012.

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.

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 2012, the City paid premiums of \$248,405 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 12 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 2012, the City paid premiums of \$318,410 to Montgomery County.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 13. Commitments And Contingencies

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 financial statements of the City.

Capital Projects: The City is committed under various contracts pertaining to street resurfacing, storm water management, traffic signalization, and other capital improvement program projects totaling \$3,266,162 at June 30, 2012. All contracts binding as of June 30, 2012, are appropriately included on the governmental funds' balance sheet as a commitment of fund balance for encumbrances in the Capital Projects Fund.

Grant Program: The City participates in a number of state- and federally-assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the current year. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 14. 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 its 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 its contribution to the purchase price;
- 2) The City will be paid an amount equal to the expenditures it paid for the design and renovations in the City use area and joint use areas; and
- 3) The City will be paid 30 percent of the proceeds that remain.

The City's share of the costs of acquiring and renovating the property is included in capital assets in the amount of \$907,120. The costs of operations of the senior citizens center are accounted for in the General Fund of the City.

Note 15. Conduit Debt Obligation

The total conduit debt outstanding at June 30, 2012, was \$137,445,000 and consists of the following:

The City issued Economic Development Revenue Bonds, Series 2009 A of \$16,000,000 and 2009 B of \$42,820,000, 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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 16. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2012, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City:

- GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the City beginning with its year ending June 30, 2013. This Statement requires governments to account for and report Service Concession Arrangements in the same manner by establishing recognition, measurement and disclosure requirements for both transferors and governmental operators.
- GASB Statement Number 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, will be effective for the City beginning with its year ending June 30, 2013. This Statement addresses reporting entity issues that have arisen since the issuance of GASB Statements No. 14 and No. 34 to improve financial reporting for a governmental financial reporting entity. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units. In addition, this Statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.
- GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its year ending June 30, 2013. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20 thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.
- GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the City beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, which introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Additionally, this Statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 16. New Governmental Accounting Standards Board (GASB) Standards (Continued)

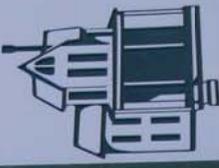
- GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending June 30, 2014. Concepts Statement No. 4, *Elements of Financial Statements* specified that the use of deferred outflows and inflows should be limited to instances identified in authoritative pronouncements. Consequently, this Statement provides guidance to define which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to definitions in Concepts Statement No. 4. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.
- GASB Statement Number 66, *Technical Corrections—2012*, will be effective for the City beginning with its year ending June 30, 2014. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the City beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25 and No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. It requires enhanced note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.
- GASB Statement No. 68, *Accounting for Pensions by State and Local Governmental Employers*, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27 and No. 50, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement calls for immediate recognition of more pension expense than is currently required. Cost – sharing employers will now be required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement will improve the comparability and consistency of how governments calculate the pension liabilities and expense. It also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.



Gaithersburg

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WELLS/ROBERTSON HOUSE



"A COMMUNITY EFFORT"

1 WELLS AVENUE



Required Supplemental Information Section



Gaithersburg
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City Of Gaithersburg, Maryland

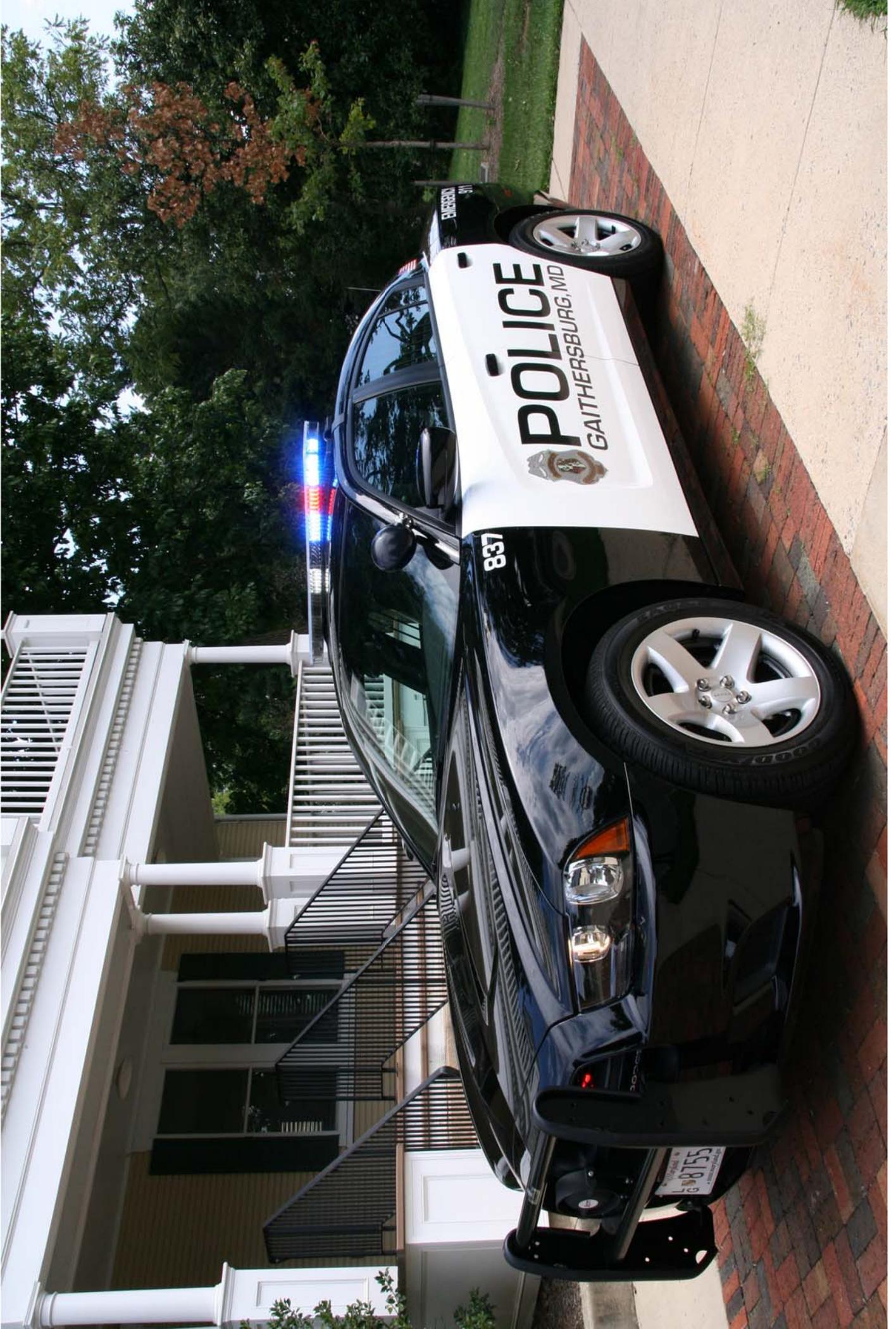
**Postretirement Healthcare And Insurance Plan – Required Supplementary Information
(Unaudited – See Accompanying Independent Auditor’s Report)**

Schedule Of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets a	Actuarial Accrued Liability (AAL) b	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL As A Percentage Of Covered Payroll [(b-a) / c]
July 1, 2009	\$ 2,200,000	\$ 24,884,000	\$ 22,684,000	8.84%	\$ 17,550,843	129.25%
July 1, 2010	2,250,000	22,836,000	20,586,000	9.85%	16,150,559	127.46%
July 1, 2011	2,986,000	30,249,000	27,263,000	9.87%	16,419,595	166.04%

Schedule Of Employer Contributions

Fiscal Years Ending June 30,	Annual Required Contribution	Actual Net Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 2,381,000	\$ 235,633	9.9%	\$ 4,225,121
2011	2,172,000	248,389	11.4%	6,167,732
2012	3,076,000	637,682	20.7%	8,618,050



POLICE
GAITHERSBURG, MD

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Supplemental Information Section



Gaithersburg
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City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund
 Year Ended June 30, 2012
 (With Comparative Totals For 2011)

	2012				2011 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Taxes and special assessments:					
Real estate taxes	\$ 23,300,000	\$ 23,300,000	\$ 23,554,844	\$ 254,844	\$ 23,426,285
Personal property taxes	900,000	900,000	1,403,863	503,863	1,483,870
Prior year's taxes	700,000	700,000	(435,366)	(1,135,366)	(45,259)
Penalties and interest	50,000	50,000	78,050	28,050	82,367
Admissions, amusement, and hotel tax	1,550,000	1,550,000	2,395,490	845,490	1,877,403
Total taxes and special assessments	26,500,000	26,500,000	26,996,881	496,881	26,824,666
Licenses and permits:					
Street permits	150,000	150,000	774,526	624,526	183,776
Telecommunications/utility permits	-	-	25,000	25,000	50,000
Amusement licenses	25,000	25,000	22,050	(2,950)	26,700
Traders licenses	100,000	100,000	130,612	30,612	153,815
Hawkers/peddlers licenses	2,500	2,500	11,450	8,950	9,000
Electricians licenses	30,000	30,000	66,060	36,060	41,800
Rental housing licenses	490,000	490,000	588,320	98,320	593,845
Rental license renewal late fee	1,000	1,000	-	(1,000)	-
Bus shelter franchise fee	21,000	21,000	15,329	(5,671)	17,828
CATV franchise	525,000	525,000	674,056	149,056	594,119
CATV PEG	60,000	60,000	48,260	(11,740)	53,774
Animal licenses	18,250	18,250	21,473	3,223	21,669
Pet shop/commercial kennel	250	250	1,000	750	1,000
Building permits	1,000,000	1,000,000	1,138,095	138,095	1,520,752
Electrical permits	100,000	100,000	166,903	66,903	201,629
Occupancy permits	75,000	75,000	92,435	17,435	118,005
Sign permits	10,000	10,000	19,321	9,321	18,044
Mechanical permits	60,000	60,000	114,864	54,864	156,124
Grading permits	100,000	100,000	240,618	140,618	226,915
On site improvements	100,000	100,000	445,890	345,890	165,937
Fire protection permits	125,000	125,000	236,799	111,799	227,404
Special events permits	15,000	15,000	14,110	(890)	19,670
Home occupation permits	100	100	60	(40)	200
Stormwater management permits	-	-	121,550	121,550	-
Total licenses and permits	3,008,100	3,008,100	4,968,781	1,960,681	4,402,006

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2012
 (With Comparative Totals For 2011)

	2012				2011 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Intergovernmental:					
State-shared taxes:					
Highway user	475,032	475,032	480,693	5,661	155,859
County grants and shared taxes:					
Financial corporations	2,645	2,645	2,645	-	2,645
County revenue sharing	992,750	992,750	1,045,654	52,904	1,045,654
Income tax	8,000,000	8,000,000	9,531,397	1,531,397	8,601,966
Homeless program	9,000	9,000	9,234	234	9,040
Nutrition program	34,000	34,000	45,358	11,358	47,094
Miscellaneous	3,600	3,600	7,500	3,900	4,662
State grants:					
Police	300,000	300,000	377,729	77,729	377,729
Homeless program	5,700	5,700	5,053	(647)	6,314
Arts	30,000	30,000	32,000	2,000	28,577
Department of Natural Resources	-	-	76,000	76,000	1,442
Water Park bond bill	205,000	205,000	-	(205,000)	-
Miscellaneous	-	-	33,906	33,906	27,664
Olde Towne revitalization	-	-	-	-	27,986
Capital grant - observatory	-	-	-	-	100,000
Federal grants:					
Community development	407,275	407,275	317,479	(89,796)	1,117,038
Transitional housing	128,000	128,000	130,087	2,087	127,201
Emergency efficiency and conservation	-	-	359,573	359,573	15,734
DOJ police equipment	-	-	168,888	168,888	-
FEMA	-	-	11,402	11,402	-
Miscellaneous	-	-	3,016	3,016	96,444
Total intergovernmental	10,593,002	10,593,002	12,637,614	2,044,612	11,793,049

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2012
 (With Comparative Totals For 2011)

	2012				2011 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Charges for services:					
Automation fee	200,000	200,000	-	(200,000)	-
Zoning fees	75,000	75,000	161,307	86,307	153,865
Casey Community Center	166,000	166,000	193,382	27,382	164,318
Pool	317,000	317,000	502,427	185,427	371,452
Gaithersburg Aquatic Center	225,000	225,000	143,478	(81,522)	287,881
Miniature golf revenue	110,000	110,000	108,293	(1,707)	123,940
Group picnics	52,000	52,000	50,229	(1,771)	52,768
Recreation fees	1,205,000	1,205,000	1,234,630	29,630	1,179,705
Winter Lights	235,000	235,000	237,342	2,342	230,449
Gaithersburg Arts Barn	206,500	206,500	256,787	50,287	104,515
Council of the arts	17,000	17,000	37,034	20,034	28,635
Gaithersburg Youth Center	78,000	78,000	13,057	(64,943)	57,859
Teen Center	23,000	23,000	23,047	47	21,793
Kentlands Mansion	140,000	140,000	137,298	(2,702)	137,354
Special events	69,000	69,000	60,858	(8,142)	79,665
Community events	12,000	12,000	2,935	(9,065)	1,011
Senior Center revenue	90,000	90,000	99,808	9,808	85,771
Stormwater management fees	95,000	95,000	59,000	(36,000)	161,633
Recycling collections	848,800	848,800	844,009	(4,791)	827,853
Rental – Senior Center	22,500	22,500	15,332	(7,168)	28,607
Membership fee – dog exercise	2,500	2,500	2,820	320	2,945
Activity Center programs	255,000	255,000	253,475	(1,525)	253,431
Food services	3,300	3,300	3,645	345	3,645
Skate park	45,000	45,000	24,853	(20,147)	30,917
Environmental fees	1,000	1,000	8,577	7,577	20,190
Water quality protection	609,930	609,930	919,759	309,829	591,403
Miscellaneous	-	-	280	280	370
Total charges for services	5,103,530	5,103,530	5,393,662	290,132	5,001,975
Fines and forfeitures:					
Ordinance fines	1,249,500	1,249,500	3,424,352	2,174,852	2,008,308

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2012
 (With Comparative Totals For 2011)

	2012			Variance With Amended Budget Positive (Negative)	2011 Actual
	Original Budget	Amended Budget	Actual		
Investment earnings	175,000	175,000	54,191	(120,809)	91,395
Miscellaneous revenue:					
Rents	137,429	137,429	130,336	(7,093)	143,935
Bus shelters	30,000	30,000	-	(30,000)	-
Sale of materials	10,000	10,000	9,252	(748)	16,748
Contributions	1,252,650	1,252,650	27,597	(1,225,053)	58,565
Vending machines	5,500	5,500	4,783	(717)	4,340
Passports	10,000	10,000	49,215	39,215	18,225
Escrow - developers	140,000	140,000	187,817	47,817	100,000
Community promotion	2,500	2,500	354	(2,146)	536
Expenditure reimbursement	1,000	1,000	26,209	25,209	29,042
Miscellaneous	5,000	5,000	32,900	27,900	27,778
Total miscellaneous	1,594,079	1,594,079	468,463	(1,125,616)	399,169
Total revenue – budgetary basis	\$ 48,223,211	\$ 48,223,211	53,943,944	\$ 5,720,733	50,520,568
Adjustments to conform with generally accepted accounting principles			-		-
Total revenue – GAAP basis			\$ 53,943,944		\$ 50,520,568

City Of Gaithersburg, Maryland

**Schedule Of Expenditures And Encumbrances – Budget And Actual
(Budgetary Basis) – General Fund
Year Ended June 30, 2012
(With Comparative Totals For 2011)**

	2012					2011
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)		2011 Actual
General government:						
Mayor and City Council	\$ 236,835	\$ 251,949	\$ 248,678	\$ 3,271		\$ 238,097
City Manager	481,709	471,709	451,817	19,892		364,611
Economic and community development	580,340	572,340	566,800	5,540		455,667
Environmental affairs	126,954	156,131	150,685	5,446		126,657
Registration and elections	42,000	43,594	42,090	1,504		-
Finance and administration	1,029,756	1,029,756	1,002,371	27,385		951,679
Legal	329,334	341,006	337,739	3,267		332,713
Planning	1,166,065	1,013,475	990,671	22,804		1,131,787
Information technology	1,118,171	1,188,034	1,151,326	36,708		1,016,184
Human resources	660,024	660,024	658,594	1,430		616,089
Housing and community development	283,279	283,279	282,059	1,220		304,624
General services	123,250	105,513	72,437	33,076		47,068
Facilities management	1,368,088	1,058,533	979,566	78,967		997,730
Building and grounds:						
City Hall	185,340	235,940	233,156	2,784		220,020
Police	63,115	70,115	65,690	4,425		60,425
Public services	97,875	135,275	131,453	3,822		127,747
Kentlands firehouse	320	420	190	230		119
Gaithersburg Arts Barn	64,400	82,180	75,685	6,495		79,260
Train station	26,148	29,148	22,631	6,517		24,040
Kentlands Mansion	36,660	45,660	34,763	10,897		76,337
Senior Center	48,927	90,427	88,096	2,331		67,116
Casey Community Center	110,175	170,925	166,695	4,230		127,492
Old Towne Pavilion	3,655	3,655	2,570	1,085		2,652
Teen Center	39,755	39,755	36,956	2,799		36,885
Activity Center at Bohrer Park	291,962	309,862	271,426	38,436		259,049
Water park	99,050	128,650	125,469	3,181		126,747
Miniature golf course	12,000	12,000	9,618	2,382		8,975
Skate park	3,316	3,741	3,439	302		2,997
Parking facility	103,500	131,000	127,365	3,635		134,655
Gaithersburg Youth Center	61,675	61,675	47,938	13,737		35,706
Miscellaneous	32,340	39,340	35,020	4,320		42,481
Public information	930,059	837,016	538,498	298,518		474,263
Cable television – Channel 54	348,927	348,927	230,529	118,398		242,723
Total general government	10,105,004	9,951,054	9,182,020	769,034		8,732,595

(Continued)

City Of Gaithersburg, Maryland

**Schedule Of Expenditures And Encumbrances – Budget And Actual
(Budgetary Basis) – General Fund (Continued)
Year Ended June 30, 2012
(With Comparative Totals For 2011)**

	2012				2011 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Public safety:					
Police	7,849,147	7,731,796	7,716,813	14,983	7,307,709
Building and code administration	2,076,003	2,535,213	2,462,584	72,629	2,113,513
Traffic engineering	231,803	231,803	187,359	44,444	192,822
Animal control	477,163	587,494	579,389	8,105	517,324
Total public safety	10,634,116	11,086,306	10,946,145	140,161	10,131,368
Public works:					
Public works administration	785,639	781,309	776,717	4,592	674,624
Municipal parks maintenance	1,640,936	1,598,070	1,589,251	8,819	1,765,481
Engineering services	380,127	380,127	344,976	35,151	323,804
Streets and special projects	1,229,466	1,068,258	1,011,162	57,096	1,125,120
Fleet maintenance	539,557	560,442	548,579	11,863	655,548
Street lighting	707,546	707,546	612,751	94,795	616,569
Landscaping and forestry	991,917	991,917	953,328	38,589	968,476
Mowing and bulk pick-up	1,751,692	1,747,775	1,702,031	45,744	1,651,864
Recycling	685,768	685,768	611,891	73,877	610,975
Total public works	8,712,648	8,521,212	8,150,686	370,526	8,392,461

(Continued)

City Of Gaithersburg, Maryland

**Schedule Of Expenditures And Encumbrances – Budget And Actual
(Budgetary Basis) – General Fund (Continued)
Year Ended June 30, 2012
(With Comparative Totals For 2011)**

	2012			Variance With Amended Budget Positive (Negative)	2011 Actual
	Original Budget	Amended Budget	Actual		
Parks, recreation and culture:					
Administration	714,030	666,355	605,203	61,152	585,246
Recreation programs and sports	756,380	789,119	776,303	12,816	744,193
Special events	708,952	773,539	764,780	8,759	698,845
Summer programs	521,500	556,428	544,298	12,130	527,568
Gaithersburg Youth Center	200,972	200,972	184,858	16,114	203,192
Skate park	48,046	48,046	34,254	13,792	29,242
Recreation classes	335,619	335,619	329,887	5,732	312,143
Casey Community Center	312,423	312,423	307,239	5,184	282,199
Water park	370,171	389,935	387,335	2,600	363,805
Aquatic facilities	298,664	223,589	189,877	33,712	268,666
Picnic pavilions	19,025	19,025	12,555	6,470	11,844
Gaithersburg Arts Barn	366,452	388,158	385,999	2,159	212,352
Kentlands Mansion	295,850	339,242	329,197	10,045	267,516
Winter Lights	142,186	157,186	145,328	11,858	104,849
Miniature golf course	112,411	106,606	93,994	12,612	72,438
Cultural arts programs	279,504	298,654	295,493	3,161	281,927
Youth services	374,543	381,361	374,391	6,970	384,811
Activities center at Bohrer park	392,941	388,046	370,699	17,347	380,081
Old Towne Youth Center	254,646	244,838	226,380	18,458	240,140
Food service	5,000	5,000	-	5,000	-
Total parks, recreation and culture	6,509,315	6,624,141	6,358,070	266,071	5,971,057
Community services and development:					
Senior program	574,203	605,173	575,826	29,347	522,328
Human services	1,082,818	1,077,180	1,063,793	13,387	1,041,567
Homeless assistance	454,103	479,741	465,641	14,100	445,325
Total community services and development	2,111,124	2,162,094	2,105,260	56,834	2,009,220
Miscellaneous:					
Contingency	700,000	569,724	14,655	555,069	36,013
Non-departmental	2,860,118	2,717,794	2,665,836	51,958	1,996,511
OPEB contribution	910,000	910,000	910,000	-	455,000
Total miscellaneous	4,470,118	4,197,518	3,590,491	607,027	2,487,524
Total expenditures and encumbrances – budgetary basis	\$ 42,542,325	\$ 42,542,325	40,332,672	\$ 2,209,653	37,724,225
Adjustments to conform with generally accepted accounting principles			(623,522)		116,533
Total expenditures – GAAP basis			\$ 39,709,150		\$ 37,840,758

City Of Gaithersburg, Maryland

**Statement Of Changes in Assets and Liabilities – Agency Fund
Year Ended June 30, 2012**

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Due from other funds	\$ 151,400	\$ 97,773	\$ (95,832)	\$ 153,341
Liabilities				
Deposits	\$ 151,400	\$ 97,773	\$ (95,832)	\$ 153,341

Statistical Section



Gaithersburg
A CHARACTER COUNTS! CITY

TABLE OF CONTENTS STATISTICAL SECTION

This part of the City of Gaithersburg, Maryland's Comprehensive Annual Financial Reports 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>Page(s)</u>
Financial Trends	56-62
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	63-67
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.	
Debt Capacity	68-69
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.	
Economic and Demographic Information	70-71
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	72-79
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



City of Gaithersburg, Maryland
 Net Assets by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets	\$ 99,456,894	\$ 98,705,783	\$ 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	72,126,415	67,369,088	59,946,586	59,499,836	56,869,084	50,679,018	49,091,738	41,301,909	39,171,939	37,736,850
Total Governmental/	\$ 171,583,309	\$ 166,074,871	\$ 159,828,554	\$ 160,807,950	\$ 157,948,086	\$ 152,914,279	\$ 152,477,481	\$ 146,391,398	\$ 143,532,073	\$ 140,327,465
Activities Net Assets										

City of Gaithersburg, Maryland
 Changes in Net Assets
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities:										
General Government	\$ 16,369,822	\$ 15,481,747	\$ 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	10,538,639	10,273,073	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	13,138,836	11,524,148	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	5,659,702	6,131,521	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	2,089,330	2,010,300	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
Total Governmental Activities Expenses	47,796,329	45,420,789	45,734,253	45,256,956	45,331,581	42,306,447	36,484,985	32,545,131	30,993,006	26,968,293
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,731,495	\$ 2,793,156	\$ 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	4,295,957	3,566,588	2,705,648	1,381,525	1,897,490	799,743	782,440	950,677	906,313	110,452
Public Works	2,630,871	1,834,855	1,527,357	1,400,167	1,631,297	1,333,515	1,375,813	999,598	738,210	899,183
Park, Recreation & Culture	3,412,020	3,263,386	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	751,938	709,575	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	1,312,834	1,400,883	464,815	2,206,960	2,696,447	2,364,816	2,386,066	2,789,941	3,794,716	5,485,835
Total Governmental Activities Program Revenues	\$ 15,135,115	\$ 13,568,443	\$ 12,157,529	\$ 10,909,761	\$ 12,699,390	\$ 10,887,059	\$ 10,744,021	\$ 10,950,935	\$ 10,507,386	\$ 13,015,437

Combining Miscellaneous Expenses with General Government beginning FY10

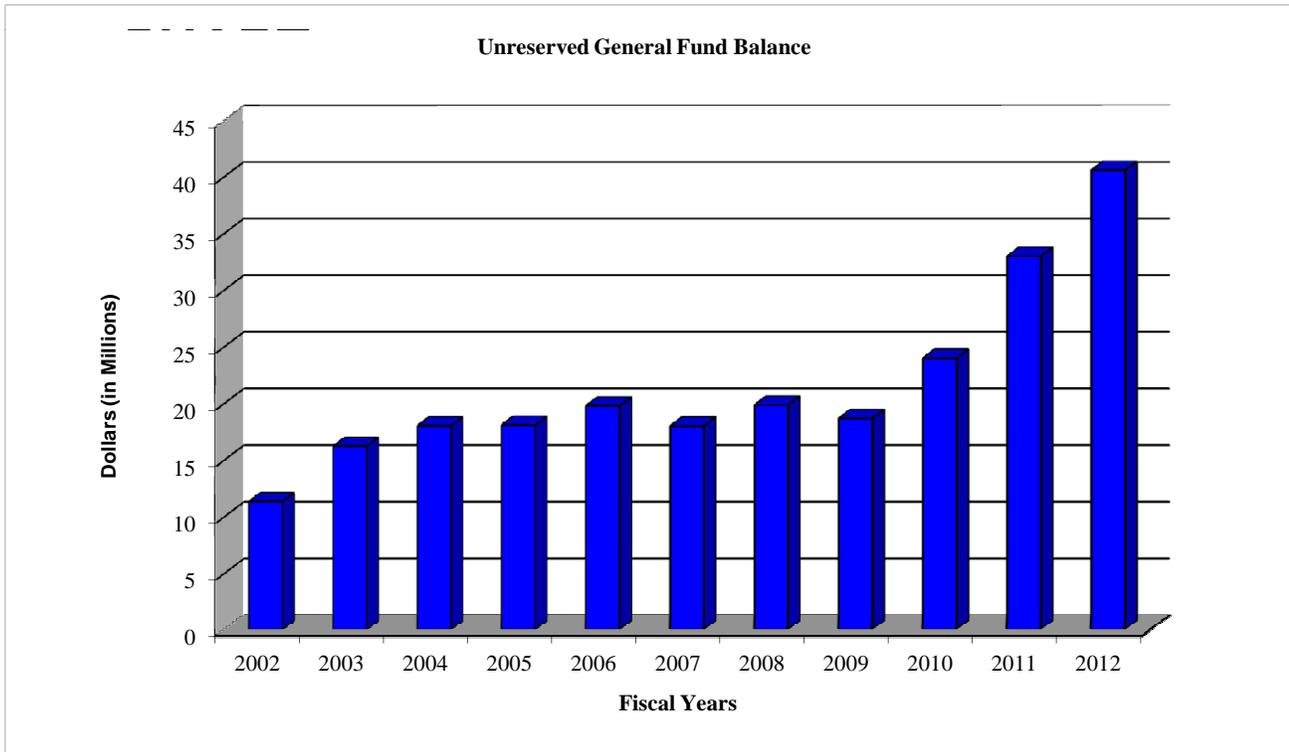
City of Gaithersburg, Maryland
Changes in Net Assets (continued)
 Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue										
Governmental Activities	\$ (32,661,214)	\$ (31,852,346)	\$ (33,576,724)	\$ (34,347,195)	\$ (32,632,191)	\$ (31,419,388)	\$ (25,740,964)	\$ (21,594,196)	\$ (19,765,620)	\$ (13,952,856)
Total Primary Government Net Expense	\$ (32,661,214)	\$ (31,852,346)	\$ (33,576,724)	\$ (34,347,195)	\$ (32,632,191)	\$ (31,419,388)	\$ (25,740,964)	\$ (21,594,196)	\$ (19,765,620)	\$ (13,952,856)
General Revenues										
Governmental Activities:										
Property Taxes	\$ 24,575,499	\$ 24,723,315	\$ 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	689,385	611,947	563,860	494,925	599,253	557,181	483,125	444,881	440,892	380,807
Admissions, Amusement, Hotel & Motel Tax	2,395,490	1,877,403	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	9,986,624	10,341,660	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	54,191	91,395	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	468,463	452,943	682,179	683,730	5,398,897	1,423,615	853,929	810,903	778,015	1,105,466
Total Governmental Activities General Revenues	\$ 38,169,652	\$ 38,098,663	\$ 32,597,328	\$ 35,670,512	\$ 37,665,998	\$ 31,856,186	\$ 29,181,753	\$ 24,453,521	\$ 22,970,228	\$ 21,251,942
Change in Net Assets	\$ 5,508,438	\$ 6,246,317	\$ (979,396)	\$ 1,323,317	\$ 5,033,807	\$ 436,798	\$ 3,440,789	\$ 2,859,325	\$ 3,204,608	\$ 7,299,086

City of Gaithersburg, Maryland
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

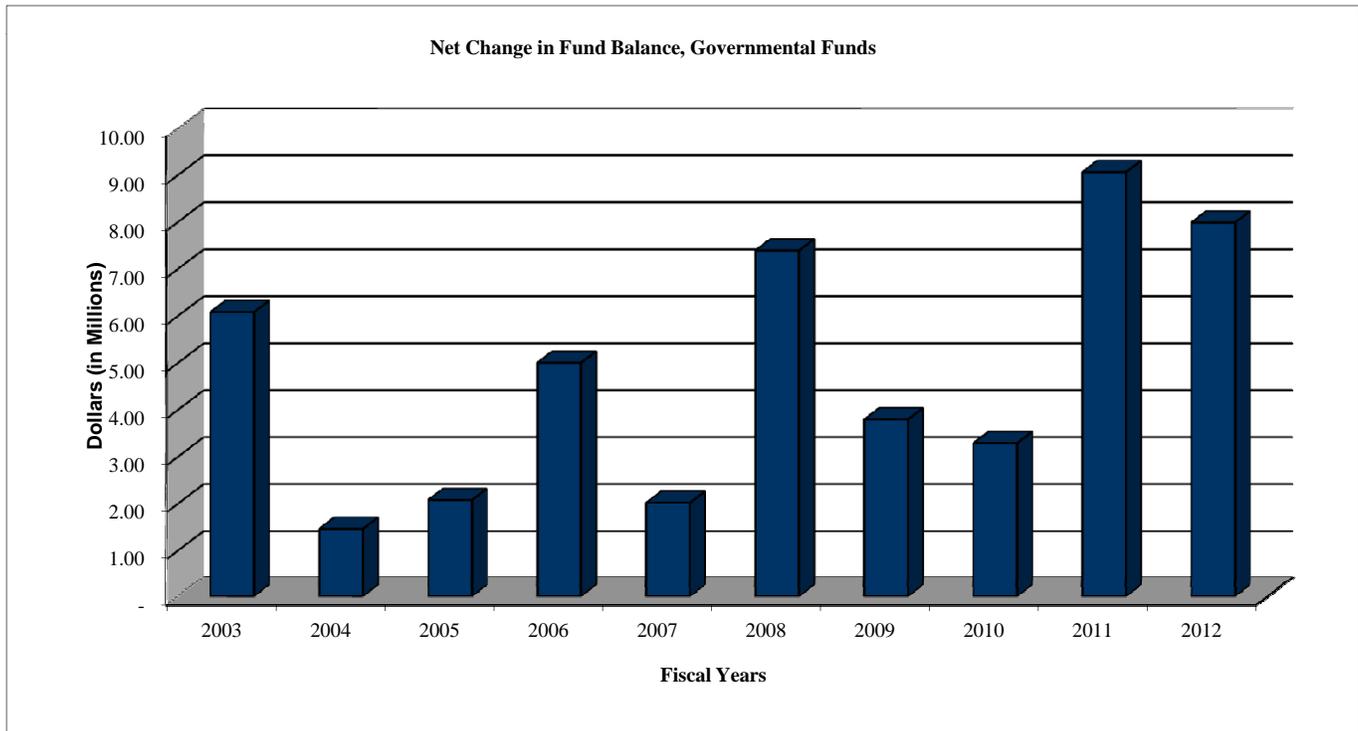
	2012	2011	2010	2009	2008
General Fund					
Reserved for Encumbrances and Other	\$ -	\$ -	\$ 8,954,030	\$ 12,431,003	\$ 11,224,516
Unreserved	-	-	24,039,806	18,723,646	19,902,437
Non-spendable *	416,567	142,809	-	-	-
Committed *	-	-	-	-	-
Assigned *	11,081,062	10,082,400	-	-	-
Unassigned *	40,627,029	33,019,710	-	-	-
Total General Fund	\$ 52,124,658	\$ 43,244,919	\$ 32,993,836	\$ 31,154,649	\$ 31,126,953
All Other Governmental Funds					
Reserved for Encumbrances	\$ -	\$ -	\$ 2,608,276	\$ 3,772,000	\$ 3,238,750
Committed	3,266,162	3,979,595	-	-	-
Assigned/Designated, Reported in:					
Capital Projects Funds	25,377,502	25,553,447	28,110,103	25,496,419	22,259,138
Total All Other Governmental Funds	28,643,664	29,533,042	30,718,379	29,268,419	25,497,888
Total Governmental Funds	\$ 80,768,322	\$ 72,777,961	\$ 63,712,215	\$ 60,423,068	\$ 56,624,841
 Unreserved General Fund Balance as a Percentage of Expenditures	107.4%	87.3%	61.2%	51.7%	59.5%

* Note - GASB Statement No. 54 altered the classification of governmental fund balances on a prospective basis effective with fiscal year 2011. Retroactive application was encouraged; however, information pertaining to prior years is not readily available. The objective of this statement is to more clearly define categories that reflect the nature and extent of constraints placed on the City's fund balances.



City of Gaithersburg, Maryland
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003
General Fund					
Reserved for Encumbrances and Other	10,629,786	\$ 12,437,949	\$ 12,934,815	\$ 10,068,026	\$ 9,544,154
Unreserved	18,055,440	19,827,024	18,148,339	18,076,256	16,271,512
Non-spendable *					
Committed *					
Assigned *					
Unassigned *					
Total General Fund	\$ 28,685,226	\$ 32,264,973	\$ 31,083,154	\$ 28,144,282	\$ 25,815,666
All Other Governmental Funds					
Reserved for Encumbrances	3,993,897	\$ 1,686,943	\$ 3,375,847	\$ 4,592,300	\$ 3,937,907
Committed					
Assigned/Designated, Reported in:					
Capital Projects Funds	16,549,764	13,255,730	7,741,939	7,383,977	8,899,014
Total All Other Governmental Funds	20,543,661	14,942,673	11,117,786	11,976,277	12,836,921
Total Governmental Funds	\$ 49,228,887	\$ 47,207,646	\$ 42,200,940	\$ 40,120,559	\$ 38,652,587
 Unreserved General Fund Balance as a Percentage of Expenditures	 61.3%	 71.7%	 69.7%	 73.2%	 62.4%



City of Gaithersburg, Maryland
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008
Revenues					
Taxes and special assessments	\$ 26,996,881	\$ 26,824,666	\$ 22,288,431	\$ 22,136,525	\$ 19,262,581
Licenses and Permits	4,968,781	4,348,232	3,298,308	2,887,975	3,006,104
Intergovernment	12,637,614	11,793,049	13,128,144	13,427,699	14,237,049
Charges for Services	5,393,662	5,001,975	4,693,924	4,496,354	4,652,709
Fines and Forfeitures	3,424,352	2,601,188	2,008,308	610,473	1,374,222
Investment earnings	54,191	91,395	135,532	930,421	2,212,859
Miscellaneous	468,463	452,943	682,179	683,730	5,472,964
<i>Total Revenues</i>	<u>\$ 53,943,944</u>	<u>\$ 51,113,448</u>	<u>\$ 46,234,826</u>	<u>\$ 45,173,177</u>	<u>\$ 50,218,488</u>
Expenditures					
Current:					
General Government	\$ 9,025,529	\$ 8,875,244	\$ 9,400,030	\$ 8,783,798	\$ 8,285,566
Public Safety	10,944,777	10,134,668	10,039,331	10,464,470	9,586,914
Public Works	8,087,831	8,369,405	9,270,532	8,626,303	6,668,288
Parks, Recreation and Culture	6,338,094	5,982,291	6,491,537	6,517,399	7,806,505
Community Services and Development*	2,089,330	2,010,300	2,074,583	2,052,646	2,081,517
Transfer to retiree benefit trust	910,000	455,000	-	455,000	401,000
Other	3,223,589	2,013,850	2,022,587	1,074,042	1,391,404
Capital Outlay	5,416,508	4,232,069	3,680,679	5,557,414	6,629,977
<i>Total Expenditures</i>	<u>\$ 46,035,658</u>	<u>\$ 42,072,827</u>	<u>\$ 42,979,279</u>	<u>\$ 43,531,072</u>	<u>\$ 42,851,171</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>\$ 7,908,286</u>	<u>\$ 9,040,621</u>	<u>\$ 3,255,547</u>	<u>\$ 1,642,105</u>	<u>\$ 7,367,317</u>
Other Financing Sources (Uses)					
Sales of capital assets	\$ 82,075	\$ 25,125	\$ 33,600	\$ 2,156,122	\$ 28,637
Transfers In	5,437,130	3,046,732	5,130,639	9,327,945	11,584,204
Transfers out	(5,437,130)	(3,046,732)	(5,130,639)	(9,327,945)	(11,584,204)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 82,075</u>	<u>\$ 25,125</u>	<u>\$ 33,600</u>	<u>\$ 2,156,122</u>	<u>\$ 28,637</u>
Adjustments to Reclassify Liabilities					
<i>Net Change in Fund Balances</i>	<u>\$ 7,990,361</u>	<u>\$ 9,065,746</u>	<u>\$ 3,289,147</u>	<u>\$ 3,798,227</u>	<u>\$ 7,395,954</u>

City of Gaithersburg, Maryland
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003
Revenues					
Taxes and special assessments	\$ 17,563,444	\$ 15,329,572	\$ 14,288,983	\$ 13,497,432	\$ 12,299,149
Licenses and Permits	2,350,832	2,839,355	3,546,026	2,846,186	2,393,830
Intergovernment	14,365,733	12,376,203	11,736,917	10,618,001	14,652,989
Charges for Services	4,421,041	4,255,294	3,851,601	3,653,432	3,664,998
Fines and Forfeitures	165,676	184,987	269,982	270,861	97,950
Investment earnings	2,627,160	1,925,574	870,163	424,765	527,717
Miscellaneous	1,421,317	853,929	810,903	2,958,632	1,105,466
Total Revenues	\$ 42,915,203	\$ 37,764,914	\$ 35,374,575	\$ 34,269,309	\$ 34,742,099
Expenditures					
Current:					
General Government	\$ 7,428,673	\$ 6,778,533	\$ 6,272,714	\$ 6,111,467	\$ 5,780,224
Public Safety	8,402,909	7,163,130	6,573,228	6,201,423	5,584,233
Public Works	6,339,144	5,492,217	5,051,478	5,059,108	4,777,453
Parks, Recreation and Culture	7,698,543	7,006,072	6,713,263	6,384,575	6,023,875
Community Services and Development	1,883,026	1,860,500	1,777,491	1,582,419	1,487,092
Transfer to retiree benefit trust	2,552,050	-	-	-	-
Other	1,693,749	1,168,328	1,283,143	681,245	1,039,064
Capital Outlay	4,914,067	5,401,735	6,049,046	6,796,200	3,985,566
Total Expenditures	\$ 40,912,161	\$ 34,870,515	\$ 33,720,363	\$ 32,816,437	\$ 28,677,507
Excess of Revenues Over (Under) Expenditures	\$ 2,003,042	\$ 2,894,399	\$ 1,654,212	\$ 1,452,872	\$ 6,064,592
Other Financing Sources (Uses)					
Sales of capital assets	\$ 18,199	\$ 2,112,309	\$ 426,169	\$ 15,100	\$ 18,450
Transfers In	10,515,055	9,226,622	5,190,555	3,920,537	4,444,911
Transfers out	(10,515,055)	(9,226,622)	(5,190,555)	(3,920,537)	(4,444,911)
Total Other Financing Sources (Uses)	\$ 18,199	\$ 2,112,309	\$ 426,169	\$ 15,100	\$ 18,450
Net Change in Fund Balances	\$ 2,021,241	\$ 5,006,708	\$ 2,080,381	\$ 1,467,972	\$ 6,083,042

City of Gaithersburg, Maryland
 Tax Revenues by Source, Governmental funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Year	Property Taxes	Hotel and Admissions and Amusement Taxes	Income Taxes	Total
2012	\$ 24,523,341	\$ 2,395,490	\$ 9,531,397	\$ 36,450,228
2011	24,864,896	1,877,403	8,601,966	35,344,265
2010	20,272,244	1,952,656	9,187,114	31,412,014
2009	20,336,651	1,718,650	8,787,635	30,842,936
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
Change 2003-2012	112.0%	256.1%	47.0%	94.7%

City of Gaithersburg, Maryland
 Assessed Valuation and Estimated Actual Values of Taxable Property
 Last Ten Fiscal Years

Year	Real Property	Personal Property	Corporate Personal Property	Total	Estimated Actual Values of Taxable Property	Percentage Of Change
2012	\$ 9,198,377,481	\$ 73,934,717	\$ 223,681,509	\$ 9,495,993,707	\$ 9,793,609,934	3.02%
2011	9,175,708,584	87,400,377	243,496,415	9,506,605,376	9,506,605,376	4.03%
2010	8,826,640,580	90,363,370	221,516,130	9,138,520,080	9,138,520,080	-0.02%
2009	8,822,557,075	88,708,679	229,259,434	9,140,525,188	9,140,525,188	11.0%
2009	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	12.0%
2007	7,029,366,190	96,571,060	228,289,623	7,354,226,873	7,354,226,873	0.3%
2006	7,010,239,417	95,085,977	224,084,580	7,329,409,974	7,329,409,974	36.0%
2005	6,435,021,700	107,679,883	225,612,110	6,768,313,693	5,388,270,239	11.2%
2004	5,005,439,589	111,987,078	221,531,600	5,338,958,267	4,844,344,068	5.2%
2003	4,464,294,558	116,466,561	225,771,450	4,806,532,569	4,602,994,028	4.4%

Property values are assessed at 100 percent.

** Source: MC detailed tax receivables report.

City of Gaithersburg, Maryland
Real Property Tax Levies And Collections
Last Ten Fiscal Years

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
2012	\$ 24,099,749	\$ 23,554,380	97.74 %	\$ (561,568)	\$ 22,992,812	95.41 %
2011	24,040,356	23,501,271	97.76	(248,398)	23,252,873	96.72
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

* "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 Nine Years Ago

2012		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
ARE LLC	\$ 180,545,866	1.96 %
Medimmune, Inc	162,807,567	1.77
Lake Forest Associates	112,689,600	1.23
Chi Two Washingtonian LLC ET AL	95,112,133	1.03
Federal Realty Investments TR	81,672,700	0.89
893 Clopper Road Investors Corp	79,328,166	0.86
Avalon II Maryland Value III LP	78,813,367	0.86
Saul Holdings LTD Partnership	74,568,800	0.81
SPUSV5 One Washingtonian LLC	71,651,100	0.78
Asbury Atlantic Inc	70,386,000	0.77
	\$ 1,007,575,299	10.95 %
<i>Total Assessed Valuation</i>	<i>\$ 9,198,377,481</i>	

2003		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Lake Forest Associates	\$ 128,109,700	2.87 %
Asbury Methodist Home, Inc	114,089,100	2.56
ARE - 19 Firstfield Road LLC	89,703,700	2.01
Washingtonian Associates LC	55,160,770	1.24
9801 Washington Office, Inc	52,612,300	1.18
Federal Realty Investment Trust	52,448,100	1.17
Saul Holding LP	50,837,640	1.14
Jamestown 17LP	45,153,600	1.01
IBM Corporation	44,253,300	0.99
893 Clopper road investors	42,814,500	0.96
	\$ 675,182,710	15.12 %
<i>Total Assessed Valuation</i>	<i>\$ 4,464,294,558</i>	

(1) Assessed valuation based on the valuation of property for taxes collected in 2012 and 2003 respectively, and a review of the 10 largest taxpayers for the City.

Property values are assessed at 100 percent.

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

Year	Direct Rate	Overlapping Rates			Total
	City of Gaithersburg	Montgomery County	State of Maryland	Service Areas & Transit	
2012	\$ 0.262	\$ 0.713	\$ 0.112	\$ 0.183	\$ 1.270
2011	0.262	0.699	0.112	0.135	1.208
2010	0.212	0.683	0.112	0.171	1.178
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

- 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.
 - Property values are assessed at 100 percent.

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

City of Gaithersburg, Maryland
 Computation of Direct and Overlapping Debt
 June 30, 2012

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City	Amount Applicable to City of Gaithersburg
Direct			
City of Gaithersburg	<u>\$ 0</u>	100.0%	<u>\$ 0</u>
Overlapping			
Montgomery County	<u>3,056,756,267</u>	5.7%	<u>173,351,986</u>
Total Direct and Overlapping Debt	<u><u>\$ 3,056,756,267</u></u>		<u><u>\$ 173,351,986</u></u>

Source: Montgomery County Department of Finance.

We take the accessible base of the City divided by the accessible base of the County to derive the percentage deemed to be overlapping. We feel this is a fair indicator of the tax impact on the residents of the City who are also residents of the County

City of Gaithersburg, Maryland
Computation of Legal Debt Margin
As of June 30, 2012

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

Year	(1) Population	Personal Income (\$ thousands)	(2) Per Capita Income	Median Age	(3) Montgomery County Avg. School Enrollment	(4) Montgomery County Unemployment Rate	%
2012	62,848	\$ 4,607,827	\$ 73,317	N/A	146,709	5.0	
2011	61,172	4,322,719	70,665	N/A	143,309	5.0	
2010	58,017	4,000,040	68,946	N/A	140,500	5.6	
2009	57,818	3,834,663	66,323	N/A	137,763	5.3	
2008	59,912	4,071,440	67,957	N/A	137,745	3.3	
2007	60,736	4,041,191	66,537	N/A	137,798	2.7	
2006	58,607	3,783,551	64,558	N/A	139,387	2.8	
2005	57,812	3,475,657	60,120	N/A	139,337	3.1	
2004	56,365	3,197,136	56,722	N/A	139,203	3.2	
2003	55,253	2,938,134	53,176	N/A	138,891	3.3	

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

(2) Montgomery County Department of Finance Demographic Stat.

(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, 2012

2012		
Employer	Employees	Percentage of Total City Employment
National Institute of Standards and Technology	2,222	0.42%
IBM	1,021	0.19%
Medimmune	1,100	0.21%
Sodexo USA	1,055	0.20%
Asbury Atlantic, Inc	850	0.16%
The Gazette Newspaper	350	0.07%
Gene Logic	380	0.07%
Broadsoft, Inc	290	0.05%
Digene	180	0.03%
Airline Foods	_____	0.00%
Total	<u>7,448</u>	<u>1.41%</u>
Total Montgomery County Civilian Labor Force	<u>527,829</u>	
(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, and company internet websites.

The City of Gaithersburg only started to keep track of this information beginning in FY 2008; 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

Function/Program	2012	2011	2010	2009	2008
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	2	2	2	2	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	4	4	5	5	5
Economic & Community Development	2	2	2	2	3
Environmental Affairs	1	1	1	2	2
Human Resources	5	5	5	5	4
Finance & Administration	8	7	7	6	6
Housing & Community Deve	1	1	1	1	-
Information Technology	9	8	8	8	7
Facilities Management	8	8	8	8	8
Buildings and Grounds	-	-	-	-	-
General Services	-	-	-	-	-
Public Information	6	4	4	4	4
Cable Television Channel 13	2	2	2	2	2
Planning	9	10	10	10	11
Public Safety					
Police Services	59	59	59	58	56
Code Administration	20	20	20	20	20
Traffic Engineering	2	2	2	2	2
Animal Control	5	5	5	4	4
Public Works					
Public Works Administration	5	5	5	5	5
Parks Maintenance Division	16	16	16	16	16
Streets & Special Projects	10	10	10	10	9
Fleet Maintenance	6	6	6	5	5
Landscaping & Forestry	13	13	13	13	13
Mowing & Bulk Pick-Up	19	19	20	20	19
Recycling	-	-	-	-	-
Engineering Services	2	2	2	2	2
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	4	5	5	5
Recreation Programs & Sports	5	5	5	5	5
Recreation Classes	1	1	1	1	1
Youth Services	3	3	3	3	3
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	1	1	1	1
Olde Towne Youth Center	1	1	1	1	1
Casey Community Center	2	2	2	2	2
Water Park	1	1	1	1	1
Gaithersburg Arts Barn	2	1	1	1	1
Kentlands Mansion	3	2	2	2	2
Cultural Arts Programs	1	1	1	1	1
Special Events	5	5	4	4	4
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	-	1	1	1	1
Miniature Golf Course	-	-	-	-	-
Activity Center	5	4	4	4	4
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development					
Seniors Program	5	5	5	5	5
Community Services	3	3	3	3	3
Homeless Assistance	3	3	3	3	3
Full-Time Employee Totals:	262.0	256.0	253.0	255.0	248.0
Employment Agreement Employee Totals:	4.8	6.8	8.3	8.4	10.6
Part-Time Employee Totals:	99.4	99.3	119.4	117.5	117.4
Total Employees	366.2	362.1	380.7	380.9	376.0

Source: City of Gaithersburg, Maryland 2003-2012 Adopted Budgets
 Method: Using 1.0 for each full-time employee (FTE).

City of Gaithersburg, Maryland
 Full-Time City Government Employees by Function/Program (continued)
 Last Ten Fiscal Years

Function/Program	2007	2006	2005	2004	2003
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	-	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	5	6	6	7	6
Economic & Community Development	3	2	2.5	2	2
Environmental Affairs	2	2	1.5	-	-
Human Resources	4	4	3	3	3
Finance & Administration	6	6	6	6	6
Housing & Community Deve	-	-	-	-	-
Information Technology	6	5	5	4	4
Facilities Management	7	5	5	4	5
Buildings and Grounds	-	2	2	2	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	2	3	3	3
Planning	11	12	11	11	11
Public Safety					
Police Services	51	47	45	41	39
Code Administration	19	15	17	17	17
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	4	4
Public Works					
Public Works Administration	5	5	5	7	6
Parks Maintenance Division	16	17	16	16	14
Streets & Special Projects	9	9	7	6	6
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	12	11	11	11	11
Mowing & Bulk Pick-Up	17	18	18	17	17
Recycling	-	-	-	-	-
Engineering Services	1	1	1	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	5	5	6	7
Recreation Programs & Sports	5	5	4	4	4
Recreation Classes	1	1	1	1	1
Youth Services	3	4	4	4	4
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	-	1	-	-
Olde Towne Youth Center	-	1	-	1	-
Casey Community Center	2	2	2	1	2
Water Park	1	1	1	2	1
Gaithersburg Arts Barn	2	1	1	1	1.5
Kentlands Mansion	2	2	2	4	1.5
Cultural Arts Programs	1	1	1	1	1
Special Events	4	4	4	-	4
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	1	1	1	2	1
Miniature Golf Course	-	-	-	-	-
Activity Center	4	4	4	-	2
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development					
Seniors Program	5	5	4	2	4
Human Services	3	3	3	2	2
Homeless Assistance	3	3	2	-	2
Full-Time Employee Totals:	236.0	228.0	221.0	209.0	208.0
Employment Agreement Employee Totals:	11.6	17.6	18.7	19.5	16.6
Part-Time Employee Totals:	115.8	113.4	108.6	105.3	102.2
Total Employees	363.4	359.0	348.3	333.8	326.8

Source: City of Gaithersburg, Maryland 2003-2012 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

Function/Program	2012	2011	2010	2009	2008
General Information					
Population	62,848	61,172	58,017	57,818	59,912
Registered Voters	31,137	28,539	28,115	25,469	25,469
General Government					
Commercial Construction Permits Issued	49	22	1	11	4
Residential Construction Permits Issued	111	152	125	72	89
Estimated Value of Construction	\$ 31,581,002	\$ 92,207,832	\$ 24,799,660	\$ 46,746,126	\$ 36,022,880
Transitional Housing to Permanent Housing	11	7	13	11	3
Public Safety					
Police Officers	52	46	52	53	49
Traffic Citations	9,359	8,356	7,858	8,085	5,966
Calls for Service	10,194	8,928	8,653	7,805	7,955
Fire Marshall Inspector	1	1	1	1	1
Animal Control Officers	4	4	4	3	3
Fire Marshall Inspections	1,001	1,684	1,291	1,262	979
Animal Licenses	2,882	2,838	2,596	2,508	2,467
Solid Waste					
Co-Mingled (tons)	3,117	3,343	3,171	2,474	907
Newspaper (tons)	N/A	N/A	N/A	N/A	1,432
Yard Waste (tons)	1,251	1,259	993	1,014	1,036

* 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

2007	2006	2005	2004	2003
60,736	58,607	57,812	56,365	55,253
27,725	25,936	25,936	25,936	25,936
7	9	17	11	13
126	134	94	77	273
\$ 30,177,912	\$ 40,815,382	\$ 74,313,532	\$ 25,020,215	\$ 38,415,978
6	8	6	8	9
46	45	43	39	36
6,803	7,818	7,066	4,699	8,733
11,956	17,844	30,995	28,643	24,431
1	1	1	1	1
3	3	3	3	3
1,094	1,527	1,302	2,118	2,313
2,477	2,454	2,472	2,624	2,498
579	804	972	745	831
1,449	1,407	2,013	1,812	1,873
934	902	1,322	1,322	888

City of Gaithersburg, Maryland
 Combined Schedule of Cash and Investments - by Financial Institution
 June 30, 2012

Description	Total
Bank of America	\$1,056,788
PNC Bank	\$149,567
PNC Bank Certificate of Deposit	\$317,616
Total Financial Institutions	\$1,523,971
Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow:	
General Fund	\$11,426
Pension Trust Fund	\$44,273,539
Retiree Benefit Trust Fund	\$3,537,105
Private-Purpose Trust Fund	\$13,552
Total Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow	\$47,835,622
Total Cash Deposits in Financial Institutions and on Hand	\$49,359,593
Investments, State Treasurer's Investment Pool	\$57,392,846
Montgomery County's General Investment Fund	\$26,404,008
Total Investments	\$83,796,854
Total Cash and Investments	\$133,156,447



City of Gaithersburg, Maryland
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	2012	2011	2010	2009	2008
General Information					
Area in Square Miles	10.33	10.33	10.33	10.33	10.33
Public Safety - Police					
Stations	1	1	1	1	1
Number of Patrol Units	73	66	63	63	58
Highways and Streets					
City Streets (miles)	92.56	90.51	87.95	87.95	87.95
County Streets (miles)	6.72	6.72	6.06	6.06	6.06
State Streets (miles)	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	1.93	2.08	3.98	3.98	3.98
Street Lights (City Maint.)	4,115	4,115	4,367	4,377	4,368
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	14
Mansion	1 **	1 **	1 **		

* The number of patrol units show in FY 2009 - FY2010 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

2007	2006	2005	2004	2003
10.33	10.04	10.04	10.01	10.01
1	1	1	1	1
46	57	50	47	47
87.95	87.95	88.24	87.61	84.92
6.06	5.75	5.34	5.34	5.32
17.54	17.54	17.54	17.54	17.61
3.98	3.98	4.28	4.93	4.93
4,323	3,550	3,350	3,150	2,950
853.48	853.48	853.48	853.48	853.48
25	25	25	24	23
1	1	1	1	-
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
5	5	4	4	4
1	1	1	1	1
14	12	12	12	12

City of Gaithersburg, Maryland
Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Capital Projects
From Project Inception Through June 30, 2012

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
CITY FACILITY:				
70-2	City Hall	\$ 4,423,852	\$ 4,416,263	\$ 7,589
72-2	Public Service Facility	3,692,630	3,693,597	(967)
93-1	Technology Projects	5,565,854	3,840,494	1,725,360
98-1	Facilities Projects	3,203,320	2,357,418	845,902
01-2	Kentlands Mansion	1,144,473	858,863	285,610
02-1	Kentlands Firehouse	43,525	41,836	1,689
07-1	Emergency Preparedness	180,000	135,327	44,673
09-1	Police Station Improvement	123,037	11,397	111,640
10-1	Energy Efficiency and Conservation	628,000	599,907	28,093
	Total City Facility	<u>19,004,691</u>	<u>15,955,102</u>	<u>3,049,589</u>
COMMUNITY ENHANCEMENT				
71-2	Street Lighting	2,591,406	1,879,677	711,729
79-5	Olde Towne Revitalization	3,353,523	3,096,591	256,932
81-4	Property Acquisition and Disposition	14,411,543	14,359,899	51,644
99-4	Olde Towne Park Bell Tower	190,216	190,216	-
99-4A	Olde Towne Park Plaza	1,569,784	5,147	1,564,637
00-1	Y Site Development	13,131,052	12,901,874	229,178
04-1	Community Development Block Grant - HUD	1,426,163	1,399,386	26,777
09-2	Historic Preservation at Crown Farm	70,000	-	70,000
09-4	Rolling Stock Project	1,408,061	1,156,048	252,013
00-0	Contingency and Future Projects	1,949,979	1,951,719	(1,740)
	Total Community Enhancement	<u>40,101,727</u>	<u>36,940,557</u>	<u>3,161,170</u>
TRANSPORTATION/ENVIRONMENT				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	2,694,016	2,090,435	603,581
82-1	Stormwater Management and Storm Drainage	10,873,037	8,666,457	2,206,580
83-1	Street Resurfacing	17,292,370	16,843,732	448,638
91-3	Street Reconstruction	7,332,711	6,783,834	548,877
92-2	Traffic Calming and Signalization	1,407,535	1,283,630	123,905
98-7	Transit Enhancements	268,800	220,805	47,995
99-1	North Frederick Avenue Corridor Plan Implementation	165,000	125,457	39,543
07-2	Teachers Way	2,200,400	588,072	1,612,328
	Total Transportation/Environment	<u>42,233,869</u>	<u>36,602,422</u>	<u>5,631,447</u>
RECREATION/LEISURE				
83-2	Bohrer Park at Summit Hall Farm	\$ 14,112,792	\$ 14,025,405	\$ 87,387
98-4	Art In Public Places	571,509	337,553	233,956
00-4	Renovation/Improvements Of Existing Parks	790,086	661,319	128,767
02-2	Parks and Facility Signage	96,819	96,819	-
03-1	Gaithersburg Aquatic/Recreation Center	12,349,331	706,321	11,643,010
09-3	Gaithersburg Senior Center	2,989,040	133,488	2,855,552
	Total Recreation/Leisure	<u>30,909,577</u>	<u>15,960,905</u>	<u>14,948,672</u>
	Grand Total	<u>\$ 132,249,864</u>	<u>\$ 105,458,986</u>	<u>\$ 26,790,878</u>

Single Audit Section



Gaithersburg
A CHARACTER COUNTS! CITY



**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**

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

We have audited the financial statements of City of Gaithersburg, Maryland (the City) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. 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

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

A 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 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.

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, the Mayor and City Council, others within the City, and 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.

McGladrey LLP

Frederick, Maryland
October 17, 2012



**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**

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

Compliance

We have audited City of Gaithersburg, Maryland's (the City) compliance with the types of compliance requirements described in OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2012. 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance 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, 2012.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program to determine the 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 the City's management, the Mayor and City Council, 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.

McGladrey LLP

Frederick, Maryland
October 17, 2012

City Of Gaithersburg, Maryland

**Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2012**

Program	CFDA Number	Pass-Through Entity Identifying Number	FY12 Revenue Recognized & Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 54,483
Supportive Housing for Persons with Disabilities	14.181	N/A	<u>75,605</u>
Total for Supportive Housing for Persons with Disabilities			<u>130,088</u>
Community Development Block Grant	14.218	N/A	272,519
Community Development Block Grant	14.218	N/A	<u>44,961</u>
Total for Community Development Block Grant			<u>317,480</u>
Total for U.S. Department of Housing and Urban Development			 <u>447,568</u>
U.S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,015</u>
COPS Program	16.710	N/A	<u>168,888</u>
Total for U.S. Department of Justice			 <u>171,903</u>
U.S. Department of Energy			
Direct Program:			
Energy Efficiency and Conservation Block Grant – ARRA	81.128	N/A	<u>345,773</u>
U.S. Department of Homeland Security			
Passed through Montgomery County, Maryland:			
Disaster Grants - Public Assistance	97.036		<u>11,402</u>
Homeland Security Grant Program	97.067		<u>13,799</u>
Total for U.S. Department of Homeland Security			 <u>25,201</u>
Total Expenditures of Federal Awards			 <u><u>\$ 990,445</u></u>

See Notes To Schedule Of Expenditures Of Federal Awards.

City Of Gaithersburg, Maryland

Notes To The Schedule Of Expenditures Of Federal Awards

Note 1. Single Audit Overview

The Single Audit is the performance of a uniform audit of all 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, 2012.

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. Subgrantees

The Community Development Block Grant program has subgrantees that received \$49,725 in subawards during the year ended June 30, 2012.

City Of Gaithersburg, Maryland

**Schedule Of Findings And Questioned Costs
Year Ended June 30, 2012**

Section I. Summary Of 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 weakness(es)? Yes X None Reported

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 weakness(es)? Yes X None Reported

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

Identification of major programs:

<u>CFDA Number(s)</u> 81.128	<u>Name of Federal Program or Cluster</u> Energy Efficiency and Conservation Block Grant – ARRA
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II. Financial Statement Findings

No matters were reported.

Section III. Findings And Questioned Costs For Federal Awards

No matters were reported.

City Of Gaithersburg, Maryland

**Summary Schedule Of Prior Audit Findings
Year Ended June 30, 2012**

No matters were reported in the prior year.

Comprehensive Annual Financial Report

City of Gaithersburg, MD
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