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City of Gaithersburg, MD
**Comprehensive
Annual
Financial Report**

**For the Fiscal Year Ended
June 30, 2013**



Gaithersburg
A CHARACTER COUNTS! CITY

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

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, 2013**

MAYOR

Sidney A. Katz

**COUNCIL
MEMBERS**

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

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 2013
July 1, 2012 – June 30, 2013**

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 Zelava-Castillo, Accounting Specialist

Wesley Rhodes, Procurement Officer

Anita Smith, Staff Accountant

Brittany Saravia, Administrative Assistant

Betty Woods, Senior Accounting Technician

Louise Kauffmann, Housing and Community Development
Director

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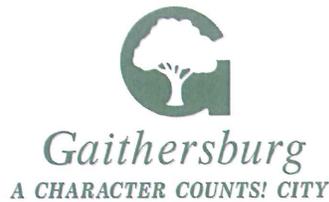
Introductory Section



Gaithersburg
A CHARACTER COUNTS! CITY



Kentlands Mansion



October 24, 2013

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, 2013.

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, 2013 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, 2013 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 2013 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
Henry F. Marraffa, Jr.
Michael A. Sesma
Ryan Spiegel

ACTING CITY MANAGER
Tony Tomasello

To the Mayor and City Council
To the Residents of the City of Gaithersburg, Maryland
Page 2 of 4
October 24, 2013

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 10.37 square miles, with a population of 63,842 as of July 2013.

In 2013, Bethesda-Gaithersburg-Frederick corridor was number one on a list of "Most Secure Places to Live" in the large metropolitan category (population of 500,000+) in a national study conducted by Farmers Insurance Group.

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, Sedexo Inc. re-signed the lease on its Gaithersburg North American headquarters building, and we were recently informed that Emergent BioSolutions is relocating its headquarters to Gaithersburg.

Due to the current economy, real property tax revenue posted a moderate increase, resulting in an overall increase to total revenues for fiscal year 2013. 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 few years, the City has made a concerted effort to lessen the effect of waning state and federal revenue.

MAJOR INITIATIVES

In preparing the FY 2013 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:

- Provide the highest levels of resident, visitor and business services through the continual enhancement of administrative and support functions.
- Ensure effective and consistent communication activities with residents, businesses and visitors.
- Strengthen the community by caring for the needs and safety of all City residents through the support of area nonprofits and schools.
- Actively pursue economic and business development strategies to support a growing and sustainable economic base.
- Maintain and improve the City's existing infrastructure, public facilities and capital assets in a sustainable, cost-effective manner.
- Provide quality parks, well-planned, sustainable facilities, and diverse cultural, artistic and recreational opportunities for all ages and interests.
- Ensure all planning and development be built and maintained in a high quality manner that utilizes sustainable principles to maintain the high quality of life.
- Safeguard the lives of those within the City, enforce the laws and ordinances of the State of Maryland and the City of Gaithersburg, protect property
- Meet the needs of the City in a manner that accurately reflects the community's desire for social equity, environmental health, and economic prosperity.
- Implement transportation planning and management strategies to provide for a safe and convenient multi-modal transportation system.

The largest capital projects are the construction of a new street, Teachers Way (\$2.6mm); renovation and upgrade of a train car museum – Rolling Stock (\$280k); construction, retrofit and stream restorations of stormwater management projects (\$565k); and major street reconstruction projects and street resurfacing projects (\$2.7mm). Parenthetical figures represent Fiscal Year 2013 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, 2012. 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 35 consecutive years (fiscal years 1978-2012). 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, 2012. 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 tenth consecutive year (fiscal years 2003-2012). 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
City Manager



Harold W. Belton, CGFM
Director of Finance and Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

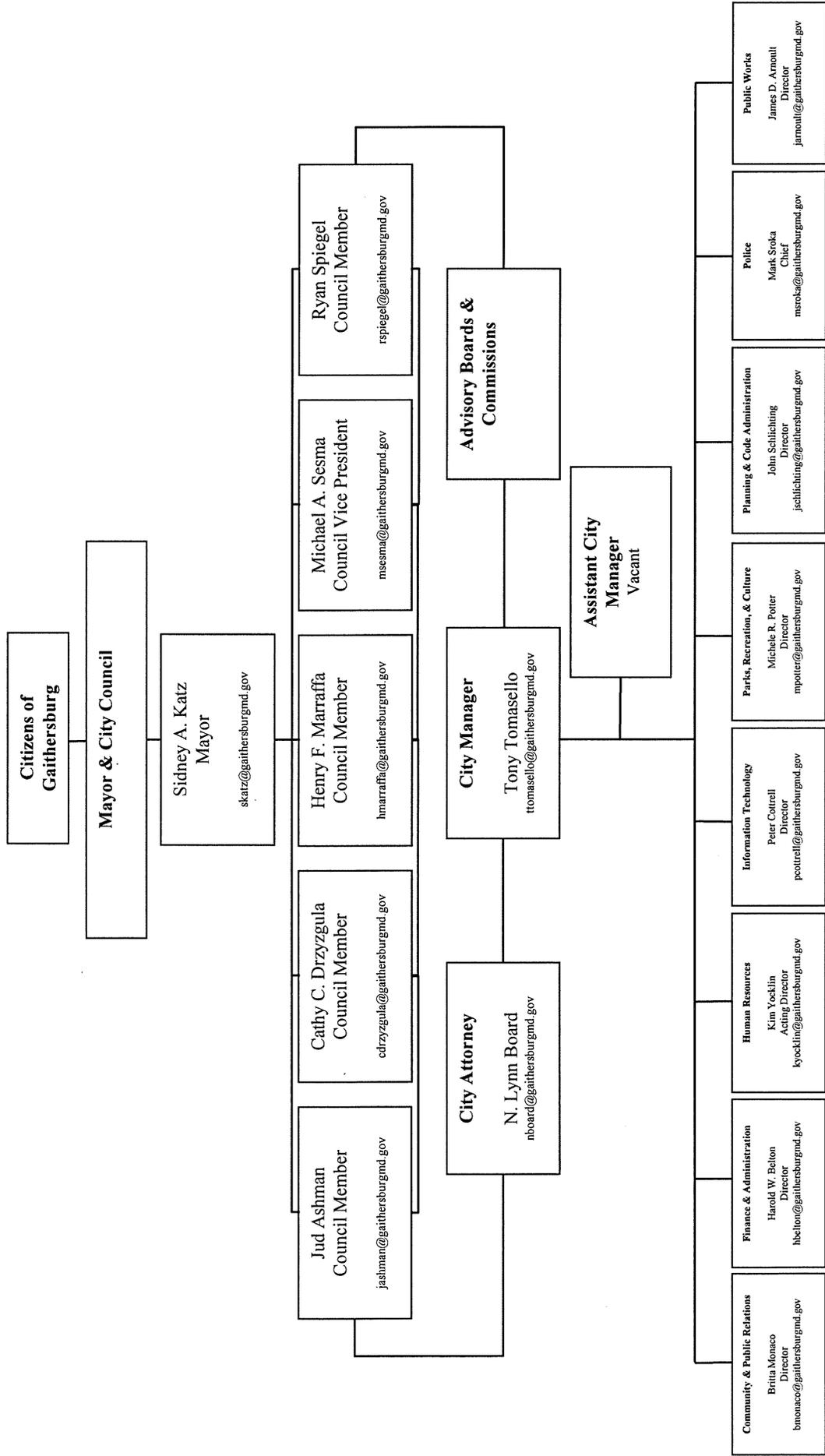
**City of Gaithersburg
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Gaithersburg



Financial Section



Gaithersburg
A CHARACTER COUNTS! CITY



Wells/Robertson House



Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 19 and the Required Supplementary Information Postretirement Healthcare And Insurance Plan – Schedules Of Funding Progress And Employer Contributions on page 48 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

The schedules and information discussed in the preceding paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McGladrey LLP

Frederick, Maryland
October 24, 2013

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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, 2013. 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 2013

- The City's government-wide net position increased by \$9.1 million.
- The General Fund, on a current financial resource basis, reported an excess of revenues over expenditures and other financing sources and uses of \$14.1 million after making a \$4.0 million transfer to the Capital Projects Fund.
- The City's financial position improved over the past year. Total governmental funds' fund balance increased by 17.5% to \$94.9 million.
- Interest income increased from \$54 thousand to \$114 thousand, as a result of financial market conditions.
- Capital Projects Fund expenditures of \$3.9 million included the Senior Center renovation and equipment replacement, renovation of the historical Budd Carr into museum space, water park expansion, and storm water management projects, street construction 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 Position 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.

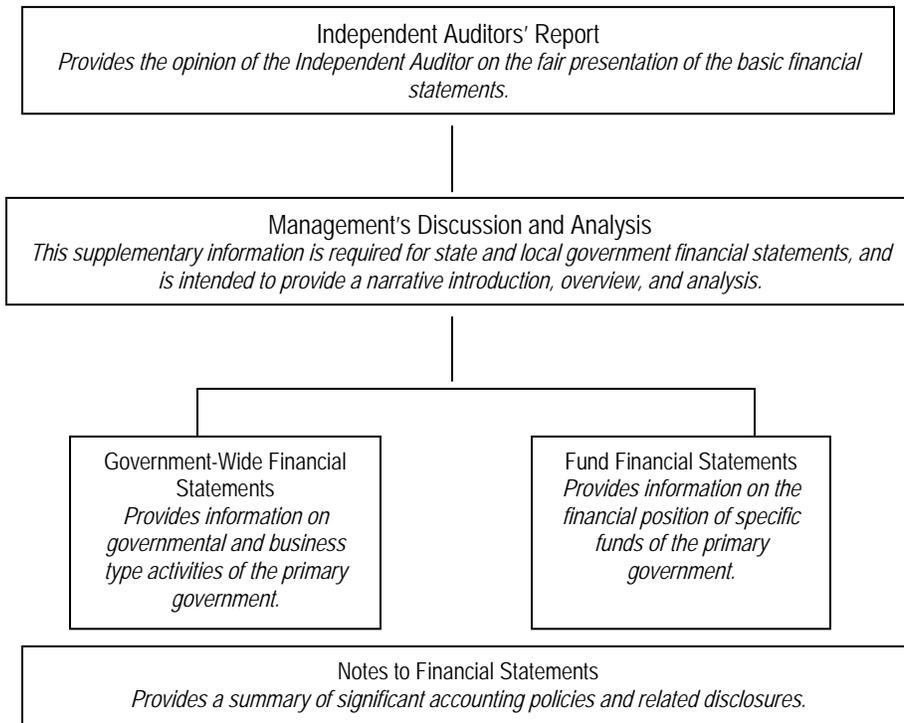
The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the 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, 2013**

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, 2013**

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 position • 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 position • Statement of changes in fiduciary net position
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, 2013

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 position 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 position.

- Over time, increases or decreases in the system's net position 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 are 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 position 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, 2013**

Financial Analysis of the City as a Whole

Statement of Net Position: The following table presents a summary of the Statement of Net Position for the City as of June 30, 2013 with a FY 2012 comparative analysis:

	Governmental Activities	
	2013	2012
Figure 3		
Condensed Statement of Net Position		
Current and other assets	\$ 101,835,868	\$ 89,330,579
Capital assets	96,693,648	99,456,894
Total assets	198,529,516	188,787,473
Long-term liabilities outstanding	13,709,721	10,737,220
Other liabilities	4,120,880	6,466,944
Total liabilities	17,830,601	17,204,164
Net position		
Invested in capital assets	96,693,648	99,456,894
Unrestricted	84,005,267	72,126,415
Total net position	\$ 180,698,915	\$ 171,583,309

The City's assets exceeded its liabilities at the close of FY 2013 by \$180.7 million. By far the largest portion of the City's net position 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 \$57.7 million. Local property taxes funding amounted to \$23.3 million; intergovernmental funding, \$10.2 million; charges for services, \$13.3 million; operating grants and contributions, \$2.0 million; and capital grants and contributions, \$0.9 million. The remaining \$8 million primarily came from admission and amusement and hotel and motel taxes, and franchise fees.

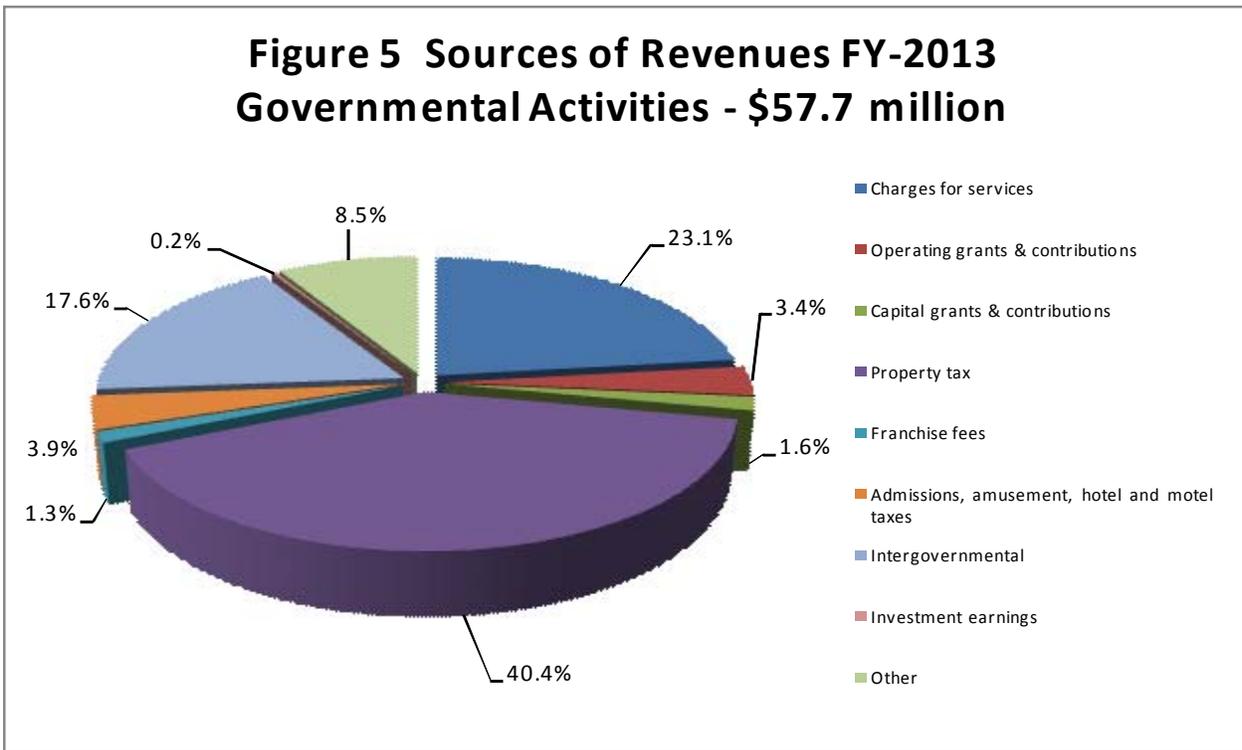
**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

**Figure 4
Condensed Statement of Activities**

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 13,336,028	\$ 13,070,343
Operating grants & contributions	1,981,372	751,938
Capital grants & contributions	917,287	1,312,834
General revenues:		
Property tax	23,294,315	24,575,499
Franchise fees	777,606	689,385
Admissions, amusement, hotel and motel taxes	2,269,995	2,395,490
Intergovernmental	10,159,237	9,986,624
Investment earnings	114,189	54,191
Other	4,832,201	468,463
Total revenues	57,682,230	53,304,767
Expenses		
General government	17,151,788	16,369,822
Public safety	10,568,639	10,538,639
Public works	12,374,419	13,138,836
Parks and recreation	6,254,667	5,659,702
Community services and development	2,217,111	2,089,330
Total expenses	48,566,624	47,796,329
Change in net position	\$ 9,115,606	\$ 5,508,438

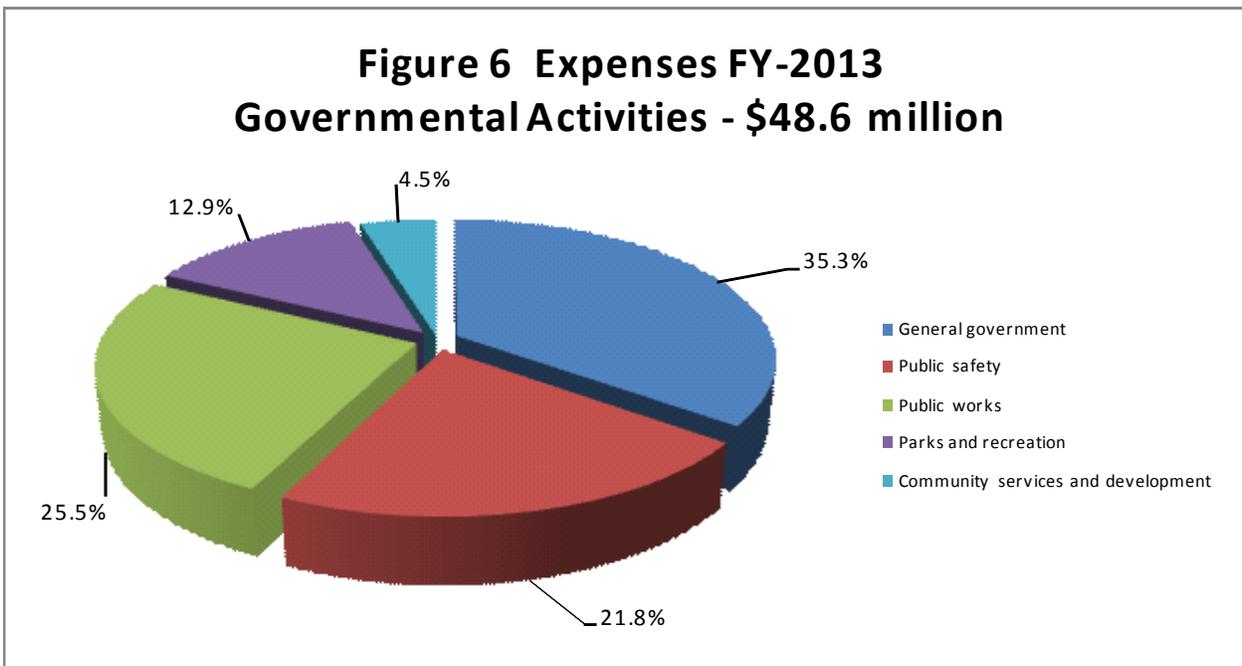
**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

**Figure 5 Sources of Revenues FY-2013
Governmental Activities - \$57.7 million**



The cost of governmental activities for FY 2013 was \$48.6 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 \$10.6 million. Major cost increases in fiscal year 2013 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-2013
Governmental Activities - \$48.6 million**



**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Governmental Activities

General revenues for the governmental activities were \$41.5 million, while total expenses, net of charges for services and grants and contribution, were \$32.3 million. The increase in net position for governmental activities was \$9.1 million and can be largely attributed the following:

- Capital outlays of \$1.8 million offset by depreciation expense of \$3.5 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 (\$9.7 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.

Figure 7
Net Cost of Governmental Activities

	2013			2012		
	Cost Of Services	Program Revenues	Net Cost Of Services	Cost Of Services	Program Revenues	Net Cost Of Services
General government	\$ 17,151,788	\$ 4,057,071	\$ (13,094,717)	\$ 16,369,822	\$ 3,136,931	\$ (13,232,891)
Public safety	10,568,639	4,488,408	(6,080,231)	10,538,639	4,842,574	(5,696,065)
Public works	12,374,419	2,611,058	(9,763,361)	13,138,836	3,111,564	(10,027,272)
Parks and recreation	6,254,667	4,319,152	(1,935,515)	5,659,702	3,520,020	(2,139,682)
Community services and development	2,217,111	758,998	(1,458,113)	2,089,330	524,026	(1,565,304)
Total	\$ 48,566,624	\$ 16,234,687	\$ (32,331,937)	\$ 47,796,329	\$ 15,135,115	\$ (32,661,214)

The cost of all governmental activities this year was \$48.6 million. Some of the cost of government activities was paid by those who directly benefited from the programs (\$13.3 million) and other governments organizations that subsidized certain programs with grants and contributions (\$2.9 million). Of the \$32.3 million net cost of services, the amount that our taxpayers paid for the activities through City property taxes was \$23.3 million.

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 \$94.9 million; an increase of \$14.1 million over last year's ending fund balance of \$80.8 million.

General Fund (Governmental): The general fund had less expenditures than revenues in 2013, thereby increasing total fund balance to \$66.2 million. It is important to note that the net change in fund balance is \$14.1 million. This figure is calculated on the modified accrual basis and is slightly different from the \$14.5 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 \$99 thousand increase in fund balance. Capital Projects Funds' total fund balance of \$28.7 million represents authorized and funded projects that are not complete.

General Fund Budgetary Highlights

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

Actual revenues were more than the budgeted amount by \$5.0 million, while actual expenditures and net transfers out were less than final budget by \$6.2 million. Actual expenditures of \$41.3 million were \$6.2 million less than budgeted due primarily to the concerted efforts of each department to generate savings as the instability of the economy continued to be an issue. The \$6.2 million savings generated from unspent expenditures are to be carried forward to FY 2014.

The largest revenue source for the General Fund is City property tax. In FY 2013, property tax revenues of \$23.3 million represented 41 percent of total revenues for the General Fund, and were 1.9 percent less than the budget estimate for 2013. It is due to a development project budgeted for but did not begin construction until FY 2013.



**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Capital Asset and Debt Administration

Capital Assets

By the end of 2013, the City had invested \$96.7 million (net of depreciation) in a broad range of capital assets, including buildings, athletic facilities, computers, and vehicles and equipment. Total depreciation expense for the year was \$3.5 million, while additions to buildings, infrastructure, improvements, and equipment and furniture amounted to \$1.8 million. More detailed information about capital assets can be found in Note 7 to the basic financial statements.

	Governmental Activities	
	2013	2012
Land	\$ 37,651,550	\$ 37,616,909
Buildings	20,292,769	20,961,937
Improvements other than buildings	4,301,838	4,397,807
Machinery and equipment	3,056,385	3,271,754
Infrastructure	30,028,216	31,194,757
Construction in progress	1,362,890	2,013,730
Total capital assets, net	\$ 96,693,648	\$ 99,456,894

The fiscal year 2013 capital projects spending amounted to \$3.9 million for capital projects, principally in the following areas: the Senior Center renovation, renovation of the historical Budd Carr into museum space, water park expansion, storm water management projects, and street construction 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 8 to the basic financial statements.

	Governmental Activities	
	2013	2012
Compensated absences:		
Vacation	\$ 1,469,232	\$ 1,281,140
Sick leave	940,401	838,030
	2,409,633	2,119,170
Net OPEB obligation	11,300,088	8,618,050
Total long-term debt	\$ 13,709,721	\$ 10,737,220

**CITY OF GAITHERSBURG, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Factors Bearing on the City's Future

The following economic factors are reflected in the City's FY 2014 budget:

- The City's economic projections in the FY 2014 budget are based on plans for projected development on the remaining amount of undeveloped land in the City. The city has development in the pipe line with an expectation of ground breaking in late FY 2013. Due to some construction and changes in the economy, we saw an uptick in permits FY 2013.
- 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 Federal, State, County and City are considered and reviewed for challenges that may adversely affect on our ability to fulfill all FY 2014 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.



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For: [Achievement]

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For: [Achievement]

City Of Gaithersburg, Maryland

Statement Of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 797,584
Investments	95,338,316
Receivables:	
Property taxes, net	2,162
Due from other governments	3,103,825
Other receivables, net	1,927,299
Inventory	52,758
Prepays	127,924
Long-term receivable	486,000
Capital assets:	
Land	37,651,550
Buildings	33,490,285
Improvements other than buildings	10,853,111
Machinery and equipment	12,349,672
Infrastructure	65,176,196
Construction-in-progress	1,362,890
Less: accumulated depreciation	(64,190,056)
Total assets	<u>198,529,516</u>
Liabilities	
Accounts payable	2,122,070
Accrued liabilities	711,858
Deposits	1,286,952
Non-current liabilities:	
Due within one year:	
Accumulated unused compensated absences	661,169
Due in more than one year:	
Accumulated unused compensated absences	1,748,464
Other postemployment benefit liability	11,300,088
Total liabilities	<u>17,830,601</u>
Net Position	
Invested in capital assets	96,693,648
Unrestricted	84,005,267
Total net position	<u>\$ 180,698,915</u>

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Statement Of Activities
Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Capital Grants And Contributions	Net (Expense) Revenue And Changes In Net Position
		Charges For Services	Operating Grants And Contributions		
Governmental activities:					
General government	\$ 17,151,788	\$ 3,596,714	\$ 75,642	\$ 725,161	\$ (12,754,271)
Public safety	10,568,639	4,090,633	394,194	3,581	(6,080,231)
Public works	12,374,419	2,301,691	-	309,367	(9,763,361)
Parks and recreation	6,254,667	3,346,990	972,162	-	(1,935,515)
Community services and development	2,217,111	-	198,928	219,624	(1,798,559)
Total governmental activities	\$ 48,566,624	\$ 13,336,028	\$ 1,640,926	\$ 1,257,733	(32,331,937)
General revenues:					
Property tax					23,294,315
Franchise fees					777,606
Admissions, amusement, and hotel taxes					2,269,995
Intergovernmental not restricted to specific programs					10,159,237
Investment earnings					114,189
Miscellaneous revenues					4,832,201
Total general revenues					41,447,543
Change in net position					9,115,606
Net position:					
Beginning					171,583,309
Ending					\$ 180,698,915

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Balance Sheet – Governmental Funds
June 30, 2013

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 797,584	\$ -	\$ 797,584
Investments	95,338,316	-	95,338,316
Property taxes, net	2,162	-	2,162
Prepays	127,924	-	127,924
Inventory	52,758	-	52,758
Due from other funds	-	29,203,665	29,203,665
Due from other governments	3,103,825	-	3,103,825
Long-term receivable	486,000	-	486,000
Other receivables	1,927,299	-	1,927,299
Total assets	\$ 101,835,868	\$ 29,203,665	\$ 131,039,533
Liabilities And Fund Balances			
Liabilities:			
Accounts payable	\$ 981,438	\$ 461,476	\$ 1,442,914
Accrued liabilities	711,858	-	711,858
Deposits	1,286,952	-	1,286,952
Earned but not available revenue	2,794,226	-	2,794,226
Due to other funds	29,882,821	-	29,882,821
Total liabilities	35,657,295	461,476	36,118,771
Fund balances:			
Non-spendable	666,682	-	666,682
Committed	2,514,000	5,141,597	7,655,597
Assigned	11,556,843	23,600,592	35,157,435
Unassigned	51,441,048	-	51,441,048
Total fund balances	66,178,573	28,742,189	94,920,762
Total liabilities and fund balances	\$ 101,835,868	\$ 29,203,665	\$ 131,039,533

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

**Reconciliation Of The Balance Sheet Of Governmental Funds
To The Statement Of Net Position
June 30, 2013**

Total fund balance – governmental funds		\$	94,920,762
Amounts reported for governmental activities in the statement of net position 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	\$	160,883,704	
Accumulated depreciation		<u>(64,190,056)</u>	96,693,648
Long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
			2,794,226
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			
Net OPEB obligation		(11,300,088)	
Accumulated unused compensated absences		<u>(2,409,633)</u>	<u>(13,709,721)</u>
Net position of governmental activities			<u>\$ 180,698,915</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, 2013

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes and special assessments	\$ 25,564,310	\$ -	\$ 25,564,310
Licenses and permits	5,036,887	-	5,036,887
Intergovernmental	13,504,206	-	13,504,206
Charges for services	5,979,736	-	5,979,736
Fines and forfeitures	3,149,250	-	3,149,250
Investment earnings	114,189	-	114,189
Miscellaneous	3,634,739	-	3,634,739
Total revenues	56,983,317	-	56,983,317
Expenditures:			
Current:			
General government	10,765,800	-	10,765,800
Public safety	9,914,172	-	9,914,172
Public works	8,133,802	-	8,133,802
Parks and recreation	6,381,842	-	6,381,842
Community services and development	2,217,111	-	2,217,111
Miscellaneous	4,346,623	-	4,346,623
Capital outlay	-	3,858,385	3,858,385
Total expenditures	41,759,350	3,858,385	45,617,735
Excess (deficiency) of revenues over expenditures	15,223,967	(3,858,385)	11,365,582
Other Financing Sources (Uses):			
Transfers in	-	3,956,910	3,956,910
Transfers out	(3,956,910)	-	(3,956,910)
Proceeds from sale of capital assets	2,786,858	-	2,786,858
Total other financing sources (uses)	(1,170,052)	3,956,910	2,786,858
Net change in fund balances	14,053,915	98,525	14,152,440
Fund Balance:			
Beginning	52,124,658	28,643,664	80,768,322
Ending	\$ 66,178,573	\$ 28,742,189	\$ 94,920,762

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, 2013**

Total net change in fund balances – governmental funds \$ 14,152,440

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 depreciation expense exceeds capital outlays in the
current period:

Capital outlays	\$ 1,824,778	
Depreciation	<u>(3,462,990)</u>	(1,638,212)

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 position
differs from the change in fund balances by costs of the capital assets sold
less any accumulated depreciation:

Asset disposals	(2,656,275)	
Accumulated depreciation	<u>1,531,241</u>	(1,125,034)

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 earned but not available revenue
increased (decreased).

698,913

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). Change in net position differs from
the change in fund balances by the amount of accrued OPEB benefits earned.

(2,682,038)

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.

(290,463)

Change in net position of governmental activities

\$ 9,115,606

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Positive (Negative)
	Original	Amended		
Revenues:				
Taxes and special assessments	\$ 26,175,000	\$ 26,175,000	\$ 25,564,310	\$ (610,690)
Licenses and permits	3,587,890	3,587,890	5,036,887	1,448,997
Intergovernmental	13,502,545	13,502,545	13,504,206	1,661
Charges for services	5,107,700	5,107,700	5,979,736	872,036
Fines and forfeitures	2,711,500	2,711,500	3,149,250	437,750
Investment earnings	90,000	90,000	114,189	24,189
Miscellaneous	834,640	834,640	3,634,739	2,800,099
Total revenues	52,009,275	52,009,275	56,983,317	4,974,042
Expenditures:				
General government	13,470,101	13,510,073	10,697,444	2,812,629
Public safety	10,308,144	10,396,323	9,944,192	452,131
Public works	9,457,837	9,516,552	8,120,528	1,396,024
Parks and recreation	6,899,159	6,886,241	6,367,741	518,500
Community services and development	2,154,496	2,316,128	2,205,221	110,907
Miscellaneous	5,257,536	4,921,956	4,007,031	914,925
Total expenditures	47,547,273	47,547,273	41,342,157	6,205,116
Excess of revenues over expenditures	4,462,002	4,462,002	15,641,160	11,179,158
Other Financing Sources (Uses):				
Transfers out	(3,956,910)	(3,956,910)	(3,956,910)	-
Proceeds from sale of capital assets	35,000	35,000	2,786,858	2,751,858
	(3,921,910)	(3,921,910)	(1,170,052)	2,751,858
Net change in fund balance	\$ 540,092	\$ 540,092	14,471,108	\$ 13,931,016
Adjustments to conform with generally accepted accounting principles			(417,193)	
Fund Balance:				
Beginning			52,124,658	
Ending			<u>\$ 66,178,573</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Fiduciary Net Position – Fiduciary Funds
June 30, 2013

	Pension Trust Funds	Private-Purpose Trust Fund	Agency Funds
Assets			
Investments:			
Open-end mutual funds	\$ 54,534,890	\$ -	\$ -
Certificate of deposit	-	13,589	-
Due from other funds	544,900	2,000	132,256
Total assets	<u>\$ 55,079,790</u>	<u>\$ 15,589</u>	<u>\$ 132,256</u>
Liabilities			
Deposits	\$ -	\$ -	\$ 121,378
Accounts payable	-	-	10,878
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 132,256</u>
Net Position			
Held in trust for pension benefits and other purposes	<u>\$ 55,079,790</u>	<u>\$ 15,589</u>	

See Notes To Basic Financial Statements.

City Of Gaithersburg, Maryland

Statement Of Changes In Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2013

	Pension Trust Funds	Private-Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 1,065,807	\$ -
Employer	3,050,068	-
Interest and gains	6,161,720	37
Other	234,423	-
Total additions	<u>10,512,018</u>	<u>37</u>
Deductions:		
Benefits and withdrawals	<u>3,641,786</u>	<u>-</u>
Change in net position	6,870,232	37
Net Position:		
Beginning	<u>48,209,558</u>	<u>15,552</u>
Ending	<u>\$ 55,079,790</u>	<u>\$ 15,589</u>

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, Maryland (the City) 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 Position: 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 position is 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 position, 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.

City Of Gaithersburg, Maryland

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 earned but not available revenue and are recognized at the date of receipt. The City's tax rate for the collection year ended June 30, 2013, was \$.262 per \$100 of assessed valuation.

Developer contributions are recognized as a receivable when an enforceable legal claim arises. Contributions that contain a purpose restriction are reported in net position as restricted until used. Contributions are considered available if received within 60 days of year-end. Developer contributions received under executed annexation agreements are further discussed in Note 16.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

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

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.

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. At June 30, 2013, encumbrances in the general fund totaled \$861,339.

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, 2013, the aggregate of property tax accounts, delinquent three years or more, was \$84,268. 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, 2013, 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.

L. Deferred Outflows

Deferred outflows are the consumption of net position by the government that is applicable to a future period. The City had no deferred outflows at June 30, 2013.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

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

M. 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

N. Earned But Not Available Revenue

Governmental funds report earned but not available revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The City considers property taxes not collected within 31 days after year-end and all other receivables not collected within 60 days after year-end as earned but not available revenue. At June 30, 2013, the General Fund reported \$2,794,226 of earned but not available revenue.

O. 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.

P. Deferred Inflows

Deferred inflows are the acquisition of net position by the government that is applicable to a future reporting period. The City had no deferred inflows at June 30, 2013.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

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

Q. 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, 2013, 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.

R. 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.

S. Net Position

Net position represents the difference between assets and liabilities. Net position 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, 2013, the City had no debt associated with acquisition of capital assets. Net position is 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 position is available.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

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

T. Subsequent Events

The City evaluated subsequent events through October 24, 2013, 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	\$ 56,983,317	\$ 41,342,157	\$ (1,170,052)	\$ 14,471,108
Prior year encumbrances outstanding, 6/30/12	-	1,278,532	-	(1,278,532)
Current year encumbrances outstanding, 6/30/13	-	(861,339)	-	861,339
GAAP basis	<u>\$ 56,983,317</u>	<u>\$ 41,759,350</u>	<u>\$ (1,170,052)</u>	<u>\$ 14,053,915</u>

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, 2013, 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, 2013:

Investment Type	General Fund	Pension Trust Funds	Private-Purpose Trust Fund
State Treasurer's Investment Pool	\$ 86,430,142	\$ -	\$ -
Montgomery County's General Investment Fund	8,908,174	-	-
Certificates of deposit	-	-	13,589
Open-end mutual funds	-	54,534,890	-
	<u>\$ 95,338,316</u>	<u>\$ 54,534,890</u>	<u>\$ 13,589</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 MLGIP is rated "AAA" 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.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940.

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, 2013. 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, 2013, consist of the following:

	General Fund	Capital Projects Fund	Total Governmental Activities
Due from other governments:			
County	\$ 126,854	\$ -	\$ 126,854
State	2,355,016	-	2,355,016
Federal	621,955	-	621,955
	<u>\$ 3,103,825</u>	<u>\$ -</u>	<u>\$ 3,103,825</u>
Other receivables:			
Cable TV fees	\$ 208,372	\$ -	\$ 208,372
Police tickets and fines	171,932	-	171,932
OPEB Trust reimbursement	105,769	-	105,769
Developer contributions	1,200,000	-	1,200,000
Miscellaneous	241,226	-	241,226
	<u>\$ 1,927,299</u>	<u>\$ -</u>	<u>\$ 1,927,299</u>

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

Inter-fund receivable and payable balances at June 30, 2013, are as follows:

Due From Fund	Due To Fund General Fund
Capital Projects Fund	\$ 29,203,665
Pension Trust Fund	544,900
Private-Purpose Trust Fund	2,000
Agency Fund	132,256
	<u>\$ 29,882,821</u>

The balance of \$29,203,665, 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, 2013, 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 \$3,956,910.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 6. Long-Term Receivable

On December 19, 2012, the City entered into a loan agreement with a third party to finance renovations to a 32-unit residential facility in the amount of \$486,000. The loan is in furtherance of the City's Affordable Housing Initiative. The terms of the note call for annual interest-only payments at a rate of two percent per annum commencing on January 1, 2014. The entire unpaid balance, together with accrued interest, is due on January 1, 2020. The loan is secured, in a second lien position, by a deed of trust on the land and any structures erected or placed on the land, and an assignment of rents. The outstanding balance of the long-term receivable as of June 30, 2013 was \$486,000.

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013, consisted of the following:

Governmental Activities	Balance, July 1, 2012	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2013
Capital assets not being depreciated:				
Land	\$ 37,616,909	\$ 117,000	\$ (82,359)	\$ 37,651,550
Construction-in-progress	2,013,730	347,819	(998,659)	1,362,890
	<u>39,630,639</u>	<u>464,819</u>	<u>(1,081,018)</u>	<u>39,014,440</u>
Capital assets being depreciated:				
Buildings	33,656,767	202,450	(368,932)	33,490,285
Improvements other than buildings	10,490,788	362,323	-	10,853,111
Machinery and equipment	12,771,312	774,185	(1,195,825)	12,349,672
Infrastructure	65,165,695	21,001	(10,500)	65,176,196
	<u>122,084,562</u>	<u>1,359,959</u>	<u>(1,575,257)</u>	<u>121,869,264</u>
Less accumulated depreciation for:				
Buildings	(12,694,830)	(858,270)	355,584	(13,197,516)
Improvements other than buildings	(6,092,981)	(458,292)	-	(6,551,273)
Machinery and equipment	(9,499,558)	(967,321)	1,173,592	(9,293,287)
Infrastructure	(33,970,938)	(1,179,107)	2,065	(35,147,980)
	<u>(62,258,307)</u>	<u>(3,462,990)</u>	<u>1,531,241</u>	<u>(64,190,056)</u>
Capital assets, net	\$ 99,456,894	\$ (1,638,212)	\$ (1,125,034)	\$ 96,693,648

Depreciation expense was charged to governmental functions for the year ended June 30, 2013, as follows:

General government	\$ 981,479
Public safety	452,354
Public works	1,688,054
Parks and recreation	341,103
	<u>\$ 3,462,990</u>

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 8. Long-Term Liabilities

At June 30, 2013, 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, 2013:

	Balance, June 30, 2012	Additions	Deductions	Balance, June 30, 2013	Amounts Due Within One Year
Compensated absences:					
Vacation	\$ 1,281,140	\$ 328,589	\$ (140,497)	\$ 1,469,232	\$ 578,468
Sick leave	838,030	171,571	(69,200)	940,401	82,701
	<u>2,119,170</u>	<u>500,160</u>	<u>(209,697)</u>	<u>2,409,633</u>	<u>661,169</u>
OPEB liability	8,618,050	3,314,000	(631,962)	11,300,088	-
	<u>\$ 10,737,220</u>	<u>\$ 3,814,160</u>	<u>\$ (841,659)</u>	<u>\$ 13,709,721</u>	<u>\$ 661,169</u>

Note 9. Fund Balance

Governmental fund balances at June 30, 2013, are summarized as follows:

	General Fund	Capital Projects Fund
Non-spendable:		
Prepays	\$ 127,924	\$ -
Inventory	52,758	-
Long-term receivable	486,000	-
	<u>666,682</u>	<u>-</u>
Committed to:		
Sidewalks	200,000	-
Parks	1,000,000	-
Housing initiative fund	1,314,000	-
Capital projects	-	5,141,597
	<u>2,514,000</u>	<u>5,141,597</u>
Assigned to:		
Vehicle and equipment replacement	8,420,447	-
Economic development	1,987,804	-
Self-insurance	138,699	-
Training	148,554	-
General government	575,136	-
Public safety	31,388	-
Public works	125,617	-
Parks and recreation	5,875	-
Community service	4,340	-
Nondepartmental	118,983	-
Other capital projects	-	23,600,592
	<u>11,556,843</u>	<u>23,600,592</u>
Unassigned	51,441,048	-
Total fund balances	<u>\$ 66,178,573</u>	<u>\$ 28,742,189</u>

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 10. 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 11 and 12.

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 Position – Pension Trust Funds
June 30, 2013**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
Assets			
Investments:			
Open-end mutual funds	\$ 49,932,060	\$ 4,602,830	\$ 54,534,890
Due from other funds	544,900	-	544,900
Total assets	\$ 50,476,960	\$ 4,602,830	\$ 55,079,790
Net Position			
Held in trust for pension benefits and other purposes	\$ 50,476,960	\$ 4,602,830	\$ 55,079,790

**Combining Statement Of Changes In Fiduciary Net Position – Pension Trust Funds
Year Ended June 30, 2013**

	Pension Trust Fund	Retiree Benefit Trust Fund	Total
Additions:			
Contributions:			
Employee	\$ 1,065,807	\$ -	\$ 1,065,807
Employer	2,140,068	910,000	3,050,068
Interest and gains	5,647,874	513,846	6,161,720
Other	234,423	-	234,423
Total additions	9,088,172	1,423,846	10,512,018
Deductions:			
Benefits and withdrawals	3,283,663	358,123	3,641,786
Change in net position	5,804,509	1,065,723	6,870,232
Net Position:			
Beginning	44,672,451	3,537,107	48,209,558
Ending	\$ 50,476,960	\$ 4,602,830	\$ 55,079,790

Notes To Basic Financial Statements

Note 11. 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 \$16,950,450 and \$15,747,350, and its total payroll for all employees was \$20,348,844 and \$20,010,629, for the years ended June 30, 2013 and 2012, respectively. Required employer contributions of \$1,689,664 and \$1,576,832, or 10.0 percent of covered payroll was made to the plan for the years ended June 30, 2013 and 2012, 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 \$1,063,619 and \$1,078,859, or 6.27 percent and 6.85 percent of covered payroll, for the years ended June 30, 2013 and 2012, 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 \$459,619 and \$431,628, or 2.71 percent and 2.74 percent of covered payroll, were made to the Plan for the years ended June 30, 2013 and 2012, 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 12. 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 48 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 2013 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 \$1,838,000 and the amortization of unfunded accrued liability of \$1,473,000 for a total current year required contribution of \$3,311,000.

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	\$ 3,311,000
Less amortization of net OPEB obligation	(428,000)
Plus interest on net OPEB obligation	431,000
Total AOC	\$ 3,314,000
Net OPEB Obligation (NOO):	
Beginning of year NOO	\$ 8,618,050
Current year AOC	3,314,000
Employer contributions:	
Trust contribution	(910,000)
Implicit hidden subsidy payment to retirees	(124,000)
Reimbursement received from Trust for previous pay-as-you-go funding	402,038
End of year net NOO	\$ 11,300,088

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 12. Postretirement Healthcare And Life Insurance (Continued)

Three year trend information of the City's annual OPEB cost and net OPEB obligation are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,191,000	\$ 248,389	11.34%	\$ 6,167,732
2012	3,088,000	637,682	20.65%	8,618,050
2013	3,314,000	631,962	19.07%	11,300,088

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 48, 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 25 years for year ended June 30, 2013.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 13. 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 2013, the City paid premiums of \$221,900 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 2013, the City paid premiums of \$374,580 to Montgomery County.

Note 14. 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 \$5,139,711 at June 30, 2013. All contracts binding as of June 30, 2013, 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.

City Of Gaithersburg, Maryland

Notes To Basic Financial Statements

Note 15. 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 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 \$1,816,537. The costs of operations of the senior citizens center are accounted for in the General Fund of the City.

Note 16. Crown Farm Annexation Agreement

On December 7, 2010, the City executed the Second Amendment to an Annexation Agreement with the developer of a property. Under the terms of the agreement, the developer of the property was required to make contributions to the City in installments through June 2015. On the date the agreement was executed, the City had an enforceable legal claim to the full amount due of \$4,200,000. The contribution of \$4,200,000 was recognized in the statement of activities during fiscal year 2013 as the applicable revenue recognition criteria have been met. The contribution recognized consists of the following: amounts received in previous fiscal years of \$2,400,000; current year receipts of \$600,000 and; amounts owed to the City of \$1,200,000, which is recognized as a receivable as of June 30, 2013. The \$1,200,000 receivable balance was recorded as earned but not available revenue in the General Fund since the funds were not received within 60 days after yearend. Management believes that amounts received in previous fiscal years that are recognized as revenue during fiscal year 2013 are not material to the financial statements taken as a whole.

Note 17. Conduit Debt Obligation

The total conduit debt outstanding at June 30, 2013, was \$134,620,000 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 18. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2013, 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 statements of the City:

- 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.

Notes To Basic Financial Statements

Note 18. New Governmental Accounting Standards Board (GASB) Standards (Continued)

- 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.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations (such as mergers, acquisitions, and transfers) and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. For government acquisitions, this Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Additionally, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the City beginning with its year ending June 30, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Required Supplemental Information Section



Gaithersburg
A CHARACTER COUNTS! CITY



Gaithersburg Arts Barn

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, 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%
July 1, 2012	3,316,000	32,982,000	29,666,000	10.05%	16,577,453	178.95%

Schedule Of Employer Contributions

Fiscal Years Ending June 30,	Annual Required Contribution	Actual Net Contribution	Percentage Contributed	Net OPEB Obligation
2011	2,172,000	248,389	11.4%	\$ 4,225,121
2012	3,076,000	637,682	20.7%	6,167,732
2013	3,311,000	631,962	19.1%	11,300,088



Gaithersburg

A CHARACTER COUNTS! CITY

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Supplemental Information Section



Gaithersburg
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Public Works

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013				2012 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	\$ 21,778,142	\$ (1,521,858)	\$ 22,993,276
Personal property taxes	1,000,000	1,000,000	1,435,495	435,495	1,530,065
Penalties and interest	75,000	75,000	80,678	5,678	78,050
Hotel tax	1,000,000	1,000,000	1,001,040	1,040	996,318
Admissions tax	800,000	800,000	1,268,955	468,955	1,399,172
Total taxes and special assessments	26,175,000	26,175,000	25,564,310	(610,690)	26,996,881
Licenses and permits:					
Street permits	82,000	82,000	138,812	56,812	774,526
Telecommunications/utility permits	50,000	50,000	50,000	-	25,000
Amusement licenses	25,000	25,000	21,900	(3,100)	22,050
Traders licenses	125,000	125,000	116,361	(8,639)	130,612
Hawkers/peddlers licenses	4,500	4,500	12,000	7,500	11,450
Electricians licenses	25,000	25,000	17,150	(7,850)	66,060
Rental housing licenses	550,690	550,690	590,700	40,010	588,320
Rental license renewal late fee	1,000	1,000	-	(1,000)	-
Bus shelter franchise fee	21,000	21,000	21,411	411	15,329
CATV franchise	525,000	525,000	756,195	231,195	674,056
CATV PEG	60,000	60,000	48,311	(11,689)	48,260
Animal licenses	33,750	33,750	26,083	(7,667)	21,473
Pet shop/commercial kennel	750	750	500	(250)	1,000
Building permits	1,285,100	1,285,100	1,987,484	702,384	1,138,095
Electrical permits	180,000	180,000	279,622	99,622	166,903
Occupancy permits	80,000	80,000	192,440	112,440	92,435
Sign permits	11,000	11,000	33,115	22,115	19,321
Mechanical permits	120,000	120,000	213,741	93,741	114,864
Grading permits	68,000	68,000	17,325	(50,675)	240,618
On site improvements	80,000	80,000	119,693	39,693	445,890
Fire protection permits	205,000	205,000	325,208	120,208	236,799
Special events permits	15,000	15,000	11,310	(3,690)	14,110
Home occupation permits	200	200	80	(120)	60
Deck Permits	5,500	5,500	18,575	13,075	-
Fence Permits	2,800	2,800	4,600	1,800	-
Fuel Tank Permits	400	400	1,410	1,010	-
Swimming Pool Permits	800	800	4,095	3,295	-
Tent Permits	4,000	4,000	6,721	2,721	-
Trailer Permits	1,400	1,400	2,845	1,445	-
Stormwater management permits	25,000	25,000	19,200	(5,800)	121,550
Total licenses and permits	3,587,890	3,587,890	5,036,887	1,448,997	4,968,781

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013			Variance With Amended Budget Positive (Negative)	2012 Actual
	Original Budget	Amended Budget	Actual		
Intergovernmental:					
State-shared taxes:					
Highway user	316,000	316,000	309,367	(6,633)	480,693
County grants and shared taxes:					
Financial corporations	2,645	2,645	2,645	-	2,645
County revenue sharing	1,168,000	1,168,000	1,168,467	467	1,045,654
Income tax	8,000,000	8,000,000	9,658,350	1,658,350	9,531,397
Homeless program	9,000	9,000	9,234	234	9,234
Nutrition program	34,000	34,000	47,074	13,074	45,358
Miscellaneous	4,950	4,950	9,000	4,050	7,500
State grants:					
Open Space	1,739,600	1,739,600	951,689	(787,911)	-
Police	300,000	300,000	377,729	77,729	377,729
Homeless program	5,000	5,000	4,957	(43)	5,053
Arts	32,000	32,000	20,473	(11,527)	32,000
Department of Natural Resources	50,000	50,000	-	(50,000)	76,000
Highway safety program	20,000	20,000	16,465	(3,535)	-
Miscellaneous	40,000	40,000	22,573	(17,427)	33,906
Olde Towne revitalization	40,000	40,000	-	(40,000)	-
Maryland state bond bill	237,500	237,500	-	(237,500)	-
Federal grants:					
Community development	365,800	365,800	560,070	194,270	317,479
Transportation enhancement program	1,007,800	1,007,800	-	(1,007,800)	-
Transitional housing	128,000	128,000	137,512	9,512	130,087
Energy efficiency and conservation	-	-	177,538	177,538	359,573
DOJ police equipment	2,250	2,250	3,581	1,331	168,888
FEMA	-	-	27,331	27,331	11,402
Miscellaneous	-	-	151	151	3,016
Total intergovernmental	13,502,545	13,502,545	13,504,206	1,661	12,637,614

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013			Variance With	2012
	Original Budget	Amended Budget	Actual	Amended Budget Positive (Negative)	
Charges for services:					
Automation fee	200,000	200,000	317,367	117,367	-
Zoning fees	91,100	91,100	107,825	16,725	161,307
Casey Community Center	181,500	181,500	189,672	8,172	193,382
Pool	392,000	392,000	608,858	216,858	502,427
Gaithersburg Aquatic Center	195,000	195,000	62,150	(132,850)	143,478
Miniature golf revenue	110,000	110,000	118,792	8,792	108,293
Group picnics	52,000	52,000	55,805	3,805	50,229
Recreation fees	1,162,000	1,162,000	1,168,685	6,685	1,234,630
Winter Lights	235,000	235,000	246,365	11,365	237,342
Gaithersburg Arts Barn	214,600	214,600	260,457	45,857	256,787
Council of the arts	28,000	28,000	30,929	2,929	37,034
Gaithersburg Youth Center	55,000	55,000	9,958	(45,042)	13,057
Teen Center	23,000	23,000	21,337	(1,663)	23,047
Kentlands Mansion	150,000	150,000	87,079	(62,921)	137,298
Special events	69,000	69,000	76,616	7,616	60,858
Community events	1,500	1,500	3,232	1,732	2,935
Senior Center revenue	92,000	92,000	103,876	11,876	99,808
Stormwater management fees	60,000	60,000	24,025	(35,975)	59,000
Recycling collections	848,000	848,000	881,454	33,454	844,009
Rental – Senior Center	28,000	28,000	22,129	(5,871)	15,332
Membership fee – dog exercise	2,800	2,800	2,820	20	2,820
Activity Center programs	250,000	250,000	247,949	(2,051)	253,475
Food services	3,300	3,300	5,000	1,700	3,645
Skate park	43,000	43,000	16,791	(26,209)	24,853
Environmental fees	3,000	3,000	3,790	790	8,577
Water quality protection	609,900	609,900	1,203,610	593,710	919,759
Miscellaneous	8,000	8,000	103,165	95,165	280
Total charges for services	5,107,700	5,107,700	5,979,736	872,036	5,393,662
Fines and forfeitures:					
Ordinance fines	2,711,500	2,711,500	3,149,250	437,750	2,008,308

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Revenues – Budget And Actual (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013				2012 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
Investment earnings	90,000	90,000	114,189	24,189	54,191
Miscellaneous revenue:					
Rents	117,000	117,000	142,205	25,205	130,336
Sale of materials	10,000	10,000	20,304	10,304	9,252
Contributions	85,640	85,640	40,920	(44,720)	27,597
Vending machines	5,500	5,500	4,647	(853)	4,783
Passports	10,000	10,000	68,640	58,640	49,215
Escrow - developers	-	-	-	-	187,817
Community promotion	500	500	62	(438)	354
Expenditure reimbursement	1,000	1,000	117,499	116,499	26,209
Developer contributions	600,000	600,000	3,000,000	2,400,000	-
Miscellaneous	5,000	5,000	240,462	235,462	32,900
Total miscellaneous	834,640	834,640	3,634,739	2,800,099	468,463
Budgetary basis	\$ 52,009,275	\$ 52,009,275	56,983,317	\$ 4,974,042	52,527,900
Adjustments to conform with generally accepted accounting principles			-		-
Total revenue – GAAP basis			\$ 56,983,317		\$ 52,527,900

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual
 (Budgetary Basis) – General Fund
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013				2012 Actual
	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)	
General government:					
Mayor and City Council	\$ 250,612	\$ 273,119	\$ 270,140	\$ 2,979	\$ 248,678
City Manager	506,053	458,226	360,569	97,657	451,817
Economic and community development	615,949	915,777	617,918	297,859	566,800
Environmental affairs	305,914	305,914	246,143	59,771	150,685
Registration and elections	2,000	2,000	-	2,000	42,090
Finance and administration	1,207,666	1,233,106	1,041,097	192,009	1,002,371
Legal	344,593	383,366	367,358	16,008	337,739
Planning	819,631	808,960	690,477	118,483	990,671
Information technology	1,412,292	1,418,172	1,343,177	74,995	1,151,326
Human resources	693,937	728,566	726,916	1,650	658,594
Housing and community development	2,039,246	1,364,896	260,032	1,104,864	282,059
General services	143,497	143,497	92,307	51,190	72,437
Facilities management	1,222,033	1,308,253	1,241,952	66,301	979,566
Building and grounds:					
City Hall	187,340	232,340	205,367	26,973	233,156
Police	64,615	72,615	59,641	12,974	65,690
Public services	98,235	138,235	133,103	5,132	131,453
Kentlands firehouse	320	2,320	1,453	867	190
Gaithersburg Arts Barn	64,900	77,400	74,541	2,859	75,685
Train station	26,390	28,390	19,379	9,011	22,631
Kentlands Mansion	38,510	48,135	42,568	5,567	34,763
Senior Center	50,177	70,177	67,643	2,534	88,096
Casey Community Center	159,405	175,405	164,114	11,291	166,695
Old Towne Pavilion	3,740	3,865	2,961	904	2,570
Teen Center	42,075	48,875	42,090	6,785	36,956
Activity Center at Bohrer Park	301,310	326,310	249,751	76,559	271,426
Water park	102,750	137,750	133,122	4,628	125,469
Miniature golf course	12,000	20,000	16,587	3,413	9,618
Skate park	3,450	4,300	3,579	721	3,439
Parking facility	104,900	120,900	72,498	48,402	127,365
Gaithersburg Youth Center	62,925	70,225	39,199	31,026	47,938
Miscellaneous	33,940	34,440	1,335	33,105	35,020
Public information	775,144	779,992	656,376	123,616	538,498
Cable television – Channel 54	398,330	393,638	161,795	231,843	230,529
Planning & Code Administration	817,551	807,299	718,972	88,327	-
Neighborhood Services	558,671	573,610	573,284	326	-
Total general government	13,470,101	13,510,073	10,697,444	2,812,629	9,182,020

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual
 (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013			Variance With Amended Budget Positive (Negative)	2012 Actual
	Original Budget	Amended Budget	Actual		
Public safety:					
Police	1,805,128	1,481,798	1,262,901	218,897	7,716,813
Police Services Operations	6,355,067	6,743,237	6,738,046	5,191	-
Building and code administration	1,458,067	1,470,406	1,357,765	112,641	2,462,584
Traffic engineering	252,062	252,062	179,649	72,413	187,359
Animal control	437,820	448,820	405,831	42,989	579,389
Total public safety	10,308,144	10,396,323	9,944,192	452,131	10,946,145
Public works:					
Public works administration	805,812	875,082	773,396	101,686	776,717
Municipal parks maintenance	1,756,969	1,763,831	1,557,683	206,148	1,589,251
Engineering services	496,044	498,678	374,802	123,876	344,976
Streets and special projects	1,390,577	1,359,400	1,074,004	285,396	1,011,162
Fleet maintenance	578,320	579,404	530,862	48,542	548,579
Street lighting	657,546	657,546	578,235	79,311	612,751
Landscaping and forestry	1,159,666	1,162,744	942,215	220,529	953,328
Mowing and bulk pick-up	1,914,282	1,921,246	1,636,603	284,643	1,702,031
Recycling	698,621	698,621	652,728	45,893	611,891
Total public works	9,457,837	9,516,552	8,120,528	1,396,024	8,150,686

(Continued)

City Of Gaithersburg, Maryland

Schedule Of Expenditures And Encumbrances – Budget And Actual
 (Budgetary Basis) – General Fund (Continued)
 Year Ended June 30, 2013
 (With Comparative Totals For 2012)

	2013			Variance With	2012 Actual
	Original Budget	Amended Budget	Actual	Amended Budget Positive (Negative)	
Parks, recreation and culture:					
Administration	781,264	756,921	708,978	47,943	605,203
Recreation programs and sports	784,846	825,496	800,960	24,536	776,303
Special events	694,824	697,258	674,042	23,216	764,780
Summer programs	538,244	538,244	487,594	50,650	544,298
Gaithersburg Youth Center	205,670	205,670	164,522	41,148	184,858
Skate park	45,632	45,632	35,557	10,075	34,254
Recreation classes	312,246	312,246	297,825	14,421	329,887
Casey Community Center	334,905	334,905	324,886	10,019	307,239
Water park	427,719	432,719	424,007	8,712	387,335
Aquatic facilities	283,108	210,292	128,250	82,042	189,877
Picnic pavilions	19,300	19,300	15,869	3,431	12,555
Gaithersburg Arts Barn	401,717	428,346	424,629	3,717	385,999
Kentlands Mansion	342,310	343,790	318,712	25,078	329,197
Winter Lights	156,938	168,986	148,165	20,821	145,328
Miniature golf course	111,592	111,592	103,648	7,944	93,994
Cultural arts programs	387,304	361,304	281,592	79,712	295,493
Youth services	388,832	403,832	394,089	9,743	374,391
Activities center at Bohrer park	409,240	409,240	390,652	18,588	370,699
Old Towne Youth Center	268,468	275,468	243,764	31,704	226,380
Food service	5,000	5,000	-	5,000	-
Total parks, recreation and culture	6,899,159	6,886,241	6,367,741	518,500	6,358,070
Community services and development:					
Senior program	549,713	637,132	571,479	65,653	575,826
Human services	1,094,705	1,165,974	1,152,728	13,246	1,063,793
Homeless assistance	510,078	513,022	481,014	32,008	465,641
Total community services and development	2,154,496	2,316,128	2,205,221	110,907	2,105,260
Miscellaneous:					
Contingency	700,000	641,886	1,224,361	(582,475)	14,655
Non-departmental	3,647,536	3,370,070	1,872,670	1,497,400	2,665,836
OPEB contribution	910,000	910,000	910,000	-	910,000
Total miscellaneous	5,257,536	4,921,956	4,007,031	914,925	3,590,491
Total expenditures and encumbrances – budgetary basis	\$ 47,547,273	\$ 47,547,273	41,342,157	\$ 6,205,116	40,332,672
Adjustments to conform with generally accepted accounting principles			<u>417,193</u>		<u>(623,522)</u>
Total expenditures – GAAP basis			<u>\$ 41,759,350</u>		<u>\$ 39,709,150</u>

City Of Gaithersburg, Maryland

Statement Of Changes in Assets and Liabilities – Agency Fund
 Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Due from other funds	\$ 153,341	\$ -	\$ (21,085)	\$ 132,256
Liabilities				
Deposits	\$ 153,341	\$ -	\$ (31,963)	\$ 121,378
Accounts payable	-	31,108	(20,230)	10,878
Total Liabilities	\$ 153,341	\$ 31,108	\$ (52,193)	\$ 132,256

Statistical Section



Gaithersburg
A CHARACTER COUNTS! CITY



Information Technology

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	57–63
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	64–68
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	69–70
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	71–72
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	73–80
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 Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Invested in Capital Assets	\$ 96,693,648	\$ 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
Unrestricted	84,005,267	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
Total Governmental Activities Net Position	\$ 180,698,915	\$ 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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental Activities:										
General Government	\$ 17,151,788	\$ 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
Public Safety	10,568,639	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
Public Works	12,374,419	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
Park, Recreation & Culture	6,254,667	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
Community Services & Development	2,217,111	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
Miscellaneous	-	-	- *	-	1,536,547	1,797,067	4,258,951	1,174,091	1,263,435	642,433
Total Governmental Activities Expenses	\$ 48,566,624	\$ 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
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 3,596,714	\$ 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
Public Safety	4,090,633	4,295,957	3,566,588	2,705,648	1,381,525	1,897,490	799,743	782,440	950,677	906,313
Public Works	2,301,691	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
Park, Recreation & Culture	3,346,990	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
Operating Grants and Contributions	1,981,372	751,938	709,575	2,246,034	1,202,924	1,569,161	2,141,875	1,561,444	938,266	1,103,083
Capital Grants and Contributions	917,287	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
Total Governmental Activities Program Revenues	\$ 16,234,687	\$ 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

Combining Miscellaneous Expenses with General Government beginning FY10

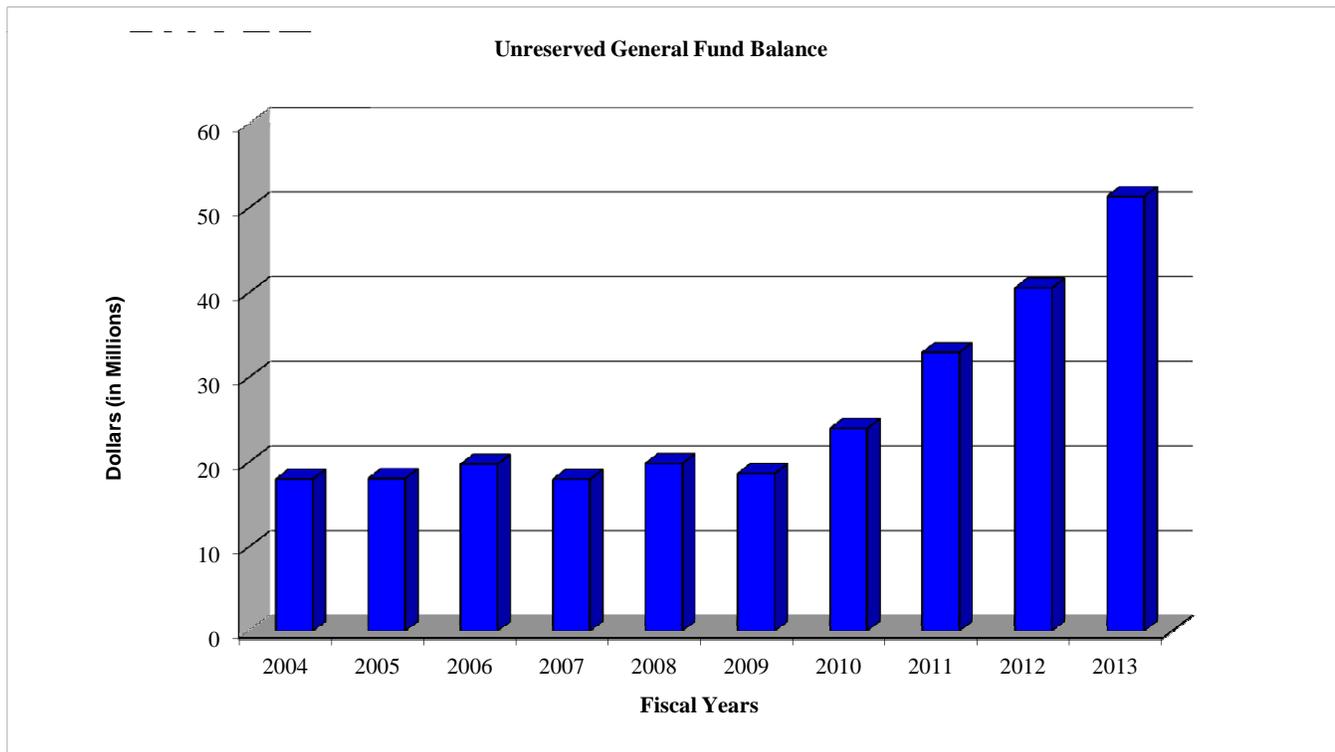
City of Gaithersburg, Maryland
Changes in Net Position (continued)
 Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (Expense)/Revenue										
Governmental Activities	\$ (32,331,937)	\$ (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)
Total Primary Government Net Expense	\$ (32,331,937)	\$ (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)
General Revenues										
Governmental Activities:										
Property Taxes	\$ 23,294,315	\$ 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
Franchise Fees	777,606	689,385	611,947	553,860	494,925	599,253	557,181	483,125	444,881	440,892
Admissions, Amusement, Hotel & Motel Tax	2,269,995	2,395,490	1,877,403	1,952,656	1,718,650	830,156	985,453	1,165,087	1,008,836	887,000
Intergovernmental not Restricted to Specific Programs	10,159,237	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
Investment Earnings	114,189	54,191	91,395	135,532	930,421	2,212,859	2,627,160	1,925,574	870,163	424,765
Gain (loss) on Sale of Capital Assets	-	-	-	(478,113)	1,497,522	-	-	1,860,248	-	-
Miscellaneous	4,832,201	468,463	452,943	682,179	683,730	5,398,897	1,423,615	853,929	810,903	778,015
Total Governmental Activities General Revenues	\$ 41,447,543	\$ 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
Change in Net Position	\$ 9,115,606	\$ 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

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

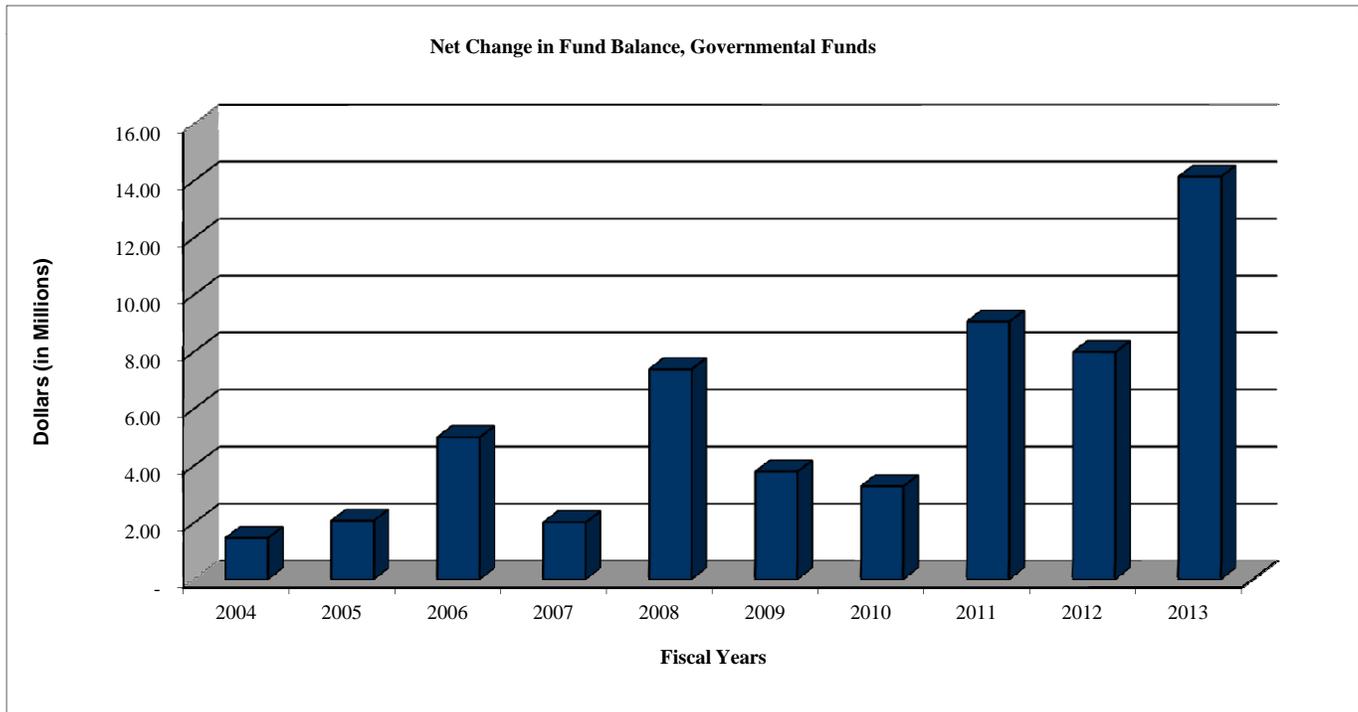
	2013	2012	2011	2010	2009
General Fund					
Reserved for Encumbrances and Other	\$ -	\$ -	\$ -	\$ 8,954,030	\$ 12,431,003
Unreserved	-	-	-	24,039,806	18,723,646
Non-spendable *	666,682	416,567	142,809	-	-
Committed *	2,514,000	-	-	-	-
Assigned *	11,556,843	11,081,062	10,082,400	-	-
Unassigned *	51,441,048	40,627,029	33,019,710	-	-
Total General Fund	\$ 66,178,573	\$ 52,124,658	\$ 43,244,919	\$ 32,993,836	\$ 31,154,649
All Other Governmental Funds					
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ 2,608,276	\$ 3,772,000
Committed	5,139,711	3,266,162	3,979,595	-	-
Assigned/Designated, Reported in:					
Capital Projects Funds	23,602,478	25,377,502	25,553,447	28,110,103	25,496,419
Total All Other Governmental Funds	28,742,189	28,643,664	29,533,042	30,718,379	29,268,419
Total Governmental Funds	\$ 94,920,762	\$ 80,768,322	\$ 72,777,961	\$ 63,712,215	\$ 60,423,068
 Unreserved General Fund Balance as a Percentage of Expenditures	 123.2%	 107.4%	 87.3%	 61.2%	 51.7%

* 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)

	2008	2007	2006	2005	2004
General Fund					
Reserved for Encumbrances and Other	11,224,516	\$ 10,629,786	\$ 12,437,949	\$ 12,934,815	\$ 10,068,026
Unreserved	19,902,437	18,055,440	19,827,024	18,148,339	18,076,256
Non-spendable *	-	-	-	-	-
Committed *	-	-	-	-	-
Assigned *	-	-	-	-	-
Unassigned *	-	-	-	-	-
Total General Fund	\$ 31,126,953	\$ 28,685,226	\$ 32,264,973	\$ 31,083,154	\$ 28,144,282
All Other Governmental Funds					
Reserved for Encumbrances	3,238,750	\$ 3,993,897	\$ 1,686,943	\$ 3,375,847	\$ 4,592,300
Committed	-				
Assigned/Designated, Reported in: Capital Projects Funds	22,259,138	16,549,764	13,255,730	7,741,939	7,383,977
Total All Other Governmental Funds	25,497,888	20,543,661	14,942,673	11,117,786	11,976,277
Total Governmental Funds	\$ 56,624,841	\$ 49,228,887	\$ 47,207,646	\$ 42,200,940	\$ 40,120,559
 Unreserved General Fund Balance as a Percentage of Expenditures	 59.5%	 61.3%	 71.7%	 69.7%	 73.2%



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

	2013	2012	2011	2010	2009
Revenues					
Taxes and special assessments	\$ 25,564,310	\$ 26,996,881	\$ 26,824,666	\$ 22,288,431	\$ 22,136,525
Licenses and Permits	5,036,887	4,968,781	4,348,232	3,298,308	2,887,975
Intergovernment	13,504,206	12,637,614	11,793,049	13,128,144	13,427,699
Charges for Services	5,979,736	5,393,662	5,001,975	4,693,924	4,496,354
Fines and Forfeitures	3,149,250	3,424,352	2,601,188	2,008,308	610,473
Investment earnings	114,189	54,191	91,395	135,532	930,421
Miscellaneous	3,634,739	468,463	452,943	682,179	683,730
<i>Total Revenues</i>	<u>\$ 56,983,317</u>	<u>\$ 53,943,944</u>	<u>\$ 51,113,448</u>	<u>\$ 46,234,826</u>	<u>\$ 45,173,177</u>
Expenditures					
Current:					
General Government	\$ 10,765,800	\$ 9,025,529	\$ 8,875,244	\$ 9,400,030	\$ 8,783,798
Public Safety	9,914,172	10,944,777	10,134,668	10,039,331	10,464,470
Public Works	8,133,802	8,087,831	8,369,405	9,270,532	8,626,303
Parks, Recreation and Culture	6,381,842	6,338,094	5,982,291	6,491,537	6,517,399
Community Services and Development*	2,217,111	2,089,330	2,010,300	2,074,583	2,052,646
Transfer to retiree benefit trust	-	910,000	455,000	-	455,000
Other	4,346,623	3,223,589	2,013,850	2,022,587	1,074,042
Capital Outlay	3,858,385	5,416,508	4,232,069	3,680,679	5,557,414
<i>Total Expenditures</i>	<u>\$ 45,617,735</u>	<u>\$ 46,035,658</u>	<u>\$ 42,072,827</u>	<u>\$ 42,979,279</u>	<u>\$ 43,531,072</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>\$ 11,365,582</u>	<u>\$ 7,908,286</u>	<u>\$ 9,040,621</u>	<u>\$ 3,255,547</u>	<u>\$ 1,642,105</u>
Other Financing Sources (Uses)					
Sales of capital assets	\$ 2,786,858	\$ 82,075	\$ 25,125	\$ 33,600	\$ 2,156,122
Transfers In	3,956,910	5,437,130	3,046,732	5,130,639	9,327,945
Transfers out	(3,956,910)	(5,437,130)	(3,046,732)	(5,130,639)	(9,327,945)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 2,786,858</u>	<u>\$ 82,075</u>	<u>\$ 25,125</u>	<u>\$ 33,600</u>	<u>\$ 2,156,122</u>
Adjustments to Reclassify Liabilities					
<i>Net Change in Fund Balances</i>	<u>\$ 14,152,440</u>	<u>\$ 7,990,361</u>	<u>\$ 9,065,746</u>	<u>\$ 3,289,147</u>	<u>\$ 3,798,227</u>

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

	2008	2007	2006	2005	2004
Revenues					
Taxes and special assessments	\$ 19,262,581	\$ 17,563,444	\$ 15,329,572	\$ 14,288,983	\$ 13,497,432
Licenses and Permits	3,006,104	2,350,832	2,839,355	3,546,026	2,846,186
Intergovernment	14,237,049	14,365,733	12,376,203	11,736,917	10,618,001
Charges for Services	4,652,709	4,421,041	4,255,294	3,851,601	3,653,432
Fines and Forfeitures	1,374,222	165,676	184,987	269,982	270,861
Investment earnings	2,212,859	2,627,160	1,925,574	870,163	424,765
Miscellaneous	5,472,964	1,421,317	853,929	810,903	2,958,632
Total Revenues	\$ 50,218,488	\$ 42,915,203	\$ 37,764,914	\$ 35,374,575	\$ 34,269,309
Expenditures					
Current:					
General Government	\$ 8,285,566	\$ 7,428,673	\$ 6,778,533	\$ 6,272,714	\$ 6,111,467
Public Safety	9,586,914	8,402,909	7,163,130	6,573,228	6,201,423
Public Works	6,668,288	6,339,144	5,492,217	5,051,478	5,059,108
Parks, Recreation and Culture	7,806,505	7,698,543	7,006,072	6,713,263	6,384,575
Community Services and Development	2,081,517	1,883,026	1,860,500	1,777,491	1,582,419
Transfer to retiree benefit trust	401,000	2,552,050	-	-	-
Other	1,391,404	1,693,749	1,168,328	1,283,143	681,245
Capital Outlay	6,629,977	4,914,067	5,401,735	6,049,046	6,796,200
Total Expenditures	\$ 42,851,171	\$ 40,912,161	\$ 34,870,515	\$ 33,720,363	\$ 32,816,437
Excess of Revenues Over (Under) Expenditures	\$ 7,367,317	\$ 2,003,042	\$ 2,894,399	\$ 1,654,212	\$ 1,452,872
Other Financing Sources (Uses)					
Sales of capital assets	\$ 28,637	\$ 18,199	\$ 2,112,309	\$ 426,169	\$ 15,100
Transfers In	11,584,204	10,515,055	9,226,622	5,190,555	3,920,537
Transfers out	(11,584,204)	(10,515,055)	(9,226,622)	(5,190,555)	(3,920,537)
Total Other Financing Sources (Uses)	\$ 28,637	\$ 18,199	\$ 2,112,309	\$ 426,169	\$ 15,100
Net Change in Fund Balances	\$ 7,395,954	\$ 2,021,241	\$ 5,006,708	\$ 2,080,381	\$ 1,467,972

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
2013	\$ 23,213,637	\$ 2,269,995	\$ 9,658,350	\$ 35,141,982
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
Change 2004-2013	85.1%	155.9%	43.5%	74.3%

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
2013	\$ 8,472,535,115	\$ 72,200,000	\$ 207,033,019	\$ 8,751,768,134	\$ 8,751,768,134	-10.64%
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%
2008	7,902,294,340	88,986,405	244,650,566	8,235,931,311	8,235,931,311	12.0%
2007	7,029,366,190	96,571,060	228,289,623	7,354,226,873	7,354,226,873	0.3%
2006	7,010,239,417	95,085,977	224,084,580	7,329,409,974	7,329,409,974	36.0%
2005	6,435,021,700	107,679,883	225,612,110	6,768,313,693	5,388,270,239	11.2%
2004	5,005,439,589	111,987,078	221,531,600	5,338,958,267	4,844,344,068	5.2%

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
2013	\$ 22,198,042	\$ 22,103,676	99.57 %	\$ 17,082	\$ 22,120,758	99.65 %
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

* "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

2013		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Medimmune, Inc	\$ 190,939,633	2.04 %
ARE LLC	138,514,368	1.48
Lake Forest Associates	112,759,100	1.21
Chi Two Washingtonian LLC ET AL	88,138,333	0.94
Archstone Westchester	88,080,200	0.94
893 Clopper Road Investors Corp	82,224,834	0.88
Federal Realty Investments TR	82,193,567	0.88
Avalon II Maryland Value III LP	80,690,667	0.86
Asbury Atlantic Inc	74,449,500	0.80
Saul Holding LTD	74,268,433	0.80
	\$ 1,012,258,635	10.84 %
<i>Total Assessed Valuation</i>	<i>\$ 9,339,317,989</i>	

2004		
Taxpayer	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Lake Forest Associates	\$ 120,855,300	2.41 %
Asbury Methodist Home, Inc	117,064,678	2.34
ARE - 19 Firstfield Road LLC	109,805,270	2.19
Saul Holdings LTD Partnership	77,524,542	1.55
Federal Realty Investment Trust	59,766,098	1.19
Washingtonian Associates L C	58,413,132	1.17
9801 Washington Office Inc.	55,211,766	1.10
893 Clopper Road Investors	49,538,564	0.99
GE Technologies	47,701,026	0.95
Fairfield Quince Orchard	46,344,126	0.93
	\$ 742,224,502	14.83 %
<i>Total Assessed Valuation</i>	<i>\$ 5,005,439,589</i>	

(1) Assessed valuation based on the valuation of property for taxes collected in 2012 and 2004 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	
2013	\$ 0.262	\$ 0.724	\$ 0.112	\$ 0.183	\$ 1.281
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

- 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, 2013

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>3,291,592,031</u>	5.0%	<u>163,692,478</u>
Total Direct and Overlapping Debt	<u><u>\$ 3,291,592,031</u></u>		<u><u>\$ 163,692,478</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, 2013

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	%
2013	63,842	\$ 4,690,791	\$ 73,475	N/A	149,018	5.2	
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	

(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, 2013

2013		
Employer	Employees	Percentage of Total City Employment
National Institute of Standards and Technology	2,289	0.43%
Lockheed Martin, IS&GS	1,300	0.24%
Medimmune	1,210	0.22%
Sodexo USA	1,087	0.20%
IBM	1,052	0.20%
Asbury Atlantic, Inc	875	0.16%
The Gazette Newspaper	360	0.07%
Gene Logic	391	0.07%
Broadsoft, Inc	299	0.06%
Digene	185	0.03%
Total	<u>9,048</u>	<u>1.68%</u>
Total Montgomery County Civilian Labor Force	<u>538,530</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.

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

Function/Program	2013	2012	2011	2010	2009
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	2	2	2	2	2
Registrations & Elections	-	-	-	-	-
Office of the City Manager	4	4	4	5	5
Economic & Community Development	1	2	2	2	2
Environmental Affairs	3	1	1	1	2
Human Resources	5	5	5	5	5
Finance & Administration	9	8	7	7	6
Housing & Community Deve	1	1	1	1	1
Information Technology	10	9	8	8	8
Facilities Management	7	8	8	8	8
Buildings and Grounds	-	-	-	-	-
General Services	-	-	-	-	-
Public Information	6	6	4	4	4
Cable Television Channel 13	1	2	2	2	2
Planning	6	9	10	10	10
Public Safety					
Police Services	64	59	59	59	58
Code Administration	25	20	20	20	20
Traffic Engineering	2	2	2	2	2
Animal Control	4	5	5	5	4
Public Works					
Public Works Administration	6	5	5	5	5
Parks Maintenance Division	16	16	16	16	16
Streets & Special Projects	10	10	10	10	10
Fleet Maintenance	6	6	6	6	5
Landscaping & Forestry	13	13	13	13	13
Mowing & Bulk Pick-Up	19	19	19	20	20
Recycling	-	-	-	-	-
Engineering Services	3	2	2	2	2
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	5	4	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	3	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	2	1	1	1
Kentlands Mansion	3	3	2	2	2
Cultural Arts Programs	2	1	1	1	1
Special Events	4	5	5	4	4
Gaithersburg Aquatic Center	1	1	1	1	1
Picnic Pavilions	-	-	-	-	-
Winter Lights	-	-	1	1	1
Miniature Golf Course	1	-	-	-	-
Activity Center	3	5	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:	272.0	262.0	256.0	253.0	255.0
Employment Agreement Employee Totals:	3.0	4.8	6.8	8.3	8.4
Part-Time Employee Totals:	101.3	99.4	99.3	119.4	117.5
Total Employees	376.3	366.2	362.1	380.7	380.9

Source: City of Gaithersburg, Maryland 2004-2013 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	2008	2007	2006	2005	2004
General Government:					
Mayor and City Council	1	1	1	1	1
Legal Services	-	-	-	-	-
Registrations & Elections	-	-	-	-	-
Office of the City Manager	5	5	6	6	7
Economic & Community Development	3	3	2	2.5	2
Environmental Affairs	2	2	2	1.5	-
Human Resources	4	4	4	3	3
Finance & Administration	6	6	6	6	6
Housing & Community Deve	-	-	-	-	-
Information Technology	7	6	5	5	4
Facilities Management	8	7	5	5	4
Buildings and Grounds	-	-	2	2	2
General Services	-	-	-	-	-
Public Information	4	4	4	4	4
Cable Television Channel 13	2	2	2	3	3
Planning	11	11	12	11	11
Public Safety					
Police Services	56	51	47	45	41
Code Administration	20	19	15	17	17
Traffic Engineering	2	2	2	2	2
Animal Control	4	4	4	4	4
Public Works					
Public Works Administration	5	5	5	5	7
Parks Maintenance Division	16	16	17	16	16
Streets & Special Projects	9	9	9	7	6
Fleet Maintenance	5	5	5	5	5
Landscaping & Forestry	13	12	11	11	11
Mowing & Bulk Pick-Up	19	17	18	18	17
Recycling	-	-	-	-	-
Engineering Services	2	1	1	1	1
Street Lighting	-	-	-	-	-
Parks, Recreation & Culture					
Parks, Recreation & Culture	5	5	5	5	6
Recreation Programs & Sports	5	5	5	4	4
Recreation Classes	1	1	1	1	1
Youth Services	3	3	4	4	4
Summer Programs	-	-	-	-	-
Gaithersburg Youth Center	1	1	-	1	-
Olde Towne Youth Center	1	-	1	-	1
Casey Community Center	2	2	2	2	1
Water Park	1	1	1	1	2
Gaithersburg Arts Barn	1	2	1	1	1
Kentlands Mansion	2	2	2	2	4
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	1	2
Miniature Golf Course	-	-	-	-	-
Activity Center	4	4	4	4	-
Skate Park	-	-	-	-	-
Food Service	-	-	-	-	-
Community Services and Development					
Seniors Program	5	5	5	4	4
Human Services	3	3	3	3	2
Homeless Assistance	3	3	3	2	-
Full-Time Employee Totals:	248.0	236.0	228.0	221.0	209.0
Employment Agreement Employee Totals:	10.6	11.6	17.6	18.7	19.5
Part-Time Employee Totals:	117.4	115.8	113.4	108.6	105.3
Total Employees	376.0	363.4	359.0	348.3	333.8

Source: City of Gaithersburg, Maryland 2004-2013 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	2013	2012	2011	2010	2009
General Information					
Population	63,842	62,848	61,172	58,017	57,818
Registered Voters	32,459	31,137	28,539	28,115	25,469
General Government					
Commercial Construction Permits Issued	14	49	22	1	11
Residential Construction Permits Issued	221	111	152	125	72
Estimated Value of Construction	\$ 149,132,741	\$ 31,581,002	\$ 92,207,832	\$ 24,799,660	\$ 46,746,126
Transitional Housing to Permanent Housing	8	11	7	13	11
Public Safety					
Police Officers	52	52	46	52	53
Traffic Citations	10,670	9,359	8,356	7,858	8,085
Calls for Service	32,879	10,194	8,928	8,653	7,805
Fire Marshall Inspector	1	1	1	1	1
Animal Control Officers	4	4	4	4	3
Fire Marshall Inspections	1,211	1,001	1,684	1,291	1,262
Animal Licenses	1,655	2,882	2,838	2,596	2,508
Solid Waste					
Co-Mingled (tons)	3,395	3,117	3,343	3,171	2,474
Newspaper (tons)	N/A	N/A	N/A	N/A	N/A
Yard Waste (tons)	1,389	1,251	1,259	993	1,014

* 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

2008	2007	2006	2005	2004
59,912	60,736	58,607	57,812	56,365
25,469	27,725	25,936	25,936	25,936
4	7	9	17	11
89	126	134	94	77
\$ 36,022,880	\$ 30,177,912	\$ 40,815,382	\$ 74,313,532	\$ 25,020,215
3	6	8	6	8
49	46	45	43	39
5,966	6,803	7,818	7,066	4,699
7,955	11,956	17,844	30,995	28,643
1	1	1	1	1
3	3	3	3	3
979	1,094	1,527	1,302	2,118
2,467	2,477	2,454	2,472	2,624
907	579	804	972	745
1,432	1,449	1,407	2,013	1,812
1,036	934	902	1,322	1,322

City of Gaithersburg, Maryland
 Combined Schedule of Cash and Investments - by Financial Institution
 June 30, 2013

Description	Total
Bank of America	\$898,887
PNC Bank	\$147,120
Total Financial Institutions	<u>\$1,046,007</u>
Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow:	
General Fund	\$10,581
Pension Trust Fund	\$49,932,060
Retiree Benefit Trust Fund	\$4,602,830
Private-Purpose Trust Fund	\$13,589
Total Petty Cash, Change Funds, Trust Funds and Safe Deposit Escrow	<u>\$54,559,060</u>
Total Cash Deposits in Financial Institutions and on Hand	<u>\$55,605,067</u>
Investments, State Treasurer's Investment Pool	\$86,430,142
Montgomery County's General Investment Fund	\$8,908,174
Total Investments	<u>\$95,338,316</u>
Total Cash and Investments	<u><u>\$150,943,383</u></u>



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

Function/Program	2013	2012	2011	2010	2009
General Information					
Area in Square Miles	10.37	10.33	10.33	10.33	10.33
Public Safety - Police					
Stations	1	1	1	1	1
Number of Patrol Units	73	73	66	63	63
Highways and Streets					
City Streets (miles)	92.56	92.56	90.51	87.95	87.95
County Streets (miles)	6.72	6.72	6.72	6.06	6.06
State Streets (miles)	17.54	17.54	17.54	17.54	17.54
Private Streets (miles)	1.93	1.93	2.08	3.98	3.98
Street Lights (City Maint.)	4,138	4,115	4,115	4,367	4,377
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 **	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

2008	2007	2006	2005	2004
10.33	10.33	10.04	10.04	10.01
1	1	1	1	1
58	46	57	50	47
87.95	87.95	87.95	88.24	87.61
6.06	6.06	5.75	5.34	5.34
17.54	17.54	17.54	17.54	17.54
3.98	3.98	3.98	4.28	4.93
4,368	4,323	3,550	3,350	3,150
853.48	853.48	853.48	853.48	853.48
25	25	25	25	24
1	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	5	4	4
1	1	1	1	1
14	14	12	12	12

City of Gaithersburg, Maryland
Schedule of Cumulative Appropriations, Expenditures, and Encumbrances - Capital Projects
From Project Inception Through June 30, 2013

Project Number	Project Name	Cumulative Appropriation	Cumulative Expenditures Plus Encumbrances	Variance Favorable (Unfavorable)
CITY FACILITY:				
70-2	City Hall	\$ 4,533,851	\$ 4,432,146	\$ 101,705
72-2	Public Service Facility	3,792,629	3,693,597	99,032
93-1	Technology Projects	6,115,854	4,077,282	2,038,572
98-1	Facilities Projects	3,803,319	2,596,547	1,206,772
01-2	Kentlands Mansion	1,137,316	858,863	278,453
02-1	Kentlands Firehouse	65,682	65,682	-
07-1	Emergency Preparedness	180,000	135,327	44,673
09-1	Police Station Improvement	211,397	51,393	160,004
10-1	Energy Efficiency and Conservation	728,000	532,466	195,534
	Total City Facility	<u>20,568,048</u>	<u>16,443,303</u>	<u>4,124,745</u>
COMMUNITY ENHANCEMENT				
71-2	Street Lighting	2,406,406	2,017,682	388,724
79-5	Olde Towne Revitalization	4,958,523	3,128,671	1,829,852
81-4	Property Acquisition and Disposition	15,611,544	14,681,549	929,995
99-4	Olde Towne Park Bell Tower	190,216	190,216	-
99-4A	Olde Towne Park Plaza	1,569,784	5,201	1,564,583
00-1	Y Site Development	13,131,052	12,901,874	229,178
04-1	Community Development Block Grant - HUD	1,708,363	1,387,580	320,783
09-2	Historic Preservation at Crown Farm	70,000	-	70,000
09-4	Rolling Stock Project	1,423,061	1,378,003	45,058
00-0	Contingency and Future Projects	2,149,980	2,144,130	5,850
	Total Community Enhancement	<u>43,218,929</u>	<u>37,834,906</u>	<u>5,384,023</u>
TRANSPORTATION/ENVIRONMENT				
79-3	Sidewalks, Handicapped Ramps & Bike Pathways	2,744,016	2,135,080	608,936
82-1	Stormwater Management and Storm Drainage	10,869,787	8,876,223	1,993,564
83-1	Street Resurfacing	17,792,370	17,209,131	583,239
91-3	Street Reconstruction	7,732,710	7,376,613	356,097
92-2	Traffic Calming and Signalization	1,457,535	1,285,646	171,889
98-7	Transit Enhancements	293,800	221,263	72,537
99-1	North Frederick Avenue Corridor Plan Implementation	165,000	125,456	39,544
07-2	Teachers Way	3,200,400	3,200,400	-
	Total Transportation/Environment	<u>44,255,618</u>	<u>40,429,812</u>	<u>3,825,806</u>
RECREATION/LEISURE				
83-2	Bohrer Park at Summit Hall Farm	\$ 15,244,092	14,263,717	\$ 980,375
98-4	Art In Public Places	596,509	462,553	133,956
00-4	Renovation/Improvements Of Existing Parks	1,290,086	811,728	478,358
02-2	Parks and Facility Signage			-
03-1	Gaithersburg Aquatic/Recreation Center	7,897,632	706,321	7,191,311
09-3	Gaithersburg Senior Center	2,989,040	95,611	2,893,429
13-1	Synthetic Fields	50,000	46,150	3,850
	Total Recreation/Leisure	<u>28,067,359</u>	<u>16,386,080</u>	<u>11,681,279</u>
Grand Total		<u>\$ 136,109,954</u>	<u>\$ 111,094,101</u>	<u>\$ 25,015,853</u>

Single Audit Section



Gaithersburg
A CHARACTER COUNTS! CITY



Memorial Day



**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance With
Government Auditing Standards**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Gaithersburg, Maryland (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2013-01, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Gaithersburg, Maryland's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Frederick, Maryland
October 24, 2013



**Independent Auditor's Report On Compliance For
Each Major Federal Program And Report On Internal Control Over
Compliance Required By OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gaithersburg, Maryland's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Gaithersburg, Maryland complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Frederick, Maryland

October 24, 2013

City Of Gaithersburg, Maryland

**Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2013**

Program	CFDA Number	Pass-Through Entity Identifying Number	FY13 Revenue Recognized & Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 52,642
Supportive Housing for Persons with Disabilities	14.181	N/A	84,870
Total for Supportive Housing for Persons with Disabilities			137,512
Community Development Block Grant	14.218	N/A	219,624
Total U.S. Department of Housing and Urban Development			357,136
U.S. Department of Transportation			
Passed through Maryland Department of Transportation:			
Highway Planning and Construction	20.205	N/A	189,259
Highway Planning and Construction	20.205	N/A	358,364
Total U.S. Department of Transportation			547,623
U.S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	3,581
U.S. Department of Energy			
Direct Program:			
Energy Efficiency and Conservation Block Grant – ARRA	81.128	N/A	177,538
U.S. Department of Homeland Security			
Passed through Montgomery County, Maryland:			
Disaster Grants - Public Assistance	97.036	N/A	27,331
Total Expenditures of Federal Awards			\$ 1,113,209

See Notes To Schedule Of Expenditures Of Federal Awards.

City Of Gaithersburg, Maryland

Notes To Schedule Of Expenditures Of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gaithersburg, Maryland under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. 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.

City Of Gaithersburg, Maryland

**Schedule Of Findings And Questioned Costs
Year Ended June 30, 2013**

Section I. Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes 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: Unmodified

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:

CFDA Number(s) Name of Federal Program or Cluster
20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

City Of Gaithersburg, Maryland

**Schedule Of Findings And Questioned Costs
Year Ended June 30, 2013**

Section II. Financial Statement Findings

Internal Control

Finding 2013-01: Revenue Recognition – Material Weakness

Criteria: A key element in internal controls is the design, implementation, and maintenance of controls to ensure all transactions are properly reflected in the financial statements, including nonrecurring transactions.

Condition: The City failed to properly record developer contributions that the City was legally entitled to receive under an executed annexation agreement. In addition, the City also improperly recorded a loan to a third party in furtherance of the City's affordable housing initiative.

Context: During our current year audit testing, we noted that the City recognized revenue for a disbursement of loan funds to a third party in furtherance of the City's affordable housing initiative. Upon further review, it was determined that these funds should have been recorded as revenue in prior years when the City had an enforceable legal claim to receive the contributions from a developer.

Effect: Under the terms of the annexation agreement with the developer, the City was entitled to \$4,200,000 of contribution revenue, which should have been recognized in the statement of activities during fiscal year 2011 when the annexation agreement was executed. Due to the fact that all revenue recognition criteria had been met, the failure of the City to record these revenues in prior years represents an error. To correct the error, the \$4,200,000 was recorded in governmental activities revenue during the current year, and \$3,000,000 was recorded as revenue in the general fund, representing funds that are considered available. In addition, the \$486,000 loan to a third party was adjusted to properly record as a long-term receivable.

Cause: This non-routine transaction was not properly evaluated and recorded by the City. Management failed to apply the revenue recognition criteria for nonexchange transactions to the terms of the annexation agreement.

Recommendation: We recommend greater scrutiny of the City's executed annexation agreements be performed to evaluate the effects on financial reporting and recommend the implementation of procedures to ensure all non-routine transactions are properly recorded in the City's trial balance in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: Management acknowledges the breakdown of controls associated with these non-routine transactions. Management concurs with the auditor's recommendation and the Director of Finance will establish controls to ensure that all non-routine transactions are closely scrutinized and communicated timely to the accounting department for evaluation and proper recording in the City's general ledger.

Compliance

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, 2013**

No matters were reported in the prior year.

Gaithersburg Welcomes You!

GAITHERSBURG

A celebration



Comprehensive Annual Financial Report

City of Gaithersburg, MD
Department of Finance and Administration
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Gaithersburg, Maryland 20877
301.258.6320 ■ www.gaithersburgmd.gov

